

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, February 27, 2018
1:00pm

CALL TO ORDER: President Knowles called the meeting to order at 1:00 pm as advertised at the Klickitat PUD office.

Agenda Item A Executive Session: Commissioner Knowles called for an executive session at 1:01 pm to last for a period of 60 minutes. Commissioners, legal team, and staff entered into an EXECUTIVE SESSION pursuant to RCW42.30.110 (1)(i) - To discuss Potential Litigation regarding MM28 fire. Executive session ended at 2:00 pm. No Action was taken.

The Public Commission meeting session began at 2:00pm.

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

STAFF PRESENT: Jim Smith- General Manager, Mark Pritchard-Operations Manager, Gwyn Miller-Director of HR & Business Services, Kevin Ricks-Generation Assets Manager, Ron Schultz, Chief Engineer, Sharon Ohnstad- Accounting Clerk, Sharon Blodgett- Water/Wastewater Coordinator, Beth Schroder-Accountant, Nichole Lantau-Accountant, Anita Clever-Energy Services Specialist, Brandy Myers-Customer Service Supervisor, and Luann Mata-Executive Assistant.

GUESTS: Present: Ron Ihrig and Eric Strid, On the phone: Jena MacLean, Meredith Weinberg, and Dan Short for the Executive Session.

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the February 13, 2018 meeting minutes. Motion carried.

CLAIMS & PAYROLL: Presented by Sharon Ohnstad. 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 27th day of February, 2018.

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

- Accounts Payable Voucher numbers 112088 through 112184 in the total amount of \$885,181.75 and Wires, ACH and EFT numbers 8800885 through 8800894 in the total amount of \$2,130,157.27 for the period ending February 27, 2018; and
- Payroll Warrant number 43357 and ACH Direct Deposit Payroll transactions 9919116 through 9919196 in the total amount of \$202,291.51 for the payroll period ending February 18, 2018.

Motion carried.

PUBLIC COMMENTS: Eric Strid addressed the board with his concern of Klickitat PUD's ability to plan and navigate the coming energy transition. He felt that the KPUD didn't have a vision of where we will be in 10-20 years. He stated that the best way to describe his feeling was "concerned". Commissioner Knowles stated that we do engage in planning and we are thinking to the future. He asked Mr. Strid to submit his ideas of what he feels we should be looking at for the future and suggested that he begin working with the public to promote awareness. Mr. Strid stated that he participates in the Oregon Public Utility Commission round tables and he feels that many states are having the same dilemma revolving around complex debates for future regulations, including electric vehicles. Commissioner Knowles stated that he

would appreciate any effort he would be willing to commit to engage the public's interest.

Jim Smith stated that many other areas of the nation who are focused on the growth of solar have much higher carbon emission footprints and higher power rates than the Pacific Northwest. As a result, they will likely see significant impacts before we will. KPUD is aware of those issues and is keeping apprised of the steps other states are taking, but we don't have a specific direction as of yet. Other areas should serve to provide examples and data for us to evaluate. Jim also agreed that transportation issues will continue to be at the forefront of these conversations. He stated that one interesting challenge with some of the current legislative approaches to carbon reduction is that they are not cross sectoral. Technologies like electric vehicles could actually have adverse impact on the electric sector's carbon footprint, even though it may benefit our state as a whole. Jim asked if Mr. Strid would be willing to submit a list of discussion items. By having the customer view point there may be items that we have not considered, but it will also provide us with an opportunity to evaluate the impact or implications that customers may not have considered, regarding their requests. Commissioner Knowles stated that the board has spent a fair amount of time researching and evaluating processes to position ourselves for a sustainable future.

Mr. Strid ended his discussion by stating he was encouraged, but he was unaware of this work that has been done as the Board is not very vocal about the PUD's efforts in these areas.

AGENDA ITEMS:

- A. EXECUTIVE SESSION: Pursuant to RCW42.30.110 (1)(i) - To discuss Potential Litigation regarding MM28 fire. Commissioner Knowles called for an executive session at 1:01 pm to last for a period of 60 minutes. Commissioners, legal team, and staff entered into an EXECUTIVE SESSION pursuant to RCW42.30.110 (1)(i) - To discuss Potential Litigation regarding MM28 fire. Executive session ended at 2:00 pm. No Action was taken.

- B. PREQUALIFICATION OF CONTRACTORS: **MOTION** was made by Commissioner Gunkel to accept the listing as presented and agrees to add Charps LLC, Mill Plain Electric, and CI Lovell, Inc. to the works roster for 2018. Motion carried.

REPORTS:

Water/Wastewater – Sharon Blodgett presented the Water/Wastewater report for January. Aspect Consulting is in Klickitat this week evaluating the wells to determine the current supply capacity. We will then determine our next steps. Tom McDonald has determined that we could potentially go back to utilizing surface water from the river, although it is likely a more expensive option than another well if a new supply is necessary. However given the iron bacteria issues we have found in the existing wells, our evaluation needs to encompass all of our available options. Sharon is already looking for funding for analysis and study. Jim asked Russ to talk with Commissioner Miller given his experience with the Klickitat system. Wishram VFD change out has been good and there have been no further alarms received since the change out. We are still investigating the “spiking” of water use on the Rimrock water system.

Report was accepted as presented.

Operations – Mark Pritchard presented the Operations January report. Outage statistics are way ahead of 2017 with the mild winter we have had. We are keeping crews busy with maintenance, customer installs, along with tree trimming. The wind storm this past week hit the area pretty hard. Glenwood experienced damage on Friday night with the crew working through the night, making repairs. Then Saturday afternoon another wind storm swept through the area. This front had crews working non-stop into Monday. Goldendale crew is still working in the Turkey Ranch area trimming trees and clearing right of ways. The Construction crew is doing

customer work. The request for proposals for assistance with our safety program yielded two responses. They were Columbia REA and ESCI. Staff and safety standards evaluated the submissions and decided on Columbia REA. The main factors were that the trainers are more available and a little closer than ESCI. They will conduct our training sessions during our safety meetings. Our trainer will begin at the March safety meeting. We also had an L&I safety inspection that questioned our Flame Resistant (FR) ratings on rainwear. The issues were discussed and resolved without any citations issued from Labor and Industries (L&I). Commissioner Knowles asked about the financial impact of the storm. Mark stated that there were no significant costs other than labor as we only lost around 5 poles. We still need to go back to a few areas for clean-up. Report was accepted as presented.

Engineering – Engineering – Ron Schultz presented the January Engineering report. Ron has been working with BPA on the WECC Transmission Planner operation processes. We will have Agreements April 20 and will need to have back to them returned to BPA by May 20. Ron has also been working with BPA on the large load requests. The need for the queue requirements are already being tested, we have already had some movement in the queue for untimely response issues. Commissioner Knowles asked if we are making sure that we are not limiting our ability to service others in our area as a result of these high electricity use loads. We want to make sure that we don't adversely impact our ability to provide opportunity for economic growth that brings in jobs. Ron stated that different locations have different sensitivities, but we will review each project with this in mind. Jim said that the long range plan helps identify areas where we should have concerns. Commissioner Gunkel also asked if there has been any determination of the longevity of these types of business. The assumption is they are short term investments. The answer is that we really do not know if they short term or permanent. The board would like staff to vet these concerns, before expanding the availability of the system to more potential investors. All of these Large Power users are under a power contract, so there shouldn't be a negative rate impact. The board is willing to offer Policy direction on this subject if necessary. Ron will review the long range plan and will bring back for board input to determine if we are going in the correct direction. Ron wanted to note that Mark Garner has been very instrumental in working on the policies and procedures for the Large-End-Use customers, and he is appreciative of that.

There will be an outage at the BPA Bald Mountain Substation on March 10th, beginning at midnight that will affect the White Salmon, Bingen, Husum, Trout Lake, Glenwood, and Snowden areas. BPA will be replacing switches in their substation. We are going to take advantage of this outage and use it as our opportunity to switch the Bingen load over to the new transformer. We also have some maintenance work to complete in the Husum and Gilmer substations. Adcomm has completed all of their radio work. Our Long Range Plan is almost complete and the draft will be reviewed with the crews. Street lights in White Salmon are still a topic of discussion. The decorative lights on the South side of Jewett are still not operational. We have verified that there is power up to their meter. We can assist them by energizing the circuit for them, but the city needs to resolve this issue, however the Mayor does not feel that the installation is complete. Ron will meet with him and will update Commissioner Knowles when he understands their concerns. Report was accepted as presented.

Financials – Nichole Lantau and Beth Schroeder presented the December and Year-end Financial report. Accounting has put forth quite an effort getting things wrapped up. We ended the year with a net operating margin of \$1.3 million in spite of expensing our pump storage project costs. Our Debt Service Coverage (DSC) for the end of 2017 was 1.64 and we had 229 days cash on hand, which is about 70 days or \$6 million better than budgeted. We also received almost \$30,000 in interest for December. Commissioner Knowles stated that accounting is doing a great job. Report was accepted as presented.

AGENDA ITEMS CONTINUED:

C. RNG UPDATE: Kevin was in Midland Texas two weeks ago to verify BCKK's and Morrow Brother's progress. BCKK states they are on schedule, however, their schedule does not have them starting assembly yet, so it is tough to verify. There are definitely the materials on site we expected to see and he has no reason to believe they are not on schedule as claimed. Morrows is also moving forward with their assembly and construction and appear to be on schedule. Kevin's plan is to return to Midland around the week of March 16. Kobelco inspections are being completed with a contractor hired from Japan. There is a crew of 50 working on the pipeline and the concrete at the RNG site. They are moving quickly as they plan to be off site by April. When we originally established the budget the economy was in a bit of a lull. Now that we are preparing for our installation the market has improved and we are finding that construction crews and cranes are in high demand. We are not going to include the offloading within the Mechanical bids contract so we can secure this work on a parallel schedule to maintain the critical path of the construction schedule. We generally appear to be on track but our budget is going to be close. Shipping and mechanical contract costs are not yet known, so we do not yet have a full budget picture and we anticipate we will be over budget for the shipping component. We also underestimated construction taxes. Mike is working on cash flow and loan draw aspects and validations with budget.

D. NET METERING UPDATE: Mike and Anita provided two alternative rate proposals and recommended the rate structure that provides full credit at the retail rate, but charges a system access cost. This method would help to ensure the rate is effective even if legislation changes. We are currently over our cap with the current requirement of 0.5% of the 1996 load total. Legislative proposals range from 2% minimum thresholds to 4%. The Board directed that any new customers will have the program explained to them in detail so there is no question when they make their decision.

Staff wanted to clarify numbers of customers in the net metering program. There are 119 net metered customers. Of those, 103 are a part of the State tax incentive program. Anita felt that the 16 existing customers who are not currently a part of the State incentive program will likely apply when we open the program back up. These 119 existing customers will retain their existing contracts and the program will be unchanged for them as we have existing contracts that we will stand behind. Other customers who have expressed interest in a future program were not given commitments for the rules that would be included in the new program. The Board made clear however, that the current contracts are with the existing individual customers. If the ownership of those properties changes hands and a new contract is signed, the contract will be under the new District net metering rules and rate. Commissioner Miller would have preferred that there was a designated end date for these grandfathered contracts. The board asked staff to bring back a proposal on how we can assure that the net metering contracts are changed when property changes hands.

MOTION was made by Commissioner Gunkel that we leave the existing contracts as is, and set the Rate Hearing for March 27th. Motion Carried.

E. POLICY BULLETIN 7- Credit Sales Collections Service Charges update: **MOTION** was made by Commissioner Gunkel to approve Policy Bulletin 7 as presented. Motion Carried.

F. CALL FOR BID- RNG Mechanical Construction: **MOTION** was made by Commissioner Gunkel to authorize staff to advertise Call for Bid for RNG Mechanical Construction Bid, with bids being received until March 21, 2018 at 2:00 p.m. Motion Carried.

G. PROFESSIONAL SERVICES PREQUALIFICATIONS: **MOTION** was made by Commissioner Gunkel to approve the addition of ECI/EPC Services, Pioneer Surveying, AEROS Environmental, Mark Yinger & Associates, and ES Consulting and agree to add them to the Professional Services Consultants Roster for the 2018 period. Motion Carried

H. RESOLUTION 1756- Support of Columbia Generation Station: **MOTION** was made by Commissioner Gunkel to approve Resolution 1756 in support of the Operation of Columbia Generating Station, a Carbon-Free Source of Affordable Electricity. Motion Carried.

COMMISSIONER DAN GUNKEL reported that he will be attending Klickitat County Economic Development Administration meeting tonight. He will bring back an update from this meeting.

COMMISSIONER DOUGLAS MILLER did not have anything to report.

COMMISSIONER RANDY KNOWLES did not have anything to 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:

- Community meetings: We have provided a list of dates for the water/wastewater system meetings. Beth and the accounting department will complete the budgets for each system. We have not received confirmation from all of the communities yet, but will keep you informed. Please let Luann know which meetings you plan to attend.
- MCEDD Wind Generation Summary: We received a summary of wind generation by evaluation by state. Washington state ranked 10th in the Nation, but Klickitat County fell 3rd in the country.
- 101 Bar Ranch: We received their payment and we have adjusted the contract according to the discussion at the last commission meeting. There were no additional questions. They will be in to talk with staff this week.

ADJOURNMENT – There being no further business, the meeting adjourned at 3:55pm.

/S/
Randy L. Knowles, President

/S/
Dan G. Gunkel, Vice President

/S/
Douglas B. Miller, Secretary
Date Approved: March 13, 2018

/s/
Luann Mata, Executive Assistant