

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, March 22, 2016
2:00pm

CALL TO ORDER: President Ray Mosbrucker called the meeting to order at 2:00pm.

PRESENT: Commissioners Ray A. Mosbrucker-President, Randy L. Knowles-Vice President, and Dan G. Gunkel-Secretary.

STAFF PRESENT: Jim Smith-General Manager, Kevin Ricks-Generation Assets & Special Projects Manager, Anita Thompson-Accounting Manager, Gwyn Miller-H.R. Manager, Mike DeMott-Interim Power Manager, Ron Schultz-Chief Engineer, Rob Rising-Line Superintendent, Nichole Lantau-Accountant, Anita Clever-Energy Services Specialist, and Kathy Loveland-Executive Assistant.

GUESTS: Kurt Conger-Director of Power Supply & Transmission, Bob Guidinger- Hydro Operations Manager, and Jim Foster-General Counsel with Northern Wasco PUD; as well as Steve Lewis with Lands Energy.

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

MINUTES: MOTION was made by Commissioner Randy Knowles to approve the March 08, 2016 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Nichole Lantau and Anita Thompson. 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 on March 22, 2016.

MOTION was made by Commissioner Dan Gunkel to approve the following as submitted:

- Accounts Payable Voucher numbers 106076 through 106215 in the total amount of \$338,654.35 and Wires, ACH and EFT numbers 8800448 through 8800458 in the total amount of \$1,605,867.00 for the period ending March 22, 2016; and
- Payroll Warrant numbers 43269 through 43271 and ACH Direct Deposit Payroll transactions 9915000 through 9915081 in the total amount of \$181,360.57 for the payroll period ending March 6, 2016.

Motion carried.

PUBLIC COMMENTS: None.

REPORTS:

COMMISSIONER DAN GUNKEL – No report at this time.

COMMISSIONER RANDY KNOWLES – No report at this time.

COMMISSIONER RAY MOSBRUCKER reported that he attended the Washington PUD Association meetings March 16-18, 2016 in Olympia, WA. The legislators are re-convening to discuss the budget, and bills that were vetoed by the Governor will be back on the floor for further discussion. Initiative 732 will be on the ballot, as the legislators did not come up with a revised version of the initiative. BPA is busy working on their Focus 2028-Energy Efficiency program; and with the continued success of their Fish & Wildlife Program, they are expecting that budget to go down; it is currently 1/3 of our utility's BPA bill. At the Water Committee meeting they noted that the state is trying to pass a law that all schools will need to test their water on a regular basis for lead. If this passes, perhaps our District should volunteer to assist with the water testing in our county's schools.

Commissioner Mosbrucker further noted that there was also some discussion at the WPUDA meetings regarding utilities obtaining loans from banks vs. using bonds, as it appears to be a cheaper alternative right now.

GENERAL MANAGER – The complete report can be found at:
http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

In addition to the written Manager's report, Mr. Smith provided the following information:

- **CDBG GRANT** – Contracts are being put in place to for the CDBG Grant for a new water well and associated facilities. The current budget for this project is \$910,000. Funding sources are CDBG, Klickitat County and the local community.

MOTION was made by Commissioner Dan Gunkel to authorize the General Manager or his designee to sign all associated contracts in order for the District to receive the CDBG grant money for the Wishram well project. Motion carried.

- **Customer Request** – Mark Garner presented the Commissioners background information on a recent request from a customer to move one of our power poles that has been in place for 31 years. Following discussion, the Commissioners agreed with staff's decision to leave the pole where it has currently located. No motion was required.

The reports were accepted as presented.

ACCOUNTING – Anita Thompson presented the 2015 year-end financial summary for Revenue and Expenses in the various categories, as well as the statement of cash flow. Overall, revenue came in at 3.0% above budget, expenses were .09% above budget, and the debt service coverage ratio was 1.46 at year-end. Days cash on hand was 319 as of 12/31/2015.

Commissioner Mosbrucker asked staff to provide him with a copy of Klickitat County's budget for the Dallesport water system at the next meeting. The report was accepted as presented.

OPERATIONS DIVISION – In the absence of Ron Ihrig, Rob Rising presented the monthly operations department report for February. He noted that their average service availability index goal was met for the month. Outage hours to date in 2016 are 1,241 vs. 1,487 at this time last year. Rob also gave a rundown on the upcoming planned power outages. The Water-WW Department monthly report was also presented.

Ron Schultz presented the monthly engineering department updates. The White Salmon engineers have been contacted regarding the Sundoon development project in Dallesport, who say that they once again are moving forward and are preparing to start the permitting process with the county. We will be scheduling a rebuild of the East feed out of the Glenwood substation, as soon as we receive the Road use permit from the County.

Also, we will begin the ½ mile long 3-phase underground upgrade for Wyckoff Farms in Alderdale this week. The line extension to Mercer's Sundale housing project is about 90% complete. The MA Collins substation will be a major topic of planning the next several months, as more load is predicted in the Alderdale area.

Engineering has also been working with Benton PUD and Benton REA who are working on a potential for the 3 utilities to work together on a 115 kV transmission loop that would provide improved reliability on the east end of the County.

The reports were accepted as presented.

H.W. Hill LFG PROJECT – Kevin Ricks presented the H.W. Hill LFG report for February, 2016 noting that the average station output was only 18.0 average MW, due to lower output from the field. 99.9% reliability for the month; and 99.84% utilization factor. Kevin also noted that he would be meeting with RDC to review and discuss the optimization agreement. The Board asked for an update on gas supply at the next meeting. The report was accepted as presented.

AGENDA ITEMS:

- A. **McNARY HYDRO FISHWAY PROJECT** – Guests from Northern Wasco PUD (Kurt Conger-Director of Power Supply & Transmission, Bob Guidinger- Hydro Operations Manager, and Jim Foster-General Counsel) were in attendance to provide the Commissioners with an update on the repairs and maintenance at the McNary project. Their report included repairs for the following: upper and lower bearing brackets; rotor weld analysis; shaft, inner head cover, outer head cover, turbine bearing bracket assembly and wicket gates; crane repair; control system upgrades; and stator repair/rewind. They also discussed the insurance claim process, and provided a summary of the project cost estimates. The Board thanked the guests from Northern Wasco PUD for all their hard work and due diligence on this project. No action was required at this time, although a joint Board meeting with Northern Wasco PUD Board is being scheduled for April 12, 2016.
- B. **BPA SLICE CONTRACT** – Mike DeMott and Steve Lewis with Lands Energy/Sapere Consulting provided the Commissioners with a breakdown and comparison of the BPA Slice Contract vs. Load Following, looking at the benefits and/or downside of each. The goal was to begin discussions with the Board to review the analysis conducted thus far and allow the Commissioners to provide further direction.

Based on questions and comments presented by the Board, staff will be presenting additional scenarios/exposures to the Board at the next meeting. No action was required at this time. Decision is due to BPA no later than May 31, 2016.

- C. CONSERVATION LOAN APPROVAL – **MOTION** was made by Commissioner Dan Gunkel to authorize a conservation loan to Gary & Susie Highberger in the amount of \$7,777.50 at a 4.9% interest rate for the purpose of purchasing a new energy efficient heat pump. These customers have met all of our loan qualifications. Motion carried.
- D. PROFESSIONAL SERVICES CONSULTANTS – **MOTION** was made by Commissioner Randy Knowles to authorize the addition of ACIEM Consulting firm of Seattle, Washington to Klickitat PUD's Professional Services Consultants listing for the 2016 period, as they have met our qualification requirements. Motion carried.
- E. NWPPA VOTING DELEGATE – **MOTION** was made by Commissioner Dan Gunkel to designate Commissioner Ray Mosbrucker as Klickitat PUD's official voting delegate and to represent Klickitat PUD at the NWPPA Annual Business Meeting scheduled for May 17, 2016. Motion carried.
- F. LEASE OF WATER RIGHTS – Staff presented a draft Request for Proposals (RFP) for discussion and guidance from the Commissioners. Tom MacDonald will be available by phone at the April 12, 2016 meeting to discuss issues. Commissioner Gunkel recommended that due to the complexity of applying for water rights, there be some preamble in the RFP that strongly suggests that any bidders be prepared to retain their own consultants to be clear on all points of this complicated process. Action was not required at this time.
- G. POWER SALES – Jim Smith and Mike DeMott discussed preliminary power sales alternatives and forecasting scenarios with the Commissioners to show the current state of the market. All scenarios were very draft at this stage and further refinements will be available at the next Board meeting. Alternatives included no long-term contracts (rely on forward curves) and 10 year alternatives. Two ten year alternatives were covered; a direct marketing proposal that could take upwards of 12 months for approval if we are selected, and sales through a broker where the approval process is probably a month. It was noted that the District is not obligated to any of these scenarios at this time. Risks to the District were also discussed.

Commissioner Gunkel recommended that staff also run a scenario that includes some assumptions on borrowing funds over the next 10 years, and continue with our current policy of not rate-basing capital projects. Work the scenario backwards using our financial policy as a tool and plug in some numbers and see what it looks like ten years out. Staff is already aware what the Board's goals are for a debt service coverage ratio (DSC) and equity ratio, so use this information as a tool to see what it really looks like 10 years out; a basic financial gap analysis. We don't want to get out several years and not have any options.

Commissioner Knowles would also like to see a three to five year off take scenario. Staff will present additional alternatives and information at the next Board meeting.

Mr. Smith stated his concerns that with the continued addition of solar projects in California and with a significant increase in snow pack and moisture in California, there is significant risk of further market declines, especially in the next one to five years and that moving forward quickly with a sound off-take strategy is essential. This is set against the increasing renewable portfolio requirements in California and Oregon, which could increase the value of renewable energy credits. No action was required at this time. My Smith's intention is that staff will be devoting a significant amount of time and resources to obtain and evaluate HW Hill off-take proposals and bring these alternatives to the Board for consideration.

H. EXECUTIVE SESSION: Personnel Matters – Due to time constraints, the Commissioners elected to cancel the Executive Session.

ADJOURNMENT – There being no further business, the meeting adjourned at 6:10pm.

/s/
Ray A. Mosbrucker, President

/s/
Randy L. Knowles, Vice President

/s/
Dan G. Gunkel, Secretary
Date Approved: _____

/s/
Kathy Loveland, Executive Assistant