

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
Tuesday, March 12, 2019  
2:00pm

**CALL TO ORDER:** President Dan G. Gunkel called the meeting to order at 2:00 p.m. as advertised.

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

**STAFF PRESENT:** Jim Smith- General Manager, Gwyn Miller- Director of Human Resources and Business Services, Mike DeMott- Power Manager, Mark Pritchard- Operations Manager, Cynthia Bruce- AP/Accounting Clerk, Eileen Kelsey- Accounting Clerk Trainee, Sharon Blodgett- Water/Wastewater Coordinator, Brandy Myers- Customer Service Supervisor, Beth Schroder- Accountant, Nichole Lantau- Accountant, Kevin Ricks- Renewable Energy Assets Manager, Ron Schultz- Engineering Manager, Mark Garner- Engineering Customer Supervisor, and Luann Mata- Executive Assistant.

**GUESTS:** Ken and Linda Ingebo

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

**MINUTES:** **MOTION** was made by Commissioner Knowles to approve the February 26, 2019 meeting minutes as presented. Motion carried.

**CLAIMS & PAYROLL:** Presented by Eileen Kelsey. 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 12<sup>th</sup> day of March, 2019.

**MOTION** was made by Commissioner Miller to approve accounts payable vouchers and payroll in the amounts as listed:

- Accounts Payable Voucher Nos. 203466, 203468 through 203573 in the total amount of \$551,643.77 and Wire, ACH Nos. 8801121 through 8801124 in the total amount of \$576,064.40, EFT Nos. 11 through 14 in the total amount of \$73,465.69 for the period ending March 12, 2019; and
- Payroll Warrant Nos. 203467 and ACH Direct Deposit Payroll transactions 202151 through 202232 in the total amount of \$192,471.33 for the payroll period ending March 03, 2019.

Motion carried.

**PUBLIC COMMENTS:** Ken and Linda Ingebo addressed the Board. They stated that last year they purchased the Klickitat River Inn. This property is being used as an Airbnb. During the tourist season while the property was occupied, the wastewater expenses were manageable. During this past winter, with nearly zero occupancy, the monthly wastewater rates have adversely impacted their business. Given the low occupancy, they asked the board to consider invoking the special case rate consideration from Policy 19-Customer Service Policy for Wastewater Services, subsection IV. Their property is a single lot, with one electric service, two water meters, and five sewer connections. They stated that they intend to ask the PUD to consolidate the water service to one meter. The Ingebo's feel they will then meet all of the criteria described under this section. They believe that the usage at this address will essentially be similar to an RV site, which has reduced sewer fees, and they believe that it would be correct to apply the same sort of mechanism to reduce their sewer fees. The Board asked if Staff could recall any circumstances that have

qualified previous customers for this special circumstances consideration. Brandy Myers stated that this is the first case that she has been asked to consider. After listening to the customer's justification, staff considerations and input from Commissioners, Commissioner Gunkel desired to have additional discussion of this request. No determination was made and the customers were thanked for their time.

### **REPORTS:**

**Renewable Energy Assets Report** – Kevin Ricks presented the department report for February. The total plant production for February was 30,833 DTH and the Gas Quality is 1005 BTU/SCF. The average daily output was 1,011 DTH and the reliability factor was 24.8%. We continue to experience premature equipment failure. For example, we have been seeing failures of simple relays, which should last for years. The weather has also exacerbated the operating issues with extreme cold, wind and ice accumulation. The largest single impact has been from the corrosive nature of the gas in one section of the plant as we have discussed in past meetings. We are still operating at a curtailed capacity until the new higher-grade stainless steel piping and heat exchanger are received and installed to correct this issue. We are expecting to complete these replacements at the end of this month and we are anticipating changing out the carbon beds and complete other upgrades during the upcoming outage as well. The plant is reliably producing 3,800 DTH/day.

We submitted an air operating permitting change to the Department of Ecology, which was issued on March 5<sup>th</sup>. The permit changes the evaluation matrix from operating hours to a volume limit. With the new processes, we are also evaluating the need for the existing Title V air-operating permit. The reasons for having the Title V permit are no longer applicable to the current site. The Board asked if we relinquish the permit, would a new permit be required should the CT's be brought back on line. Kevin said that this action would require re-permitting regardless of whether we hold the Title V permit or not as the fuel source would transition to natural gas. The Board was in agreement with Staff to move forward and relinquish the permit.

During the summer, we will be replacing the Sulfer Ox carry over piping. We will keep the plant operational during this repair. The Board asked Kevin to make the necessary repairs to get the plant operation reliable.

**Power Management Report** – Mike DeMott presented the department report for February. Our Power supply cost budget for 2018 was budgeted at \$29.79/MWh, we ended the year at \$28.68/MWh. Our 2019 budgeted power purchase price was \$29.31/MWh and in January we ended the month at \$26.69.

Power pricing has been very volatile. The Mid-C pricing for a short time during March was over \$800 MWh. Last month Mid-C pricing was \$90 heavy load and \$77 light load. There were many contributing factors for the March pricing spikes, there were transmission paths down for maintenance, many gas plants in the region were not running as natural gas was till constrained from Canada and we saw natural gas prices peak at \$154 /mmbtu. In addition, PowerEx was buying from the Mid-C market to sell to Alberta who was experiencing high loads to due to the cold. Normally PowerEx would be a seller. Lastly, there were generation outages. All this lead to the high price excursions. With the current pricing, Mike is considering reevaluating the 2020 hedging projections. There have been discussions throughout the region regarding capacity and whether this was a perfect storm of coincidences, or this is the first crack in the reliability / capacity short falls the industry has been discussing. Jim stated that this is a topic at the next Public Generating Pool meeting and he will bring back an update from that meeting.

White Creek's generation is significantly below budget year to date. Mike stated that as we are only taking Tier I output from White Creek, we have the ability to recover this shortfall later in the year.

**Financial Report** – Nichole Lantau and Beth Schroder presented the December Financial Report. The Net Operating Margin for December was \$1,512,392. This was \$281,038 better than budget.

Yearend retail revenues were up 2.5%, and total yearend revenues were 3.3% below budget, primarily due to RNG starting later in the year than anticipated. Total yearend expenses were 9.2% under budget. This led to our net margins being a positive \$2,865,217 versus a budget of negative \$249,427. Some of this expense difference is due to a refund received from the Department of Revenue (DOR) on RNG Machinery and Equipment taxes, which was not budgeted. Given this performance, we are recommending that we move \$700,000 to our rate stabilization fund, thereby deferring these revenues. Our debt service ratio was budgeted at 1.47, and with this adjustment, we would end the year at 1.48. The Days Cash on hand was budgeted at 161 days and we ended the year with 186. The Board concurred with the funds transfer of \$700,000 to the Rate Stabilization Fund. We anticipate receiving an additional \$500,000 in RNG tax reimbursement from DOR in 2019.

With NISC, processes are under evaluation and staff is excited to utilize the new tools available. Moss Adams will be on site in April to complete our 2018 annual audit.

**COMMISSIONER DAN GUNKEL** – Commissioner Gunkel attended the Klickitat County Economic Development board meeting last month. The wholesale grape market supply remains high. One knowledgeable individual indicated they believe that the surplus is projected to last for the next 3-4 years. Some of the smaller, specialized winery sales have actually increased during this time; this oversupply mainly pertains to wholesale markets. The County has updated their project list. Project funding may be available through grant processes.

**COMMISSIONER DOUGLAS MILLER** - Commissioner Miller spoke about the Cap and Trade article in the Capital press and an article on allowing gill net fishing on the Columbia River.

**COMMISSIONER RANDY KNOWLES** – Commissioner Knowles discussed his concerns with the article from the Tri-City Herald regarding the Franklin PUD lawsuit.

**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, Jim Smith presented the following information:

- 2019 Electric Rate Review – Jim stated to the Board that the 2019 Operating Budget included a 1.5% electric rate increase, effective April 1<sup>st</sup>. After looking at the first drafts of the financials for 2019, he noted there is nothing that suggests we will be ahead of budgeted financial performance in 2019 and he therefore concludes that we should start the electric rate process. However, it has taken him a month longer than he anticipated to come to this conclusion. He therefore recommends that we start a process that would result in a public rate hearing at the April 23<sup>rd</sup> Board meeting, for a May 1<sup>st</sup> implementation if approved by the Board after public input. That would be 1 month later than projected in the 2019 Budget. The Board agreed that staff should start this process as recommended.
- Legislative Session Update - The Governor's 100% clean energy bill passed out of the Senate on party lines 28 - 19, with the exception of Senator Tim Sheldon (D) voting against. It is now with the House Environment and Energy Committee.

Additional update on bill's are:

- The Net Metering bill has passed out of Senate 29 - 19. The 4% cap is still in place, but the requirement for utilities to apply any excess generation contributions to low income assistance programs has been removed. We have continued to offer the program even though we were over the required cap, so should this pass, it should not have an additional impact on KPUD customers.

- The Wild Fire Prevention bill passed out of the Senate 49 – 0. It is now in the House Rural Development, Agriculture and Natural Resources Committee. I anticipate that it will carry on with same support as it received in the Senate
- Our Renewable Natural Gas tax bill passed out of the House 95 – 0 and is under review in the Senate Environment, Energy and Technology Committee.
- Workshop- We have scheduled the 100% Clean Energy bill workshop for Wednesday March 20<sup>th</sup> at 12:00 Noon.
- Washington Public Utility District Association- the voting representation at WPUA was reviewed and no changes were made.
- Water-Wastewater community meetings- We are in the process of scheduling the annual community meetings. We are planning to begin with the Water-Wastewater communities so that we can communicate project plans and the individual system budgets in anticipation prior to the annual Water Wastewater public rate hearing in May.
- Spearfish- Commissioner Gunkel asked staff to review if there are any requirements for or against utilizing federal power use for the purpose of obtaining non-legal tendered currency transactions.

**AGENDA ITEMS:**

- A. PROFESSIONAL SERVICES APPROVAL– **Motion** was made by Commissioner Knowles to approve the addition of Sustainable Energy Ventures, LLC and agree to add them to the Professional Services Consultants Roster for the 2019 period.
- B. EXECUTIVE SESSION: Review of Performance of a Public Employee (1)(g) – President Gunkel called for an Executive Session at 4:20 p.m. per RCW 42.30.110 (1)(g) noting that the session would last for 60 minutes, for the purpose of discussing the General Manager’s evaluation. The session ended at 5:10. Jim’s performance review numbers were provided to Human Resources. No other action was taken.

**RCW 42.30.110 – Executive Session.**

*(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:*

**Adjourned** – There being no further business, the meeting adjourned at 5:50 p.m.

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/S/  
Dan G. Gunkel, President

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/S/  
Douglas B. Miller, Vice President

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/S/  
Randy L. Knowles, Secretary  
Date Approved: March 26, 2019

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/s/  
Luann Mata, Executive Assistant