

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, January 08, 2019
2:00pm

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

PRESENT: Randy L. Knowles- President, Dan Gunkel-Vice President, and Douglas B. Miller-Secretary.

STAFF PRESENT: Jim Smith- General Manager, Gwyn Miller- Director of Human Resources and Business Services, Kevin Ricks- Generation Assets Manager, Mike DeMott- Power Manager, Jeff Thayer- Purchasing Manager, Beth Schroder- Accountant, Eileen Kelsey-Accounting Clerk Trainee, and Luann Mata-Executive Assistant.

GUESTS: Larry Bakken

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the December 11, 2018 meeting minutes as presented. Motion carried.

MOTION was made by Commissioner Gunkel to approve the December 27, 2018 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Eileen Kelsey. 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 8th day of January, 2019.

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

- Accounts Payable Voucher numbers 114909 through 114994 in the total amount of \$387,222.28 and Wires, ACH and EFT numbers 8801087 through 8801091 in the total amount of \$85,490.89 for the period ending January 08, 2019; and
- Payroll Warrant numbers 43383 and ACH Direct Deposit Payroll transactions 9920900 through 9920984 in the total amount of \$196,816.62 for the payroll period ending December 23, 2018.

Motion carried.

PUBLIC COMMENTS: None-

REPORTS:

National Information Solutions Cooperative (NICS)- Brandy Myers provided an update to the Commissioners. The Customer Service side of NISC is live and we have had 243 customers sign up on Smart Hub in the past 36 hours. We have also received 31 payments through the Interactive Voice Response (IVR) phone payment process since Monday morning. The communication plan appears to have been successful. Staff worked over the weekend inputting payment information that had not been entered in the new system since the data cut and will be spending additional time entering read information from the handheld devices since they are not currently downloading. Staff will be billing the first cycle's bills by the end of the week. A thorough bill review will happen before those are released. We have also declared a penalty free January and will not issue penalties, late notices, or disconnects for this month as we work through the implementation.

Joint Klickitat County Commissioner meeting January 22nd. The Klickitat County Commissioners were approached by a member of the Veterans Advisory Board to inquire if they were aware if there were any assistance programs available

in the county that would be similar to the senior discount program offered by Klickitat PUD (KPUD). The senior discount program is funded but not administered by KPUD. The senior discount program has an age requirement along with an income threshold that allows for a tiered discount. The KPUD board will attend the joint meeting to discuss this inquiry.

Renewable Natural Gas (RNG) Update– Kevin Ricks presented the RNG update. There are still a few items remaining on the checklist, but the checklist has significantly decreased over the past month. We are sending the section of steel, which was reported last meeting as having a crack, in for evaluation. Pending the results of the evaluation, this deficiency may require the vendor to inspect additional welds on this equipment, as the welds were completed at the factory and not certified on site. Valve tuning continues, and the field has been on target since last Saturday. Gas volumes continue to increase. The plant is running well and the crew will be dialing things in for a while.

Power Management Report– Mike DeMott presented the December report. In December White Creek (WCW) generation reached ‘Excess Output’ levels. This means that KPUD is responsible for marketing the excess output that is not taken by utility off takers. Total KPUD volume of WCW output sold was reviewed with 2018 results expected to be around \$400,000 ahead of budget. Power and Sumas Gas pricing increase from the Canadian pipeline rupture is beginning to normalize. December average Mid-C power, Sumas Gas and RIN pricing was reviewed. Sumas January forward price is \$6.88/MMBtu. The White Creek group has posted Tom’s position. They are now actively seeking his replacement. The Bonneville Power Administration (BPA) transmission rates are proposed to include a 2.4% increase. The current BPA average electrical rate increase is proposed to be 4.4%. Rates will not be final until July. Our budget anticipates a 5.5% BPA increase. Deanna Gregory is drafting a resolution for utilization of the operating line of credit. She will attend the meeting on January 22nd to discuss any questions. Mike requested that the board provide any comments regarding the use of these funds prior to the next meeting.

Financial Report–Beth Schroeder presented the updated financial reports for November. Total revenues year to date through November is below budget by \$1.2 million. Total expenses year to date through November were below budget by \$4 million. The year-end net operating margin is forecasted to be better than budget by \$2 million. Expected RNG revenue for December has been adjusted down 6.2%. Debt service is currently projected at 1.48, including the transfer from the rate stabilization fund. Bond principle and interest were paid in December. These transactions left us with a year end forecast of 176 days cash on hand. On December 26th we received our \$1.9 million dollar refund from the state for a portion of RNG tax that was paid on the construction of the project. Accounting is working to try to complete December’s month end as soon as possible. The goal is to have December closed before the NISC conversion takes place.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel did not have a report.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller wanted to express his appreciation and congratulations to the Customer Service group for their communication efforts prior to the conversion promoting Smart Hub and in providing educated answers to general questions customers have presented concerning the conversion.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles did not have a report.

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:

- **Moody’s Rating Adjustment**- Jim reviewed the Moody’s A-3 rating update. Mike and Nichole Lantau did a good job putting together the information they were looking for. They also provided a very good explanation of our project and our budget projections. The rating demonstrates their opinion that our targets are solid.

- E3 Study- With all of the discussion of zero carbon, the E3 Study has received significant mention in the region. The study indicates that the cost of carbon to reach the 80% emission reduction level is \$300-\$700 per ton. However to reach the 100% emission reduction standard, the cost jumps to \$11,000-\$16,000 per ton. It simply is not reasonable or feasible to get to the 100% level. The E3 study actually aligns with the Climate Solutions studies, however it not characterized in the same way.
- Department of Natural Resources (DNR)- The draft legislation is with the PUD task force of Fire Risk reduction. Public Utility Risk Management Services is engaged in these discussions. We are scheduled to review it this week with Jan Essenburg, Nicholas Garcia representing WPUDA, and DNR representatives. Legislation will pursue the formation of a DNR task force with specific goals. Utility and DNR arborists working together. Federal acceptance of the plan would removes liability, however if you don't follow the plan there is potential that they could deem you automatically liable.
- Corp lease- We have had discussions regarding extending the lease with NSC Smelter, LLC with their name on the lease categorically would have no State Environmental Policy Act (SEPA) requirements. The unanswered question is that with NDP's pipe infrastructure, if there is a failure who takes responsibility?
- Large Load Interconnect- Ron Schultz has been working with Ryan Oster for a 400MW interconnection request with BPA at the former Goldendale Aluminum Company site. This week he officially withdrew the request.
- National grid- They have solved their union disputes.

AGENDA ITEMS:

- ELECTION OF OFFICERS- **MOTION** was made by Commissioner Miller to nominate Dan Gunkel for the position of President, Douglas B. Miller for Vice-President and Randy L. Knowles as Secretary. **MOTION** was made by Commissioner Miller to elect each of the Officers in the position nominated. Motions carried.
- PROFESSIONAL SERVICES APPROVAL- **MOTION** was made by Commissioner Knowles to approve Garner and Associates LLC and agree to add them to the professional services roster for 2019. Motion Carried.
- POLICY 9- FINANCIAL POLICY DISCUSSION- Mike discussed the potential changes and additions to the policy. A discussion of metrics for repayment of debt was discussed. The board also asked for Net Debt per customer to be reviewed. This policy will be brought back to the next meeting.

Adjourned – There being no further business, the meeting adjourned at 4:13 p.m.

/S/
Randy L. Knowles, President

/S/
Dan G. Gunkel, Vice President

/S/
Douglas B. Miller, Secretary
Date Approved: January 23, 2019

/s/
Luann Mata, Executive Assistant