



Public Utility District No. 1 of Klickitat County

80 Years of Service * 1938-2018

GENERAL MANAGER'S REPORT TO THE BOARD For the April 09, 2019 Meeting

AGENDA ITEMS:

- A. Resolution #1772 Surplus of Vehicles – Since we do not have sufficient room to store these vehicles and they are no longer usable by the PUD, staff is recommending that we surplus seven vehicles. We will place two of these vehicles on the state auction website, the remaining five will be sent to the Rural 7 Fire department for their annual auction.
- B. Prequalification of Contractors – Staff is recommending approval of BrandSafway Services, LLC and Skookum Cascade Construction, LLC as they have provided all of the required documentation and Staff is requesting approval to add them to the roster as new small works contractors.
- C. Professional Services Approval – Staff is recommending Board approval of Willamette Cultural Resources Associates and request board agreement to add them to our professional services roster for 2019. They have met all requirements.
- D. Electric Rate Increase Draft Proposal – The approved 2019 Budget demonstrated an increase in our revenue requirement of 1.5% of retail electric revenues. This was proposed as a 1.5% retail revenue increase. Initial reviews indicate that we are slightly behind in our revenues year to date. Jim and staff are recommending that we implement the 1.5% rate increase as budgeted and that it be applied across all rate classes and charges.

NON-AGENDA ITEMS:

1. **Goldendale Energy Storage Project Public Meetings** – National Grid and Rye Energy are still planning May 1st at 1:00 and 7:00 at the Goldendale Grange Hall.
2. **Fitch Ratings Review** – Nichole, Mike and I met with Fitch last week in White Salmon. They both did an excellent job of providing the data and talking about our successes, our forecasts and our strategic plans. I think we will retain our current ratings. The single largest comment I heard was from Dennis Pidherny, Fitch's Managing Director of U.S. Public Finance, who said "clearly you have the opportunity to significantly deleverage the utility and I am very interested in how the next year goes for you". I am very pleased with how the discussion went.
3. **Dallesport Housing Project** – we delivered the options for service to the Tribal Housing Authority (THA) as requested. The THA Dallesport Housing project manager Kelly Coons has scheduled a meeting in Goldendale on the 8th.
4. **Inactive Services** – attached is the plan that staff has completed for approaching the removal inactive services that have been in inactive for more than 10 years. It is the result of significant efforts in

engineering, operations, customer service and myself. We are not looking for formal action, but I wanted you to be aware of how we are planning to move forward and get any comments or feedback you may have prior to starting the process.

5. **Surge Arrestors** – we have spoken several times about this program.

There are 345 customers participating in the program. Customers pay \$4.50/ month for the service, which equates to \$1,552.50/ month or \$18,630/ year. Since the program began in 1999 to date, the manufacturer has never paid a claim back to KPUD. As of the end of 2016, KPUD had paid out \$10,865.00 in claims relating to surge arresters. KPUD covers the cost of damage claims through utility funds.

The warranty period for the units in service has expired and we identified two logical paths: 1) Continue to provide the surge arrester program, replace the dated equipment to ensure customer protection is adequately provided within the abilities of the surge arresters available and institute a formal policy or procedure for the program; or, 2) Discontinue the surge arrester program, remove field equipment and provide information and resources for customers to provide their own protection inside their homes.

There are benefits and risks to both the PUD and our customers associated with this program. Claims to date have been small and our payout of claims has been more than covered by the received revenues. We have no way of knowing if the units in place are working or preventing surges from passing into homes. Meter socket surge arresters are currently installed on residential, residential net metered and small commercial accounts. We believe that there is an increased potential for larger payouts as appliances and other home equipment become more sophisticated and sensitive. In addition, the warranty period for the arresters is 5 years. The cost to replace 345 units would be about \$105,000 if the replacement labor and transportation cost is \$150 a unit and the units themselves cost \$150. Five years of revenues would equate to \$95,000 without any claims paid. I believe that there are more high quality, cost effective options available to customers than there were when the program was first started and I am very concerned that the protection provided by the units and relied on by our customers, is not tested or guaranteed.

Staff recommends that we phase out the existing meter based surge arrester program and I support that recommendation.

We have put together a strategy to terminate the program and communicate the discontinuation of the meter based surge arrester program with customers. We propose sending letters in April notifying customers of the upcoming change. We will stop billing customers effective May 1, 2019. However, there will be a 3 month grace period before we'll start the actual removal process to allow customers to secure other options for surge protection. The earliest we would start removing surge arresters is August 1, 2019. During the transition period (May- August), we propose continuing to honor the program terms.

The attached letter identifies Anita Clever as a resource for customers to understand options and

includes basic information on alternatives to the surge arrestor program.

6. **Electric Surveys** –In our strategic plan, we concluded that the responses to our customer surveys are not representative of our customer base. We receive about 400 responses to our survey. When we first utilized social media and online surveys, that response increased to 600, but it has since returned to the 400 level. The proposal was that we would start to track the types of questions, comments and complaints that we receive and use those to report to you and to formulate plans that direct our actions. We have implemented this on the Water and Waste Water side of the organization. We have very close to a single point of contact there with Sharon Blodgett, so it was relatively easy to create a complete record. The electric side is a much larger undertaking as it encompasses many more areas and therefore many more people.

Staff is going to start by managing issues through Smart Hub. As we expand the use of NISC tools, we plan to incorporate Interactive Voice Recognition (IVR) and call capture tools. We will then phase in processes to include other departments once we get the database aspects figured out. I'll keep you posted as we move forward and apply additional tools.

7. **Ken Ingebo's Feedback** – in talking with Ken last week, he accepted the Board position, but asked that I pass along some other thoughts. He suggested that when we review our waste water policy, we consider a rate structure that includes a base fee portion and a water use portion. Much like our electric rates. In theory, his suggestion has merit. The largest impediment to structurally changing our rates is maintaining the revenue for small systems during the transition. I am not saying that means we should not do it, it means it is something to consider as we review rates and policies.
8. **Public Generating Pool (PGP) and Governor's 100% Clean Energy Bill** – Therese Hampton asked if PGP can take the position of supporting the Bill.

This is really about good politics. As Executive Director, her rationale is that there is no doubt that the bill will pass. The legislative folks drafting and “negotiating” the bill have been very accommodating with utilities regarding the electric market related problems and issues surrounding implementation. The intent and the requirements of the Bill are not being negotiated, but are being set by the Governor. Given those requirements, PGP has accomplished a lot. We want to be in the best possible position to discuss the next round of carbon related bills that are coming. Those bills are cap and trade, carbon tax and low carbon fuel standards that will affect other sectors, including transportation. There are significant impacts to electric utilities in those bills as well. RNG is clearly part of the solution in those bills, so KPUD has potentially large values at stake if the bills are set up right.

I indicated the KPUD is okay with PGP supporting the Bill, although we are not taking a position as a unique entity.

9. **Legislative Update** – the WPUDA summary is attached.

My summary is that all indications are that the Governor's 100% Clean Bill (5116) and the Net

Metering Bill (5223) will pass on party line votes. The net metering bill has a 4% cap versus the current 1% cap, but once the cap or 2029 is reached, a utility can implement a specific net metering rate for new customers. The funding of qualifying low-income customers is removed.

Everything I am hearing suggests that the various other carbon bills are changing daily and I have no sense of the potential outcomes this session. The low carbon fuel standard bill, which probably has the potential to positively impact us the most, passed out of the house and is in the Senate committees. However, there is a lot of talk that although there are sufficient votes in the Senate, it is much less likely to be put to a vote as deals on the other various bills are being made.

I am expecting that our RNG tax bill and the DNR fire suppression Bills will pass.

10. **Water Waste Water System Community Meetings** – I just wanted to note that the Good of the Order has three WWW community meetings that are planned prior to the next board meeting.
11. **Public Power Council** – Scott Corwin’s job as Executive Director has been posted. Several of us noted that Bill Drummond was at the PPC Executive meeting as well as the surrounding meetings. I haven’t seen him for some years, so it begs the question, is he thinking about the PPC Executive Director job? He might have some really interesting perspectives and approaches in working with Bonneville after his short tenure as the BPA Administrator.

The spill for 2019 started April 3rd, using the interim spill protocol arrived at by agreement between BPA, the State of Washington and the Nez Perce Tribe. That spill regime includes a flexible spill curve that allows for 120% Total Dissolved Gases (TDG) limit for 16 hours a day. Reduced spill will occur for the other 8 hours to minimize the impacts on surplus power sales from BPA. There are rules in place that monitor the health of the fish during the elevated spill periods. There are also provisions for exploring 125% TDG limits over the next two years.

Despite our over-abundance of snow the past several months, the overall Columbia River flows are forecast to only be 80% of average at The Dalles dam. Should make for interesting market dynamics this summer with the increased solar output from California flowing north in the day light hours and the increased ramp rates in the morning and evening in California. Reports are that the snow pack in California is in about 150% of normal, but the total generation volumes are small compared to the Pacific Northwest.