



# Public Utility District No. 1 of Klickitat County

79 Years of Service \* 1938-2017

## GENERAL MANAGER'S REPORT TO THE BOARD

For the July 25, 2017 Meeting

### AGENDA ITEMS

- A. RENEWABLE NATURAL GAS – Don Jarrett, Kevin and Mike will be present to discuss the monthly project schedule and budget reports attached to the Agenda item.
- B. CUSTOMER SERVICE POLICY 21 APPROVAL – Brandy Meyers and Ron Schultz will be discussing proposed revisions to the customer service policy to clarify language and questions regarding the policy, and more closely align with our current customer service and engineering policies and procedures. It also provides clarification regarding service installations, ownership, and customer caused system disturbances. Further, the updates remove the section on “Guaranteed Annual Revenue Contracts”, which we no longer do, as all existing contracts have expired.
- C. WHITE CREEK POWER SALES AGREEMENT WITH POWEREX – The Energy Authority and the energy off-takers (Cowlitz, Benton, Lewis, Lakeview and Tanner) from the White Creek project completed a Request for Proposals for power sales from the project for a two year rate period starting October 1, 2017. As you recall, we have sold the RECs from White Creek out until 2026 for prices in the \$5.00 to \$6.50 range. This proposal would sell the power only to PowerEx along with the other energy off-takers. As this deal is in excess of 12 months in duration, we require Board approval as per our Risk Management Policy 45. Mike will present the proposed deal that has been negotiated for your consideration.

### NON-AGENDA ITEMS

1. GM Meeting Attendance:
  - a. July 18 – Mid-Columbia Power Conference, Wenatchee.
2. Wishram Well Status: As of Thursday morning, the Wishram new well pump test was running about 400 gpm with 8 ft. of drawdown. Given the static level of the water is 89 feet below grade and the well depth is 460 feet, we believe there will be water supply well in excess of the water rights envisioned in future revisions to the water system plan. The hydrologist will develop the report on the well and we will provide this to you once this is completed. As requested by the Board, staff will be setting up a community meeting shortly now that we know a bit more about the well.

3. Fitch Affirms our A- Stable Rating – We completed discussions with Fitch regarding our semi-annual bond rating review and I am very happy to say that they affirmed our current rating. I think it demonstrates strong fiscal control by the Board, along with sound financial management and solid financial planning and forecasting by staff. Attached is their report for your review.
4. Answering Service – In the middle of May, our answering service’s facilities burned down and as far as we could tell, they pretty much closed up shop. As we had been considering using the Emergency Management Services (EMS) 911 facility to cover our after-hours calls, we worked with them to take over taking the calls immediately. We have since exchanged contracts and the final version is with them for signature. The contract is annual and the cost is \$400 a month. So far, we have had good coverage and the small details that are expected with new relationships are being worked out. The only thing I think that is noticeable is there is a much higher level of professionalism and more formal interactions, which I believe is a positive thing.
5. Ontario One Purchases Avista – I do not appreciate the value proposition of this deal, but attached is an article discussing the purchase of Avista by Hydro One, which is the old Ontario (Canada) Hydro Transmission and Distribution Company. The purchase price was reported at \$5.3 billion. I assume USD! Hydro One is still partially owned by the Ontario provincial government, although they have sold equity shares to private investors in recent years to raise money for the Ontario provincial government, which has struggled with debt levels.
6. Goodnoe Station Water Supply Status – The Department of Ecology (DOE) passed the Record of Examination on June 19<sup>th</sup>. There is an appeal period that ends today (Friday, July 21<sup>st</sup>), so I will provide you an update at the meeting.
7. CA 100% RPS- Committee Hearing outcome: I am not sure if this is going well or going badly as it relates to us as a BPA customer and given the potential for our HW Hill generation to be used for ramping or capacity services in the future. We did deliver the Public Generating Pool and BPA letters to the hearings as we discussed last meeting.

An amendment was introduced and passed this week that removed any specific limitations or requirements for what can be used to meet the 40% zero-carbon requirement by 2045. However, all public discussion around the amendment was focused on ensuring in-state hydro would count. There was no public discussion about out-of-state resources.

Labor and The Utility Reform Network (TURN) in California is concerned that allowing out-of-state hydro would impact of the economic and environmental benefits of the bill. Part of their premise is that the sale of NW Hydro to California could increase thermal use in the Northwest, thereby reducing environmental benefits. Complicating discussions is the meteoric rise in Community Choice Aggregators and their ability to buy out-of-state hydro is being argued to reduce demand for build in California.

Legislative Process:

- The bill passed the Senate on May 31st and was referred to the Assembly.
- The amended bill passed through Assembly Committees on July 12 and 13th and must go through Appropriations
- The bill will then be ready for a floor vote in the Assembly.
- California Legislature has a summer recess from July 25 – August 20. A floor vote is not expected until after August 20th.

We are working lobbying efforts with PGP and BPA and I will keep you posted as the potential impacts on BPA surplus sales are huge.