



Public Utility District No. 1 of Klickitat County

75 Years of Service

1938-2013

GENERAL MANAGER'S REPORT TO THE BOARD

For the October 27, 2015 Meeting

AGENDA ITEMS

- A. ENERGY NORTHWEST PROJECTS – Mark Reddemann, CEO of Energy Northwest, will be providing the Board with an annual update on Energy Northwest's projects. Also attending from Energy Northwest will be Carla Martinez and Vicki Watilo of Public Affairs. At Mark's request, I will also be meeting with him from 1:15 to 1:45 prior to the Board meeting.
- B. CUSTOMER SURVEY DRAWING – Commissioners will be presented with a list of numbers that correlate to each customer survey that will be split into your three respective districts. Each Commissioner will be asked to select a number from their list. Those three customers will receive a \$100 credit on their PUD bill, as advertised on our customer surveys that were distributed in the July issue of the *Ruralite*. The results of the surveys are being tabulated, which will be presented to you at the next Board meeting.
- C. McNARY TURBINE REPLACEMENT, Change Orders 01 and 02 – For your consideration are two change orders to allow for additional work by the contractor, HCMS, to account for additional work required to move and store the rotor and related equipment due to lower deck loading limitations than previously understood. This involves additional crane work to avoid low load restricted areas, as well as additional cribbing to spread the loads over a larger area. The project budget includes \$200,000 for change orders. The total of these two related proposals is \$93,050 of which KPUD's responsibility would be 50%.
- D. PROFESSIONAL SERVICES CONSULTANT – We are asking for the Board's authorization to add ERM-West Inc. to KPUD's Professional Services Consultant Listing for the 2015 calendar year.

NON-AGENDA ITEMS

1. Strategic Planning Session – **REMINDER:** The strategic planning session will begin at 9:00am on Tuesday, October 27th.
2. Satus Pass Fire – We received a claim from the Bureau of Indian Affairs, Yakima Agency, on October 23, 2015 for \$65,500,066.78. Yes, 65 million. We will deny this claim, but an item of note is that the letter claims an additional \$13,924.22 per DAY for each day after November 21, 2015 for interest costs. This is for a fire that we believe was caused by a Yakima Tribe logging contractor, and for a fire that could have been extinguished by the Klickitat County Rural 7 Fire Department who was on the site when the fire was one-half of one acre in size. Rural 7 was prevented from extinguishing the fire by Yakima representatives onsite at that time, as the two entities did not have the appropriate paperwork in place.

Also we have made two separate public requests to the AG's office, who represent DNR, for DNR to revise their fire investigation to include all potential causes of the fire. The original investigation did not look into any causes for this fire, other than tree growth into power lines, as "there was no other possible cause." Our understanding from the AG's office is that DNR is working on a revised fire investigation report, but we have had no contact from them to view any of our infrastructure and have not seen any revisions to what appears to us to be an incomplete report.

Given the recent Superior Court ruling denying our motion to dismiss the Old Highway 8 fire case, we also should discuss with the AG that DNR is no longer an unbiased entity and should not be the official fire investigation group for the State to determine cause. An unbiased third party is now required to look after the overall public interest.

The Yakima Agency's claim letter was forwarded to Dan Short for the appropriate processing. The claim letter is attached.

3. 360 Feedback for My Leadership Training -- If you haven't completed your evaluations for my training session at the Center for Creative Leadership, I would really appreciate it if you could please do so this weekend.
4. Quarterly Employee Recognition Luncheon – Unless the Board directs otherwise, we would like to schedule our next quarterly luncheon for Tuesday, November 10th at 1:00pm, prior to our next Board meeting.
5. Meetings Attended – John and I attended the Public Generating Pool's (PGP) annual planning session October 15-16. Focus areas for the group for 2016 are carbon legislation, California Market places and Energy Imbalance markets. PGP's intent is to influence these areas to the group's advantage, as well as understand how to best position ourselves to ensure the value of our assets are maximized. I will also be attending the Washington PUD Association's (WPUA) Managers Meeting in Tri-Cities October 28-29, as well as the PPC Executive Board meeting November 5th in Portland.
6. BPA Friends of the Gorge Settlement Agreement – As you know we have been corresponding with BPA regarding our application to the Friends of the Gorge. Apparently Holly Harwood, BPA's Eastern Washington Local Government Coordinator is attending the County Commissioners' meeting this coming Tuesday regarding the Friends of the Gorge Settlement Agreement. Ron Schultz is planning to attend that meeting and has extended an invitation to her to also attend our meeting that day as well. PUDs may be outside her "local government" purview, but he has asked. We have also asked for BPA to attend our meetings and so far have not received any interest from them in coming and talking to us. We will keep working on the Lyle Crossing proposals.

7. BPA Transmission Operator (TOP) Agreement – We received the attached letter from BPA regarding BPA taking on the TOP role. Staff will be developing a response to engage in discussions on the process now being proposed. My concern is that we have been talking to Bonneville now for five years; BPA themselves have completed the designs, accepted payments, installed and commissioned equipment, but are just now exploring the liabilities, scope and “checklists” required to offer the service. I thought this was already done. If nothing else, the letter confirms that we are not the only utility trying to work with BPA, and it also states that there are utilities to which they are already providing this service.
8. Customer Meetings – I am planning on starting up our community meetings again and I would like to discuss the messages for these meetings.
9. 2016 Operating Budget – We will be presenting the first draft of the 2016 operating budget at the November 10th Board meeting.
10. John Day Pumped Storage Project – Attached is the MOU signed with China Hydro. In addition, we scheduled a meeting with Ann Miles, FERC's Director of the Office of Energy Projects, for October 29th. Attending for KPUD will be Commissioner Randy Knowles, Brian Skeahan, John Gangemi of ERM and likely either Mike McArther, Executive Director of the Association of Oregon Counties or Gary Thompson, President of the Association of Oregon Counties.
11. Bickleton Water System Dedication – Ron Ihrig will probably talk about the dedication in more detail during his report, but he did a fantastic job with the dedication, both in terms of those attending and in leading the dedication. His presentation was well thought out and very well received. The entire dedication was heartfelt and the appreciation from the community was very, very clear. Thank you to the Board for your support of Ron and his efforts to help make the system a reality. Great work Ron.