



Public Utility District No. 1 of Klickitat County

75 Years of Service
1938-2013

GENERAL MANAGER'S REPORT TO THE BOARD For the May 24, 2016 Meeting

AGENDA ITEMS

- A. BID AWARD – Staff is recommending that the bid for the Bingen Substation Power Transformer be awarded to Virginia Transformer Corporation in the amount of \$385,709.00 excluding taxes. Bids were opened on May 12, 2016 at 2:00pm as advertised.
- B. CALL FOR BID: Staff is requesting authorization to advertise a call for bids for Collection & Recycling Service for Scrap Metal 2016, with a bid opening date of June 15, 2016 at 2:00pm PST.
- C. 3:30pm PUBLIC RATE HEARING: President Mosbrucker will open the public hearing at 3:30pm for the purpose of reviewing staff's recommendations for rates for 9 water systems and 5 wastewater systems of which the District owns and/or operates, and for opening the floor to public comments.
- D. RESOLUTION No. 1713: Following the public rate hearing, staff will be asking the Board to adopt Resolution No. 1713, thereby approving the revised rates for the water and wastewater systems as recommended.
- E. RESOLUTION No. 1714: Staff is requesting that the Board adopt Resolution No. 1714, thereby approving of the updated Water Use Efficiency Goals for each water system which were originally established and approved via Resolution No. 1560 on May 25, 2010. These goals are to be evaluated and re-established every six (6) years and/or any time a water system planning document is submitted to the Department of Health for approval.
- F. RESOLUTION No.1715: Adoption of this resolution authorizes the execution of the "Right to Change" option of the power purchase agreement No. 09PB-13059 between the Bonneville Power Administration and Klickitat PUD, to become effective 10-1-2019.
- G. EXECUTIVE SESSION: Call for an executive session for the purpose of discussing personnel matters per RCW 42.30.110 (1)(g).

NON-AGENDA ITEMS

- 1. G.M. Meeting Attendance – I attended the Washington PUD Association General Managers' meeting in Spokane. I agreed to act as the GM sponsor for the WPUDA Fire Liability Strategic Action Plan, along with Pend Oreille GM Colin Willenbrock. The intent is to develop legislative solutions and partners within the State to reduce risk of fires in

conjunction with power lines, as well as develop procedures for use by our utilities in protecting ourselves from unjust litigation. Included in this will be interaction with the efforts PURMs may be making for its members. I also attended the water / wastewater system meeting in Glenwood along with Ron Ihrig and Commissioner Randy Knowles. The Public Generating Pool met this month via conference call. The major focus continues to be on carbon related issues.

2. Department of Ecology Carbon – Kevin will provide you with a verbal update on the latest development on carbon emissions on Tuesday.
3. Customer Meetings – We have one more customer meeting scheduled for June 2nd in Snowden. We will be scheduling additional meetings again in the fall.
4. Recruitment Update – We are scheduling CFO interviews with two candidates.
5. Public versus Private Use at HW Hill – We have finished reviewing tax exempt qualified spending as it relates to funding for HW Hill expansion project. We started this review about two months ago when we contemplated an off-take agreement longer than three years. The conclusion is that \$2.8 million in 2011B bonds were used, or could have been used, for construction. There are two possible solutions in order for us to be able to sell the output from HW Hill to private entities or in contracts of more than three years. We can either limit the private or long term sales to 94% of the output with the remaining output sold at a term shorter than three years or to a public entity, or we could defease \$2.8 million of the 2011B bonds.

My proposed mechanism would be to borrow about \$3.3 million and place this amount in escrow to defease the required portion of the 2011B bonds. This would pay for the principle and interest expense until 2021, when that portion would be refunded. This would remove these bonds from our liabilities. The new loan would be taxable borrowing and could be a bank loan rather than a bond issue. The net effect is that our total borrowing would not change and the interest from the new loan would show on our financials. Over the long term, this will increase our annual costs by about \$75,000 for four years, but would slightly improve our Debt Service Coverage ratio, as a short term loan would carry a better interest rate than the bonds currently have.

6. The PUD Safety Banquet is scheduled for this Saturday. Golf is at 1:00 and dinner is at 4:00. I hope you can attend.