

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, December 11, 2018
2:00pm

CALL TO ORDER: President Knowles called the meeting to order at 2:00 pm as advertised.

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

STAFF PRESENT: Jim Smith- General Manager, Gwyn Miller- Director of Human Resources and Business Services, Kevin Ricks- Generation Assets and Special Projects Manager, Mike DeMott- Power Manager, Mark Pritchard-Operations Manager, Beth Schroeder- Accountant, Cynthia Bruce, Accounts Payable/Accounting Clerk, Ron Schultz-Engineering Manager, Jeff Thayer- Purchasing Manager, Eileen Kelsey-Accounting Clerk, and Luann Mata-Executive Assistant.

GUESTS: Gene Callan, Adrian Phillips, Art Edwards, and Steve Kelley representing Goodnoe Station Development; Larry Bakken

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the November 27, 2018 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Eileen Kelsey. 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 11th day of December, 2018.

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

- Accounts Payable Voucher numbers 114659 through 114782 in the total amount of \$1,236,957.88 and Wires, ACH and EFT numbers 8801070 through 8801077 in the total amount of \$917,208.99 for the period ending December 11, 2018; and
- Payroll Warrant numbers 43381 and ACH Direct Deposit Payroll transactions 9920736 through 9920817 in the total amount of \$192,226.21 for the payroll period ending November 25, 2018.

Motion carried.

PUBLIC COMMENTS:

Gene Callan from Goodnoe Station Development addressed the Board, stating that he delivered the V-75 water lease annual payment and a lease amendment request for Goodnoe Station to Jim Smith yesterday. The Board discussed the request, however, since this would require a contract adjustment, they will be seeking the advice of legal counsel and will provide Goodnoe Station Development with their decision.

REPORTS:

Renewable Natural Gas (RNG) Update– Kevin Ricks presented the RNG Update. The plant has been running between 60 and 80% capacity, with a 47.3% capacity factor since start up. On Tuesday, November 27th, the Oxygen Catalyst after-cooler failed. This failure severely limits the plant's ability to remove oxygen from the gas. Plant operators have been able to keep the plant on-line at a reduced output. Once the cooler is repaired and placed into service, plant load will be increased. However, tuning and improvements will be made to reach full capacity.

The cause of the failure is still under investigation and the vendor has been providing good support through this process. Staff plans to order a spare cooler. The Griffith thermal oxidizer parts are on order, and this equipment is not a critical path item. Staff has worked through a number of issues with CMP-1510, one of the older Kobelco 2nd stage compressors. The unit has been tested and we believe we have solved the issues and that they will start reliably when required. There are a number of carbon polisher vessels that are exhibiting carbon carry-over. Staff is making preparations to “re-bed” these vessels with new carbon and install additional screens to prevent future carryover. The date for full plant capacity is still unknown. After each bottleneck is identified and corrected, load will be increased. There will likely be other items that will be discovered as we increase plant load to 100%. A plant shutdown is scheduled for December 20th when we intend to address issues that need to be corrected off-line. The goal is to not have any downtime in January. Lastly, staff has taken RNG condensate samples and sent them to a lab for analysis to determine suitability of disposal in the landfill or the KPUD evaporation ponds.

Power Management Report– Mike DeMott presented the November report. Recent Sumas gas and Mid-C pricing trends were presented. Sumas gas price appears to be leveling out following the pipeline rupture price spike. Recently executed hedging activity was presented with pricing compared to budget. White Creek Wind (WCW) generation was sold at favorable pricing and will result in WCW revenue exceeding November budgeted amount. We did not reach WCW Excess Output levels in November as projected, but should reach Excess Output in December. Mike discussed an overview of proposals from potential suppliers for our Tier 2 power needs during the BP-20 rate period. TEA currently provides this service and Mike is planning to continue purchasing Tier 2 from TEA for the BP-20 rate period.

We have received proposed terms from two banks regarding the Operating line of Credit. There were minimal differences between them and it was recommended to proceed with the lender that did not require a deposit. Commissioners instructed Mike to proceed with creation of required resolutions and policy revisions so that use of the financial instrument is subject to Board approval.

Human Resources (HR) Report–Gwyn Miller presented the quarterly status update. An update on medical costs to date was provided. The stop loss has been enacted on individual and group account. Gwyn will be sending out the medical increase notices to retirees and staff next week. The amount of the increase will be 5% for medical and 2.5% for dental. An updated benefit listing will come out soon. As an employer we need to focus our efforts towards altering behavior. We revised our coverage about six years ago and we witnessed notable changes. We will be reviewing our co-pay charges and explore coverage options, as well as focus on preventative health care. The Board stated we want to see what we can do to alter behavior, not reduce benefits if we can avoid it. If we do decide to make coverage changes, there may be a need for contract negotiations. Commissioner’s asked that we communicate the reasons and changes to the staff so they have a good understanding. Gwyn was instructed to ensure that we participate in the total benefit package review with Public Utility Risk Management System.

Information Technologies (IT) Report–Chris Evans presented the quarterly department update. He reviewed the projects that he has completed for the year. There have been several focus areas. The RNG project was far more in-depth than originally anticipated, but Chris feels we have a sustainable system that they can assist in maintaining. He was able to build in some redundancy by adding virtualization for their system as well. This also provides him the ability to trouble shoot and fix problems from his office. Staffing is still a challenge. Chris maintains the system and Rick Adams manages internal computer user projects and troubleshooting. There is still an open position for this department and Chris will continue to recruit for the appropriate addition. There was a security audit completed this year and there were no findings within the system. The safeguards that Chris has installed and implemented have proven to be very sound. Our utility is very proactive with security, and is more advanced than many utilities our size. Surfaces

are being tested out in the Engineering department. The core switch stack for the phone system has been updated in anticipation of replacing our existing phone system in 2019.

Financial Report—Beth Schroeder presented the updated financial reports for October. Staff completed a new yearend forecast. This included RNG revenue forecasts based upon lower volumes. We also elected to return \$900,000 from the rate stabilization account to our general account. Rate stabilization was overfunded some years back and we are electing to reduce the account to policy levels. Interest income continues to be good for us, coming in higher than expected. The yearend forecast for Debt Service Coverage is 1.44 and the Day's Cash On Hand forecast is 183 days. RNG project cost are coming out of the general fund now as the borrowed amount has been used.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel reported that he met with Gene Callen and Goodnoe Station development representatives to discuss the market and development situation they face. The project did not develop as they had originally projected. Market parameters have set back their development and funding. The Utility knows that the Water market has not declined and there are water projects that will be seeking water right leases. He also recognized that we have empathy for the market challenges and that Goodnoe Station is actively engaged in moving the project forward.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller reported that Senator Palumbo is actively promoting net metering for the future. Anita Clever and Mike provided Commissioner Miller with some talking points for the “Day on the Hill” in February. Commissioner Miller also stated that he was scheduled for a Legislative talking on behalf of the conservation district.

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, Mr. Smith presented the following information:

- **Net Metering** Jim presented Commissioner Knowles with a copy of the correspondence that was mailed to Greg Hoskins as follow-up to addressing the Board in November. Commissioner Knowles stated that he would follow up with the customer. He would like to have a discussion with Anita on December 27th.
- **Pump Storage Administrative support.** The contract with Skeahan Advisory Group expires at the end of December. As we are still in progress with the State appropriation funding work, the transfer of the Army Corp of Engineers lease (Corp lease), and Department of Ecology has proposed water supply funding for appropriations in the 2019 funding year , Jim is recommending that we extend the support contract. Commissioner Gunkel asked that as we recover costs for the Corp lease transfer from National Grid and Rye Energy, if the costs for Skeahan Advisory would be recovered. Yes, the support costs could be recovered. We will provide the contractor with an updated scope and contract for 2019. The Corp lease renewal will be the primary focus for 2019. The Commissioners asked the focus be on renewing the existing lease not on a new lease.

AGENDA ITEMS:

- A. **RESOLUTION 1767- SURPLUS MATERIALS- MOTION** was made by Commissioner Gunkel to approve Resolution 1767 for the surplus of miscellaneous materials to be sold through the Public Surplus website. Motion carried.

B. APPROVAL OF CONTRACTORS- MOTION was made by Commissioner Miller to accept the listing as presented and agrees to add Halseth Excavating, Inc. to the works roster for 2018-2019. Motion carried.

C. RESOLUTION 1768-CANCELATION OF UNCLAIMED WARRENTS- MOTION was made by Commissioner Miller to adopt Resolution No. 1768, thereby authorizing the cancellation of unclaimed warrants for the year ending 2017 in the amount of \$1,789.23, as per RCW 36.22.100. Motion carried.

D. POLICY 45- RISK MANAGEMENT- MOTION was made by Commissioner Gunkel to approve the revisions to Policy Bulletin 45. The changes reflect the inclusion of gas related business transactions. Motion carried.

E. 3:00 p.m. 2019 OPERATING BUDGET HEARING- President Knowles opened the public hearing at 3:00 p.m. as advertised. Jim Smith reviewed the updates to the 2018 year end forecasts and stated there have not been any substantial changes to the original 2019 Operating Budget provided in October other than the starting cash amount; President Knowles then opened the floor for public comments.

Hearing no public comments, President Knowles closed the public hearing at 3:01 p.m.

F. ADOPTION OF 2019 OPERATING BUDGET- Jim Smith recommended that unless the Board has further revisions to the proposed budget, the Board approve the 2019 Operating budget as presented. There are no public comments to consider, the proposed budget is the same as presented and discussed at the November 13th and November 27th Board meetings and the 2019 Operating budget meets Financial Polices set by the Board. While there is a 1.5% electric rate increase proposed in 2019, there will be a public rate hearing process followed in the spring.

MOTION was made by Commissioner Gunkel to adopt the 2019 Operating budget as presented, including a 2.5% cost of living adjustment for non-union employees, including the General Manager, effective December 24, 2018. Motion carried.

G. EXECUTIVE SESSION: Contract Negotiations – President Knowles called for an Executive Session at 4:18pm per RCW 42.30.110 (1)(d) noting that the session would last for 30 minutes, for the purpose of discussing legal risks of a proposed action of contract considerations with Goodnoe Station Development regarding the Cliff’s Water System Water lease bid award.

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:

The Executive Session concluded at 5:15pm. No action was taken.

Adjourned – There being no further business, the meeting adjourned at 5:20 p.m.

/S/
Randy L. Knowles, President

/S/
Dan G. Gunkel, Vice President

/S/
Douglas B. Miller, Secretary
Date Approved: January 08, 2019

/s/
Luann Mata, Executive Assistant