

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, November 22, 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, Gwyn Miller-Director of Human Resources & Business Services, Kevin Ricks-Generation Assets Manager, Craig Lohrey-Operations Manager, Anita Thompson-Controller, Mike DeMott-Interim Power Manager, Ron Schultz-Chief Engineer, Rob Rising-Line Superintendent, Cynthia Bruce-Accounts Payable/Accounting Clerk, and Kathy Loveland-Executive Assistant.

GUESTS: Doug Miller-PUD Commissioner Elect, and Dan Waineo, PE with GC-Environmental.

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

MINUTES: **MOTION** was made by Commissioner Randy Knowles to approve the November 08, 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 this 22nd day of November, 2016.

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

- Accounts Payable Voucher numbers 108180 through 108416 in the total amount of \$568,620.23 and Wires, ACH and EFT numbers 8800587 through 8800602 in the total amount of \$1,275,215.51 for the period ending November 22, 2016; and
- Payroll Warrant numbers 43314 through 43315 and ACH Direct Deposit Payroll transactions 9916460 through 9916538 in the total amount of \$174,854.75 for the payroll period ending November 13, 2016.

Motion carried.

PUBLIC COMMENTS: No comments.

REPORTS:

COMMISSIONER DAN GUNKEL reported that he attended the Klickitat County's Economic Development/Natural Resources Agency's (EDA) Leadership Roundtable meeting on October 13, 2016 to review their first draft of their strategic plan. There were no real surprises in the draft plan; however they did identify a couple of opportunities that we know exist but they drove it home. The presenters noted that if the county intends to be effective in future growth, they need to be doing some foot work to maintain relationships with key industries or businesses that are already growing, or have the potential for growth. The Insitu Company and the wine industry are two good examples. There still seems to be some confusion among the group on the difference between tourism and industry. In order to implement a strategic plan, the County Commissioners would need to allocate some resources toward the project.

Commissioner Knowles asked if the Economic Development group discussed the current housing issues within our county and what it would take to be able to house any potential growth. Commissioner Gunkel further noted that the consultants did pitch to the group the idea of forming a coalition to help move the strategic plan forward, to include additional people outside of the EDA. The consultants did a good job of bringing up target areas where we could expand business here in Klickitat County.

COMMISSIONER RANDY KNOWLES reported that there appears to be a positive change in discussions in the region regarding pumped storage. The things we have been discussing for some time about how a pumped storage project could help the region, people are just now waking up to the fact.

COMMISSIONER RAY MOSBRUCKER reported that he attended the Washington PUD Association meetings November 16-18, 2016 in Olympia, WA and that he will also be attending the Association's annual meetings November 30 to December 2, 2016 in Vancouver, WA at which time he will be inducted into the Heritage Life Membership. Commissioner Mosbrucker noted that with his tenure as a PUD Commissioner ending this year, he recommended that Commissioner Knowles be KPUD's representative for the PUD Association; Commissioner Gunkel agreed. A replacement will also need to be selected to serve on Energy Northwest's Participants Review Board. Commissioner Mosbrucker also reported that some of the legislative issues that will be coming up in 2017 include fire liability, distributed generation, service territories, I-937 action plan, vehicle electrification authority, customer back-billing, and pole attachments.

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 reported the following:

- **Quarterly BOCC meetings:** The next quarterly meeting with the Klickitat Board of County Commissioners is scheduled for Tuesday, January 10, 2017 at 11:00am, and asked the Commissioners for input on discussion items.
- **McNary Hydro Project:** Staff gave the Board an update on the McNary project noting that due to water leaks through the wicket gate seals, start-up has been delayed until the week of February 6, 2017 for commissioning the new unit. HCMS has indicated that they were not hired to engineer the gate seals; therefore the cost to fix the seals will probably be an expense to Northern Wasco PUD and Klickitat PUD. Commissioner Gunkel asked staff to find out the particulars on the seal leaks and whether or not it was a fatal flaw issue.
- **Wishram Water Well Siting:** In the written manager's report, Mr. Smith addressed Commissioner Gunkel's inquiry from the previous meeting regarding well location recommendations and provided the commissioners with the report from Aspect Consulting. Following review of Aspect's report, Commissioner Gunkel stated that the report is incomplete as far as he is concerned as it did not indicate whether it include any investigation into the railroad well which used to be a high producing water well. Their recommended well site is identified as being basalt, which would have to be leveled at a great cost. Commissioner Knowles inquired as to why the Grande Ronde was not included in the study, as it could be a better option. Mr. Smith stated that the water supply plan included the potential for water either from the Wanapum or Grande Ronde aquifers.

The report was accepted as presented.

POWER MANAGEMENT – Mike DeMott presented the monthly Power Management Department report for October 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 October Generation (sold), White Creek Wind Balance Authority Change, October Total Load, January-October Physical Position Review, October and YTD Total Swap Outcome, October & MTD November Swap Activity, KPUD Net Position, and BPA Product Change Update. The report was accepted as presented.

ACCOUNTING – Anita Thompson presented the Accounting Department monthly report for October 2016 which included an income statement and statement of cash flow. The report was accepted as presented.

ENGINEERING – Ron Schultz presented the monthly engineering department report for October 2016. He will be meeting with BPA on December 5, 2016 to finalize the Transmission Operator Agreements and will be talking to their dispatch staff at that time as well. The Bingen Substation work is going well, and the new transformer is scheduled to be delivered to the substation on December 12, 2016. The meter shop has completed their monthly substation inspections. Purchasing of the Condit line from PacifiCorp is ongoing; staff is currently reviewing easements. The report was accepted as presented.

OPERATIONS – Craig Lohrey presented the October 2016 operations department monthly report. He reported that drilling of the emergency source water well in Glenwood is completed and has been capped; the quantity and quality are good. The annual inventory process at the warehouse is complete, with only a .12% variance due to the good supply tracking system we have in place. In regard to outage statistics, we are meeting our reliability goals for 2016 to date.

Rob Rising gave an update on the vegetation management program for October, 2016. The reports were accepted as presented.

AGENDA ITEMS:

- A. PRE-QUALIFICATION OF CONTRACTORS – **MOTION** was made by Commissioner Dan Gunkel to approve the addition of J&R Dirt Diggers Inc. of Carson, WA to KPUD’s Small Works Roster for the 2016 period, as they have met the District’s qualification requirements. Motion carried.
- B. RESOLUTION NO. 1723 “Certifying Officer/Deputy Certifying Agent” – **MOTION** was made by Commissioner Dan Gunkel to adopt Resolution No. 1723, thereby appointing the General Manager as Certifying Agent, the Operations Manager as Deputy Certifying Officer, and authorizing the Materials Manager to certify vouchers and sign the blanket certification for such vouchers. Motion carried.
- C. RESOLUTION NO. 1725 “Delegates in Absence of General Manager” – **MOTION** was made by Commissioner Dan Gunkel to adopt Resolution No. 1725, thereby delegating the authority of the General Manager in his/her absence to the Director of Human Resources & Business Services, and secondly to the Operations Manager in the absence or incapacitation of the General Manager and HRBS. Motion carried.
- D. RESOLUTION NO. 1726 “Designation of Auditor / Deputy Auditor” – **MOTION** was made by Commissioner Dan Gunkel to adopt Resolution No. 1726, thereby designating the Controller as the District’s Auditor, and the Accountant as the District’s Deputy Auditor. Motion carried.
- E. RESOLUTION NO. 1727 “FEMA Representatives” – **MOTION** was made by Commissioner Dan Gunkel to adopt Resolution No. 1727, thereby designating the District’s Controller as Agent, and the District’s Accountant as Alternate Agent to serve as authorized representatives for FEMA transactions. Motion carried.
- F. RESOLUTION NO. 1728 “Appointees to W.C. Public & W.C. Project Boards” – **MOTION** was made by Commissioner Dan Gunkel to adopt Resolution No. 1728, thereby reaffirming the appointment of the General Manager as the District’s Board Member and appointing the Power Manager as the District’s new Alternate Board Member to serve on the White Creek Project LLC Board and the White Creek Public LLC Board due to Ron Ihrig’s retirement. Motion carried
- G. RESOLUTION NO. 1729 “Authorize Business Credit Card for Power Manager” – **MOTION** was made by Commissioner Dan Gunkel to adopt Resolution No. 1729, thereby authorizing the issuance of a Klickitat PUD business credit card to Mike DeMott-Interim Power Manager, for KPUD business transactions only. Motion carried.
- H. POLICY BULLETIN NO. 45 “Risk Management” – **MOTION** was made by Commissioner Randy Knowles to approve the revisions to Policy Bulletin No. 45 “Risk Management” as recommended by the General Manager. The revisions at this time reflect changes to electronic confirmations for power trades, as well as changes to the make-up of the Risk Management Committee. There is also a stated direction to develop enterprise risk policies in addition to the risk policy, which is currently centered on power trading risk. Motion carried.
- I. 2017 OPERATING BUDGET REVIEW – The second draft of the budget was presented to the Board for further input and direction. The only difference from the first draft are BPA rate increase assumptions which improved the long term forecast about \$700k a year, some additional expenses of about \$200k in 2017, some small decreases to building and maintenance expenses in 2018 and a reduction in long-term capital of about \$3M over the 5 year forecast. There was also a change in 2017 that increased the power purchases and surplus sales to correct how we should see our numbers, but the net impact on the utility is zero. The overall position was improved slightly in the second draft for the 2017 operating budget presented.
- No electric rate increase was recommended January 1, 2017, but the budget does include a potential for a 3% electric rate increase July 1, 2017 to be reviewed by the Board at the end of the first quarter of 2017.
- No action was required at this time.

J. SET PUBLIC HEARING DATE / TIME – 2017 Operating Budget – **MOTION** was made by Commissioner Randy Knowles to set a public hearing date for the presentation of the final 2017 Operating Budget for Tuesday, December 13, 2016 at 3:00pm. Motion carried.

K. H.W. HILL LANDFILL GAS / RNG PROJECT – Jim smith, Kevin Ricks, and Mike DeMott presented an update to the Board on their continued due diligence work for the potential renewable natural gas project. Dan Waineo with GC-Environmental was present to provide additional input.

Staff is continuing to work with K&L Gates on contract negotiations with IGI Resources/British Petroleum. Mike is continuing to work on the Request for Proposals for potential project funding. Kevin commented that there were not a lot of surprises in the Engineering/Project feasibility study. We are trying to make use of the current equipment at the LFG site and integrate any expansion into this equipment. Our attorney is drafting a resolution regarding competitive bidding requirements.

Discussion ensued regarding the contract with Republic Services and the economic implications to the District if the landfill operations remain status quo and whether or not that could impact our project. Kevin noted that the RNG models assume no increase in gas volumes.

No action was required at this time.

ADJOURNMENT – There being no further business, the meeting adjourned at 5:30pm.

/s/
Ray A. Mosbrucker, President

/s/
Randy L. Knowles, Vice President

/s/
Dan G. Gunkel, Secretary
Date Approved: 12/13/2016

/s/
Kathy Loveland, Executive Assistant