

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, March 10, 2020
2:00pm

CALL TO ORDER: President Dan G. Gunkel called the meeting to order at 2:00 p.m. as advertised.

PRESENT: Dan G. Gunkel- President, Douglas B. Miller-Vice President, and Randy L. Knowles- Secretary

STAFF PRESENT: Jim Smith- General Manager, Gwyn Miller- Assistant General Manager, Mike DeMott- Director of Finance and Power Management, Mark Pritchard- Operations Manager, Kevin Ricks- Renewable Energy Assets Manager, Ron Schultz- Engineering Manager, Alex Casimiro-Engineering Support Assistant, Jeff Thayer- Materials Manager, Beth Schroder- Accountant, Nichole Lantau- Accountant, Mark Garner- Engineering Customer Supervisor, Brandon Johnson- Engineering Tech, and Luann Mata- Executive Assistant.

GUESTS: Athan Tramountanas (Ogden Murphy Wallace PLLC)-KPU D General Council and Larry Hocter

PLEDGE: The Pledge of Allegiance was recited by those present.

MINUTES: MOTION was made by Commissioner Miller to approve the February 25, 2020 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Alex Casimiro. Vouchers were audited and certified by the auditing officer as required by RCW 42.24.080, and all expense reimbursement claims presented were certified as required by RCW 42.24.090 and were recorded on a listing made available to the Board this 10th day of March, 2020.

MOTION was made by Commissioner Miller to approve accounts payable vouchers and payroll in the amounts as listed:

- Accounts Payable Voucher Nos. 206740 and 206742 through 206860 in the total amount of \$635,844.19; Wire and Automated Clearing House (ACH) transaction Nos. 8801296 through 8801300, along with Electronic Funds Transfer (EFT) transaction Nos. 114 through 115 in the total amount of \$145,201.23 for the period ending March 10, 2020; and
- Payroll Warrant Nos. 206741 and ACH Direct Deposit Payroll transactions 204339 through 204422 in the total amount of \$192,783.08 for the payroll period ending March 01, 2020.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

2019 Year-end Financial Report – Nichole Lantau presented the 2019 Year-end financial report. Our total revenue received was below budget mainly due to wholesale revenue lagging budgeted values. Our expenses ended the year under budget. This resulted in a positive net operating margin for the year. A few areas that contributed to this outcome were retail revenue was above budget, interest income was higher than budgeted, and overall department expenses ended the year below budget. Interest expense was substantially below budget due to successful refinancing of existing debt. We received aid in construction funds that were above

budget and we reduced our capital project spending. Key financial metrics for 2019 were reviewed.

2019 was the first year with the new NISC financial system and we are beginning to appreciate the tools provided. Implementation related issues have been addressed and now we have additional tools and are in a better place.

Power Management Report – Mike DeMott presented the department report for February. Current and forward Mid-C Power prices and Sumas gas pricing was reviewed. Current water year is developing with limited precipitation expected in the near term with colder weather keeping snowpack in the mountains. We do not anticipate an early run off at this time.

We have taken advantage of lower prices and hedged 5MW heavy load purchases for July at \$34.70, August at \$46.90, and October at \$25.70. These prices will result in a financial outcome that will beat budget projections. The goal with hedging decisions is always to protect budget and limit KPUD exposure to adverse pricing.

Renewable Identification Number (RIN) and Low Carbon Fuel Standard (LCFS) credit pricing was reviewed. In February, we sold RINs related to gas in storage for future delivery. We are evaluating if a similar strategy should be followed with additional storage gas. LCFS provisional pathway application has been submitted to California Air Resources Board, the next step will be a site visit. We expect LCFS pathway approval in the 2nd quarter with RIN generation in the 3rd quarter.

White Creek's forecasted generation for 2020 was discussed. With the increased production in January and February, we will likely have a minimal generation share in November and December as our Tier 1 generation share will be reached earlier in the year. This will likely result in a negative revenue impact forecast. This forecast is subject to change as the year goes on.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel reported that he attended the Klickitat County Economic Development Board meeting February 25th, 2020. They presented a preliminary evaluation of the buildable lands inventory for Klickitat County. The White Salmon and Lyle areas are short of buildable lands. Both residential and commercial lands are in short supply in these areas. Goldendale has some land availability and Dallesport has a good supply of both residential and commercial lands available. The ED Board is interested in assessing infrastructure for these areas as well. The future economic development will focus on urban exempt areas. One Gorge is pressing the Columbia Gorge Commission to develop a clear process and guidelines to facilitate urban area expansions. Jim has received a request from One Gorge, asking for our support of the letter they are sending to the Gorge Commission. The commissioners were in agreement with responding to the support letter for the content as presented. Commissioner Gunkel asked that we refer the intent letter to the county as well.

The EDA listed the top two project priorities. They were the Goldendale Pumped Storage project and the Bingen/Hood River bridge replacement. Both projects have local and state legislative support. The bridge is a focus as it provides critical access for both communities and with it being 100 years old, there is need to ensure it is structurally sound.

Commissioner Gunkel also reported that Mercer Ranches is evaluating moving away from grape crops and replacing those crops with almonds, due to the large wine grape surplus at this time. Commissioner Gunkel feels attending these meetings are worthwhile and have a business focus.

COMMISSIONER DOUGLAS MILLER – Commissioner Miller did not have a report.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles did not have a report.

GENERAL MANAGER – The complete report can be found at:
http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

In addition to the written report, Jim Smith presented the following information:

- One Gorge- As discussed earlier, we have been asked to support a letter drafted to the Columbia gorge commission as it relates to urban expansion areas. Commissioners were in support of the scope contained in the letter draft. We will send a support response.
- Wild fire prevention taskforce- A subcommittee has been formed, focused on discussions with Department of Natural Resources to develop the model land use/easement agreement. We have assigned Mark Pritchard as the PUD representative for the taskforce. The recommendations from this taskforce will only apply to DNR lands for now, but could move outward from there. Jim's focus will be on developing a collaborative DNR investigation process. There was a good discussion at this past meeting where the Attorney General was present and listened to responses. The meeting felt positive and it appeared that DNR representatives recognized there is conflict in completing an investigation and then collecting for fire damages. Colin Willenbrock, Pend Oreille PUD's General Manager, will be taking over taskforce responsibilities from Erik Wahlquist, General Counsel at Chelan PUD.
- Covid 19- At this point we have not restricted travel. We have discussed general precautionary measures with staff and have distributed cleaning products throughout the building. We have also received a notice from Department of Health in which it informs us that water systems are not known to be involved as carriers of the virus and that the virus is susceptible to chlorine. We will continue to monitor the situation. We do have two unchlorinated water systems.
- WPUDA- We received notification that the meetings in March are cancelled or updated to teleconference; April's meetings will be evaluated.
- Skamania Cost of Service Analysis (COSA) study- Jim discussed the COSA study that Skamania PUD recently completed. They look to be making a significant infrastructure investment over the next few years. Their report demonstrates a need of a 7% average rate increase per year over the next several years.
- Dallesport Water District- We have met with WJ Morris and placed him in touch with Tom McDonald of Cascadia Law. They have an immediate need for temporary water rights, in addition to a need for permanent rights we have discussed in the past. I believe they understand the work they must do in order to acquire water rights, potentially using our Cliffs rights as mitigation on a temporary basis.

AGENDA ITEMS:

- A. DRONE PROGRAM DISCUSSION– Mark Garner and Brandon Johnson provided the Board with an update on the drone program. They are working with Aero Drone Corporation, who has been instrumental in this process as they have the knowledge of the Federal Aviation Administration requirements. Since this topic was last reviewed with the Board, provisions have been added to the procedure for operation in populated areas, including issues like pointing cameras away from residences, pointing cameras up while transiting an area, handling images and public notification processes. The procedure and their licensing requirements hold pilots to a very stringent standard as it applies camera positioning, hovering, and annoyance. We have some communication parameters added to the procedure to include prior to beginning flights within populated areas. Staff is required to contact Klickitat County dispatch, in case reports are received. They will be notified of our

location and approximate time we will be in the area. This is our standard; none of the local governments has adopted any requirements to date. Commissioner Knowles suggested that we also contact city office staff before any of these events to keep our lines of communication clear. Staff is already preparing to advertise our intent ahead of time in the Ruralite, newspapers, our website and Facebook. Employees will be identifiable when they are working; however, the drone itself is not really identifiable and the pilots will not always be close to the drone. We have developed a call log, which will be utilized to note any responses received from the public once we begin flying in populated areas. All flights at this point will have a minimum of two employees present during flight. At this time, we are required to remain within line of site of the equipment. Commissioner Gunkel felt that a procedure was a great start, but there may be a need to create a policy as the program matures. We will also add into our procedure to notify the commissioner in the area we are flying in, as part of our communication process.

- B. PROFESSIONAL SERVICES APPROVAL– **Motion** was made by Commissioner Knowles to approve the addition of Specialty Engineering, Inc. and agree to add them to the Professional Services Consultants roster for the 2020 period. Motion carried.
- C. PREQUALIFICATION OF CONTRACTORS– **Motion** was made by Commissioner Miller to approve the addition of Kool Temp, LLC to the small works roster and the addition of Palouse Power, LLC to both the large and small works rosters. Both companies have submitted all of the required documentation for approval. Motion carried.
- D. BID AWARD- 2020 Pole Inspections– **Motion** was made by Commissioner Knowles to award the 2020 Pole Inspection bid to TK Contractors based upon price and past performance. Motion carried.
- E. BID AWARD- Renewable Natural Gas Aftercooler– **Motion** was made by Commissioner Knowles to award the RNG Aftercooler bid to Westland Engineering Solutions in the amount of \$138,164.82 including tax. Motion carried.
- F. CALL FOR BID- Renewable Natural Gas Blower Skid package– **Motion** was made by Commissioner Miller to approve the Call for Bid-RNG Blower Skid package with bids being received until 2:00 p.m. on April 4, 2020. Motion carried.
- G. EXECUTIVE SESSION:
- a. Contract discussion-Potential Litigation per RCW 42.30.110 (1)(i)– President Gunkel called for an Executive Session at 3:10 p.m. per RCW 42.30.110 (1)(i) to discuss potential *litigation or legal risks of a proposed action or current practice that the agency has identified when public discussion of the litigation or legal risks is likely to result in an adverse legal or financial consequence to the agency*, noting that the session would last for 60 minutes, for the purpose of discussing the a potential contract risk. Klickitat PUD General Council, Athan Tramountanas was present via teleconference. The session ended at 4:15. No action was taken.
 - b. Collective Bargaining update per RCW 42.30.140– President Gunkel called for an Executive Session at 4:30 p.m. per RCW 42.30.140 noting that the session would last for 60 minutes, for the purpose of discussing the Collective Bargaining negotiations. The session ended at 5:15 p.m. No action was taken.

RCW 42.30.110 – Executive Session.

(1) Nothing contained in this chapter may be construed to prevent a governing body from holding an executive session during a regular or special meeting:

Adjourned – There being no further business, the meeting adjourned at 5:16 p.m.

/S/
Dan G. Gunkel, President

/S/
Douglas B. Miller, Vice President

/S/
Randy L. Knowles, Secretary
Date Approved: March 24, 2020

/s/
Luann Mata, Executive Assistant