

Public Utility District No. 1 of Klickitat County
Board of Commissioners' Meeting
Tuesday, March 08, 2016
2:00pm

AGENDA

Time: **KPUD Commission Meeting – Start Time of Regular Meeting, 2:00pm**
Location: 1313 S. Columbus Ave. – Goldendale, WA

▪ **Pledge of Allegiance**

- Approval of Minutes – 2/23/2016 Meeting
- Approval of Claims / Vouchers for period ending 3/08/2016 (*Amber*)
- Approval of Payroll for period ending 2/21/2016 (*Amber*)

▪ ***PUBLIC COMMENT PERIOD***

▪ **REPORTS – 10 min. each:**

- Commissioners' Reports
- Manager's Bi-Monthly Report (Jim Smith)
(*see attached report*)
- Power Management-January Report (Mike DeMott)
- Operations Division-January Report (Ron Ihrig)
- Generation Assets – January Report (Kevin Ricks /
Tim Madsen)

GUESTS:

- Mr. Hopkins (electric bill / rates)

AGENDA ITEMS (*see Manager's Report for further details*)

- A. PROFESSIONAL SERVICES CONSULTANTS, Approvals (*Ron Ihrig*)
- B. PRE-QUALIFICATION OF CONTRACTORS, Approvals (*Ron Ihrig*)
- C. BID AWARD: Pole Test and Treat (*Ron Ihrig*)
- D. BID AWARD: Tree Trimming (*Ron Ihrig*)
- E. POLICY BULLETINS:
 - (1) No. 4-EE "Personal Time Off" (*Jim Smith/Gwyn Miller*)
 - (2) No. 47 "Board Governance" – 2nd Draft (*Jim Smith*)
- F. RESOLUTION No. 1709, To Rescind Resol. No. 1697 (*Jim Smith*)
- G. ADJOURNMENT

FOR THE GOOD OF THE ORDER:

3/13 – Daylight Savings Begins
3/16-18 – WPUDA Committee Meetings, Olympia (*Ray*)
3/17 – Goldendale Chamber Luncheon – Jim speaking
3/23 – Klickitat Customer Meeting, 6:30pm

Note: Agenda is subject to last-minute revisions which may include additions, deletions and/or changes.



Public Utility District No. 1 of Klickitat County

75 Years of Service
1938-2013

GENERAL MANAGER'S REPORT TO THE BOARD

For the March 08, 2016 Meeting

AGENDA ITEMS

- H. PROFESSIONAL SERVICES CONSULTANTS – Staff is asking for the Board's approval to add the following firms to Klickitat PUD's Professional Services Consultants listing for the 2016 period, as they have met our qualification requirements: Mark Yinger Assoc. of Sisters, OR; Heffernan Consulting of Missoula, MT; Bell Design Co of Bingen, WA; and Aspect Consulting of Yakima, WA.
- I. PRE-QUALIFICATION OF CONTRACTORS – Staff is presenting the following contractors for the Board's approval to be added to Klickitat PUD's work rosters as indicated –
- IRZ Consulting LLC of Hermiston, OR – Small Works Roster
 - Town & Country Post Frame Buildings of Lynnwood, WA – Small Works Roster
- J. BID AWARD: Pole Inspection and Treat – Recommendation to award the bid to Quality Resource & Services, Inc. in the amount of \$104,547.50.
- K. BID AWARD: Tree Trimming – Recommendation to award the bid to Asplundh Tree Expert Company in the amount of \$180,250.00.
- L. POLICY BULLETINS:
- (1) No. 4-EE "Personal Time Off" – I have made some changes to this policy for your consideration.
I have added language that allows for cashing out of PTO leave banks at retirement. The current policy allows for rolling these banks into deferred compensation or VEBA, but it limits cashing out to 160 hours. The basis of the limitation was originally to limit ballooning of retirement contributions. However, the rules in the Public Employees Retirement System (PERS) now disallow inclusion of these types of payments in retirement calculations. There is no reason to limit the cash-out, as the liability to the District is unchanged whether the bank is rolled to the other allowed uses or to cash directly.
 - (2) No. 47 "Board Governance" – At the Board's direction, I revised the first draft of this policy to simplify it and rely more on the governance model developed previously by the Board. I am asking for approval of the policy, unless you have further direction.
- M. RESOLUTION No. 1697 – I am asking the Board to rescind Resolution No. 1697, thereby cancelling the company credit card that was issued in John Janney's name, as his official last day as a KPUD employee was March 4, 2016.

NON-AGENDA ITEMS

1. G.M. Meeting Attendance – During February I attended the Public Power Council (PPC) and Public Generating Pool (PGP) meetings.
 - a. PPC Updates – The largest discussions this month centered on BPA’s Focus 2028 initiative. You will recall that this is BPA’s attempt to address their rate trend to ensure they are competitive when their customers, including us, have the ability to drop their BPA contracts in 2028. So far this initiative seems to be “normal Bonneville talking” in that the Administrator is stating that their current rate trends are not sustainable, and in the same meetings his senior leadership team is justifying why their budgets can’t change and saying that they are very efficient.

PPC has offered specific comments but Scott Corwin asked specifically for other ideas. My recommendation at the meeting was to continue to take the current approach, but also just ask the larger “governance” type questions, like “as Administrator, are you going to hold you senior management team accountable to deliver the budget reductions necessary, yes or no?” and offer to help with this effort. I cannot believe that a \$3.6 billion a year organization can’t cut budgets IF THEY REALLY WANTED TO.

I also pointed to the California Intertie rate tariff issues as an example of how they also need to think about revenues, not just costs. BPA has stated that they know current intertie rate design costs them money, but they did not deal with it last rate period. They instead stated they would deal with it during 2016. They are now saying that they are not going to until the next rate period. I am not sure I heard this right, but apparently in response to why are you waiting, they said they are too busy with Focus 2028 to take this on right now. Wow.
 - b. Public Generating Pool (PGP) – The main items discussed were the Federal Clean Power Plan (CPP) and the Washington State Clean Air Rule (CAR). We can discuss more details at the Board meeting, but the Federal CPP has now been held up by litigation. The CPP framework probably could benefit public utilities in the PNW the most. It is anticipated that a CPP will be back, it’s just a matter of when. Discussions with Washington State Ecology by WPUA and PGP regarding carbon issues in general and the CAR specifically, have been directed to moving the CAR to a multi-state, tradable platform that would be usable if or when the CPP comes back around.

Ecology just recently pulled their CAR proposal as a result of input from the region (including the very productive discussions with WPUA and PGP) to continue discussions with stake holders to re-issue a revised CAR. There is a significant amount of optimism that the outcome will in fact be a multi-state, tradable carbon market that spans more than just the electric utility industry. The multi-state aspect is important as it could allow the “export” of our low carbon values to areas outside Washington State, which would create additional value to Washington. It would be good for us as well.
2. Strategies 360 (S360) – For your information, after receiving the report and sitting through the presentation to the Board last week from S360, I elected to not move forward with phase II of the contract with Strategies 360. I also cancelled the proposed trip to Washington DC as there was not a clear indication to me that there was sufficient planning completed and that there would be benefits accrued to the District as a result of the travel. I have taken two steps to complete the work previously envisioned for S360.

- First, for marketing HW Hill output, we are engaging staff directly with our traditional power marketers (PowerEx, Shell, Constellation etc.) to look for specific, relatively low risk sales directly to those marketers. This includes John Janney for now. This could result in a lower price, but offers the potential for a shorter approval time and lower risk over an extended period of time. We have also entered into a marketing contract with JTN Energy to submit a proposal to a renewable energy RFP from Southern California Edison. The fee is on a “value added” basis only payable if there is a contract executed with SCE. Lastly, we are exploring using JTN or other entities to market directly to other off-takers.
 - Second, we retained Claire Breidenich, who is an expert on carbon issues. She is currently working with the Public Generating Pool and indirectly with WPUA on the State carbon issues. The intent here is to fully understand the implications on HW Hill of the various carbon legislation initiatives currently in play. What this means to me is understanding the risks of a carbon cost that could be assigned to us on one end of the spectrum, to the potential “opportunity cost” of potential carbon credit values that could accrue in the future in case we want to move forward with a long term sale from HW Hill.
3. Chief Financial Officer, John Janney – With John moving to Grant PUD, we have retained Carl MyCoff to recruit for the Chief Financial Officer (CFO) position. As a reference point, John’s compensation at Grant was published at \$225,000. In the meantime, until we replace the CFO position, we have moved Customer Service to report to Ron Ihrig again, with Finance and Power Management reporting to myself. We are also still working on the Operations Manager recruitment as well.
 4. Loading Bay Area – In the past we have reviewed the best use of space in our offices in Goldendale. In recent organizational changes and to become more efficient, we have brought Kevin into the Goldendale office but we still have the Operations Superintendent out at the warehouse, and the operations and W/WW support staff in the trailer behind the office. I want to move these staff into the offices here at the main office and in close proximity to the Operations Manager, which we are in the process of recruiting. This would allow for better training and interaction between operations staff, as well as with engineering. This requires a bit more space and I plan to move forward with re-purposing the loading bay area at the back of the main office. When we moved the IT room to one and a half of the rear loading bays in the 2008 timeframe, we also looked at framing in the remainder of the rear loading bays to create additional space for a relatively low cost. At that time the cost estimate for 5 additional offices and open area for cubicles was \$185,000. The trade-off is that the vehicles currently utilizing this space would be moved outside, which is not ideal. Given the current budgetary constraints, this appears to be a reasonable trade off to ensure we are developing our staff as effectively as possible and we have the necessary coverage in key areas given the turnover in staff we have experienced recently, and that we expect to continue seeing in the coming years. This project is not in the current budget, but I will make the necessary adjustments to ensure that we are within our overall capital budget. I would like your agreement to move forward.