

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
SEPTEMBER 27, 2004

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, Acting President, and Hugh E. Simpson, Jr., Secretary. Commissioner Purser was excused.

Staff present were: Dennis Bickford, General Manager; Shelley Burgett, Treasurer/Controller; Ken Foster, District Auditor; Mike Kitz, Water and Wastewater Systems Superintendent; Roger Hosto, Operations Superintendent; Ken Morgan, Transmission and Substation Systems Manager; Dave Proebstel, Distribution Systems Manager; and Carol Biss, Executive Assistant.

Others present were: Bob Hoyle, Larry Kost, Terry Sparks, and Ed Tuttle.

On motion of Commissioner Simpson, seconded by Commissioner Haffner and carried, the Commission approved the minutes of the September 20, 2004 meeting as submitted.

General Manager Bickford introduced Mr. Larry Kost of WESCO Utility and Mr. Terry Sparks of ABB Company and said that they were present to protest the bid award for distribution transformers. (Bid No. 040811) This morning, they met with Mr. Bickford and Transmission and Substation Systems Manager Morgan, who reviewed the bid material, discussed the District's interpretation, and reviewed what staff presented to the Commissioners. Mr. Bickford said this is one of the more complicated bid evaluations. The computer model used to evaluate Total Ownership Cost (TOC) is a linear approximation of a non-linear calculation. Mr. Morgan reviewed some of the factors in the TOC formula. He explained how errors in the formula led the industry to move toward establishing a window around the TOC. Bids that fall within that window are deemed equal and then are further evaluated on more subjective criteria: product quality, delivery time, and customer service. The bid tabulation and staff recommendation for bid awards were reviewed for three categories: single-phase pole-mounted transformers, single-phase pad-mounted transformers, and three-phase pad-mounted transformers. Mr. Terry Sparks explained why he thought ABB Company should have been awarded the bid for the single-phase and three-phase pad-mounted transformers. Mr. Bickford said that staff would do another analysis and report back to the Commissioners and Mr. Kost and Mr. Sparks.

Upon recommendation of staff and on motion of Commissioner Simpson, seconded by Commissioner Haffner and carried, the Commission approved a Contract Change Order No. 040813-1 with International Line Builders, Inc. for transmission rebuild projects in the amount of \$4,234.00. The increase was due to additional work performed by the contractor.

Mr. Ed Tuttle presented information about Mr. Tyler Ahlgren's proposal for an alternate routing of U.S. Highway 101 through Port Angeles.

Mr. Bob Hoyle presented copies of an article from the Peninsula Daily News, which reported on actions some cities have taken following a state Supreme Court ruling that struck down a Tacoma-Pierce County Health Department fluoridation order.

Mr. Bickford read excerpts from a September 17, 2004 letter from Port Angeles City Manager, Michael Quinn. In the letter, Mr. Quinn asked that the District and the City meet in the near future to discuss the wholesale water contract. The present contract expires at the end of 2005. He said that water service to the District would be discontinued if a new contract were not in place on or before December 31, 2005, and that "the pending lawsuit does not change that."

A list of claim vouchers as certified by the General Manager and District Auditor was considered. On motion of Commissioner Simpson, seconded by Commissioner Haffner and carried, the Commission approved payment of claim vouchers in the amount of \$202,907.43. District Auditor Foster reported that the claim vouchers included 13 rebates for conservation programs totaling \$8,471.39.

Commissioner Simpson reported on a joint meeting with the City of Port Angeles. There was a discussion of a safety issue, and he said that District staff would continue to work with the City, Nippon, and the Bureau of Reclamation on improving communication among all entities involved when work is being done on electric lines. There was also a discussion of electrical service to a sawmill that may locate west of Port Angeles. Commissioner Simpson said that the general public does not want to see duplicate facilities and suggested that, if the City intended to serve the new mill, the District and the City develop a wheeling agreement. Other topics that were discussed at the meeting included joint purchasing, a feasibility study for a sewer line in the urban growth area east of Port Angeles, the September 17, 2004 letter from City

Manager about the wholesale water contract, and a joint water reservoir. He suggested that the joint water reservoir be reviewed at a future board meeting.

Commissioner Haffner reported on a presentation by the Department of Natural Resources and the University of Washington about a project to convert forest wood waste into electricity. The project consists of developing a mobile unit that would convert pre-commercial forest thinning to methanol, which would be used in fuel cells and then possible distributed generation.

Mr. Bickford presented the General Manager's Report. He said that the Clallam County's Water Quality Manager requested that the District send a letter or adopt a resolution in support of Water Resource Inventory Area No. 18 Watershed Management Plan. Commissioner Haffner said that if the District sends a letter it should include a statement about the District's need for water rights. Mr. Bickford said that the Washington PUD Association's Annual Meeting will be held on December 1-3. Public Power Week is October 3-9, and the District will place informational ads in local newspapers. He reported on a meeting he attended at Snohomish PUD about Bonneville Power Administration (BPA) debt optimization. There were representatives from other PUDs, Energy Northwest, some industrial customers, and BPA. Mr. Jim Curtis of BPA gave a presentation on BPA's need for additional capital.

Water and Wastewater Systems Superintendent Kitz reported that testing of the Tinkham well showed that it was high in manganese. He reviewed a draft scope of work for evaluating the alternative sources of water for the Port Angeles Composite System. The work would include an initial discussion with the Department of Ecology about the possibility of converting existing water rights to municipal water rights. Commissioner Haffner emphasized that the District needs to look at water issues on a regional basis.

Mr. Morgan provided a status report on the Jamestown s'Klallam Tribe's Jimmycomelately Estuary Project. He provided a map of the project and showed the location of District facilities in that area. Staff will continue to work with the Jamestown s'Klallam Tribe on the estuary project.

Attendance meetings was confirmed and approved.

There being no further business to come before the Commission, the meeting adjourned at 4:19 p.m. to meet again, Monday, October 4, 2004, at 1:30 p.m. in the Port Angeles office.