

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, June 26, 2018
2:00pm

CALL TO ORDER: President Knowles called the meeting to order at 2:00 pm as advertised.

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

STAFF PRESENT: Gwyn Miller-Director of HR & Business Services, Mike DeMott-Power Manager, Ron Schultz-Chief Engineer, Mark Pritchard- Operations Manager, Cynthia Bruce- Accounting Clerk, Beth Schroder- Accountant, Nichole Lantau-Accountant, and Luann Mata-Executive Assistant.

GUESTS: Larry Bakken

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

MINUTES: **MOTION** was made by Commissioner Miller to approve the June 12, 2018 meeting minutes. 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 26th day of June, 2018. **MOTION** was made by Commissioner Miller to approve accounts payable vouchers and payroll in the amounts as listed:

- Accounts Payable Voucher numbers 113056 through 113182 in the total amount of \$730,773.36 and Wires, ACH and EFT numbers 8800965 through 8800975 in the total amount of \$1,661,858.74 for the period ending June 26, 2018; and
- Payroll Warrant number 43366 and ACH Direct Deposit Payroll transactions 9919741 through 9919819 in the total amount of \$183,385.44 for the payroll period ending June 10, 2018.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Financial Report– Nichole Lantau and Beth Schroder presented the May financial report. In the month of May the net operation margin was \$360,947 above budget due to increased Aid In Construction (AIC) income and Miscellaneous Income in addition to a reduction in expenses for the month. The current net margin is positive \$2,317,000 year to date verses a budget of \$1,000,000. The yearend forecast was updated at the end of May by all the departments as well. HW Hill's Renewable Identification Number (RIN) income was added to the forecast for 2018 and our "expected" value of \$14.07 was used. This approach is similar to how we currently calculate Renewable Energy Credits (REC's) with Landfill Gas. Our current process for financials is to update revenues on a monthly basis. This will include closely watching the RIN market value to provide the most accurate forecast on RIN's. We are currently using the expected RIN values for 2018 and 2019 from our 2018 Budgeting process and the conservative RIN values for 2020 out instead of current market prices. When commercial production starts we will update the financials and forecast with current market prices. The Board asked that once the revenues from the RNG project come in that a plan is put in place to review current debt and

propose a long term debt reduction plan. Staff advised this is already underway. The Board anticipates that future budgets should look similar to this year's budget in overall expenses in real dollars. We anticipate possible increases to capital spending that will strategically add back several projects per our long-range plan, which were postponed due to cash flow restrictions over the last 10 years.

WaterWastewater Report– Jim Smith presented the water/wastewater report for May. Jim stated Sharon is still working on the inactive water meter accounts. The Lyle well was completed at 640 ft. The well drillers drilled through the Wanapum basalt layer, through the interbed and into the Grand Rhonde basalt layer. The well is producing more water than anticipated, but will cost significantly more than originally budgeted. This well was based upon budget figures from seven years ago and due to instability in the interbed, we had to temporarily line the entire hole to install the permanent liner. The system received a public works trust fund loan to cover a large portion of the well estimate. Sharon is updating the project cost forecast at this time. Jim is considering applying for LFG infrastructure funds to help offset the additional costs.

Engineering Report– Ron Schultz presented the Engineering report for May. BPA has multiple outages to complete projects in the next couple of months. They did not finish the Spearfish transmission line upgrades last year, so they will be taking an outage July 28th to finish this project. We will connect the Murdock express breaker and remove old switches during this outage. There will also be an outage affecting the Bald Mountain Substation on August 23-25. BPA's plan is to feed us from PacifiCorp's Hood River substation during this outage. Don Brantner will be on site at Bald Mountain for this project and we will be utilizing Don for construction management of a number of our transmission and substation projects. Mark Ohrstrom of ECI will also be here to complete testing on our Darland Substation transformer. Engineering and Operations have been working through the Capital plan for the next 6-7 years based upon our Long Range Plan and ability to complete the work. Engineering budget forecast reflects additional funding of around \$1,000,000 over the next 4 years for capital projects. Lightning strikes in Glenwood burned up a breaker in the substation. This is the second breaker we have replaced this year due to issues that followed lightening.

The BPA 69kV breaker at their Goldendale Substation has had issues for many years. We have been asking BPA to replace this breaker for years without success. After reviewing the large customer outage we had a few weeks ago with BPA, they conceptually agreed to a temporary fix to the Goldendale BPA Substation. We will take a breaker out of our inventory and install it in their substation for now. They also have many other age related problems with this substation and they said they are willing to pay us to build a replacement substation in EE Clouse if we design and build it. We have proposed this as a solution in the past as well. We will review the proposal and agreements, but their proposal involved us paying for the new substation with BPA refunding this capital investment over a period years with credits on our transmission bill.

We have received a request to interconnecting 40MW of generation to our 115kV transmission line at Sixprong once it's operational. This request has fallen in line with others that reviews of their requests have been pushed out until the end of the year. This requester has also asked for 300MW at the Knight Road Substation as a direct connect to BPA.

We have received confirmation that Sagetech has moved a portion of their operation to the Dallesport School building.

The Staking Engineer in Goldendale has been awarded to Justin Beierle, the Support Position was awarded to Alex Casimiro, and we are still looking for White Salmon Staking Engineer and Engineering Manager Candidates.

Operations Report – Mark Pritchard presented the Operations report for May. We are currently at 19,765 outage hours for the year. This time last year we were only at 18,573. The Tree Crew is continuing right of way maintenance on the Satus Express feed. The Goldendale crew is installing wedge taps on Satus Pass. We have a contractor replacing direct bury underground on 21st street. Our White Salmon crew is still working on 6-7 customer jobs per week and maintenance in-between customer work. The Construction crew is finishing the Northtown underground feed behind NW 2nd Street. Once complete they will work on the under-build in this same area. Asplundh is still working on the west end of the county. They are almost complete with Flat top and are working on the Glenwood transmission. Roger has great things to say about Asplundh. Commissioner Knowles asked that we send a note of appreciation to them for working on issues with us over the past year. TK Contractors have been testing poles on Dot Road.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel did not have a report at this time.

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

COMMISSIONER RANDY KNOWLES – Commissioner Knowles did not have a report at this time.

GENERAL MANAGER – The complete report can be found at:

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

In addition to the written report, Ms. Miller presented the following information:

1. Capital Request- Republic has agreed to us installing the trim flare and we have made a proposal to them to upgrade their blower at the landfill site. This upgrade should increase the capacity of the RNG facility being constructed, and allow for better well field optimization. Jim asked the Board to change the capital work plan to move \$300,000 from the spill containment item in the LFG capital budget to the trim flare budget, making that a total of \$800,000. Jim pointed out that the spill containment will still happen in future years, so it is not a budget cut it is a deferral, but the potential benefits from the blower upgrade outweigh the risk and cost of a spill in the next couple of years.
2. Strategic Plan Workshop- We have tentatively scheduled a strategic plan workshop for Wednesday November 14th. This would be a half-day review and update of our plan and Therese Hampton has agreed to facilitate the session for us again.
3. Water Accounts- Staff has a general question regarding philosophy of billing error recovery. The current policy dictates that if we find errors in the customer favor we credit and errors back from the date the error occurred. If the error is in the District's favor, we only collect back 3 years. As we have had significant issues only on the electric system, we have not seen how long standing issue could affect our smaller water or wastewater systems. The question comes from a discrepancy that was found that affects a water system. Staff is still researching this specific issue, and we do not yet know if this is a billing error, a previous policy interpretation or an agreement with the landlord. If it is a billing error and we go back to at least the point where we separated the meter for this property it could be as substantial as \$40,000. That is not a significant impact to the electric system, but it would almost completely wipe out reserves for the water system. It is staffs goal to complete the evaluations before making any changes to policy, but we ask so we know what the board's feeling is towards the payback period. The board wants the policies to be fair and equitable, but asked that staff bring back policy suggestions that are in line with state law, but limit how far back we go in crediting errors and ensure that any credits are applied to active accounts, not those that are no longer active. Staff will review recommendations at a later meeting.

4. Dallesport Water Association- Staff attended a meeting with a board member from the Association. At this time they were asking if we would be willing to have our qualified operators sign the required compliance certifications while they find a system operator. We told him that we are willing to consider taking over operations of the system on a long term basis and that might be in the best long term interest of the system, but we cannot sign documents for a system that we do not have any control over or knowledge about. That board member made it clear he was not interested in the District operating their system at this time. I would not be surprised if this issue does not come around again.
5. Risk Management Committee- Now that we are no longer a BPA load following customer, we are starting to transition the Risk Management Committee from primarily a load related risk group to more of an enterprise risk management approach. This team plans to continue to meet quarterly.
6. NISC- Representatives from NISC are on site this week reviewing our customer service and billing migration. The Customer Care and Billing section is scheduled for a December implementation. Our schedule for converting the Accounting system is the end of January. We will be launching a significant customer communications campaign prior to the transition. We will also be requiring our customers to sign up for the new online customer services as credit card and bank account information cannot be transferred due to security rules. We may even make a computer terminal and an employee available to assist customers with the sign up process in the office. The board requested a demonstration at some point in the near future as well as suggested that we consider creating a YouTube “how to” video that customers could be instructed towards.
7. Electronic Board Packets- Chris is purchasing Surface Pros for the board that includes the required communications ability. To start with, the electronic packets will be in a PDF format and we will adjust if improvements are necessary. Board packets will be distributed by email and all Senior staff will receive those electronic packets as well. The tablets will have a cellular/Wi-Fi connection plan associated with them to allow for connections wherever there is cell phone service. We should be putting the electronic packets into effect within the next month or so.
8. Healthcare- The pool has received a large number of claims this year. In past years we have had claims higher than the pool, but this year the claims are coming from the pool. The District and PURMs will be evaluating this throughout the year. It could affect premiums.
9. Staffing Report- Groundman interviews will be completed this week. Customer service has been left with two vacancies, a meter reader and customer service representative position, due to internal movement. The Line Superintendent, Information Technology System Technician, White Salmon Staking Engineer, and Engineering Manager positions are posted on our website. There are five college students hired for the summer. They are working with the Tree crew, Water/WW, Warehouse, and two in the office.

AGENDA ITEMS:

- A. **RENEWABLE NATURAL GAS (RNG) Update:** Mike DeMott and Jim Smith presented the project update for RNG which included report provided by McMillen Jacobs and Associates on project schedule. Additional focus is being placed on preparing the facility and staff for successful commissioning upon completion of construction phase of the project. Kevin and the operators are in Alabama and Texas this week for RNG facility training at sites that use the same technologies as we are implementing. The project schedule is being reviewed in detail with the project team to ensure maximum efficiency of activities as we near

project completion. Gas supply agreement for process heat fuel and pipeline testing is being procured. Current landfill gas quality continues to be suitable for RNG purposes.

- B. **LETTER OF CREDIT-Waivers** – **MOTION** was made by Commissioner Gunkel to authorize approval of the Cowlitz and Lewis PUD’s letter of credit waivers for 2018 based upon 2017 financial results. Motion Carried.

- C. **RESOLUTION NO. 1762- Appointment of Director to Northwest Requirements Utilities (NRU) Board of Directors** –**MOTION** was made by Commissioner Gunkel to approve Resolution 1762 in support of the Appointment of Mike DeMott to the Northwest Requirements Utilities Board of Directors. Motion Carried.

- D. **PREQUALIFICATION OF CONTRACTORS-** **MOTION** was made by Commissioner Gunkel to approve the addition of JK Directional Bore, Inc. and agree to add them to the Small Works Roster for 2018. Motion Carried.

- E. **RESOLUTION NO. 1763- Establishing the Water Use Efficiency Goals for the Bickleton Water System** –**MOTION** was made by Commissioner Miller to approve Resolution 1763 to establish the Water Use Efficiency Goals for the Bickleton Water System. Motion Carried.

Adjourned – There being no further business, the meeting adjourned at 4:38 p.m.

Randy L. Knowles, President

Dan G. Gunkel, Vice President

Douglas B. Miller, Secretary
Date Approved: _____

Luann Mata, Executive Assistant