



Public Utility District No. 1 of Klickitat County

80 Years of Service * 1938-2018

GENERAL MANAGER'S REPORT TO THE BOARD

For the May 22, 2018 Meeting

AGENDA ITEMS:

- A. JOHN DAY PUMP STORAGE PROJECT UPDATE- Brian Skeahan from Skeahan Advisory Group will be here to discuss the projects status, National Grid and Rye Energy's projected schedule, and accomplishments to date.
- B. PREQUALIFICATION OF CONTRACTORS- Jeff Thayer will be requesting the board authorize staff to add Pimley Electric to our Small Works Roster. We would like to utilize them to assist with some electrical contractor tasks at landfill.
- C. BID AWARD- Sonova Switchyard- Relay and Control Panels- Ron Schultz will be requesting approval of award of the Sonova Relay and Control panels bid to Electrical Power Products in the amount of \$71,050 plus applicable tax. We received three responsive bids.
- D. CALL FOR BID- Sonova Switchyard Construction- Ron Schultz will be requesting approval of the call for bid for the Sonova Switchyard construction. The major equipment bids have been previously approved and awarded. This project will provide the transmission interconnection that will supply the new substation at Sixprong Road.
- E. RNG UPDATE- Kevin and Mike will present the project update and review schedule and project status.
- F. PUBLIC RATE HEARING 3:00 - 2018 Water/Wastewater Rates and Electric Rate Schedule 3A8-Industrial Service- We are requesting that the board approve the 2018 proposed Water/Wastewater rate schedule along with the proposed changes to the Electric Rate Schedule 3A8- Industrial Rate. The proposed rates will be effective on or after May 31, 2018.

NON-AGENDA ITEMS:

WPUDA Fire Liability – WPUDA is drafting an action plan regarding actions we would like to see this legislative session.

California Independent System Operator (CAISO) – there is an initiative in California that proposes legislative changes to allow for the formation of a regional system operator (RSO) independent from the California legislature. The Public Generating Pool is engaging with CAISO and legislators in California and is working on strategies. I think it is understood that regional markets are coming; especially given the continued push for integration of renewables, the recognition that this integration could impact reliability and the increased push for more system efficiency. With that, the intent is to engage Investment Owned Utilities, Bonneville Power Administration and CAISO with a structure that would work for the region that separates California control over the RSO, with California receiving the benefits of the Pacific Northwest's flexibility.

Federal Energy Regulatory Commission (FERC) – FERC finally has a new chairman and a full Board. From what I understand, the previous Commissioner did believe that advocacy was part of FERC's role. In Wellinghoff's case, that included supporting new renewables. Kevin McIntyre, the new Chairman, believes that their role is to apply rulings to industry, not advocate for specific goals. Hopefully that equates to consideration for things like cost effective carbon reduction.

KLCK Thursday Morning Talk Show – Julian and I did an interview that aired May 18th and will air again on May 31st at 8:05 on KLCK AM 1400. Topics covered the Mile Marker 28 settlement, Net Metering rate changes, and the Renewable Natural Gas and pumped storage projects. They usually keep them on their web site and can be listened to any time.

John Day Pump Storage Tour – I was impressed with the turn out for the meeting. There were a total of 48 people, the attendees list is attached. Discussions with Ecology on water rights issues and with Commerce on the \$1.1 million State appropriation were valuable. Brian will be working with Commerce on the application process. The appropriation is directly to support the project, but we will also ensure any work completed also supports site development work if the project does not come to fruition.

Financials – This month we did a high-level year-end forecast. We normally would do this as part of the June financials after the first two quarters, but decided to report on some significant potential changes this month. We will then follow up with a more detailed forecast as part of the May financials next month. So keep in mind these numbers will change. The intent is to set up the potential issues so we can think through solutions.

The key areas for you to look at are decreases to LFG and RNG revenues, increases in the RNG project costs and decreases in our overall operating costs. In order to integrate the RNG project, we are shutting down generation a month earlier than budgeted last December. We also anticipate that the project could be about 10% over budget and 3 weeks later than planned. Again, while we do not know these numbers for sure, we are including them in the forecast as we are looking at the various tools we have and the various actions we should consider taking. We

wanted to provide the information to you as early as possible. We do have some ideas and there are areas we can work on to improve the situation as we go through the year.

Initiative 1631 Regarding Carbon Tax – Matt Steuerwalt discussed the initiative at our last PGP meeting. His take is that they will get the sufficient signatures to get this onto the ballot in November. Polls show slightly in favor of the initiative passing, but less than 60%. Typically, an initiative would need more than 60% support at the outset to survive the process. The proponents goal is to raise \$10 million to support the effort to pass the initiative, Matt thinks they need \$20 million. He also said it is likely that opponents will easily be able to raise twice that amount and will. He said this is way too close to call.

His question for utilities to consider is what our position on the initiative is and then what we can legally say. We cannot lobby either way. It is a question of how far we can go if we want to support or oppose the initiative. I am convinced that a carbon tax bill like this (or a cap and trade mechanism) will be beneficial to the District; both in terms of the value of BPA surplus power sales (hence lower BPA rates) and support for the future value of Renewable Natural Gas. What I do not know is the non-PUD effects of the carbon tax on our customers and the net cost / benefit to them.