

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon

REGULAR COMMISSION MEETING
Thursday, August 17, 2006
7:00 p.m.
Coos Bay City Hall

Minutes of the Regular Commission Meeting of the Board of Commissioners of the Oregon International Port of Coos Bay, held Thursday, August 17, 2006 at 7:00 p.m. in the City of Coos Bay's Council Chambers.

ATTENDANCE:

Commission: David (Dave) Kronsteiner, President; Caddy McKeown, Vice President; Daniel (Dan) Smith, Secretary; Brady Scott, Treasurer; and Commissioner Jerry Hampel.

Staff: Jeff Bishop, Executive Director; Martin Callery, Director of Communications and Freight Mobility; Donna Nichols, Director of Finance and Administration; Don Yost, Harbormaster; Bob Thomas, Port Counsel; Kathy Wall, Management Analyst and Andrea Wall, Executive Assistant.

Media and Guests: Kathy Erickson, *The World*; Gordon Young, Channel 14; Tom Scheideman, Weyerhaeuser; Jenny Webster; Doug Hanan; Dorothy Reeves; Bill McCaffrey; Fred Kirby, Jody McCaffree, Lysbeth Toribis; Lynn Clark; Jess Lee, Ken Messerle; and Jeff Hill

The meeting was called to order at 7:00 p.m. by President Kronsteiner and he said that we would dispense with introductions for this evening.

3. PUBLIC COMMENTS

Jenny Webster: Submitted a copy of letter to FERC and Williams Pipeline from the residents of Ross Inlet requesting the pipeline be directed away from their area. She is very concerned with the surveyors on their property when she has been told the route would not go through there. She then read the letter, which included a list of 75 signatures of the residents of Ross Inlet. She said that there would probably be at least 10 more signatures coming. Her letter listed about 10 reasons why they wanted the route not to go through Ross Inlet such as safety, flooding, wetland impact, drainage, impact to wildlife, property devaluation, and impact to salmon.

Doro Reeves: Lives in Bunker Hill. She is concerned with safety, health and environmental issues. She has heard talk of eminent domain which is disturbing.

Bill McCaffree: He wants to set record straight from last meeting. He works for Georgia Pacific West, Pulp and Paper Operations in Toledo Oregon, in the electrical and instrumentation department. The mill does need gas to run the mill and they get it from Albany and Corvallis area. It is piped in and runs some of the boilers and caustic land fills. They do not need any gas from a LNG facility that would be sited in Coos Bay. They are trying to reduce their gas use because of the volatile prices. One of the things they are considering is a fluidized bed boiler which uses any kind of biological waste,

wood chips, bark, coal straw, oil or natural gas and is very efficient. He said that his company doesn't need the Jordan Cove gas, doesn't want it and wants to reduce what gas they do use.

Fred Kirby: He supports development of the Port and supports LNG in other places, just not here. He has a concern for safety. He is the author of a website about LNG. He continued reading a prepared document. He said there were many questions asked of the Port and he expected answers at the next Commission meeting. He asked six questions at this meeting.

1. Is he correct that the Port of Coos Bay is owned by all the people of Oregon and the many tens of millions of dollars the Port is planning to spend in its support of the LNG development will be spread across all of Oregon?

2. Is it fact that the Port is acting and will continue to act as an agent for the LNG developer in fiscal matters, including all the money from financial institutions and if so why?

3. Is it a fact that when the LNG receives a favorable ruling from FERC and a LNG terminal is sited here the Port will be acting as agent for the LNG developer and awarding contracts for construction and other work? Why?

4. The Port has stated that there is a significant amount of misinformation being circulated throughout the community. Certainly you have been able to identify the misinformation and the source of the information prior to the August 12th letter to the people. He wants to know what that misinformation is and what Government source has caused the Port to consider it misinformation.

5. In the August 12 letter he said the Port's decision to support the LNG development will face risk and reward model. What are the risks and offsetting rewards by the LNG being sited on the North Spit.

6. Will the Commission Vice President, a member of the local school board, tell why she should not be concerned that during school months, more than 1,000 children will be in harms way?

Jody McCaffree: She wants to comment in regard to the newspaper article saying that misinformation was being circulated. She assumes it refers to the pamphlet on LNG. She says the information is based on scientific research. She says the Port needs to be better educated and not just take information from paid consultants of the energy developer. She then read some information from the Coast Guard magazine by Professor Havens on vapor cloud dispersion. Jody still thinks we need an independent review. Jody also read something regarding a study done on Passamaquoddy Bay. She encouraged everyone to read the detailed study of an area similar to ours.

Lysbeth Toribis: She wants to add her voice against LNG. She wants to know what the benefits are. What good is it going to do for our community? She wants more dialogs. Aren't there other kinds of industry we could draw?

Lyn Clark: She thanked the Port for the letter in the paper. She was interested in the questions from Fred Kirby and wondered when they would be answered. Commissioner Hampel responded that he hoped that each and every question would be answered. Ms. Clark wanted to know how they would be answered; how would she get the answers. She persisted and asked again when and how she will get the answers. She was offered to call Mr. Bishop directly or to put her questions in writing.

4. CONSENT ITEMS:

Upon a motion by Commissioner McKeown (second by Commissioner Scott) the Board of Commissioners approved the July 20, 2006 Regular Commission Meeting Minutes with corrections of spelling noted by Commissioner McKeown; the July/August invoices totaling \$229,868.51 and the Guano Rock Paving Project additional funds.

5. MANAGEMENT REPORTS:

A. Executive Director

The Executive Director did not have a report for this meeting.

B. Deputy Executive Director

The Deputy Executive Director was absent.

C. Director of Communications and Freight Mobility: Jeff and Martin have been participating in the Southwest Oregon Transportation and Trade Task Force taking a look at the five county regions in southwest Oregon. Oregon Department of Transportation (ODOT) in partnership with a consulting firm is putting together an analysis of the transportation needs in dollar figures for this region. They are working with Remy, which is a modeling company back in New England. There is a contract between ODOT and Mike Montero & Associates in the Medford area. The Port is providing information about various commodities and some of the projects we are working on in the harbor and the characterization of the available marine applications. Hopefully there will be a report that can be used when State Legislature reconvenes in January so they can talk about some of the improvements that need to be made to the transportation system. The Port will continue to be involved as they look at the various aspects of the model.

The Port is working on the Charleston Master Planning process. A lot of ground was covered at the last meeting regarding the RV Park and Marina's strengths, weaknesses, opportunities and threats analysis. The next meeting will concentrate on the Shipyard and Martin will not be able to attend however, Mike Gaul will attend in his place.

The ConnectOregon applications were completed and Mike was identified as the contact. Mike and Martin are working to finalize contracts with ODOT on the Port's two projects, the rail bridge and the North Spit barge slip rehabilitation. They are working with Southport who is providing the responses needed for the contract.

Last week, Martin was able to go with the Coos Bay Response Co-op while they provided a waterside tour of all the active cargo facilities in the harbor for Department of Environmental Quality (DEQ). A new person at DEQ is stepping into role of managing the response plans, so Sause Bros. provided a tug tour to look at what the geographic situation was. They talked about how you clean up a spill or prevent a spill.

Martin also had the opportunity to provide a tour and briefing for Ray Buchegar from Peter Friedman's office in Washington D.C. Peter sent him to visit all the coastal ports and the river ports. Back to ConnectOregon - The Oregon Freight Advisory Committee and the Oregon Rail Users League and quite a few other groups are gearing up to go after ConnectOregon II. They think there will be a good chance to have the ConnectOregon II to come out of the next Legislative session.

Charleston Seafood Festival is supported by the Port and the festival will be this weekend.

Martin had two speaking engagements recently; he spoke to the Reedsport Rotary and was on the Bi-Coastal Media with John Pundt.

Dredging: Martin shared some information that came out of the Quarterly Ports meeting today in Newport. The 07 fiscal budget starts the first of October. It appears there is going to be a conference committee between House and Senate. PNWA and Peter Friedman and others are saying it looks like it is going to be a lame duck conference and it will be after the election. That may cause some problems depending on what offices may change, but it looks pretty good for Coos Bay right now. Martin thinks we are in for just over \$4.6 million plus we have the \$500,000 add on. We won't know until after the election how it will happen because in theory they are supposed to adopt the budget before the end of the fiscal year. Because it is an election year, there appears to be a carry-over. There was a long discussion with the Corps representatives and they will have continuing authority to spend up to a certain amount which will likely be what was in the last budget. That should allow us to do dredging both in the entrance bar and possibly here at river miles 12 through 15.

Another dredging issue that has come up in the last two weeks is that the Corps put out a clamshell to handle Port Orford, the Charleston area and Umpqua. They received only one bid and it was too high. The Corps tried to negotiate and was unable to do so; the contract was rejected. The Corps is working now under urgent and compelling guidelines to put together a pipeline dredge to come in and do these areas. We won't know for a couple of weeks if it will be successful. (Mr. Bishop clarified that pipeline dredge does not refer to dredging for a pipeline; it refers to the type of device used to dredge).

Analysis of the legislative session in D.C. had a lot of emphasis on short sea shipping. The problem with that is that there is no money to go with it. Many of the coastal ports need infrastructure to support short sea shipping, but it doesn't look like it will be coming out of this session. Additional information about the salmon crisis looks like there is going to be state relief available in September at about \$500,000. The Oregon Economic & Community Development Department people are going back to the Governor in October to see if they can free up another \$500,000. The U.S. Economic Development Administration (EDA) was directed by the Secretary of Commerce to try to come up with additional money at the Federal level. Our representatives from Oregon and Northern California are trying to put together an additional \$10 million package that they would like to have available in October.

Commissioner McKeown asked if Martin had heard anything on the north jetty rehab. Martin said not at this point but it was still on the radar screen; it would not be in the '07 budget. For '08, all the agencies and Corps headquarters in DC are working on what their projected budgets will be. Portland District has asked that the jetty rehab be in the fiscal budget of 08. We won't know anything more until the President's budget is released in February.

D. Harbormaster:

In the current budget, there was funding included for an additional security position in Charleston. John Roskoski is on board and there are now two security shifts; 4pm to midnight and midnight to 8a.m.; so the staffing is 24 hours a day.

Don spoke with Pat Houck of Charleston Ice. Pat said he is making a little bit of money from the shrimpers and tuna boats even though the salmon boats are down. He expressed appreciation for what has been done to keep him in business. He did reiterate that he is concerned about the future of the ice plant equipment. The Port is working on that problem.

Don also reminded us of the Charleston Seafood Festival this weekend.

Commissioner McKeown said she heard from a couple of avid fishermen and they had very positive comments about the extra security guard so they can get their boats out of locked storage earlier.

E. Director of Finance and Administration

Donna Nichols did not have anything extra to add to her written report.

6. ACTION ITEMS/REPORTS:

A. Resolution FY 06/07 1, 2 & 3 Grants from OECD

The Port of Coos Bay has been working on a number of major economic development projects on the North Spit. All of the projects relate to the Port's Vision, Mission and Strategic Plan. Projects completed to date include siting of Southport Forest Products wood manufacturing, which retained and created family wage jobs; the completion of the extension of a 4.4 mile rail spur; and currently the Port is working to realign the TransPacific Highway to address safety concerns. Other current projects include the Jordan Cove Energy Project, Project TK and the Port's modern marine general cargo terminal. All three of these projects also meet the goals of the Port's Strategic Plan.

At the request of the State of Oregon, the Port is submitting three application requests of the Oregon Economic & Community Development Department in the amount of \$25,000 each. Other funding will be provided by the Port and partnering agencies. The matching funds required by the Port are available in the Port's General Fund. The three grants are as follows:

1. Terminal Development Concepts - total budget is \$34,000 with a grant of \$25,000 and the Port providing \$9,000.
2. General Cargo Dock Permit Development - total budget of \$135,000 with a grant of \$25,000, Jordan Cove providing \$86,900 and the Port providing \$23,100.
3. Rail Concepts and Feasibility Study - total budget of \$35,000 with a grant of \$25,000 and the Port providing \$10,000.

Upon a motion by Commissioner Scott (second by Commissioner Smith) the Board of Commissioners approved Resolution FY 06-07-1 for a State of Oregon Port Planning and Marketing Grant/or Special Public Works Fund Technical Assistance Grant to support development projects on the Coos Bay's North Spit.

**OREGON INTERNATIONAL PORT OF COOS BAY
RESOLUTION NO. 2006/2007 - 1**

**RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO APPLY TO THE
OREGON ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT FOR A PORT
PLANNING AND MARKETING FUND GRANT AND/OR A SPECIAL PUBLIC WORKS
FUND TECHNICAL ASSISTANCE GRANT IN AN AMOUNT NOT TO EXCEED \$25,000.**

**BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE OREGON
INTERNATIONAL PORT OF COOS BAY AS FOLLOWS:**

The Oregon International Port of Coos Bay, in support of the Oregon Economic and Community Development Department's support for job creation and development to the Coos Bay's North Spit has retained consultants to provide an economic study on 'Terminal Development Concepts and Economic Impacts'.

The budget for this project is \$34,000 with \$25,000 being funded from the Oregon Economic and Community Development Department's Port Planning and Marketing Grant and/or a Special Public Works Fund Technical Assistance Grant, and the Port providing \$9,000. The Port funds required are available in the Port's General Fund.

Approved and adopted by the Board of Commissioners at its regular meeting on August 17, 2006.

David Kronsteiner, President

Daniel Smith, Secretary

Upon a motion by Commission Smith (seconded by Commissioner Scott) the Board of Commissioners approved Resolution FY 06-07-2 for a State of Oregon Port Planning and Marketing Grant/or Special Public Works Fund Technical Assistance Grant to support development projects on the Coos Bay's North Spit.

**OREGON INTERNATIONAL PORT OF COOS BAY
RESOLUTION NO. 2006/2007 - 2**

RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO APPLY TO THE OREGON ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT FOR A PORT PLANNING AND MARKETING FUND GRANT AND/OR A SPECIAL PUBLIC WORKS FUND TECHNICAL ASSISTANCE GRANT IN AN AMOUNT NOT TO EXCEED \$25,000.

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE OREGON INTERNATIONAL PORT OF COOS BAY AS FOLLOWS:

The Oregon International Port of Coos Bay, in support of the Oregon Economic and Community Development Department's support for job creation and development to the Coos Bay's North Spit has retained consultants to provide engineering and permitting assistance to support preparing a joint Section 404 permit application to the US Army Corps of Engineers and Oregon Division of State Lands for the proposed developments on the North Spit.

The budget for this project is \$135,000 with \$25,000 being funded from the Oregon Economic and Community Development Department's Port Planning and Marketing Grant and/or a Special Public Works Fund Technical Assistance Grant, Jordan Cove Energy Project providing \$86,900 and the Port providing \$23,100. The Port funds required are available in the Port's General Fund.

Approved and adopted by the Board of Commissioners at its regular meeting on August 17, 2006.

David Kronsteiner, President

Daniel Smith, Secretary

Upon a motion from Commissioner Scott (seconded by Commissioner McKeown) the Board of Commissioners approved Resolution FY 06/07-3 for a State of Oregon Port Planning and Marketing Grant/or Special Public Works Fund Technical Assistance Grant to support development projects on the Coos Bay's North Spit.

**OREGON INTERNATIONAL PORT OF COOS BAY
RESOLUTION NO. 2006/2007 - 3**

RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO APPLY TO THE OREGON ECONOMIC AND COMMUNITY DEVELOPMENT DEPARTMENT FOR A PORT PLANNING AND MARKETING GRANT AND/OR A SPECIAL PUBLIC WORKS FUND TECHNICAL ASSISTANCE GRANT IN AN AMOUNT NOT TO EXCEED \$35,000.

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE OREGON INTERNATIONAL PORT OF COOS BAY AS FOLLOWS:

The Oregon International Port of Coos Bay, in support of the Oregon Economic and Community Development Department's support for job creation and development to the Coos Bay's North Spit has retained consultants to provide an economic study on rail concepts and feasibility study.

The budget for this project is \$35,000 with \$25,000 being funded from the Oregon Economic and Community Development Department Port Planning and Marketing Grant and /or a Special Public Works Fund Grant, and the Port providing \$10,000. The Port funds required are available in the Port's General Fund.

Approved and adopted by the Board of Commissioners at its regular meeting on August 17, 2006.

David Kronsteiner, President

Daniel Smith, Secretary

B. Charleston P.O. Lease Extension

At the August 16, 2000 Regular Meeting, the Board of Commissioners of the Port of Coos Bay approved a one year lease which included five additional one year renewal options to Mr. Thomas Mitchell for the purpose of siting the Charleston Post Office on Marina Property. This lease expires at the end of this month. Prior to entering into a new long term lease agreement, Port staff and our lessee would like to see the completion of the Marina Complex Master Planning Project. Mr. Mitchell is requesting a one year extension to allow for the planning process to be completed. The existing lease is a triple net lease with annual Consumer Price Index adjustments. All terms and conditions of the existing lease would remain in effect during the one year extension.

Upon a motion by Commissioner McKeown (seconded by Commissioner Hampel) the Board of Commissioners approved the one year extension of the existing lease to Mr. Thomas Mitchell for the Charleston Post Office.

7. OTHER

8. INFORMATION ITEMS:

A. Letter from Airport on LNG

9. COMMISSION COMMENTS:

Commissioner Scott said he would like to make a comment. Brady said he wasn't here for the last meeting and he knew that there had been some direct questions to the Commission about where they stood on support or non support of the proposed LNG terminal. Since he is here tonight, he wants to respond to that. He has given a lot of thought to the project. The terminal proposal information about liquid natural gas is requiring some extensive and some complicated research - there is a lot of information out there. None of us are experts and none of you are experts on it, we only know what information we are able to garner from experts and then make our decision about those things based on that expert information. But as I sat there in my living room, I live in North Bend, you go through my front door and across my living room and I look out over the bay so I look right over the sight where the proposed LNG terminal will be located. I look down on the city of North Bend also, across the North Spit and the airport. I started thinking about how I viewed this. I guess the best way for me is to think of the LNG as the risk value and analogies sometimes. Analogies are bad because you can poke holes in them, but I started thinking about this one. What if somebody came to our community and proposed an operation, where they said every year we are going to send over 1,000 vessels, hurtling into and out of your community at 100's of miles an hour with highly volatile fuels contained inside. And that these vessels would be going through residential areas and over schools and that there is a well documented history of accidents - certainly not a perfect record - disasters all the time in this type of operation. These vessels are known terrorist targets - terrorists use them to perpetrate some terrible acts that they like to commit and that the facility built to accommodate this operation would be supported by public money. It would be noisy and have lots of lights and would be right out in everybody's view. In the event of some catastrophe the responsible party would be some out of state corporation. The direct jobs for this operation would only be a handful and some Californians would benefit - all around bad things. If we didn't support this operation we would not have the Southwestern Oregon Regional Airport. Certainly all of these things I've said are true, and so if you don't really look at the possibilities and weigh out the probabilities and look at benefits of things that are proposed to us it means we made the wrong choice. I think, given the information, I have seen a clear track record of safe operation of LNG facilities across the world and I am certainly not going to oppose it. We don't make the decision to approve this facility. It is up to our Federal Government. It goes through a process and I absolutely believe that this Port should take every opportunity to leverage that proposed facility to the greatest extent. Brady wants to be clear that he absolutely supports the proposed LNG terminal.

Commissioner Hampel made a comment in regard to the siting of the radio tower next to the boat ramp. In our last meeting we proposed to lease the area east of the boat ramp to Marshfield High School. Then we received a letter from Mr. Huntly who has a day care center east of that location. Had we done a better job on our due diligence, I certainly would not have voted to site that tower in that location. It is my understanding that staff is working with the people at Eastside to find a better and more suitable location for that radio tower. I would like to apologize for not doing a better job of looking into that before voting for it.

10. NEXT MEETING DATE - September 21, 2006

11. ADJOURN: 8:10 p.m.

By: _____
David Kronsteiner, President

By: _____
Dan Smith, Secretary