

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, February 28, 2017
2:00pm

CALL TO ORDER: President Randy Knowles called the meeting to order at 2:00pm.

PRESENT: Commissioners Randy L. Knowles-President and Dan G. Gunkel-Vice President.

STAFF PRESENT: Jim Smith-General Manager, Gwyn Miller-Director of HR & Business Services, Kevin Ricks-Generation Assets Manager, Mike DeMott-Interim Power Manager, Ron Schultz-Chief Engineer, Brandy Myers-Customer Service Supervisor, Rob Rising-Line Superintendent, Cynthia Bruce-Accts Payable/Accounting Clerk, Beth Schroder-Accountant, Nichole Lantau-Accountant, 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 February 14, 2017 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 the 28th day of February, 2017.

MOTION was made by Commissioner Dan Gunkel to approve accounts payable vouchers and payroll in the amounts as presented:

- Accounts Payable Voucher numbers 109028 through 109132 in the total amount of \$519,121.63 and Wires, ACH and EFT numbers 8800648 through 8800657 in the total amount of \$484,456.07 for the period ending February 28, 2017; and
- Payroll Warrant number 43327 and ACH Direct Deposit Payroll transactions 9917013 through 9917091 in the total amount of \$168,175.30 for the payroll period ending February 19, 2017.

Motion carried.

PUBLIC COMMENTS: None.

REPORTS:

COMMISSIONER DAN GUNKEL reported that the Oregon & Washington Physicians for Social Responsibility group have come out with another report and are pushing for Energy Northwest's Columbia Generating Station to be replaced with some form of renewable resources. The report was conducted in response to a resolution adopted by the Seattle City Council and mayor that directed Seattle City Light to use its position as an Energy Northwest board member to consider replacing CGS with carbon-neutral alternatives. Commissioner Gunkel noted that this is an interesting move since the generating station is already carbon free. Also the station produced more clean nuclear energy for the northwest in 2016 than in any year in its previous 32-year history, sending more than 9.6 million megawatt hours of electricity to the grid, over its previous record of 9.5 million MWhrs. The station is running well and is a good product for the region. The Energy Northwest Board has repeatedly refuted the arguments in the report produced by McCullough Research. BPA's comments regarding the report were that they rely on CGS for diversity to offset the variability of hydro generation to get them through low water years, and that CGS is an important piece for BPA.

COMMISSIONER DOUG MILLER (absent)

COMMISSIONER RANDY KNOWLES reported that he attended the Washington PUD Association meetings February 15-17, 2017. In attendance was a representative from BPA, who noted that there was a fairly high potential for implementation of a Cost Recovery Adjustment Clause (CRAC) being implemented due to BPA's experiencing low

surplus power sales. This will be looked at mid-year. Other discussions at the meetings were regarding the house and senate bills currently going through the legislative process.

Commissioner Knowles also reported that he spoke with Tom Tebb, the WA State Department of Ecology's Director for the Office of Columbia River, regarding the pumped storage project.

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 presented the following information:

- Mr. Smith met with the Klickitat Board of County Commissioners earlier today regarding previous direction from the Board with respect to supporting the Columbia Gorge Bi-State Renewable Energy Zone economic development contract with David Van't Hof. Jim reported that While Sherman County had committed to extending the contract, Gilliam County had not yet done so. The Klickitat BOCC agreed to fund \$10,000 provided that Gilliam County does so as well. As a result, I have not yet committed any District funds. While I support the scope of work, my direction is to not fund the work unless Klickitat, Sherman and Gilliam Counties all support the work at \$10,000 each.
- RNG update – Staff continues to have discussions with several interested parties in a renewable natural gas project, and still waiting to hear back from BP. Mike DeMott has received 3 good proposals through our RFP process from financial institutions regarding a loan should the project move forward.
- Strategic Planning – Mr. Smith will be meeting with Therese Hampton (facilitator) to schedule a date and time for the Board/Staff full strategic session.

POWER MANAGEMENT – Mike DeMott presented the monthly Power Management Department report for January 2017, which included the following slides: 2/21/2017 forward price curve compared to 11/2/2016; Mid-C forward prices over time; 2017 swap month-to-month & hedged volume; recent swap activity; total load results which were high; White Creek Wind generation; LFG generation (sold); physical position review; short-term net position; forward weather outlook; long-term net position; and conservation program projects. The monthly report was accepted as presented.

At the previous Board meeting Mike DeMott presented financial scenarios regarding the HW Hill generation facility in a workshop. Following that presentation, the Board asked that staff firm up indicative pricing for a potential power purchase agreement that met the financial estimates presented in that workshop. As a result, Mike distributed information regarding the financial impacts of an indicative offer from Powerex for purchase of power and renewable energy credits (RECs) from the H.W. Hill Landfill Gas Project. The output would be sold by Powerex into the California markets as a bucket 1 product. This provides for an increased REC value. The indicative proposal would also provide termination rights should other higher value opportunities like renewable natural gas be secured and if approved by the Board. The 3 year term would be preferable by the District. Mike recommended that the District proceed with executing a contract substantially in the form of this offer as it would provide rate relief relative to our current financial outlooks and the financial outlook in the 2017 annual budget. Jim Smith informed Commissioners Knowles and Gunkel that while Commissioner Miller was not present at this meeting, he had provided Mike's presentation to Commissioner Miller and discussed the proposal on the phone prior to today's meeting. Commissioner Miller was in support of staff's recommendation. Following discussion, Mike asked the Commissioners to consider Powerex's offer, as it would provide rate relief of 3% from our current forecasts by means of additional revenue for the District.

MOTION was made by Commissioner Gunkel, directing staff to secure the trade with Powerex substantially in the form of that presented to provide the District with added rate stability and rate relief. Motion carried.

ACCOUNTING – Brandy Myers and Gwyn Miller presented the year-end financial report for 2016 which included an income statement for revenue and expenses, as well as a statement of cash flow. Brandy noted that the year-end operating margin was positive; year-end debt service coverage (DSC) ratio was 1.5 which exceeds the budgeted DSC for 2016 of 1.39, which meets our financial policy target of 1.5; expenses were under budget; labor expenses were good organization-wide; and days cash on hand were above policy requirements. The Board commended staff for a good report and good numbers and for maintaining budgets at a minimum. The report was accepted as presented.

OPERATIONS – Rob Rising presented the monthly Operations Department report for January 2017, noting that the department met their reliability goal for 2016; however January 2017 was just below the goal which is 99.9720% for 2017. We had a fairly good month and incurred limited outages, given the potential for storm damage during January. Our website and Facebook pages have been active with positive feedback. The outages in the White Salmon area were due to BPA's transmission line failure; however we were able to back feed our system and get our

customers back online fairly quickly. Accident awareness was the topic of discussion at the January employee safety meeting. Vegetation management in January posed accessibility issues due to the weather, however the tree crew spent the poor weather completing system evaluations and work will resume as soon as the weather allows. The crew was still able to remove 20 danger and green trees from PUD ROWs; trimmed 21 trees; and completed 996 miles of vegetation assessment including map updates and notes for east and central parts of the county. The report was accepted as presented.

ENGINEERING – Ron Schultz presented the monthly Engineering department report for January 2017 which included an update on the meter shop projects. He also noted that the construction activities for the Bingen Substation were on hold due to the weather, and the acquisition of the Condit line from PacifiCorp is progressing well and that we are completing the last of the easement acquisitions. BPA has now signed our Transmission Operator Agreement so we can now move forward with that process. Ron also shared with the Board several thermographic camera shots from inspections at the substations, which have been completed by the Meter shop crew.

Also included in the packets was a monthly report from Mark Garner on the customer engineering side of business, outlining the projects being worked on for KPUD customers. The report was accepted as presented.

AGENDA ITEMS:

- A. **PRE-QUALIFICATION OF CONTRACTORS** – **MOTION** was made by Commissioner Dan Gunkel to approve the addition of Hale Construction NW of Hood River, Oregon to Klickitat PUD’s Small Works Roster for the 2017 calendar year, as they have met our qualification requirements; and further moved to authorize the renewal of 124 contractors who are currently on Klickitat PUD’s Small and Large Works Rosters as presented (list attached) for the 2017 calendar year, as they continue to meet our qualification requirements. Motion carried.
- B. **PROFESSIONAL SERVICES CONTRACTORS** – **MOTION** was made by Commissioner Dan Gunkel to approve the addition of 7 firms to Klickitat PUD’s Professional Services Consultants listing for the 2017 calendar year. They are:
- o Commonwealth Associates Inc. of Everett, WA
 - o Mark Yinger Associates of Sisters, OR
 - o David F. Quinn P.E. of Longview, WA
 - o Strategies 360 Inc. of Seattle, WA
 - o RH2 Engineering Inc. of Richland, WA
 - o ACIEM Consulting of Seattle, WA
 - o Power Engineers of Hailey, ID
- Motion carried
- C. **BID AWARD** – **MOTION** was made by Commissioner Dan Gunkel to award the bid for the Bingen Substation Above Ground Construction Project to Michels Corporation in the amount of \$172,594.84 excluding taxes. The bid opening was held February 23, 2017 as advertised. Motion carried.
- D. **RECESS:** President Knowles recessed the general meeting at 3:25pm, stating that the meeting would reconvene at 6:00pm at Northern Wasco PUD in The Dalles, Oregon for a joint work session, as advertised.
- E. **RECONVENE** – President Knowles reconvened the meeting/joint work session at 6:00pm at Northern Wasco PUD’s location in The Dalles, Oregon.

ADJOURNMENT – There being no further business, the meeting adjourned at 7:15pm.

/s/
Randy L. Knowles, President

/s/
Dan G. Gunkel, Vice President

(absent)
Douglas B. Miller, Secretary
Date Approved: 3/14/2017

/s/
Kathy Loveland, Executive Assistant