

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY  
MINUTES OF THE BOARD OF COMMISSIONERS WORK SESSION  
ON THE DISTRICT'S FUTURE RELATIONSHIP  
WITH BONNEVILLE POWER ADMINISTRATION  
NOVEMBER 17, 2004

The Board of Commissioners of Public Utility District No. 1 of Clallam County held a work session commencing at 10 a.m. at the Port Angeles Office, 2431 East Highway 101.

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

Staff present were: Dennis Bickford, General Manager; Shelley Burgett, Treasurer/Controller; Fred Mitchell, Telecommunications & Power Resources Manager; and Carol Biss, Executive Assistant

Others present were: Loren Baker and Jeff Fuller of Power Resource Managers

Mr. Loren Baker and Mr. Jeff Fuller of Power Resource Managers were present to facilitate the discussion for today's work session, which is the first in a series of four work sessions on the District's future relationship with Bonneville Power Administration (BPA). The objective is to begin providing a framework for the District to make strategic decisions as BPA's role in the region changes. The agenda for this session was to brainstorm topics of interest for future work sessions, review regional initiatives already underway on the future of BPA, and present a brief overview of the current market environment.

Mr. Baker asked the Commissioners about topics that would be of interest to them. Commissioner Simpson asked about BPA's future role as it relates to transmission. Commissioner Haffner asked how the Federal-Based System would be controlled and how costs would be controlled if the System were allocated. Commissioner Purser suggested that renewable energy be discussed in one of the work sessions.

Mr. Baker and Mr. Fuller reviewed regional initiatives on the future of BPA. They discussed what is motivating efforts to allocate BPA and reviewed recommendations from the Northwest Power and Conservation Council on the future of BPA. They listed advantages of allocating the Federal-Based System (FBS) and presented an allocation proposal approved by the Public Power Council Executive Committee. They presented one conceptual approach for allocating the FBS with slice customers and full/partial service and block customers. They presented a preliminary analysis showing projections for the percentage of the FBS that would meet the District's load requirements from 2011-2021. Tiered rates were briefly discussed.

An overview of the state of northwest energy markets was presented, and comparisons of power and gas prices were reviewed. Forecasts for regional loads and resources were presented.

Mr. Baker said that the key messages from today's work session are:

1. The District should not feel rushed to make a long-term resource decision, although it's not too soon to begin resource planning.
2. Power prices are high at the present time due to high natural gas prices, but if gas prices fall, there likely will be a favorable non-federal resource acquisition opportunity before 2011.
3. The District needs to decide what product(s) it wants to purchase from BPA, potentially as early as 2006 or 2007.

The work session adjourned at 12:57 p.m.