



Public Utility District No. 1 of Klickitat County

80 Years of Service * 1938-2018

GENERAL MANAGER'S REPORT TO THE BOARD

For the April 28, 2020 Meeting

AGENDA ITEMS:

- A. Executive Session Potential Litigation - Commissioners will be provided with an update on the Mile Marker 28 fire from legal counsel Jena MacLean and Meredith Weinberg of Perkins Coie via teleconference. The Executive session is scheduled to begin at 1:00 p.m. Pacific Standard Time.
- B. Small Business Covid-19 Customer Support Program Proposal - staff will present a proposal for a small business customer support program for your consideration. I believe it meets the requirements you set for us last meeting. With any additional input and guidance you may have, we will be looking for your approval of the program substantially in the form of what you agree to. We would like to start the program immediately, which would result in discounts applied to bills issued after May 1st.
- C. Bid Rejection RNG Blower Skid package - Kevin Ricks will request that the Commissioners reject all bids for the RNG Blower Skid package. There were two bids received and all bids were more than 15% over engineering estimate and took exception to major items within the bid requirements. Kevin will bring back potential options to discuss for completing the project.
- D. Water and Wastewater System Rate Discussion - I am recommending no Water System or Wastewater System rate increases for 2020, with only slight concerns. I believe that increasing rates with the ongoing coronavirus issues is not prudent given the financial condition of our systems. We can continue on the path of improved system and financial performance with this “setback” if you will. None of our systems are in jeopardy, but each will see an impact in terms of cash. I am NOT recommending we will need to make it up later. I think it will just slow our progress.

At a high level, working with the idea of holding WWW system rate increases to zero, there are several items to note. First, we added one trainee position to help us transition through some retirements and the training of new staff. I am hopeful we can transition this additional FTE into a supervisor position at some point rather than reduce headcount later. This is the largest budget impact that I see. Adding one person to a 6-person team increases FTE by 16%. To start with, a trainee position is lesser paid than the experienced operators we have, so there is not a 16% impact on labor costs, but it will increase over time. We are also seeing increased testing and monitoring costs that are increasing over time. I think we all see that trend continuing and that upward rate pressure is a reason to raise rates.

Offsetting that is the fact I think that our metering, SCADA and O&M programs are improving reliability, reducing unplanned outages and costs and reducing our travel time.

We have been actively trying to improve the financial position for each system for many years. Given the progress we have made, I do not see that putting off a rate increase for this year will materially impact any one system. If we did this for more than 1 year, I would have serious concerns.

Rough rate increase distribution as envisioned in the 2019 budget process was 1% - 3 systems, 2% - 4 systems, 3% - 4 systems, 5% - 3 systems. My recommendation is for you to formally make and support a motion to not increase any Water or Wastewater System rates.

I was slow in thinking about the Dallesport Wastewater System and the Port of Klickitat Industrial Water System. I would ask that Dan, you contact the County and Randy, that you contact the Port of Klickitat Board and propose that they each forgo their annual 3% rate increase. The County has \$550,000 in their account with us and they are generating in excess of \$50,000 a year in net operating revenues. The Port has over \$60,000 and they generate over \$30,000 a year in net operating revenues. The Port also withdraws \$20,000 year from the system and they withdrew \$65,000 in 2019. I think we need to work through the Boards for both of these entities. I am not in favor of Klickitat PUD holding rate hearing just for their systems.

NON-AGENDA ITEMS:

- 1. British Petroleum Renewable Natural Gas (RNG) Contract Amendment Update -** Mike will provide an update on the status of British Petroleum Transaction Confirmation Amendment approvals.
- 2. H.W. Hill Renewable Natural Gas Project Update -** Kevin will provide you updates on the unplanned outage.

As I mentioned to you, we had an unplanned outage that resulted in damage to a portion of our piping. Repairs to that piping would have resulted in at least 4 days of down time. The team scrambled and advanced a significant number of process improvement projects that were scheduled for the planned outage this summer. I am seriously impressed with the speed at which they mobilized and the sheer scope of the improvement projects they are completing. Kevin believes that the planned summer outage is no longer necessary. This in effect means that they recovered all the unplanned outage days through the completion of the planned projects. Excellent teamwork.

- 3. Drone Program Public Relations -** I am attaching an article that is being run in the May Ruralite. We had committed to keep you abreast of public communications on our drone program in case it generates questions to you from our customers.