

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
Tuesday, September 10, 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, Nichole Lantau- Accountant, Kevin Ricks- Renewable Energy Assets Manager, Ron Schultz- Engineering Manager, Geoffrey Lacefield- Chief Engineer Candidate, Jeff Thayer- Purchasing Manager, and Luann Mata- Executive Assistant.

**GUESTS:** Alan Dashen and Larry Hocter

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

**MINUTES:** **MOTION** was made by Commissioner Miller to approve the August 27, 2019 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 this 10<sup>th</sup> day of September 2019.

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

- Accounts Payable Voucher Nos. 204997 through 204998 and 205000 through 205102 in the total amount of \$877,854.87; Wire and Automated Clearing House (ACH) transaction Nos. 8801240 through 8801242 , along with Electronic Funds Transfer(EFT) transaction Nos. 64 through 65 in the total amount of \$108,676.75 for the period ending September 10, 2019; and
- Payroll Warrant Nos. 204999 and ACH Direct Deposit Payroll transactions 203245 through 203329 in the total amount of \$195,851.32 for the payroll period ending September 01, 2019.

Motion carried.

**PUBLIC COMMENTS:** None

**REPORTS:**

**Renewable Energy Assets Report** – Kevin Ricks presented the department report for August. The adjusted gross capacity factor was 89.3%, reliability was 94.9%. The Operational issues for August consisted of a Sales Gas Chromatograph failure, two ambient temperature compressor trip issues and a leak in the oxygen removal system. The new vessel and the remaining 316 steel hardware are installed. There is still a seal that needs to be replaced but the rest of the system is solid. The seal is scheduled for replacement during the scheduled shutdown. The outage scheduled for October to complete fall projects may be rescheduled. The Call for Bid issued on August 27<sup>th</sup> yielded inquires, but with the current contractor workload and our truncated timeframe for completion many declined to bid. Staff is reevaluating the bid project and this may push the outage out to a later date. Kevin stated that the plant is already at a better place than before making the completed repairs and feel

that we will continue to improve. The fall improvements were to project to increase production not for critical repairs. The commissioners suggested that staff consider moving the bid out to a later date to allow for a competitive bidding process. **Motion** was made by Commissioner Knowles to rescind the Renewable Natural Gas (RNG) Fall Improvements call for bid and reevaluate the bidding requirements. Motion carried.

**COMMISSIONER DAN GUNKEL** – Commissioner Gunkel did not have a report.

**COMMISSIONER DOUGLAS MILLER** - Commissioner Miller stated that he will be meeting with State Auditors on Thursday September 11<sup>th</sup> at 10:00 a.m. for an entrance interview defining the parameters of their audit.

**COMMISSIONER RANDY KNOWLES** – Commissioner Knowles asked if Tom McDonald has clarified the Cliff's Water municipalization requirements. Jim stated that there are two options for this system to municipalize and provide residential service or provide it for industrial use. Commissioner Knowles requested a copy of the Kreps Insurance claim findings.

**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:

- RNG dedication- The date has been moved to Wednesday September 18<sup>th</sup> due to an adjustment in Governor Inslee's schedule. The time will still be from 10:00 a.m. to 1:00 p.m. Talking points for introduction of speakers will be provided to the commissioners prior to the event. The governor's group will also stop briefly at the proposed lower pumped storage site for a brief discussion. Nate Sandvig of National Grid and Erik Steimle of Rye Development will conduct that discussion. Commissioner Knowles will attend this portion of the tour as well.
- Property lease- Republic is in need of building a new leachate pond. The best location is outside of our facility site area. This request is being evaluated.
- Solid Waste Association of North America- will be on site at RNG for a tour on Thursday September 12<sup>th</sup>. The event was limited to fifty people, but Kevin has received multiple additional requests.
- Upcoming meeting- On October 22<sup>nd</sup> the Draft Budget will be presented to the Board for your initial review. We will also have the Bond Resolution prepared for this meeting as well.
- Utilities Transportation Commission (UTC) tour- September 19<sup>th</sup> two UTC Commissioners will be on site to tour the RNG facility and then have a lunch with Klickitat PUD Commissioners to discuss their philosophy of RNG utilization.
- Track D Ruling- Jim spoke with Klickitat County Commissioner Sizemore regarding the Track D decision. They have held a community meeting in Glenwood, but there are so many unknowns that the next steps are unclear.
- State Parks- The information discussed regarding State Park easement access rights was sent to legal counsel for review.
- Renewable Identification Number (RIN) Payment - Jim stated that we received our first RIN payment from the RNG project in August. The payment was for \$259,000.

#### **AGENDA ITEMS:**

- A. **BOND REFUNDING OPTIONS DISCUSSION**–Alan Dashen provided a presentation on bond refinancing options. He explained the options provided for paying off the 2006, 2009, and 2011 bonds and refinancing the debt long term. The evaluations reflected additional capital borrowing of an additional \$15,000,000 or \$18,000,000 for construction purposes. He stated that interest

rates are at an all-time low and the ability to refinance our bonds that are under make whole requirements would actually save in interest. We would also have the ability with the current bond requirements to make available the reserve funds that as part of the bond requirements had to be placed in a holding account. The new requirements would allow us to replace this holding account with a surety policy. We are scheduled to meet with the rating agencies and surety companies in San Francisco on October 9<sup>th</sup> and 10<sup>th</sup>. The bond insurance pricing decision to determine if bond insurance is needed. There were two pay back strategies presented one demonstrated level payments until 2026, which would follow our current structure. This did not include RNG debt as that is paid by off taker contract. Another option was to restructure and refinance portions of total debt. We currently have \$122,000,000 in bonds. If we pay off the three oldest bonds and refinance the 2015 bonds along with \$18,000,000 in new proceeds our debt service coverage number doesn't change until after 2026. Another option would be to borrow \$15,000,000 instead, but pay interest only payments until 2037 or 2038. This option would relieve financial pressure for the time being. The Cost of surety option is 1-1.5% of borrowed amount. This is a onetime fee. Alan stated that most utilities operate under a 50/50 debt ratio, this would mean that their Debt Service Coverage is around 160 or 170. In a summary Alan stated that the financing goals were to take advantage of low interest rates, replace the reserve account, keep the debt service coverage low, minimize borrowing of taxable debt, and provide additional funds for capital improvements.

Jim provided a follow up to last meetings financial report stating that everything presented was still consistent as they modeled financing options for the bond discussions. No action was taken.

- B. PROFESSIONAL SERVICES APPROVAL– **Motion** was made by Commissioner Knowles to approve the addition of Montrose Environmental and add them to the Professional Services Consultants Roster for the 2019 period. Motion carried.
- C. VEHICLE DISCUSSION – Jeff Thayer provided the board with an updated vehicle replacement listing. He requested that the Board provide direction on ordering a new Digger Derrek now. The lead time on these orders through the National Joint Purchasing agreement are 14 months at this point. There would be no cost to the utility until the vehicle is delivered. The board agreed that we should get this vehicle ordered. No action was taken.
- D. PREQUALIFICATION OF CONTRACTORS- **Motion** was made by Commissioner Miller to add Precision Service & Electric, LLC to the small works roster. Motion carried.

**Adjourned** – There being no further business, the meeting adjourned at 3:59 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: September 24, 2019

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/s/  
Luann Mata, Executive Assistant