

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, April 26, 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, Kevin Ricks-Generation Assets & Special Projects Manager, Anita Thompson-Controller, Gwyn Miller-H.R. Manager, Mike DeMott-Interim Power Manager, Ron Schultz-Chief Engineer, Ron Ihrig-Chief Operating Officer, Cynthia Bruce- Accounts Payable/Accounting Clerk, and Luann Mata-Engineering Administrative Assistant.

GUESTS: None.

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

MINUTES: **MOTION** was made by Commissioner Dan Gunkel to approve the April 12, 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 on April 26, 2016.

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

- Accounts Payable Voucher numbers 106344 through 106450 in the total amount of \$484,460.85 and Wires, ACH and EFT numbers 8800468 through 8800477 in the total amount of \$1,791,929.95 for the period ending April 26, 2016; and
- Payroll Warrant numbers 43276 through 43277 and ACH Direct Deposit Payroll transactions 9915242 through 9915319 in the total amount of \$161,778.48 for the payroll periods ending April 17, 2016.

Motion carried.

PUBLIC COMMENTS: None.

REPORTS:

COMMISSIONER DAN GUNKEL reported on the Vineyard/ Winery portion of the Strategic Planning Agricultural meeting. There were seven or eight winery attendees and only two agriculture companies represented.

COMMISSIONER RANDY KNOWLES reported that he was unable to attend the Forestry group meeting due to illness. He discussed that FERC denied our Pump Storage request for rehearing; they also denied the competing filing as well. There apparently is a Federal renewable energy bill that may have passed? DOE is working to develop methodologies to create a rate mechanism for these types of projects. Staff will investigate and report to the Board.

COMMISSIONER RAY MOSBRUCKER – reported that he attended the WPUA Commissioners meeting at Suncadia. He reported that the Energy bill is moving again in Washington D.C. after being stalled for some time. WPUA underwent a full Audit and there were no findings reported. There was an unscheduled shutdown at Energy Northwest. Commissioner Gunkel provided some insight. The Governor has signed a bill that increases penalties for Public Meeting Law violations. There were some public speakers that presented information on borrowing from banks vs. bonds. Alan Dashen talked about bonds another speaker was from Key Bank and spoke about local lending agencies wanting to support municipalities. Dennis Reid was voted in as the new President, Don Skagen is the new Vice-President, and Dean Dahlin is the new Secretary. Initiative 1732 is on the ballot, but the general consensus is that it's not going to pass. George Caan would like to know how it would affect each PUD directly even if it doesn't pass, as it will likely resurface. Bill 6216 might state that you can't pass water rights from one WIRA to another. The Board asked that this be researched by staff for the Board. The Public Works Trust fund is trying to get people to use the money before it gets moved out. Jim will look into this as he was under the understanding that the state has not restored funding. Dick Roderick spoke about the

history of PURMs. Commissioner Knowles questioned our earthquake preparedness and could we supply our own load should we be isolated from the BPA grid. We are in the planning process with the County. Commissioner Gunkel asked if we have the ability to restart Generation from a black start. Kevin responded that we do not have the ability at this time.

GENERAL MANAGER – The complete report can be found at:
http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

ACCOUNTING REPORT- We have closed out our 2015 financials and Moss Adams is just completing its financial audit. January/February reports were included in packets. Overall revenue was higher than budget. Aid In Construction was slightly higher due to a large project requested one customer. Other Income is higher than budget as it includes the remaining settlement payment from Stellar J. Operating Expense was below budget as of February. Transmission Expenses were above budget due to an imbalance penalty from BPA that we disputed. This will be offset as BPA has refunded a large portion of this penalty amount which should not have been levied.

POWER MANAGEMENT REPORT- Report given for March and April period. Mike discussed 2016 weather patterns and power prices and the impacts and actions on the PUD. We anticipate adequate Slice system supply in June should there be a heat wave. There was a short-term runoff spike in April and Slice output is forecasted above average through summer, with the rest of the year looking to be about average. Natural gas and power prices have trended slightly higher since last report. Mike discussed that he may be asking the Board to consider giving staff approval to set the mark to market exposure from financial power transactions with Citi Group to be higher than the current \$2.0 million threshold should a trade become available that would benefit the utility. The current ISDA threshold for Citi is \$9 million before KPUD might be asked to supply security. Risk Management Policy states this is acceptable with Board approval. Further research will be conducted to arrive at a potential dollar amount of additional exposure to request of the Board.

OPERATIONS DIVISION REPORT- Ron Ihrig and Ron Schultz- We are meeting our outage hours goal, most of the hours reflected were due to a windstorm outage in Glenwood. We have had a potential irrigation request for serving up to 10 MW in the Goodnoe Hills area. This installation would require an upgrade to the Goodnoe Substation and a transmission line. There is talk that the Sundoon Development in Dallesport might be starting up again. The last information provided would be for about 1.5 MW, which we can provide from Spearfish substation. We received a letter from BPA and Friends of the Gorge. BPA requested that we submit our Klickitat River Crossing proposal to the Friends of the Gorge again. Upon doing so we received a letter from the Friends of the Gorge stating that the funds had already been distributed and that they would not be funding our project requests. Work on the Bingen outage went well but some service was restored after the 6:00 a.m. plan. Problems were encountered with protection and switching equipment that took time to troubleshoot. PacifiCorp meeting is scheduled for May 4th in Portland to discuss the Condit line. Skip Mulroney is retiring at the end of this week, April 30th and his Mechanic position will be posted. During the training period both mechanics will work the same schedule then maybe moved to a staggered schedule to provide more coverage to allow work on trucks when crews are not utilizing them. Ron Schultz and Ron Ihrig have been working with ADDcom on evaluating radio coverage issues. We have had our system reviewed and our plan is to install a Multicast system now which will get us better coverage than we currently have for an approximate cost of \$75,000, which has been budgeted. At a later date, we can move towards a Simulcast system and we can re-use the Multicast equipment. That would be a \$500,000 upgrade and we will evaluate the need after we can see the performance of the Multicast system. FEMA contacted accounting regarding the Roosevelt and the Horsethief fires from last summer to see if we have a request for funds to submit. Most of the information requested has been sent. Horsethief fire required the replacement of 13 poles; The Roosevelt fire required 3 transmission poles 15 distribution poles and a Wastewater pond liner. County Treasurer Greg Gallagher asked whether the PUD wants to begin foreclosure processes on outstanding LUD liens. We have not followed through with our option of this in the past, but if we'd like to begin to the County would like us to notify them. There is a small annual fee from the county for open LUD processing. Commissioners would like more information on how many LUD's should be completed but remain open due to non-payment as well as what the annual fee is for administering these. Ron will bring back additional information.

HUMAN RESOURCES/INFORMATION TECHNOLOGY REPORT- First quarter, health and welfare reporting's are slightly higher this year and are the highest we've seen since 2012. This does not appear to be related to preventative claim issues. We have one workers comp claim and that employee is back to work under light duty restrictions. The Staking Engineer I position is posted. This position will reside in White Salmon. Staking Engineer Miquette Ihrig gave her official retirement notice today; she will be done at the end of the year. Mycoff contract for the CFO Position is posted. We have also had some internal employees moving; Cynthia Bruce has moved from Engineering Assistant to Accounts Payable Clerk. There are three internal employees that have applied for the Engineering Support Assistant position which will open another internal position once that position is awarded. We have posted a temporary upgrade at the landfill to cover

Tim Madsen's supervisory role during his medical leave. We will be posting five College Student positions. The Safety Awards banquet is scheduled for May 21st.

GENERATION ASSET REPORT – Kevin Ricks presented

AGENDA ITEMS:

- A. SET PUBLIC HEARING DATE/TIME – MOTION was made by Commissioner Randy Knowles to authorize and set the date for Water and Wastewater Rates and to advertise a Water Wastewater rate hearing date of 5/24/2016 at 3:30pm. Motion carried.

- B. MCNARY TURBINE REPLACEMENT/CRANE FAILURE – No Action - Update only. Northern Wasco is authorizing Wagstaff to complete repairs on the Upper Inner and Outer Head covers. Repair costs are estimated to be \$400,000. Friday is the next Northern Wasco meeting, should have more information then.

- C. EXECUTIVE SESSION – 4:08P.M. – 6:23 P.M. Contract Negotiation- HW Hill Contracts –

- D. ACTIONS FROM EXECUTIVE SESSIONS – MOTION was made by Commissioner Dan Gunkel authorizing Jim Smith, General Manager to enter into the best long term power sales contract that is in the best interest of the Rate Payer's, motion was seconded by Commissioner Ray Mosbrucker and opposed by Commissioner Randy Knowles. Motion carried.

ADJOURNMENT – There being no further business, the meeting adjourned at 6:35pm.

Ray A. Mosbrucker, President

Randy L. Knowles, Vice President

Dan G. Gunkel, Secretary
Date Approved: _____

Luann Mata, Engineering Admin. Assistant