

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, January 9, 2018
2:00pm

CALL TO ORDER: President Randy Knowles called the meeting to order at 2:00pm.

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

STAFF PRESENT: Jim Smith-General Manager, Mark Pritchard-Operations Manager, Mike DeMott- Power Manager, Anita Clever- Energy Services Specialist, Beth Shroder- Accountant, Nichole Lantau- Accountant, Ron Schultz-Chief Engineer, Cynthia Bruce-Accts Payable/Accounting Clerk, Lori Fakesch- Billing Clerk, April Greenlaw- Support Assistant, and Luann Mata-Executive Assistant.

GUESTS: Sandy Montag, Tom Montag, Steve Hettmann, Bob Skinner, Randall Holycross, Oliver May, Dave Enwards, Trevor Yasbek, Mary Calahan, James Day, and Larry Bakken.

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the December 26, 2017 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 9th day of January, 2018.

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

- Accounts Payable Voucher numbers 111715 through 111817 in the total amount of \$978,820.86 and Wires, ACH and EFT numbers 8800855 through 8800860 in the total amount of \$222,017.99 for the period ending January 9, 2018; and
- Payroll Warrant number 43353 and ACH Direct Deposit Payroll transactions 9918795 through 9918876 in the total amount of \$177,763.88 for the payroll period ending December 24, 2017.

Motion carried.

PUBLIC COMMENTS: Public comment period was opened at 2:06. Public comment was in response to Agenda item A - Net Metering. Public comments are presented under Agenda Item "A" below.

REPORTS:

COMMISSIONER DAN GUNKEL- did not have a report.

COMMISSIONER RANDY KNOWLES - did not have a report.

COMMISSIONER DOUG MILLER- did not have a report.

GENERAL MANAGER – The complete report can be found at:

http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

In addition to the written report, Mr. Smith presented the following information:

- Performance Review – at the request of Commissioner Knowles, Jim presented the board with his 2016 performance review for the Board to work from in

completing his 2017 performance review. Commissioner Knowles asked the Commission be prepared to discuss Mr. Smith's 2017 performance at the February 13th Board meeting.

GENERATION ASSETS – Kevin Ricks provided the monthly H.W. Hill LFG report for December 2017, Informational only.

The HW Hill LFG report was accepted as presented.

POWER MANAGEMENT – Mike DeMott presented the monthly power management report for December 2017. Mid-C Power, Sumas Gas, and RIN pricing were reviewed. We have continued our hedging activities selling 5MW high load hours for January, March, and April and 5MW of low load hours power for January as well. 2018 Debt Service Coverage (DSC) variability is improved after these hedging activities. Wind generation production was down from budget and LFG generation was higher than budget. Mike presented the Board with analysis of the impact of load growth on our irrigation rates due to the BPA Irrigation Mitigation discount. NIU/NRU stated that there is a better chance that the irrigation rate discount will decrease than increase. This would increase rate pressures.

Commissioner Gunkel stated that he feels NRU gives good advice.

The Power Management report was accepted as presented.

ENGINEERING - BPA has concerns with some 69kV switches in Bald Mountain. They plan to take an outage on March 10th to repair their issues and we will take that opportunity to transfer to the new Bingen transformer and complete other substation work. We are still waiting on CenturyLink to install the required equipment to the Burdoin radio site in order to complete the radio system as designed. Staff is working on revising Policy 43 – Electrical Interconnection Requirements to clarify the Queue process and the deposit requirement components. The Engineers have purchased a new PLS Cad program for transmission design. Staking Engineers are designing the 115kV transmission line for the Six Prong transmission route.

The Engineering report was accepted as presented.

OPERATIONS - We met our 2017 reliability goals, but just by a small margin. 2018 is off to a rougher start. All transmission inspections are complete for the year. Crews are completing maintenance work and tree trimming; customer work is being completed within about two weeks. Asplundh still has two crews working on completing the 2017 trimming contract. As a result, some of these costs will be carried over into our 2018 operating costs.

The Operations report was accepted as presented.

FINANCIALS - Beth and Nichole presented the November financials. The main points of interest were that our revenue is forecasted to be \$3.1 million above budget, while expenses are expected to be right on budget. LFG and retail revenues from a cold winter in early 2017 provided the additional revenues. Included in the 2017 year end forecast is the expensing of the costs we have accumulated over the past years from John Day Pump Storage project. The year-end Debt Service Coverage is forecast to be 1.65 which still exceeds our 2017 budget. Staff's goal is to present the 2017 year end financials at the last meeting in February. Moss Adams we be onsite to complete the 2017 Financial Audit the last week of March.

AGENDA ITEMS:

A. KPUD Net Metering Program-Review of Public Comment- Meeting was opened at 2:06 pm.

- Sandy Montage- Sandy asked how customers were notified of Workshops. Anita stated email, website and radio notices were used. Sandy did not receive an email, but once she heard about the workshop, she contacted Anita and obtained a copy of the comments. She stated she felt the workshop was a great idea and wished she could have participated. Her feeling was that many of the comments were good and there were some

great ideas for program options and she is hopeful that staff will seriously consider some of the suggestions.

- Steve Hettmann—Steve stated he was new to the net metering process and just received the workshop summary today. He asked for clarification on the new legislation that we are trying to align our program with. Commissioner Knowles stated that we are not trying to just address the new legislation we are trying to adjust policy that will be sustainable now and in the future. We understand that with the current net metering policy does not pose a huge financial problem, but with additional participation, that impact could become significant. We want to continue create a consistent environment that encourages sustainable energy projects where everyone understands the rules. Anita Clever added that the new state legislation went into effect in July when Senate Bill SB5939 was passed. The requirements of the bill are being managed by Washington State University (WSU) energy. In order to offer new customers access to the state incentives utilities must establish their policy before their customers will roll into the state program.
- Mike DeMott- Mike recapped that the workshops were recommended by staff and Commissioners to obtain feedback from affected customers. The Commissioners have been provided with workshop comments at a previous meeting. Additional comments received have been provided to the Board as well. Anita's efforts for notifying customers were broad in scope; she utilized our website, radio advertisements and contacted about 60 people so far for feedback, as well as added anyone to the email group who provided their contact information. We used all the contact information we have. Anita said that in her opinion, the general consensus is that people like things the way they are and that they would not welcome program changes.
- Bob Skinner- Bob from AR Solar, and formerly of Hire Electric is very proactive in the solar industry. Bob asked if current participants in our program were notified of the workshops or this meeting. Anita verified that everyone we had contact information for were contacted and that was a majority of our net metered customers. Bob stated that he didn't feel customers were getting fair representation of views and feelings. It is important that everyone be involved in this process. Commissioner Knowles assured him that there are no specific proposals being considered at this meeting, this was scheduled as an opportunity for customers to provide feedback directly to board. However, we are trying to ensure we have a sustainable option that continues to encourage the net metering options. The board must be responsive and assure that costs are not being shifted to burden other customers. Bob noted that the board will find that Solar advocates are very active and vocal. Our processes and programs could be published on websites and entities taking actions could get a black eye for unfavorable Solar policies. In general the one to one net metering policy is the most beneficial to customers. Solar investments strengthen the grid and benefits utilities. Solar is not associated with any direct costs to PUD infrastructure.
- James Day – James stated that he owns a 7kW solar array, which he installed about 7 years ago. His installation was dependent on the one to one ratio and the 7 years payback was a substantial influence. His installation promoted northwest economic growth. He believes that with the state incentive programs they have the understanding that this is indeed a long term investment and will last 30-40 years. He feels that the fundamentals to the sustainability of solar programs are that the one to one condition needs to be there. He also stated that generation of water power is more restrictive during peak solar generation times of June through September and that increased solar and wind production will help the PUD and the electric system. The PUD has made an investment in Wind; he'd like to see us make a similar investment in Solar.
- Bob Skinner- without the one to one incentive we will have an onerous program and investments in solar may not be financially feasible. These

customers are investing their own money, not the PUD's. Klickitat County solar should be supported at a financially reasonable rate.

- James Day- This is a bigger issue than just net metering. BPA excess power is redirected to where it's needed and mostly sold to California. We need the incentive to go solar. Solar is offsetting costly coal and other fossil fuel power. It drives costs down. In the bigger picture, we should say "come on you guys, go solar".
- (Unknown- Not from our area) stated that power from BPA is almost maxed out. Solar is the least costly power production in the world. We should strike a deal with Tesla to build a Solar battery storage site.
- Larry Bakken- Larry asked if solar has a history of being a farce. He also spoke to solar only being successful as it has been a subsidized program.
- Bob Skinner-Bob stated that it works well and solar being a farce is a fallacy. It provides clean energy to many regions of the world. Commissioner Knowles stated that the utility will not subsidize Net Metering installations with non-Net Metered customer rates. Bob stated that net metering customers do pay a service charge which is supporting the grid. Conservation programs should be viewed the same as solar, and that power demand is growing the pie with electric vehicles specifically being something that will increase demand.
- Commissioner Knowles- We understand there is investment involved and value to customers who are installing solar, but we need to make sure that there is an appropriate value assessed and assigned to those who want to utilize the electrical infrastructure as well. Net metered customers are still connecting to the system. Why? Because there is value being provided by the utility. The Board would like to be agnostic in their policy design to support customer choice, so we must meet the needs of all customers. Commissioner Knowles also stated that the conservation statement was an interesting point and one he hadn't previously considered.
- Trevor Yasbek- Trevor asked How many net metering customers are in the PUD and how many KWH do they contribute to the system.
 - Mike stated that there are approximately 110 customers currently enrolled in the program, which is a minimal percentage, in comparison with the whole utility. He did not have the KWH usage number at the meeting.
- Mary Calahan- Stated that she won't be able to net meter, since we chose to shut down the program. She also stated that with the policy changes we may lose customers that choose to install solar and not connect to the grid any longer.
 - Commissioner Knowles stated that if solar is your choice, it's a valid choice and if you don't choose to connect to the PUD grid, that's a choice as well.
- Bob Skinner. Solar installations will happen more and more as utility rates go up and solar costs go down.
- Commissioner Gunkel- Commissioner Gunkel stated that KPUD was one of first utilities in the state to provide a Net Metering program. He also asked the crowd how many of the people in the room installed their systems under the one to one ratio without incentives. There was only one (1) customer attending who's system was installed more than 5 years ago. He stated that the Board promotes getting input; this is a very complicated policy and has many gray areas. If we continue on as we have done over the years because customers don't want the policy to change, it may end the program. In the beginning when the policy was drafted the customers we were working with made their investments and signed the net metering contracts with no state incentive. We wrote the policy because it benefited our customers who were making the investment without any guarantee of a return. The Board has the challenge to make policies work for all customers.
- Anita Clever- In response to the conservation comparison, this is not the same situation. The savings for residential conservation investments are only redeemable for one year. Through the state program for net metering,

the major differences would be the incentive amount would change from 54 cents to be a maximum of 21 cents and continue to reduce each year. The maximum incentive you would be able to receive would be \$5,000 per year for a residential scale system. You would also only be allowed to recover half of your investment. If you want to be able to participate in state incentive program, you must have a net metering agreement with us to participate.

- Commissioner Knowles- Part of the new legislation has put burden on contractors to assure that customers are aware of requirements, and incentives are represented appropriately as they can change.
- Bob Skinner- State and Federal government give incentives to the investors and utilities want to take those incentives away. SB6081 was introduced today; it would mandate a net metering policy throughout the state. If it passes it could render this policy moot.
- Commissioner Gunkel- This discussion is based upon the fact that the state and the installers created an expectation on all of your parts. In part there were no details of threshold limits and how the program could change. However, once you exceed the cap of the State incentive funds you have to prorate them.
- Bob Skinner- The State incentive program that KPUD participated in worked wonderfully. There was a choice given to shut down program when reaching the cap. The Tri-Cities gave their customers and installers a warning and then capped the program. They didn't dilute any other customers' incentive payments. Upon reaching the cap, KPUD chose to dilute the customer incentive payments.
- Commissioner Gunkel- Commissioner Gunkel stated that this was partially the fault of the salesmen. We had people walking in that didn't understand the cap and the ramifications of the cap. This is the information that is the responsibility of the installers to provide to their customers.
- James Day- some of the problem is that the use fluctuates each year and it is hard to know what the actual generation will be.
- Randall Holycross- Randall stated that he is a Wind turbine owner and operates under a net metering contract. He stated that when he asked the question he was shown that in the contract it is was stated that reimbursements could be diluted.
- Jim Smith - To provide some background and some information for everyone to consider, this is really a rate structure discussion. Larger State policy discussions are interesting, but not really the point of this discussion. Net metering by design is set up for the utility to act as your battery during times when you are over generating and we are there for backup power supply during times that your system under generates. There is value for that. Anyone could have chosen to install their own battery system and disconnect from the grid. Most people didn't. Why not? There is value in us being the battery and it is reasonable that there is a cost for that. We have a small base fee for your account. However the traditional electric rate design problem is that the usage charge has both a power supply component and rate for building and maintaining the system that is not covered by the base fee. If you offset that usage, then you are not fully contributing to the operations and maintenance of the system you are using. With conservation, customers are reducing their load on the system. With net metering there are still times you need your full load supplied by us as your generation is intermittent. That is a problem with solar and wind generation, where you can create a load on the system at on peak load times. The question is how do we look at rate design and how do we design the rate structure to be consistent and not shift costs Even if that impact is small now, we have to address it. We operate under the premise that the actions of one customer doesn't set back another customer. It needs to be fair and it needs to be sustainable and work as these installations grow. We want to provide the right pricing so you can make the decisions you want to make. Our objective is not to take away

and funds from incentives, but we are not wanting to shift costs to the other 11,900 customers we have either who choose not to participate in net metering. Something else to think about. Our surplus power is selling at 2.5 cents per kwh. Our BPA cost is about 3.5 cents per kwh. You are receiving a credit on your electric bills net metering generation of 9.5 cents a kwh. This looks like a 4:1 or a 3:1 credit to value equation to me.

- Randall Holycross -The benefit to the PUD far out ways the cost. However, if by installing a net meter account there is a special meter needed, why is this not charged to net metering customers? That seems reasonable. I feel as an installer I should pay for the material that I utilize throughout the system. I understand that the investment in solar is high right now, but the utility is a great value.
- Anita Clever- Right now there is no application fee for applying for net metering. This is a charge that other utilities already charge, and we still do not.
- Tom Montag- Tom stated that he has a very efficient home in White Salmon, he wanted to install a 100 amp service, but was forced to install a 200 amp for standardization. However when I produce excess power and add this back on the line it doesn't travel far, I'm sure it gets utilized by my neighbors. Also, I am gathering all of the information I can on the policy development. I'd like to be kept involved throughout the process. I'd like to be notified of future meetings and any Public rate hearing scheduled. I also request a draft of new net metering policy. Will this be available on line? Anita will address this request.
- Commissioner Knowles- Our goal is a policy that works well, is equitable and fair to everyone, and that other utilities can use as a basis for their policies.

Public comment period was closed at 3:11

STAFF Direction- The board asked that the next steps be to categorize areas of interest from the meeting, draft responses to these concerns / issues and provide the Board with draft revisions to the Net Metering policy, agreements and rate design recommendations. Once that is reviewed, circulate the proposed policy to the current customers.

Anita stated that there is a time crunch for state incentives for the current rate. Customers must have their systems installed and their systems approved by WSU by June 30, 2018 in order to qualify for the current year's incentive amount, those incentive amounts decrease each year through 2021. Please let the board know what staff feels is a reasonable timeline for this process. Commissioner Gunkel would like to see a long life policy. Commissioner Knowles stated that we want to have a policy that moves us forward and is sustainable for the future, however we don't want pending installations to miss out on the current incentives. Staff is directed to keep the board informed of their progress and the deadlines.

Commissioner Miller asked if there would be a new rate class established, the answer was yes there would be a new rate class in addition to the Policy changes.

- B. BID AWARD – Bids were opened on December 7, 2017 as advertised. Per staff's recommendation, **MOTION** was made by Commissioner Gunkel to award the Pole Inspection and Treatment bid to TK Contractors, LLC in the amount of \$91,746.08 including tax Motion carried.
- C. BID AWARD – Bids were opened on December 7, 2017 as advertised. Per staff's recommendation, **MOTION** was made by Commissioner Gunkel to award the Tree trimming and Right of Way Clearing Bid to Asplundh Tree Expert, LLC in the amount of \$346,125.28. Motion carried.

D. EXECUTIVE SESSION: Contract Negotiations – President Knowles called for an Executive Session at 4:15pm per RCW 42.30.110 (1)(i) noting that the session would last for 60 minutes, for the purpose of discussing legal risks of a proposed action of completing contracts with National Grid & Rye Energy regarding the John Day Pumped Storage project.

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:

The Executive Session concluded at 5:05pm. No action was taken.

ADJOURNMENT – There being no further business, the meeting adjourned at 5:11pm.

Randy L. Knowles, President

Dan G. Gunkel, Vice President

Douglas B. Miller, Secretary
Date Approved: _____

Luann Mata, Executive Assistant