



Public Utility District No. 1 of Klickitat County

80 Years of Service * 1938-2018

GENERAL MANAGER'S REPORT TO THE BOARD For the November 26, 2019 Meeting

AGENDA ITEMS:

- A. Professional Services Prequalification – The Compliance Group has purchased Consentino Consulting, Inc., a firm that has provided KPUD with guidance on natural gas pipeline permitting and compliance since 2017. The Compliance Group will bring more resources to fulfill KPUD's need for natural gas permitting and compliance.
- B. Executive Sessions:
 - a. Review the Performance of a Public Employee- RCW 42.30.110 (1)(g)
 - b. Potential Litigation- Tract D- Per RCW 42.30.110(1)(i)

NON-AGENDA ITEMS:

1. 2020 Operating Budget – there have been no changes to the budget proposal, except for some adjustments on timing for some capital projects within the water and wastewater systems. These are not material changes and we can discuss them on Tuesday. We will have a few updated sheets to put into your budget books at the meeting so they are ready for the Public Hearing on December 10th.
2. Net Metering – I spoke with Lauren McCloy from the Governor's office last week. She is drafting a letter for us as a follow-up. She and I discussed the PUD internal meetings as well as our meetings with the Solar Installers of Washington. I will share her letter with you when I see it.
3. DNR Wildfire Mitigation Task Force – the second meeting was held November 15th. We approved bylaws and our deliverables as laid out by the legislation. We made several small modifications, which amount to interpretations of the legislation, to ensure we are all expecting the same thing. It contains all the issues we worked for in the legislation.

There are three major items of interest for us. First is a model agreement for easements for DNR lands. It cannot be directly applied to others as the legislation only pertains to DNR, but the desire is that it will serve as a starting point for best practices as it relates to fire risk mitigation. Several agreements that exist for various entities were reviewed and

DNR will be incorporating the agreed upon issues into a first draft.

Second, we discussed the DNR fire investigation process and how we might include utility input before liabilities are assigned. They acknowledge that although they are highly trained in determining the origin of a fire, they are not utility experts. The idea of third party experts to assist with the determination of “cause” is being developed. We believe there may be a path forward on that and DNR will put more thought into a “procedure” for discussion at the next meeting.

Third item was establishing a mechanism to increase communications between DNR, as the fire investigator for the State, and utilities on an ongoing basis. The discussions surrounded establishing a best practices agreement between DNR and utility arborists on how to define hazard and danger trees and how we then deal with them in a timely manner.

I was pleased with the direction and participation of the members, as well as DNR support. The next meeting is in February.

4. System Engineer – we have hired a system engineer. I have discussed with you the issues we have had in finding a qualified and experienced Chief Engineer. We are proceeding down a path of taking our existing employees and adding some select motivated, qualified, albeit less experienced individuals, and training them. We will not be hiring a Chief Engineer at this time and as a result this will not increase FTEs in the budget.

Geoffrey Lacefield comes to us from the Sacramento Municipal Utility District (SMUD). He is an EE with ten years of experience with great T&D troubleshooting and some WECC compliance experience. He does not have supervisory experience, but the team all think he will be a great fit and we will work with him and our Distribution Tech, Brandon Johnson, on that. Geoff has family ties with family in the Gorge.

5. Bond Closing – the formal closing and funding for our refinancing is on November 27th. You will note that there is a \$12 million bond payment in the invoices this month. This, combined with a previous interest payment, total the forecasted \$15 million in principal and interest payments in the 2019 financial reports. This agrees with bond documents you have all seen as part of the refinancing. Principal payments this year cover \$7 million for RNG and \$4.5 million in “annual” principal payments. As part of the new money portion of the deal, the \$10.2 million freed up from the restricted funds was used to pay off other existing debt and we borrowed \$18 million. The result was that we netted an additional \$8 million in funds.
6. Medical Premium Increases – after review we are proceeding with a 2.5% increase in our medical premiums.
7. Republic Meeting Update – we completed the first review meeting with Republic. I think there was an excellent exchange in perspectives and ideas. This sets us up well for working more closely on the management of the wellfield and for restating the existing

contracts. We will be including specific language to memorialize the blower and trim flare improvements and a more formal process when we wish to invest in additional infrastructure to optimize methane flow. These would be improvements over and above that paid for in the agreement. Mike and Kevin will meet again with Republic at the RNG conference scheduled for early December.