

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, June 25, 2019
2:00pm

CALL TO ORDER: Vice-President Douglas B. Miller called the meeting to order at 2:00 p.m. as advertised.

PRESENT: 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, Sharon Blodgett- Water/Wastewater Coordinator, Beth Schroder- Accountant, Nichole Lantau- Accountant, Mark Garner- Engineering Customer Supervisor Brandon Johnson- Engineering Technician, Jim Moss-Auditor, and Luann Mata- Executive Assistant

GUESTS: Keith Simovic- Moss Adams and Sean Keatts- Barclays Capital Inc.

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

AGENDA ITEMS:

A. **EXECUTIVE SESSION:** pursuant to RCW42.30.110 (1)(i) - To discuss Potential Litigation regarding MM28 fire. Commissioner Miller called for an executive session at 2:01 p.m. The discussion was scheduled to last for a period of 30 minutes. At 2:30 p.m., Commissioner Miller requested a 15-minute extension. Executive session ended at 2:45 pm. No Action was taken. The law firm of Perkins Coie was present via phone.

RCW 42.30.110 – Executive Session.

(1) Nothing contained in this chapter may be construed to prevent a governing body from holding an executive session during a regular or special meeting:

MINUTES: **MOTION** was made by Commissioner Knowles to approve the June 11, 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 25th day of June, 2019.

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

- Accounts Payable Voucher Nos. 204328 through 204457 in the total amount of \$1,141,091.71 and Wire, ACH Nos. 8801156, 8801174 through 8801177 , along with EFT Nos. 42 through 46 in the total amount of \$1,491,353.92 for the period ending June 25, 2019; and
- Payroll Warrant Nos. 204327 and ACH Direct Deposit Payroll transactions 202731 through 202816 in the total amount of \$209,529.02 for the payroll period ending June 09, 2019.

Motion carried.

PUBLIC COMMENTS: None

AGENDA ITEMS Continued:

- B. **MOSS ADAMS AUDIT COMMUNICATION:** Keith Simovic presented the audit results summary to the Board. The Board received an audit detail summary and the Communication of Internal Controls for Those in charge of Governance. Keith explained the testing process Moss Adams completes during their audit. They expressed their confidence in staff following our internal processes and controls and presented documentation supporting the clean audit determination. Commissioner Knowles requested that Moss Adams provide guidance to staff of items to be aware of this year due to the NISC system transition. Keith stated that they have worked with other utilities that have transitioned to NISC. They are willing to provide staff with areas to focus on.
- C. **BARCLAY'S BOND REFINANCE DISCUSSION:** Sean Keatts, a representative of Barclay's Capital Inc. was on site to present the Board with options regarding potential bond refinancing. Given current bond interest rates, the District could achieve interest and debt service savings on existing debt. Refinancing of the 2006, 2009, and 2011 bonds would also result in release of over \$10 million of restricted funds, which could be utilized to reduce overall debt. The Board asked what the timeframe for decisions would be. Sean said that we should begin the process soon to evaluate the options. September would be the earliest time at which a refinance could occur and it will likely take 90 days to complete the process if we move quickly. This was a discussion only item; there were no determinations made at this meeting.

REPORTS:

April Financial Report – Mike DeMott and Nichole Lantau presented the April financial report. Mike reviewed the layout of the new financial report documents with the Commissioners, and requested their feedback. Jim Moss was able to format the information within the new accounting system and import them into the format similar to prior versions utilized by the Board. The information provided included an Income Statement, a Balance Sheet and key components of District cash flow. With the previous system it took a few days to compile the board report information, with Jim's efforts this information was compiled in a few hours. This is the first time we have been able to generate a monthly Balance Sheet. There is still a focus on providing more definitive labor information. Mike pointed out that we have a defined BPA transmission expense line item. The board asked for future reports to contain additional financial material on projects such as McNary and Packwood. It was decided that the financial report would be combined with the Power Management report and that the financial section would be left in the form shown to ensure the information is clear. Commissioners asked how staff was feeling about the recently implemented NISC accounting system. Nichole stated that the system is a vast improvement over the previous system, but staff is still working to adapt processes to fit within the parameters of the new system.

Water Wastewater Report – Sharon Blodgett presented the department report for May. Tom Mc Donald has submitted an application for additional instantaneous water supply for Ponderosa Park's Water Right. The contractor, TPR is on site in Glenwood beginning the work to remove the root balls from the Glenwood sewer system identified during their camera inspection of the system. Sharon has submitted her Consumer Confidence Reports and will be submitting the Water Use Efficiency Reports this week. This year posed a few challenges in retrieving the correct information to use in the calculations. The challenges presented learning opportunities in researching past data and trouble shooting. With the help of Brandy Myers and Russ Patton, we were able to work through the challenges and are confident with the results.

Operations Report – Mark Pritchard presented the department report for May. The outage hours are ahead of the goal for the year. The focus on tree trimming and system coordination are a major contributing factor. The overhead upgrade work in

the Dallesport Industrial Park is complete and the Goldendale crew will finish the underground portion of the project when the materials are received. In White Salmon the crew has been completing customer work, reconductoring Humboldt Street and tree trimming. The Construction crew is ready to set transmission poles on Hill Road. Rick Slawson and Garry Harding will be working together to complete tree removal on Flat Top. Asplundh is back to address the area we had concerns with, so their 2018 contract is yet to be completed. Mark attended the WPUA Operations group meeting in Chelan last week. One topic of discussion was the drone program. We are leading the way with our drone program endeavor and many utilities have expressed interest in coming to view a demonstration and speak with employees regarding the program. We are still working to adjust and streamline NISC processes. Staff members are scheduled to conduct Safety demonstrations at the Klickitat County Fair. We will be borrowing a demonstration trailer from another utility. The June Safety meeting contained fire extinguisher training, July's meeting will focus on Pole Top rescue. Justen Greenwood conducted training with the fire districts in White Salmon. This training was very well received and they sent a letter of appreciation for his efforts. A customer also sent in a letter of appreciation thanking TJ Lutz and Jeff Speelman thanking them for the work and treatment of customers.

We received notice last week that Bonniville Power required an outage at the Bald Mountain substation. We chose to take advantage of this BPA outage to complete some of our own work in that area.

Engineering Report – Ron Schultz presented the department report for May. We think we have corrected BPA's notification process. We have had several occasions where BPA has notified wind projects in the area of outages and system work, but they have failed to notify us. There are new people within the district and the established protocol was not being used. There was an article published in The Dalles Chronical stating that BPA was installing additional transformers and this work would increase capacity for The Dalles and Goldendale. Our capacity restrictions are due to line constraints so this was inaccurately reported. We will be taking an outage in July to swap load in the Bingen Substation to the new transformer. We will still require an outage in the fall to complete replacement of a switch as well. We have employed Dean Hovinghoff as our Engineering summer intern. He has been working on updating Substation one-line drawings and operational system diagrams. We have talked with PacifiCorp about the line purchase. They are still undecided since Hood River Electric is considering system upgrades in their area, conversation will continue. Ron contacted the White Salmon Mayor to discuss their question regarding tree trimming. We will continue to follow our established tree trimming protocol. BPA has stated that they want to install controls to allow them to place the Spearfish substation on one shot during hot, dry weather. Jim asked Ron to research 115kV Fault Indicator options for this line. Mark Garner, Brandon Johnson, and Greg Fahlenkamp have completed Drone flight training and have passed their exam to become licensed Drone operators.

Regulator maintenance presentation- Brandon Johnson has reviewed the test results received from the regulator oil samples. Our system utilizes nearly 100 regulators and they range in age from 1950's to present year. Several are approaching the end their useful life and others require monitoring to extend their life. The evaluation demonstrated there were three regulators that were of immediate concern. Brandon stated that now everything is tested we would move forward with replacement of the three regulators that we are concerned about and begin a three-year testing rotation. This will provide us with a trend over time. We will refurbish the regulators if possible; otherwise, we will purchase new regulators. The Commissioners asked if there might be a possibility to share inventory with other utilities in the area, alleviating the need to have an overabundance of stock on hand, we could evaluate this option once we bolster our inventory to obtain a sustainable level, which will have an impact, next year's budget. There will be a need to swap out our 36 vintage units over the next 7 years. We anticipate increasing the budget from \$50,000 annually to \$115,000 until we have addressed the concerns.

Renewable Energy Assets Report – Kevin Ricks presented the department report for May. The plant produced 98,800 dekatherms for month of May. A dekatherm is equivalent to an MMBtu. This is the second month that we have exceeded the fixed volume maximum of 95,812 DTH/month and resulted in excess gas volumes to be sold at index pricing. There were a few outage related issues in May. Three were equipment malfunctions and one was operator error. Equipment issues are being addressed and changes in HMI programming are being made to limit the possibility of future outages caused by operator error. Staff continue to struggle with the amine CO2 removal system and are having to change filters daily plugged with carbon. Dow and Morrow Renewables are working with staff to troubleshoot and improve system reliability and efficiency. Kevin went to Midland, Texas two weeks ago to meet with BCKK Engineering to solve problems with the dehydration system portion of the BCKK system. Kevin came away from the meeting with a number of action items for BCKK and KPUD to accomplish. Kevin also asked for approval of Charis Engineering requesting that they be added to the Professional Services roster. Bryon Cheatham is a former BCKK employee that we worked with during the planning and development phases of this project. We feel that his knowledge will be instrumental in helping us through these last few hurdles and increase reliability and provide optimization strategies.

Human Resources Report – Gwyn Miller will present the HR update for the first half of the year at the next meeting.

COMMISSIONER DAN GUNKEL –ABSENT

COMMISSIONER DOUGLAS MILLER - Commissioner Miller did not have a report.

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:

- Lower Snake River Dams – Jim discussed the Gray’s Harbor Resolution supporting the Lower Snake River Dams and asked if the Board would be interested in drafting a resolution in support as well. The Board requested further discussion and Jim will provide a draft resolution at the next meeting.
- County Meeting- Our quarterly Klickitat County joint meeting is tentatively scheduled for July 9th. This meeting will be rescheduled for a different date.
- Commissioner Miller asked if there was any objection to approaching the Commissioner of Lands regarding a cell phone tower in Bickleton. Lands Commissioner Hilary Franz stated that her focus is on rural communication so Commissioner Miller felt that the cell tower is a very valid communication discussion to have. Jim suggested that Commissioner Miller and Mark Pritchard work together to engage Department of Natural Resources on this issue and on the Bickleton Water lease.
- State budget- Jim wanted to make the Board aware that the \$500,000 in the Department of Ecology’s capital budget slated for water supply in conjunction with the Goldendale pump storage project in the state budget was added back into the biennial budget. Staff will be following up with Ecology.
- Vacation- Jim will be on vacation beginning Thursday June 27th and returning Monday July 8th.

AGENDA ITEMS Continued:

- D. CALL FOR BID- RNG Final Grading, Condensate and Compressed Air Systems Improvement Projects 2019: **Motion** was made by Commissioner Knowles to authorize staff to advertise the Call for Bid RNG Project Final Grading, Condensate and Compressed Air System Improvement with bids being received no later than 2:00 p.m. on July 22, 2019. Motion carried.
- E. PREQUALIFICATION OF CONTRACTOR: **Motion** was made by Commissioner Knowles to approve the addition of Northwest Line Clearance, LLC. and agree to add them to the Small Works Roster for 2019. Motion carried.
- F. LETTER OF CREDIT WAIVERS- Lewis and Cowlitz PUD's: **Motion** was made by Commissioner Knowles to accept that Lewis and Cowlitz PUD's financial documents have met the requirements to waive the Letter of Credit requirements as stated in the applicable Transmission Service Agreement of each party. Motion carried.
- G. PROFESSIONAL SERVICES APPROVAL: **Motion** was made by Commissioner Knowles to approve the addition of Charis Engineering and agree to add them to the Professional Services Consultants Roster for the 2019 period. Motion carried.

Adjourned – There being no further business, the meeting adjourned at 5:53 p.m.

ABSENT
Dan G. Gunkel, President

/S/
Douglas B. Miller, Vice President

/S/
Randy L. Knowles, Secretary
Date Approved: July 09, 2019

/s/
Luann Mata, Executive Assistant