

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, September 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, Mike DeMott- Power Manager, Mark Pritchard-Operations Manager, Kevin Ricks- Generation Assets and Special Projects Manager, Eileen Kelsey-College Student, Nichole Lantau- Accountant, Beth Schroder- Accountant, Jeff Thayer- Purchasing Manager, Sharon Blodgett- W-WW Coordinator, Brandon Walter- W-WW Lead Operator, Noah Halm- W-WW Operator I, Rod Kiser- W-WW Operator II, Tim McMurrin- W-WW Operator II, Greg Watson- W-WW Operator II(All Water double check the list)and Luann Mata-Executive Assistant.

GUESTS: Larry Bakken, Erik VanDoren, Caleb Bos, and Sandra Dement

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the August 28, 2018 meeting minutes. 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 September, 2018.

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

- Accounts Payable Voucher numbers 113712 through 113825 in the total amount of \$848,079.71 and Wires, ACH and EFT numbers 8801022 through 8801026 in the total amount of \$135,918.31 for the period ending September 11, 2018; and
- Payroll Warrant numbers 43372 and ACH Direct Deposit Payroll transactions 9920232 through 9920314 in the total amount of \$179,399.72 for the payroll period ending September 02, 2018.

Motion carried.

PUBLIC COMMENTS: Sandra Dement state she had three questions for the board. She asked how long will it take to retire debt at our current rate, is the Renewable Natural Gas (RNG) project complete and operational, and what is the utilities' big picture for building these projects. Commissioner Gunkel and Commissioner Knowles spoke to Sandra's questions. The KPUD debt structure was provided to Sandra and the current debt is scheduled to be extinguished in 2036. The RNG project is still under construction, and is expected to be operational in October. The Board's big picture focus is to utilize the assets we have available to us to provide opportunities for the utility to pay down debt and keep rates stable.

REPORTS:

Power Management Report– Mike DeMott presented the September Power Management report.

Mid-C Power, Sumas gas pricing and Renewable Identification Number (RIN) pricing was reviewed. August's Mid-C Power pricing was high early in the month and our hedging activity protected us on the purchase side.

White Creek production came very close to budget, favorable August pricing should bring in additional revenue. We will not be taking Excess output from the project again this year as the surcharge is over the current market value. Bonneville Power Administration (BPA) has determined that we will receive 36.465MW of Tier 1 power for the October 1st 2019 through the September 30th, 2021 period. This will require that we obtain 7 MW during the year 2020 and 8 MW during 2021. Current forward pricing suggests our future non-BPA purchases may be made at pricing levels similar to 2018 budget amounts.

RNG business interruption insurance quote was received. This insurance would cover the bulk of a revenue shortfall should the plant experience loss or damage. Environmental Protection Agency certification timeline has been updated to reflect current project schedule. Staff has received additional transportation fuel use certification for the fixed price portion of the contract and is preparing to request the Machinery and Equipment tax reimbursement from Washington State Department of Revenue. Nichole is reviewing the Accounting treatment of RNG that is produced that will be stored until final RIN certification.

There was an additional discussion of the operating line of credit. Mike will take the next step and begin to meet with lenders and review terms.

RNG Project Update Report– Kevin Ricks provided the department update for August.

Staff is still working with the electrical contractor to improve this schedule. We have issued a 10-day notice to cure letter to them, as we do not believe they will meet the schedule as presented to us. Discussions ensued on options to ensure that they meet the current schedule.

July Financial Report– Nichole Lantau and Beth Schroeder provided the July financial update.

The current year-end forecast net operating margin is expected to be about \$200,000 worse than budget. The debt service ratio (DSC) is forecast at 1.31, which is below our target in Financial Policy 9. As a result, staff is planning corrective action detailed in the Policy. The major contributors to this change in the year end forecast were the delayed RNG start date, reduced generation revenue and some of the work from the 2017 tree trimming plan was not completed until early in 2018. This is partially made up by higher than forecast retail revenue and operations and maintenance expense being lower than budget. Commissioner Knowles asked staff to review the Financial Policy and report back regarding monthly reporting of financial targets.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel stated Ray Mosbrucker contacted him to discuss an opportunity for a commercial solar project within Klickitat County. After discussion, Commissioner Gunkel will contact Ray that we will not be pursuing the opportunity.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller stated that he appreciates the fact that the board had supported the complete rebuild of the Klickitat Wastewater facility back in 2008. By their support and the efforts of the staff, we are at the point where the DOE has recognized excellent system operations for that facility for 10 consecutive years. He stated that he is happy the board made such a sound business decision at that time.

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:

1. The board received a letter from Greg Hoskins and Carolyn Rhett regarding their net metered account. Their request was to consider allowing them to increase the size of their existing system under the grandfathered net metering rate. Our policy would view his request as an upgrade and the Policy is structured to address this request. Staff will provide the customer with a letter stating his options under the Policy. Anita will draft a letter for the board to review at the next meeting.
2. Renewable Natural Gas Coalition- The RNG Coalition was successful in pushing California Senate Bill SB 1440, whereby the California Public Utilities Commission and the California Air Board were directed to develop a renewable natural gas procurement standard. The Coalition has been very successful in furthering RNG and the bill is an example of how their efforts could result in additional markets for our RNG product.
3. Steven Spolek Response- Sharon provided a response letter to the board addressing Mr. Spolek's request for payment options on water and wastewater connections from the last board meeting. Upon reviewing, the Board asked Sharon to send the letter to Mr. Spolek as drafted.

AGENDA ITEMS:

- A. **2017 WASTEWATER TREATMENT PLANT AWARDS:** Erik Van Doren, Water Quality Program Permit Developer and Facility Manager for the Central Regional Office of the Washington State Dept. of Ecology presented KPUD Wastewater Operators with Outstanding Performance awards for the year ending 2017 for Lyle and Wishram. They also received a Special Recognition award for 10 consecutive years of outstanding performance for Klickitat (2008-2017). Mr. Van Doren stated that this is no easy task and our staff continues to receive these awards. He also stated that there were only eight systems in the state that have met the requirements and received the 10-year award. Staff was congratulated for their efforts.
- B. **PREQUALIFICATION OF PROFESSIONAL SERVICES CONSULTANTS:** Staff has reviewed the qualifications of Specialty Engineering, Inc. and Sapere Consulting, Inc. and recommended the addition of both companies to the Professional Services roster for the remainder of 2018. **MOTION** was made by Commissioner Gunkel to approve the addition of Specialty Engineering, Inc. and Sapere Consulting, Inc. to the Professional Services roster for 2018. Motion carried.
- C. **BID AWARD- LINDEN SWITCHYARD UPGRADE CONSTRUCTION:** Bids were opened September 4th and two bids were received. Mark Pritchard recommended that the board approve the award of the Linden Switchyard construction to Michels Corporation as the low successful bidder and that the recommendation meets bid law requirements. **MOTION** was made by Commissioner Gunkel to authorize award for the Linden Switchyard Upgrade Construction to Michels Corporation, in the amount of \$499,067.66 plus applicable tax. Motion carried.

Adjourned – There being no further business, the meeting adjourned at 3:48 p.m.

/S/
Randy L. Knowles, President

/S/
Dan G. Gunkel, Vice President

/S/
Douglas B. Miller, Secretary
Date Approved: September 25, 2018

/s/
Luann Mata, Executive Assistant