

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
Tuesday, May 14, 2019  
2:00pm

**CALL TO ORDER:** President Dan G. 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, Mark Pritchard- Operations Manager, Ron Schultz- Engineering Manager, Kevin Ricks- Renewable Energy Assets Manager, Nichole Lantau- Accountant Cynthia Bruce- AP/Accounting Clerk, Mark Garner – Customer Engineering Manager, Jeff Thayer- Purchasing Manager, Brandy Myers- Customer Service Supervisor, Luann Mata- Executive Assistant and April Greenlaw-Operations Support Assistant.

**GUESTS:** None

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

**MINUTES: MOTION** was made by Commissioner Knowles to approve the April 23, 2019 meeting 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 14<sup>th</sup> day of May 2019.

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

- Accounts Payable Voucher Nos. 203935 through 203937, 203940 through 203955 in the total amount of \$904,814.52 and Wire, ACH Nos. 8801141 through 8801144 in the total amount of \$45,837.54, EFT Nos. 29 through 32 in the total amount of \$196,333.79 for the period ending May 14, 2019; and
- Payroll Warrant Nos. 203938 through 203939 and ACH Direct Deposit Payroll transactions 202484 through 202564 in the total amount of \$190,815.93 for the payroll period ending April 28, 2019.

Motion carried.

**PUBLIC COMMENTS:** None

**REPORTS:**

**Financial Report** – Nichole Lantau and Mike DeMott presented the January/February Financial Report. The report was the consolidated version of the RUS Form 7 as this is the standard NISC system report available in their software. There are some customization options for reporting which Jim Moss is currently working with to develop our financials. The January net operating margin was higher than 2018's, but February was below. The reason February 2018 is higher than February 2019 is due to receiving the Cliffs Water Mitigation payment in 2018 of \$1.4 million. Without that adjustment the February 2019 net operating margin would be higher than 2018. Interest received from LGIP in January was \$70,059, which was above budget by \$32,097, due to a continued increase in interest rates. February interest income was \$58,257, which was above budget by \$18,068 at 2.5129%. The District had \$28,270,338 in cash at the end of January of which

\$10,267,845 was restricted per bond covenants; \$7,952,168 was reserved, leaving \$10,050,325 available for general use. February's cash started at \$30,255,573 less restricted bond funds and reserves leaving \$12,035,560 cash on hand. Accounting is still working through conversion issues and hopes to have financial statements that are similar to the past. The information is available in the system, exporting that information into similar financial statements is the challenge. The Board asked that these documents be ready for the next monthly report.

**Power Management Report** – Mike DeMott presented the department report. There are some new graphs that Mike is hoping will make the monthly report easier for the board to review. The intention is to provide a more dash board reporting style.

The Mid-C power and Sumas gas forward market prices are currently higher than budgeted. February through April meter data recorded some of the higher than average peak and average loads due to the late cold weather. This weather related load has increased our retail revenues and year-end rate revenue forecast exceeds budgets. White Creek Wind generation has experienced significantly below average results thus far this year. The wind has increased in April and May however, we are unsure if we will make our Tier one share of wind production for 2019. If there is a short-fall it will be made up in future years if Tier two levels are achieved. Even with low production, increases in prices results in year-end forecasted revenues exceeding budget. The RNG RIN pricing has decreased from the beginning of the year, although they are still above budgeted values. Total revenue forecasted for the year is below budget due to low RNG production year to date. A Professional Services contract was executed with Ralph Epling and he is evaluating how we can maximize our benefits from the current RNG contract we have in place with BP.

We have projected our Wholesale expenses with BPA to be over budget due to the high loads we experienced during January-March caused by the late winter weather. This difference is more than offset by the increased weather related retail rate revenue. Staff completed a year-end forecast review this month. We are expecting department and labor expenses to be right at budget for expenses. Capital budgets were also reviewed and \$2 million of projects have been shifted to later periods including the Sonova Road project to occur in 2020 and 2021 instead of 2019 and 2020. Capital financing of system improvement projects and overall debt structure was also discussed.

**Renewable Energy Assets Report** – Kevin Ricks presented the department report for April. There was a new incident on April 24<sup>th</sup> which caused the NRU to freeze up due to a breakthrough of moisture water in the dehydration beds. BCKK was involved with troubleshooting this event. The inlet gas temperature set point was 125 degrees and the specification was for 120 degrees. That had not been an issue all winter long due to cooler temperatures, however the issue showed itself once the weather warmed up. The set point was changed and the facility re-started. RNG lost approximately 9 days of production due to this freeze-up.

The NRU froze up again last Thursday, May 9<sup>th</sup>. It was apparent that there was an unresolved problem and new media for the dehydration beds were ordered within a few hours. Media was replaced yesterday (May 13<sup>th</sup>) and startup will commence later this evening. Staff is working with the media supplier, Coastal Chemical, and the equipment manufacturer, BCKK Engineering, to determine cause of the premature failure of the media. This media only lasted 6 months when the media should last a minimum of 3-5 years. Staff is also making changes to the system to be able to monitor degradation of the media by installing differential pressure gauges across the beds and trending the differential pressure in the control system. Staff is also hiring a 3<sup>rd</sup> party consultant to conduct a failure analysis and a design review of the BCKK dehydration system and BCKK's proposed solution. The plant should begin selling gas again this Friday.

**COMMISSIONER DAN GUNKEL** – Commissioner Gunkel met with Mr. Mike

Cahill to discuss some concerns with the billing system. Additionally, Mr. Cahill had questions regarding an existing easement on his property and the RNG project. Staff provided information regarding the past easement discussions with Mr. Cahill and Commissioner Gunkel will follow up with the customer.

**COMMISSIONER DOUGLAS MILLER** - Commissioner Miller attended the safety banquet on Saturday, May 11, 2019. He remarked on the increased employee and family attendance from past 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](http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx)

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

- Mark Garner updated the Board on the Yakama Nation Housing Project in Dallesport. He stated that he has heard from the project manager that there may be changes regarding the project, which may include HUD184 funding, which offers loan guarantees to tribal members.
- 10 MW Project in Dallesport – Mike sent out the final version of the contract and the company has paid for the materials for their project. Mike reviewed the key points of the contract and it has been re-iterated that this is a pass through of BPA costs, and as such it is not a set rate, but a formula. They also have acknowledged that there could be additional financial security requirements at the beginning of the next BPA rate period. They will have a credit support payment due July 1 for the first 5MW of power. On August 1, the final payment is due for their remaining 5MW of availability. Should the payment not come in, we have the ability to limit their use based on breaker settings at the substation.
- Customer Disconnect Notices – We have received feedback from 150-200 customers who received late notices. Our Policy states that bills become due 15 days after they are issued. Late notices are sent 5 days after this date, and the disconnect timeline begins. The NISC system was programmed with these dates. However, the Policy says “may” and this has evolved to late notices normally being sent 10-15 days after bill becomes late. In programming the system to issue notices strictly by the Policy, many customers who have regularly paid their bills received late notices under this accelerated timeline. Jim stated that the system has already been changed to 10 days rather than the five at Brandy Myers’ recommendation. Staff will bring back wording changes to the Policy so that the timelines are more clearly laid out. President Gunkel asked if we should send letters to these customers to explain the issue. Brandy responded that we have spoken directly to each of these customers and that follow-up letters may cause more confusion.
- Surge Arrestor Program – Anita has heard from 20 customers out of 400 who are currently on the surge arrestor program. The customers concerns centered on what other options do they have. However, there was one customer very upset who is willing to sign a waiver and keep the equipment at no liability to KPUD. After additional discussion it was determined we will continue with dissolving the program, removal of this equipment and ensure we discuss options and alternatives available to these customers.

#### **AGENDA ITEMS:**

- A. **PROFESSIONAL SERVICES APPROVAL**– **Motion** was made by Commissioner Miller to approve Aero Drone Corporation and have agreed to add them to our Professional Services Consultants listing for the 2019 year.
- B. **EXECUTIVE SESSION: Review of Performance of a Public Employee (1)(g)**– President Gunkel called for an Executive Session at 4:26 p.m. per RCW 42.30.110 (1)(g) noting that the session would last for 30 minutes, for the

purpose of discussing the General Manager's evaluation. The session ended at 5:00 p.m. Meeting resumed, commissioners discussed goals with Jim Smith regarding the Renewable Natural Gas project, with a request that he provide an update at the next meeting. No action was taken.

**RCW 42.30.110 – Executive Session.**

*(1) Nothing contained in this chapter may be construed to prevent a governing body from holding an executive session during a regular or special meeting:*

**Adjourned** – There being no further business, the meeting adjourned at 5:50 p.m.

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/S/  
Dan G. Gunkel, President

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/S/  
Douglas B. Miller, Vice President

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/S/  
Randy L. Knowles, Secretary

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/s/  
April Greenlaw, Operations Support  
Assistant

Date Approved: May 28, 2019