



Public Utility District No. 1 of Klickitat County

75 Years of Service

1938-2013

GENERAL MANAGER'S REPORT TO THE BOARD

For the May 10, 2016 Meeting

AGENDA ITEMS

- A. BPA SLICE RATE PRODUCT DISCUSSION / DECISION – Mike is bringing back the Slice versus Full Requirements contract comparisons for further discussion and action if the Board is so inclined. We have no new information since we talked last. If there is further information required by the Board, we will bring that to you during the next two weeks for Board action at the May 24th Board meeting.
- B. OUTSTANDING LOCAL UTILITY DISTRICT (LUD) DISCUSSION – Ron mentioned last meeting that he had discussed outstanding LUDs with the County Treasurer. He is bringing back the requested information on these LUDs for discussion.
- C. EXECUTIVE SESSION: Personnel.
- D. ADJOURNMENT

NON-AGENDA ITEMS

1. G.M. Meeting Attendance – I attended the May Public Generating Pool (PGP) meeting in Seattle. The major focus area of interest for us is the carbon rule being proposed by the Department of Ecology. Both PGP and the Washington PUD Association are working on our behalf. Ron Ihrig, Commissioner Mosbrucker and I met with residents of Roosevelt to discuss their water and waste water system plans for 2016 / 2017 and the proposed rate adjustments.
2. Department of Ecology Proposed Carbon Rule -- Mike Demott, Kevin and I met with the Department of Ecology and with WPUDA regarding the same proposed rule. DOE is slated to issue its draft rule in a couple of weeks. That will start a formal public comment period prior to issue of a final rule. There are no material changes to the Ecology direction that we discussed last week, but I will bring you up to date with the details of the meeting.
3. Port of Seattle -- We also met with the Port of Seattle regarding the potential for supplying them renewable natural gas. They are potentially interested in taking approximately 1/3 of our output in the form of renewable natural gas. They have set their own carbon reduction goals, separate from any legislative goals. As stated, they appear to be in excess of any legislative goals that are being contemplated. They have a “strong interest” and they provided us with a memorandum of understanding that they are interested in completing with us to cover the completion of a feasibility study to explore the potential

over the course of the next 60 to 90 days. I think they could make a very good fit given time to develop this idea further, but it would require additional off-takers for the remaining 2/3 of the gas, or some sort of parallel electricity and RNG facility. Initial looks at a parallel facility, while very interesting and diverse, are not economically practical. The Port can make no other commitments at this time.

4. Pacific Corp Condit Transmission Line -- Ron Schultz and I met with PAC and they are willing to sell the line to us, but they want to sell all the way to Powerdale in Oregon. We have ideas and options with regards to this that Ron and I can discuss with you at the meeting. We are intending on pursuing the purchase, in the best form, as expeditiously as possible.
5. Customer Meetings – Customer meetings have been scheduled as listed below.
 - May 7 – Ponderosa Park. 9:00 am
 - May 17 – Glenwood, 7:00 pm
6. Bonneville Power Financial Update – BPA is forecasting a shortfall in their revenues to be a net \$43 million. This is made up of a shortfall of \$150 million in surplus revenue sales on the power side and a positive \$107 million in transmission. Reserves however, are forecasted to be up about \$27 million by year end. They stated that there was “no” chance of a cost recovery adjustment clause (CRAC) trigger in 2016.
7. Columbia River Biological Opinion – Judge Simon, who is the new Judge Redden, issued a ruling this week that the current BiOp is in violation of the Endangered Species Act. The Judge was not as extreme as Judge Redden has been in the past in that this opinion just means it needs to be replaced, but that was on the docket for replacement in 2017 anyway. The net result is no change in the status quo for now, but the message is clear. The Judge does not believe the NOAA science any more than Judge Redden did. There is little analysis to date as the decision was just issued, but attached is the NW River Partners statement.