

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
Tuesday, September 27, 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, Ron Ihrig-Chief Operating Officer, Gwyn Miller-H.R./Business Services Manager, Kevin Ricks-Generation Assets & Special Projects Manager, Anita Thompson-Controller, Ron Schultz-Chief Engineer, Mike DeMott-Interim Power Manager, Rob Rising-Line Superintendent, Craig Lohrey-Operations Manager, Cynthia Bruce-Accts Payable/Accounting Clerk, and Kathy Loveland-Executive Assistant.

**GUESTS:** Ralph Epling with British Petroleum.

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

**MINUTES:** **MOTION** was made by Commissioner Dan Gunkel to approve the September 13, 2016 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 27<sup>th</sup> day of September, 2016.

**MOTION** was made by Commissioner Randy Knowles to approve the following as presented:

- Accounts Payable Voucher numbers 107607 through 107718 in the total amount of \$692,351.18 and Wires, ACH and EFT numbers 8800555 through 8800564 in the total amount of \$772,607.61 for the period ending September 27, 2016; and
- Payroll Warrant numbers 43299 through 43302 and ACH Direct Deposit Payroll transactions 9916139 through 9916217 in the total amount of \$168,377.40 for the payroll period ending September 18, 2016.

Motion carried.

**PUBLIC COMMENTS:** None.

**REPORTS:**

**COMMISSIONER DAN GUNKEL** – No report at this time.

**COMMISSIONER RANDY KNOWLES** reported that on September 16, 2016 he, along with Jim Smith, had a meeting with the Director of Commerce, governor's staff, legislators, County Commissioner Sauter and County staff at the tour of the JD Pool Pumped Storage proposed upper site. Senator Jim Honeyford also attended. They were genuinely interested in the potential benefits of the project. Brian Bonlender (Director of Commerce) asked if the project would be considered renewable if built. Although the project would use renewable resources to pump water uphill and then generate it, under current statutes it is not considered renewable. Senator Honeyford offered to assist legislative and funding-wise, and Commissioner Knowles had a good conversation with him in that regard and will continue to follow-up with the Senator.

Mr. Smith noted to the tour group that there is likely significantly more storage necessary in the region that can be obtained from distributed storage technologies and that large grid scale storage provides support to the system to compensate for variable generation, that distributed storage cannot. He noted that he believes that the system likely needs significant storage and that there is not a trade-off required from a State support perspective. He also stated that the Northwest Power and Conservation Council (NWPCC) needs to be more engaged in ensuring our electric grid is reliable as they are currently predicting a potential for loss of load in their forecasts. Commissioner Gunkel stated that these organizations have a responsibility to meet requirements

according to law, and they need to deal with it and come up with solution to the impacts of variable generation.

Commissioner Knowles and staff have had some good conversations with Nate Sandvig of National Grid regarding the pumped storage project. National Grid is considering bringing a proposal to the next Board meeting for discussion as they are very interested in completing due diligence work and potentially moving the project forward. However we need to be cautious in how we fashion any agreements if we decide to move in that direction and make sure we don't disadvantage anyone with the FERC licensing process. We may not want an agreement with National Grid, but instead allow them to do some studies at their own cost. Commissioner Knowles and Mosbrucker have also inquired about accessing some state clean energy renewable funds, so staff should keep that in mind during future discussions.

**COMMISSIONER RAY MOSBRUCKER** reported that he attended a meeting this morning with the State Auditors along with Jim Smith, Anita Thompson and Ron Ihrig on the beginning our 2015 state accountability audit and on the exit conference for the single point audit of the USDA Grant/Loan for the Bickleton Water Project. Mr. Smith commented that the audit went well due to the great work on the part of our accounting department and Ron Ihrig's management of the project. The auditors will be onsite September 26-30. Commissioner Mosbrucker commented that the Washington PUD Association staff was extremely pleased with how their bi-annual Association meeting went, and thanked staff involved with supporting he event, which was held at the PUD offices in Goldendale.

**GENERAL MANAGER** – The complete report can be found at:

[http://www.klickitatpud.com/topicalMenu/commissioners/GM\\_Reports.aspx](http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx)

In addition to the written report, the following information was presented to the Board:

- (1) Quarterly joint sessions with the Klickitat County Commissioners – Mr. Smith asked the Board for their thoughts on what the future joint sessions should entail. He is willing to continue with his regular business updates with the County Commissioners if needed, however the intent of the meetings between the Commissioners was to establish and maintain open dialogue between the County and the PUD. He suggested that these meetings be facilitated by the Commissioners. Commissioner Mosbrucker volunteered to have this discussion with the County Commissioners and see how they wish to move forward.
- (2) Annual Employee Meeting – Mr. Smith reminded the commissioners of the October 10, 2016 annual meeting, and that he would like them to participate in an open forum discussion with employees, as in the last couple of years.
- (3) PPC Executive Committee Elections – Mr. Smith asked for Board support in nominating him for re-election.

**MOTION** was made by Commissioner Randy Knowles to nominate Jim Smith for re-election to the Public Power Council's Executive Committee for another two-year term. Motion carried. President Mosbrucker will send a letter to PPC in this regard.

- (4) Water Rights Agreement – Mr. Smith announced that the agreements have been signed.

The report was accepted as presented.

**POWER MANAGEMENT** – Mike DeMott presented the monthly Power Management Department report for the month of August, 2016 which included slides on: Northwest Day Ahead Power Prices, 2016-17 Mid C Power Prices, Mid-C Forward Power Prices, Forward Henry Hub Natural Gas, Forward Weather Outlook, White Creek Wind August Generation Sold & Total Load, August Physical Position Review, August and 2016 YTD Swap Outcome, BPA Tier 2 Election, and 2017 LFG Output. In regard to an increase in load during the month, Commissioner Knowles asked if we know where the extra load was coming from. Staff noted that it was due in part, to irrigation. Mike asked for Board direction on the BPA Tier 2 election due the end of September. Following discussion, it was the consensus of the Board to notify BPA that the District hereby elects to not take Tier 2, but instead try to procure resources from another entity. The report was accepted as presented.

**ACCOUNTING** – Anita Thompson presented the August 2016 Financial Report, which included statements of Revenue and Expenses with a 2016 year-end forecast, as well as a Statement of Cash Flow. Anita also noted that she would be reclassifying power generation expenses to the capital budget in regard to McNary. The report was accepted as presented.

**OPERATIONS DIVISION** -- Ron Ihrig reviewed the operations division monthly report for August, 2016 noting that the department is meeting their reliability goal at this time. The new Operations Manager, Craig Lohrey, was introduced.

Rob Rising presented a summary to the Commissioners on the District's tree trimming program, and provided some statistics on the amount and type of work being done by our internal Tree Crew vs. an outside contractor.

Rob noted that some of the volume of work and obligation could be reduced, if we are willing to put some of the burden back on the customers in maintaining their own trees and dealing with secondaries. We are currently dealing with many trees on the District's dime.

Commissioner Gunkel stated that this is probably an ongoing discussion; but customers have the responsibility of not impeding our right of way or be held accountable. However, as a service organization, we need to carefully consider the implications of how we move forward with this.

In closing, Rob stated that the PUD Tree Crew puts on a good face for the utility and they represent us well.

#### **AGENDA ITEMS:**

- A. Walkley Scholarship Drawing – Three names of high school seniors who are eligible for the Walkley scholarship drawing were presented to the Board for a drawing; they were: Ellisa Evans, Nadia Smith, and Makayla Walter. Following the drawing, **MOTION** was made by Commissioner Dan Gunkel to submit the name of Makayla Walter to the Washington PUD Association to serve as Klickitat PUD's nominee for the annual \$1,000 Walkley Scholarship. Motion carried.
- B. Professional Services – **MOTION** was made by Commissioner Dan Gunkel to authorize the addition of Power Engineers to Klickitat PUD's Professional Services consultant listing for the 2016 period. Motion carried.
- C. Pre-Qualification of Contractors – **MOTION** was made by Commissioner Dan Gunkel to authorize the addition of the following contractors to Klickitat PUD's Small Works Roster for the 2016 period:
- o ACF West Construction Company of Portland, Oregon
  - o Hale Construction NW of Hood River, Oregon
  - o Eddie Murray Enterprises of Glenwood, Washington
  - o OCD Automation of Estacada, Oregon
- Motion carried.
- D. Resolution No. 1719 – **MOTION** was made by Commissioner Dan Gunkel to adopt Resolution No. 1719, thereby authorizing the issuance of a business credit card for the new Operations Manager, Craig Lohrey, to be used for District business transactions only. Motion carried.
- E. Policy Bulletins 18 & 19 – **MOTION** was made by Commissioner Dan Gunkel to approve revisions to Policy Bulletins No. 18 "Customer Service Policy-Water" and No. 19 "Customer Service Policy-Wastewater" as recommended by staff. Motion carried 2 to 1, with Commissioner Mosbrucker opposing. WHY?...
- F. Resolution No. 1720 – **MOTION** was made by Commissioner Randy Knowles to adopt Resolution No. 1720, thereby approving the Low Income Elderly Discount Program for the December 2016 through May 2017 period, with a budget target of \$50-51,000 with an increase in yearly income levels to try to capture additional low income elderly customers for the program. Motion carried.
- G. 3:30pm – Ralph Epling with British Petroleum (BP) was present to discuss Renewable Natural Gas (RNG) options with the Board, and provide some background information on BP. He has been talking with PUD staff on the potential for them to be an off-taker if the PUD produces RNG and staff wanted to present these discussions to the Board. BP has been involved with PUD for about two years and this is the first time BP has been willing to address our requirements over financial security.

Mr. Epling talked about a proposal that contained a fixed price component that would provide cash flows to support the necessary capital for the PUD to build an RNG facility, with BP providing a financial security to satisfy the PUD's need to ensure that the project was paid for without regulatory risk. Their proposal would involve the PUD building the facility and BP providing the off-take contract with sufficient financial security that the PUD is assured we receive payment if we deliver

the product. The development risk is ours. Mr. Epling stated that the company's performance has been stable and they have an A1 financial status. Discussion ensued.

Commissioner Gunkel commented that the Board would require significant due diligence work to assess the risk and the mitigation of such risk presented by such a project. Financial security is probably the second item on the list as far as overall risk profile. The construction piece is the real risk in Commissioner Gunkel's opinion; putting it all together and delivering on time. He also mentioned the potential legislative risks as another layer to look at.

Commissioner Knowles asked Mr. Epling what his impression or opinion was of the Renewable Fuel Standard (RFS) program and the nature of its current end date in 2022. Mr. Epling stated that the RFS program does not actually end in 2022; new volumes for years after 2016 are required to be set by EPA before that time. Alternatively, Congress would need to formally pass legislation to actually end the program. This is very large program, it being the mechanism by which ethanol has become part of our gasoline. Alternative fuels, such as renewable natural gas, are just a part of that larger program. Commissioner Knowles also asked how rapidly an agreement could be put in place if Klickitat PUD were to come to terms with BP, and if there could be any NEPA requirements. Mr. Epling replied that it would probably be 2+ months to work through contact details once we agree on terms, and he thought yes, there could be NEPA requirements although he knows of no "concerns." He further commented that you can't file for the Renewable Identification Numbers (RINs) with EPA until you are producing gas and gas is in the pipeline and then an approval process is several months out. In order to maximize value, they have a separate entity set up who is able to store the renewable benefits until the approval process is complete.

Mr. Epling will continue to work with staff on developing a contractual proposal for consideration.

The Commissioners thanked Mr. Epling for his presentation and open discussion with them, and noted that there are due diligence issues that they need to deal with; however they would like to get the RNG project going.

- H. Executive Session Per RCW42.30.110(1): (Legal Counsel, Athan Tramountanas was present via teleconference.) -- President Mosbrucker called for an Executive Session at 4:45pm per RCW42.30.110 for the purpose of discussing legal risks associated with proposed Land Fill Gas renewable natural gas contracts. He noted that the session would last for 1 hour. At 5:45pm, President Mosbrucker announced that the Executive Session was being extended an additional 45 minutes.

**RCW 42.30.110 – Executive Sessions.**

*(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:*

*(d) To review negotiations on the performance of publicly bid contracts when public knowledge regarding such consideration would cause a likelihood of increased costs.*

The Executive Session concluded at 6:30pm. The Board directed staff to complete the due diligence on a Renewable Natural Gas off-take proposal from British Petroleum and submit their results to the PUD Commissioners at the first possible meeting.

**ADJOURNMENT** – There being no further business, the meeting adjourned at 6:32pm.

\_\_\_\_\_  
/s/  
Ray A. Mosbrucker, President

\_\_\_\_\_  
/s/  
Randy L. Knowles, Vice President

\_\_\_\_\_  
/s/  
Dan G. Gunkel, Secretary  
Date Approved: 10/11/2016

\_\_\_\_\_  
/s/  
Kathy Loveland, Executive Assistant