

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
October 5, 2009

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; Hugh E. Simpson, Jr., Secretary

Staff Present: Doug Nass, General Manager; Joshua Bunch, Treasurer Controller; Nicole Clark, Executive Assistant; Quimby Moon, Transmission and Substation Systems Manager; Larry Morris, Support Services and Safety Manager; John Purvis, Distribution Systems Manager; Fred Mitchell, Power Supply & Utility Services Manager; Dennis Shaw, General Superintendent; Jeff Beaman, Executive Communications Coordinator; Shawn Delplain, Network Administrator; Ruth Kuch, Financial Analyst

Others Present: Paul Manson; Cindy Kelly

On motion of Commissioner Haffner seconded by Commissioner Simpson and carried, the Commission approved the minutes of the September 28, 2009 regular weekly meeting.

Mr. Paul Manson, President of Sea Breeze Power Corp., was present to talk about their proposed Juan de Fuca Cable project which would connect Port Angeles to Victoria via a 30 mile, 550 megawatt submarine cable. The technology they are proposing to use is HVDC Light bi-directional power flow cable. The project is expected to cost 500 million US dollars, funded through 100 million in private equity and 400 million in debt obligation. The project has all major permits in place and Sea Breeze hopes to begin construction in 2010. This project would relieve congestion in the I-5 corridor and allow the Peninsula to receive power from both the south and the north. One of the loose ends of the project is that Sea Breeze needs to secure a location for a converter station to connect with the Bonneville Power Administration substation in Port Angeles. Mr. Manson stated that Sea Breeze has appreciated the District's support in the past and hoped the discussion would continue.

Upon recommendation of staff and on motion of Commissioner Simpson, seconded by Commissioner Haffner and carried, the Commission approved Power Engineers, Inc. to provide Engineering Services for the upgrade of selected District substations to full function SCADA capabilities, in accordance with Professional Services Agreement #090307 and Task Order #3 in the not-to-exceed amount of \$335,865.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Simpson and carried, the Commission approved Power Engineers, Inc. to provide Engineering Services for the design, construction oversight, and commissioning of the Silverado Substation, in accordance with Professional Services Agreement #090307 and Task Order #4 in the not-to-exceed amount of \$420,714.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Simpson and carried, the Commission approved Change Order #1 of Contract #090803 with Innerpole Investigations to extend the end date of the contract for pole inspection, treating and reporting to October 31, 2009 with no change in contract price.

Upon recommendation of staff and on motion of Commissioner Simpson, seconded by Commissioner Haffner and carried, the Commission approved awarding the bid for furnishing personnel and equipment to convert 1.5 miles of overhead lines to underground electrical distribution facilities on Township Line Road to Potelco, Inc. in the amount of \$357,775 plus Washington State sales tax. (Bid #090808)

In a random drawing by lot, the Commissioners selected Cameron Moon as the District's nominee for the Glenn and Elvira Walkley Educational Scholarship. His 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.

The regular meeting was recessed at 2:46 p.m. to conduct a budget hearing on the 2010 budgets. Treasurer Controller Bunch presented proposed budgets for 2010 for the Electric, Water, and Sewer Departments and compared the proposed budgets to 2009. The 2010 budgets are an updated version of the budgets presented at the August 31, 2009 meeting, and will undergo further revisions before they are presented for final approval later this year. Much of the budget is dedicated to meeting I-937 requirements and conservation efforts. There is an anticipated decrease in revenue from a decline in new customer projects and a decrease in revenue from Port Townsend Paper. In the Electric Department budget, revenues totaled \$49,602,000 and expenses totaled \$52,898,592. Revenues in the Water Department budget totaled \$6,814,000 and expenses totaled \$7,163,896. Revenues in the Wastewater Department budget totaled \$26,800 and expenses totaled \$29,389. Mr. Bunch explained that the proposed electric budget included Bonneville Power Administration's (BPA's) rate increase in October of 2009 without an increase in the District's rate at this time. However, an increase later in 2010 may be necessary to offset the second BPA increase in 2010. The proposed water budget assumed a 6.5 percent rate increase effective Jan 1, 2009; and the wastewater budget assumed a .10 per day rate increase bringing it to \$39 per month which is still not break-even. 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 2010 budgets, the hearing recessed at 3:00 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.

In anticipation of upcoming vacations and holiday schedules, the meetings of December 28, 2009 and January 4, 2010 have been cancelled.

A list of claim vouchers as certified by the General Manager and District Auditor were considered. On motion of Commissioner Haffner, seconded by Commissioner Simpson and carried, the Commission approved payment of claim vouchers in the amount of \$358,935.47 for October 5, 2009.

Commissioner Simpson reported that he attended a meeting of the Port Angeles Business Association (PABA) where the agenda was an introduction to the candidates for the Port Angeles School Board District. Commissioner Simpson also shared information that a PABA member brought from a conference on Protecting America Against Permanent Continental Shutdown from Electromagnetic Pulse.

Commissioner Haffner attended the American Conversations event at Peninsula College featuring speaker Jeremy Rifkin discussing the consequences of global warming.

Commissioner Purser reported that Energy Northwest is bringing the Columbia Generating Station back online after having resolved some issues. Commissioner Purser also shared an email that he had received from the coordinator for the Dungeness rulemaking committee that they were postponing meeting pending comment from the Attorney General. Under Monday's Attorney General's opinion, the state can halt new groundwater appropriations for both permitted and exempt wells; however, the state cannot impose lower limits on how much water may be drawn from exempt wells than is already allowed under state law.

Power Supply and Utility Services Manager Fred Mitchell reported on options for NoaNet's contribution towards the annual debt service on the 2001 bonds. NoaNet has been steadily paying more towards the debt service up to as much as 50 percent annually. In preparing for their 2010 budget, it has been recommended that instead of paying more than 50 percent, that the members continue to pay 50 percent, allowing NoaNet to build reserves. The Commission agreed to support NoaNet building reserves through continued payment of 50 percent of the principle and interest payments under the Third Repayment Agreement for a couple years.

Mr. Mitchell reported on the Packwood Hydroelectric Project. The District is a participant and owns about a 7 percent share of capacity. It is part of our resource but for FY 2010 the District has signed its share to Snohomish PUD. By November 1, the District must decide whether to bring our share to load or not, under the new contract. Staff will continue to evaluate the option and will bring more information to the Commission at a later date.

Mr. Mitchell reported on a Notice of Alleged Violation and Proposed Penalty or Sanction which the District, along with many of the Northwest utilities, received from the Western Electricity Coordinating Council (WECC.) WECC is the North American Electric Reliability Corporation (NERC) agency that has the responsibility for enforcement. The fines levied on the District amount to \$56,000. Staff, and many of the Northwest utilities, plan to appeal to WECC within the time frame allowed and will keep the Board updated.

Fred Mitchell also reported on the status of serving Port Townsend Paper. Bonneville Power Administration said that the District could serve the OCC plant. Because of the reduction in the amount of power that the District is now providing, the ratio of the administrative work involved is higher. Staff is continuing to evaluate the impact of continuing service to the plant and the Commissioners supported continuing discussion with Port Townsend Paper regarding a shorter term contract at the PF rate.

Treasurer Controller Bunch presented the Treasurer's Report for August 2009. Interest for the month totaled \$13,337.61; cash totaled \$4,927,167.83; and the total amount invested was \$27,040,504.55.

Attendance at meetings was approved.

There being no further business to come before the Commission, the meeting adjourned at 4:28 p.m. to meet again, Monday, October 12, 2009, at 1:30 p.m. in the Port Angeles office.