

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
March 8, 2010

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: W.E. Purser, President; Hugh Haffner, Vice President

Commissioner Simpson was excused.

Staff Present: Doug Nass, General Manager; Joshua Bunch, Treasurer Controller; Nicole Clark, Executive Assistant; Dennis Shaw, General Superintendent; Fred Mitchell, Power Supply & Utility Services Manager; Larry Morris, Support Services & Safety Manager; Judy Packwood, Utility Services Advisor

Others Present: Teri Martin; Linda Wyman; Jack Baker; Dave Kobus; Tom Krueger

On motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved the minutes of the March 1, 2010 regular weekly meeting.

There was an agenda revision to add reports from staff.

Jack Baker, Dave Kobus, and Tom Krueger were present, representing Energy Northwest (ENW), to provide an update on the status of the Radar Ridge wind project and the possible strategies for future permitting of the project. The project is currently over budget and ENW is seeking feedback from the participant boards on the strategic path towards permitting in order to bring a budget for approval through June of 2011. Mr. Kobus explained that ENW believes that the project has turned a corner. Commissioner Haffner expressed displeasure at spending additional funds when the project is already over budget. General Manager Nass recalled his notes from the October visit and update from ENW at which time ENW staff indicated that they were three weeks from completing the environmental assessment (EA) and that if it was approved, the project would be able to move forward. General Manager Nass asked what had changed since that update. Mr. Kobus indicated that the development team has chosen not to submit the EA up to this point because they've been interfacing with the agencies and, based on their feedback, strategizing for maximum leverage for the success of this project. Mr. Kobus stated that in the time that they've been holding onto the EA and further developing the science, it has been turning into an EIS. The funds for an EIS have already been invested and it would only take a couple of hours of work to finalize the study as an EIS. Commissioner Haffner asked how the District can be confident that ENW won't go over budget in the future and if ENW is willing to contribute their funds towards the problem. Mr. Kobus explained that this is the reason ENW is going to each of the participant Boards; to admit to their mistake and discuss how they plan to fix it.

At this point, ENW needs to participant boards to approve all of the changes since the original project development agreement. The budget overrun includes work that was being done by contractors without being properly accrued for in the management of the project. In addition, the contractors did not provide notice when their contract was at 80 percent completion. Commissioner Haffner asked if there was any recuperation of costs possible. ENW has not pursued this because the contractors were instructed by ENW staff to perform the work. Jack Baker said that the lesson learned is that they need to be properly accruing for work being performed and that they must obtain participant board authorization, not just approval at the regular participant review board meetings. Mr. Baker said that in the meantime, they have minimized development work other than what he has personally authorized, pending completion of this trip to the participants and feedback from the respective Boards. ENW will be instituting a monthly update to the participating PUD Boards rather than just quarterly and will be tracking contract values compared to the approved budget.

There are three strategic paths to move forward with the project. Each carries a cost ranging from \$224,000 to \$615,000 and is dependent upon whether an environment assessment or an environmental impact study is submitted. ENW is recommending the Lowest Risk path at a cost of \$586,000, which includes the EIS and a Merlin radar system. The Merlin radar system is being recommended by ENW as a mitigation effort to protect Marbled Murrelets. It has the capability to detect a Marbled Murrelet approaching from a distance and shut the target turbine off before the Murrelet reaches it. The Merlin system would add a total cost of \$580,000 to the project for the development period. Commissioner Purser asked if contingencies in the original cost estimates had been built in. Mr. Kobus said that ENW had built in a 25 percent contingency which was used up in the Murrelet study. Mr. Baker asked for feedback on what each participant wants to do in respect to the path chosen. He said that he understands that the District is on a calendar year budget cycle and offered that ENW can defer billing to 2011 if it would assist with budgeting.

Commissioner Purser reiterated his questions to Mr. Baker, requesting follow-up answers including: How much has been expended so far? What is the participant groups' risk exposure? What will it cost to get to a sellable project? How much confidence can the District have in these numbers?

General Superintendent Dennis Shaw provided a list of two applicants to the Small Works Roster. Upon recommendation of staff, and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved the prequalifications of contractors on the list dated March 8, 2010 for inclusion on the Small Works Roster.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission approved awarding the bid for four (4) 15 KV power circuit breakers to Siemens Energy, Inc. in the not to exceed amount of \$60,313.76 including WSST. (Bid No. 100802)

Support Services and Safety Manager Larry Morris presented Contract #090801 with Asplundh Tree Expert Company, furnishing a fully equipped tree trimming crew to perform maintenance around energized distribution and transmission lines from February 18, 2009 through January 31, 2010, for completion. On motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commissioners approved Contract No. 090801 with Asplundh Tree Expert Company as complete in the amount of \$447,615.58.

A list of claim vouchers as certified by the General Manager and Acting District Auditor were considered. On motion of Commissioner Purser seconded by Commissioner Haffner and carried, the Commission approved payment of claim vouchers in the amended amount of \$352,786.57 for March 8, 2010. There were 37 conservation rebates totaling \$13,869.30.

Power Supply and Utility Services Manager Fred Mitchell presented an update on a Renewable Energy Certificates (RECs) purchase contract. There have been some difficulties with the proposed contract and staff is working on several approaches to make it viable.

Mr. Mitchell also reported that the first shipment of CFLs under the residential distribution program have shipped, with the balance being shipped out over the next few weeks.

General Manager Doug Nass reported on the Carlsborg property that the District recently acquired. Due to Western Washington growth management issues, the parcel has been officially designated as Rural Neighborhood Conservation (NC) as of February 1, 2010. One of the uses allowed is public facilities and buildings. Development requires a conditional use permit.

The regular meeting recessed at 3:22 p.m. to go into executive session for personnel matters. The executive session adjourned at 3:45 p.m., and the regular meeting reconvened at that time.

Attendance at meetings was approved.

There being no further business to come before the Commission, the meeting adjourned at 3:46 p.m. to meet again, Monday, March 15, 2010, at 1:30 p.m. in the Port Angeles office.