

OREGON INTERNATIONAL PORT OF COOS BAY
Coos Bay, Oregon

COMMISSION MEETING
Thursday, September 20, 2007
7 p.m.

Coos Bay City Hall

ATTENDANCE:

Commission: David Kronsteiner, President; Caddy McKeown, Vice President and Jerry Hampel, Commissioner; Dan Smith and Brady Scott absent. Both Commissioner Smith and Scott were out of town on business and the President excused them.

Staff: Jeffrey Bishop, Executive Director; Donna Nichols, Director of Finance and Administration; Mike Gaul, Deputy Executive Director; Aaron Simons, Interim Marina Facilities Manager; Bob Thomas, Port Counsel; Andrea Wall, Executive Assistant; Martin Callery absent.

Media and Guests: Elise Hamner, *The World*; Gordon Young, Hans & Ann Van Dyke, Channel 14; Ken Messerle, Coast Consulting; Kristina Nelson, KCBY; Jeff Hill, Sause Bros.; Camby Collier; Chris Clafin, OECDD; George Ahuna; Drew Emmett, Coos Bay Towboat; Jody McCaffrey; Brian Hudgins.

1. **CALL TO ORDER:** The President called the Regular Commission meeting to order at 7:03 p.m.
2. **INTRODUCTION OF GUESTS:** The audience members were asked to introduce themselves.
3. **CONSENT ITEMS:**
 - A. Minutes: August 16, 2007 Regular Commission Meeting Minutes (correction of date to August 22, 2007)
 - B. Approval of August/September 07 Invoices Totaling \$786,749.76
 - C. Ratification of Authorization for Executive Director's Authorization to David Evans Associates to commence work on the Sediment Transfer Study Task Order.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners approved the corrected date and minutes of August 22, 2007 Regular Commission Meeting; the August/September invoices totaling \$786,749.76; and the Ratification for Executive Director's Authorization to David Evans Associates to commence work on the Sediment Transfer Study Task Order.

4. **MANAGEMENT REPORTS:**

A. **Executive Director:**

Mr. Bishop circulated to each Commissioner the draft letter that staff has prepared for the President to send to the Governor regarding Marine Reserves. He would like comments or authorization for the President to send it. Commissioner McKeown asked for time to read this draft. Mr. Bishop said he would do his report and come back to the subject at the end.

At the last meeting there was a presentation from a citizen, who is not here tonight, Knute Nemeth. He requested an opinion on whether or not the Jordan Cove facility met requirements of Ordinance 129 of the Oregon International Port of Coos Bay. Mr. Bishop said he would read a written statement he had prepared in relation to the Jordan Cove facility and its compliance with Ordinance 129. He said that when he was done reading it, he would share some thoughts that he has about Ordinance 129 and its enforceability. The following is what Mr. Bishop read:

Total Reduced Sulfides

The term “total reduced sulfides” has been historically, if inaccurately and inappropriately, used in reference to air emissions associated with pulp mills or the pulp operations at paper mills. Furthermore, the term “total reduced sulfides” is not used, and subsequently not defined, in either Oregon or federal laws or regulations.

The Oregon Department of Environmental Quality (DEQ) has adopted rules by administrative action under Oregon Revised Statutes (ORS) Chapter 468A covering various types of pulp mill emissions, including “total reduced sulfur (TRS).”

The rules are contained in Oregon Administrative Rules (OAR) 340-234. Section 234 is specifically applicable to “Emission Standards for Wood Products Industries,” and the definition of TRS under those rules is solely applicable to Kraft pulp mills.

The definition for TRS is stated in OAR 340-234-0010 (45): *“Total Reduced Sulfur (TRS)” means the sum of the sulfur compounds hydrogen sulfide, methyl mercaptan, dimethyl sulfide, and dimethyl disulfide, and any other organic sulfides present expressed as hydrogen sulfide (H₂S).*

Other references to TRS are in OAR 340-234-0210 “Emission Limitations,” and deal specifically with various industrial operations at pulp/paper mills such as recovery furnaces, lime kilns, smelt dissolving tanks and other sources including, but not limited to, knotters and brown stock washer vents, brown stock washer filtrate tank vents, and black liquor oxidation vents. OAR 340-234-0240 “Monitoring” provides guidance for continuous monitoring of TRS.

In 2001, the U.S. Environmental Protection Agency (EPA) adopted regulations for “National Emission Standards for Hazardous Pollutants for Chemical Recovery Combustion Sources at Kraft, Soda, Sulfite, and Stand-Alone Semicheical Pulp Mills.” These regulations were adopted under the framework of the Federal Clean Air Act (FCAA) and are contained in the Federal Register, Volume 66, No. 139. The rules define procedures and formulae to be used by pulp/paper mills to determine compliance with federal air quality standards.

The Code of Federal Regulations (CFR) Title 40 deals with the regulation of and limits the emission of toxic air pollutants, including TRS. The majority of specific documents on the EPA website dealing with TRS refer primarily to Kraft pulp mills, however there are references to oil refinery operations and the removal of high levels of sulfur in crude oil, requirements for the removal of excessive levels of Hydrogen Sulfide (H₂S) from natural gas, and H₂S emissions from sewage treatment plants, landfills, leather tanning facilities and concentrated animal feeding operations.

Total Reduced Sulfur(s) (TRS)

Total reduced sulfur(s), which include hydrogen sulfide (H₂S), methyl mercaptan (methanethiol, CH₃SH), dimethyl sulfide (CH₃SCH₃), and dimethyl disulfide (CH₃S₂CH₃), occur naturally in the environment and can also be present in numerous industrial gaseous streams – petroleum refining, natural gas extraction, and

chemical operations like the pulp/paper industry. Hydrogen sulfide is the most prevalent of the total reduced sulfurs, and is commonly found in volcanic gases, marshes and swamps, wetlands and mud flats, sulfur springs and decaying organic matter. Additionally, hydrogen sulfide is produced by living organisms, including human beings, through the digestion and metabolization of sulfur-containing materials. It must be noted that sulfur dioxide (SO₂), sulfur trioxide (SO₃) and sulfuric acid mist are not included in the determination of TRS, as these are oxidized sulfur compounds and are permitted and monitored separately from TRS.

Oregon DEQ permits, and requires monitoring and reporting, of specific pollutants under the Federal Clean Air Act (FCAA) as defined under OAR 340-200-0020. The emission rates defined through the FCAA for hydrogen sulfide, TRS, sulfur dioxide, and sulfuric acid mist above which permits, monitoring and reporting are required are as follows:

Hydrogen Sulfide (H ₂ S)	10 tons/year
Total Reduced Sulfur (TRS); including hydrogen sulfide	10 tons/year
Sulfur dioxide (SO ₂)	40 tons/year
Sulfuric Acid Mist	7 tons/year

Hydrogen Sulfide as a Component of Petroleum and Natural Gas. Hydrogen sulfide (H₂S) is a naturally occurring chemical compound often found in hydrocarbon-bearing geological formations beneath the surface of the earth. These formations are the source of petroleum and natural gas.

During the refining of crude oil varying amounts of hydrogen sulfide are removed depending on the requirements of the finished product; heavy fuel/heating oil (Bunker C), home heating oil, diesel fuel, numerous grades of gasoline, and other refined products. Since these finished products are primarily used for energy production or industrial operations in some form and are most often consumed by some type of combustion process, there is little if any emission of hydrogen sulfide since the combustion process converts hydrogen sulfide to sulfur dioxide.

Additionally, natural gas removed from geological formations normally contains associated hydrocarbons such as propane and butane (also known as natural gas liquids [NGL]), and impurities such as water, hydrogen sulfide, carbon dioxide, and other compounds. NGLs and the impurities are removed from “wellhead or raw” gas prior to the gas being transported in pipelines. Natural gas is often referred to as “sour” or “acid” if it contains either hydrogen sulfide or carbon dioxide respectively. Both compounds are removed prior to transport in pipelines because they are not safe for the environment or for living creatures in concentrations above specified regulatory levels and they can be corrosive to the metals used in pipelines. The gas distributed to industrial, commercial and residential users is almost pure methane. The most common standard for the allowable level of hydrogen sulfide in consumer natural gas is four (4) Parts Per Million (ppm)*.

*“Parts Per Million (ppm)” means parts of a contaminant per million parts of gas by volume on a dry-gas basis (1 ppm equals 0.0001% by volume). In reference to hydrogen sulfide, this volume can also be expressed as 5.7 milligrams of H₂S per cubic meter of natural gas.

Liquefied Natural Gas (LNG). Natural gas is the feedstock for production of LNG, and the liquefaction process requires removal of all acid gases and sulfur compounds – carbon dioxide and hydrogen sulfide – prior to the compression and chilling process used to convert the gas to a super-chilled liquid held at -260° Fahrenheit. In some cases the associated hydrocarbons – butane, propane and others – remain a component of the super-chilled liquid and are removed by a natural gas liquids (NGL) extraction plant at the LNG terminal prior to injection of the natural gas into a distribution pipeline.

Oregon International Port of Coos Bay Ordinance No. 129

Port Ordinance No. 129 was adopted as an initiative measure with the title “Air and Water Limits on Future Transfers of Port Lands” by voters in the Port District on November 5, 1990, and amended and adopted February 6, 1991, by the Port’s Board of Commissioners. In essence Ordinance No. 129 states that “unless approved by vote of the people at a general or special election, the Port shall not hereafter lease, sell or transfer any of its property for a proposed industrial use which would be...”

- a single point source discharger of waste water... in excess of 2 million gallons per day... or which would use or divert in excess of 2 million gallons of fresh water per day...
- an air pollution source... which discharges or releases into the air one ton of total reduced sulfides per year...
- an air pollution source which releases into the air toxic chemicals in excess of state or federal standards...

The full text of Ordinance No. 129 is attached to this document and is also available at www.portofcoosbay.com/ord129.pdf.

Additionally the Board of Commissioners established “a citizens committee to advise the Port on actions which the Port should take for breach of provisions in leases, deeds or transfer agreements relating to compliance with federal, state or local environmental laws and regulations.”

The Jordan Cove Energy Project

The Jordan Cove Energy Project, L.P. is a proposed liquefied natural gas (LNG) bulk liquid marine receiving terminal, LNG storage tank facility and natural gas vaporization unit, which includes a small on-site natural gas-fired power plant to provide electric energy for the LNG facility and for distribution to the regional electrical grid when not required for LNG plant operations.

The Jordan Cove facility will receive LNG by deep-draft tanker at the receiving terminal and the LNG will be pumped to landside storage tanks. During the ocean voyage, boil-off gas (BOG) is captured on board the vessel via a vapor recovery system. The gas can be reliquefied and returned to the LNG storage tanks, held in on-board gas storage tanks or routed to the vessel drive engines and other power generating equipment and used as fuel. There are no emissions of natural gas, and therefore no emissions of any hydrogen sulfide. Heavy fuel oil, diesel fuel and natural gas, and any trace amounts of hydrogen sulfide combusted as fuel on board the vessel may result in trace emissions of sulfur dioxide.

At the landside operation LNG will be held in the full-containment storage tanks and then pumped to an LNG vaporization unit for conversion back to a gaseous state before being compressed and pumped into a natural gas pipeline for distribution in the regional gas pipeline grid. The LNG storage tanks have a BOG recovery system and natural gas captured in the system is immediately injected into the gas pipeline. There are no emissions of natural gas as part of the vaporization process. Any natural gas used as fuel at the on-site power plant will be fully combusted, with the resulting emission – if there are any trace amounts of hydrogen sulfide in the natural gas – being sulfur dioxide.

Jordan Cove compliance with Port Ordinance No. 129

The key to the Jordan Cove Energy Project (JCEP) compliance with Port Ordinance No. 129 is based on the specific language of Ordinance No. 129 as follows:

Port Ordinance No. 129 states that “unless approved by vote of the people at a general or special election, the Port shall not hereafter lease, sell or transfer any of its property for a proposed industrial use which would be...”

- an air pollution source... which discharges or releases into the air one ton of total reduced sulfides per year...
- an air pollution source which releases into the air toxic chemicals in excess of state or federal standards...

Since the LNG storage tanks and the natural gas vaporization unit do not allow for discharge or release into the air of one ton of total reduced sulfides per year or a release into the air of toxic chemicals in excess of state or federal standards, the proposed project fully meets the stipulations of Ordinance No. 129.

Additionally, specifically in reference to Port Ordinance No. 129 and generally in reference to compliance with all local, state and federal environmental laws and regulations now in force or which may come into force, there is language in the legal agreements between the Oregon International Port of Coos Bay and the Jordan Cove Energy Project requiring the “tenant,” Jordan Cove, to obtain, keep in force, and comply with all permits required for operation of the facility. Noncompliance with the terms of the agreement Attached to this document is Exhibit D-1 ~ D-2 8.5 Environmental Issues, which contains the specific stipulations of the legal agreements.

Air quality standards for the United States and for the State of Oregon are strictly controlled by the Federal Clean Air Act (FCCA), which is used to establish air quality and air emission standards that protect the environment and the health of citizens. In Oregon the Department of Environmental Quality (DEQ) is responsible for enforcing the FCCA and for issuing permits for projects that could potentially emit air emissions. The Jordan Cove project has worked with DEQ to establish air emission standards and protocols for the project and to create air emission modeling protocols. Those protocols have been accepted by DEQ and will be the basis for evaluating Jordan Cove’s permit applications. The permit application will identify all of the potential air emissions regulated by DEQ. Jordan Cove must meet all existing air quality standards in order to receive an operating permit from DEQ. A draft version of the Jordan Cove air emission application is available in JCEP Resource Report #9 – Air and Noise Quality. (Since Jordan Cove Resource Report #9 is 1081 pages, it is NOT attached; however it is available on-line through the FERC website or through the Jordan Cove website.)

Air emissions generated by the Jordan Cove project must be continuously monitored – by Oregon DEQ regulation – and audited by an independent third-party as a requirement of the DEQ air permit. This process will ensure compliance with the air emission stipulations in Port Ordinance No. 129.

Mr. Bishop stated that in looking through Ordinance #129 and working with it and having had considerable experience with regulatory ordinances, one of the things he noted was a lack of an enforcement clause. There is not a procedure for the enforcement or a process where the Port can enforce the ordinance. As a result of that, the practice has been to use due diligence to verify the client is in compliance with #129. Included also is the stipulation in the contract that the client must comply with all environmental laws and municipal laws, rules and regulations. The Ordinance envisioned that, in Mr. Bishop’s opinion, the Advisory Panel’s responsibility is for advising the Port on how to deal with issues when the client breaches that requirement in their lease or sale document. Mr. Bishop’s opinion is that the Jordan Cove project is in full complete compliance with Ordinance #129.

Mr. Bishop read the minutes from the task force that put the Ordinance together. His opinion is that the intent of the body that was drafting the Ordinance was in response to the siting of the Dishowa Pulp Mill project. Port Counsel agreed and said it was to enforce regulations to discourage the siting of a pulp mill in Coos Bay. Still, the Port will continue to apply the Ordinance #129 to every standard and in this case we have met that standard.

Mr. Bishop continued his report with a slide show of President Kronsteiner and his visit to Amsterdam and Rotterdam and Zeebrugge Belgium to look at some port facilities.

The slides showed some of the covered docks used in Amsterdam which are similar to what a visitor from Finland told the Executive Director about when he came to Coos Bay several months ago. The President and Executive Director toured that facility in Amsterdam. The weather patterns are very similar to Coos Bay, a lot of rain and cool weather. A bridge crane inside the facility unloads the ship under cover and sends it right into the warehouse without getting wet. Often there are cranes on both sides of the dock for unloading both sides of ship at the same time. The railroad comes right into the warehouse so everything can be unloaded from the ship to the warehouse and railcar without being exposed to the weather. There were slides showing pictures of a strat carrier. This very tall carrier is used to pick up the containers and move them around the facility.

Mr. Bishop continued saying, everywhere they went, you would see windmills; wind driven turbines are prolific. Also almost every where you saw them, you also saw coal importation facilities and a giant coal powered coal plant. Even though the Netherlands have done this amazing job of taking advantage of every possible location for windmills, they still have to use coal to power their electric grid. And that is still insufficient; power is imported from France. Mr. Bishop was told that each windmill produced 2.5 megawatts of power.

ZeeBrugge Belgium: There were more slides showing strats in Belgium and the system of stoplights used for moving the containers around and onto trucks. Mr. Bishop showed slides of new construction sites; one of the sites viewed was the building of a new port that was being built in the sea. Mr. Bishop said everywhere they went the land was being reclaimed; either draining a water body or filling it.

Rotterdam: Mr. Bishop and the President were overwhelmed by Rotterdam. He said it is probably the size of Los Angeles and Long Beach combined from a container standpoint and maybe as large as New Orleans or Houston from a bulk standpoint. The slides from this port included a remote control vehicle that was moving containers around the yard; no people on board. This is not proposed for here but was interesting to see. These remote controlled vehicles are driven by computers; there were four or five of them driving around going different directions and making turns around each other. It was pretty amazing.

There were slides showing a rail mounted gantry which is a system that the Port's client would like to see here. This system controls a lot more boxes than a single strat. Strats can be dangerous equipment; they are very tall and if you take a corner too fast, they can tip over. This rail mounted gantry is much safer than the strat system.

One of the slides Mr. Bishop showed was a view of almost three miles of container cranes stacked up against each other. It took them 15 minutes to drive to the end of it. The next slide was a barge and Mr.

Bishop said that the barge system was very important in Europe and the barges are different than the ones here. The power in these European barges is actually on the barge along with living quarters. Families live on the barge and their kids will go to special boarding type schools during the week and back to the barge on weekends. The barges also carry the family car and there are ramps to go on and off the barge for shopping etc. The President commented that these barges also move fast.

Mr. Bishop then put up a slide of a container yard. In every yard they saw on their trip, there were pavers being used for the yard; in America they pour huge amounts of concrete and asphalt. The yards they visited used compacted sand with the pavers and when there was a problem, they put new pavers in; it was a very efficient system.

Something that Mr. Bishop and Mr. Kronsteiner found very interesting were the screening devices. In Zeebrugge it was the British, and in Rotterdam it was the U.S. Government. They are screening 100% of the containers in Rotterdam. In Zeebrugge the British Government was actually there manning the devices and they were also opening the containers. Primarily, it was an immigration issue. Mr. Bishop was surprised that people were coming through Belgium and sneaking into containers headed for England. Loaded containers going out are the only ones being screened.

The last slide was a picture of the reception desk at the client's office. There was a sign welcoming the Oregon International Port of Coos Bay, Jeff Bishop and David Kronsteiner; it was very nice.

The last item of Mr. Bishop's report was regarding a motion on the Marine Reserves letter.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners authorized President Kronsteiner to send a letter to Governor Kulongowski regarding the Port's feelings on the Marine Reserves on the Oregon coast.

B. Deputy Executive Director

The Board of Maritime Pilots will conduct pilot training interviews Oct 2nd for Coos Bay training. Mr. Gaul will hear more about it at a meeting next week.

The contract that the Port has for maintenance dredging with Nehalem Dredging has been sent for signatures. The dredging should start in early October at the entrance to Point Adams, between there and B dock. Also regarding dredging, the Corps of Engineers has the Dredge Essayons out at the bar.

The draft Live-aboard policy is now complete. It is going through some final staff and legal counsel review and Mr. Gaul hopes to mail it to the customers next week so they have a couple of weeks to look at it. There will be a meeting during October with the customers and also with the Charleston Advisory Committee and then Mr. Gaul will bring it back to this Board with a recommendation in November. The timeline has lagged a bit because of some of the other projects staff has been working on that have taken priority.

Paving of the USCG Orcas parking lot and access road: Mr. Gaul opened bids on Tuesday, September 18th; there were three respondents. The quote that was within our estimate and budget and was awarded to Johnson Rock. Mike will be meeting with them hopefully tomorrow to finish negotiation of the

contract. Paving should begin in early October. The Coast Guard needs to be consulted about when they are in and when they are out so their vehicles can be taken care of.

The ConnectOregon Southport barge slip rehab project has finally received all of their permits. Southport will be moving forward with that project in the dredging window in early October. Mr. Gaul will be happy to report to the state that the project is finally being completed.

In regards to the rail bridge, ODOT has made the decision to do what they call a mini RFP for the engineering services for Phase II of the rail bridge. They are going to run that process and are putting the mini RFP together right now for our review. That is about a two or three month process from the time they send it out and the time they make a decision. Because of the mini process, there are a limited number of folks who can bid on it. They must be companies who have already been pre-qualified with ODOT for that type of work. The process is started so hopefully Mr. Gaul will be back in about three months with a recommendation for engineer work on the rail bridge.

Coos Bay School District Radio Tower: The school district has all the permits in place and the Coos Forest Protection Service has cleared the ground for them. The tower is being manufactured and the contractor will start early April with the Base and the plan is to have the tower built by the end of April. They have their FCC License both AM and FM. The school hopes to be operating on both within the year.

Commissioner McKeown asked about their license because of the delays. She said at one point their license may have been in jeopardy. Has the school been able to get all the extensions needed? Mr. Gaul said that they have continued to receive extensions on their license partly because they had access to the property and the school had a temporary tower for AM to use until April.

Staff is tracking Marine Reserves; wave energy; fishery issues; and a new one on the agenda is ocean aquaculture which is just starting to show up; the salmon relief funding program and day to day operations in all the business centers. Mr. Gaul continues to represent the Port in numerous State and Federal agency meetings regarding the Port's priority projects.

Commissioner Hampel asked how much of the dredge spoils are going upland. Mr. Gaul said all of it, an estimated 25,000 cubic yards of coarse grain sand - all of that material sampled clean. The project will take 2-3 weeks; the advantage of going upland is that you are not constrained by the outgoing tide so they can work 24 hours a day.

- C. **Director of Communications and Freight Mobility** - Absent
- D. **Director of Finance and Administration:** There were no questions or comments.
- E. **Interim Marina Facilities Manager** - Aaron Simons said that everything was going well at the Marina. Aaron then presented a picture to the Commission which was given to him by the artist/photographer, Judy Lockland. She won Grand Champion at the Coos County Fair. Aaron said the people on the vessel in the picture looked like Mike Stonesifer and Mickey Pulse. The picture was framed and will be hanging in the Marina office.

Commissioner Hampel thanked Aaron for doing an excellent job out at the Marina. He has been hearing good things.

5. PUBLIC COMMENT:

Camby Collier: She is going on record again saying she is against the LNG terminal. She would like to see resorts, ship repair or ship building or something similar put on the North Spit. She also objected to the fact that she can't vote on what goes out there.

Jody McCaffree: She asked about the Consent Items saying she thought the August 16th meeting was cancelled. Andrea told her that the date was a mistake and should have been August 22nd, not 16th. There will be a motion with the correction.

Jody went on regarding Ordinance #129. She said it is not just about pollutants, the people want to vote on the issues also. She continued talking about green manufacturing and asking the Port to look into that kind of industry instead. Green manufacturing would also bring jobs.

Commissioner McKeown commented that we have looked at a solar industry but it has not worked out; however, that does not mean that it can't happen in the future.

Mr. Bishop commented that there is a grant program coming out that will assist with the preparation of Feasibility studies for alternative energy production facilities. Our environmental consultant has suggested that we might want to take advantage of that grant for building a production plant on the North Spit. Mr. Bishop said he is going to authorize the preparation of that application. He also said that there was a lot of interest on the part of the client in looking at alternatives for production of electricity on the North Spit. The cost of getting the power out to the North Spit is very expensive.

One of the things that interested the Port's client and that they showed Mr. Bishop and Mr. Kronsteiner at all the terminals in The Netherlands was the presence of the wind turbines. They helped power some of the facilities. Building an all electric facility is an incredible load so the Port is very interested in looking at some of these alternative energy facilities. Commissioner McKeown asked if the wind turbines they saw were a project or were they individually owned by a company on site. Mr. Bishop said he felt that they were individual situations because there was not rhyme or reason where they were placed; they were everywhere. There could be one or a whole series; definitely not on a wind farm. Mr. Bishop asked the client about the fact that there were three prongs not four; evidently three does not make as much noise as four. However, there are also some problems with birds. President Kronsteiner said that there was a visual requirement also. If in sunlight it casts a shadow in areas that people inhabit, they had to shut down during the times of day when the sun shone through it because the blinking all day drove people crazy. Mr. Bishop commented that you needed the right kind of wind; actually a lot of wind could be bad. There are many issues to consider.

Brian Hudgins: He is from Coos Bay and he spoke concerning LNG. He said he holds a degree in Energy Management and he has done some work for the Energy Trust of Oregon as well as the State Department of Energy and E-web in Eugene. He endorsed Jody's remarks specifically. He asked Mr. Bishop about the vapor clouds in his pictures and asked if he knew what they were- what pollutants. He said he is pro business. His comments went on further talking about his love of hiking and saying he says he meets a lot of people from all over the world while hiking. One man from Austria has come here three times in the

last two years and says “Coos Bay is the most unique place he has ever seen”. This man’s comment on LNG was that he would not be coming back if this project went through. Mr. Hudgins said he was for the Port as far as the container facility was concerned but he has a concern with LNG. He is concerned that an EIS be done on the pollutant odor as well as the parts per million because during the summer the prevailing winds are from the North which would bring pollutants and odor right along his favorite trail. He feels it would be a bad impact to the tourism.

Mr. Hudgins spoke strongly for Green manufacturing jobs. The Oregon State Energy Plan says that 25% of our Energy by the year 2025 is to come from renewables. He went on to say that one of the things we don’t think about with our pollutants that Mr. Bishop referred to in the earlier report is the imbedded energy cost. There are the pollutants discussed but also the pollutants in the whole stream of delivery, from extraction – foreign sources which we would increase our dependence on; then the shipping and the pollutants from that. The delivery system also causes pollutants. He feels it is not just the one part released here. Mr. Hudgins said please look at the bigger picture of the whole imbedded energy cost and how much this project contributes to Greenhouse gases and a changing climate. In conclusion, he said he is somewhat frustrated at the public’s lack of ability to have input and comment.

6. ACTION ITEMS/REPORTS:

A. Port Goals

The Port of Coos Bay wants to recognize the exceptional performance of its employees through a competitive compensation system. There are four major components:

- Market Comparability
- Cost of Living Adjustments
- Merit Pool
- Star Award

Annually in conjunction with the Budget, the Executive Director (ED) shall budget and recommend the formation of the Merit Pool Line item. The amount of this pool shall be determined on the basis of the Port’s financial capabilities and performance at that time. Additionally, the ED will submit 10 goals to the Commission for approval. Each goal, if successfully met or exceeded, shall represent 10% of the merit pool established in the budget. Upon acceptance of the ED’s recommendation to award merit funds, the Port Commission will authorize the dispersal of the merit pool to all employees in a proportionate annual increase. For the fiscal year 2007/2008, Port staff recommends the following 10 goals:

1. Creation and distribution of a Port Newsletter, e-report and newspaper insert, two per year, and may include a biennial report.
2. Measurable improvement over base maintenance plan structure plus projects over and above.
3. Port Emergency Plan (Internal for Employees) –through a sample drill.
4. Completion of “Clean Marina Program” for Charleston Marina and Best Management Practices (BMP) for Charleston Marina (each go hand-in-hand).
5. Vision and Master Plan for Charleston Marina Complex - Phase II – Capital Improvements Financial Plan.
6. Substantial reduction in accounts receivable.
7. Measurable improvement on non-tax revenues – increased cash carry forward for next year.

8. Increase value of Port assets base through real estate transactions.
9. Recruitment of 50 jobs in Port District.
10. "Grow the Business Financial Plan" - Explore new business revenues primarily in Charleston

Discussion: The President asked if # 6- "substantial reduction in accounts receivable" was past due accounts. Ms. Nichols said "no, our business is cash, so our goal is to reduce accounts receivable overall. Commissioner McKeown wanted to know how long we had been involved with the Clean Marina Program. Mr. Simons said that the program got dropped last year with everything that was going on in the Marina and he has now picked it up again and is moving forward. Mr. Bishop also commented that we have a Best Management Practices at the shipyard; this one is for the Marina.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners approved the ten goals valued each at 10% of the merit pool for FY07/08.

- B. New Port Commission Chambers and Meeting Room - **This item was pulled from the Agenda.**
- C. Resolution FY07/08-2 Line of Credit - Umpqua Bank

HB5036 authorized the issuance of Oregon Lottery Revenue Bonds in a principal amount of \$60,000,000 for the Federal Channel Deepening project. In the biennium beginning July 1, 2007, up to \$5 million in net proceeds of lottery bonds will be distributed to the Port for the Federal Channel Deepening Project - feasibility study phase. The Bond sale is scheduled for May 2008.

With the passing of the house bill, the Port, starting July 1, 2007, can begin incurring reimbursable costs against the project. In the interim period of July 1, 2007 through May 2008, the Port has applied to Umpqua Bank, Coos Bay Branch for a line of credit to bridge-gap needed funding. A resolution is required to authorize a revolving line of credit.

Discussion: Mr. Bishop reminded the Commission that there will be bond issuance costs with the \$60 million so we won't see a net \$60 million.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown) the Board of Commissioners approved Resolution 07/08 - 2, Commission authorization to open a revolving line of Credit at Umpqua Bank, Coos Bay branch for the specific purpose of Interim Financing for Coos Bay's Federal Channel Deepening Project.

**OREGON INTERNATIONAL PORT OF COOS BAY
RESOLUTION FY07/08 - 2**

Resolution authorization for a Revolving Line of Credit to be obtained from Umpqua Bank for the specific purpose of the Port's Federal Channel Deepening Project.

WHEREAS, the Oregon International Port of Coos Bay (the “Port”) is authorized to enter into credit agreements and issue notes and other obligations to provide interim financing for capital assets by ORS 288.165 (the “Act”) and obligations issued under the Act may be payable from all or any portion of the Port’s income; and,

WHEREAS, pursuant to House Bill 5036 of the 2007 Oregon Legislative Session, the Oregon Legislative Assembly has authorized the issuance of Oregon Lottery Revenue Bonds in a principal amount of \$60,000,000 to be granted to the Port for the Coos Bay Federal Channel Deepening Project (the “Project”); and,

WHEREAS, the Lottery Revenue Bonds authorized by House Bill 5036 will not be issued until approximately May 2008 and the Port desires to obtain interim financing for the Project until it receives the Lottery Revenue Bond proceeds; and,

WHEREAS, the Port has received a commitment letter dated August 23, 2007 for a revolving line of credit from Umpqua Bank to provide interim financing for the Project; and,

WHEREAS, the Board of Commissioners hereby determines that the Port shall obtain interim financing from Umpqua Bank pursuant to the terms of its commitment letter.

NOW, THEREFORE, THE BOARD OF COMMISSIONERS OF THE OREGON INTERNATIONAL PORT OF COOS BAY RESOLVES THAT:

Section 1. Credit Facility Authorized

The Port hereby authorizes the issuance of obligations pursuant to the Act to provide interim financing for the costs of the Project. The principal amount of obligations that are issued pursuant to this resolution (the “Obligations”) that are outstanding at any time shall not exceed \$2,000,000, and the Obligations shall mature no later than five years after the date it is issued.

Section 2. Delegation

Section 3. The President of the Board of Commissioners, the Finance Director of the Port, or the person designated by the President or the Finance Director to act under this resolution (the “Port Official”) are hereby authorized, on behalf of the Port and without further action by the Board of Commissioners, to:

- (1) Determine the final principal amount, interest rates, payment dates, prepayment rights and all other terms of the Obligations;
- (2) Negotiate, execute and deliver the Obligations with and to Umpqua Bank. Subject to the limitations of this resolution, the Obligations may be in such form and contain such terms as the Port Official may approve;
- (3) Covenant for the benefit of Umpqua Bank to comply with all provisions of the Internal Revenue Code of 1986, as amended (the “Code”), which are required for the interest paid on the Obligations to be excluded from gross income for federal income tax purposes; and
- (4) Designate the Obligations as “qualified tax-exempt obligations” pursuant to Section 265(b) (3) of the Code; and

- (5) Execute and deliver any other certificates or documents and take any other actions which the Port Official determines are desirable to carry out this resolution.

Section 4. Security

The Obligations shall constitute unconditional obligations of the Port, which are payable from all legally available funds of the Port. The Port Official may pledge the Port's full faith and credit and taxing power within the limitations of Sections 11 and 11b of Article XI of the Oregon Constitution, and any and all of the Port's legally available funds, to make the payments due under the Obligations. The Port Official may also pledge any Lottery Revenue Bond proceeds received by the Port pursuant to House Bill 5036.

Section 5. Reimbursement

The Port anticipates incurring expenditures to finance the costs of the Project and wishes to declare its official intent to reimbursement of itself for any expenditures the Port may make from its own funds on the Project from the proceeds of bonds or other obligations, the interest on which shall be excluded from gross income under Section 103 of the Code.

APPROVED and ADOPTED by the Board of Commissioners of the Oregon International Port of Coos Bay this 20th day of September, 2007.

David Kronsteiner, President

Daniel Smith, Secretary

D. Resolution FY07/08 - 3 Additional checking account at Umpqua Bank

In the biennium beginning July 1, 2007, up to \$5 million in net proceeds of lottery bonds will be distributed to the Port for the Federal Channel Deepening Project - feasibility study phase. The Bond sale is scheduled for May 2008.

With the passing of the house bill, the Port, starting July 1, 2007, can begin incurring reimbursable costs against the project. In the interim period of July 2007 through May 2008, the Port has applied to Umpqua Bank, Coos Bay Branch for a line of credit to bridge-gap needed funding.

A checking account is being opened specifically for expenditures against this project. Funds from the line of credit will be deposited into the new checking account. Once the bond sale is completed, the funds will be deposited directly into this new account. A resolution is required for signature authorization for the new checking account.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown) the Board of Commissioners approved Resolution 07/08 - 3, Signature Authorization for a new Checking account at Umpqua Bank, Coos Bay Branch for the specific purpose of Coos Bay's Federal Channel Deepening Project.

**OREGON INTERNATIONAL PORT OF COOS BAY
RESOLUTION FY07/08 – 3**

Resolution approving the signature authorization for a new Checking account to be established at Umpqua Bank for the specific purpose of the HB5036 Coos Bay’s Federal Channel Deepening Project.

WHEREAS the Oregon International Port of Coos Bay has designated Umpqua Bank, under the terms and conditions of Umpqua Bank, as the bank and depository for the funds of the Port, which may be withdrawn on checks, drafts, receipts or advices of debt given or signed in the Port’s name by any two of the following persons on behalf of the following account.

General Checking Account for Coos Bay’s Federal Channel Deepening Project

David Kronsteiner	President
Catherine “Caddy” McKeown	Vice President
Daniel Smith	Secretary
R. Brady Scott	Treasurer
Jerry Hampel	Commissioner
Michael F. Gaul	Deputy Executive Director
Donna Nichols	Director of Finance

And that said Bank shall be and is authorized to honor and pay the same whether or not they are payable to bearer or to the individual order of any person or persons signing the same.

APPROVED and ADOPTED by the Board of Commissioners of the Oregon International Port of Coos Bay this 20th day of September, 2007.

David Kronsteiner, President

Daniel Smith, Secretary

E. Memorandum of Agreement with COE on the Section 203 Process for Federal Channel Improvements.

The next step in the Section 203 Process is a Memorandum of Agreement between the U.S. Army Corps of Engineers (COE) and the Port of Coos Bay for the COE oversight of the Section 203 Study for the Federal Channel Improvement. A copy of the Agreement which was received and approved by the COE’s in-house legal counsel and by Robert Thomas, Port General Counsel was included in the Commissioner’s packets. In the agreement supporting agreements are addressed which are not before the Commission yet; they still have to be negotiated. However, there will be supporting agreements that will become attachments to this Memorandum of Agreement.

Discussion: President Kronsteiner asked if the Port was picking up the support agreement costs of the COE participation also? Mr. Gaul said yes, the Port pays for the COE’s oversight which comes out of the funding. The President continued “the COE doesn’t pay anything because they would have to go to

Congress to get it?” Mr. Bishop said “that is correct and that is why the Port saves the 7 years on the process.”

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners approved the Memorandum of Agreement between the U.S. Army Corps of Engineers and the Oregon International Port of Coos Bay for the Section 203 Process for the Federal Channel Improvements and for the Executive Director to sign the agreement.

F. Attachment C to David Evans Associates Services Contract Dated April 12, 2007 – Change Order.

Attachment “C” covers four additional task orders required by the Resource Agencies on the Gateway Slip/Access Waterway Project.

- Task 1 – Wetland Delineation Fee: \$ 28,400
- Task 2 – Cultural Resource Report Fee \$ 8,200
- Task 3 - Additional info for Biological Assessment Fee \$ 5,000
- Task 4 – Beach Modeling & White Paper Fee \$ 60,000

Attachment “C” is 100% funded by Jordan Cove and Jordan Cove has provided their approval of the work.

Clarification: This additional funding request and the April 12, 2007 contract with David Evans Associates is in regard to the 404 permit work on the Port’s slip/access waterway only.

Discussion: Mr. Bishop added a point of clarification to this discussion in response to a news report which said “Because the Port had changed to 100% funding by Jordan Cove, it was an indication that there was not a Port interest in continuing to develop the general purpose cargo terminal”. That is not accurate. The Port, in our contracts with Jordan Cove, has the option of paying for 15% of the terminal in the event that we choose to develop one. We have the option of doing that on a pay as you go or we have the option of buying back in whenever we get ready to develop the project. Our decision to go to 100% at this time is merely a reflection of cash flow management; the overall project costs; and the uncertainties surrounding the container terminal project; whether or not it will go and how large it will be and what impact it will have on the general purpose cargo terminal. The core customer that we had originally targeted for that project is still in tact. Their legal agreement is still in place with us; and we will continue to move forward on the project.

President Kronsteiner asked if the different tasks that were lined out were fixed costs or are they estimated. Mr. Gaul responded that they were fixed costs. The President continued and asked if the part being done by Moffat Nichols was a fixed cost also. Mr. Gaul said yes, that is correct.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners approved the change order, Attachment C, on David Evans Associates contract on the slip/access waterway in the amount of \$102,100.

G. David Evans Associates Contract on the Coos Bay Federal Channel Modification Section 203 Study.

After approval of the Section 203 Study by the Assistant Secretary of the Army of Engineering, the Port contracted with David Evans Associates to identify the needed components for the Feasibility Study, the Environmental Impact Statement and to negotiate the Memorandum of Agreement with the U.S. Army Corps of Engineers for the oversight process. The contract with David Evans Associates is to manage the Section 203 Study, the scope of services and budget estimates. The scope of services is designed to have decision points at the end of each phase. Phase I includes:

- Preliminary Formulation, screening and project scoping
- Engineering studies
- Socioeconomic Studies and Report
- Preliminary Environmental Studies and Memorandum
- Survey and Mapping
- Project Management and Coordination

The total cost of the contract could be a realistic level of technical studies at \$3,385,580 to a high level at \$4,592,330 dependant on the number and extent of the studies which will be negotiated with the U.S. Army Corps of Engineers (COE). This is why there are decisions points throughout the contract. It allows the Port to determine exactly where they are in the process and if they want move to the next step given the implementation of the Port costs for the study. The numbers above include the cost of the COE oversight currently at \$250,000 for the realistic number up to \$500,000 for the high.

The scope of services for the Port of Coos Bay:

- Preliminary formulation and screening of project alternatives
- Identification of “fatal flaws” in project conditions that would prohibit the project design from proceeding.
- Public scoping and preparation of the scoping report.
- Preliminary evaluation of engineering and environmental impacts that would have major cost implication based on probable mitigation and/or project features
- Determination of the proposed project’s estimated National Economic Development (NED) benefits. Based on the estimated NED benefits, the consultant will determine whether authorization and funding for a Federal navigation project would be justified.
- Initiation of all engineering and environmental technical studies.
- Determination of the level of technical studies that will need to be completed during Phase 2 – Draft Feasibility Study /Environmental Impact Study.

- Task 1. Preliminary Formulation, Screening and Project Scoping.
 - Establish Problems & Opportunities, Goals & Objectives, and Planning Constraints.
 - Establish Without Project Conditions.
 - Preliminary Formulation and Screening of Alternatives.
 - Notice of Intent for preparation of an EIS.
 - Scoping and Scoping Meetings and Workshops.

- Task 2. Engineering Studies: Hydrodynamic and Related Analysis.
 - Tidal Hydrodynamics, Wave and Sediment Transport Model

- Dredging Studies and Report
 - Port Development Studies/Report
 - Preliminary Design. It is critical for us to get a concrete budget projection.
- Task 3. Socioeconomic Studies – a critical task.
 - Establish Existing Conditions
 - Conduct a Port Facilities Analysis
 - Develop a Coos Bay Trade Forecast
 - Develop a Coos Bay Market Share Analysis
 - Develop a Coos Bay Fleet Forecast
 - Develop without Project Future Conditions
 - Calculate without Project Transportation Costs

Mr. Bishop said that what the Port would focus on was the projections over a 50-year period of what the National needs will be for container cargo use. It will forecast what is going on in world vessel construction, focusing on the size of vessels and how that fits in with the construction of the channel. The last time Mr. Bishop checked there were over 13 new orders for 13,000+ TEU vessels.

- Develop with Project Future Conditions
 - Calculate with Project Future Conditions
 - Calculate NED Benefits and Costs and Identify the NED Plan.
 - Conduct Risk and Uncertainty Analysis
 - Conduct Financial Analysis
 - Prepare Socioeconomic Profile, Impact Assessment and Institutional Analyses
- Task 4. Preliminary Environmental Studies and Memorandum.
 - Preliminary Environmental Technical Memorandum
 - Data Collection
 - Traffic and Transportation
 - Light Pollution and Visual Resources
 - Land Use Consistency
 - Ecological Resources and Mitigation
 - Hazardous, Toxic and Radiological Waste (HTRW) Investigations
 - Cultural Resources
 - Task 5. Surveying and Mapping
 - Topographic Mapping
 - Bathymetry and Cross-Sections of the Bay
 - Task 6. Project Management and Coordination
 - Project Management and Quality Assurance
 - Project Kickoff and Coordination Meetings

Discussion: Commissioner McKeown said this is a huge project. In the 6 or 7 years that were projected from start to finish to actually accomplish this task, where does Phase I fit into this time frame? Mr. Bishop said that Phase I will actually be the fastest element. It gets you to the point to see whether you

want to go on to step two. Our estimate is that it will be completed between March and April of next year.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners approved the contract with David Evans Associates for management of the Coos Bay Federal Channel Modification Section 203 Feasibility Study/Environmental Impact Statement and authorization to proceed with Phase I in the amount of \$1,051,950.

H. Stuntzner Engineering Change Order Request #1 on the TransPacific Parkway Realignment Project Contract.

The Port entered into a contract with Stuntzner Engineering in September 2005 to provide engineering services and project management for the TransPacific Parkway Realignment Project in the amount of \$137,732. \$65,977 was allocated to take the project from preliminary design through the bid process. \$71,755 was for construction management. To date, the Port has billed \$109,458 on this contract and we are still at least three months from going to bid. The delays and additional costs are not the fault of Stuntzner Engineering staff. A number of factors have delayed this project and added additional engineering costs.

- U.S. Fish & Wildlife process
- Continued change in Central Oregon & Pacific RR staff
- ODOT Rail
- U.S. Army Corps of Engineers regarding permitting and mitigation requirement.

Russell Cox, Stuntzner project manager, was asked to provide a project status report regarding the remaining issues that need resolution to get this project to bid, which is included in the Commission packet. The work also includes the use of up to three acres of the Port's Eastside property for mitigation. Stuntzner provided worst case cost estimates should the COE require new wetland delineation; and mitigation plan for the Eastside Property.

The additional work with the U.S. Fish & Wildlife Service, CORP, ODOT Rail, and the COE has already eaten into the project management budget. Staff is recommending a change order to the Stuntzner contract in the amount of \$34,000 with the understanding that based on a successful bid award, staff may come back with a second change order to bring the construction portion back to its budgeted amount.

The project funding is \$1,040,000 from State OTIA III and \$350,000 from Federal SAFETEA-LU funds that Congressman DeFazio secured for the project. Staff has serious concerns that we cannot bring this project in within budget due to delays. It has been three years since the project estimate and two years since the original anticipated bid date. During this time, fuel, material and labor costs have continued to rise.

Another alternative for consideration is to end the project now and return the remaining grant funds. Staff does not recommend this right now. If the change order request is approved, staff will make additional recommendations to the Commission once bids are opened and the true construction number is known.

Discussion: Commissioner McKeown asked if the road blocks are mainly timing issues. Are the other agencies not getting things done in a timely manner? Or are they asking for more or asking for different actions? Mr. Gaul said that the U.S. Fish and Wildlife is just timing. The continued staffing changes in Central Oregon & Pacific bring a new view every time they get a management change. ODOT Rail has not been able to issue a crossing order until they come to some agreement with CORP of what that crossing order should be. When the Port mitigated for the Rail Spur on the North Spit, DSL did not like our mitigation plan but we finally convinced them that it was a good plan. The COE jumped on it immediately and thought it was great. We did mitigation and that project is flourishing; it is doing just what it is supposed to do. The Port's original mitigation proposal with the COE was to add to the rail spur mitigation which DSL jumped on right away; they liked what the Port did. The new COE personnel didn't like it and wanted it somewhere else. The Port has been negotiating with Tina Monical of COE in Eugene.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown) the Board of Commissioners approved change order #1 to the Stuntzner Engineering TransPacific Parkway Realignment Project contract in the amount of \$34,000.

I. Memorandum of Understanding - Snowy Plover Management

This draft Memorandum of Understanding is being proposed by John Craig of the COE. It will bring resolution to the Section 1135 which is the Port sponsored Snowy Plover Habitat Restoration Project of 1996. The Memorandum of Understanding provides a framework for future cooperation among State and Federal Agencies regarding the Snowy Plover Management on Coos Bay's North Spit. The agreement does not obligate any signatory agency to funding. It does provide a framework to achieve mutual goals. Port Counsel, Robert Thomas has reviewed this document and found it acceptable for recommendation to the Commission.

Discussion: David Kronsteiner: Is this back to the old item between the State and Federal Government? Mr. Gaul said that the Port had been approached by the COE in the mid 90's to sponsor a project on the North Spit. Urban Renewal Agency funded about \$56,000 and put some dredge spoils out for the Snowy Plover habitat. The agreement required the Oregon Dept. Fish & Wildlife to maintain the facility for 20 years. Due to some issues at the State level, Oregon Dept. Fish & Wildlife walked away from it; BLM picked up maintenance for quite some time but there was a cost and the COE wanted the Port to pick up the costs. The Port said it was not part of the agreement and the habitat was doing well on its own. The Port felt it was time to end the agreement. Mr. Gaul said the Port has had discussions with the COE over the past eight months about how to resolve this issue. It has been a good thing and we now know we can work together on achieving mutual goals.

Mr. Bishop asked about the dredge material that was used for the Snowy Plover habitat. Did the plovers like it? Mr. Gaul said yes they did. Mr. Bishop asked if the dredge material tested clean. Mr. Gaul said yes.

President Kronsteiner asked what kind of result are we looking for from Memorandum of Understanding. Mr. Gaul said that it might be the footwork for some ongoing negotiations and more impact in the private maintenance and maybe a joint effort for partnership.

Upon a motion by Commissioner Hampel (second by Commissioner McKeown) the Board of Commissioners approved the Memorandum of Understanding on the Snowy Plover and authorization for the Executive Director to sign the document.

7. OTHER:

8. INFORMATION ITEMS:

A. Mark Stermitz - letter of engagement
B. Business Center Newsletter
C. Commendation for Cheryl Charitar - Commissioner McKeown wanted to make note of the letter from Michael and Gladys Alfano commending Cheryl. She said that Cheryl went over and beyond for these people and the Commission wanted to thank her; it was very nice. Aaron Simons said he would convey their thanks to Cheryl.

9. COMMISSION COMMENTS: There were no other Commission comments.

10. NEXT REGULAR COMMISSION MEETING DATE -Thursday, October 18, 2007

11. ADJOURN: The meeting was adjourned to Executive Session at: 8:45pm

12. RETURN: To Open Session: 9:10 p.m.

Upon a motion by Commissioner McKeown (second by Commissioner Hampel) the Board of Commissioners authorized the Executive Director to institute whatever litigation that appears appropriate relating to obligations of Central Oregon and Pacific Railroad to Oregon International Port of Coos Bay.

13. ADJOURN: The Regular Commission Meeting was adjourned at 9:15 p.m.