

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, June 11, 2019
2:00pm

CALL TO ORDER: Vice-President Douglas B. Miller called the meeting to order at 2:00 p.m. as advertised.

PRESENT: Douglas B. Miller-Vice President, and Randy L. Knowles- Secretary

STAFF PRESENT: Jim Smith- General Manager, Mike DeMott- Power Manager, Mark Pritchard- Operations Manager, Cynthia Bruce- AP/Accounting Clerk, Ron Schultz- Engineering Manager, Jeff Thayer- Purchasing manager, and Luann Mata- Executive Assistant.

GUESTS: Tom McDonald- Cascadia Law Group (via phone)

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

MINUTES: **MOTION** was made by Commissioner Knowles to approve the May 28, 2019 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 11th day of June, 2019.

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

- Accounts Payable Voucher Nos. 204206 through 204326 in the total amount of \$1,032,811.02 and Wire, ACH Nos. 8801150 through 8801154 and EFT Nos. 39 through 41 in the total amount of \$149,423.95 for the period ending June 11, 2019; and
- Payroll Warrant Nos. 204205 and ACH Direct Deposit Payroll transactions 202649 through 202730 in the total amount of \$198,351.29 for the payroll period ending May 26, 2019.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Purchasing Report- Jeff Thayer provided an update on the revenue obtained from the surplus items sold on the state auction website. The auction items yielded nearly \$44,000. Four items yielded higher than expected results. Those were the backhoe, the bucket truck, the trailer and the water pipe. Jeff noted that the water pipe revenue would be returned to the various water systems.

Power Management Report – Power Management Report – Mike DeMott presented the department report for May. Mid-C forward power prices are up 30%

compared to budget and Sumas gas pricing shows a 15% increase. White Creek continues to lag budgeted generation but given increases in wholesale power prices, we anticipate we will exceed annual budgeted revenue. The White Creek off takers have an agreement pending with Sapere Consulting to assume the duties of Tom Svendsen. Execution of the agreement is pending approval from a few remaining utilities.

Mike mentioned that he read an article that Coal Strip 1 and 2 are slated to shut down by the end of this year. This is a reduction of 614 MW, that was originally slated for 2022, not 2019. Cole Strip 3 and 4 will remain open at this time.

Renewable Natural Gas project production was 98,800MMBtu for May. Weaver will be on site next week to complete our final site audit for Environmental Protection Agency's Quality Assurance Plan purposes. Shortly after this audit, we will have the ability to sell Renewable Index Number credits and anticipate this to commence mid-July. We are also starting the process with the state of California to generate Low Carbon Fuel Standard credits, should RNG be sold to California based vehicle fuel producers. Staff is working on establishing our Carbon Intensity value. The lower the CI score the higher the value for the gas. CI value is strongly contingent upon plant efficiency. We anticipate having the initial steps of this process completed this fall.

COMMISSIONER DAN GUNKEL –ABSENT

COMMISSIONER DOUGLAS MILLER - Commissioner Miller did not have a report.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles reported that the Public Utilities Risk Management group received notification of lawsuit claims of \$105,000,000. Jim stated that there is a legal team in discussions regarding this notification now, as the claim from the Department of Justice regarding the Mile Marker 28 fire is not clear if their claim is part of or in addition to the existing Bureau of Indian Affairs claim. An executive session on potential litigation will be scheduled as soon as Perkins Coie has sufficient information to be able to brief the Board. Commissioner Knowles also stated that Aegis audits utilities to assist with controlling risk. The PURM's group is evaluating how to utilize this service. There will likely be staff driven working committees established, to monitor and provide recommendations of risk strategies.

Commissioner Knowles also stated that he received a call from David Poucher the White Salmon Mayor. The city council has discussed philosophy on tree trimming in their area. Mayor Poucher asked if staff could follow up and provide him with information on utility requirements. Jim Smith asked that Ron Schultz discuss their plans with the Mayor and potentially the White Salmon City Council as it may conflict with our responsibilities with respect to vegetation management.

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:

- Moss Adams Financial Audit – Our financial audit for 2018 is complete. We have provided each commissioner with a copy of the reports. Moss Adams will attend our commission meeting on June 25th to discuss the report.
- RNG Update – There was an unplanned outage on June 7th. Caused by a Republic dozer operator tearing open a 12” collection system header. The damage was repaired and the plant has been ramping back to up to full load slowly and reached full load yesterday.

Cross Trails, the contractor hired for it's independent opinion of operation parameters, have completed their evaluations. Kevin Ricks is in Midland Texas discussing the findings with BCKK and ensuring that they continue to

support us and the facility by actively engaging in the solutions recommend in the report. Most of the items identified in the report were already in process for implementation. BCKK and Staff are evaluating the standard operating parameters.

- Dave Warren – Dave Warren has been instrumental working for us to obtain the best legislative outcomes of the most recent bills. On July 9th he will be in town and plans to attend the commission meeting. He is administering a legislative staff to tour of the RNG facility on July 10th. Jim felt it would be an opportunity to thank him for the work he completed on our behalf this past session. There may be an opportunity for the board to meet with one or two of the Washington State Utility and Transportation Commission commissioners and engage in dialogue about our experiences as a renewable energy producer and the UTC's plans in this area going forward.
- Dallesport Large Load Customer- The customer is moving ahead with his project. They understand that the power price is subject to change based upon Bonneville Power's rates and is not a fixed price.
- Charter Communications- We received a letter from Charter stating that they disagree with KPUD's rate calculation methodology and asking for clarification. They have been processing invoice payments since 2014, noting that the payments were under protest. We are confident that our methodology meets RCWs compliance and will review and respond accordingly.

AGENDA ITEMS:

- A. CALL FOR BID- RENEWABLE NATURAL GAS PROJECT BLOWERS– **Motion** was made by Commissioner Knowles to authorize staff to advertise Call for Bid for RNG Project Blowers, with bids being received no later than 2:00 p.m. on July 11, 2019. Motion Carried.
- B. POLICY 26-KPUD LOGO WEAR– **Motion** was made by Commissioner Knowles to approve the policy as presented. Motion Carried.
- C. BOND REFINANCE DISCUSSION– Mike DeMott has been researching options to refinance the 2009B Build America Bond bonds that are callable in December 2019. He has been consulting with Sean Keatts with Barclays Capital and our Financial Advisors on refinance options. The evaluations show that if we refinance nearly \$40,000,000 in callable bonds and utilize nearly \$10,000,000 of restricted access funds that would become available after the refinance to pay down existing debt, we could save \$1.4 - \$1.8 million dollars in interest. This evaluation, still retains our strategic plan debt structure focus and may provide flexibility in pay back of some of the bonds. The evaluation also demonstrated that the bond refinance was actually more beneficial than bank borrowing, which is anticipated in our current budget forecast for 2019 and 2020. Sean Keatts will be present at the June 25th board meeting to discuss all of the options with the board. No action was taken.
- D. EXECUTIVE SESSION: to discuss real estate issues per RCW42.30.110 (1)(b). Tom MacDonald of Cascadia Law Group was present via phone for the session.

Commissioner Miller called the executive session to order at 3:46 p.m., it was scheduled for one hour. At 4:45 p.m., Commissioner Miller requested a fifteen-minute extension. The executive session ended at 4:57 p.m. No Action 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 4:57 p.m.

ABSENT
Dan G. Gunkel, President

/S/
Douglas B. Miller, Vice President

/S/
Randy L. Knowles, Secretary
Date Approved: June 25, 2019

/s/
Luann Mata, Executive Assistant