

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
Tuesday, October 25, 2016  
2:00pm

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

**PRESENT:** Commissioners Ray A. Mosbrucker-President, Randy L. Knowles-Vice President, and Dan G. Gunkel-Secretary.

**STAFF PRESENT:** Jim Smith-General Manager, Ron Ihrig-Chief Operating Officer, Craig Lohrey-Operations Manager, Gwyn Miller-H.R. Manager, Kevin Ricks-Generation Assets & Special Projects Manager, Ron Schultz-Chief Engineer, Anita Thompson-Controller, Mike DeMott-Power Manager, Cynthia Bruce-Accts Payable/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 October 11, 2016 meeting minutes as presented. Motion carried.

**CLAIMS & PAYROLL:** Presented by Cynthia Bruce. 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 25<sup>th</sup> day of October, 2016.

**MOTION** was made by Commissioner Randy Knowles to approve the following as presented:

- Accounts Payable Voucher numbers 107946 through 108069 in the total amount of \$503,617.94 and Wires, ACH and EFT numbers 8800574 through 8800582 in the total amount of \$374,104.81 for the period ending October 25, 2016; and
- Payroll Warrant numbers 43306 through 43307 and ACH Direct Deposit Payroll transactions 9916299 through 9916377 in the total amount of \$166,650.26 for the payroll period ending October 16, 2016.

Motion carried.

**PUBLIC COMMENTS:** None.

**REPORTS:**

**COMMISSIONER DAN GUNKEL** reported that he received a phone call on October 24, 2016 from Ty Ross regarding the potential that the Nestle Company may set up a water bottling facility here in the Goldendale area. The facility could include manufacturing of the bottles and caps as well. It could have a potential of bringing 50 jobs to the area, probably labor-type. It appears to be an industry that would probably fit in the Goldendale area well. The meeting included lunch with 6-8 community residents regarding water rights that might be available to this company. They wanted to know if Klickitat PUD had water rights and what might potentially be available to help with the efforts of bringing this company to Goldendale. The quantities and amounts that Mr. Ross had were not precise or delineated, just that they would need in the order of 250 gallons per minute from a spring source. Commissioner Gunkel described several alternatives to the group that might work. We do have water rights in Klickitat and it's in continuity with the springs so it's potentially mitigated water. There are also several water rights available around the Goldendale area. Or M&I water in the Lake Roosevelt pool. Mr. Ross will be speaking with the City of Goldendale as well, about potential offers and see how serious the city is and how serious the company is about the Goldendale site. The PUD can be helpful to the extent that we can if it makes sense. Commissioner Gunkel told the group that it would require a presentation to this Board for any consideration of water rights for the project.

**COMMISSIONER RANDY KNOWLES** - No report at this time.

**COMMISSIONER RAY MOSBRUCKER** reported that a customer called him to report that her street light has been out for 4 months and has mentioned it to the PUD several times and it still has not been fixed. She spoke with the White Salmon office and they told her that the light would be fixed the next day. However as of last night it still wasn't fixed. Commissioner Mosbrucker asked Jim Smith to follow-up.

Commissioner Mosbrucker also noted that he would be attending the Energy Northwest Participants Review Board meeting October 26, 2016 in Kennewick WA, as well as their Public Forum being held October 27-28.

**GENERAL MANAGER** – The complete report can be found at:

[http://www.klickitatpud.com/topicalMenu/commissioners/GM\\_Reports.aspx](http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx)

In addition to the written Manager's Report, Mr. Smith presented the following:

- **Ron Ihrig's Retirement** – Mr. Smith reported that he has been going through the operating budget process with Ron Ihrig prior to his retirement, and working through some processes with him. Today is Mr. Ihrig's last Board meeting, and his transitioning out has not been an easy one for us. His being around this week for further input on several issues has been appreciated.
- **Organization Memberships** – The Public Generating Pool (PGP) PGP has been a good organization to be a part of as generators. The group's focus has been on carbon this past year and with what's going on in the marketplace today, Mr. Smith feels that the organization is a benefit to us and will be recommending that we continue membership with this group in 2017. Jim has also taken a look at NWPPA membership, and feels that the training benefit is still of value to us. Jim will not be recommending any changes to our association memberships for 2017 at this point.
- **Strategic Planning** – Mr. Smith is planning to have Therese Hampton, PGP Executive Director, facilitate our strategic planning session for us. The plan is to start with initial Commissioner and senior staff interviews in December in advance of the formal planning session, for input and to understand the issues that should be addressed. This process will continue into January with the actual planning session in January or early February.
- **2017 Operating Budget** – Mr. Smith reported that staff has drafted their first operating budget proposals and that he has reviewed them with staff. The Board will get a first look at the budget at the November 8<sup>th</sup> meeting. Jim presented information regarding the revenues and contract provisions for the Cliffs water rights lease with the 101 Bar Ranch and asked the Board to think about whether or not to plan for those revenues. While the contract is signed and we know the annual revenues, there is no guarantee that the mitigation will get approved by Ecology or that the project itself will proceed. No action is required until the Board sees the first draft of the 2017 operating budget on November 8<sup>th</sup>.

The report was accepted as presented.

**POWER MANAGEMENT** – Mike DeMott presented the monthly power management department report for September 2016 which included the following slides: 2016-17 Mid-C Power Prices, Mid-C Forward Power Prices, Forward Henry Hub Natural Gas, Forward Weather Outlook, White Creek September Generation (sold), September Total Load, Year-to-Date Load Billed by Customer Class, September Physical Position Review, 2016 YTD Total Swap Outcome, September Swap Activity, BPA Product Change Update, and Rock Creek to COB Transmission.

Mike reported that he and Kevin Ricks had met with N. Wasco PUD and the insurance company regarding the McNary Hydro Project claims. The meeting went well and staff provided the insurance company with additional details. He expects this claim to be settled prior to the end of this year.

Mike also discussed with the Board issues that have arisen between the full requirements BPA rate product we are moving to and our Point to Point (PTP) transmission contract with the Bonneville Power Administration. The Board recommended that staff review our options carefully and report back to the Board prior to taking any further actions with respect to our power or transmission contracts.

The report was accepted as presented.

**ACCOUNTING** – Anita Thompson presented the monthly financials for September, 2016 which included income statements of revenue and expenses, as well as a statement of cash flow. The report was accepted as presented.

**OPERATIONS** – Ron Ihrig and Craig Lohrey presented the September 2016 operations department monthly report. Craig noted that we are meeting our outage goals year to date for 2016, and that outage hours are 6,977 vs. 22,240 for the same time period last year. He also announced that two of our apprentice linemen have finished their apprenticeship programs, passed their journeymen linemen exams and have now been awarded permanent Journeyman Lineman positions on our line crews after we completed our normal bidding process. Staff is systematically continuing to identify water leaks at Ponderosa Park. Warehouse inventory is also

in the works this week. The crew has been completing their annual 230 kV transmission inspections to identify any potential problems before winter. The report was accepted as presented.

**ENGINEERING** – Ron Schultz presented the monthly engineering department report for October. He noted that his department is assisting with the warehouse inventory, which will pause some customer work temporarily. Training of the new staking engineers in Goldendale and White Salmon is ongoing, but noted they are doing very well and are picking up things quickly. The Transmission Operator Agreement with the Bonneville Administration (BPA) is now in draft form and Ron is hoping to have it finalized by the end of the year. BPA is adding a communications facility adjacent to our radio site at Haystack. They asked us for a beam path easement over our site, however it would impede our future growth so we have denied their request at this time. Commissioner Gunkel stated that we should appraise what the haystack site is worth and extract whatever value we can out of that site. It's important that staff understand where Board is at on this issue. It warrants an appraisal to know the market value if BPA should approach us again to use our site as an alternative. The report was accepted as presented.

**GENERATION ASSETS** – Kevin Ricks presented the monthly H.W. Hill Landfill Gas report for September 2016. Average station output was 12.93 average Megawatts, which is down due to the generator failure, and the reliability factor was 75.04%. The station continues to operate in compliance with the air operating permit. New wells in the landfill will be coming online within the next 2 months which are indicating that good gas will be coming from those fields. Field tuning is a major issue that we are talking to Republic about. Per our contract, they have committed to providing gas quality and Kevin is continuing to work with their management to bring our goals closer together. If we move forward with the RNG project, our current contract with Republic could require some modifications. The report was accepted as presented.

**HUMAN RESOURCES** – Gwyn Miller presented the 3<sup>rd</sup> quarter 2016 human resources report. Gwyn reported that as of the 3<sup>rd</sup> quarter, our combined costs for health and welfare is about 26% above our average and we still have a quarter to go. She looked into the cause of this increase, and we are seeing higher costs for our utility, but the other insurance pool members are seeing increased costs as well. If the last quarter comes in as average, we will still be 20% higher than the year before at year-end. Gwyn will be looking at what we would need to do with premiums in 2017. An increase would impact the utility and employees, but would also impact our retirees who have full medical coverage and are not yet 65, the most. She is advising that we implement gradual premium increases vs. a large increase. Staff will be bringing back a recommendation to the Board for an increase in premiums. Commissioner Knowles asked if it is time to look at other health care options? Gwyn noted that she would be in favor of looking at options if the Board wishes to do so. It was the consensus of the Board that it would be beneficial to do so at this time. Gwyn reported that on a positive note, we have only 3 workers compensation claims year-to-date compared to 7 in 2015 and 10 in 2014. We only have one open position at this time that is posted, and that is for a water-wastewater operator. Gwyn has received about 20 applications so far. The report was accepted as presented.

#### **AGENDA ITEMS:**

- A. **RESOLUTION No. 1724** – **MOTION** was made by Commissioner Dan Gunkel to adopt Resolution No. 1724, thereby authorizing the redemption of a portion of the District's electric system revenue and refunding bonds, Series 2006B, and to authorize the execution of certain documents related thereto, as it levelizes our annual debt repayment, saves interest costs, and is a good move for our ratepayers. Motion carried.
  
- B. **BID AWARD** – **MOTION** was made by Commissioner Dan Gunkel to award the bid for the Bingen Substation Construction project to DJ's Electrical in the amount of \$292,900 excluding taxes, per staff's recommendation. Bids were opened on October 20, 2016 as advertised. Motion carried.
  
- C. **PROFESSIONAL SERVICES** – **MOTION** was made by Commissioner Randy Knowles to authorize the addition of the following firms to Klickitat PUD's Professional Services Roster for the 2016 period, as they have met the qualification requirements:
  - OCD Automation of Estacada, Oregon
  - Lower Columbia Research & Archaeology, LLC of Portland, Oregon
  - AKS Engineering & Forestry, LLC of Vancouver, WashingtonMotion carried.

D. H.W. HILL LANDFILL GAS / RNG UPDATE – Jim Smith, Kevin Ricks, and Mike DeMott provided an update on the Renewable Natural Gas project, and the potential for a renewable natural gas (RNG) contract with British Petroleum (BP).

Kevin discussed the status of the engineering and project planning due diligence. He stated that in his opinion if the project moves forward, it could be built in a year if everything went right, but as things never go perfectly, the schedule that will be presented to the Board is likely longer than that. In the meantime, the LFG plant will be generating power at least through the end of 2017 as usual.

Mike discussed the bank loan request for proposal (RFP) process and the work we are doing to ensure that a project could be financed, and noted that draft gas sale agreements and biogas addendums have been received and are under review by our attorney. Jonathon Hoff of K&L Gates has negotiated equivalent contracts with BP in the past and was highly recommended.

Commissioner Gunkel commented that the original concept of the loan was to pay off capital in 3 years and reiterated his opinion that every year you extend the loan you increase your risk significantly. He further stated that fundamentally this project is about getting us from a bad place to a much better place and he's not going to expose our ratepayers to that outside risk of legislation or change of legislation or change of political agendas. The longer you extend the loan the more risk you are taking on. If you know you can pay it off in 3 years then make it the plan to do so. Jim went through the issues of setting a restriction of a three-year payback, and that getting us through the debt period as quickly as we can is the goal.

Jim reviewed the presentation that he gave at the last employee Safety meeting so employees would have a better understanding of the RNG project.

Staffing requirements for an RNG plant was discussed. Mr. Smith stated that he hopes to make a final presentation and recommendation to the Board the second meeting in November, but no later than the first of the year.

No action was required at this time.

E. RETIREMENT PRESENTATION – Resolution No. 1721 that was adopted at the previous Commission meeting was read by Commissioner Gunkel and presented to Ron Ihrig in recognition of his 37 years of service to Klickitat PUD, with his retirement being effective November 30, 2016.

**ADJOURNMENT** – There being no further business, the meeting adjourned at 5:21pm.

\_\_\_\_\_  
/s/  
Ray A. Mosbrucker, President

\_\_\_\_\_  
/s/  
Randy L. Knowles, Vice President

\_\_\_\_\_  
/s/  
Dan G. Gunkel, Secretary  
Date Approved: 11/08/2016

\_\_\_\_\_  
/s/  
Kathy Loveland, Executive Assistant