

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, June 12, 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 G. Gunkel-Vice President, and Douglas B. Miller-Secretary.

STAFF PRESENT: Gwyn Miller-Director of HR & Business Services, Mike DeMott-Power Manager, Ron Schultz-Chief Engineer, Mark Pritchard- Operations Manager, Jeff Thayer- Purchasing Manager, Cynthia Bruce- Accounting Clerk, Sharon Ohnstad- Accounting Clerk, Beth Schroder- Accountant, Jim Moss-Products & Services Analyst , Nichole Lantau- Accountant, Brandon Walter- Water Wastewater Lead Operator , and Luann Mata-Executive Assistant.

GUESTS: Keith Simovic-Moss Adams and Larry Bakken

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the May 22, 2018 meeting minutes. Motion carried.

CLAIMS & PAYROLL: Presented by Cynthia Bruce and 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 12th day of June, 2018.

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

- Accounts Payable Voucher numbers 112915 through 113055 in the total amount of \$922,954.28 and Wires, ACH and EFT numbers 8800957 through 8800964 in the total amount of \$368,167.24 for the period ending June 12, 2018; and
- Payroll Warrant number 43365 and ACH Direct Deposit Payroll transactions 9919665 through 9919740 in the total amount of \$168,866.86 for the payroll period ending May 27, 2018.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Power Management Report – Mike DeMott presented the Power Management report for May. Power and Gas prices continue to lag original budgeted values. Our BP-20 BPA load forecasting is due by the end of June. Initial forecast indicates that 7-8 MW of above BPA purchases is required. The load forecast will only include known or highly certain load additions. Existing customer load growth is forecasted to continue at historical levels. Demand ratio calculations were provided and reviewed. White Creek's wind generation was down in May, as was LFG generation. The plant entered shutdown status at Hour Ending 7 on June 4th. Mike also mentioned that PowerEx has been a valuable partner to work with over the past few years and have been very helpful even with our early contract termination. Gwyn Miller added that Fitch has contacted us and wants to review our RNG project status, we have scheduled a phone interview on June 26th to complete this review.

Generation Assets Report – Kevin Ricks Generation Assets report for May and June was accepted as submitted.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel discussed that Mark Reddemann, the former Energy Northwest Chief Executive Officer stepped down in March to lead the work to bring four nuclear energy reactors on line in the United Arab Emirates. Commissioner Gunkel also met with the Klickitat County Commissioners to discuss business development. He provided the commissioners with a status update for the pumped storage and informed them it should now transition to the Economic Development (EDA) board. By transitioning activities to the EDA board and the County it applies the focus to economic development and provides access to resources and funding that may assist in the economic development plan. The county and the EDA board were very receptive to the transition.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller stated he attended the Klickitat County board meeting on May 31st, to discuss Dallesport water association and the Dallesport wastewater systems. They are considering bringing in Murdock and this would require a primary extension of the wastewater line. The county is also looking to complete four water line extensions to bring customers in off of wells. Commissioner Miller noted that he met with the crew at the Renewable Natural Gas facility. He also mentioned that due to the 56,000 hours of non-loss work time there was a lunch provided and an acknowledgement of the employee's efforts over the past several years.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles stated that he attended the Public Utilities Risk Management Services (PURMS) meeting. There were four main subjects discussed; prescription plans, standardizing benefits, risk assessment reviews and super majority decisions. There will be a review of health and welfare benefits completed by a third party. AEGIS, our liability insurer, will be completing risk assessment reviews. There was discussion of Cyber security and the need to create a minimum standard. In the legislative report, the voter's initiative 1631 still has traction but they are still short signatures to get this on the ballot.

GENERAL MANAGER – The complete report can be found at:

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

In addition to the written report, Ms. Miller presented the following information:

- Recognition lunch- The landfill gas employees were recognized for their excellence in operating the gas generation plant for 56,000 hours without a loss time accident and for improving the operation and maintenance processes increasing operating efficiency by 20 percent over the life of the project.
- Bit Coin conversations- Discussions are still ongoing with developers for the large power consumer projects; however, they have slowed down a bit. We don't believe that another rate class is the correct avenue to pursue and that contracted power supply with a curtailment option in the contract is the best path to evaluate. This would require the developer to determine if the investment is viable given the power supply cost and associated risks. This avenue does not prevent us from evaluating future rates to ensure we do not adversely affecting our system.
- Strategic Plan- We would like to begin to prepare for our strategic planning retreat in October. Commissioner Gunkel asked if this could be pushed out to November. Staff will review November dates.

MOTION was made by Commissioner Miller to adopt Resolution 1761- In Recognition of 56,000 Hours of Combustion and Steam Turbine Operation without a single Loss Time Accident and recognition of presentation of district labeled clothing not to exceed \$225 per person per Policy 3.II.E. Motion Carried.

AGENDA ITEMS:

- A. **AUDIT PRESENTATION:** Keith Simovic from Moss Adams was present to present the board with the 2017 Audit Summary. He provided his background with his involvement in our audits for the last 3 years. He described that the audit entails inspection of records, as well as the understanding of process, procedures, and internal controls. They review access to financial information. They complete some preliminary prep work and devise areas to focus on that are outside the scope of the requested information. Finally, they review the figures, contracts, and agreements. They also send out confirmations with third parties, to compare against information on file. They are consistently adding benchmarks to our review process. They fully review our financial statements and report the results to state agencies. Their reviews focus on a risk based approach.

Keith was very happy to present the board with an unmodified clean opinion. He commended Management and staff for making sure internal controls are already established and that staff is already acting on suggested process controls. Staff provided all documentation requested; everyone is willing to talk throughout the process. The opinion of Moss Adams is that staff is very transparent. Keith was also happy to report to the board that there were no material findings and this is just about as clean as an audit can get. The auditors found that internal controls are strong overall and effective. The auditors identified best practices with management but nothing that could cause a material finding. In closing, Keith stated that historically KPUD staff has been great to work with and we have a great working relationship with Moss Adams. Commissioner Knowles stated that the Board appreciates the understanding, of the auditors, that our business is constantly changing and congratulated staff on their efforts.

- B. **CALL FOR BID- Linden Switchyard Construction** – Ron Schultz requested that the board authorize staff to advertise the call for bid for the Linden Switchyard Construction. The bid opening date is scheduled for July 5th. **MOTION** was made by Commissioner Miller to authorize advertisement of call for bids for the Linden Switchyard Construction, with a bid opening date of July 05, 2018 at 2:00 P.M., Pacific Time. Motion Carried.

- C. **CALL FOR BID- Sixprong 115kV Relay and Control Panels** – Ron Schultz requested that the board authorize staff to advertise the call for bid for the Sixprong 115kV Relay and Control Panels. The bid opening date is scheduled for July 5th. **MOTION** was made by Commissioner Gunkel to authorize advertisement of call for bids for the Sixprong Relay and Control Panels, with a bid opening date of July 05, 2018 at 2:00 P.M., Pacific Time. Motion Carried.

- D. **PROFESSIONAL SERVICES APPROVAL-** Ron Schultz requested that the board approve the addition of Brown Kaiser, ERM Environmental, and Warren Group and agree to add them to the Professional Services roster for 2018. **MOTION** was made by Commissioner Gunkel to approve the afore mentioned firms and agree to add them to the Professional Services roster for 2018. Motion Carried.

Ron Schultz provided an outage update- Sunday June 10th there was a five hour outage that affected over 5,000 customers. Staff was great they just showed up and asked to be directed. We had retiree's come in and managers answering phone calls. The outage began with equipment failure in our Goldendale Substation, but equipment failure in BPA's Goldendale Substation prolonged the outage. KPUD's Substation faulty equipment was replaced. BPA has made some repairs but conversations are continuing on upgrading the transmission equipment in the BPA substation.

Adjourned – There being no further business, the meeting adjourned at 3:25 p.m.

Randy L. Knowles, President

Dan G. Gunkel, Vice President

Douglas B. Miller, Secretary
Date Approved: _____

Luann Mata, Executive Assistant