

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, April 9th, 2019
2:00pm

CALL TO ORDER: President Gunkel called the meeting to order at 2:00 p.m. as advertised.

PRESENT: Dan G. Gunkel-President, Douglas B. Miller-Vice President, and Randy L. Knowles- Secretary

STAFF PRESENT: Jim Smith- General Manager, Gwyn Miller- Director of Human Resources and Business Services, Mike DeMott- Power Manager, Ron Schultz- Engineering Manager, Kevin Ricks- Renewable Energy Assets Manager, Cynthia Bruce- AP/Accounting Clerk, Jeff Thayer- Purchasing Manager and Luann Mata- Executive Assistant.

GUESTS: Sandy DeMent

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

MINUTES: MOTION was made by Commissioner Miller to approve the March 26, 2019 meeting minutes and the March 20th and 26th Board workshop minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Cynthia Bruce. 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 9th day of April, 2019.

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

- Accounts Payable Voucher Nos. 203692, 203694 through 203795 in the total amount of \$562,218.81 and Wire, ACH Nos. 8801130 through 8801136 in the total amount of \$658,573.56, EFT Nos. 20 through 21 in the total amount of \$76,017.61 for the period ending April 09, 2019; and
- Payroll Warrant Nos. 203576 and ACH Direct Deposit Payroll transactions 202318 through 202399 in the total amount of \$198,622.27 for the payroll period ending March 31, 2019.

Motion carried.

PUBLIC COMMENTS: Sandy DeMent addressed the board with questions regarding the reasons behind the 1.5% rate increase being proposed. The board deferred to Jim Smith to address Ms. DeMent. Ms. DeMent asked if we ended the year with a positive cash flow position, why would there be any need for a rate increase. Jim responded that yes, we ended the year ahead of budget. However, that allowed us to not borrow additional money as the 2018 budget projected. Commissioner Gunkel also pointed out that due to efforts of staff there was a significant Tax refund that was received prior to the end of year, which made up a significant portion of the positive cash.

Ms. DeMent also asked how the additional funds would be used. This electric rate increase will yield around \$500,000. The Bonneville Power Administration (BPA) is raising its rates starting October 1 of this year. That increase will affect our 2019 costs \$100,000 and our 2020 costs \$315,000. This is a total impact on our rates of 1.5%. Internally, we have increased our vegetation Management budgets due to fire risks and we replaced our core aging computer software. These increases total

\$400,000. The remainder of our costs is about equal with the 2018 budget. Jim also noted that our cost of doing business and the materials and services we purchase have increased on average just over 2% per year. We have also seen the impacts of not increasing rates in conjunction with cost increases and doing it at one time. One of our goals is to minimize that impact on customers by applying smaller incremental increases during non-peak times to lessen impacts on our customers.

REPORTS:

Renewable Energy Assets Report – Kevin Ricks presented the department report for March. The plant is running at 86,939 dekatherms. This production has increased since February. The majority of March was challenging due to the weather and heat exchanger failures. Staff has moved forward with the process to relinquish the EPA Title V permit. The reporting requirements are unnecessary with intended future use of turbines.

On March 25th staff began the planned maintenance shutdown to replace the steel that was showing signs of corrosion due to the gas effects in the conversion process. The other closely related heat exchanger was inspected during the shutdown as well. Operators determined that there were no corrosion issues as anticipated. The plant was restarted on the night of March 30th and ran full load, until yesterday afternoon when a fault on the Harvest Wind 230kV Transmission line took down the system. The Griffith equipment is performing well, but hard shutdowns adversely affect the restart process.

One of two older Kobelco compressors that were replaced during the last outage is being overhauled as part of our routine maintenance program. The units had 60,000 operating hours at that time. The compressor inspection showed that we were able to continue to use the other unit until this year. That unit will be overhauled and then at the end of the rotation, the spare will be overhauled for future use.

Kevin and Ron Schultz are meeting with Don Jarrett and Dan Waino on Wednesday April 10th to prioritize improvement projects.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel stated that he has received the Economic Development Authority draft lands inventory and housing analysis proposals. He will report back when the analysis is complete.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller stated that he was happy to see that a dairy near Prosser was converting their electrical generation system that is fueled from a digester, to provide Renewable Natural Gas that will go into the Williams Pipeline. He stated that he felt Kevin's work promoting this type of project opened the eyes of others. He is hopeful to see this opportunity open up to others in the future. He also mentioned that he read an article that the Kachess Lake Reservoir near Easton, Washington is building a pumping station that would be permitted to provide 200,000 acre-feet of water storage for irrigation use during drought years.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles did not have a report.

GENERAL MANAGER – The complete report can be found at:

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

In addition to the written report, Jim Smith presented the following information:

- Inactive services- Staff proposed to move forward with focusing on the congested areas. We can clean up some of the infrastructure in towns, removing equipment from poles that is no longer in use. We are focusing on services that have been inactive for 10 years or longer. We will take a staged approach on this project. When this effort is accomplished, we will begin to address the rural services. This initial focus should take care of a substantial portion of our concerns.
- Legislative update- The Energy tax bill vote was 20-1 in favor. The previous votes have all been unanimous until this one. We anticipate this being

approved this session. The expectation is that the DNR bill will pass this year as well. Mark Pritchard would like to be involved in the review process of this bill.

- Husum Ranches 50-lot subdivision- Jim just asked if everyone was aware of the proposed 50-lot subdivision in the former Husum golf course property. Luann provided Randy with a copy of the public meeting information.

AGENDA ITEMS:

- A. **RESOLUTION #1772-SURPLUS OF VEHICLES:** **Motion** was made by Commissioner Miller to approve Resolution 1772 authorizing staff to surplus Vehicles 4, 9, 182, 437, 513, 715, and 944. Motion carried.
- B. **PREQUALIFICATION OF CONTRACTOR:** **Motion** was made by Commissioner Miller to approve the additions of BrandSafway Services, LLC and Skookum Cascade Construction and agree to add them to the Small Works Roster for the 2019 period. Motion carried.
- C. **PREQUALIFICATION OF PROFESSIONAL SERVICES CONSULTANTS:** **Motion** was made by Commissioner Knowles to approve the addition of Willamette Cultural Resources Associates, Ltd. and agree to add them to the Professional Services Consultants Roster for the 2019 period. Motion carried.
- D. **ELECTRIC RATE PROPOSAL DISCUSSION:** Jim Smith reviewed the 2019 Updated Operating Budget summary and rate requirements. He asked if there were any additional focus points the Board would like to add for the public hearing. There were no requests.

Adjourned – There being no further business, the meeting adjourned at 3:30 p.m.

/S/
Dan G. Gunkel, President

/S/
Douglas B. Miller, Vice President

/S/
Randy L. Knowles, Secretary
Date Approved: April 23, 2019

/s/
Luann Mata, Executive Assistant