



Public Utility District No. 1 of Klickitat County

79 Years of Service * 1938-2017

GENERAL MANAGER'S REPORT TO THE BOARD

For the **February 27, 2018** Meeting

AGENDA ITEMS

- A. 1:00pm EXECUTIVE SESSION- MM28 Fire Update
Current or potential litigation. RCW 42.30.110(1)(i). Legal Counsel present via phone, Dan Short Paine Hamblin, Jena MacLean and Meredith Weinberg, Perkins Coie.
- B. PREQUALIFICATION OF CONTRACTORS: Jeff has received information from three new contractors and is asking approval to add them to the works roster for 2018.
- C. RNG UPDATE: Kevin and Mike will provide the monthly update the Board on the status of the project construction and budget to date.
- D. NET METERING DISCUSSION: As a continuation on the discussion from the meeting on February 13th, staff will have a draft rate schedule to present that would apply to all new net metered customers. It will comply with the latest proposed net metering legislation. If this draft appears acceptable to the Board then staff will be requesting that we set a Rate Hearing date on March 24th to allow enough time for communicating with our customers and completing the required public notices. I would also like to further discuss some details in carrying out the grandfathering of existing customers.
- E. POLICY BULLETIN 7 REVISION: Mike has completed the revisions discussed with the Board on the 13th and is presenting it for approval.
- F. CALL FOR BID- RNG Mechanical Construction Bid: Kevin will present his request for Call for Bid for the mechanical construction portion of the RNG project.
- G. PROFESSIONAL SERVICES PREQUALIFICATIONS- We received five additional renewals after our original approval cutoff date. We are asking that the renewals of ECI/EPC Services, Pioneer Surveying, AEROS Environmental, Mark Yinger Associates, and ES Consulting be approved and that the firms be added to the 2018 professional services roster.
- H. RESOLUTION 1756, A Resolution in Support of the Operation of Columbia Generating Station- We received a request of support for the operation of the Columbia Generating Station from Energy Northwest and I am submitting this Resolution for your consideration.

NON-AGENDA ITEMS

- 1. Irrigator Meeting updates – Commissioner Miller, Lori Fakesch, Danny Smith and Mark Garner attend the meeting in Centerville February 22nd. The Bickleton meeting is

scheduled for February 27th.

2. Community Meeting Tentative dates – we created a preliminary schedule and after review with you, we will begin the scheduling process with the various communities. Schedule is attached.
3. 2017 Washington Legislative Session – WPUDA reported that the “Governor’s carbon tax bill (SSB6203) likely isn’t going to get the required votes to pass. It is safe to say that there is now significantly more pressure to pass one of the other renewable portfolio standard type bills to take some carbon action in the session. Two of the more prominent bills are SHB2283 (DeBolt) and HB2995 (was 2402).

SHB2283 rescinds the current 15% RPS requirement in 2027, but requires 100% of load to be supplied by renewable and clean energy resources by 2020. The definition of eligible resources is “water; wind; solar; geothermal; landfill gas; wave, ocean, or tidal; gas from sewage facilities; biodiesel; biomass; conservation; nuclear; and any other energy resource that is effectively carbon neutral”. In 2028, all new load must be served by clean energy needs. WPUDA has concerns given the implications of BPA’s resource portfolio on its customers and other issues. The provisions would only apply to RPS mandated utilities, which means it would not apply to us with the current 25,000 meter threshold. This bill is currently scheduled to be heard February 24th in House Committee.

HB 2995 increases RPS requirements at 15% of 2019 loads, requires small utilities to acquire “all cost effective energy conservation” and sets a minimum of at least 2% of retail load be acquired from conservation, regardless of cost effectiveness. Also and maybe more concerning, it prohibits the use of coal, natural gas, new hydro, nuclear, oil, waste to meet new energy or capacity needs. The bill also proscribes penalties of \$50/MWh for using prohibited resources to meet new energy and capacity needs. This bill passed out of House Committee and is in Rules for consideration.

The Net Metering bill is also progressing. The current version of the bill ESSB6081 increases the Net Metering Cap from 0.5% up to 2.0% of a utility’s 1996 peak load. We are about at 1% or so now, we assume it would mean that any new customers would have the original requirements applied to them as well up to the 2% cap. As a result I believe that Commissioner Gunkel’s guidance on applying the retail credit and the infrastructure cost is the prudent approach. It also includes direction for us to do “distributed resource planning”, which I believe we are talking about doing anyway, at least to some extent. As far as I can tell, there are no changes in our ability to assign appropriate costs as we discussed last Board meeting. This bill passed out of the Senate is in House Committee today (February 22nd).

I have also heard that if none of these bills happen, there will be at least one voter

initiative introduced by the Nature Conservancy Board and Climate Solutions. This is a tax bill and while there are concerns with it, Therese Hampton at PGP has indicated that the proponents are interested in discussing changes that make it look a lot like the Governor's tax bill. There are also discussions that might postpone this initiative if everyone agrees to complete a more rigorous carbon analysis in the best interests of the Region. I think that would be a good thing.

4. John Day Pumped Storage – We are planning on a meeting with National Grid, Rye Energy and Scott Tillman March 8th in Portland to discuss the project status and a coordinated path forward.
5. Moodies Financial Bond Rating – We provided financial performance and forecast information over the past two weeks to Moodies. The end result is that Moodies downgraded us from A2 to A3. They said their concern is our RNG construction risk, which they recognize should be resolved in 6 months or so. However, their committee agreed that they do not like this risk, and they are willing to make this downgrade and be “proven wrong”. The press release and credit opinion are both attached for your review. In the press release, Moodies stated:

“The downgrade to A3 from A2 reflects continued weakness in the district’s wholesale sales and the construction risks associated with substantial new debt for capital improvements to improve the margins on its wholesale activities. The rating also reflects a small, stable retail operation that serves a mostly rural, residential community”.

Our feedback to them was that their review was short sighted and we do not agree with it, but the committee decision is final. That said, I thought their credit write up was fair and summarized the utility well.

6. Goodnoe Station / 101 Bar Ranches – We completed the water supply assignment agreement and the two new Water Supply Agreements as discussed and authorized at the last Board meeting. They complied with all requirements and there are two Supply Agreements, one with Goodnoe Station LLC for 3325acft and one with V75 LLC for 675 acft. The Department of Ecology also approved and has formally split their water rights permit into two as well. At this time, both Goodnoe Station LLC and V75 LLC are owned by 101 Bar Ranch.