



Public Utility District No. 1 of Klickitat County

75 Years of Service

1938-2013

GENERAL MANAGER'S REPORT TO THE BOARD

For the October 13, 2015 Meeting

AGENDA ITEMS

- A. POLICY BULLETIN No. 43 - "Electrical Interconnection Requirements" – Ron Schultz has finished the annual review of Policy 43 and is recommending that no changes be made at this time. He would like the Board's approval to add a new review date of 10/13/2015 and accept the policy as presented with no revisions.

- B. CUSTOMER SURVEY DRAWING – We will be presenting each of you with a group of surveys that our customers have submitted, in accordance with your three districts. You will be asked to draw one name from each of your districts. Those three customers will receive a \$100 credit on their PUD bill, as advertised on our customer surveys that were distributed in July. The results of the surveys are being tabulated, and we will present that information to you at the next Board meeting.

NON-AGENDA ITEMS

1. Organization Issues – I have made changes to our internal organization as follows:
 - (1) I moved Power Management to report to John Janney in the Finance Department. With John's background, he can provide direction and guidance to the department, in addition to allowing the flexibility to utilize staff with diverse skills sets in the Power, Finance and Customer Service areas at his discretion. Given that the revenues and costs associated with power management make up such a large portion of our budgets and given that they are also one of our largest risk areas, the addition of power management to the Chief Financial and Risk Officer's department is a natural fit.
 - (2) I moved Kevin Ricks from the Manager at HW Hill to take over broader duties in managing our other generation assets as well, namely White Creek, McNary and Packwood. He will also retain his current responsibilities working on the Renewable Natural Gas project, along with other assignments. His normal reporting will be at our Goldendale office. Tim Madsen will continue in his role as LFG Site Supervisor and will still report to Kevin. Kevin's help was instrumental in ensuring that the gas cleaning system was improved and operating reliably. Now that that has been accomplished, I am confident that Tim and the team can operate the facility effectively. This change will help in our goals to ensure the HW Hill is more cost effective. Kevin's new title is Generation Asset and Special Projects Manager.

For your reference, I am attaching our new organizational chart. The chart is functional in nature and does not have each position listed.

We are also working through our recruitment processes, as well as the 2016 operational budget. A first draft of the budget will be presented to the Board at the first meeting in November.

2. Strategic Planning Session – I would like to schedule a planning session with the Board for the morning of Tuesday, October 27th, which is the same day as our next regularly scheduled meeting that starts at 2:00pm. Please check your calendars and let me know on Tuesday if that date will work and we can set a time. We should have the high level budget and rate forecast to discuss at that time, along with industry trends and changes as a back drop. I am intending that participants in the planning session include the managers who report directly to me -- Ron Ihrig, John Janney, Gwyn Miller and Kevin Ricks.
3. Meeting Attendance – I attended the Public Power Council’s (PPC) Strategic Planning Session on September 30th, as well as their Executive Board meeting on October 1st. I asked John and Anita to attend the White Creek Finance Meeting in Tri-Cities October 8-9 for the District. John and I will be attending the Public Generating Pool’s (PGP) annual planning session in Alderbrook October 15-16. I will also be attending the Washington PUD Association’s (WPUDA) Managers Meeting in Tri-Cities October 28-29.
4. Bickleton Dedication – The dedication for the new Bickleton Water System will be held on Thursday, October 22nd at 10am in Bickleton.
5. Energy Northwest Annual Update – I will be meeting with Mark Reddemann, CEO for Energy Northwest, on October 27th from 1:15pm-1:45pm, same day as our next Board meeting. He will also be attending the Commission meeting to talk with you as a Board, along with Carla Martinez and Vicki Watilo from their public affairs group.
6. Customer Meetings – I would like to discuss how you would like to move forward with some of our customer meetings in the next couple of months. We have penciled in some dates on the enclosed listing, starting with Oct 20.
7. Renewable Energy Incentive Program – As an update from the discussion at the previous Board meeting, staff have sent letters to customers on the program, as well as our legislators – copies enclosed. They have also contacted the three gentlemen by phone who were in attendance at the last meeting.
8. Friends of the Columbia Gorge – We received a letter from the Bonneville Power Administration (BPA) in response to our questions regarding the projects that we had submitted to the Friends for their consideration that would fall under the settlement agreement between BPA and Friends of the Columbia Gorge Land Trust. They agreed that Friends had submitted proposals to acquire properties using settlement funds. BPA states that the settlement does not preclude the Friends from proposing measures outside of Klickitat County, as funds are to help maintain the natural and scenic characteristics of the Columbia River Gorge National Scenic Area.

There is still a disconnect between KPUD, the Friends and BPA that we will try to resolve.

9. TOP Agreement – John Janney, Ron Schultz, and I will be attending a meeting with the Bonneville Power Administration Executives at their offices in Portland as soon as we can arrange a date, likely the beginning of November.
10. Northwest Power Pool – As we discussed last meeting, Idaho Power and Portland General Electric (PGE) announced that they have decided to join the Cal-ISO's Energy Imbalance Market (EIM) that shares regulating power resources every 5 minutes (see enclosed announcement).

In light of this announcement, BPA has stated that they will continue working with the remaining NW Power Pool's MC Initiative members to further evaluate the portfolio of initiatives being brought forward by the NWPP MC. The current NW initiative they are looking at is a 15 minute Centrally Cleared Economic Dispatch (CCED) market to share regulating resources among Balancing Authorities.

Also as a result of this latest development, BPA is postponing its letters to the region and its public meetings.
11. Old Highway 8 Fire Update – The order was received from the Supreme Court last week, a month earlier than expected. Unfortunately the Court denied the Petition for Review. With unusual speed, the Court of Appeals issued a Mandate which means the trial court will regain jurisdiction very soon. We can all speculate on why this was processed so quickly. The State has already contacted us via Paine Hamblin with the request to set the trial for April of 2016. We have asked for a later date as discovery has not been completed, but that is under negotiation.
12. McNary Outage – Bob Guidinger with Northern Wasco PUD has notified us that the outage for replacement of the McNary Runner is set for October 27th at 1600 hours. The contractor's schedule has the unit back together by February 5th for post assembly testing and commissioning. They expect to complete electrical commissioning by February 17th and should have the unit scheduled for operation at that time. They will be running a 10-day trial run after the 17th and will have staff on hand 24/7 for that testing.
13. China Hydro – At this time, Brian Skeahan is planning to attend the Board meeting to provide you with an update on the potential for cost recovery and advancing the permit process.