

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
JULY 10, 2006

The regular weekly meeting of the Board of Commissioners of Public Utility District No. 1 of Clallam County was held at the Port Angeles Office, 2431 East Highway 101, on the above date commencing at 1:30 p.m.

Commissioners present were: W.E. Purser, Vice President and Hugh Haffner, Secretary. Commissioner Simpson was excused.

Staff present were: Michael McInnes, Interim General Manager; Ken Foster, District Auditor; Joshua Bunch, Treasurer/Controller; Mike Kitz, Water and Wastewater Systems Superintendent; David Proebstel, Chief Engineer; Fred Mitchell, Telecommunications & Power Resources Manager; and Carol Biss, Executive Assistant.

Others present were: Cindy Kelly and Teri Martin.

On motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission approved the minutes of the June 6, 2005 regular weekly meeting as submitted.

Interim General Manager McInnes introduced Joshua Bunch, who was appointed as the District's Treasurer/Controller.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commissioners accepted as complete the contract with PowerCom, Inc. for the Lower Elwha Fiber Project in the amount of \$24,370.26, including Washington State sales tax.

Mr. McInnes and Chief Engineer Proebstel reported on a request from the Coast Guard and the Makah Tribe for the District to install a new underground cable to the Cape Flattery area. The existing cable, which was not installed to District specifications and is owned by the Coast Guard, is failing. The Coast Guard has proposed that it pay for the installation of new cable and that the District take ownership and the responsibility for maintenance and replacement. Commissioners and staff discussed policy issues for this type of service for a governmental entity in a remote area where installation costs are large, customer consumption is very low, and little or no growth is expected in the area; therefore, the District would not be able to recover its cost of future maintenance and replacement through revenue from electric rates. The Commissioners suggested that, in these types of situations, the District and the customer enter into a contract with a provision for addressing cable failure. The customer would have the option of paying for cable replacement, if the customer wanted to continue service, or abandoning the service.

Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission adopted Resolution 1813-06 establishing titles, salary ranges, and position rates for staff employees effective July 1, 2006. The resolution adds the positions of Engineer I in Range 8 and Engineer II in Range 11, removes the position of Engineer in Range 13, and moves the General Superintendent position to Range 21.

Telecommunications and Power Resources Manager Mitchell reviewed options for acquiring renewable resources. The District's current contract with Klickitat PUD for renewable energy from its landfill gas project expires on September 30, 2006. Renewal of this contract is integral with the District's commitment to negotiate a contract to purchase wind energy from the White Creek wind project. The District would also need to purchase a wind integration product from Bonneville Power Administration and pay for transmission costs. Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission authorized the Interim General Manager to sign a letter to Klickitat PUD, requesting renewal of the landfill gas contract and indicating the District's intent to negotiate a power purchase agreement for six megawatts of capacity from the White Creek wind project.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission awarded Bid Number 060810 for line crew and equipment for transmission rebuild projects to Michels Power in the amount of \$983,000 plus Washington State sales tax.

Water and Wastewater Systems Superintendent Kitz reviewed proposed changes to the contract for the Morse Creek Water Treatment Plant. Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission authorized the Interim General Manager to sign Contract Change Order Number 3 with Standard Construction, Inc. in the amount of \$4,702.76 for additional work on the Morse Creek Water Treatment Plant.

Mr. McInnes reviewed a letter from the Emergency Management Division of Washington State's Military Department. The letter was sent to notify the District that it was selected as an award recipient of the competitive Emergency Management Preparedness Assistance Grant. The amount of the award was

\$90,788. Mr. Kitz commended Operations Administrative Assistant Tricia Barrett for her outstanding work in finding the grant, preparing the application, and writing a proposal that would be consistent with the Emergency Management Division's mission. The grant funds will be used to purchase a portable generator and install electrical interface connects for each of the District's 12 pump stations.

Mr. McInnes reviewed a letter from Loren Baker of The Energy Authority (TEA) acknowledging the District's assignment of its contract with Power Resources Managers (PRM) to TEA. The letter noted that, after the sale of PRM to TEA, all PRM employees had become TEA employees, and TEA is operating out of the same offices that PRM used.

Two lists of claim vouchers as certified by the Interim General Manager and District Auditor were considered. On motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission approved payment of claim vouchers in the amount of \$90,577.58 for July 3, 2006. District Auditor Foster reported that the claim vouchers for July 3 included three rebates for conservation programs totaling \$1,602.56. On motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved payment of claim vouchers in the amount of \$348,660.45 for July 10, 2006. District Auditor Foster reported that the claim vouchers for July 10 included 22 rebates for conservation programs totaling \$4,943.43.

Commissioner Haffner reported on the American Public Power Association's Annual Meeting and opening remarks by APPA's President and CEO, Alan Richardson. He discussed the information provided at the annual meeting by U.S. Geothermal about its Raft River Geothermal Project. He noted that several PUD Commissioners met during the APPA conference to discuss the progress of the Coalition for Affordable Power's campaign, "\$27 in '07," which was an effort to reduce Bonneville Power Administration's wholesale power rates. He also reported on a Clallam County Commissioners meeting he attended.

Commissioner Purser discussed the need for the District to hold a public meeting in Carlsborg regarding the Satellite Sewer System feasibility study. He reported that the Sequim Chamber of Commerce Board had been invited to a meeting with U.S. Senate candidate Mike McGarvick.

Mr. Mitchell presented the Telecommunications and Power Resources Manager's Report. He discussed the first program the District will offer under Bonneville Power Administration's Early Start Conservation Rate Credit Program. The new conservation program, "Savings with a Twist," involves buying down the price of compact fluorescent bulbs so that consumers would be able to purchase them for 99 cents at local retailers for a three-month period this fall.

Mr. Bunch presented the Treasurer's Report for May 2006. Interest for the month totaled \$98,614.36, cash totaled \$1,021,726.64, and the investments totaled \$25,114,759.79. He discussed a letter of credit required for the Bonneville Power Administration's Flexible PF Rate Program. He has had preliminary discussions with legal counsel and Bank of America, and will report back to the Commission as additional information becomes available.

Mr. McInnes presented the Interim General Manager's Report. The first group of checks for the Native American tax refund was disbursed at the end of June. The District received over 30 applications for the General Manager position. Five were selected for telephone interviews, and some of those candidates will be recommended for interviews with the Commission. The Wholesale Water Contract with the City of Port Angeles may be ready for discussion at next week's meeting.

Attendance at meetings was confirmed and approved.

There being no further business to come before the Commission, the meeting adjourned at 3:28 p.m. to meet again Monday, July 17, 2006, at 1:30 p.m. in the Port Angeles office.