

PUBLIC UTILITY DISTRICT NO. 1 OF CLALLAM COUNTY
MINUTES OF THE REGULAR WEEKLY MEETING OF
THE BOARD OF COMMISSIONERS
MARCH 24, 2008

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; Dennis Shaw, Procurement and Contracts Manager; Mike Kitz, Water and Wastewater Systems Superintendent; Tom Martin, Water & Wastewater Systems Assistant Superintendent; Fred Mitchell, Power Resources and Utility Services Manager; Larry Morris, Support Services and Safety Manager; and Carol Biss, Executive Assistant.

Others present were: Dave and Kathy Anderson, Brad Collins, Amy Grice, Patrick Irwin, Bob and Marilyn Love, James McElroy, and Ben and Sonja Rotter.

On motion of Commissioner Purser, seconded by Commissioner Simpson and carried, the Commission approved the minutes of the March 17, 2008 regular weekly meeting as submitted.

The regular meeting recessed at 1:35 p.m. to convene a public hearing on a proposed electric rate increase. Treasurer Controller Bunch reviewed the history of electric rates since 2001. The last rate increase was in 2001, and there was a rate decrease in May 2002. Since 2003, there has been a significant increase in many of the materials the District uses. Mr. Bunch reviewed the 2008 Cost-of-Service and Rate Design Study (COS study) that was recently completed using 2008 costs. He showed the revenue requirement, debt service coverage ratio, and cash reserve analysis with existing rates and with the proposed rate increase of 6.5 percent. The COS study projects that, without an increase, the District's debt coverage ratio in later years could decline below the required minimum in the bond covenants. The recommendation of the COS study is that the Commissioners consider a 6.5 percent average, overall rate increase effective April 1. The District proposed rate design would increase the basic daily charge for residential and some other customer classes. Under the proposed rate design, residential customers would see an increase of \$5.60 per month in the form of an increased daily charge.

The hearing was opened for public comment. Most of the questions and comments from customers focused on why the proposed increase was on the basic daily charge and not on the energy charge. Customers said they thought increasing the energy portion of the bill would provide an incentive for customers to conserve energy. Commissioners and staff explained that the District hired a consultant to look at what the actual cost of providing service is. The District tries to be fair in how it allocates costs to customers and works to recover its fixed and variable costs from the fixed and variable portions of the rates. The COS study recommended that the District increase its basic daily charge to bring it more in line with the District's fixed costs. It was also noted that the cost to purchase renewable energy has increased significantly. There being no further public comment, the rate hearing adjourned at 2:53 p.m., and the regular meeting reconvened at that time.

The regular meeting recessed at 3 p.m. to go into executive session regarding legal and real estate acquisition matters. The executive session adjourned at 4:10 p.m., and the regular meeting reconvened at that time.

Mr. Patrick Irwin informed the Commission that a bill that would have required executive sessions to be recorded did not pass during the 2008 legislative session. Representative Lynn Kessler was one of the sponsors of the bill. He said that there is a new provision in the Washington Administrative Code regarding e-mail and public records. The change in the law pertains to preserving electronic records in electronic form. The District will need to consider how e-mails are distributed. Mr. Irwin will discuss the issues with staff and work to select a technological solution to ensure the District meets the State's requirements.

Upon recommendation of staff and on motion of Commissioner Purser, seconded by Commissioner Haffner and carried, the Commission accepted as complete Contract 060818 with Asplundh Tree Expert Company for hourly tree trimming crew and equipment in the amount of \$426,527.99.

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 payment of claim vouchers in the amount of \$ 2,707,398.80 for March 24, 2008. Mr. Bunch reported that the vouchers included 34 rebates for conservation programs totaling \$21,025.

Attendance at meetings was confirmed and approved.

There being no further business to come before the Commission, the meeting adjourned at 4:25 p.m. to meet again, Monday, March 31, 2008, at 1:30 p.m. in the Port Angeles office.