



APPROVED 11-17-2009

**MINUTES
OF THE
BOARD OF COMMISSIONERS
SPECIAL MEETING AND WORKSHOP**

HELD ON

Tuesday, October 27, 2009

4:30 p.m.

at

Port of Tillamook Bay

4000 Blimp Boulevard

Tillamook, Oregon

1. Call to Order

Board President Jerry Dove called the special meeting/workshop meeting to order at 4:30 p.m.

2. Recognition of Persons Present

Commissioners: Jerry Dove (President); Ken Bell (Vice President); John Ficher (Secretary); and Jim Young (Commissioner). **(Commissioner Art Riedel was not present at the meeting.)**

Port Staff: Michele Bradley (General Manager); and Aaron Palter (Project Coordinator).

Guests: Larry Jellison and Danielle Pettyjohn, LD Jellison, Inc.

Public: Russ Halvorsen, Dairy Compost, Inc.; George Prince, Dairy Compost, Inc.; Jon Wehage, Stimson Lumber Company; Scott Gray, Stimson Lumber Company; Shawn Hummer, Stimson Lumber Company; Bob Banchero, Stimson Lumber Company; Pat Ashby, Tillamook PUD; Joel George, Tillamook PUD; Jennifer Purcell, Tillamook County Solid Waste; Liane Welch, Director, Tillamook County Public Works; Gus Meyer, Private Sector; Dennie Houle, Business Oregon, State of Oregon; Matt Krumenauer, Oregon Department of Energy; Doug Cooper, Hampton Lumber; Shell Sheldon, Sheldon Oil Company; Mike Sheldon, Sheldon Oil Company; Shawn Reirsgaard, Tillamook County Creamery Association; Mark Labhart, Tillamook County Commissioner; Lee Ann Neal, Headlight Herald; Gerald "Butch" Parker, Director, Tillamook County Department of Community

Development; Barbara Johnson, Tillamook PUD; Kate Skinner, Oregon Department of Forestry; Don Averill, Averill Trucking.

ITEM TAKEN OUT OF ORDER 4. Presentation from LD Jellison on the potential for a Biomass Facility at the Port

Ms. Bradley introduced Mr. Larry Jellison and Ms. Danielle Pettyjohn from LD Jellison, Inc., saying they are here today to provide a presentation on the potential for the development of a woody biomass facility at the Port of Tillamook Bay; and she briefly discussed a prior meeting between staff and others with LD Jellison on this opportunity.

Mr. Jellison gave a brief history of his background relating to development of biomass facilities. He has built seven (7) facilities, and has been involved in the creation of numerous others. He was the first person to use woody biomass for electrical production. He is here today to present the Port and other interested parties with the idea of bringing a woody biomass facility to the Tillamook area. He then gave a slideshow presentation for those present. Hampton's Darrington, Oregon plant, currently under construction, would be similar to the plant built at the Port.

Tax incentives would represent \$15- to \$20 Million to the project right at its outset and could pay for half the project. Without these tax incentives, the project is not viable. Logistics of fuel supply are critical cash flow calculations for the project. Jellison offered that tires could be a potential fuel source and his recommendation would be to seek this fuel in a second permit process. Other potential fuel sources were discussed, including compost. A question was asked about the disposal of the ash produced from the plant. Ash remains a haul cost to the project and is typically trucked away for either soil amendment or concrete production.

A discussion was held about the facility's needs. Jellison discussed a 15-acre parcel as being desirable for the facility. It should be in close proximity to an electrical substation for power transfer as quickly as possible. PUD has a substation at the Port. He recommends the facility be leased to an operator/manager, perhaps someone who knows how to get fuel, someone with something to trade off for. Steam can be run from the facility for one-half mile before experiencing a loss. The facility puts out very little noise. A tour of facilities was recommended prior to proceeding.

He said the plant would be monitored 24/7. Operations of the system were discussed. The plant requires 350 gallons of water per minute and will put out 50 gallons per minute at 100 degrees. It was discussed this could be used potentially to pre-heat the material the Port's digester receives by piping over to it and a return pipe for re-use at the facility. Steam can also be piped away to an outside source in return for water collection/re-use. Jellison reiterated the difficulty in getting these projects to show positive cash flow with the fuel source being very important. The market for slash is ever increasing and could be a positive to the project.

Commissioner Young asked about project funding. Jellison replied the Port should not necessarily fund or even build the project; but it should bless the project. A brief discussion was held about the different attendees' abilities to contribute to this project. Everyone could derive a potential benefit. A preliminary feasibility study should be performed (Phase II study) which would provide the "go" "no-go" for the project. The cost is about \$125,000 to \$250,000 with grants and/or other federal incentives for this purpose. Someone will need to take the lead on this.

Matt Krumenauer (Oregon Department of Energy) discussed the need to bring together the parties to generate an application. This should be done in a cooperative fashion to evidence broad support for the project; however, private parties should be willing to step up in the process for buy-in and effort towards the project. Dennie Houle added the project is like building a business plan. Certain questions need to be asked and answered, such as who is going to profit from the operation and who is going to operate it. Who in Tillamook County is willing to put up the funds; it could be consortium. He looks at the Port and asks what should it do. It could lease the land/facility to an operator. The project is incredibly good.

Mark Labhart went over his questions about the project and said the Phase II study should answer all of the important questions. The study needs to be funded. He asked about the opportunity to seek state funding to determine feasibility and who takes the lead on that. Melanie Olson discussed the potential for a Business Oregon grant (c. \$50,000) to fund a portion of the process. The Renewable Energy grant has a 25% match requirement.

Jellison discussed his good relationship with the state and indicated the Business Energy Tax Credits (BETC) being an important part of the process. He also is willing to provide a pro forma for those interested showing a 20-year projection.

The next steps in the process were discussed. Commissioner Dove said the Port should take the lead to form a group to work out the details of proceeding. Stimson and Hampton both indicated interest in this as did the PUD. ODF discussed that a lot of mechanisms need to be worked out but the predictability of slash burning is ten years until it will no longer be allowed. It has to go somewhere. Part of the study would predict this fuel source analysis.

It was suggested persons attending the meeting who wished to participate in discussions to move the process forward indicate an asterisk next to their name on the attendance sheet for contact of future meetings.

(There was a recess taken between 5:55 p.m. and 6:03 p.m.)

Commissioner Dove said the Board will listen to conversation with neighbors of the Port's property on Third Street and then the Board will recess into executive session to discuss the potential sale of this property.

Mark Elston (Hampton Lumber) said that they would like to do what is fair. They are not keen on a bidding process for this property. Ms. Bradley discussed the makeup of the property. It is a 39,000 square foot parcel which is adjacent to land owned by Sheldon Oil Company, Hampton Lumber Company and Werner Meats Company. She said the access issue the Board has asked to look into has been addressed; and it looks like the parcel is landlocked.

Shell Sheldon (Sheldon Oil Company) said he is willing to talk about the property and that this has been in limbo since the previous Port Director (Van Borssum) was in charge. He thought this was moving forward.

Commissioner Young asked Hampton and Sheldon if this was a cooperative effort. The parties agreed that they were working collaboratively.

Don Averill (Averill Trucking) said he is not interested in purchasing the property but he does want access.

Ms. Bradley said in her talks with Werner, he may be interested in the property for use as a parking lot, with no plans for building. She said the Board should decide on what it is willing to do.

A brief discussion was held about the depot building on the property and the interest of a party in removing the building from the site. Commissioner Dove said to Don Averill that the issue of someone living in the depot building needs to be taken care of now.

Commissioner Dove said the Port feels their industrial property is valuable and the Port wants to be fair to everyone, including Werner.

Mr. Sheldon said they would use the property for parking, storage and lease space. He said that Werner is only interested in doing it as one party.

Hampton said their goal is to expand and the property would be a best fit for them.

5. Executive Session per ORS 192.660(2)(e) regarding Real Property Transactions and 192.660 2 (f) regarding Exempt Public Records

(Whereupon Commissioner Dove read the appropriate statute for the Executive Session under ORS 192.660 (2)(e) and (2)(f), and the meeting was recessed into Executive Session between the hours of 6:21 p.m. and 6:54 p.m.)

6. Other Business (if necessary)

Commissioner Dove said the Board has discussed the matter in executive session and the feeling is to include all adjoining property owners in the potential sale of the property. Further, the Board's inclination is to set a reserve price of \$120,000 for the property and to sell the property in an "as-is" condition.

Commissioner Bell made the Motion to notify all adjoining property owners of the subject property and set the opening bid price for the property at \$120,000. The property will be sold "as-is." Commissioner Ficher seconded the Motion. The Motion was carried by a unanimous vote of those present.

The Board clarified their minimum opening bid price is \$120,000 and the property is being sold "as-is."

7. Public Comment

Ms. Bradley discussed the recent Rotary Club meeting and said there were issues with the Bunkers representations made at that meeting. Mr. Palter told the Board he made a statement at the Rotary meeting to the effect of there being an extensive public record at the Port on the Resort Project and encouraged anyone who had questions to review the public record on the statements made by the Bunkers Group.

8. Commissioner Comments

Commissioner Dove discussed the recent conduct of Commissioner Riedel towards staff and said this should not be acceptable for a Port Commissioner to be treating any of the Port's staff in this manner. Commissioner Dove said he would be presenting Commissioner Riedel with a letter regarding Riedel's recent comment made about staff.

9. Adjournment

The meeting was adjourned at the hour of 7:15 p.m.