

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners' Meeting**  
**Tuesday, November 27, 2018**

**AGENDA**

Time: **KPUD Commission Meeting Start Time – 2:00pm as Advertised**

Location: 1313 S. Columbus Ave. – Goldendale, WA

➤ **PLEDGE OF ALLEGIANCE**

- Approval of Minutes – 11/13/2018 Meeting
- Approval of Claims / Vouchers for period ending 11/27/2018 (*Cynthia*)
- Approval of Payroll for period ending 11/11/2018 (*Cynthia*)

➤ **PUBLIC COMMENT PERIOD**

**REPORTS – 10 min. each:**

- Water/Wastewater Report (*Sharon*)
- Operations Report (*Mark*)
- Engineering Report (*Ron*)
- September Financial Report (*Nichole/Beth*)
- Commissioners' Reports
- Manager's Bi-Monthly Report (*Jim Smith*)  
-(see attached report)

**GUESTS:**

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**AGENDA ITEMS -** (*see Manager's Report for further details*)

- A. 2019 OPERATING BUDGET FINAL REVIEW- (*Jim, Mike, Nichole*)
- B. POLICY 23-PURCHASING (*Jeff*)
- C. PHYSICAL INVENTORY MEMO (*Jeff*)

**ADJOURNMENT**

**FOR THE GOOD OF THE ORDER:**

12/03 CUSTOMER SERVICE LIVE on NISC  
12/05-07 WPUA ANNUAL CONFERENCE-Tulalip  
12/11 2019 ANNUAL BUDGET HEARING 3:00 p.m.



# Public Utility District No. 1 of Klickitat County

80 Years of Service \* 1938-2018

## GENERAL MANAGER'S REPORT TO THE BOARD

For the **November 27, 2018 Meeting**

### **AGENDA ITEMS:**

- A. 2019 OPERATING BUDGET FINAL REVIEW-** this is the final draft of the 2019 Operating Budget proposal to review before the budget public hearing planned for December 11. There have been no changes to the proposal except for some revenue and expense adjustments to the 2018 year-end forecast. The year-end forecast gives the projected Debt Service Coverage and Days Cash on Hand on December 31. The year-end cash number also serves as our forecast for the 2019 beginning cash on hand. These details are summarized on the Agenda Item cover sheet. There are no material impacts on the budget due to these modifications, although the year-end numbers are slightly better than shown on the previous draft. There are no changes to our recommended electric rate recommendations.
- B. POLICY 23- PURCHASING POLICY REVISION-** Staff has revised the contracts section and the change order section of the policy. We have added bid information to the contract sections and removed some designation wording. In the change order section some clarification wording was added and some percentage references removed, as the percentage references were not entirely clear when applied to large projects.
- C. PHYSICAL INVENTORY MEMO-** Staff continues to streamline the inventory process and we have found that it takes less time to complete than in past years. We are very happy with the participation and the accuracy of the count. Our adjustments were higher this year than the past three, but we feel this is due to a combination of new employee's and work order process flow. We are reviewing and evaluating the process and staff feels that as we evolve with the new Accounting Inventory system we will have better inventory control.

### **NON-AGENDA ITEMS:**

- 1. Public Generating Pool Reliability Study Preliminary Thoughts-** while there are no results to be published until the PGP members and E3 complete their reviews, there is a couple of interesting items to think about. First is the impacts of no new gas on the reliability of the system. The reliability planning target for the North West Power and Conservation Council is a 5% chance of less load loss due to power supply and the E3 results for the base case, which is the existing RPS requirement, is about 4%. 4% can also be thought of as a one year in twenty five loss of load event. If there is no new net capacity, the 100% carbon free supply model shows that the loss of load probability is 48% by 2030. With 3,000 MWs of

new net capacity, this loss of load probability is reduced to 2.8%. However, (there is always a however) if the planned coal retirements happen, 6,000 MWs of new capacity is needed by 2030 to get the NET 3,000 MWs. If all coal is retired, the total new capacity necessary is 14,000MWs by 2030. That capacity could be gas, storage, etc. This is just food for our strategic planning thoughts.

2. **Strategic Session Summary-** attached is the draft write-up from Therese Hampton of our session last week. I think she captured our discussions and we will be working on tactics and goals in the next couple of months.
3. **RNG Taxation Bill Proposal-** we have drafted proposed bill language for the required changes that would allow for Renewable Natural Gas sold in Washington to be eligible for a 0.5% B&O tax, instead of the 3.875% Public Utilities Tax. Currently, the B&O tax can only be applied if the RNG is used as a transportation fuel. We obtained formal WPUDA support at last week's Energy Committee meeting. Dave Warren and I also presented the idea to Senator King. We are providing the draft language to his bill writers for review as he has tentatively agreed to sponsor the Senate bill. We will be meeting with Representative Mosbrucker on November 29<sup>th</sup>, here in Goldendale, to discuss a companion House bill.

I would like to talk some strategy at the Board meeting with respect to this bill and a proposed Low Carbon Fuel Standard bill by Representative Fitzgibbon.

4. **State Audit Exit Conference-** attached are copies of the State Audit. It is a very clean audit and although the State audit team made several verbal recommendations that we are working with, there are no formal written follow-up items. A job very well done this year.
5. **WPUDA Utility Customer Meeting Survey-** WPUDA commissioned Cocker Fennessy to survey Washington residents regarding electric service. It was not confined to PUD customers, as WPUDA was interested in the knowledge levels of voters at large. 27% of the 2500 respondents were PUD customers. The survey has some results that one would expect, but it also includes some things that jumped out at me.

First, in spite of all the push for more renewables, only 16% of respondents think most of their wholesale power comes "mostly" from fossil fuels. 52% think that "some, very little or none" of our power comes from fossil fuels. Fully 31% say they don't know, which surprised me. That means only 19% think our power supply is from fossil fuels. This lines up with 49% of respondents who think our energy sources are already clean. They also understand that electricity supply is not the biggest producer of carbon emissions in the State. 81% also think that hydropower dams are helpful to the environment. That would suggest a pretty good understanding of the Washington State power supply. I find it interesting then that so much

work and money is being spent to make the electric system even cleaner and that there is so much attention being paid to dam removal.

- 6. County EDA Renewable Resource Update-** Dave McClure passed along information from discussions with Invenenergy on solar development potential in the County. We have not heard from them on most sites, but they represent in excess of 1,000 MWs of potential projects. I have heard that it takes about 6 acres for 1 MW, so land use is not inconsequential. I have also heard that 200 MWs of new wind has broken ground in Gillam County, 200 MWs are likely in Sherman County and there is a proposal for 300 MWs of solar Wasco County.

While I would suspect there is a lot of speculation going on here, there is clearly an uptick in interest that we will need to keep abreast of.

- 7. BPA TC-20 Update-** During the November 13<sup>th</sup> Commission meeting Mike DeMott presented status of and reason for the BPA TC-20 Settlement process. At that time, a draft settlement was in development and in this draft there was benefit to NT transmission customers and a favorable outcome to BP-20 transmission rates when compared to initial proposals. At this time, settlement has been reached and final outcome is unchanged from the earlier report. BPA is requesting that we approve the settlement outcome and execute revised contracts. Trade associations such as NRU and PPC have concurred that settlement is acceptable. Staff recommends KPUD agrees to settlement terms and seeks Board consensus.