



Public Utility District No. 1 of Klickitat County

80 Years of Service * 1938-2018

GENERAL MANAGER'S REPORT TO THE BOARD

For the **November 27, 2018 Meeting**

AGENDA ITEMS:

- A. 2019 OPERATING BUDGET FINAL REVIEW- this is the final draft of the 2019 budget proposal before the budget public hearing planned for December 11. There have been no changes to the proposal except for some revenue and expense adjustments to the 2018 year end forecast. The year-end forecast gives the projected Debt Service Coverage and Days Cash on Hand on December 31. The year-end cash number also serves as our forecast for the 2019 beginning cash on hand. These details are summarized on the Agenda Item cover sheet. There are no material impacts on the budget due to these modifications, although the year-end numbers are slightly better than the previous draft. There are no changes to our recommended electric rate recommendations.
- B. POLICY 23- PURCHASING POLICY REVISION- Staff has revised the Contracts section and the Change order section. We have added Bid information to the contract sections and removed some designation wording. In the Change order section there was some clarification wording added and some percentage references removed as the percentage references were not entirely clear, when referencing large projects.
- C. PHYSICAL INVENTORY MEMO- Staff continues to streamline the inventory process and we have found that it takes less time to complete than in past years. We are very happy with the participation and the accuracy of the count. Our adjustments were higher this year than the past three, but we feel this is due to a combination of new employee's and work order process flow. We are reviewing and evaluating the process and staff feels that as we evolve with the new Accounting Inventory system we will have better inventory control.

NON-AGENDA ITEMS:

1. **Public Generating Pool Reliability Study Preliminary Thoughts-** while there are no results to be published until the study and the PGP members complete their reviews and E3 includes these in the final study, there is a couple of interesting items to think about. First is the impacts of no new gas on the reliability of the system. The reliability planning target for the North West Power and Conservation Council is a 5% chance of less of load loss due to power supply and the E3 results for the base case, which is the 80% carbon reduction, is about 4%. The 5% can also be thought of a one year in twenty loss of load event. If there is no new gas allowed, the 100% carbon free supply model shows that the loss of load

probability is 48%.

2. **Strategic Session Summary-** attached is the draft write up from Therese Hampton of our session last week.
3. **RNG Taxation Bill Proposal-** we have drafted proposed language for the required changes that would allow for Renewable Natural Gas sold in Washington to be eligible for a 0.5% B&O tax instead of the 3.875% Public Utilities Tax. Currently, the B&O tax can only be applied if the RNG is used as a transportation fuel. We obtained formal WPUDA support at last week's Energy Committee meeting. Dave Warren and I also presented the idea to Senator King and are providing the draft for his review. He has tentatively agreed to sponsor the Senate bill. We will be meeting with Representative Mosbrucker on November 29th here in Goldendale to discuss a companion House bill.
4. **State Audit Exit Conference-** attached are copies of the State Audit. It is a very clean audit. The State audit team made several verbal recommendations that we are working with, but there are no follow-up items.
5. **WPUDA General Meeting Survey-** 24% don't think our resources are clean and 34% do not know.
6. **County EDA Renewable Resource Update-** Dave McClure passed along information from discussions with Invenergy on solar development potential in the County. We have not heard from them on most sites, but they represent in excess of 1,000 MWs of potential projects. I have heard that it takes about 6 acres for 1 MW, so land use is not inconsequential. I have also heard that 200 MWs of new wind has broken ground in Gillam County, 200 MWs are likely in Sherman County and there is a proposal for 300 MWs of solar Wasco County.

While I would suspect there is a lot of speculation going on here, there is clearly an uptick in interest that we will need to keep abreast of.

7. **BPA TC-20 Update-** During the November 13th Commission meeting Mike DeMott presented status of and reason for the BPA TC-20 Settlement process. At that time a draft settlement was in development and in this draft there was benefit to NT transmission customers and a favorable outcome to BP-20 transmission rates when compared to initial proposals. At this time, settlement has been reached and final outcome is unchanged from the earlier report. BPA is requesting that we approve the settlement outcome and execute revised contracts. Trade associations such as NRU and PPC have concurred that settlement is acceptable. Staff recommends KPUD agrees to settlement terms and seeks Board consensus.