



Public Utility District No. 1 of Klickitat County

80 Years of Service * 1938-2018

GENERAL MANAGER'S REPORT TO THE BOARD For the February 9, 2021 Meeting

AGENDA ITEMS:

- A. **Executive Session MM28 litigation** - Perkins Coie will be on the phone to update the board on litigation efforts.
- B. **Call for Bid Tree Trimming and Right-of-Way Clearing** - Mark Pritchard is requesting that we advertise a new bid request for tree trimming and right-of-way clearing. Our current bid is not expired and does allow for an extension.
- C. **Prequalification of Contractors** - We received an additional submission and request the addition of Proper Plumbing Solutions LLC. They have met the requirements for being added to the works roster.
- D. **Debt Restructuring Discussion** - Mike DeMott has answers to your questions from the last meeting and will recommend a course of action. At this time, we will be looking for your agreement to proceed in finalizing terms and conditions with lending agencies so we can develop the resolutions that will come back to you for your approval.

NON-AGENDA ITEMS:

1. **Legislative Update** - As you know, there are several carbon-related bills being considered, including carbon tax, carbon cap and trade and low carbon fuel standards. We continue to work with Dave Warren so that we are well positioned, or at least as well positioned as we can be, for future opportunities regardless of the outcome.

I have heard that the Governor's request Cap and Trade bill, SB 5126, has been exempted from time limits from passing from committees and the house and senate. This would allow for negotiations right up to the end and makes you think that this is the Governor's desired solution. Clearly something will be passed with the majorities in the house and senate. My read is that there are more revenues likely to accrue to the state from carbon cap and trade program that is aligned with other state and provincial programs than the alternatives. Given the current budget shortfalls expected in Olympia, Steve Taylor from PGP said "my money is on the money". That sounds right to me, so my prediction is cap and trade it will likely be.

2. **Pumped Storage SEPA Public Hearings** - Washington State Department of Ecology held two public meetings on the SEPA process for the Goldendale Energy Center the past couple of weeks. At the first meeting on January 27, three individuals provided oral

testimony, all in support of the project. We do not know how many were on the call that did not provide oral comment. At the second meeting held February 3, there were 4 oral comments, also all supporting the project and 36 attendees were on the call. Written comments will be accepted until February 12.

There was clarification on the water supply necessary. Tom McDonald and Brian Skeahan confirmed that municipal water will be supplying the project as some documents still referred to a lease of water rights. This was corrected in the Ecology documents and Tom confirmed this with Ecology and Alan Reichman, senior counsel with the Washington State Attorney General's Office.

3. **Grid Scale Solar Debate in the County** - we have had some interesting and informative discussions with our customers regarding net metering and the value of solar over the past few years. Recently, a group called Citizens Educated About Solar Energy (CEASE) sent communications in the county expressing feelings against grid scale solar development within Klickitat County. Dana Peck, Executive Director of the Goldendale Chamber of Commerce, issued a response to the group.

I am attaching both letters for your reference so that you are current on issues within our county.

As you know, there is a solar project being constructed north of Bickleton called Lund Hill. We recently met for the first time with a solar project developer working on a site west of Goldendale called Cypress Creek, intended to interconnect to BPA's Knight Road substation. They have not yet started a permitting process. Our understanding is that the only project currently permitted, or currently in the permit process with the county, is Lund Hill.

4. **Republic Leachate Reinjection Process** - we met with Republic Services last week and discussed leachate reinjection and water concerns at the Roosevelt landfill site. This was an excellent meeting and both parties learned new information. There is more to the leachate reinjection and moisture content issue on the Roosevelt site than we knew. There is definitely developing knowledge and theories on landfill health as regional landfills grow in size and depth. We were not aware of this information. Kevin and local Republic Services staff have been charged with more fully exploring these issues in the shared interests of increasing methane collection at the site.

Kevin will discuss the latest thinking on leachates, water management in landfills and how that relates to the Roosevelt landfill and our RNG production as part of his report.

5. **Capital Review Process** - I do not have an update, but I wanted you to know that staff is actively involved in discussions regarding capital spending. Participation is not just from the engineering department, but from operations, accounting and finance. There is considerable interest in developing tools for us to utilize.

6. **Regional Grid Reliability** - Just a thought for you guys to consider as when I heard it, it made me sit up and take notice. Elliott Mainzer, who is now CEO of the California Independent System Operator (CAISO), attended our last Public Generating Pool (PGP) meeting via Zoom. In the discussions on markets, resource adequacy and capacity, he made this observation. This is not a quote, it is the gist of what he said.

When I was at Bonneville, I, of course, worried about our grid reliability and our capacity to reliably meet load in the region. I was also thankful we weren't yet in the position California was in. Then once I got to CAISO I realized that however messed up the current Resource Adequacy market is, at least we have one. The Pacific Northwest doesn't even have that.

Scary and, yes, Commissioner Gunkel, you are right to be thinking about and pushing on these issues.

7. **Public Power Council** - Lindsay Slater, chief of staff for U.S. Representative Mike Simpson (R, Idaho) presented the congressman's wide ranging proposal to the region for ending the salmon wars, limiting the continually increasing Columbia River Federal Hydro System litigation and fish costs, while at the same time removing the four Lower Snake River Dams and replacing their energy and capacity. At first blush, this is a very slippery slope and massive in scope, but I was impressed with the thought put into the idea and intrigued by the possibilities. It does cover impacts to other industries, including irrigators, agriculture and local economies.

The congressman has 17 slides that will be released this next week and he is currently presenting this to our regional delegation. There is no legislation planned. He believes that the region has an opportunity for funding and support. Funding could be part of the contemplated multiple trillion dollar relief funding. Support could come from the regional delegation, who are in key positions. Lindsay said the congressman is presenting a path to solutions, but believes that if we are ever going to move on from the wasted money being spent and the litigation that has been raging for more than 20 years, the region needs to take bold steps. He is trying to bring forward potential solutions and has offered a road map that has been developed over 3 years, in over 300 meetings with stakeholders. He said this is just a road map for consideration. He also said they believe that the power industry has most risk going forward doing nothing. He also said that Judge Simmons CAN'T take the dams out, but he can certainly increase the pain and costs to achieve his ends.

He believes that the Biden Administration wants: 1. clean energy jobs, 2. tribal equity (in charge of fish) and, 3. ESA recovery. Their proposal checks those boxes for funding. Delegations and states are being briefed right now and they then intend to sit back and listen. If they hear back from delegations, then we can all work on what's next. Congressman is a huge proponent of SMRs.

This is a heads up that this is going to be a very large discussion issue in the region over

the coming months. I will compile available information for you as it is released.

8. **Governor's Four State Process on the Columbia River Basin** - For background, there is an existing four state task force called the Columbia Basin Partnership Task Force. It was convened in 2017 by NOAA to establish common goals for the Columbia Basin and its salmon and steelhead. The makeup included the diverse membership you would expect, including Columbia Basin tribes, fishing, agriculture, conservation, river transportation, port, and hydropower interests, and the states of Idaho, Montana, Washington, and Oregon.

The Four State Governor's Agreement is an extension of that process and adds the weight of the governors and is now being referred to as the Columbia Basin Collaborative. Northwest Power and Conservation Council Montana representative, Guy Norman, was a driving force in taking the task force and escalating it to the 4 state process.

The intent is that if the Columbia Basin discussion is expanded past just the dams and power, there is an expansion of funding sources to resolve these issues. The issues are larger than power or the LSRDs. Solutions need to be bigger than that or they will fail.

This could provide the type of process that would fit with developing Congressman Simpson's ideas more fully. I can only assume this is not a coincidence and it is a significant opportunity for the region. Fraught with risks of course, but the current situation is fraught with risks as well.

Peck Response to CEASE Letter

Jan. 17, 2022

CEASE leader Greg Wagner, a new arrival to Klickitat County living on 5 acres of land in the middle of the County's early 2000 energy overlay zone boundary (see attached maps), has raised several points about proposed solar projects. This memo responds to those points from my perspective as the lead staffer on the County's energy overlay zone effort in the early 2000's, as well as my experience as a project developer for wind and solar projects in several Western states¹.

I have highlighted the letter's assertions I am responding to, and also printed those assertions in the body of this text.

Quick History of the Energy Overlay Zone Concept

The County's experience with windpower development in the mid-1990's prompted adaptation of the well-established overlay zone concept² to renewable energy when the wind industry began to revive in 2000. As a former wind developer then serving as Director of Economic Development, County Planning Director Curt Dreyer (County lead staffer on wind project development in the 1990's) and I were determined to give the public a role in deciding where such project were welcomed by local residents prior to specific projects being proposed,

In addition, rather than depend on privately funded environmental impact statements (EIS) for projects, we felt a County-funded , County-wide EIS would provide more confidence to local residents that the results were impartial. That same EIS could then be used by County staff to define more detailed, project specific studies when developers proposed a project. Also, developers could use the County's EIS to determine whether they wanted to develop in a specific area prior to acquiring land³.

Land use studies focused on renewable energy projects, the technologies where the County appeared to have competitive advantages sought by private developers. The main advantage was transmission lines linking the County to urban markets paying a premium for electricity from renewable projects. The environmental analyses, which included an extensive avian study of the entire county, were designed to address known and potential issues associated with wind and solar projects.

¹ Kenetech (leading US renewable energy developer in the 1990's; Horizon (formerly a division of Goldman Sachs, now EDP Renewables); and EDF Renewables (formerly enXco and owned by the world's largest utility, EDF).

² Washington State encourages so-call "planned use development" for areas anticipating growth. Also, the landfill in eastern Klickitat County was developed under a similar overlay process.

³ Typically, in the absence of this kind of process, developers determine a site that meets their criteria, leases land, approaches the local permitting entity, and initiates an environmental study process all before there is any public input or awareness.

It's important to recognize that in early 2000, when this project began, neither wind nor solar technology deployment was widespread but their land use requirements and impacts were generally understood. The visual impact and setback provisions in the energy overlay reflect that, as do the other studies incorporated into the County's EIS.

Public hearings took place during the EIS process and also when the County Planning Commission reviewed the proposed adoption of the zone, which were well-publicized and well-attended. Landowners not wanting to be in the energy overlay zone could opt out, as did a large area around Snowden (see attached map).

Developers have a large incentive to locate projects within the energy overlay zone and meet whatever criteria are established. The energy overlay zone, having been made a part of the County code through a public process, gives the County Planner authority to review project applications, determine additional impact studies, and grant the final permit approval. Unlike the conditional use process, this provides a predictable timeframe, something all developers want.

More recent arrivals moving into the energy overlay zone area could, through their realtors, have been aware of this history. The presence of large wind projects should, at the very least, have suggested that Klickitat County was a place where renewable energy development occurred.

Land Is Being Secretively Acquired And Leased

This is an accurate statement. Developers generally negotiate with landowners one-on-one, a situation preferred by both parties as they attempt to arrive at a mutually agreed upon price. I suspect Mr. Wagner did the same; although I don't know that for a fact, I doubt he informed his neighbors before purchasing his 5 acre lot.

6,000 Acres Will Be Covered With 2.5 Million Solar Panels And Surrounded By A Chain Link Fence.

I don't know how many acres have been leased by Cypress and Invenergy and I suspect Mr. Wagner doesn't either. It is a large number and runs north of Rt. 142 on both sides of Knight Road. It would be surrounded by a fence, usually chain link, for insurance and security reasons.

The number and type of solar panels is also not known. While the energy overlay zone application, when filed, will address layout of the project, solar panels are not purchased until just before construction. That is a function of the constant downward price of solar panels.

When Constructed It Will Reduce The Value Of Your Home And Make It Difficult To Sell, Impact The Enjoyment And Quality Of Life,. Destroy The Natural Beauty, Kill Wildlife During Construction, Destroy Wildlife Habitat. Damage The Ecosystem, Pollute Ground Water, Potential Battery Fire/Explosion And Emission Of Deadly Toxic Fumes.

I'll respond to these items in turn:

- **When Constructed It Will Reduce The Value Of Your Home And Make It Difficult To Sell**

This is the most prevalent theme voiced by opponents of any project. Locally, it was a frequent statement by wind project opponents claiming that no new residential would occur where wind turbines could be seen – a statement clearly not borne out by experience.

The irony of this statement in this context is that it denies the right of his neighbors – most of whom lived in the County at the time the energy overlay zone was open for public comment -- to profit from the proposed solar projects. Given the lease rates in solar contracts, it is unlikely a rancher would take land generating good earnings out of production and sign a solar lease.

- **Impact The Enjoyment And Quality Of Life Destroy the Natural Beauty**

Much like the previous assertion, this assumes that the landowners signing these leases are operating public parks, not commercial properties.

My favorite response to this statement was made by a Centerville rancher some years back, "No one ever offered to pay me for my view."

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- **Kill Wildlife During Construction, Destroy Wildlife Habitat, Damage The Ecosystem, Pollute Ground Water**

The County Planner responsible for overseeing energy overlay zone permit applications addresses all these points in the permit criteria and assures County regulations are met. The energy overlay zone doesn't supersede pre-existing County requirements, it provides additional criteria – and incentives to meet those criteria –on project developers. That's why it's called an "overlay".

- **Potential Battery Fire/Explosion And Emission Of Deadly Toxic Fumes**

Although I don't know if the proposed projects plan to include batteries, there is a growing trend to include them at solar projects to provide additional hours of renewable electricity output to sell after sunset.

There have been incidences of battery fires in solar and electric vehicle applications, much like the occasional wind turbine failure, but project developers and the utilities that buy either the output or the entire project have major incentives to assure all safety criteria are met. It's not a guarantee this won't happen, but it makes it highly unlikely.

Permit conditions can assure these installations meet best industry practices and the equipment itself is far removed from residences.

We Will Receive None Of The Electricity Generated

This is undoubtedly the case, and it's the same for wind power generated in the County. Klickitat PUD can purchase electricity from BPA at much lower prices than local renewable energy projects can get from utilities serving urban markets, most of which also have to meet renewable portfolio standards set at the state level.

Renewable energy generated in the immediate area – and the Mid-Columbia is one the top five renewable energy producing regions in the country – is an export product, much like Pacific Northwest wheat.

In my corporate days, this was one of my favorite questions to answer when signing leases with ranchers. It was fun to say “We'll sell our electricity to the lowest bidder when you sell your wheat to the lowest bidder.” Always got the same response.

Only A Few Landowners, Invenergy And Cypress Creek Will Make Money

“Only a few landowners, Invenergy and Cypress Creek will receive direct payments” is more accurate.

Rural economic development that directly benefits ranchers and farmers is rare. Nationwide, renewable energy projects have been a rural economic development success story. In Klickitat County, they represent a significant source of revenue for landowners (in the form of royalty payments), the County road and general fund, and the numerous special tax districts (hospital, school, fire, cemetery) where the projects are built. And the projects contribute to the County having the lowest tax rate in the state.

When Solar Panes Reach The End Of Their Productive Life They Can Not Be Disposed Of In A Landfill

This isn't accurate on two levels: first, small numbers of broken panels are being landfilled, although probably not in the Rabanco site which has more stringent criteria than the Arlington, Oregon site. And second, the industry is too new to have dealt with large-scale decommissioning of entire sites, a topic addressed in the next response.

When The Solar Panels Are No Longer Profitable To The Corporations, They Will File Bankruptcy And Walk Away Rich. The County Residents Will Be Financially Responsible For The Clean Up Cost, Not the Money Making Landowners Who Leased Their Land To The Corporations.

Totally wrong. All County permits for renewable energy projects include a section providing for the project owner to create a fund to remove the project should the project be closed. Wind projects have the added requirement to remove the top three feet of the tower foundation to allow for future agricultural use; solar project installation lacks that specific provision since they don't have massive foundations and are much easier to remove.

More likely than decommissioning a permitted project, the sites will probably be upgraded to more productive versions of the technology as is being seen at County wind sites where "repowering" has occurred.

The County Officials Have Failed To Study The Full Impact Of This Project. County Ordinances Are Inadequate And Do Not Protect Us.

Again, uninformed and wrong. The County has recognized its competitive advantage in renewable energy – most specifically wind and solar – since the early 2000's. It has thoroughly studied County resources for renewable energy development in a County-funded EIS that explicitly addresses wind and solar, held multiple hearings, and defined a publicly-approved specific area of the County where a specialized permit process is available with the intent of drawing projects to that area.

That level of analysis and protection – which both anticipated and preceded specific project development-- is, at this time, unique in the US and is more comprehensive than what most state or local government permitting entities bring to bear.

I have permitted projects on Federal land in Idaho, on land overseen by state-level entities in Washington and Wyoming, and at the county level in Washington, Oregon, Utah, Montana, and California. None of them have the underpinning of the energy overlay's EIS or the extensive public hearings in advance of a specific project seen in the overlay's ordinance.

This Solar Farm Is Intentionally Being Kept Quiet To Avoid Opposition

The cheap shot reply is, "Then how do you know about it?"

The actual reply is that no permit application has been filed by either Cypress Creek or Invenergy, so technically there is no "real" project to discuss in the eyes of the County. Land has been leased and informal conversations have been held to determine permit application requirements, but no application has been filed.

Once the permitting process is formally initiated, developers are mandated to hold a well-publicized public meeting to explain the project.

Reinforcing the County Commission's long-time commitment to achieving economic development that's a fit with Klickitat County culture, there have recently been two County workshops open to the public during which these concerns have been discussed. No final decision has been made on how to proceed, but there's an understanding that nothing has been raised that hasn't been previously addressed in the energy overlay zone process and related EIS.

We Are Not Against Renewable Energy When Done Responsibly With The Citizens Rights Protected And There (sic) Concerns Addressed And Fully Resolved.

I couldn't agree more. In the absence of the energy overlay zone, only developer criteria⁴ drives the siting process. In Klickitat County, siting is guided by a process that began with local public input and a county-wide EIS and now has twenty years of operating experience. Project-specific concerns are weighed against planning criteria and addressed within that process by permit conditions administered by the County Planner.

⁴ Renewable energy project criteria is remarkably simple: good resource (wind or unobstructed solar), transmission access (typically within 20 miles of a substation or major transmission line for wind, under 10 miles for solar), willing landowners, and no obvious fatal flaws when it comes to environmental issues.

C.E.A.S.E.

CITIZENS EDUCATED ABOUT SOLAR ENERGY

CONTACT: CEASE2020@AOL.COM

THIS LETTER IS TO INFORM YOU ABOUT THE KNIGHT ROAD UTILITY SCALE SOLAR FARM TO BE BUILT IN KLUCKITAT COUNTY, WA. THE PROJECT WILL BE CONSTRUCTED BY THE INVENERGY, CYPRESS CREEK RENEWABLES AND IN CONJUNCTION WITH THE BONNEVILLE POWER ADMINISTRATION. IT IS TO COVER APPROXIMATELY 6000 ACRES. THIS LAND IS BEING SECRETIVELY ACQUIRED AND LEASED JUST 3 MILES WEST OF GOLDENDALE, WA. THE AREA IS FROM HIGHWAY 142 NORTH, EACH SIDE OF KNIGHT ROAD NORTH, TO PINE FOREST ROAD, WEST TO HILL ROAD AND SOUTH BACK TO HIGHWAY 142. THE 6000 ACRES WILL BE COVERED WITH 2.5 MILLION SOLAR PANELS AND SURROUNDED BY A CHAIN LINK FENCE. THE BEAUTIFUL LANDSCAPE WILL LOOK LIKE A INDUSTRIAL COMPLEX. THIS PROJECT WILL START 01-2022.

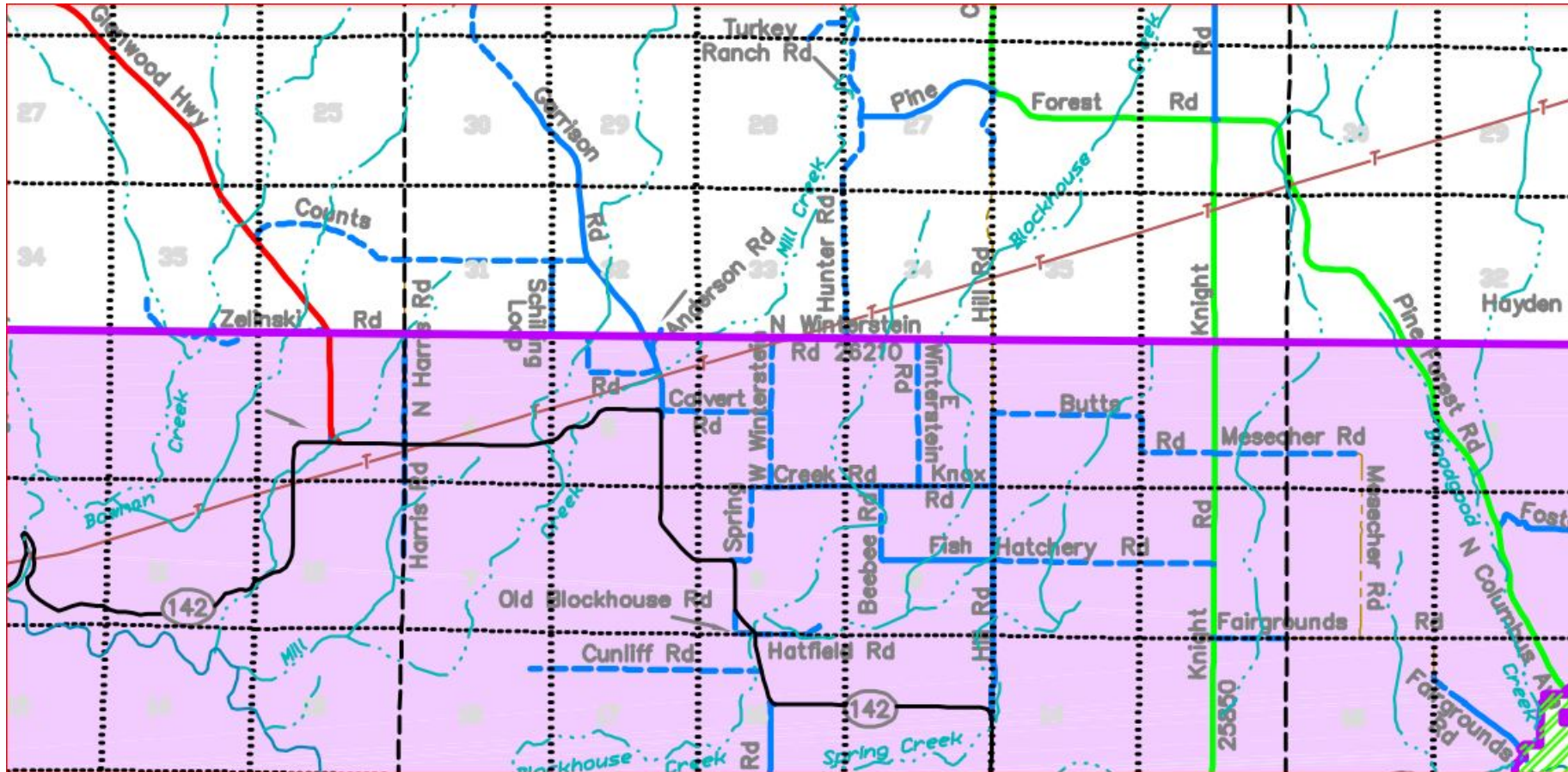
WHEN CONSTRUCTED IT WILL REDUCE THE VALUE OF YOUR HOME AND MAKE IT DIFFICULT TO SELL, IMPACT THE ENJOYMENT AND QUALITY OF LIFE, DESTROY THE NATURAL BEAUTY, KILL WILDLIFE DURING CONSTRUCTION, DESTROY WILDLIFE HABITAT, DAMAGE THE ECOSYSTEM, POLLUTE GROUND WATER, POTENTIAL BATTERY FIRE/EXPLOSION AND EMISSION OF DEADLY TOXIC FUMES. THESE ARE JUST A FEW OF THE NEGATIVE IMPACTS. WE WILL RECEIVE NONE OF THE ELECTRICITY GENERATED, JUST THE UGLY AND HARMFUL SOLAR FARM. ONLY A FEW LANDOWNERS, INVENERGY AND CYPRESS CREEK WILL MAKE MONEY. WE THE CITIZENS ARE THE LOSERS. WHEN SOLAR PANELS REACH THE END OF THEIR PRODUCTIVE LIFE THEY CAN NOT BE DISPOSED OF IN A LANDFILL. THEY ARE HAZARDOUS WASTE DUE TO THE CANCER CAUSING CHEMICALS IN THEM: LEAD, CADMIUM, COPPER INDIUM SELENIDE, SILICON TETRACHLORIDE, NITROGEN TRIFLUORIDE. THIS WILL BE THE FUTURE ENVIRONMENTAL PROBLEM. WHEN THE SOLAR PANELS ARE NO LONGER PROFITABLE TO THE CORPORATIONS, THEY WILL FILE BANKRUPTCY AND WALK AWAY RICH. THE COUNTY RESIDENTS WILL BE FINANCIALLY RESPONSIBLE FOR THE CLEAN UP COST, NOT THE MONEY MAKING LANDOWNERS WHO LEASED THEIR LAND TO THE CORPORATIONS. TODAY SOLAR ENERGY APPEARS TO THE PERFECT SOLUTION BUT THE SAME WAS THOUGHT ABOUT NUCLEAR ENERGY AND LOOK AT THE ENVIRONMENTAL DISASTER IT HAS CAUSED. THE COUNTY OFFICIALS HAVE FAILED TO STUDY THE FULL IMPACT OF THIS PROJECT. COUNTY ORDINANCES ARE INADEQUATE AND DO NOT PROTECT US. TOMORROW THIS SOLAR FARM MAYBE NEXT TO YOUR HOME. THIS SOLAR FARM IS INTENTIONALLY BEING KEPT QUIET TO AVOID OPPOSITION. IF THIS CONCERNS YOU CONTACT: BONNEVILLE POWER ADMINISTRATION 503-230-3000/CYPRESS CREEK RENEWABLES 310-581-6299/ INVENERGY CORP. 971-346-4981 SENATOR CONGRESSMAN REPRESENTATIVE GOVERNOR. COMMISSIONER 773-4612/PLANNING 773-5703/ ECONOMIC 773-7060. WE ARE NOT AGAINST RENEWABLE ENERGY WHEN DONE RESPONSIBLY WITH THE CITIZENS RIGHTS PROTECTED AND THERE CONCERNS ADDRESSED AND FULLY RESOLVED.

VISIT: CEASE2020.ORG

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SIGN THE PETITION

Knight Road-Area Energy Overlay Boundary



G. Wagner Property within Energy Overlay

(5 Acres, Two Adjoining Lots)

