

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, June 14, 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, Kevin Ricks-Generation Assets & Special Projects Manager, Anita Thompson-Controller, Gwyn Miller-H.R. Manager, Mike DeMott-Interim Power Manager, Ron Schultz-Chief Engineer, Rob Rising-Line Superintendent, Cynthia Bruce-Accts Payable/Accounting Clerk, and Kathy Loveland-Executive Assistant.

GUEST: Andy O'Neil-Wastewater Operator Outreach with the Washington State Department of Ecology.

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

MINUTES: MOTION was made by Commissioner Randy Knowles to approve the May 24, 2016 meeting minutes as amended. 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 14th day of June, 2016.

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

- Accounts Payable Voucher numbers 106698 through 106883 in the total amount of \$694,941.31 and Wires, ACH and EFT numbers 8800493 through 8800502 in the total amount of \$792,612.89 for the period ending June 14, 2016; and
- Payroll Warrant numbers 43282 through 43283 and ACH Direct Deposit Payroll transactions 9915478 through 9915558 in the total amount of \$173,815.82 for the payroll period ending May 29, 2016.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

COMMISSIONER DAN GUNKEL – No report at this time.

COMMISSIONER RANDY KNOWLES reported that he attended the Pacific Underwriters (PURMS) semi-annual Board meeting on June 9, 2016 in Seattle, at which two items of interest were discussed. The first one being that they are going to raise the contingency from \$3M to \$3.5M with an additional quarter million dollar assessment split between utilities per the current cost sharing and then assess the remaining \$250,000 over the next 3 years to bring the fund to the \$3.5M level. A cash fund is required to be maintained in reserves to meet the State Risk Management requirements. The second item of interest is that they are going to consider at their November meeting, an altered methodology of how utilities share the cost of the premiums for excess insurance. Currently the premiums are derived by 75% based on the number of hours worked by utility personnel / 20% is claims history / 5% is shared equally. They are proposing to change these numbers to 85% / 10% / 5%. There are winners and losers to the new percentages; given our current snapshot our bill should be about \$20,000 less, however it could also change and be higher. This change would be to conform to how the excess insurance companies handle it. PURMS is trying to become more equitable. The proposal will be voted on in November.

Commissioner Knowles also commented that during his attendance at the PURMS meeting, he had a chance to chat with other Board members about how PURMS works and how engaged the Board members are or aren't in PURM's business affairs. He also spoke with Dick Rodruck, administrator for PURMS and Jan Essenburg, PURMS Counsel.

Commissioner Knowles will now be included more in the systems processes and the Executive Committee of the PURMS' Board will meet prior to the full Board meetings and go over the various proposals from staff and have an opportunity to discuss them before being presented to the full Board for decisions. More Board education is being requested as well to have a better understanding of the business. Commissioner Knowles also inquired of Dick Rodruck about succession planning, of which there is none at this time. Therefore Commissioner Knowles will continue pushing the idea and asking Dick to develop "something." There fundamentally needs to be a process of how the business would move forward if Dick Rodruck were to become ill or leave the business.

The PURMS Board is also working with the Washington PUD Association (WPUDA) on fire legislations, of which WPUDA is taking the lead. Commissioner Knowles will be touching base with George Caan, Executive Director of WPUDA, to discuss this further. Jim Smith has information from Mr. Caan regarding the fire legislation subject, and will be sharing that with Commissioner Knowles.

In regard to a power sales agreement, Commissioner Knowles again asked the Board members to reconsider their position regarding the long-term energy sales contract. Hopefully new information from staff during the Executive Session later in today's meeting will have some impact on their decision.

COMMISSIONER RAY MOSBRUCKER reported that he attended the Snowden customer meeting on June 2, 2016 along with Ron Schultz at which time Ron brought the group up to speed on the District's operations. It was a good meeting, and afterward Commissioner Mosbrucker was asked a few questions from customers regarding the net metering program.

Commissioner Mosbrucker also announced that he would be attend the NWPPA's "decision-making" class in Walla Walla, WA on June 22-23, 2016

GENERAL MANAGER – The complete report can be found at:

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

In addition to the written report, the following information was presented to the Board:

- Mr. Smith inquired as to how to proceed in presenting the Board's resolutions to Senator Curtis King and Representative Norm Johnson. Per Commissioner Mosbrucker's recommendation, the resolutions will be presented to Senator King and Representative Johnson at the Washington PUD Association dinner that will be held in Goldendale in September.
- Mr. Smith announced that Klickitat County's Department of Emergency Management received word that their Hazard Mitigation Planning (HMP) applications were approved by the State and have been forwarded to FEMA. FEMA is trying to get everything awarded as fast as they can, but they have seen it take up to a year in the past, but the hope is with it being a pilot program, it will move faster. Jeff King is taking the lead on this project.
- Following discussion regarding the need for a meter reader for the customer service department, Commissioners Gunkel and Mosbrucker agreed with Mr. Smith's recommendation in moving forward with creating and filling a new meter reader position. We did not fill a part time meter reader position once the incumbent retired in 2012 to reduce costs. This would recreate that position as a permanent full time position. Staff will begin the advertising process.

The report was accepted as presented.

ACCOUNTING – Anita Thompson presented the monthly financial report for April, 2016 which included the income statements for Revenue and Expenses and the Cash Flow statement. In response to Commissioner Knowles's question, Anita noted that her department should be caught up with the financial reports next month, at which time the reports should be available 20 days following month-end. The delay in monthly reports has been due to working on the financial audit, a couple of high priority tasks that came up, as well as training of new staff. Ron Ihrig complimented the accounting department for catching up as they have had a high turn-over which has resulted in the need for a lot of training for new staff. We now have a good team onboard and things are looking up. Anita stated that we are still waiting for the audited financial statement from Moss-Adams who performs our financial audit, and is hoping to receive it in a couple of weeks. She will then schedule their representative(s) to attend a Commission meeting and present the audited financial statement to the Board.

Commissioner Knowles reported that PURMS, at year-end, includes an amount of outstanding known and unknown claim dollars estimated by an actuary. These dollars are then shown on the PURMS financials as a receivable, which are used to satisfy the State regulations for funds on hand. The State Auditor will be following up with member utilities to see that these dollars, the

amount assigned to each member, are either shown as part of the financials and/or described in the notes to the financials under the PURMS note that the PUD currently includes each year. PURMS has promised to provide utilities with some documentation within 60 days that will give us a sense of what the numbers will be. It will then be up to us to decide if it is a sum material enough to be included as a liability or just footnoted in our statements. It's coming down the pike and could be a significant figure, since we are the 3rd of 4th largest member of the group.

The report was accepted as presented.

GENERATION ASSETS – Kevin Ricks presented the monthly H.W. Hill LFG report for May, 2016 noting that the station output was 18.06 average MW which was down a little from last month. The theoretical maximum with the gas volumes available was 18.61 average MW. The plant experienced two trips on the CTs due to a voltage transient induced in the transmission system traced to a BPA switching operation at the Rock Creek Substation. We are working with BPA to come up with a solution to prevent future occurrences of inadvertent unit trips. A staffing reduction of one LFG Tech 1 position was implemented May 23, 2016. Kevin gave an overview of the work performed at the station during the recent planned maintenance outage, and also noted that the solar technician that was onsite during the outage stated that the combustion turbines (CTs) looked good upon inspection. The report was accepted as presented.

AGENDA ITEMS:

- A. **PRE-QUALIFICATION OF CONTRACTORS** – **MOTION** was made by Commissioner Dan Gunkel to authorize the addition of the following contractors to Klickitat PUD's Small Works Roster:
- Mountain View Excavation of Goldendale, WA
 - Bill's Excavating and Debris Removal of Goldendale, WA
 - Grade Worx (formerly CRS Construction & Fencing) of Goldendale, WA
 - Clean Harbors Environmental Services Inc. of Pasco, WA
- Motion Carried.
- B. **BOARD APPROVAL OF STAFF'S ACTIONS** – **MOTION** was made by Commissioner Randy Knowles to approve of staff's actions in declaring that an emergency situation existed at the HW Hill Landfill Project, at which time staff elected to waive the competitive bidding requirements in order to award all necessary contracts on behalf of the District to address the emergency situation in a timely manner, as there was a condensate line leak/spill outside the low compression building at the LFG plant site that needed immediate remediation. Motion carried.
- C. **2:45pm - 2014 WASTEWATER TREATMENT PLANT AWARDS** – Andy O'Neill with the WA State Department of Ecology was in attendance to present the Wastewater Treatment Plant awards for 2014 to the District's water-wastewater department employees. Three of our plants are receiving the Outstanding Performance Awards for Wishram, Klickitat, and Lyle. The Board congratulated staff on a job well done.
- D. **EXECUTIVE SESSION: Contract Negotiations** – President Mosbrucker called for an Executive Session at 3:40pm per RCW42.30.110 for the purpose of discussing the H.W. Hill Power Purchase Agreement, 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:
(d) To review negotiations on the performance of publicly bid contracts when public knowledge regarding such consideration would cause a likelihood of increased costs.
The Executive Session concluded at 4:10pm. No action was taken.
- E. **EXECUTIVE SESSION: Contract Negotiations** – President Mosbrucker called for an Executive Session at 4:15pm per RCW42.30.110 for the purpose of discussing contract negotiations for leasing of the Cliffs Water Rights, noting that the session would last for 45 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:
(d) To review negotiations on the performance of publicly bid contracts when public knowledge regarding such consideration would cause a likelihood of increased costs.
The Executive Session concluded at 5:00pm. No action was taken.

