

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
OCTOBER 17, 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: Shelley Burgett, Interim General Manager; Mike Kitz, Water & Wastewater Systems Superintendent; Larry Morris, Operations Superintendent; Dave Proebstel, Chief Engineer; Fred Mitchell, Telecommunications & Power Resources Manager; and Carol Biss, Executive Assistant.

Others present were: Brian Gawley, Dick Goodman, Cindy Kelly, Patti Morris, Doug Morrill, and Linda Rotmark.

On motion of Commissioner Purser seconded by Commissioner Haffner and carried, the Commission approved the minutes of the October 10, 2005 regular weekly meeting as amended.

The Commissioners and staff discussed Sea Breeze Pacific's interest in leasing property from the District for the purpose of installing a DC to AC converter. Chief Engineer Proebstel said that Sea Breeze's proposed project is to bring power from Vancouver Island to the Olympic Peninsula and connect to the Bonneville Power Administration (BPA) grid. In preliminary discussions, Sea Breeze indicated they were interested in locating their facilities on District property near the BPA Port Angeles Substation and would draft a lease proposal. Commissioner Haffner asked about the implications of an outage on the proposed DC supply; for example, how the District's quality of service would be affected if the power from that source were suddenly cut off.

The Commissioners reviewed a letter from a customer asking the District to sell property it owns near Monroe Road. The customer proposed granting the District an easement of ingress and egress to the District's well on the property. The Commissioners agreed with staff's recommendation not to release the District's interest in the property. Interim General Manager Burgett will write a letter to the customer informing him of the Commission's decision.

There was a review and discussion of general water issues led by Water and Wastewater Systems Superintendent Kitz. The rain last Saturday raised the Morse Creek flow level, and later it went back down to 25 cubic feet per second (cfs). Staff will be monitoring stream flows and will notify customers when conditions allow water restrictions to be lifted. He reported on preliminary discussions with a representative of an irrigation district regarding a feasibility study for water storage. The irrigation district is looking for partners for the study, and Mr. Kitz recommended that the District consider participating. He said the District has been involved in preliminary talks with representatives of a foundation about the District's interest in acquiring two wells, and those discussions are ongoing. As part of the Water Resource Inventory Area 19 Watershed Plan process, the Makah Tribe recommended that the District's additional water right on the Hoko River should be restricted if the stream flow is below 30 cfs. The Commissioners discussed this issue, and expressed concern about limiting water for future customer growth. It was suggested that the initiating governments meet to discuss this matter further.

Telecommunications and Power Resources Manager Mitchell reported on Northwest Open Access Network (NoaNet) activities. The proposed changes to the NoaNet Bylaws did not receive unanimous approval of all the members, and, therefore, were not adopted. Since that time, Kittitas and Grays Harbor PUDs have withdrawn from NoaNet, and Grant PUD has given notice that it wants to withdraw. At the last NoaNet Board meeting, there was a discussion of a voluntary redistribution of member interest when members withdraw. Members are being asked if they would be interested in a voluntary reallocation of their interest. After discussing the matter, the Commissioners agreed that the District desires to keep its percentage interest at the same level it had prior to Kittitas and Grays Harbor PUDs' withdrawals. At this time the Commissioners do not wish to make additional capital contributions to NoaNet. The Commission designated Ms. Burgett as the District's representative for the NoaNet member meeting on October 26, 2005.

Mrs. Cindy Kelly distributed a flier about "The Tools of Open Government," a public forum on October 25, 2005, sponsored by Dry Creek Grange. The Washington Coalition for Open Government will be the guest speaker.

The Commissioners received a letter from Zipper Zeman Associates, Inc. who were doing work in the area recently. The letter expressed appreciation for the outstanding service provided by Water and Wastewater Systems Representative Alward and Senior Water and Wastewater Systems Technician Bower and commended them for their helpfulness.

A list of claim vouchers as certified by the Interim General Manager was considered. On motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission approved payment of claim vouchers in the amount of \$663,929.50 for October 17, 2005.

Commissioner Purser reported that there was a debate on the proposed Buyers' Excise Tax at the Sequim-Dungeness Chamber of Commerce meeting. He said that Bonneville Power Administration is moving forward with Grid West plans and seems to be ignoring the Washington PUD Association's (WPUDA) position on the Transmission Issues Group (TIG).

Commissioner Simpson talked about issues regarding public utilities and the Residential Exchange that may be discussed at the Washington PUD Association meetings later this week. He also discussed WPUDA's withdrawal from the process to combine the TIG and Grid West plans for the Northwest Power Grid.

Ms. Burgett said that there was a Commissioners' work session with Linda Rotmark, Executive Director of the Clallam County Economic Development Council, is scheduled for October 27, 2005 at 9 a.m.

Ms. Burgett presented the Treasurer's Report for the month of September 2005. Interest for the month totaled \$35,380.04, cash totaled \$1,089,266.95, and the investments totaled \$24,987,861.62.

Mr. Mitchell reported on electric service to Port Townsend Paper. In talks with the mill and Bonneville Power Administration, the District was looking for a way to ensure that the mill has a continued source of power supply without incurring additional risk to the District. One option discussed was for BPA to provide power directly to the mill. The preliminary numbers for that option showed that the cost would be too high for the mill to operate. The next step will be to discuss how the District could provide power to the mill in a way that would not adversely affect the District or increase its risk. Mr. Mitchell and Ms. Burgett will continue to talk to representatives of the mill and the District's Account Executive at BPA. He reported that the campaign, "\$27 in '07," is well underway with news releases and letters to the congressional delegation. One of the efforts of the "\$27 in '07" campaign was to reopen the process to look at program levels. BPA announced last week that they would have full public discussion of program levels.

Attendance at a meeting was approved.

The regular meeting recessed at 3:48 p.m. to go into executive session for legal matters. The executive session adjourned at 4:39 p.m., and the regular meeting reconvened at that time. There being no further business to come before the Commission, the meeting adjourned at 4:50 p.m. to meet again Monday, October 24, 2005, at 1:30 p.m. in the Port Angeles office.