

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
FEBRUARY 14, 2005

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: Dennis Bickford, General Manager; Shelley Burgett, Treasurer/Controller; Ken Foster, District Auditor; Mike Kitz, Water and Wastewater Systems Superintendent; Ken Morgan, Transmission Systems Manager; and Carol Biss, Executive Assistant.

Others present were: Sue Erzen, Jerri Coen, Jim Bishop, Bob Hoyle, Cindy Kelly, Dick Kott, and Ed Tuttle.

On motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission approved the minutes of the February 7, 2005 regular weekly meeting as presented. On motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved the minutes of the February 9, 2005 work session as presented.

The League of Women Voters President, Sue Erzen, and Public Relations Chair, Jerri Coen were present to thank the Commissioners for their service to the community. Ms. Coen said that since the League of Women Voters was formed on Valentine's Day, the League wanted to take the opportunity today to express their appreciation to elected officials for their commitment to serve the public.

General Manager Bickford provided background information on the moratorium on new and expanded service connections in the urban growth (UGA) area east of Port Angeles. He said that for 60 years the District has purchased water from the City of Port Angeles, and the issue of annexation was never included in the wholesale water contract until 2004. A provision in the new contract required the District to obtain a no protest pre-annexation agreement from its customers seeking new or expanded water service in the eastern UGA. The District, as a water purveyor, questioned whether it had the authority to require its customers to sign such an agreement as a condition of service. The City notified the District that it would terminate delivery of water if the District did not sign the wholesale water contract. The Commissioners were concerned about health and safety risks if the water were shut off and, therefore, they reluctantly approved the wholesale water contract and placed a moratorium on new water service connections in the eastern UGA. The District then asked the Superior Court about the District's authority to require the pre-annexation agreements as a condition of service. Mr. Bickford said that, at 1 p.m. today, Superior Court Judge Toni Sheldon signed the order that said the District could not require customers to sign the pre-annexation agreements as a condition of service. That leaves the moratorium in place without the requirement to obtain the pre-annexation agreements.

Upon recommendation of staff and on motion of Commissioner Haffner, amended by Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission removed the moratorium on new or expanded water service in the urban growth area east of Port Angeles and directed staff to continue to look for alternate sources of water and to pursue a long-term water contract with the City of Port Angeles.

Telecommunications and Power Resources Manager Mitchell discussed the proposed distribution of funds from the Washington Consumer Energy Fund (WCEF) for the District's commercial and industrial customers. The funds are part of an antitrust settlement negotiated by the Washington State Attorney General with Williams Energy, El Paso Energy Corporation, and Duke Energy. The settlement is a result of investigations into alleged illegal manipulation of the electricity prices during the energy crisis on the West Coast in 2000-2001. Mr. Mitchell said that the District received approximately \$50,000 for commercial and industrial customers and proposed that the funds be distributed in the form of refunds to that group of customers. The Commissioners approved the refund proposal and reviewed the draft cover letter to be mailed with the refunds. They agreed to sign the cover letter after it is modified to explain why residential customers will not be receiving refunds. The District's proposal to issue refunds directly to residential customers was not accepted by the WCEF. Instead, over \$200,000 is being provided to the District's residential customers for assistance in energy conservation activities.

Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved Change Order 040813-2 to the contract with International Line Builders, Inc. for additional materials and work on the transmission rebuild projects in the amount of \$11,600.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission adopted Resolution 1771-05 authorizing the disposal of surplus technology equipment.

On motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission canceled the February 21, 2005 meeting due to the Presidents' Day Holiday. The Commissioners will not meet on February 22, 2005.

Mr. Dick Kott was present to discuss the proposed annexation in the urban growth area (UGA) west of Port Angeles, which would include a new hardwood mill. He said the issues are low-cost electricity, water, and sewer services. He asked the Commissioners to consider a cost-of-service study to review electric rates for industrial customers in the western UGA. It was suggested that, since the District and Dry Creek Water Association have existing infrastructure to provide electric and water service, respectively, in that area, it might be more economical for those utilities to continue to provide those services and for the City to provide sewer and fire flow services. Mr. Kott discussed the possibility of the District wheeling power to customers in the area that the City proposes to annex.

Mrs. Cindy Kelly reported on a discussion about the Water Resource Inventory Area 18 Watershed Management Plan at the County Commissioners' work session today. Mr. Kott encouraged the District to work to revise the Plan's amendment process. The current draft requires a unanimous vote to amend the Plan. Commissioner Haffner suggested that Mr. Kott's suggestion, along with other comments that have been previously brought before the Commission, be incorporated into the District's letter regarding the Plan.

Mr. Bickford reviewed a memo from Steve Johnson, Executive Director of the Washington PUD Association. WPUDA Board action regarding the size of the WPUDA's office building in Olympia has been delayed. There will be a discussion of this issue at the WPUDA Board meeting on February 18, but no action will be taken at that meeting.

A list of claim vouchers as certified by the 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 \$311,278.47 for February 14, 2005. District Auditor Foster reported that the claim vouchers included 8 rebates for conservation programs totaling \$6,137.83.

Commissioner Haffner reported that U.S. Senator Maria Cantwell is sponsoring a petition drive against the Bush Administration's proposal to increase Bonneville Power Administration's wholesale rates until they are roughly the same as market prices. He discussed the Boundary Review Board process as it relates to annexation in the UGA west of Port Angeles. On motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission authorized the General Manager to prepare a request for review to be filed with the Clallam County Boundary Review Board.

Commissioner Purser reported on a Clallam netWorks' Agriculture Cluster meeting. People from several counties attended the meeting and heard a presentation about how other commercial kitchen projects have helped local businesses.

Commissioner Simpson reported on last week's strategic planning work session.

Mr. Bickford presented the General Manager's Report. All work under the contract with D & H Enterprises for trenching backfill restoration for primary power underground relocation has been completed. The cost of the project was \$22,760 plus Washington State sales tax. (Work Order No. 03-1231) He noted that the District received two "Raves" in the Peninsula Daily News on February 13. A reader wrote to express her appreciation to Meter Reader Brent Maggard for promptly returning an item she had lost, and the Forks Post Office thanked the District for helping to untangle the flag on its property. Mr. Bickford noted that there is a work session scheduled on February 16 at 10 a.m. at the Port Angeles office. There is a retirement dinner for Ken Morgan, Transmission and Substation Systems Manager, on Saturday, February 26 at 6 p.m. at the Port Angeles Yacht Club.

Treasurer/Controller Burgett presented the Treasurer's Report for January 2005. Interest for the month totaled \$56,678.84, cash totaled \$2,605,859.71, and the total amount invested was \$20,840,315.44. She reviewed minor changes in the Revised Code of Washington pertaining to the Rural Economic Development Revolving Fund. (RCW 82.16.0491) She reviewed definitions for a qualifying project, qualifying rural area, and local board, and noted that the right to earn tax credits under this section has been extended to June 30, 2011.

Attendance at the following meetings was approved: Dave Johnson to attend a Post 2006 Conservation Group meeting in Spokane on February 15-17; Dennis Bickford and Fred Mitchell to attend a WPAG meeting in SeaTac on February 17; and Fred Mitchell to attend the NWPPA Annual Meeting in Palm Springs, California on May 22-26.

There being no further business to come before the Commission, the meeting adjourned at 4:24 p.m. to meet again Monday, February 28, 2005, at 1:30 p.m. in the Port Angeles office.