

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, July 12, 2016
2:00pm

CALL TO ORDER: President Ray Mosbrucker called the meeting to order at 11:15am at the chambers of the Klickitat Board of County Commissioners.

Jim Smith provided the County Commissioners with updates on the H.W. Hill Landfill Gas Project, Wishram Wastewater infrastructure funding requirements, and FOG finalization.

RECESS: President Mosbrucker recessed the meeting at 11:55am.

RECONVENE: President Mosbrucker reconvened the regular meeting to order at 2:00pm at the Klickitat PUD Board Room.

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./I.T. 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 June 28, 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 12th day of July, 2016.

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

- Accounts Payable Voucher numbers 107007 through 107114 in the total amount of \$375,784.16 and Wires, ACH and EFT numbers 8800512 through 8800516 in the total amount of \$86,539.11 for the period ending July 12, 2016; and
- Payroll Warrant numbers 43286 through 43287 and ACH Direct Deposit Payroll transactions 9915636 through 9915720 in the total amount of \$187,940.25 for the payroll period ending June 26, 2016.

Motion carried.

PUBLIC COMMENTS: None.

REPORTS:

COMMISSIONER DAN GUNKEL reported that Pacific Gas & Electric is proposing to retire its two reactors at the Diablo Canyon nuclear power plant in California when the current licenses expire in 2024 and 2025. This is on the heels of the Calhoun nuclear plant shutting down by the end of the year, as well as 6 or 7 others scheduled for closure in the next ten years. The plant at Diablo Canyon is less than half the size of Energy Northwest's Columbia Generating Station (CGS). The main reason for shutdowns is economics. There are high costs associated in maintaining the facilities in the capacity that they need to be maintained, and a re-licensing process is very costly. CGS is in a much better position to continue operating, as its ratepayers have helped keep the plant in good running condition.

COMMISSIONER RANDY KNOWLES – No report at this time.

COMMISSIONER RAY MOSBRUCKER reported that he would be attending the Washington PUD committee meetings July 13-15, 2016 in Port Angeles, WA.

GENERAL MANAGER'S REPORT – 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:

- Cliffs Water Rights – Mr. Smith sent the first draft of the water supply agreement to Goodnoe Hills on Monday. They are reviewing the contract and a meeting is scheduled for next Thursday to go through the agreement with various attorneys.
- Low-Income Weatherization Program – Anita Clever is looking into implementing a new weatherization program for low-income customers. The Bonneville Power Administration (BPA) has a specific program for low income and the process includes WAGAP given the low income requirements. All costs are reimbursed from BPA out of the program funds. This would be a very good addition to our programs and would give us some ability to help our low income customers who often struggle with high bills during the cold winter months. Anita will run through the details of the program at a future Board meeting once the first installation is complete.
- Financial Audit – Anita Thompson received our District's audit results from Moss-Adams. With that information, she has adjusted our 2015 financial statements to align with the 2015 audit results and incorporate the audit adjusting journal entries. These changes have provided an opportunity to defer revenue to a future period. Mr. Smith would like to have a discussion with our financial and bond advisors on whether or not deferring some of the resulting income would be prudent given that 2016 and 2017 financials will be strained with the current surplus revenue forecasts. The Board agreed. Julie Desimone with Moss-Adams will be attending a Board meeting in the near future to provide a summary of the financial audit outcome.
- Credit Card Payments – Mr. Smith reported that we recently experienced an issue with our credit card processor's inability to accept credit card payments. In working through the issues with PCS, who is our billing system vendor, Brandy Meyers determined that the credit card processing portion of the system had been experiencing cyber-attacks and that their security system shut down the payment processing as a result. PCS's back up system then had problems handling the volume of transactions. Staff will continue to work through the process issues with PCS to eliminate future problems.
- Wishram Water System – The variable frequency drive on the lower well kicked out this morning and the SCADA notification system that we just installed at the reservoir alerted us of the issue. Field staff re-started the VFD and we are working with the local community on water restrictions until the reservoir refills.
- California Curtailments – Commissioner Gunkel had asked staff at the last Board meeting to provide information on the correlation between solar electric generation installations in California and the results curtailments caused by that increased solar production. Mr. Smith provided this information, which does show a strong correlation. Mr. Smith also discussed information on California's Independent System Operator (CAISO) vs. WECC studies that have been trying to forecast the impacts of additional solar installations in California. The issue is whether there will be significant curtailments in California and whether that power flows north on the high voltage transmission inter-tie and impacts the electric markets here in the Pacific Northwest. So far in 2016, there have not been significant impacts and the curtailments appear to be in the 1% range. These studies both conclude that there will be curtailments, but they disagree on the severity (WECC predicts 8.5% and CAISO predicts 4.5%). Both also agree that the CAISO Energy Imbalance Market (EIM) expansion will significantly improve the amount of curtailments and both show that improvements of about 3-4% are possible.
- BPA Contract – We are still moving forward in switching from being a BPA slice customer to a load following customer. BPA has agreed to allow a switchover in March 2017 vs. 2019. Mr. Smith also discussed a true-up that staff is working on with BPA. As a slice customer, we have seen benefits from the regional co-operation debt, while load following customers will see this benefit in the next rate period, as it was not part of the original rate process. As a result, our staff is working to ensure that we receive the benefit and BPA is working to ensure we don't see it twice. The amount being discussed is in the \$250,000 range.

The report was accepted as presented.

GENERATION ASSETS REPORT

- HW Hill Landfill Gas Project – Kevin Ricks reported that the electric generator on combustion turbine #1 failed on the morning of July 11, 2016 and provided the particulars of such to the commissioners and will provide updates as he learns more. He also presented the monthly LFG report for June, noting that total production at the BPA meter was 9,161.0 MW-HR; Average Station Output was 12.77 average MW (this number is reduced due to the planned maintenance outage earlier in June); and the Maximum possible average output without curtailments would have been 19.94 average MW. Kevin also provided the Board with an

update on the maintenance activities and improvement projects that took place during the planned annual maintenance shutdown.

- McNary Hydro Fishway Project – Kevin shared the progress report thru July 7, 2016 with the Board, noting that the crews finished the stator rewind last week and are beginning testing today & tomorrow on the generator. They will start stacking the tower next week. It appears as though they will be able to beat the schedule and be back on-line about 6 weeks early, which would be the second week in October. The budget remains as previously reported, with no changes foreseen at this point.

The report was accepted as presented.

AGENDA ITEMS:

- A. CALL FOR BID: Bingen Substation Circuit Switcher – **MOTION** was made by Commissioner Dan Gunkel to authorize staff to advertise a call for bids for the Bingen Substation Circuit Switcher as presented, with a bid opening date/time of August 2, 2016 at 2:00pm. Motion carried.
- B. PROFESSIONAL SERVICES CONSULTANT APPROVAL – **MOTION** was made by Commissioner Dan Gunkel to authorize the addition of GN Northern, Inc. of Yakima WA to Klickitat PUD's Professional Services Consultant listing for the 2016 period. Motion carried.

ADJOURNMENT – There being no further business, the meeting adjourned at 3:30pm.

/s/
Ray A. Mosbrucker, President

/s/
Randy L. Knowles, Vice President

/s/
Dan G. Gunkel, Secretary
Date Approved: 7/26/2016

/s/
Kathy Loveland, Executive Assistant