



Public Utility District No. 1 of Klickitat County

75 Years of Service

1938-2013

GENERAL MANAGER'S REPORT TO THE BOARD

For the November 10, 2015 Meeting

AGENDA ITEMS

- A. RESOLUTION No. 1701 "Delegation of Responsibilities" – I am asking the Board to adopt Resolution No. 1701, thereby authorizing a second alternate signatory – John Janney - to execute the responsibilities of the GM in my absence. Ron Ihrig already has this authority per Resolution No. 1548, however this would give us additional coverage should Ron and I both be out of the office.
- B. RESOLUTION No. 1702 "White Creek Board Appointments" -- I am asking the Board to adopt Resolution No. 1702, thereby rescinding Resolution No. 1645 and appointing a new "alternate" member to the White Creek Boards. Resolution No. 1645 listed Holly Dohrman as the District's alternate member of the White Creek Project LLC Board and the White Creek Public LLC Board. I am recommending deleting Holly's name and listing KPUD's alternate as the "Power Manager" on both boards. This will eliminate the need to update this appointment due to changes in personnel. These two Boards will be notified when there is a personnel change in the power management position.
- C. ORGANIZATIONAL MEMBERSHIP RENEWALS – We are presenting the Board with a listing of the organizational memberships, and asking for your approval to renew memberships for 2016. I am not recommending any changes to the organization listing from last year, other than we need to add the SLICE/CEO group that was inadvertently missed. The cost for that group was \$5,600.00 in 2015 and is proposed as \$2,000 for 2016 due to fewer issues this group is expected to deal with. To date, we are aware that the PPC membership dues will be increasing \$562.00, and the WPUDA Budget Committee will be recommending to their Board later this month, that dues remain the same for 2016. Last year's total came to \$128,964.50; this year's total is \$125,702.
- D. CUSTOMER SURVEY RESULTS – We have tabulated the results of this year's customer survey results, and will share that information with the Board on Tuesday in a PowerPoint presentation. I have not yet reviewed the results with staff, but given we are in the budget cycle and that Commission Agendas will be busy until year-end, I wanted to walk through the results for your consideration and thoughts.
- E. OPERATING BUDGET, 1st Review -- We will be presenting the first draft of the 2016 operating budget on Tuesday for the Board's review and comments.
- F. EXECUTIVE SESSION: Potential Litigation RE: Mile Marker 28 – We are expecting Don Stone from Paine Hamblen LLP to be available via teleconference to discuss recent developments with the Mile Marker 28 fire.

NON-AGENDA ITEMS

1. REMINDER: QUARTERLY EMPLOYEE LUNCHEON AT 1:00pm

2. Meetings Attended – I attended the Washington PUD Association’s (WPUDA) Managers Meeting in Tri-Cities October 28-29. The main area of focus was WPUDA’s position on carbon programs being proposed in the legislature and by executive order. We are attempting to link the efforts of the Public Generating Pool and WPUDA. Overall, my position is that legislation that supports regional carbon markets could create an additional value stream for our renewable, carbon free resources and I support that. Devil is in the details as always.

3. BPA – Ron Schultz and Steve Fisher of Lands Energy met with BPA executives on November 4th in Portland to discuss the TOP Agreement. Ron also met with Kim Gilliam, our Transmission Account Executive (TEA) regarding the Friends of the Gorge Settlement Agreement.

4. John Day Pumped Storage Project – As we discussed last meeting, we filed a request to FERC to extend our preliminary permit on October 30, 2015. We also filed for a new permit on November 2, 2015 to provide an additional avenue to continue our permit given the potential for funding from China Hydro.

We received word on November 5, 2015 that FERC staff denied KPUD’s request for extension of its second preliminary permit. The order is drafted narrowly and is limited to the fact that KPUD could not justify with extraordinary circumstances why it failed to file the request for extension within 30 days of the expiration of the second preliminary permit. The situation was that at the time of the deadline, we did not have indications that potential funding from China Hydro might be possible. FERC staff did not address the extraordinary circumstances that justify why KPUD needs a third preliminary permit and rejected the application.

The application for a new license is still being evaluated. I understand from K&L Gates that the only other application filed was by an LLC owned by Nate Sandvig, the engineer who worked for MWH on this project for us. He is no longer employed by MWH.

5. 2016 Budget and Electric Rate Process – Our plan is to present the second draft of the budget to you at the next Board meeting, November 24, 2015 in order to be prepared for a final budget presentation for approval December 8, 2015. I want to discuss and get your direction on the electric rate hearing process, which could be concurrent with the budget process. Alternatively, given the last rate increase was effective June 1, 2015 this could be a separate process next spring.

We are currently starting a process to review infrastructure or demand based rates to report to you some alternatives to the standard rate design that would better support distributed generation. My guess is that this is a 3 to 6 month process.

My recommendation is that we consider a concurrent public rate process, with rate hearings the evenings of November 23rd in White Salmon and November 24th as part of the normal Board meeting in Goldendale. I would suggest that the meeting in Goldendale start later to allow the hearing to be conducted in the evening.

Alternatively, the rate hearings could be held early December prior to, or around the December 8, 2015 Board meeting. Either way would put us in the position to approve rates and a 2016 Budget at the December 8, 2015 Board meeting.

6. Leadership Conference – I will be away the week of November 16th at leadership training.