

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
Tuesday, July 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:** Gwyn Miller- Director of Human Resources and Business Services, Mike DeMott- Power Manager, Mark Pritchard- Operations Manager, Kevin Ricks- Renewable Energy Assets Manager, Cynthia Bruce- AP/Accounting Clerk, Sharon Blodgett- Water/Wastewater Coordinator, Beth Schroder- Accountant, Nichole Lantau- Accountant, and Luann Mata- Executive Assistant.

**GUESTS:** Jena MacLean and Meredith Weinberg of Perkins Coie, Dan Short of Paine Hamblen, and Dick Rodruck of Public Utility Risk Management(PURMs) via phone

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

**AGENDA ITEMS:**

A. **EXECUTIVE SESSION: Discussion of Potential Litigation- MM28 (1)(i) –** President Gunkel called for an Executive Session at 2:01 p.m. per RCW 42.30.110 (1)(i) noting that the session would last for 60 minutes, for the purpose of discussing potential litigation-Mile Marker 28. Perkins Coie, Paine Hamblen, and PURMs representatives attended the meeting by phone. The session ended at 2:42. No action was taken.

**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 Miller to approve the July 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 23<sup>rd</sup> day of July, 2019.

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

- Accounts Payable Voucher Nos. 204557 through 204705 in the total amount of \$912,215.58; Wire and Automated Clearing House (ACH) transaction Nos. 8801185 through 8801190, along with Electronic Funds Transfer(EFT) transaction Nos. 49 through 54 in the total amount of \$1,248,283.57 for the period ending July 23, 2019; and
- Payroll Warrant Nos. 204556 and ACH Direct Deposit Payroll transactions 202901 through 202984 in the total amount of \$215,375.69 for the payroll period ending July 07, 2019.

Motion carried.

**PUBLIC COMMENTS:** None

**REPORTS:**

**Water Wastewater Report** – Sharon Blodgett presented the department report for June. Sharon noted that we should anticipate a presentation by Department of Ecology as we have received Outstanding Performance awards for four of our Wastewater systems including Dallesport. The Department of Health is completing sanitary surveys now. The contractor pulled a root ball from the Glenwood sewer line that was 17 feet long. The contractor completed the pipe repair by inserting a resin epoxy sleeve into the line. They then inflate the sleeve with air and seals the sewer pipe, thus repairing damages without having to expose the line through digging. Sharon provided a video of the process for the Board to view.

**Power Management/Financial Report** – Mike DeMott presented the department report for June. Mike and Nichole Lantau discussed the May Financial Report. There was a correction made to the day's cash on hand figure with that correction being presented to the Board at the meeting. As of the May financial completion, we have 117 days' cash on hand. Income Statement and Debt Service Coverage results were also reviewed. Commissioner Gunkel requested that further analysis of the difference between the current and budgeted day's cash on hand figure be provided to the Board at the next meeting. Mike will provide this information. The June financials are expected to be presented at the second meeting in August. Before moving away from the financial discussion, Mike asked the Commissioners if there would be a benefit to them to show the year to date actuals vs budget on the income statement. The Board felt the year-end forecast should continue to be the focus.

Mid-C forward pricing indexes have fallen with some 2020 months being below budgeted pricing. As a result, 2020 hedges were executed for required market purchases during high load hours in June and September. The Sumas gas prices exceed budgeted levels in most future months. White Creek Wind(WCW) generation output for May and June was reviewed. July is anticipated to exceed generation amount budgeted. There is still an end of year shortfall forecasted for the tier one share of output. WCW expenses are forecasted to be slightly below budget. The WCW generation sales contract ends at the end of September. The Energy Authority (TEA) sells to Powerex, we sell to TEA. Powerex along with Morgan Stanley and Shell all submitted offers with Powerex providing the best option. This would continue our current agreement for an additional 2-year term. **Motion** was made by Commissioner Knowles to authorize General Manager Jim Smith to enter into an additional power sales contract agreement with The Energy Authority for an additional 2-year term as presented. Staff continues to work through process which will allow Renewable Natural Gas(RNG) facility to capture Renewable Identification Number (RIN) and Low-Carbon Fuel Standard (LCFS) credit values. It is anticipated RIN sales will be approved during the month of July. LCFS credit related process to occur later. Bonneville Power Association final rates for the BP-20 period to be posted on July 25<sup>th</sup>. No increase to base charge is expected but potential surcharge related increases could occur if surcharge is triggered. Final rate decision impact on KPUD to be determined once final rates are posted.

**Operations Report** – Mark Pritchard presented the department report for June. We are way ahead of our outage hour's goal. We have only had 7000 outage hours to date compared to the 43,000 hours we had last year by this time. Goldendale crew is working on the Dallesport large load installation and should be finished this week. White Salmon has been working on customer work along with a switch replacement in the Husum substation. Construction crew finished the mile of transmission line rebuild on Hill Road. Our two contract tree fallers, Rick Slawson and Gerry Harding finished tree removal on Flat Top. The Tree Crew is working on state highway clearing in conjunction with the Washington Road Department. The State is flagging and we are falling. Brandon Johnson and Greg Fahlenkamp flew a drone over the Satus Pass feed. They inspected eight miles of line in 90 minutes, they were able to finish the line the second day. With this inspection tool they were able to identify tree concerns as well as broken or damaged equipment. The equipment items would not have been identifiable from the ground. Rick Estee has been hired to use his brush

machine to clear brush from a few right of ways on the West end of the county. We are anxious to switch to a time and material tree contract moving forward. We have a meeting scheduled tomorrow with Asplundh to review their work on the Glenwood Transmission Line. We are in the process of implementing regulator maintenance. We have found that purchasing rebuilt regulators is not only cost effective, but they also come with a better warranty than new regulators. Staff is still completing work order process evaluations, evaluation of a new answering service, and busy working to incorporate the changes to processes from NISC and the new Outage Management Systems. There is a meeting with CRC, the proposed answering service, schedule for September 24<sup>th</sup> to walk through their options. Safety standards has been actively working on processes. The staff proposed safety demonstrations for the Klickitat County Fair, we borrowed a demonstration trailer from Okanogan PUD and the demonstrations are scheduled. There will be five shows. Two on Thursday, two on Friday and one show Saturday. Line crew and metershop personnel have committed to staffing the demonstrations. We completed our annual pole top rescue training in July. The Commissioners asked if there was a plan for a public educational program which could promote tree education. It appeared that several of last month's outages were tree related, Mark mentioned that most of those were green trees and some were in secondary services.

**RNG Project Update** – Kevin Ricks provided a project update for July. There have been two more Landfill related outages since the last meeting. On July 18th Republic was attempting some live electrical work flare related equipment using unqualified electrical works when a live wire was inadvertently shorted to ground. This issue caused a loss of production of 8 or 9 hours. Then just yesterday on July 22<sup>nd</sup>, a cooling fan on the Republic Variable Frequency Drive failed and caused another 6 hours of lost production. Republic did not have replacement parts for this equipment, so we provided a much larger fan and the personnel to complete the work. There have been six separate incidents where Republic equipment or operator error has halted KPUD production in the past 90 days. Jim met with Nick Ponce, the Roosevelt Landfill manager, to discuss these reliability issues. We are in discussions with Morrow to replace the F-8045 tank with one built out of 316 stainless steel. This tank will be replaced in September when we shut down the plant to complete our scheduled upgrades. There were two hours this morning where the gas chromatograph was not working properly. Commissioner Gunkel asked if Nick Ponce was Don Tibbets' replacement. Kevin confirmed that he was and he was unaware of the technical issues at the site, but Jim feels that Nick will be engaged and actively work with us to come up with solutions and the appropriate amendments to the contracts. The Commissioners also asked what the life expectancy of the Republic blower is. Kevin estimated that it was installed 12 years ago. That being said he felt that the blower is probably close to the end of its useful life given its location and weather exposure. Commissioner Miller asked if there were any concerns with our new equipment due to the extreme exposure to these rapid shutdowns that keep occurring. Kevin's answer was that he didn't have any concerns for the equipment integrity at this point. Kevin also discussed that we have had Charis Engineering on site to complete an evaluation of the BCKK system. Bryon Cheatham was one of the original BCKK engineers we spoke with when we began researching the project. He is very knowledgeable of the early on discussions and how the equipment would work. Upon completing his evaluation, he made several improvement recommendations. Completing the improvements should increase reliability and maximize gas output.

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

**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](http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx)

In addition to the written report, Jim Smith presented the following information:

