

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
AUGUST 7, 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 Kitz, Acting General Manager; Ken Foster, District Auditor; Joshua Bunch, Treasurer/Controller; Fred Mitchell, Telecommunications and Power Resources Manager; and Carol Biss, Executive Assistant.

Others present were: Charles Forman, Brian Gawley, Cindy Kelly, Scott McLain, and Ed Tuttle.

On motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved the minutes of the July 31, 2006 regular weekly meeting as submitted.

Mr. Charles Forman, the District's Account Executive from Bonneville Power Administration (BPA), was present to answer questions about the Flexible PF Rate Program, wholesale power rates, the Long-Term Regional Dialogue Policy Proposal, and any other issues the Commissioners wished to discuss. He emphasized the importance of the Regional Dialogue Policy Proposal for the future and encouraged staff and Commissioners to review it. The deadline for comments is September 29, 2006.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission adopted Resolution 1814-06, approving the District's participation in the Flexible PF Rate Program by the Bonneville Power Administration and accepting a proposal from Bank of America to provide a letter of credit that BPA requires to secure the District's obligations under the Rate Program.

Acting General Manager Kitz reviewed final revisions to the proposed Wholesale Water Agreement with the City of Port Angeles. The contract is for a minimum term of 30 years, includes renewal options, and has provisions for construction of a new Gales Addition reservoir and the transfer of District facilities to the City if the City boundaries are changed through annexation. Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved and signed the Wholesale Water Agreement with the City of Port Angeles.

Mr. Kitz reviewed a section of Resolution 1634-00 pertaining to the reimbursement of expenses for in-person interviews of certain managerial candidates and noted that the level of reimbursement is at the discretion of the Commission. Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved full reimbursement of interview expenses that meet the District's guidelines for General Manager candidates.

Telecommunications and Power Resources Manager Mitchell reviewed deadlines for initiating consideration of certain standards as required by the Energy Policy Act of 2005, amending the Public Utility Regulatory Policies Act of 1978. Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission adopted Resolution 1815-06, initiating the consideration of time-based rate schedules, "smart" metering, and communication systems; and Resolution 1816-06, initiating the consideration of interconnection and net metering standards.

Mr. Ed Tuttle discussed a demonstration project in King County using membrane bioreactor technology to reclaim wastewater.

The Commissioners received a letter from the Bonneville Power Administration stating that BPA had signed an agreement to provide a share of funding for the next phase of Columbia Grid's development.

A list of claim vouchers as certified by the Acting 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 \$378,125.52 for August 7, 2006. District Auditor Foster reported that the claim vouchers included 27 rebates for conservation programs totaling \$9,929.07.

Commissioner Haffner reported on the public meeting that was held in Carlsborg on August 2 to provide information about a planned feasibility study for a sewer system in the Carlsborg Urban Growth Area. He said that one issue that was raised at the meeting came from customers who had recently put in septic systems and were concerned about the cost of connecting to a new sewer system. Commissioner Haffner noted that this is an issue that the consultant conducting the feasibility study will need to address.

Commissioner Purser reported on a Peninsula Development Association (PDA) Board meeting. To meet changing requirements and qualify for funds, the PDA will need to take on some EDC functions, including having a staff. He also reported on a meeting of the North Olympic Peninsula Resource Conservation and Development Council (RC&D) Council. It is in the process of negotiating the amount of a grant from the National Aeronautic and Space Administration for funds to track snow pack and water resources. The RC&D Council may ask for assistance from District staff on this project. A series of town hall meetings on bioenergy is being planned by the RC&D Council. Commissioner Purser also reported on a Rotary meeting where a presentation was given about the plans for a state park on the Miller Peninsula.

Commissioner Simpson reported on a Port Angeles Business Association meeting at which the National Park Service made a presentation. He also reported on the Joyce Daze Parade and noted that the District had three vehicles in the parade. Following up on Commissioner Haffner's remarks about the August 2 meeting, he agreed that a key issue the feasibility study is the migration from individual septic systems to a sewer system.

Telecommunications and Power Resources Manager Mitchell reported on progress of the power sales agreement between the District and Port Townsend Paper for firm power. He described provisions in the contract for the timing of payments, which would preclude the need for a letter of credit. The goal is to have an executable contract by the end of the month.

Mr. Kitz presented the Acting General Manager's Report. He discussed the request from customers along East Sequim Bay Road to bring broadband services to that area. He reviewed sections of RCW 54.16.120 and noted that the law does not say that the LUD method can be used for a fiber-optic system. He reported that the State Auditors have begun their audit of District records and have scheduled an entrance conference for Monday, August 14, 2006, at 10 a.m. The Commissioners agreed that Commissioner Haffner should represent the Commission at the conference. Mr. Kitz distributed copies of questions for interviews with General Manager candidates. He reported on a road project the County is doing in Sekiu on Washington Street. The project will require the District to relocate its facilities.

Attendance at meetings was approved.

The regular meeting recessed at 3:03 p.m. to go into executive session for property matters. The executive session adjourned at 3:12 p.m., and the regular meeting reconvened at that time. There being no further business to come before the Commission, the meeting adjourned at 3:13 p.m. to meet again Monday, August 14, 2006, at 1:30 p.m. in the Port Angeles office.