

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
JULY 23, 2007

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: Hugh Haffner, President; Hugh E. Simpson, Jr., Vice President; and W.E. Purser, Secretary.

Staff present were: Doug Nass, General Manager; Joshua Bunch, Treasurer Controller; Dave Proebstel, Chief Engineer; Roger Host, Operations Superintendent; and Fred Mitchell, Power Supply and Utility Services Manager.

Others present were: Brian Gawley, Patrick Irwin, Cindy Kelly, and Teri Martin.

On motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission approved the minutes of the July 16, 2007 regular weekly meeting as corrected.

Power Supply and Utility Services Manager Mitchell reviewed activities regarding consideration of time-based metering and communications standards in accordance with requirements of the Public Utilities Regulatory Policy Act of 1978 and the Energy Policy Act of 2005. He reported that the District received no public comments on these standards during the public comment period, which began September 1, 2006, and ended July 20, 2007. EES, Inc. conducted a cost benefit analysis of time-based rates for the District. Staff's recommendation is that the Commissioners not implement time-based metering and communications standards at this time for residential and commercial customers, and that for large power customers who are interested, the District consider time-of-use rates on a case-by-case basis. Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission adopted Resolution 1842-07 setting forth the Commission's determination not to implement a time-based metering and communications standard at this time.

Upon recommendation of staff and on motion of Commissioner Simpson, seconded by Commissioner Purser and carried, the Commission adopted Resolution 1843-07 initiating consideration of a plan to minimize dependence on one fuel source and to ensure that the electric energy the District sells to consumers is generated using a diverse range of fuels and technologies. The Commissioners must make a determination by August 8, 2008.

Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission authorized the General Manager to sign an agreement with Economic and Financial Strategies to conduct a comprehensive electric rate study for the District in the amount of \$22,400.

Upon recommendation of staff and on motion of Commissioner Simpson, seconded by Commissioner Purser and carried, the Commission authorized the General Manager to sign an agreement with Utility Financial Solutions to conduct a water study for \$17,500.

Ms. Teri Martin from the Clallam networks Economic Development Council (EDC) announced the Annual Golf Extravaganza will be held on September 28 at 12:30 p.m. in Sequim. EDC is inviting all contract partners to participate in this fundraising event, which will be held at The Cedars at Dungeness Golf Course.

A list of claim vouchers as certified by the General Manager and District Auditor was considered. On motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission approved payment of claim vouchers in the amount of \$722,221.10 for July 23, 2007. Treasurer Controller Bunch reported that the vouchers included one rebate for conservation programs in the amount of \$365.20.

Commissioner Purser reported on the Dungeness Executive Committee and rulemaking for the Dungeness River Basin. The Department of Ecology (DOE) presented the goals of the rulemaking process, which are (1) Protect senior water rights and federal reserve; (2) Protect instream flow values; (3) Meet future needs; (4) Address reliability and uncertainty. DOE wants to hold meetings to provide public education and to obtain public comment on the instream flow rulemaking process. The meetings will begin in September.

Commissioner Simpson reported on Washington PUD Association meetings held last week. The main topic of discussion was the residential exchange. Bonneville Power Administration announced last week that it would not seek a rehearing of the decision by the Ninth U.S. Circuit Court of Appeals, which ruled that BPA overstepped its settlement authority in its residential exchange contracts with Investor Owned Utilities (IOUs) beginning in 2000. One of the concerns of some of the WPUDA members was that, after the Court's decision, BPA stopped making residential exchange payments to the IOUs, but continued to collect those payments from public utility customers. Negotiations broke down last week between representatives of public power and the IOUs regarding a possible settlement of the residential exchange issue. Fred Mitchell reported on discussions at the Western Public Agencies Group about the residential exchange and strategies for moving forward.

Chief Engineer Proebstel and Operations Superintendent Hosto reported on the status of major projects including transmission, substation, distribution, pole replacement, and underground cable replacement projects. They also reported on recent outages and future planned outages and operations and maintenance agreements for electric lines to serve Nippon.

Mr. Mitchell reported on the status of the White Creek Wind Project. The District had previously expressed interest in purchasing six megawatts of output from the project. If the District participated in the project, it could obtain both energy and environmental attributes (or green tags), and would be required to make an upfront payment for capacity. After discussing the matter, it was agreed that staff should obtain additional information about the project.

Attendance at meetings was approved.

The regular meeting recessed at 3:42 p.m. to go into Executive Session for legal and personnel matters. The executive session adjourned at 5:07 p.m., and the regular meeting reconvened at that time.

On motion of Commissioner Simpson, seconded by Commissioner Purser and carried, the Commission adopted Resolution 1844-07 establishing titles and monthly salary ranges for staff employees.

There being no further business to come before the Commission, the meeting adjourned at 5:09 p.m. to meet again Monday, July 30, 2007, at 1:30 p.m. in the Port Angeles office.