



Public Utility District No. 1 of Klickitat County

75 Years of Service * 1938-2013

GENERAL MANAGER'S REPORT TO THE BOARD

For the October 11, 2016 Meeting

AGENDA ITEMS

- A. 2:30pm - PUMPED STORAGE UPDATE – Brian Skeahan and Nate Sandvig will be present to talk about what National Grid's interest is in a pumped storage project.
- B. RESOLUTION No. 1722 – Brandy is presenting Resolution No. 1722 for the Board's consideration in adoption, in regard to Customers' Data Privacy to meet the new state laws.
- C. DRAFT RESOLUTION – I am presenting a draft resolution for background information for the Board in regard to redemption of the 2006B Bonds. This is a discussion item only at this time, and we will be presenting a final resolution at the next meeting for the Board's consideration to adopt.
- D. RESOLUTION No. 1721 – I am presenting you with a resolution for adoption to recognize Ron Ihrig's upcoming retirement. Let me know if you would like additional verbiage added.
- E. H.W. HILL LANDFILL GAS CONTRACT – Mike and Kevin have included documentation in the packets in response to the Board's request for staff to go through a due diligence process on the British Petroleum Renewable Natural gas proposal and to present staff's progress in this area.

NON-AGENDA ITEMS

1. Public Comment Period – A customer has indicated that he will be present to discuss our Policy regarding requirements for new customers to supply their SSN or supply a security deposit in lieu of. He does not agree with the Policy or our application of it and wishes to address the Board. The relevant first 3 pages of Policy Bulletin No. 7 are attached for your reference.
2. Quarterly BOCC Meetings – **REMINDER:** Our quarterly joint session with the Klickitat Board of County Commissioners (BOCC) is scheduled for Tuesday, October 11th at 11:15am. The BOCC has requested updates on several PUD projects and staff will be present to provide those updates. Copy of the email is attached. The BOCC goes to lunch at 11:30.
3. GM Meeting Attendance –
 - I attended the PPC Executive Committee meeting on Thursday, Oct. 6th in Portland.
 - Several meetings are taking place later this month – PGP Strategic Planning October 20-21 and WPUA Managers' Meeting October 26-27. The major issues these organizations are helping us with are carbon issues relating to landfill, and legislation and processes regarding mitigating fire liabilities.

4. Federal Biological Opinion Environmental Impact Statement / NEPA Process Public Meetings – Fifteen public meetings are being scheduled, including a December 6th meeting in The Dalles from 4pm to 7pm at the Columbia Gorge Discovery Center. The Northwest River Partners are seeking member support and participation in these meetings.

The Federal Register Notice of Intent kicking off the NEPA process called for by Judge Simon in his rejection of the FCRPS BiOp is enclosed (pgs 4.a-4.i). I am planning to attend the session in the The Dalles.

Also attached is Public Power Council's (PPC) Fish and Wildlife (pgs 4.j-4y) summary of the current status and back ground of both the Biological Opinion (BiOp) and the NEPA processes. While they are much related, the BiOp has been made a 2-year process by the District Court, while the NEPA is a 5-year process. That will create significant timing issues.

5. Northwest Power and Conservation Council (NWPCC) Seventh Power Plan Analysis – As a follow-up from a question asked by Commissioner Gunkel last meeting, I have the following clarification:

The scenarios that the NWPCC ran for the 7th Power Plan used the 5% loss of load probability as a requirement. This meets legal planning guidelines. In those scenarios the model was required to acquire sufficient resources to meet the 5% loss of load probability reliability measure. Only in the scenario that limited the ability to build new natural gas resources were they unable to meet the reliability requirement. In most of the scenarios, the model assumed a significant amount of demand response as the cheapest resource to be used. The intent of the information shared at the September 1st PPC meeting was to indicate that if demand response is not acquired consistent with their expectations, there would be a need to build gas in order to meet the reliability requirement. They did not address adding grid scale alternatives, like storage.

The Council does a reliability assessment once a year for 5-years out (they did a 2021 assessment this year). They do not have any authority to assure that the region is reliable, they only prepare the report and share the results and influence utilities to take action to address any deficits.

6. Internet Access and Interconnection Bandwidth to White Salmon Office – Our Information Technology Department has been working to improve our connections and bandwidth between our White Salmon office and the Goldendale office to allow more efficient work flow, as well as more efficient daily data back-up work to ensure business continuity in case of disasters or communications interruptions. This has led to our considering high speed wireless connections between the two offices. This would provide both redundancy as well as potentially a cheaper longer term solution. It would also offer interconnections to Glenwood, Trout Lake, maybe Klickitat and our W-WW systems along the river.

What I want to bring to your attention to think about, is that this is starting to look like a potential expansion of our fiber backbone. The wireless radios would be in the 1 Gbps range and we potentially could link from White Salmon to Roosevelt; and with a couple of additions, to Alderdale. It could also offer the potential for interconnection points at the repeater sites. I think there is a good potential for this to fit into the broadband work currently being studied by the County's Economic Development group.

Attached is a drawing showing the fiber backbone (yellow) and wireless routes being considered (red).

7. Federal Pre-Election Outlook – Attached is Marty Kanner’s quick summary of the 2016 election issues for information.

8. McNary Project Management – Roger Kline, the new General Manager at NWPUD, told me this week that he is considering NOT replacing Bob Guidinger when he retires early next year. Bob currently runs both their hydro projects. As you recall from our joint meetings, they have hired various people during the past several years to bring along into Bob’s position. He would like to consider splitting the supervision between the two plants using existing staff. That has implications of supervision versus management, but there are more detailed discussions to have.

His request is that KPUD consider taking over operations of the McNary site, as they have issues with the McNary project being in Washington State (The Dalles project is considered in Oregon), which creates major headaches and inefficiencies.

9. Strategic Planning – Therese Hampton, PGP Executive Director, and I have put together a schedule & scope of work for facilitating our Strategic Planning process (attached). Given the importance of the current Renewable Natural Gas (RNG) due diligence and the widely differing financial resources that we could be dealing with if we proceed with RNG or if we don’t, I envision us starting the process in early December once we decide on how we are going forward. The goal is to complete this process in March 2017.