

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, November 13, 2018
2:00pm

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

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

STAFF PRESENT: Jim Smith- General Manager, Gwyn Miller- Director of Human Resources and Business Services, Kevin Ricks- Generation Assets and Special Projects Manager, Mike DeMott- Power Manager, Jeff Thayer- Materials Manager, Mark Pritchard-Operations Manager, Ron Schultz- Engineering Manager, Brandy Myers- Customer Service Supervisor, Beth Schroeder- Accountant, Nichole Lantau-Accountant, Anita Clever- Energy Services Specialist, Eileen Kelsey-Accounting Clerk Trainee, and Luann Mata-Executive Assistant.

GUESTS: Greg Hoskins

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the October 23, 2018 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 13th day of November, 2018.

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

- Accounts Payable Voucher numbers 114330 through 114519 in the total amount of \$3,038,547.19 and Wires, ACH and EFT numbers 8801053 through 8801060 in the total amount of \$1,036,052.65 for the period ending November 13, 2018; and
- Payroll Warrant numbers 43377 through 43379 and ACH Direct Deposit Payroll transactions 9920568 through 9920650 in the total amount of \$190,590.24 for the payroll period ending October 28, 2018.

Motion carried.

PUBLIC COMMENTS: Greg Hoskins addressed the Board requesting consideration of combining his existing wind turbine net metering installation contract with a new solar installation contract. The customer's wind turbine system net metering contract was grandfathered during the Net Metering discussions earlier this year. Since that time the customer chose to complete an addition to his house on which he has chosen to install solar panels to offset his electric usage. He asked the Commissioners to apply the two rates structures to his existing and his new net metering system on a percentage basis as he stated it would be cost prohibitive to install a second service to feed an addition to his existing structure. After in-depth discussion and review of customer presented options, the Board stated that their policy approved this year is clear; we would honor our existing contracts and new installations would be subject to the new contract. An increase of capacity would require a new contract or separate metering which would include a new contract. Commissioner Knowles stated he would review this request with staff and provide a written response.

REPORTS:

Generation Assets/Renewable Energy Projects Report– Kevin Ricks presented the Generation Assets and Renewable Energy Projects report for October. The plant commissioning began September 27th, on November 2nd we began metering gas into the Northwest Pipeline on a continuous basis. As such, we are deeming November 2nd, 2018 as our commercial operation date. The gas flow is meeting the pipeline specifications and the plant has reached 80% of its capacity so far. Monday there was an operation that forced a hard shutdown of the system. The equipment was evaluated and a wiring issue was found. The repair was made and gas production resumed. We are also working through an airflow capacity issue with Griffiths and are evaluating options for disposal of condensate. The Board was pleased with the commercial operational status of the project, but want staff to focus on obtaining full production.

Power Management Report–Mike DeMott presented the Power Management report for November. Mid-C current and forward power prices and Sumas gas pricing was reviewed with discussion of Canadian pipeline rupture impact on pricing. Due to this pipeline rupture, we may see higher prices throughout the winter. A cold winter combined with low gas supply could result in higher pricing for both gas and power. White Creek Wind generation should reach Tier 1 output levels in November. White Creek revenue is higher than budget for October due to favorable pricing. BPA TC-20 process is nearing completion and potential impacts for KPUD were reviewed including favorable impact on forecasted transmission rates. Northwest Requirements Utilities helped represent KPUD interests in the TC-20 process. The Public Generating Pool (PGP) is working with E3 to complete a reliability study of the western power system under various levels of variable, renewable generation. A sample slide from the draft report was reviewed showing the relationship between energy storage duration and renewable oversupply. Mike continues discussion with potential sources of an Operating Line of Credit.

Financial Report–Beth Schroeder and Nichole Lantau presented the updated financial reports for August. There was an increase in revenue in all areas in August except generation. The generation reduction was due to the June 4th shutdown of Landfill Gas II. We will not have revenue from this facility until the Renewable Natural Gas (RNG) project is operational. Accounting's goal is for the 2018 year-end financial forecasts to be updated by the end of the week. We anticipate receipt of the Use Tax refund from the Department of Revenue (DOR) before the end of the year. We anticipate receiving \$1.9 million. This refund will be credited back against the sales tax paid under the work order and is not considered income. There will be some additional refunds expected from DOR in 2019. Commissioner Miller requested clarification on whether income was inclusive of the irrigation reimbursement adjustments that just processed. The revenue numbers in August are correct, but the next financial reports will show October income adjusted. Commissioner Miller requested that accounting include a note on the financial statement to demonstrate the items that are outside of normal business circumstances.

The National Information Solutions Cooperative (NISC) Accounting and Business Solutions (ABS) process review was completed last week. We have already begun our customer communication promotion on the new billing system. We have already received interest in the \$5 credit offer for signing up for smart hub and paperless billing. The Commissioners wanted to verify that we specifically state One-Time credit. The Customer Care and Billing (CCB) NISC transition is scheduled for the week of December 2nd. Accounting's transition is scheduled for the end of January.

The Washington State Auditors will conduct an exit audit on Friday November 16th at 11:00 a.m.

COMMISSIONER DAN GUNKEL – Commission Gunkel reported that he and Rex Johnston meet regarding a Landfill Gas Improvement Fund loan request received from the Dallesport Water District. The request was to fund the purchase of a new well, retire existing infrastructure, increase capacity and reliability. The

request met the funds requirements and the application was approved for \$200,000 provided the contingencies stated were met prior to funding.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller reported that he would be attending the Washington Public Utility District Association (WPUDA) meeting this week. He also mentioned that he read an interesting article in the Wheat Life publication where it stated that DNR wheat land lease values were \$40.00 per acre per year. It also mentioned there were several potential solar farm investigations happening throughout our region.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles reported that he attended the Public Utility Risk Management (PURMs) meeting. They talked about developing Cyber insurance minimum standards. They spoke about developing a policy group and Commissioner Knowles asked if Chris Evans would be interested in participating. Gwyn Miller will discuss and bring back an update from IT at the next meeting. PURMS also approved their 2019 Operational Budget. A discussion on Health Insurance commenced. There were suggestions of a tiered plan, maintaining consistency throughout each member's plans, and raising the stop loss amounts. PURMS also did comparisons with other government agencies and the comparison was reasonable, but PURMS needs to evaluate our plan against other utility groups to come up with a better metric. The group will be looking for a company to complete a survey.

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:

- Jim mentioned that the Strategic planning session is scheduled to begin at 9:00 am on Wednesday November 14th. This meeting will be held at the Maryhill Museum addition. The new addition side doors will be open at 8:30.
- The second December board meeting is scheduled December 27th, at 2:00 pm. Commissioner Miller will attend in person and the others intend to call in. The meeting will consist of paying vouchers and the call in information will be provided in the commission packet for the meeting.
- We received some clarification on the Department of Ecology capital funds being proposed for the 2019/2020 biennium. There is \$500,000 available for water supply improvements connected with the Goldendale Energy Storage project if water supply improvements are possible. Jim and Brian will follow-up on ideas and Jim suggested that we discuss with Darryl Olsen of the Snake River Irrigators.
- The WPUDA General Meeting is scheduled for December 5th -7th. Jim will attend the meeting on behalf of Klickitat PUD.
- At Jim Smith's request, WPUDA is developing a legislative proposal to modify retiree's ability to work a limited amount of hours when they take early retirement under PERS. At this time if a Public Employee's Retirement System (PERS) member retires and begins to draw their retirement before the designated retirement age they are not eligible to come back to work for a utility ever. The Teachers Retirement System (TERS) pursued legislation that removed this limitation from their retirement plans to allow bringing back experienced staff when necessary. WPUDA is promoting that PUDs should fall under the same requirements as TERS. We will watch how this develops.
- The McNary Crane litigation was settled between the insurance company and the crane manufacturer, who also did the safety review prior to us using the crane during the runner rebuild. KPUD's share of the settlement will be about \$36,000.
- We received a call from Moody's. They mentioned they read our press release stating that the RNG project was operational and wanted to schedule an update phone call. This call has been scheduled for December 12.

AGENDA ITEMS:

A. **2018 CUSTOMER ACCOUNT WRITE OFF'S:** We normally complete this process in December, however with the upcoming system change we want to make sure these accounts are transitioned before the move to NISC. **MOTION** was made by Commissioner Gunkel to accept the write-off list as recommended by staff. Motion Carried.

B. **2019 OPERATING BUDGET INITIAL REVIEW:** Jim stated that there have been no changes to the Budget since they were provided to the Board at the October meeting. The yearend forecast will change as we are doing a more detailed review next week and any changes in the forecast will be included in the next budget review presented at the November 27th Board meeting. Jim stated he believes that the year-end forecast will slightly improve from the current yearend forecast. Commissioners asked if we were still comfortable with the 1.5% rate increase projections. At this time, there is no change to that estimate. There was a discussion on optional use of excess revenue should it apply. Lastly, the Board asked staff to evaluate the timing of construction project and keep aware of when contractors are busy, to construct capital projects as efficiently as we can.

Adjourned – There being no further business, the meeting adjourned at 5:19 p.m.

/S/
Randy L. Knowles, President

/S/
Dan G. Gunkel, Vice President

/S/
Douglas B. Miller, Secretary
Date Approved: November 27, 2018

/s/
Luann Mata, Executive Assistant