

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
SEPTEMBER 11, 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: Hugh E. Simpson, Jr., President; W.E. Purser, Vice President; and Hugh Haffner, Secretary.

Staff present were: Michael McInnes, Interim General Manager; Joshua Bunch, Treasurer Controller; Ken Foster, District Auditor; Fred Mitchell, Telecommunications and Power Resources Manager; and Carol Biss, Executive Assistant.

Others present were: Brian Gawley, Mark Hanna, Teri Martin, and Lloyd Pedersen.

On motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission approved the minutes of the September 5, 2006 regular weekly meeting as submitted.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission accepted as complete the contract with Onyx Industrial Services, Inc. for painting of the transformer at Beaver Camp Substation in the amount of \$24,787.83, including Washington State sales tax.

Telecommunications and Power Resources Manager Mitchell reported that Northwest Open Access Network (NoaNet) is seeking an alternative funding mechanism for renewals and replacements associated with the underlying optical infrastructure of the network. NoaNet secured a line of credit with a bank for financing the renewals and replacements. To minimize interest rates, NoaNet members could amend the Bylaws; however, it has been determined that not all members would approve this. An alternative would be for NoaNet members to have interlocal agreements with NoaNet, whereby members would contribute directly to NoaNet for its renewals and replacements and be paid back over the next four years for the principal funds, plus a reasonable return. Under this approach, the member reimbursement would be considered an operations and maintenance expense associated with renewal and replacement of the aging optical infrastructure. Based on the discussion with the Commissioners that followed, Mr. Mitchell will inform the NoaNet Board that the District is still interested in discussing the alternative financing option.

Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried the Commission authorized the Interim General Manager to execute a one-year contract extension with Klickitat PUD for the landfill gas project.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission approved the removal of delinquent accounts from the active accounts receivable in the amount of \$24,059.21.

Mr. Lloyd Pedersen was present to suggest a solution to the water shortage in certain parts of the County. He suggested that there is enough water in the Elwha River to serve other areas of the County, e.g., the Dungeness Valley. He said that under this proposal, less water would be taken from the Dungeness River, leaving more available for fish and wildlife in the Dungeness. He also discussed possible water storage so that water would be available during the driest months of the year.

Mr. Mark Hanna was present to discuss his concerns about low flow conditions in Morse Creek. He asked Water Department staff to meet with him to provide information regarding the availability of water in Morse Creek in August and September for future growth. He anticipates taking the information to the County Planning Commission to inquire if the infrastructure can support growth in this area.

A list of claim vouchers as certified by the Interim General Manager and District Auditor was considered. On motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission approved payment of claim vouchers in the amount of \$ 72,340.61 for September 11, 2006. District Auditor Foster reported that the claim vouchers included 16 rebates for conservation programs totaling \$2,077.45.

Commissioner Haffner reported on a Washington PUD Association workshop about the Regional Dialogue proposal. Bonneville Power Administration (BPA) Administrator Stephen Wright, who was one of the speakers, said that by 2011, there will be more demand than the federal system can produce. He talked about reaching a "settlement" with BPA for post 2011 contracts through the Regional Dialogue process. Commissioner Haffner discussed settlement and exchange issues in more detail. He said Mr. Wright stressed the importance of public power utilities uniting and working with BPA to develop parameters to use in negotiating with the IOUs on the value of the residential exchange.

Commissioner Purser also reported on the Regional Dialogue workshop. Following BPA's presentation, a panel of PUD Commissioners responded to the BPA presentation. Commissioner Purser expressed his concerns about certain aspects of the Regional Dialogue proposal, including utilities giving up the right to litigate.

Commissioner Simpson reported on a news article that announced the Canadian government issued permits for a cross-Strait transmission. The Canadian National Energy Board approved Sea Breeze Corporation's application to construct and operate a 550-megawatt power line that would cross the Strait of Juan de Fuca between Vancouver Island and Port Angeles. The line would have the capacity to send power in both directions.

Mr. Mitchell reported that Bonneville Power Administration (BPA) indicated an interest in contributing to the Finavera Renewables' proposed wave energy project at Makah Bay. BPA offered to have the District sponsor the \$50,000 grant from BPA and disburse the funds to Finavera Renewables, which bought out AquaEnergy. The funds would be for assistance with the permitting process for the project.

Mr. Mitchell also reported that the District's legal counsel has reviewed and approved the final draft of the Firm Surplus Power Sales Contract with Port Townsend Paper. He expects the agreement to be signed this week.

Treasurer Controller Bunch presented the Treasurer's Report for the month of August 2006. The total amount invested was \$23,263,036.05, cash totaled \$2,202,749.82, and the interest for the month totaled \$227,951.80.

Mr. McInnes presented the Interim General Manager's Report. There will be an executive session on Wednesday, September 20 to interview a candidate for General Manager. The meeting will start at 8:30 a.m. He discussed seeking community input on the plans for the Sequim office project and Johnson Creek Substation. Commissioner Purser suggested contacting the Sequim Chamber of Commerce regarding public comment. Mr. McInnes said that if the Governor declares a drought for Water Resource Inventory Areas 18 and 19, the District will need to proceed with implementation of its Drought Response Plan for those customers. Nominations for the following Washington PUD Association annual awards and programs are due October 6: WPUDA Lifetime Achievement Award, William T. Elmgren Public Service Award, Good Samaritan Award, Walkley Educational Scholarship, and new members for the Heritage Life Member program. The District received a letter from BPA saying that responses to the Flexible PF program exceeded BPA expectations and enabled it to obtain the financial commitments needed to significantly reduce its cash reserve requirement. The letter also provided information on receiving credit for costs utilities incurred in setting up the Letter of Credit.

Attendance meetings was approved.

The regular meeting recessed at 3:43 p.m. to go into executive session for personnel and contract matters. The executive session adjourned at 4:05 p.m., and the regular meeting reconvened at that time. There being no further business to come before the Commission, the meeting adjourned at 4:06 p.m. to meet again, Monday, September 18, 2006, at 1:30 p.m. in the Port Angeles office.