



Public Utility District No. 1 of Klickitat County

79 Years of Service * 1938-2017

GENERAL MANAGER'S REPORT TO THE BOARD

For the **November 14, 2017** Meeting

AGENDA ITEMS

- A. BUDGET REVIEW-First Draft:** The first draft of the 2018 operating budget is being presented for Board review and input. At the meeting we will run through the combined District financials, a table of assumptions used in the budget much like we used last year, and the Financial Policy requirements.
- B. SET BUDGET HEARING DATE:** We need to set the public hearing date at this meeting to provide enough time to meet our RCW advertising requirements. You will have two meetings to review and provide input or make changes to the proposed budget prior to the hearing requested for December 12th, 2017.
- C. CALL FOR BID- Pole test and treat:** The pole test and treat areas being inspected in 2018 are Release 11 (Lyle to Courtney Rd), Release 20 (Centerville), Release 31 (Dot Rd. Transmission, Dot Rd & Dot Rd. to Rock Creek). Approximate number of poles will be 1,854 of which 317 are transmission.
- D. CALL FOR BID- Tree Trimming:** The bid being proposed will focus on the 69 kV Glenwood Transmission right of way, as well as the East Gilmer area. While the bid is not going to be awarded until 2018 and is part of the 2018 budget currently being reviewed, we want to move forward as early as possible to ensure that we get good pricing while the contractors are still setting up their 2018 work, and we want to give them a large window to complete this work as the access is difficult. This is not the only tree trimming bid being contemplated in the 2018 budget, but we will not move forward with the bids on the other areas being considered until after budget approval.
- E. PREQUALIFICATION OF CONTRACTORS:** Contractors to be prequalified for Works Roster at the 11/14/17 Commission Meeting are Power City Electric out of Spokane, Power Technology, Inc out of Woodland, Coastal Services, Inc. in Bellingham, and HCI Industrial & Marine Coatings from Vancouver.
- F. 2017 INVENTORY COMPLETION REPORT:** Inventory adjustments noted were \$477.01. Inventory planning began in September, purchasing and warehousemen began verifying that labeling on parts locations were correct. They also kept track of major materials throughout the year. Volunteers counted the yards and warehouses the week of October 16th and inventory was completed and reconciled by the end of the month.

G. SET RATE SCHEDULE 8 HEARING DATE: The current PUD Electrical Service rate of \$0.0510370/kWh does not reflect the actual PUD cost of power supply to our projects. Given the large electrical use of both the current HW Hill electrical generation project and the current Renewable Natural Gas project, this can skew actual costs when we are pricing output and making decision on operating facilities. Power Management is proposing that we changing this rate to \$0.03, which is the blended cost of power purchased and used for these projects. There is no financial impact of this change as these are internal transactions, but it does affect our decision making. Even though this is an internal rate, staff recommends that we set the PUD Electrical Services Rate hearing for the November 28th Board meeting beginning at 3pm.

H. WPUDA DESIGNATED BOARD MEMBER AND ALTERNATE: The current designee's for the WPUDA board membership are Randy Knowles with Dan Gunkel as the alternate. With Doug Miller in his new position now for nearly a year and with him attending these meetings, it is my recommendation that you make a motion for Doug Miller to be the alternate WPUDA Board member for the District.

I. CARBON LEGISLATION&WPUDA/COMMISSIONER SUPPORT: The WPUDA Board will be considering some actions at their Board meeting November 17th and Doug Miller will be attending the meetings November 15th and 16th. Jim will be at the Board meeting as well and is recommending that Doug be able to vote on behalf of KPUD if any action is taken. Those issues will be presented for discussion at the meeting.

J. EXECUTIVE SESSION: *for the Commissioners to plan the strategy to be taken by the governing body during the course of collective bargaining.*

The Washington State Auditor's Open Public Meeting Act (OPMA) checklist states: – Collective bargaining sessions with employee organizations are not subject to the requirements of the OPMA. This means that discussions of these topics may occur in closed session, and it's not necessary for the governing body to follow the OPMA procedures before such discussions. This exemption applies to contract negotiations, grievance meetings, and discussions relating to the interpretation or application of a labor agreement or to that portion of a meeting during which the governing body is planning or adopting the strategy to be taken by the governing body during the course of any collective bargaining, professional negotiations, grievance or mediation proceedings, or reviewing the proposals made in the negotiations or proceedings while in progress.

NON-AGENDA ITEMS

1. G.M. Meetings:

WPUDA Managers Meeting, Kennewick WA October 25 & 26.
California Leaders Discussion, Public Power Council, Portland OR October 30.
Julian Notestein interview November 9.

2. Radio Upgrade: Ron Schultz has the following update:

- i. AdComm was onsite 11/08 to program one of each type of radio we have so that we can “pre-test” before we go live. They are programming the radios that the

Construction Crew has, including portables. This should give us the test information we need because the Construction Crew works both ends of the county.

- ii. The Klickitat 9-1-1 Dispatch Console programming and wiring is 100% complete.
 - iii. With the exception of Juniper Point, all of the VHF base station wireline cards have been installed. Juniper Point will be done when the new channel bank cards arrive November 17th. They will be installed the week of November 27th, and Juniper Point will be completed that week as well.
 - iv. We installed temporary VHF antennas at Bickleton and Diamond Gap. They were tested in preparation for the Combiner upgrades scheduled to take place Tuesday the 14th and Wednesday the 15th. These will allow us to “pre-test” the system.
 - v. We have been working with Century Link for two months to get the 4-wire backhaul circuit installed from Burdoin to the 9-1-1 center. This is the “link” from the West end to the East end. We finally received some assistance from NW Communications regarding a contact within Century Link that would respond to us. On 11/08 I received a reply back from Century Link. They believe they can have this done by the end of the month, which works with the AdComm schedule. This was the last obstacle that I know of to get this project done on time.
 - vi. We will be acquiring some additional mobiles and portables to replace the outdated GE radios that are in the older vehicles. We do have 6 Portables to replace, as they are not “narrow band”, which was a new FCC frequency requirement that was adopted.
3. **Answering Service:** Ron Ihrig and Mark Pritchard have been in discussions with several answering services. They have selected a company out of the Seattle area based upon their capabilities, other utility feedback and willingness to work with us. They will be provided with instructions on answering our calls, call out procedures, contact information, and will be provided with a copy of our mapping program to begin with. Their service can be expanded in the future, up to and including complete call answering and outage system data entry if we choose to go that far. In conjunction with the selection we have also provided Klickitat County Emergency Management with our sixty day termination notice required by our agreement. Our intent is to transition to the new service the week of November 27th.
4. **Carbon Policy Strategy:** We have discussed the E3 Carbon Study previously and the Public Generating Pool (PGP) is rolling out this study formally. I have attached the schedule of presentations to give you some idea of the scope of the work being done. As you recall, a key take away from the analysis is that **IF** there is carbon legislation, a price on carbon, whether it be through a carbon cap and trade scheme or a tax scheme, achieves more carbon reduction for significantly less cost than increased RPS standards. If reducing Greenhouse gas emissions is a legislative priority, a price on carbon would support the economy by incurring the least cost in lessening our environmental impacts

while improving the value of non-carbon emitting generation. That would positively impact BPA's surplus revenues as well as the "value" of our McNary hydro and White Creek wind projects.

I am asking that the Board make a motion that would support WPUDA taking a position that IF there is a carbon policy, that it reflect the findings and recommendations of PGP, which are:

If a carbon policy is pursued, then:

- i. Implement an economy wide price on carbon,
- ii. Replace coal with the least-cost combination of renewable energy, natural gas and other technologies to meet energy and capacity needs,
- iii. Advance the next generation of energy efficiency,
- iv. Preserve and enhance existing hydro and nuclear power,
- v. Support electrification of transportation and building sectors with cross-sector considerations of funding and analysis.

Therese Hampton will be presenting the study results at the November 17th WPUDA Board meeting and I am planning on attending that Board meeting. I am asking that Doug Miller become the Alternate Board member, replacing Dan Gunkel, and that Doug attend that Board meeting as he has been attending WPUDA meetings this year. I am not sure that there will be action taken by the WPUDA Board on the 17th, but George is thinking that this will be taken up again at the November 29 - 30th WPUDA Annual Meeting.

A copy of the agenda for the Friday November 17th WPUDA Board meeting is attached. WPUDA is also considering the resolution in support of Columbia Generating Station, which you already agreed to support and our delegate could vote on that issue at the WPUDA Board meeting as well.

5. **Customer Survey:** After staff discussion I asked that we table the analysis of the survey until the new year. We have two new staff starting in Customer Service next week, so they are going to very busy with training. In addition, the response to the survey is down significantly. Roughly speaking, in past years we received in the order of 400 survey responses a year on average. In 2015 we chose to expand the options for completing the survey and included an option on social media to respond through survey monkey, which increased our participation level to nearly 600 responses. This year's we only received 239 responses to the survey. In the new year, we will review the survey in conjunction with the rollout of the Strategic and communication plans.
6. **John Day Pumped Storage Project:** We are now working with National Grid and Rye Energy to support their efforts with moving the project forward and we are working with them on negotiating the value of this support and the value of our real estate agreements, water supply and other services. I wish to revise the scope of work with Brian to support this effort given the potential return of value to our ratepayers at stake.

To support that level of work, I am asking for Board agreement that we increase Brian Skeahan's monthly fee to reflect this effort. This would normally be within my authority to complete, but given previous Board direction, I am asking for authority to move forward.

7. **McNary Crane Failure**: Jim Foster, General Counsel for Northern Wasco PUD, contacted me and asked if we have any objects to the insurance company filing a claim against the crane manufacturer and that we join in on that suit in conjunction with Northern Wasco PUD. The suit would seek to recover deductibles and the waiting period portion of business interruption insurance. The insurance company is covering costs and we would only share in any award. I told him them we would join that claim.
8. **House Bill H.R. 3043**: The House of Representatives passed H.R. 3043, the Hydropower Policy Modernization Act, the McMorris-Rodgers' bill, by a vote of 257 to 166. Twenty-six Democrats voting in support including Kurt Schrader (D-OR) and Jerry McNerney (D-CA). We provided a letter of support on this bill. The bill is not law this is only passing out of the House.