

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, November 12, 2019
2:00pm

CALL TO ORDER: President Dan G. Gunkel called the meeting to order at 2:00 p.m. as advertised.

COMMISSIONERS PRESENT: Dan G. Gunkel- President, Douglas B. Miller-Vice President, and Randy L. Knowles- Secretary

STAFF PRESENT: Jim Smith- General Manager, Gwyn Miller- Director of Human Resources and Business Services, Mike DeMott- Power Manager, Cynthia Bruce- AP/Accounting Clerk, Nichole Lantau- Accountant, Kevin Ricks- Renewable Energy Assets Manager, Ron Schultz- Engineering Manager, and Luann Mata- Executive Assistant.

GUESTS: Larry Hoctor and Greg Gallagher.

PLEDGE: The Pledge of Allegiance was recited by those present.

MINUTES:

MOTION was made by Commissioner Miller to approve the October 22, 2019 regular meeting minutes as presented. Motion carried.

MOTION was made by Commissioner Miller to approve the October 25, 2019 special meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Cynthia Bruce. Vouchers were audited and certified by the auditing officer as required by RCW 42.24.080, and all expense reimbursement claims presented were certified as required by RCW 42.24.090 and were recorded on a listing made available to the Board this 12th day of November, 2019.

MOTION was made by Commissioner Knowles to approve accounts payable vouchers and payroll in the amounts as listed:

- Accounts Payable Voucher Nos. 205688 through 205689, 205691 through 205692, and 205694 through 205835 in the total amount of \$883,072.66; Wire and Automated Clearing House (ACH) transaction Nos. 8801260 through 8801261, along with Electronic Funds Transfer (EFT) transaction Nos. 80 through 82 in the total amount of \$99,205.77 for the period ending November 12, 2019; and
- Payroll Warrant Nos. 205690 and 205693 and ACH Direct Deposit Payroll transactions 203586 through 203669 in the total amount of \$197,321.44 for the payroll period ending October 27, 2019.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Renewable Energy Assets Report – Kevin Ricks presented the department report for October. Kevin stated that the Renewable Natural Gas plant is running at 74.6% nameplate capacity (5,000 DTH basis), which has significantly increased since last month. The average daily output was 3,608 dekatherm's (DTH) per day. The wellfield is producing approximately 148,000 DTH/mo at this time. Our meeting with Republic on the Optimization agreement has moved to Tuesday, November 19th. On Tuesday,

October 29th Kevin attended a Methane Bio gas pipeline standards workshop at the Washington Utilities and Transportation Commission. Staff submitted written comments to the UTC. Kevin stated that the impending biomethane standards did not pose a risk to the PUD as our equipment would easily be able to meet or exceed proposed pipeline standards. Commissioner Gunkel asked if the lower standards place us at competitive disadvantage, Kevin felt that maybe it would, but there wasn't much of a chance that any proposed standards would not be lower than the existing standards. At the current time we are one of two facilities that are meeting the Williams pipeline standards, proving that lowering of the standards is not necessary. Kevin also attended a hearing of the EPA on 2020 Renewable Volume Obligation supplemental proposal and provided comments on the small refinery exemptions. Our goal for attending these meetings and providing our feedback is to protect the RIN value of RNG, so we will stay engaged in these discussions.

Power Management Bond Sale Update – Mike DeMott provided a review of the final results of the recent bond sale in the board packet. The final outcome of the sale was slightly improved over prior reported expectations. The bond insurance policy was utilized and provided substantial interest savings. By completing the bond sale now, we were able to obtain new bonds and benefit from the historic low interest rates. Commissioner Gunkel noted that this leads to saving our customers money.

Financial Report – Nichole Lantau presented the July and August Financial Reports. The Net Operating Margin for August was \$877,626. With the updated financials, the Year-end Operating Margin forecast is \$2,818,222. The budgeted revenue for August is down around \$800,000 mostly due to not receiving RNG RIN revenue. The PUD surplus sale brought in an additional \$39,513 in miscellaneous revenue for the month. Expenses for the Water/Wastewater department were higher in August primarily due to closing and expensing repairs to the sewer line in Glenwood. The cost of the work order was approximately \$90,000 which was split between capital and expense. Overall department expenses throughout the utility are down year-to-date. The timing of expenditures versus the budget may vary slightly but the forecast is reasonable for year-end. Based on those updated year-end figures, we are expecting to end the year with 264 days cash on hand.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel stated that he has heard from local wine grape growers that the early frost affected their harvest. In Washington there were 10,000 acres of grapes left on the vines. This early freeze could also affect next year's production if the vines were damaged. He also stated that 25% of Washington's wine grapes are grown in Klickitat County. There has been a forecasted surplus of grapes for the next two years, so the positive side of this situation is a reduction in surplus juice. If the frost had not hit, that could have moved the surplus out even further. It is unclear if California's inventory will be affected this year by Mother Nature or not

COMMISSIONER DOUGLAS MILLER - Commissioner Miller attended the child care meeting put together by the Klickitat County Commissioners. Representative Mosbrucker spoke about the ongoing need. Commissioner Knowles asked if there was a funding mechanism for this proposed program. Commissioner Miller stated that there are state funds available for people unable to afford child care who are working.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles attended the Public Utilities Risk Management Services meeting. The Board approved the PURMS budget for 2020. Commissioner Knowles stated that Klickitat PUD's medical costs have been trending down the last couple of months. The PURMS budget included an increase in legal services. Commissioner Knowles also stated that we can anticipate an extended legislative session even though it's the short session, he believes due to the vehicle licensing initiative passing. This initiative could significantly reduce transportation funds and may reduce Department of Natural Resources funds as well. There may be more to come from this issue since the City of Seattle is filing a lawsuit on this measure. NoaNet filed a property claim that was settled by PURMS. PURMS will be reviewing potential exposure in policy language moving forward.

GENERAL MANAGER – The complete report can be found at:

http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

In addition to the written report, Jim Smith presented the following information:

- DNR Taskforce meeting Friday- Jim will attend a meeting of the DNR Taskforce and will bring back a report.
- WPUA Annual Meeting- Jim asked if anyone would like to attend the WPUA annual meeting. Commissioners Knowles and Gunkel expressed interest. Commissioner Miller will let Luann know.
- Net Metering- Dave Warren was contacted by the Governor's Office to discuss our Net Metering program policy. Jim has a teleconference with the Governor's office tomorrow.
- Tom Svendsen's Retirement party- White Creek is hosting a retirement party for Tom Svendsen. It will be held on Saturday, December 7th at the Maryhill Winery from 1:00 p.m. until 3:00 p.m.

AGENDA ITEMS:

- A. USDA FUNDING DELEGATION OF AUTHORITY Resolution No. 1782-
Motion was made by Commissioner Miller to approve Resolution 1782 authorizing the General Manager to designate staff responsibilities for the USDA funding process for the Klickitat Water System project. Motion carried.
- B. PREQUALIFICATION OF CONTRACTORS- **Motion** was made by Commissioner Knowles to approve the addition of Platinum Industrial and agree to add them to the Small Works Roster for the remainder of 2019. Motion carried.
- C. 2020 OPERATING BUDGET 2ND REVIEW AND SETTING OF 2020 OPERATING BUDGET HEARING DATE- Staff briefly discussed the updates to the 2019 year-end forecasts based upon financial updates through August. There were no changes to the 2020 budget proposal from the first draft. These updates prompted a discussion on the 2020 proposed operating budget which included a 1.5% rate increase in its model. The rate increase proposal was the only outstanding item to discuss prior to setting the 2020 Operating Budget hearing date. After discussing Agenda Item D at length, the Board was agreeable to setting the budget hearing date.

Motion was made by Commissioner Knowles to authorize staff to advertise for the 2020 Operating Budget hearing date set for Tuesday, December 10, 2019 at 3:00 p.m. Motion carried.

- D. DISCUSSION OF KLICKITAT PUD ELECTRIC SERVICES RATE SCHEDULE 8 INCREASE AND KLICKITAT PUD RETAIL ELECTRIC RATE PROPOSALS FOR 2020-

Klickitat PUD Electric services rates- Staff recommended that the Klickitat PUD Electric Service Rate Schedule 8 be increased to reflect the pending Bonneville Power Administration rate increase. Rate Schedule 8 only affects Klickitat PUD's service accounts. Staff requested that the Board set the hearing date to adopt these new rates.

Retail Rate Increase proposed in the 2020 Budget- Jim walked the Board through the key Financial Policy metrics for the 2020 budget and five year forecast. Jim stated that the first draft of the budget met all requirements of the Financial Policy and allowed for a conservative view of RNG revenues as we have had in past years. Since the last meeting, staff ran an option for no rate increase in 2020 and showed that we could still meet Financial Policy goals. Commissioner Knowles discussed the pros and cons of relying on forecasted RNG revenues to meet our policy requirements. After discussion, it

was determined that there would be no electric rate increase for 2020, but that 1.5% rate increases be kept in future year projections as this is a conservative approach and we will be revisiting those numbers when we start our 2021 budgeting process.

E. SET PUBLIC RATE HEARING DATE:

- a. **Motion** was made by Commissioner Miller to set the Electric Rate hearing date for Tuesday, December 10th, 2019 at 3:00 p.m. for the Klickitat PUD Electrical Service Rate Schedule 8. Motion carried.
- b. There will be no proposed retail Electric Rate increase within the 2020 Operating Budget and therefore no need for a public rate hearing for this purpose.

F. EXECUTIVE SESSION:

- a. Collective Bargaining Per RCW 42.30.140(4)(a)-
- b. Potential Litigation: Net Metering- Per RCW 42.30.110(1)(i)-

President Gunkel called for an Executive Session at 3:53 p.m. per *RCW 42.30.140 (4)(a)* and *RCW 42.30.140 (1)(i)* noting that the session would last for 60 minutes, for the purpose of discussing the collective bargaining meeting parameters and pending net metering litigation. Athan Tramountanas-Legal Counsel was present (via teleconference) for the Net Metering discussion. The session ended at 4:55. No action was taken.

RCW 42.30.110 – Executive Session.

(1) Nothing contained in this chapter may be construed to prevent a governing body from holding an executive session during a regular or special meeting:

Adjourned – There being no further business, the meeting adjourned at 5:00 p.m.

/S/
Dan G. Gunkel, President

/S/
Douglas B. Miller, Vice President

/S/
Randy L. Knowles, Secretary
Date Approved: November 26, 2019

/s/
Luann Mata, Executive Assistant