

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, August 27, 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, Cynthia Bruce- AP/Accounting Clerk, Sharon Blodgett- Water/Wastewater Coordinator, Brandy Myers- Customer Service Supervisor, Mark Garner- Engineering Customer Supervisor, Brandon Johnson- System Technician, Nichole Lantau- Accountant and Luann Mata- Executive Assistant.

GUESTS: None

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

MINUTES: **MOTION** was made by Commissioner Miller to approve the August 13, 2019 meeting minutes as submitted. 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 27th day of August, 2019.

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

- Accounts Payable Voucher Nos. 204866 through 204869 and 204871 through 204996 in the total amount of \$824,727.34; Wire and Automated Clearing House (ACH) transaction Nos. 8801215 through 8801217 , along with Electronic Funds Transfer(EFT) transaction Nos. 59 through 63 in the total amount of \$432,943.47 for the period ending August 27, 2019; and
- Payroll Warrant Nos. 204870 and ACH Direct Deposit Payroll transactions 203157 through 203244 in the total amount of \$203,031.51 for the payroll period ending August 18, 2019.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Water Wastewater Report – Sharon Blodgett presented the department report for July. She noted that there was an issue in two systems after severe electrical storms moved through the area. Greg Watson while completing weekend rounds noticed a low reservoir level in Bickleton. The staff acted promptly and found the Bickleton pump had failed. This failure led to water conservation and required having Bishop Sanitation haul water to maintain the reservoir levels. The cost of the failure was \$9,600.00 to haul the water plus the cost of the replacement equipment. There was no warranty left on the pump at the time of the failure. The pump will be evaluated and see if it can be reconditioned and utilized as a spare. Sharon will also be training at the 911-dispatch center on using the reverse call option so that when events happen we can quickly notify customers. The Roosevelt Water System had a failed

transducer due to the electrical storms. Repairs are complete, but the equipment is still not working properly and we are still correcting these issues.

Ponderosa SCADA monitoring was showing the well was not keeping up with load, which led to finding a large leak. SCADA is a great warning tool. The Glenwood water system had a massive leak. It caused a road to buckle. Repairs to the roadway are complete. Staff found a leak in the Rimrock water system and are hopeful that this is the culprit of the water use efficiency issues. Noah Halm requested training on the sanitary surveys and is working to complete those now. In Wishram, we are preparing to bypass the lower reservoir so that the Smith well can flow through to the upper reservoir until the lower reservoir roof damage can be repaired. Commissioner Knowles asked if rate implications were anticipated with all of these repairs required this year. Sharon stated that the rates for this year are set, however, she could not answer that until we see the updated rate studies for the year. She will provide more information when the rate studies are completed. Commissioner Gunkel requested that staff evaluate exposures to pump failures throughout the systems and asked if we have spare parts to cover failures. With the extensive cost to haul water to Bickleton, he asked that there be an evaluation of the other systems as well. Most of the facilities could potentially have significant transportation costs. Sharon stated she will use the costs that were incurred to better assess financial impacts for the unanticipated failures.

Operations Report – Mark Pritchard presented the department report for July. We continue to be better than our reliability goals. The larger outages this month were caused by an excavator tearing down a line, two planned outages and one BPA source outage.

The Dallesport large load customer is ready to energize once they complete their work. We are scheduling crews a week on customer work and a week on tree trimming. We surprisingly have not had any damage from the last few storms that have traveled through our area. The Safety Standards demo trailer for the fair was a success. Customer feedback was very positive and every department participated in some way. Mark expressed his appreciation of the support for the event. He would anticipate this event expanding in the future. The safety meeting topic tomorrow will be accident investigation. Commissioner Miller requested an update on the current tree-trimming contract. Mark said that Asplundh will be returning to the property to complete their contract mechanically clearing the right of way, but they are waiting on an operator.

Engineering Report – Ron Schultz presented the department report for July. The Transmission Operations Provider (TOP) project is substantially complete and we have met our WECC requirements. Our Bonneville Power Customer Service Representative and our Account Executive have moved on to other assignments. The Regulator replacements for Goldendale are ordered. We will install regulators on the North White Salmon feed and replace an overloaded circuit as well. The White Salmon engineers are working with the White Salmon Valley Pool Metropolitan Park District on power location, as the proposed pool location would cover a three-phase line and be directly under a single-phase line. Staff is providing options to the group. Mark Garner and Brandon Johnson are continuing to work on long range planning and are evaluating protection for Snowden. Staff is also working on Knight Road transmission design work. Ron also discussed a request from State Parks on easement fees for PUD line crossings. Commissioner Gunkel asked that staff research what legal authority Parks has that can allow them to collect fees for easements, formal or prescriptive, that predated Park's acquisition of the properties.

Power Management Report – Mike DeMott presented the department report for July. His focus was on RNG production and the impacts to revenue forecasts. The September forward forecast is to generate 4900MMBtu per day with a period of time of no production during the October maintenance outage. Currently the plant is producing roughly 4,600MMBtu/day due to higher oxygen levels in the well field. The budget anticipated annual generation of 1,900,000MMBtu which consisted of the fixed price contract sales of 1,149,744MMBtu and a variable price contract sales of

750,256MMBtu's. The fixed rate revenue has reduced due to production impacts and the RIN revenue reduced due to not having the excess gas available along with a reduction in market pricing. Our original budget for total RNG revenues was \$25 million. The year-end forecast is now \$13 million. The D3 RIN trading and market pricing has largely diminished due to the recent EPA approval of small refinery exemptions. We have received Low Carbon Fuel Standard (LCFS) temporary pathway approval, which allows excess gas to be sold to the California market. We are still working to obtain our best Carbon Intensity (CI) valuation to allow us a better rate for this LCFS credit. We are not assuming any revenue from the LCFS credit in 2019.

June Financial Report – Nichole Lantau presented the financial report for June. June's retail electric sales revenue is below budget by \$436,862; however, year to date retail revenue is \$632,903 above budget. Total year to date revenue is down \$6,920,571 based primarily upon anticipated income from RNG production and RIN pricing decrease. Total expenses for June were \$4,234,480. The year-to-date expenses are \$601,635 under budget. Apart from lower RNG revenues, all areas within the PUD are performing better than budget so far this year and they anticipate being better than budget at year-end as well. Our year-end debt service coverage ratio forecast is 1.03 and our day's cash on hand is 82.

Nichole stated that all departments have been tasked with providing an updated 2019 year-end forecast to accounting on September 6th. Jim then discussed the year-end forecast and the bond refinance options. Alan Dashen will attend the next meeting to discuss the refinance options and staff will provide the board with a five-year forecast.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel was contacted by a customer regarding a billing issue.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller stated that he was not planning to attend the September Washington Public Utility District Association meeting. He volunteered at the PUD Fair booth over the weekend. He appreciated the professionalism and the excitement around the electrical demonstrations.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles talked with Mr. Kreps about his claim. Mr. Kreps expressed an interest in speaking with the board regarding the insurance decision.

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:

- Utilities and Transportation Commission (UTC) representatives RNG tour – There will be two UTC Commissioners on site September 19th and to tour the RNG facility; they are interested in meeting with our Commissioners for lunch. Some discussion items for consideration are the long term perspective for utilities, benefits to economy and environment, capacity and fixed pricing. It would be beneficial to gain their perspective of how these standards impact future development.
- Bond Rating October 9th/10th San Francisco- We are scheduled to meet with Moodies, Fitch and two Surety providers on October 9th and 10th. The Bond sale is still scheduled for October 30th New York.
- Dedication- the dedication is scheduled for September 20th at 10 a.m. The Commissioners will be introducing the speakers.
- Budgets- Staff is actively drafting their 2020 budgets. The first draft is due September 6th. Forecasts are included in this preparation work. The goal will be to have the first draft ready for commissioners to review at the end of October.

