

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
OCTOBER 6, 2008

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; Jana Robbins, District Auditor; John Purvis, Distribution Systems Manager; Fred Mitchell, Power Resources and Utility Services Manager; Ruth Kuch, Financial Assistant; and Carol Biss, Executive Assistant.

Others present were: Jim Casey, Joanne Evans, Bob Jensen, and Cindy Kelly.

On motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission approved the minutes of the September 29, 2008 regular weekly meeting.

The regular meeting was recessed at 1:31 p.m. to conduct a budget hearing on the 2009 budgets. Treasurer Controller Bunch presented proposed budgets for 2009 for the Electric, Water, and Sewer Departments and compared the proposed budgets to 2008. The 2009 budgets are an updated version of the budgets presented at the August 25, 2008 meeting, and will undergo further revisions before they are presented for final approval later this year. In the Electric Department budget, resources available for expenses totaled \$71,383,009 and expenses totaled \$55,996,047. Resources available for expenses in the Water Department budget totaled \$4,689,670 and expenses totaled \$4,102,402. Resources available for expenses in the Sewer Department budget totaled \$59,780 and expenses totaled \$27,750. Mr. Bunch explained that the proposed electric budget assumed a 3 percent rate increase; the proposed water budget assumed a 6.5 percent rate increase, which was approved last year; and the wastewater budget assumed a 5 percent rate increase. Commissioners Haffner and Purser asked staff to look for ways to reduce expenses and capital projects in order to balance the 2009 budget without an increase in electric rates. Commissioner Haffner said it was important to keep rates stable given the current economic climate. Mr. Bunch said that staff will continue to revise the budgets and will meet with the Commissioners in a budget work session for further discussion. Following a time for public comment on the 2009 budgets, the hearing recessed at 2:03 p.m., and the regular meeting reconvened at that time. The budget hearing will reconvene at a future date and public comment will be taken.

Upon recommendation of staff and on motion of Commissioner Simpson, seconded by Commissioner Purser and carried, the Commission approved the prequalification of DJ's Electrical, Incorporated to perform work for the District in 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 Revision No. 7 to Exhibit C of the District's power sales agreement with the Bonneville Power Administration, (BPA) assigning the District's seven percent (7%) share of the Packwood Lake Hydroelectric Project to Snohomish PUD for Contract Year 2009.

Power Resources and Utility Services Manager Mitchell reviewed proposed changes to the Surplus Firm Power Sales Agreement with Bonneville Power Administration. The power under this contract is for the sole purpose of resale to the Port Townsend Paper Corporation under a separate contract. The changes reflect the rate for the contract year 2009. Upon recommendation of staff and on motion of Commissioner Simpson, seconded by Commissioner Purser and carried, the Commission authorized the General Manager to sign Exhibit A, Revision No. 1 for the Surplus Firm Power Sales Agreement between the District and BPA.

Mr. Mitchell reviewed a revision to the Surplus Firm Power Sales Agreement with Port Townsend Paper Corporation. The revision reflects new rates for power sales that have been changed due to changes in Bonneville wholesale power rates. Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission authorized the District's General Manager to sign Exhibit A, Revision No. 1 to the Surplus Firm Power Sales Agreement between the District and Port Townsend Paper Corporation.

Mr. Mitchell said that the eight-year contract with Klickitat PUD for output from the H.W. Hill Landfill Gas Power Plant is coming to an end. In anticipation of putting in new generation turbines, Klickitat PUD wants to understand what the market is willing to pay for this resource. He reviewed the terms and conditions of Klickitat PUD's request for bids for purchase of a two-megawatt portion of the output from the landfill gas project. After discussing the matter further, the Commissioners agreed that staff should make an offer of up to a maximum of \$10 per megawatt hour for Renewable Energy Credits.

In a random drawing by lot, the Commissioners selected Shelby Napiontek as the District's nominee for the Glenn and Elvira Walkley Educational Scholarship. Her name will be submitted to the Washington PUD Association to be included in a final drawing for the scholarship winner. A \$1,000 scholarship is

awarded each year to a senior high school student who is the son or daughter of a public utility district employee.

Mrs. Joanne Evans, retired Records Manager, was present to express her concerns about the welfare of the District after seeing signs that said "Save Our PUD." Commissioner Haffner explained that the signs are from a group of his campaign supporters who had concerns about another candidate's conflict of interest. Commissioner Purser suggested that perhaps District customers need reassurance that the District is in good shape.

Mr. Bob Jensen asked how the District's electric service to Port Townsend Paper would be affected if Jefferson County PUD began offering electric services. General Manager Nass said there would most likely be no change.

Mrs. Cindy Kelly asked when the District would complete its review of rate classes, and Mr. Bunch said he expected it to be done by the end of the year.

The Commissioners completed the Port Angeles Regional Chamber of Commerce ballot for Chamber Board of Directors.

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 \$224,362.89 for October 6, 2008. District Auditor Robbins reported that the vouchers included 47 rebates for conservation programs totaling \$11,648.85.

Commissioner Purser reported that Linda Rotmark, Executive Director of Clallam County Economic Development Council, contacted him about the kitchen equipment at the Costco property in Carlsborg. Mr. Nass said the equipment was removed before Costco put the property up for sale.

Commissioner Simpson reported on a call from a customer who was pleased to learn about the District's duct sealing program. He also reported that the Port Angeles Business Association meeting included a presentation by a group supporting the Port Angeles School District Tech Levy.

Commissioner Haffner reported that he had received positive feedback from people in the community regarding the purchase of the Costco property in Carlsborg. He referred to an editorial in the Sequim Gazette complimenting the Commissioners on their decision.

Billing Supervisor King reported on the status of the Remote Meter Reading Program. In an effort to provide new technology to customers that is efficient and cost-effective, the District is launching a Remote Meter Reading Pilot Program. The Commissioners reviewed a letter that will be sent to about 100 customers who will be participating in the Pilot Program.

Mr. Mitchell reported on the Regional Dialogue Power Supply Contracts and a meeting with BPA Administrator Steve Wright. Customers who are interested in the Slice contracts have been in discussion with BPA about the percentage cap on Slice and integrating renewables. Mr. Mitchell will arrange a time for Terry Mundorf, legal counsel for the Western Public Agencies Group, to talk to the Commissioners about issues with long-term power sales contracts with BPA.

Attendance at meetings was confirmed and approved.

There being no further business to come before the Commission, the meeting adjourned at 3:54 p.m. to meet again, Monday, October 13, 2008, at 1:30 p.m. in the Port Angeles office.