

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
Tuesday, April 25, 2017

**PLANNING SESSION:**

The Commissioners and Senior Staff held a strategic planning session from 10:00am to 1:55pm, with Therese Hampton as Moderator. Therese will put together the plan as discussed with the Board and Staff for future discussions and implementation.

**REGULARLY SCHEDULED MEETING**

President Randy Knowles called the regular Board meeting to order at 2:00pm.

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

**STAFF PRESENT:** Jim Smith-General Manager, Kevin Ricks-Generation Assets Manager, Gwyn Miller-Director of HR & Business Services, Mike DeMott-Interim Power Manager, Leo Perth-Electric Operations Manager, Ron Schultz-Chief Engineer, Cynthia Bruce-Accts Payable/Accounting Clerk, Beth Schroder-Accountant, Nichole Lantau-Accountant, Sharon Ohnstad-Accounting Clerk, Sharon Blodgett-Water-WW Coordinator, and Kathy Loveland-Executive Assistant.

**GUESTS:** None.

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

**MINUTES:** **MOTION** was made by Commissioner Dan Gunkel to approve the April 11, 2017 meeting minutes as presented. Motion carried.

**CLAIMS & PAYROLL:** Presented by Sharon Ohnstad and 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 the 25<sup>th</sup> day of April, 2017.

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

- Accounts Payable Voucher numbers 109451 through 109573 in the total amount of \$542,375.72 and Wires, ACH and EFT numbers 8800678 through 8800688 in the total amount of \$1,319,142.67 for the period ending April 25, 2017; and
- Payroll Warrant number 43331 and ACH Direct Deposit Payroll transactions 9917325 through 9917407 in the total amount of \$175,603.80 for the payroll period ending April 16, 2017.

Motion carried.

**PUBLIC COMMENTS:** None.

**REPORTS:**

**COMMISSIONER DAN GUNKEL** reported that Energy Northwest's Columbia Generating Station boosted its output levels on April 17<sup>th</sup> at the request of BPA, in response to the loss of a generating unit at Grand Coulee Dam as well as seasonally high morning-peak system loads. However the Station had limitations on the amount of ramping it could produce due to one of the adjustable speed drives not functioning properly, but was able to get within 5% of capacity that was requested. The station had been coasting its generation down toward 80% capacity in preparation for their 40-day refueling outage that starts May 13<sup>th</sup>.

**COMMISSIONER DOUG MILLER** reported that he attended the Washington PUD Association's commissioners' orientation session in Olympia April 12<sup>th</sup>, as well as the Association's Water Committee meeting on April 13, 2017. He has now completed the new

commissioners' orientation sessions. Commissioner Miller also brought to staff's attention an email from John Kounts announcing a scholarship opportunity through the Washington Association of Sewer & Water Districts, noting that the scholarship was for any WA resident pursuing an associates, bachelor's or graduate degree in the water or waste water service fields. The application deadline is June 1, 2017.

**COMMISSIONER RANDY KNOWLES** reported that he attended the Washington PUD Association meetings April 12-14, 2017 in Olympia, WA at which a representative from the Bonneville Power Administration was in attendance, who talked about potential rate increases. The Washington Commissioner of Public Lands, Hilary Franz, was also a guest speaker at the meetings. She spoke about the use of State lands and economic development. She appears to have a very broad view of her mandate as Lands Commissioner.

**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, Mr. Smith presented the following information:

- Wishram Well – Well drilling will be starting shortly and the tentative completion date is July 1, 2017. Staff is working to advance that date if possible and emergency water supply options are being looked at in the meantime.
- Lyle Well – As you know, the Public Works Trust Fund loan has an August 2017 deadline for spending funds and there is a water beneficial use deadline, also in August. While we believe that we can be completed prior to that date, we are requesting an extension just in case items beyond our control intervene. The Gorge Commission's public comment period ends April 28, 2017. We will be discussing this project further at the May 23<sup>rd</sup> joint meeting with the Klickitat Board of County Commissioners if the application process through the Gorge Commission is not progressing.
- Fleet Vehicles – Jeff Thayer has been re-assigned the responsibility of fleet vehicles. He will be submitting a plan to the Board in June.
- WECC Markets – A report done by Energy GPS for the Public Generating Pool was shared with the Board, titled "WECC Markets in Transition" that included information regarding the continually changing markets. We are on the right track trying to diversify assets from supplying electricity ???

**POWER MANAGEMENT** – Mike DeMott presented the monthly Power Management Department report for March 2017, which included slides on Current Snow Densities; Slice Forecast Distributions; April 2017 Forward Price Curve compared to November 2017 FPC; Recent Swap activity; Longo-Term Net Position; Forecasted NW Load Growth from 7<sup>th</sup> Power Plan; Regional Population & Economic Forecast; 2021 Power Supply Adequacy; All Resource Cost for Peak Capacity; March Total Load Results averaged at 41.5 average MW compared to 2012-2017 average of 39.6; White Creek Wind Generation; and LFG Generation.

Mike also reported that the Bonneville Power Administration has granted Klickitat PUD an opportunity to convert from a PTP transmission customer to NT product, and discussed the pros and cons with the Board. His recommendation was to switch to the NT transmission product while maintaining and maximizing the value of our existing Rock Creek to John Day PTP transmission.

**MOTION** was made by Commissioner Dan Gunkel to authorize the General Manager to enter into an umbrella agreement with the Bonneville Power Administration, thereby approving the option for the District to switch to a Network Transmission (NT) Service Agreement from our current Point to Point (PTP) transmission service agreement with BPA. Discussion ensued. Motion carried.

**ACCOUNTING** – Beth Schroder presented a summary of the March financials, including income statements of Revenue and Expenses. Nichole Lantau reviewed the Statement of Cash Flow and Interest on Investments reports for March. The reports were accepted as presented. Commissioner Miller thanked Beth and Nichole for their detailed report.

**OPERATIONS / WATER-WW** – The monthly Operations Department report for March 2017 was included in the packets for review, which included outage statistics showing reliability of 99.9649% for the month. The Tree Crew has been working on the Satus line, with 11 trees trimmed and removal of 68 priority and problem trees. The 230 transmission line inspection will be completed soon as well.

Sharon Blodgett presented the monthly Water-Wastewater Department report for March 2017. She noted that employee training has been ongoing, with Tim McMurrin recently obtaining his Water Distribution Manager III certification, and our new Water-WW Trainee, Noah Halm

will be taking his Water Distribution Manager test at the end of the week. Sharon reminded the commissioners and staff of the USDA funding workshop being held at Klickitat PUD on May 18, 2017, 10:00am-2:00pm at which all funding representatives will be in attendance. Anyone in the State who is seeking funding from USDA is being encouraged to attend and learn about their funding options.

The Ponderosa Park water system will be the first system we will start mapping and adding to our GIS system which will be a very useful tool. All four lift stations at Wishram have been updated; the project came in within budget.

The reports were accepted as presented.

**ENGINEERING** – Ron Schultz presented the monthly Engineering Department report for March 2017. He noted that there will be a scheduled outage on June 10-11 to accommodate some work that Bonneville Power will be doing in the vicinity of the Spearfish substation. A second outage will take place to Lyle Tap switch June 16-17. The Bingen Substation work is going smoothly and should be completed next month. The engineering customer report from Mark Garner was also reviewed. Customer calls and appointments are increasing with the weather improving. We are still able to schedule customer work within 2 weeks in both ends of the county, but that may change depending on the weather.

The reports were accepted as presented.

## **AGENDA ITEMS**

- A. **OLD HIGHWAY 8 FIRE MEDIATION REPORT** -- The mediation process for the Old Highway 8 fire was held April 25, 2017. The fire occurred August 26, 2010, when winds snapped a green, co-dominant stemmed pine tree. One stem of the tree then fell into our lines. The fire suppression claim from DNR was for \$1.6 million and the litigation risk was estimated at \$3.4 million, including attorney's fees and accrued interest. The Attorney for our insurance carrier, PURMs, led the court-ordered mediation. PURMs' third party extended insurance coverage provider, AEGIS, was also involved. The parties reached a settlement of \$1.3 million and any and all claims will be dismissed with prejudice. This settlement payment will be made by PURMs and AEGIS. No action was required.
- B. **PRE-QUALIFICATION OF CONTRACTORS** – **MOTION** was made by Commissioner Dan Gunkel to authorize the addition of the following contractors to KPUD's Small Works Roster for the 2017 calendar year, as they have met our qualification requirements.
- Alllyns Building Center of Goldendale
  - 493 Earthmovers of Bingen
  - Henry Kempton of White Salmon
- Motion carried.
- C. **RESOLUTION No. 1736 "Credit Card Authorization"** – **MOTION** was made by Commissioner Dan Gunkel to adopt Resolution No. 1736, thereby authorizing the issuance of credit cards for Leo Perth - Electric Operations Manager, and Jim Moss - Products and Services Analyst, to be used for Klickitat PUD business transactions only. Motion carried.
- D. **DESIGNATION OF ENERGY NORTHWEST (ENW) PARTICIPANTS REVIEW BOARD (PRB) DELEGATE** – **MOTION** was made by Commissioner Douglas Miller to nominate Commissioner Dan Gunkel to serve as the District's representative and voting delegate for Energy Northwest's PRB, and to nominate Commissioner Randy Knowles as an alternate and voting delegate at ENW's annual meeting on May 9, 2017 during North West Public Power Association's annual meeting. Motion carried.
- E. **SET PUBLIC WATER-WW RATE HEARING** – **MOTION** was made by Commissioner Dan Gunkel to set a public hearing date for May 23, 2017 at 3:00pm for the purpose of reviewing, discussing, and adopting staff's proposed revisions to the water and wastewater rates for the systems owned and / or operated by the District. Motion carried.

- F. BID AWARD: Bingen Substation – **MOTION** was made by Commissioner Douglas Miller to award the bid for the Bingen Substation Relay & Control Panel to Specialty Electricians in the amount of \$82,715.00 per staff's recommendation. Bids were opened on April 19, 2017 at 2:00pm as advertised. Motion carried.
- G. FINANCIAL OUTLOOK & RATE IMPACTS 2017 – Mike DeMott presented an update on the financial outlook for 2017. Staff has completed a year-end forecast with actual revenue and expense figures through the end of the first quarter 2017. As a result of this work, staff is recommending that unless something unexpected changes significantly in the coming months, an electric rate increase not be implemented July 1<sup>st</sup> of this year as previously indicated in the budget.

Following discussion, **MOTION** was made by Commissioner Dan Gunkel that based on staff's recommendation and financial data, the proposed 3% rate increase for July 2017 be hereby removed from the 2017 budget. Motion carried.

- H. CONTRACTS & RESOLUTION Nos. 1737 & 1738 RE: "RENEWABLE NATURAL GAS (RNG) PROJECT" – Mike DeMott and Kevin Ricks noted that the final contracts from the off-taker are not yet received for the Board to consider for approval, which places the resolutions on hold at this time as well. The contract terms and conditions expected are substantially unchanged from the drafts reviewed with the Board on March 14, 2017. Resolution 1737, which is a resolution authorizing the issuance and sale of an electric system revenue bond not to exceed \$35 million was discussed. Resolution No. 1738, which is a resolution determining that the RNG project is exempt from competitive bidding requirements pursuant to R.C.W. 39.04.280 is also unchanged from first presentation to the Board on December 13, 2016.

**RECESS:** As the final contracts from BP/IGI were not yet received, President Knowles recessed the meeting at 3:50pm, noting that the meeting would reconvene on Thursday, April 27, 2017 at 3:00pm to discuss and consider the various renewable natural gas supply agreements with IGI Resources and British Petroleum (BP), Inc., as well as to consider adoption of Resolutions No. 1737 & 1738 in regard to the Renewable Natural Gas Project.

**RECONVENE:** President Knowles reconvened the meeting at 3:00pm, April 27, 2017. Discussion ensued regarding the RNG project in regard to resolutions required in order to authorize staff to move forward with contracts with BP/IGI Resources, financing and special equipment purchases. Following discussion it was the consensus of the Board to wait until April 28, 2017 when final contracts are expected from BP/IGI and to consider the execution and authorization of such, and to consider adoption of the bond and public bid law resolutions at that time.

**RECESS:** President Knowles recessed the meeting at 3:20pm, stating that the meeting would reconvene on Friday, April 28, 2017 at 9:00am to discuss and consider the various renewable natural gas supply agreements with BP/IGI Resources, Inc., as well as to consider adoption of Resolutions No. 1737 & 1738 in regard to the Renewable Natural Gas Project.

**RECONVENE:** President Knowles reconvened the meeting at 9:00am, April 28, 2017. Staff reported that the final contracts and resolutions have not been received from BP/IGI at this time. The recommendation of the Board is to recess so as to provide BP/IGI time to complete and execute the documents.

**RECESS:** President Knowles recessed the meeting at 9:14am, stating that the meeting would reconvene on Monday, May 1, 2017 at 9:00am to discuss and consider the various renewable natural gas supply agreements with BP/IGI Resources, Inc., as well as to consider adoption of Resolutions No. 1737 & 1738 in regard to the Renewable Natural Gas Project.

**RECONVENE:** President Knowles reconvened the meeting at 9:00am, May 1, 2017.

Staff stated that the contracts were not available for approval as of today, with it being a holiday in London and therefore BP/IGI would not be able to deliver the final documents. Staff was confident that the documents for Board consideration and adoption would be ready at that time.

**RECESS:** President Knowles recessed the meeting at 9:05am, stating that the meeting would reconvene on Tuesday, May 2, 2017 at 1:00pm to discuss and consider the various renewable natural gas supply agreements with BP/IGI Resources, Inc., as well as to consider adoption of Resolutions No. 1737 & 1738 in regard to the Renewable Natural Gas Project.

**RECONVENE:** President Knowles reconvened the meeting at 1:00pm, May 2, 2017. Staff presented executable contracts and British Petroleum's parental guarantee for \$45 million for the Board's consideration. Following discussion, Commissioner Dan Gunkel **moved** to authorize the General Manager to execute the necessary contracts, substantially in the form as presented, with BP/IGI to implement the sale of RNG to BP/IGI under the terms discussed. Motion carried.

Staff presented Resolution No. 1737 a resolution authorizing the issuance and sale of an electric system revenue bond not to exceed \$35 million and Resolution No. 1738 a resolution determining that the RNG project is exempt from competitive bidding requirements pursuant to R.C.W. 39.04.280 for the Board's consideration for adoption, both regarding the Renewable Natural Gas Project.

Following discussion, Commissioner Dan Gunkel **moved** to adopt Resolutions No. 1737 and 1738 per staff's recommendation. He further **commented** that his recommendation for adoption comes after three years of due diligence work by staff on the potential of a renewable natural gas generation project; following multiple investigations by the Board; and after numerous lengthy discussions by the Board on risk and reward. It was further clarified that Resolution No. 1738 authorizes the District to purchase equipment for the RNG Project and exempts the purchasing process from the bid law requirements due to the specialized equipment for said project. It was further noted that over the last three years of investigating the RNG project, more than 70 parties have been involved at some level. Motion carried.

Commissioner Gunkel thanked staff for their hard work on this project over the last three years. It is good to get the official documents closed, and the District can now have a good start on the construction of the project.

**ADJOURNMENT** – There being no further business, the meeting adjourned at 1:30pm.

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/s/  
Randy L. Knowles, President

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/s/  
Dan G. Gunkel, Vice President

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/s/  
Douglas B. Miller, Secretary  
Date Approved: 5/09/2017

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/s/  
Kathy Loveland, Executive Assistant