



Public Utility District No. 1 of Klickitat County

80 Years of Service * 1938-2018

GENERAL MANAGER'S REPORT TO THE BOARD For the May 28, 2019 Meeting

AGENDA ITEMS:

- A. Policy 7- Credit Sales Collections- Policy No. 7 sets the framework for collections & charges. During the NISC conversion, customer service aligned the schedule for collections & charges with Policy No. 7 per the key terms identified. After evaluating this timeline, staff is recommending we lengthen the customer accounts receivable turn-around by approximately 5 days.
- B. Policy 28- Damage Claims- The removal of surge arrestor program has resulted in review and revision of Policy 28 and related damage claim form. During this review other utilities were queried and it was found that very few utilize a formal Policy to direct process related to damage claims. Rather most utilize a form and process document, compliant with RCW 4.96.020 for processing customer claims. Staff suggests we consider the same process.
- C. Prequalification of Professional Services Consultant- Staff is requesting the approval of Crosstrails Engineering and agree to add them to our 2019 Professional Services Roster. They have met our qualification requirements.
- D. Resolution 1775- Appointment of Agent of Record to Receive Claims- upon review of resolution 1600 the need to add another contact to this agent of record listing was recognized. We have updated this listing and will record it with the County Auditor upon approval.
- E. Water/Wastewater Rate Hearing 3:00 p.m.- We have met with the communities over the past few months and reviewed these proposed rates. We received support from those attending the meetings. We did reach out by mail to the four communities who do not have an active community council.
- F. Resolution 1774- Adoption of Water and Wastewater system Rates 2019- this resolution acknowledges the rate updates along with the March 31st implementation date.

NON-AGENDA ITEMS:

- 1. **Dallesport Large Load** – the industrial electrical supply contract was signed and construction on our system improvement work started this week. We want to complete the overhead powerline improvements before Underwood Fruit ramps up operations for 2019. They are still saying they want to be on line in July.
- 2. **Fitch Ratings** – Fitch confirmed our A- bond rating. That report is part of your reading packet and they sent out a press release like they have in past years. I thought their review was fair and their rating system is more transparent than in the past. Fitch has always included a review of our strategic plan. I don't mean they actually read the plan, but they dig very deeply into our wholesale business lines to understand what we are doing and they include that in their review of

the financial position of the utility. Not surprisingly, they state that future ratings will be driven by delivering the revenues from RNG and they said to us pretty clearly that ratings increases would be considered.

3. **White Creek Power Off-takers Representative** – We have been working over the past winter on a representative to secede Tom Svendsen. He asked that we start that process and Mike and a small group have been working on a replacement.
4. **Regional Pumped Storage Workshop June 24** – the TriCities Development Council and the Yakima County Development Association are holding a hydro power storage workshop on June 24th in Prosser. I do not have the full list of attendees, but I do know that Benton PUD, Benton REA and Klickitat County Economic Development Association will be attending. I am planning on being there to follow developments in our region. The flyer is attached. If you are interested please let me know.
5. **Dallesport Foundry Fire** –Seneca Insurance Company, as a subrogee of Dallesport Foundry Inc. has formally filled a lawsuit in Klickitat County Superior Court against the Utility. The complaint for damages is listed as not less than \$73,730.03.
6. **Legislative Staff Renewable Natural Gas (RNG) Tour** – Dave Warren was asked by House caucus staff to arrange a tour of the RNG facility. They are extending invitations to Senate staff as well. The tentative date is July 10th. This is tied in with Dave’s efforts in ensuring that RNG is a part of the clean carbon future being developed in Olympia.
7. **State Lobbying 2019 Through 2020** – I wanted to let you know that I intend on extending Dave Warren’s contract for 12 months. This is included in my 2019 budget, but I want to keep you apprised, as the contract extension would go from July 1 through June 30, 2020. As such it would be part of the 2020 budget as well. This timing is important as a significant amount of work is completed before the legislative session starts in January and there is follow on work after the session is over.

I want to keep Dave engaged in three areas. First is ensuring RNG is included favorably this summer in the ruling making process for the Governor’s 100% Clean Bill 5116 which passed this year. Rule-making is the actual interpretation of a bill and the writing the laws / rules to implement a bill’s intent. Second, I am expecting that there will be a large amount of work being done by legislators and their staff this summer and leading up to the next legislative session on the various carbon reduction bills in play. This will be a short session so the advance work is even more important. The Democrats will still control both houses, so I would expect that it is likely that legislation will pass that affects the rest of our economy now that the electric sector has been addressed. Currently, the main proposed bills that are in play are Low Carbon Fuel Standard, carbon tax and carbon cap and trade bills. Ensuring the RNG is a part of all these solutions is top priority so we are well positioned in the future and that we are not trying to pick the “winners”. Third, Legislative staff and DNR will be implementing the DNR fire bill requirements and I want Dave’s assistance in that regard as well.

8. **LFG II Capacity** – we are working on a business case for how we might use the existing Landfill Gas generating facility for a capacity product. First step is building the financial and operating models and understanding the market products we would be competing against. Along with this, would be determining how that potential use would fit within the Strategic Plan and the goals set out in the plan. This covers timing for an RFP or some such mechanism as well. It sure looks like there are utilities that do have capacity shortfalls in the 2 to 5 year time frame. I’d like to

update you on our preliminary discussions.

9. **Renewable Hydrogen Symposium** – Kevin and I attended the first symposium by the Renewable Hydrogen Association. Renewable hydrogen is hydrogen created from renewable feedstock (water) and renewable energy. The basic premise and the excitement is electricity to fuel conversion. By taking electricity in oversupply periods and using it to create a renewable fuel that can be stored, you can in effect store the renewable electricity. You can also then utilize hydrogen fuel cells for larger vehicles so that batteries do not take up payload and refueling times are short. There is nothing new or complicated about this technology. However, this idea is being touted by many as essential if the entire economy is decarbonized. It is not the only component. Electrification and electricity storage would be required as well, but it appears likely that this fuel switch might be necessary if there is any possibility of natural gas being displaced.

We plugged ourselves into this as it is another alternative fuel, along with RNG, and as such it could impact our marketplace. It is also something we could be involved in the future given the amount of variable renewable projects in the area. We are one of the founding members of the association.

10. **100% Clean Energy Bill 5116 Implementation** – I am attaching a high-level summary of the implementation requirements under the 100% Clean Bill 5116. While there are many details yet to be determined, it is important to understand that the low-income components will be implemented “first” in the next two years, while renewable energy compliance acquisition does not really start for us until 2030. The RPS standards already in place for utilities with more than 25,000 customers will be used until 2030. That does not mean we do not have work to do with reporting and ensuring we have plans in place in advance to minimize the impacts this bill may have on us, but we do not need to increase our renewable energy acquisitions right away. We are already including implications of this on our plans, but I think this is something that will be a significant part of the next Strategic plan revision we do later this year.
11. **Public Generating Pool (PGP) Recognition** – attached is a transcript of a video that Lauren McCloy, who is the senior energy policy advisor for Governor Inslee, recorded for PGP. The video was done to thank PGP and its members for assistance during the 2018 legislative session to improve the Governor’s 100% Clean bill and make it more workable for the electric sector. Also included is a summary of the improvements PGP helped get included in the final bill. They did not get everything they wanted, but the multi-year compliance and cost caps were significant changes.
12. **Cliffs Water Rights** – Tom MacDonald and I met with Erik Steimle from Rye Energy to discuss their due diligence on the water supply issues for the Goldendale Energy Storage project. My take away is that they are satisfied with our ability to supply them water as envisioned. Brian is also working with Scott Tillman on a comprehensive settlement on outstanding agreements, MOUs and term sheets between NSC and the District.
13. **Phone System Replacement** – we deferred this replacement from 2018 as IT was focused on the infrastructure for the NISC conversion. Chris Evans has received quotes back and the new system will be a significant improvement to the existing system. The system is a cloud based alternative that will provide more phone lines and interconnections between our facilities, as well as allow IT to more easily control the functionality of the system. He is currently testing to ensure that it will work with our NISC call capture and interactive voice systems before we commit. The current system is failing so the replacement will be timely. It is becoming not uncommon for me to receive a voice message several days after it is actually left. The 2019 budget is \$85,000,

but with the preferred proposal, the first year will be about \$20,000 with a \$2,000 monthly bill for 36 months. With other components, our “office” phone bill will be about \$2,500 a month compared to about \$1,000 a month currently.

14. **RNG Project Update**- Kevin Ricks has been working with McMillen-Jacobs Associates and Montrose Environmental on developing projects to improve the efficiency and reliability of the RNG facility. Kevin will discuss projects and cost estimates at the commission meeting. Kevin will also give you a status update on BCCK Dehydration unit.