

**PUBLIC UTILITY DISTRICT NO. 1
of Jefferson County**

**February 22, 2011
SPECIAL MEETING
POWER UTILITIES ACQUISITION
MINUTES**

CALL TO ORDER

The Special Meeting of the Public Utility District No.1 of Jefferson County was called to order by the President of the Board of Commissioners at 12:11 p.m. at the District Office, 230 Chimacum Road, Port Hadlock, Washington. The purpose of the meeting was to discuss possible power contracts and progress in acquisition of electrical facilities in Jefferson County. Commissioners and staff present were:

Ken McMillen, President
Barney Burke, Vice-President
Wayne King, Secretary
James Parker, District Manager
Kate Pike, Brisa Services

Also in attendance were legal counsels Kirk Gibson, McDowell, Rackner & Gibson, and Joel Paisner, Ater Wynne LLP, consultant Don McDaniels and Tim Caldwell, Puget Sound Energy.

AGENDA

The Agenda was approved as submitted.

DISCUSSION

a) Potential Contract with Port Townsend Paper Corporation

Port Townsend Paper Corporation has requested contract with Jefferson PUD for future provision of electrical service. Mr. Gibson addressed that process, noting that without certainty of load requirements, costs to serve, and firm provider (BPA) rates, entering into a Power Sales Agreement may be unwise at this time. However, executing a Letter of Intent with Port Townsend Paper Corporation indicating a willingness to negotiate and an intention of giving the lowest possible rate, may be appropriate.

b) Residential Exchange Agreement

The Residential Exchange Program (REP) was developed as result of legislation (Pacific Northwest Electrical Power Planning and Conservation Act of 1980, "Northwest Power Act") that addressed a demand for inexpensive federal power by investor-owned utilities (IOU). An intent was to subsidize residential and small farm consumers of higher cost utilities. Under the REP, Bonneville Power Administration (BPA) "purchases" power from each participating utility at that utility's Average System Cost (ASC) then offers, in exchange, to "sell" an equivalent amount of electric power to the utility at BPA's Priority Firm (PF) Exchange rate. The amount of power purchased and sold is the qualifying residential and small farm load of each utility participating in the REP. These benefits are passed on to the residential and small farm customers of the utility.

Mr. Gibson presented to the Board some basic information regarding the REP history, litigation, the "rate test" insisted upon by public utilities to insure they pay no more for the REP than what they receive under the Congressional Regional Act, what signing an Agreement could or could not mean for the PUD, and the fact that much is still unknown. He will be attending a seminar to be given by the Northwest Requirements Utilities and expects to have more information to share.

c) Acquisition of Puget Sound Energy electrical facilities

The Manager presented a listing of JPUD/PSE transition issues submitted by Puget Sound Energy (i.e. transfer of customers, their communications, records and accounts,

and service requests; security and training). Mr. Gibson suggested contact with Columbia River PUD. Don McDaniels (consultant) commented that some of these issues may be able to be addressed at the upcoming PUD/PSE Transition meeting (February 23).

PUBLIC COMMENT

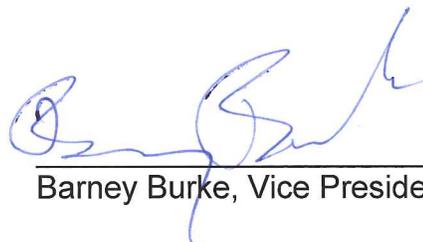
None

ADJOURNMENT

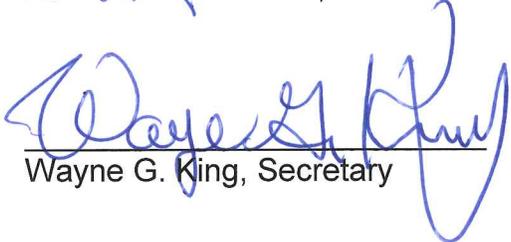
MOTION: By Commissioner King, Second by Commissioner Burke, carried unanimously, to adjourn the Special Meeting at 2:23 p.m.



Kenneth A. McMillen, President



Barney Burke, Vice President



Wayne G. King, Secretary