



Public Utility District No. 1 of Klickitat County

75 Years of Service

1938-2013

GENERAL MANAGER'S REPORT TO THE BOARD

For the June 9, 2015 Meeting

AGENDA ITEMS

- A. CALL FOR BIDS – Staff is asking for the Board's authorization to advertise a call for bids for the Tree Trimming and Right of Way Clearing for the 2015 period, with a bid opening date of July 9, 2015 at 2:00pm.
- B. LETTER OF CREDIT ANNUAL WAIVERS – Per section 14.3 of the amended transmission service agreements with Cowlitz County PUD and Lewis County PUD, both entities are presenting a request for Klickitat PUD to waive their requirement for a Letter of Credit. This may be done annually. The Board discretion in granting this request and has done so for several years now. Both PUDs have provided their current debt service coverage ratio information, which has been reviewed by staff. They both meet the requirements of their respective contracts and staff is recommending that the Board approve the Letter of Credit waivers for Cowlitz and Lewis PUDs.
- C. EXECUTIVE SESSION: Potential Litigation – I would like to discuss the Mile Marker 28 Fire with the Board in Executive Session.

NON-AGENDA ITEMS

1. Project 78 – We provided a high level capital cost and water rate information for a potential customer at Cliffs. The input to the Department of Commerce is based on estimated capital costs to acquire the existing infrastructure from the aluminum company per the MOU, to complete piping removed during decommissioning of the plant and upgrades of some of the equipment. Operating costs are based on pumping costs, estimated O&M as well as a cost of water rights. This is the current estimated lease cost of the water rights for consumptive water for agricultural use.
2. 2006b Bond Refinancing – Attached is the schedule for the refunding process. The key dates are a presentation by staff and Alan Dashen at the June 23, 2015 Board meeting; bond ratings presentations the week of July 6, 2015; and the actual bond sale the week of July 27, 2015. We have formally retained Alan Dashen and we had our first team meeting. The draft official statement is moving along quickly and we will be submitting the Board with draft resolutions shortly.
3. Renewable Natural Gas Project – We are reviewing what is getting close to a final letter of intent to negotiate directly with one potential partner. The numbers have not changed since our presentation to you of the impacts on our financials. We will be

providing more detailed information as we complete it. The rough plan, if we move forward, would be to have a facility online January 1, 2017.

4. Pumped Storage Project – I issued 5 day termination notices to MHW and the Tribe last week. The Tribe informed me that they have not started work and will not incur any costs. I also issued termination notices to Jordan Ramis and Brian Skeahan. Brian has a 90 day termination clause that allows for time to complete wrapping up the various contracts and files and other needs.
5. Staffing Update – With Holly moving to Franklin PUD June 15th, I have temporarily reassigned Mike DeMott to cover Holly’s position and Brandy Myers to cover Mike’s. There are some other coverage adjustments and the details are in the attached memo. The Power Manager position is posted, as is the Operations and Engineering Manager position.
6. Fish and Wildlife – The Northwest Power and Conservation Council has been working to acquire \$3 million to fund “emerging priorities” which is primarily the reintroduction of fish above Grand Coulee. No one is sure why this is a priority or why they can’t find \$3 million out of the some \$300 million spent on various programs. BPA has so far said no. I am attaching the most recent Fish Facts published by PPC, as well as a Fish and Wildlife cost sheet PPC calls “The River of Money.” Annual costs are estimated to still be over \$750 million per year and \$14.5 billion since 1978. This still makes up between 25 and 30% of BPA’s annual costs.
7. BPA Rates – Michael Deen of PPC estimates that BPA rate increase will likely be in the 8% range, 1.3% higher than the 6.7% they have been discussing for months. The projected increase is due to changes in secondary net revenues and the impacts of Alcoa terminating part of their purchase agreement.
8. Northwest Power Pool’s (NWPP) Energy Imbalance Market (EIM) – There is a significant shift in the direction of the EIM. Given the costs, complexity and long time frames of the proposed EIM and the NWPP team has developed an alternative proposal. It is essentially a 15 minute market. We can already trade in 15 minute increments, but it is hard to do bilateral trades fast enough. The proposal is a market operator, at the BPA balancing area level, who clears all trades and holds software to automate the bid / ask trading mechanism and completes the invoicing and payments, as well as handling the credit components. The new acronym, as we have to have one of those, is CCED, which means Centrally Cleared Economic Dispatch. Transmission would make use of Point to Point (PTP) contracts within the BPA balancing area and BPA would receive payment for that. It could be existing contracts like ours. Any parties moving power into or out of the BPA balancing area would need to acquire transmission to get it there or to the ultimate sink. I have attached a summary for your review and we can talk further at the meeting. I think there is real promise here if the products are priced right and from what I hear, there could be enough here to keep the rest of pacific northwest together.