

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
MAY 16, 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, Assistant General Manager & Treasurer/Controller; Ken Foster, District Auditor; Mike Kitz, Water & Wastewater Systems Manager; Vicky Alward, Water and Wastewater Systems Representative; and Carol Biss, Executive Assistant.

Others present were: George Bannon, Dennis J. Brown, Sharon Brown, Carol Browning, Ron Browning, Rosemary Cockrill, Lori Garrison, Brian Gawley, Cindy Kelly, Paul Lamoureux, Lee Lunderville, Bob Martin, Joan Miracle, Ed Tuttle, Betty Wheeler, and Brian Wheeler.

On motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved the minutes of the May 2, 2005 regular weekly meeting as submitted.

Assistant General Manager and Treasurer/Controller Burgett began the 2005 water rate presentation by discussing the process of setting cost-based water rates. She reviewed the water revenue requirement analysis and discussed revenue requirements, coverage ratios, reserves, and allocation of costs between various customer classes of service. One recommendation from the analysis was that an overall five percent adjustment to the water rates would be prudent at this time. She then reviewed the 2003 Water Cost of Service Analysis and said that it showed all water systems were close to the overall system average except Island View Water System, where costs are much higher than existing revenues. It was recommended that Island View water rates be increased by seven percent. Ms. Burgett explained the current rate design considerations and discussed a proposed rate structure that would have a four-step residential conservation rate. Under the conservation rate design, unit costs would increase as usage increased. Using a base rate of 800 cubic feet per month, she compared an average residential bill from each water system with current rates and proposed conservation water rates. She also presented cost comparisons for the average commercial customer in each system. In summary, she said that the proposed rates would preserve the District's water supply and meet operational and capital needs for the time period reviewed. The meeting was then opened for public comment and questions. Based on that discussion, staff will re-evaluate the commercial water rate design and the percentages for the steps of the water conservation rates.

Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission authorized staff to call for bids for personnel and equipment to reconductor existing electrical distribution lines in the Sequim area. (Bid No. 050802) Bids will be opened on June 15, 2005, at the District's Port Angeles office.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission approved the prequalification of seven additional contractors to perform electrical work for the District in 2005. The contractors are Cougar Construction, Inc.; International Line Builders, Inc.; Michels Power; Mountain Power Construction Company; NW Utility Services, LLC; Olympic Electric Co., Inc.; and Total Energy Services, LLC.

The regular meeting recessed at 3:05 p.m., to go into executive session regarding legal matters. The executive session recessed at 3:29 p.m., and the regular meeting reconvened at that time. The executive session will reconvene on Wednesday, May 18, 2005, at 9:00 a.m. at the Carlsborg Operations Center.

Upon recommendation of staff and on motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission approved removal of delinquent accounts from the active accounts receivable in the amount of \$11,098.00.

Commissioners and staff discussed a legislative tour to be led by Grays Harbor PUD. The purpose is to discuss with federal elected officials and their staff issues between public utilities and Bonneville Power Administration. The District was asked to send a representative. General Manager Bickford said that on January 24, 2005, the Commissioners approved funding for this effort, but the District

has not been actively participating since that time. Commissioner Purser said that more information is needed about this effort.

The Commissioners received a letter from Energy Northwest asking the District to designate a representative to vote for the members of the Participants' Review Board. The annual election will be held on May 18, 2005, during Northwest Public Power Association's annual Membership Meeting in Palm Springs. The Commission directed Mr. Bickford to send written notice to Energy Northwest designating Commissioner Simpson as the District's delegate for 2005.

A list of claim vouchers as certified by the General Manager and District Auditor was considered. On motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved the payment of claim vouchers in the amount of \$107,451.07 for May 9, 2005. On motion of Commissioner Haffner, seconded by Commissioner Purser and carried, the Commission approved the payment of claim vouchers in the amount of \$278,498.80 for May 16, 2005. District Auditor Foster reported that the claim vouchers for May 9 included 29 rebates for conservation programs totaling \$12,784.99. The claim vouchers for May 16 included 18 rebates for conservation programs totaling \$7,704.51.

Attendance at the following meetings was approved: Carla Field to attend an ARMA meeting in Tacoma on May 11, and Larry Morris and Dean Johnson to inspect a truck in Tacoma on May 6.

The regular meeting recessed at 3:43 p.m. to go into executive session regarding personnel matters. The executive session adjourned at 3:53 p.m., and the regular meeting reconvened at that time. The regular meeting recessed at 3:54 to reconvene on Wednesday, May 18, 2005, at 10 a.m. at the Carlsborg Operations Center, 110 Idea Place. The Commissioners will hold a special meeting tonight at 6 p.m. at the Clallam Bay School, 16933 Highway 112, to present information and receive comments on proposed water rate increases and a conservation-based water rate structure. The next regular weekly meeting will be May 23, 2005 at 1:30 p.m. at the Port Angeles office.