

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF A SPECIAL MEETING OF
THE BOARD OF COMMISSIONERS
JULY 8, 2004

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: W.E. Purser, President, Hugh Haffner, Vice President, and Hugh E. Simpson, Jr., Secretary.

Staff present were: Dennis Bickford, General Manager, Shelley Burgett, Treasurer/Controller, Ken Foster, Auditor, Mike Kitz, Water and Wastewater Systems Superintendent, Vicky Alward, Water Systems Representative, and Carol Biss, Executive Assistant.

Others present were: Lottie Bayton, Dennis Bragg, Ron Browning, Thelma Durham, Judy Eklund, Brian Gawley, Ed Glazar, Bob Hoyle, Bart Irwin, Cherie Kidd, Jim McCauley, Bob Price, C.H. Riddle, and Dick Sieg.

Commissioner Purser invited comments from the public. Two customers commended General Manager Bickford on his conduct at the last City of Port Angeles Council Meeting. Ms. Cherie Kidd offered a personal apology from herself, friends and neighbors in the City for the City's conduct related to the wholesale water contract. Mrs. Lottie Bayton, wife of former PUD Commissioner, Russell Bayton, said that her husband would have fully supported the Commissioners' position on the wholesale water contract. There was a discussion of other sources of water for the District. It was suggested that citizens meet to consider options such as using community wells. Although most of those present indicated that they objected to the City's requirement that the wholesale water contract include a no-protest pre-annexation provision, one customer indicated that he did not object to annexation and urged the Commissioners to sign the contract to avoid having the water shut off. Commissioner Simpson said that it is unfortunate that the District had been drawn into a land-use battle because the District's mission is to provide reliable, safe utility services at the lowest possible cost. Many customers have said that they are opposed to what's been termed, "blackmail," referring to the pre-annexation provision of the contract. He said that the decision the Commissioners have to make is very difficult. He said that he did not agree with the pre-annexation requirement in the wholesale water contract; however, if the Commissioners do not sign the contract, they may create a situation in which customers would not have water at the same volume, and probably not at the same rate, they currently have.

The Special Meeting recessed at 9:50 a.m. to go into executive session regarding possible litigation. The executive session adjourned at 11:03 a.m. and the special meeting reconvened at 11:07 a.m.

Mr. Jim McCauley, Regional Engineer for the State Department of Health (DOH) was present to bring a message from DOH. He said that the position of DOH is that it does not have statutory authority to intervene in this issue between the City and the PUD. This is a contractual issue. He added that it would be tragic to have the intertie closed. The DOH has urged the City of Port Angeles not to close it. Mr. McCauley said that he has worked with Water and Wastewater Superintendent Kitz to have the means to operate the District's system if the intertie were closed. He commended Mr. Kitz and his staff for the job they did. Mr. McCauley said that the DOH's main concern is health and safety. He discussed the potential for having water quality compromised if there was reduced pressure in the system and expressed concern for the portion of the population that would be at greater risk, e.g, those with certain medical conditions, infants, elderly, etc. The Commissioners discussed health and safety issues in more detail. Mr. McCauley also said that he had concerns about reliability if the District's treatment plant were operated 24 hours a day over a long period of time.

Commissioner Purser said that he was disappointed that DOH viewed this as a contractual dispute. Mr. McCauley said that he believes this situation is unprecedented. The DOH staff has researched the statutes, and the regulations do not address the situation that has occurred here. Commissioner Haffner said perhaps this should be addressed by the legislature so that no other utility is put in the same position. He said that no utility should be able to put another utility's customers at risk. He noted that it isn't that the District isn't willing to pay for the water from the City; but the Commissioners object to being drawn into land-use issues that are not the District's function. He said he had hoped the State would intervene after looking at the interest of the people in the community.

Commissioner Purser said that he came to the position of PUD Commissioner for the purpose of serving the public. The decision on the wholesale water contract has been the most difficult situation he has encountered during his term of service. He said that, in threatening to shut off the District's water supply, the City had acted irresponsibly. He said that the City knows that shutting off the water poses a health and safety risk. A certain segment of the population, including infants, the elderly, and people with immune deficiency and other diseases, are at greater risk if the water quality is compromised due to a drop in water pressure. Shutting off the water might also put fire protection at risk. The District, however, must act in a responsible manner for its customers. He said that the health and safety concerns outweighed the concerns about the provision in the contract requiring a no-protest pre-annexation agreement.

With great reluctance, Commissioner Purser moved that the Commission approve the wholesale water contract with the City of Port Angeles with the following stipulations: (1) The term of the contract is for 18 months; (2) The contract can be terminated upon 60 days notice; (3) District staff will work to identify sources of water to make the District independent of the City of Port Angeles; (4) The District will declare a temporary moratorium on new service connections in the Urban Growth Area; and (5) The District will explore federal funding of the Elwha project and water rights held by the City of Port Angeles. Commissioner Simpson seconded the motion, Commissioner Haffner opposed, and the motion carried.

A discussion followed as the Commissioners heard additional public comment and answered questions. The Commissioners discussed some of the other options they had investigated relating to the water contract.

There being no further business to come before the Commission, the meeting adjourned at 11:35 a.m. to meet again in a regular weekly meeting on Monday, July 12, 2004, at 1:30 p.m. in the Port Angeles office.