



Public Utility District No. 1 of Klickitat County

80 Years of Service * 1938-2018

GENERAL MANAGER'S REPORT TO THE BOARD

For the August 28, 2018 Meeting

AGENDA ITEMS:

- A. VEHICLE DISCUSSION- Staff is requesting authorization to order the vehicles slated for purchase under the 2019 budget forecast to allow for the extended delivery timeframe.
- B. PREQUALIFICATION OF CONTRACTORS- Staff is requesting the board authorize the addition of Flow Technologies, Inc. and agree to add them to our small works roster for 2018.
- C. PREQUALIFICATION OF PROFESSIONAL SERVICES CONSULTANT- Staff is requesting that the board approve the addition of Historical Research Associates, Inc and HDR Inc. and agree to add them to our professional services roster for 2018.

NON-AGENDA ITEMS:

- 1. Monthly Financial Report: we have been working with the year-end forecasts and RNG scheduling and I asked staff to delay the July financials until next meeting so we have realistic revenues to discuss. Kevin and the team are working with the electrical contractor and making progress, but I am not comfortable with the initial startup date. We should have better information on Tuesday.
- 2. NICS Phone in Credit Card Payment Update: we believe we have found a way to take credit cards over the phone. We will also be using the automated system capabilities for those that want to call in at any hour and make a payment. We are also about ready to decide on how we will proceed with the work-flow and mapping systems and we are working with NISC on pricing, contract terms and implementation dates.
- 3. Response to Letter to Commissioners – attached is the response to Patricia Benner
- 4. Staffing – Gwyn will provide an update, but our progress has been better than I expected. I am very pleased with how fast we have filled most of the vacant positions. I also am very pleased with the number of advancement opportunities that have been created for internal employees. The back filling has created some opportunities to bring in new employees and the quality of external candidates appears to be very good. I am looking forward to how our staff continues to develop.
- 5. Operating Line of Credit: We have continued to review establishing an operating line of credit to allow flexibility in our cash management. As part of this effort, Mike has had a recent conversation with Matt Riley of Fitch to discuss how establishing a line would be viewed by a ratings agency and any potential impact on future ratings. Mike will be prepared to discuss this conversation with the

Board and answer any questions that you may have.

6. RNG Transportation Fuel Audits: Mike DeMott and Kevin Ricks worked with the European auditors this past week and will be working with the EPA folks this coming week. Mike will report on the process at the meeting.
7. Goldendale Energy Storage Project: The US Army Corp of Engineers has finally engaged with us on the lease. It appears as though there will be a combination of a lease extension to cover the infrastructure for the aluminum company and a new lease for use to cover infrastructure for the Cliffs municipal water system. Brian has also been working with Commerce on the State funding contracts. You will note that we are adding several companies to our professional services roster this meeting that could help provide the work necessary in those contracts. The Commerce work will require professional services versus contract or construction work. As you recall, we will be using our normal procurement processes and the work will be performed by consultants working directly for the District and we will then receive re-imbursement from Commerce.
8. BPA Rate Case – BPA recently stated that “wholesale electric market prices are forecast to continue to fall due to an increasing surplus of natural gas in the West. Gas rig counts are up and production is outpacing demand. Growth in renewables is also driving down market prices”. WE all know there is a lot more to it than that, but I agree that low electric prices during the next two year BPA rate period is the most likely outcome. Below is a comparison of forecast MIDC prices that BPA is using in their preliminary BP-20 study compared to the BP-18 final rate proposal (source – NRU):

\$/MWh, Nominal	FY1	FY2	Average
BP-18 Final Proposal	23.14	22.83	22.98
Preliminary BP-20 Initial Proposal	19.34	20.78	20.06
Delta in \$	-3.79	-2.05	-2.92
Delta %	-16%	-9%	-13%

Who would have thought last year that prices would fall 13% from \$23 / MWh?