

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, April 23, 2019
2:00pm

CALL TO ORDER: President Dan G. Gunkel called the meeting to order at 2:00 p.m. as advertised.

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

STAFF PRESENT: Jim Smith- General Manager, Gwyn Miller- Director of Human Resources and Business Services, Mike DeMott- Power Manager, Mark Pritchard- Operations Manager, Ron Schultz- Engineering Manager, Kevin Ricks- Renewable Energy Assets Manager, Cynthia Bruce- AP/Accounting Clerk, Brandon Walter- Water/Wastewater Lead Operator, Brandy Myers- Customer Service Supervisor and Luann Mata- Executive Assistant.

GUESTS: Ron Ihrig and Sandy DeMent

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

MINUTES: MOTION was made by Commissioner Knowles to approve the April 09, 2019 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 23rd day of April, 2019.

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

- Accounts Payable Voucher Nos. 203796, and 203798 through 203934 in the total amount of \$1,016,588.14; Wire and ACH Nos. 8801137 through 8801140 in the total amount of \$1,451,395.39 and EFT Nos. 22 through 28 in the total amount of \$21,190.76 for the period ending April 23, 2019; and
- Payroll Warrant No. 203797 and ACH Direct Deposit Payroll transactions 202400 through 202483 in the total amount of \$221,403.47 for the payroll period ending April 14, 2019.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Water Wastewater Report – Brandon Walter presented the department report for March. The current projects are sewer line inspections in Glenwood and waterline replacement in Klickitat. The contractor in Glenwood is cleaning the sewer line south of town and obtaining video footage of the system. The issues detected so far have been large roots, leaking manhole seals, leaking pipe joints and a few sections of broken pipe. We will receive a report of their findings when this evaluation is complete. At that time, we will evaluate the findings and prioritize required work. The tiny home project in Glenwood is moving forward and the water tap is being installed this week. In Klickitat, staff has requested quotes for the Water Main Improvement project. This will provide a loop feed between Loop Dr. and J. Neils Rd. There is a community meeting scheduled for Wednesday, April 24th. We will be evaluating options for the water supply sources for Klickitat during the next year. We intend on cleaning and inspecting Well #3 this year as its output has fallen. Russ

Patton will be utilizing John Grimm to assist with evaluating the water source alternatives. Sharon Blodgett is attending a funding source meeting today.

Operations Report – Mark Pritchard presented the department report for March. March ASAI outage statistics are 99.987%. Last year in March, we were 99.941%. There have only been 3,571 outage hours accumulated year to date, compared to last year's 16,500. The Goldendale crew should complete the Alderdale area line rebuild within the next few weeks. The Construction crew is working to replace polychlorinated biphenyl (PCB) filled transformers; their focus is on equipment in areas close to water. White Salmon is almost complete with our call in tree-trimming list. They have also been assisting the Lyle well contractor and installing conduit and vaults for the Glenwood getaways. Customer work is beginning to pick up. The Metershop and linemen have been obtaining oil samples from regulators throughout the system for testing. They should have all of the samples gathered by the end of the week. The MA Collins substation outage (March 28, 2019) went well. All of the crews, mechanics, and metershop employees assisted with various portions of the outage. We have hired two timber fallers to assist the Tree crew with removing danger trees. Juan Randall has been spraying weed treatment at our substations and that project is almost complete. Asplundh returned yesterday to complete their 2018 contract with Roger Parton inspecting their work. This is not the same crew that left the property in February. Mark stated that Roger's efforts in maintaining our specification standards are a major contributing factor in our outage statistic improvements.

Staff will be evaluating our regulator auto bypass switches as we have seen some failures recently. The crews will replace switches as we touch them either during regular work, or during outage situations. We purchased a new design a few years ago, which is an improvement over the older switches and we will continue to replace them as circumstances allow.

The Mechanic's bay building construction bid has been awarded. The mechanics are moving equipment today and construction will begin in May.

The Safety Standards banquet will be May 11, 2019 at the Goldendale Golf Course. The Engineering and Operations conference this year was one of the best. They focused on safety more this year and Mark said he gained information that should help improve our safety program further.

We will be scheduling an outage in the near future for the Husum substation. The work will be replacing a switch in the substation and completing maintenance in and around the Gilmer substation. A 230kV transmission operation on the Harvest Wind 230kV line took the Renewable Natural Gas plant offline. We investigated the line and nothing was found, but we are looking into options for completing a thorough visual line and equipment inspection process. We are considering a drone inspection and have obtained quotes. Unplanned outages affect RNG revenue and are hard on equipment when they happen.

Engineering Report – Ron Schultz presented the department report for March. Bonneville Power Administration has completed its preliminary design for the Goldendale 115/69 substation rebuild at its current location. Ron has discussed with them the possibility of rebuilding within our Goldendale EE Clouse substation, as it appears that they do not have enough property to rebuild it at the existing location, which would also require them to construct a temporary shu-fly. Engineering will take their design and overlay it on our EE Clouse physical layout to see if we can make their design fit within our EE Clouse yard. Locating the BPA 115/69 station at EE Clouse would give KPUD better reliability and operational control of the system, which would be a benefit to us. We will be meeting with them to discuss options and the proposed costs to increase the Chenoweth 115 line capacity where there are known bottlenecks. We might be able to utilize the EE Clouse property option to leverage the Chenoweth capacity mitigation costs. Ron also reported that he was notified that Alissa Baker who is our Customer Service Engineer has accepted a new

position within BPA. She will formally be stepping out of her role as our CSE in May and has told us that she helped select her replacement and is confident that we will still receive good BPA support from our new CSE. Alissa has been a huge asset to KPUD in her role as our CSE and will be missed.

The MA Collins regulators have been installed. We are still working on communications equipment to complete our Transmission Operator requirements. Pimley Electric should be completed with their work at RNG in a few months. We will need to schedule the McKinley Springs road pole and line move.

Jim Brokaw and Ron will visit Perry Technical Institute to speak with instrument technicians and wiremen to discuss potential opportunities.

Mike, Mark and Ron have been working with Groundworks One on their project in Dallesport. They have given us their intended deadline date and we have discussed the costs associated with our work in trying to expedite materials to meet that timeline. There is a new housing development requesting service in the Dry Creek area of White Salmon. There are 69 units projected in its first phase, with 414 units at the completion of its build out plan. We can easily feed the phase one portion, but the additional phases may require expansion of the Bingen substation. We have had no response from Yakama Nation Housing regarding the Wishxum Village Subdivision since providing them with our available options.

Mark and Joli have worked to successfully integrate our mapping system with the NISC Outage Management System. Jim's opinion was that it was an impressive system that provides us options for future communication with staff and customers, along with substation SCADA integration that would provide us with information in real-time. Chris Evans is assisting with the SCADA system access.

RNG – Kevin Ricks provided the board with an update of the project. During the scheduled March outage, crews completed their improvement projects, including replacing the 304 stainless steel as previously discussed. They also repaired equipment issues that have been held for an outage and completed maintenance on older equipment in the lower compression building. April has proven to be a productive month. We are still working through a few hurdles, but the plant is running well since the restart. Kevin also reported that their 2019 capital improvement planning is almost completed. These projects will address issues we have found since start-up and issues that will allow easier operation of the facility. We have prioritized those projects and will provide information to the board at the next meeting within our report.

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

COMMISSIONER DOUGLAS MILLER – Commissioner Miller reported that he attended the Washington Public Utility District Association meeting. They discussed the implications of passing SB 5489, which requires the creation of a task force for establishing a healthy environment, and E2SHB 1110, which is the low carbon fuel standard bill. The WPUDA Board also voted on Washington Public Utility District Association representatives.

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, Jim Smith presented the following information:

- **Financial Discussion** – We have been working on development of our reporting statistics within the NISC program. We have almost completed the report development process and are confident that we will be able to provide an improved level of financial reporting from the new system. We appreciate the board being considerate of the time it has taken to complete this process. We

will have reports for January through March prepared for the next meeting. We know where we are financially compared to budget, however the work classifying some of the details is still being reconciled. We will have an update and discussion on our financial position at the next meeting. We received our RIN Certification facility identification number; we are prepared to generate RINS in the 3rd quarter and begin to receive revenue from that generation.

- National Information Solutions Cooperative (NISC) – The Outage Management System is operational. It has tools that will allow us to keep our staff and customers better informed during outages and assist Operations with crew management and response time. We will have staff run a demonstration for the board at a future meeting. Customer service redesigned their bills and work orders are integrating with the new system very well. There are still a few mapping and inventory items to work through and Accounting is working on redesigning our financial statements. Some of these new tools will be available to customers should they sign up for SmartHub. At this time there are nearly three thousand customers signed up for SmartHub. This fall we anticipate rolling out the enrollment campaign that will encourage customers to “opt in” to receive different notifications from their online account. Engineering is also evaluating prepaid and smart metering options. In the systems we are evaluating, there is no major capital project to support data collection; there is a monthly cell charge per meter. This would allow us to step into this type of system slowly, learn as we go and eventually roll into a larger, more complete system. The information received from the vendors is that a large majority of customers only apply an average payment amount of five to ten dollars at a time. NISC is very involved with advanced metering integration and is providing a major platform which is opening the doors to make our work more effective.
- Fitch – We met with representatives from Fitch for our bond rating review. They have stated that their ratings for utilities is on hold until they have implemented new processes. They anticipate this should be complete by the end of April or early May and we should have a date for our update shortly. The commissioners asked what are the metrics used to evaluate utilities. It was stated that they are transitioning to a financial model to complete the rating that is more transparent and that this model is still being implemented. They are not able to provide us details of the model at this time as they are still in implementation mode. We intend on diving into that model when it is available. Debt Service Coverage and Days Cash on Hand are still key indicators.
- Community Meetings – The meetings are going well. We meet with Klickitat tomorrow. Roosevelt, Wishram, Glenwood and Lyle will receive letters as there are not currently community councils operating. There have been good conversations at all of the meetings.
- Safety Awards Banquet – Jim reminded the board that the Annual Safety Awards Banquet would be held May 11th at the Goldendale Golf Course. Golfing begins at one o'clock and dinner at four o'clock.

AGENDA ITEMS:

- A. **PREQUALIFICATION OF CONTRACTOR:** **Motion** was made by Commissioner Miller to approve Hurricane Tree Service of Goldendale and agree to add them to the Small Works Roster for the 2019 period. Motion carried.
- B. **CALL FOR BID – POLE INSPECTIONS and TREATING 2019:** **Motion** was made by Commissioner Knowles to authorize advertisement of call for bids for

the Pole Inspections and Treating 2019 project, with a bid opening date of May 30, 2019 at 2:00 p.m. Pacific Time. Motion carried.

C. CALL FOR BID – TREE TRIMMING and RIGHT OF WAY CLEARING:

Motion was made by Commissioner Miller to authorize advertisement of call for bids for the Tree Trimming and Right of Way Clearing 2019, with a bid opening date of May 30, 2019 at 2:00 p.m., Pacific Time. Motion carried.

D. SET PUBLIC RATE HEARING DATE and TIME FOR THE

WATER/WASTEWATER SYSTEMS: **Motion** was made by Commissioner Miller to set a public Water/Wastewater Rate hearing date for Tuesday May 28th, 2019 at 3:00 p.m. in the KPOD Board Room. Motion carried.

E. ELECTRIC RATE HEARING 4:00 p.m.: Commissioner Gunkel opened the Public hearing at 4:00 p.m. There were two members of the public present. Ron Ihrig and Sandy DeMent were present. Staff reviewed the Rate Proposal presentation with the Public and the Commissioners.

Commissioner Gunkel opened the floor for Public comment.

Ms. DeMent asked “what the confidence level of RNG’s operation finances are?” Kevin stated that we have had a difficult winter. In February and March, our operating costs were higher than projected and our projected gas sales were below budget since there was no extra gas available to sell. Jim stated that the rate revenue increase is to meet our sustainable cash flow to assure our bond ratings and financial stability, not to cover RNG operations and maintenance costs. Ms. DeMent questioned whether the rate increase was necessary. Dan Gunkel stated that in past public meeting discussions, we have been told by customers that if it is necessary to raise rates they would like them to be small and incremental. We understand that large rate increases impact our customers, so smaller increases outside of peak usage parameters make them easier to prepare for. Ms. DeMent asked why we need to assume the increases in future years. The District forecasts five years into the future to trend the impacts of those decisions and ensure the District remains stable. Those forecasts indicate that rate actions may be necessary. We have committed to pay down our debt substantially over the next five years. Before we built any of our projects, we had the fourth highest rates in the state. Eight years ago, we were around the mid-way point, but then when markets changed, we found ourselves financially challenged. Layoffs and rate increases followed. With those rate increases, we are back at fourth. With the budget management our staff has been focused on over the past nine years and our debt repayment strategies, our goal is to get to the middle of the pack again, but this will take some time. The cost of doing business is rising annually; it is prudent that we adjust as well. Our goal is that our rates reflect our true costs of providing service.

Ron Ihrig attended the meeting to obtain information on what the BPA’s actual increase will be and if this rate increase was wholesale vs. retail.

Hearing no other public comment Commissioner Gunkel closed the public hearing at 4:38 p.m.

F. RESOLUTION No. 1773 – Adoption of Electric Rates - 2019: **Motion** was made by Commissioner Miller to adopt Resolution No. 1773 as presented; thereby approving the electric rate increase 1.5% on bills issued after May 1, 2019, with the understanding that the adjustments to the Infrastructure Fee portion of Rate Schedule 1a-Residential Net Metering will be adjusted using the approved calculation on October 1, 2019 to coincide with the BPA rate increase. The Industrial rates and Rate Schedule 8 are not included in this resolution as they are covered by specific contracts and will also adjust on October 1, 2019 to coincide with BPA rate increases. Motion carried.

Adjourned – There being no further business, the meeting adjourned at 4:43 p.m.

Dan G. Gunkel, President

Douglas B. Miller, Vice President

Randy L. Knowles, Secretary
Date Approved: _____

Luann Mata, Executive Assistant