

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, January 26, 2016
2:00pm

CALL TO ORDER: President Ray Mosbrucker called the meeting to order at 2:00pm.

PRESENT: Commissioners Ray A. Mosbrucker-President, and Dan G. Gunkel-Secretary.

STAFF PRESENT: Jim Smith-General Manager, Ron Ihrig-Chief Operating Officer, John Janney-Chief Financial/Risk Officer, Kevin Ricks-Generation Asset & Special Projects Manager, Anita Thompson-Accounting Manager, Gwyn Miller-H.R. Manager, Mike DeMott-Interim Power Manager, Ron Schultz-Chief Engineer, Rob Rising-Line Superintendent, Amber Jackson-AP/Accounting Clerk, and Kathy Loveland-Executive Assistant.

GUESTS: None.

PLEDGE: The Pledge of Allegiance was recited by those present.

MINUTES: **MOTION** was made by Commissioner Dan Gunkel to approve the January 12, 2016 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Amber Jackson. Vouchers were audited and certified by the auditing officer as required by RCW.42.24.080, and all expense reimbursement claims presented were certified as required by RCW.42.24.090 and were recorded on a listing made available to the Board on January 26, 2016.

MOTION was made by Commissioner Dan Gunkel to approve the following as presented:

- Accounts Payable Voucher numbers 105620 through 105746 in the total amount of \$622,985.01 and Wires, ACH and EFT numbers 8800416 through 8800422 in the total amount of \$1,432,173.87 for the period ending January 26, 2016; and
- Payroll Warrant numbers 43257 through 43259 and ACH Direct Deposit Payroll transactions 9914690 through 9914765 in the total amount of \$165,272.05 for the payroll period ending January 10, 2016.

Motion carried.

PUBLIC COMMENTS: None.

COMMISSIONER DAN GUNKEL gave reported that he participated on a conference call with Dick Prentke and Jena MacLean of Perkins Coie, along with Jim Smith, Ron Ihrig, and Gwyn Miller on January 22, 2016 regarding the Mile Marker 28 fire. It was a very productive conference call, which he will discuss in further detail during the executive session on today's agenda.

Commissioner Gunkel reported that he attended the Klickitat County Economic Development Advisory (EDA) Board's planning session on Monday, January 25, 2016. A quorum was present, and TIP Strategies was selected to develop the Klickitat County Strategic Development Plan. The scope of work will cost the county \$87,000 which was included and approved in EDA's 2016 budget. Contract details will be presented to the Klickitat County Board of Commissioners for final approval. The focus of the study will be on retention and expansion of existing jobs in Klickitat County, with emphasis on maintaining character and cultures that exist in the county rather than morphing it into something else that people are trying to bring to other counties. TIP is a national firm with presence on the ground here in Washington, and they have done over 200 of these plans with a good record. Commissioner Gunkel is optimistic that the plan they come up with will be a good one, and is hopeful that implementation of the strategies will come out of it, including water/wastewater infrastructure. Fiber was also discussed at a high level. Mr. Smith commented that if the strategic plan includes a study on fiber infrastructure, that the PUD be included. Commissioner Mosbrucker voiced his hope that the strategic plan implementation has actions and that it is not just a study. Commissioner Gunkel stated that hopefully there will be some near-term strategies that can be identified and implemented. He has continued as a member of the Economic Development Board to

monitor and provide input as needed in the future plans for the county; however it's difficult to push for plan implementations with funding having to come from the county commissioners. Commissioner Mosbrucker would like to see them come up with a theme, like the western theme in Twisp, WA. However it was noted that in the past when a theme has been discussed, there was no commitment from business owners.

Commissioner Gunkel also reported that although there was an Energy Northwest Board meeting scheduled for January 27, 2016 he would not be able to attend.

COMMISSIONER RAY MOSBRUCKER reported that he had been contacted by Gary Clouse regarding the status of PacifiCorp's Condit to Bingen transmission line as far as who owns it and/or what happened to the line. Mr. Smith noted that he had sent an email response to Gary last week regarding this subject, but will follow-up and make sure he received it. Ron Schultz reported that PacifiCorp still owns the line, and that he has been in discussions with them to see if Klickitat PUD could either buy the line or obtain an operating agreement in order for our crews to be able to work on the line during outages. In the latest discussions with PacifiCorp, it appears that they have reversed their position again and now want to sell the line all the way to Powerdale. They will be coming up with an agreement and doing some restructuring in Hood River so the line is not critical to them. However, they would like an agreement that KPUD back feed them from Bald Mountain if the need arose. Also, we are unable to own the river crossing as we cannot own facilities in Oregon, but BPA has expressed interest in the crossing. It will probably be a year or more until the agreements are completed if we can get them to stay on this course.

Commissioner Mosbrucker also reported that he participated in a teleconference January 25, 2016 with Energy Northwest's Participants Review Board (PRB) regarding the federal appropriations repayment acceleration. It would entail ENW obtaining a line of credit to pay for Columbia Generating Station's operations for a year, thereby allowing BPA to use monies freed up to pay down appropriated debt a year faster than it would be able to do otherwise. The next steps would include BPA checking with bonding agencies, as well as asking for approval from ENW. Mr. Smith noted that PPC has been providing comments back to BPA, and our key question is how rating agencies would view this idea with respect to their rating. Also, is the debt going down or will they just spend more? John Janney questioned whether or not they are tapping into their liquidity, and if so do they have enough cash on hand should something major arise at BPA?

Commissioner Mosbrucker also noted that he had attended the Washington PUD Association (WPUDA) meetings January 13-15, 2016 in Olympia, WA which included a legislative reception the evening of the 14th. He had brief meetings with our current legislators as well as our previous 3 legislators during the day and invited them to the reception. Of the six he invited, 5 attended. Several bills were discussed at WPUDA's Energy Committee Meeting, which included the following: Initiative 732 – the committee voted to oppose the initiative and work with legislators on a remodel or alternatives; and SB6237 – is being supported by WPUDA. The bill would ensure economic development by authorizing PUDs to provide retail telecommunication services, which we are not currently allowed to do. WPUDA is also sponsoring a "Day on the Hill" on February 24, 2016 at which Klickitat PUD will have a booth.

Commissioner Mosbrucker commented that he received two more letters of inquiry and requests for Klickitat PUD to provide broadband services. With this same subject being discussed by the Klickitat County Economic Development Agency's (EDA) Board, Commissioner Gunkel recommended that we communicate that anyone interested in broadband services attend the upcoming EDA public meetings on their new strategic plan for the county. Mr. Smith volunteered to draft a response letter to customers regarding broadband services for Commissioner Mosbrucker's consideration.

COMMISSIONER RANDY KNOWLES – absent.

GENERAL MANAGER – The complete report can be found at:

http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

In addition to the written report, Mr. Smith was asked by Commissioner Gunkel about the contract with Skeahan Advisory. Mr. Smith responded that the contract is month-to-month and is in place at the direction of the Board. This subject was tabled until the next Commission meeting.

Also, in response to Commissioner Mosbrucker's concern with the street light replacement project in White Salmon, Ron Schultz reported that he met with the White Salmon City Council and they are working together on ensuring that any replacement LED streetlights meet dark skies

criterion. Neither the City nor the District is recommending any purchases of new street lights until issues are resolved.

Mr. Smith also reported that Senate Bill 6188 is being addressed by legislation for continuation of the state solar incentive program. The Washington PUD Association is in support of the Bill. It would increase the utility tax credit incentive payments from 0.5% to 1.0% or \$250,000, whichever is greater and would put management of the program under the Washington State University Extension energy program. The Bill includes utility-owned systems in the list of owners eligible for the incentives. If passed it would increase the incentive cap enough to allow us to fully fund existing customers in the program and some additional as well.

The report was accepted as presented.

POWER MANAGEMENT – Mike DeMott presented the monthly report for the Power Management Department for January 2016 which included the following slides: Short-Term Weather Outlook, NW Snow Build, Regional Snow-Northwest 2015 vs. 2016, 2016 Mid-C Power Prices, Mid-C Calendar Strips, Natural Gas Prices, Slice Forecast, KPUD High Load Hours(HLH)/Low Load Hours(LLH) Net Position without McNary, KPUD HLH/LLH Net Position with McNary, KPUD Short-Term Net Position, December Hourly Physical Position, December Hourly Physical Position, Hourly Physical Position Summary, December Swap Transactions, Additional Financial Hedges, White Creek Historical Generation, White Creek Wind Expense Summary, Rock Creek to COB Transmission, and Net Metering Incentive Program. Commissioner Mosbrucker commented that it was mentioned at the WPUA meetings that Renewable Energy Credits (RECs) could be used to offset carbon tax; staff will contact WPUA for more information. The report was accepted as presented.

OPERATIONS DIVISION – Ron Schultz presented an annual update on the Engineering Department's customer work, as well as updates regarding LED Lighting, and substation inspections by the meter shop using the infrared camera. Urgent issues that were found have already been repaired. They have also been talking to customers regarding potential new irrigation load growth around 2.5 to 3.0 MWs. Interviews are scheduled for Monday for the meter shop foreman position.

Rob Rising reviewed the annual operations department report, noting that the outage statistics show that the department fell short of meeting their ASAI (average service availability index) reliability goal for 2015 due to a very active and stormy December. Ron Schultz noted that the new modeling program has greatly improved our ability to locate outage fault locations, which helps the crews get to the source of the outages in a timelier manner. The year-end operations report included the following graphs: December Outage Summary, Total Outage Hours and Causes, Outage Logs for both the east and west ends of the county, Monthly and Year-End Changes in KVA, Distribution Substation Reliability Comparison, and Substation Inspection Reports.

Ron Ihrig reported that a large water leak was recently found in Ponderosa Park. The water system operator reported an increase in the source meter read which lead to the leak being found. The leak was due to a split elbow on a 4" main line off of Red Cedar.

The reports were accepted as presented.

GENERATION ASSETS – Kevin Ricks presented the monthly and year-end reports for the H.W. Hill Landfill Gas to Energy Project, as well as the McNary Hydro Fishway Project that included an update on the turbine repairs and claims. Kevin also noted that he would be providing an update on the White Creek Wind I project in his next monthly report. The report was accepted as presented.

AGENDA ITEMS:

- A. **PROFESSIONAL SERVICES** – **MOTION** was made by Commissioner Dan Gunkel to authorize staff to add 21 firms (16 previous & 5 new) to Klickitat PUD's Professional Services Consultants listing for the 2016 period as outlined on the attached sheet. Motion carried.
- B. **EXECUTIVE SESSION: Potential Litigation** – President Mosbrucker called for an Executive Session at 4:30pm per RCW42.30.110 for the purpose of discussing potential litigation in regard to the Mile Marker 28 fire, noting that the session would last for 30 minutes.

RCW 42.30.110 – Executive Sessions.

(1) Nothing contained in this chapter may be construed to prevent a governing body from holding an executive session during a regular or special meeting:

(i) To discuss with legal counsel representing the agency matters relating to agency enforcement actions, or to discuss with legal counsel representing the agency litigation or potential litigation.

The Executive Session concluded at 5:00pm. No action was taken.

