

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
OCTOBER 29, 2007

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

Staff present were: Doug Nass, General Manager; Joshua Bunch, Treasurer Controller; Jana Robbins, District Auditor; Fred Mitchell, Power Supply and Utility Services Manager; Mike Hill, Engineer; and Carol Biss, Executive Assistant.

Others present were: Teri Martin.

On motion of Commissioner Simpson, seconded by Commissioner Purser and carried, the Commission approved the minutes of the October 22, 2007 regular weekly meeting.

Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission approved Change Order No. 1 to Contract No. 060810 with Michel's Power in the amount of \$3,124.56, including Washington State sales tax. The increased amount was due to additional work on the transmission line rebuild - Joyce Substation to Piedmont and Nordstrom Roads.

Upon recommendation of staff and on motion of Commissioner Simpson, seconded by Commissioner Purser and carried, the Commission approved Change Order No. 1 to Contract No. 070803 with Wilson Construction in the amount of \$6,092.08 for additional work on the transmission line rebuild – Sappho to Hillstrom.

Power Supply and Utility Services Manager Mitchell presented background information on compliance with electric reliability standards established by the North American Reliability Council (NERC) as required by the Energy Policy Act of 2005. NERC has been certified as the United States electric reliability organization. NERC, along with the Western Electric Coordinating Council (WECC) will plan, manage, and execute reliability standard compliance oversight of owners, operators, and users of the bulk power system. The District has been designated as a Load Serving Entity and Distribution Provider according to WECC. In May 2007, the District filed a formal appeal with the NERC Compliance Registry on the grounds that the District does not have an impact on the reliability of the bulk power system. The District has not received a response from NERC regarding the appeal. In coordination with other northwest utilities, the District filed a self-assessment of the reliability standards and associated mitigation plans for the applicable standards. District staff has also been working with representatives of Bonneville Power Administration (BPA) on a delegation agreement, by which BPA would continue to perform specified activities that it has performed for the District in the past and that are now subject to mandatory reliability standards.

Upon recommendation of staff and on motion of Commissioner Purser seconded by Commissioner Simpson and carried, the Commission authorized the General Manager to enter into a delegation agreement with Bonneville Power Administration. (Contract No. 07TX-12820) Under terms of the agreement, BPA would provide certain activities related to electric reliability standards.

Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission approved the removal of the September 26, 2007 delinquent accounts in the amount of \$4,200.76 from the active accounts receivable. Upon recommendation of staff and on motion of Commissioner Simpson, seconded by Commissioner Purser and carried, the Commission approved the removal of the October 24, 2007 delinquent accounts in the amount of \$1,341.69 from the active accounts receivable.

The Commissioners received notice from the Clallam County Economic Development Council announcing a Contract Partners meeting on November 1, 2007, at 3 p.m. at the County's Emergency Operations Center.

A list of claim vouchers as certified by the General Manager and District Auditor was considered. On motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission approved payment of claim vouchers in the amount of \$745,363.92 for October 29, 2007. District Auditor Robbins reported that the claim vouchers included 10 rebates for conservation programs totaling \$4,166.57.

The Commissioners agreed to hold a work session on November 5, 2007, at 9 a.m. to review the proposed 2008 budgets for the Water and Wastewater Systems and to discuss cost of service studies. They will also hold a work session on November 26, 2007, at 9 a.m. to review the proposed

2008 budget for the Electric System. Both work sessions will be held at the District's Port Angeles Office.

Commissioner Purser reported on a meeting of the Dungeness Water Executive Committee. During a roundtable discussion, the Committee talked about how to present the instream flow rulemaking process for the Dungeness Watershed. The first public meeting is scheduled for November 29. Commissioner Purser suggested that the public meeting include full disclosure of what the rules are and time for public comment. It is reported that the Department of Ecology plans to have an economist on staff to assess the economic impact of the instream flow rules.

Commissioner Simpson reported on a Port Angeles Business Association meeting. He also clarified his report in the October 22, 2007 minutes. He said that to subsidize renewable energy projects, public utilities rely on the federal government's Renewable Energy Production Incentive (REPI) program, which does not provide a high level of funding. Since a number of agencies compete for the limited funds, it makes it difficult for a public utility to count on those funds when planning a renewable project. If public utilities were allowed to partner with private industry, public utilities could take advantage of certain tax benefits. Currently, public utilities do not have the authority to jointly own a project with a private company; however, this may be addressed in an upcoming legislative bill.

Attendance at meetings was confirmed and approved.

The regular meeting recessed at 3:01 p.m. to go into executive session for legal matters. The executive session adjourned at 3:29 p.m., and the regular meeting reconvened at that time. There being no further business to come before the Commission, the meeting adjourned at 3:30 p.m. to meet again in a regular weekly meeting on Monday, November 5, 2007, at 1:30 p.m. in the Port Angeles office.