



# Public Utility District No. 1 of Klickitat County

75 Years of Service

1938-2013

## GENERAL MANAGER'S REPORT TO THE BOARD

For the July 28, 2015 Meeting

### AGENDA ITEMS

- A. PRE-QUALIFICATION OF CONTRACTORS – Staff is requesting Board authorization to add Downing Diversified, LLC of Kalama, WA to Klickitat PUD's Small Works Roster for the 2015 period, as this contractor has met our qualification requirements.
- B. PROFESSIONAL SERVICES CONSULTANTS – Staff is requesting Board authorization to add WHF Inc. of Oakdale, CA to Klickitat PUD's Professional Services Consultant Listing for the 2015 period, as they have met our qualification requirements.
- C. RESOLUTION No. 1695 – ELECTRIC SYSTEM REVENUE AND REFUNDING BONDS, 2015 – this resolution is materially unchanged from the Resolution presented last meeting, with the exception of Section 12.1, which contains the details of the terms under which you are delegating the authority to me and the Board President or Vice President to proceed with the Bond Sale. The only other changes were editorial and minor. We will review the 3 scenarios again this meeting, as we have added a sensitivity analysis to compare a 30 basis point increase (0.3%) in interest rates in 2016 in Scenario B and C. This is a reasonable expectation, to set off against the 0.8% interest rate increase in 2016 that would lead to a situation where Scenario A and Scenario B have the same net benefits to the District.

My high level summary is that the decision is a trade-off between the security of a known interest rate today and a Net Present Value saving of \$750,000 with Scenario A, versus a Net Present Value saving of \$4,800,000 if rates do not move in Scenario B. It is important to note that debt service is the same in both scenarios, but in Scenario B, the debt service is 1 year longer. This seems like a large difference, but 80 basis point moves in interest rates are not uncommon and achieving our restructuring with no cost, in fact some savings, is a very positive outcome.

- D. RESOLUTION No. 1696 – ELECTRIC SYSTEM REVENUE BOND REFUNDING BOND (PRIVATE PLACEMENT LOAN), 2015 – this is the optional bank loan we have discussed that we could issue in lieu of standard bonds. The loan would offer the flexibility to prepay the loan at any time, which has some value. However, there are also costs associated with this option as discussed in more detail in the agenda item cover memo.

## NON-AGENDA ITEMS

1. Bond Sale – John Janney and I will be traveling to New York, along with Sean Keatts of Barclays and Alan Dashen of A. Dashen & Associates to go through the bond sale process August 9th - 12th. Ron Ihrig will be in my place for the August 11<sup>th</sup> Commission meeting. I can call into the Board meeting to provide an update if you wish, as given the time change, the bonds should be priced and sold by meeting time.
2. Bond Ratings – we have received bond ratings from both Fitch and Moody's and they have reaffirmed our existing ratings. Moody's retained us as an A2 and Fitch as an A-. Moody's has us at the equivalent of one level higher than Fitch. I want to thank the management team for working through this and in particular Anita Thompson, who has invested a huge amount of time to this process. This is a great achievement and is a reflection of all of our employee's efforts and our management team's focus on running our business efficiently. Attached are the respective reports and you should read through them prior to our discussion on our decisions on the various bond refunding scenarios.
3. Pumped Storage - LFG Infrastructure Funds – following direction from the Board, we are following up with the County on the \$500,000 commitment that was made. We had previously gone through the official process of submitting a funding request to the LFG Infrastructure Fund Committee. That Committee had approved the \$500,000 funding request and submitted their recommendation to the Klickitat County Board of Commissioners. At that time, the process was put on hold pending investigations into other potential partnerships to further fund the licensing application process. We are working on restarting the infrastructure funding process.
4. TEA West Coast Partners Meeting – I attended with Commissioner Mosbrucker, but unfortunately cut the meeting short to come back to the office. I will defer to Ray for a report.
5. Mid-C Conference – John Janney attended for us this year as the conference was in Wenatchee and as Monday is John's first official day, I will let him report to you directly on a couple of things he is working on.
6. Republic Services – Kevin Ricks, Bob Young and I met with Don Tibbets and Art Mains regarding PCE contamination remediation work Republic Services are completing.

We also talked to Don about renewable natural gas (RNG), and Republic is on board with our direction. As RNG used as a transportation fuel has about twice the environmental impact / benefit as renewable energy generation, this is a marketing plus for them. We will be involving them as we will be needing easements for the pipeline spur and potentially slightly more acreage at the lower site. There would also be impacts due to increased traffic during construction if we proceed.

7. Bonneville Power Administration 2015 – 2017 Rate Announcement – attached is the BPA announcement. 7.1% on average for power and 4.4% for transmission, although our actual percentage will be different, based on our specific load shape.