

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, October 22, 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, Ron Schultz- Engineering Manager, Kevin Ricks- Renewable Energy Assets Manager, Cynthia Bruce- AP/Accounting Clerk, Brandy Myers- Customer Service Supervisor, Jeff Thayer- Materials Manager, Beth Schroder- Accountant, Nichole Lantau- Accountant, Anita Clever- Energy Services Specialist, and Luann Mata- Executive Assistant.

GUESTS: Larry Hoctor

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

MINUTES: MOTION was made by Commissioner Knowles to approve the October 08, 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 22nd day of October, 2019.

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

- Accounts Payable Voucher Nos. 205516 through 205519 and 205521 through 205687 in the total amount of \$1,211,522.44; Wire and Automated Clearing House (ACH) transaction Nos. 8801256 through 8801259, along with Electronic Funds Transfer (EFT) transaction Nos. 74 through 79 in the total amount of \$1,400,727.64 for the period ending October 22, 2019; and
- Payroll Warrant No. 205520 and ACH Direct Deposit Payroll transactions 203499 through 203585 in the total amount of \$202,609.56 for the payroll period ending October 13, 2019.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Energy Services Biennium Update –Anita Clever presented the annual update. The program began the 2018/2019 biennium with an available balance of \$770,294.38. This amount included over \$32,000 in bilateral transfers from other utilities. We ended the biennium by successfully utilized all but \$10,843.32 of the 2018/2019 funds available.

There were 42 low-income projects of which 36 ductless heat pumps were installed in Rhine Village Apartment, 4 in individual homes and 2 weatherization projects. SDS Lumber, Bolthouse Farms and Underwood Fruit also benefited from the program with energy efficiency rebates and 12 homes benefited from the new residential Energy Star certified manufactured home rebate program.

There have been 15 conservation loans provided so far in the 2018/2019 period. We have 151 active net metering customers enrolled in the program. Anita discussed her focus will be on trying to find additional funding sources for residential programs and continuing to provide education and training to contractors going forward. The focus for 2020/2021 will be on residential weatherization and low-income offerings. She will be training on infrared thermography to be able to provide customers with a report that demonstrates where weatherization needs reside within their homes and will continue to seek out consultants to provide insight on emerging technology such as electric vehicles. After evaluating the pending projects from 2019, there is only \$151,692.00 available for new projects over the 2020-2021 biennium.

Operations Report – Mark Pritchard presented the department report for September. Outage hours are still ahead of our 2019-outage goals. The Goldendale crew has been completing customer work, PCB transformer removals, and a reconductoring project on Hwy 97 near Centerville. The wind has challenged the crew this week pulling in wire on this project. The White Salmon crew focused on customer work, assisted with tree trimming activities as time allowed and they replaced a switch in the Husum substation. The Construction crew finished the Knight Rd 69kV transmission line rebuild and are now assisting with customer work. We have Northwest Line Clearance completing vegetation management work in the White Salmon area. Roger assisted greatly with the customer relations associated with this project. Waubish Road is complete so the contractor will move to the Jewett Road double circuit.

The crews completed the MA Collins getaway upgrade on October 12th. There was a short outage associated with this work. We sent notifications of the outage to customers and we only received one call during the outage. The Knight Rd transmission cut over outage was coordinated with the Klickitat School. We had all three crews assigned to this outage. It was scheduled from 2:00 p.m. to 6:00 p.m., however the outage was completed in under two hours. Our next outage is scheduled for November 2nd and 3rd in the White Salmon area. Crews will complete work in the Bingen and Husum substations along with the Gilmer switch station. We have mailed notifications to customers and have updated media in the area. The Operations Mutual Aid plan is updated; the rates and wages are submitted so the mutual aid group is ready for the outage season. Staff participated in annual hearing testing conducted in October. The focus for November's safety meeting will be WECC requirements.

Engineering Report – Ron Schultz presented the department report for September. There has been additional turn over at Bonneville Power Administration within The Dalles district. Our District Manager just retired, the Chief Operator will retire within the next 18 months and the seasoned substation operator we work with has moved to the Celilo district. They have also experienced a loss of linemen. We will continue to discuss line load issues from Chenoweth as well as decommissioning the Goldendale Substation and routing the transmission to EE Clouse and transferring the current load fed by the Goldendale Substation to new EE Clouse feeders.

Ron has been reviewing the Rails to Trails information with legal counsel. We have also involved Dave Warren in these discussions. Ron will bring information back to the board at the next meeting. Invenergy would like to interconnect their proposed solar system at Linden. Discussions with landowners have challenged the process. The Knight Road solar project is moving forward. This proposed project will cover approximately three thousand acres and will connect directly to the BPA Knight Road substation. There are other proposals in this area as well. Brandon Johnson and Chris Evans are working with AdComm to evaluate our district wide communications. The plan is to incorporate our fiber network for more reliable coverage throughout the county. Staff is fine-tuning the work order process and we are evaluating how to extract beneficial reports from the system. Customer work is beginning to slow down.

Power Management Report – Mike DeMott presented the department report for October. Billie Quantrell, Power Analyst is currently undergoing additional training

that will improve our ability to work with the analytical data within the reports. Pricing updates for Mid-C Power and Sumas gas was provided and discussed. Forward pricing now includes comparison with pricing used for 2020 budget. White Creek generation appears that it will reach the 2019 tier one allocations projections by December. Revenue related to generation output sales appear to be close to forecast. RIN pricing has increased slightly since the last report and we have had continued load growth. We are projected to be \$300,000 over budget on our BPA costs due to the cold weather we experienced at the beginning of the year. We are entering into BPA's new rate period and overall the net impact is \$191,007 in CY2020. Mike included the financial reserves surcharge model in the budget to plan for future potential increases.

We received our official rating from Moody's' and Fitch for the bond sale. They affirmed our ratings at A3 and A- respectively and both agencies were complimentary of the progress made by KPUD. We now have two ratings for the surety coverage and insurance to complete final steps for producing product quotes so we can compare the costs for this coverage. Once we select the insurance company, we will finalize Bond Resolution 1781. Staff is requesting a Special Meeting to be held Thursday, October 24th to review the insurance additions to the bond resolution. The Board determined to recess the meeting until Thursday October 24th to allow for further discussion with bond counsel. The Bond Sale date is scheduled for October 30th.

Commissioner Knowles recognized Mike DeMott and Nichole Lantau for their preparation efforts for the bond rating in San Francisco.

Renewable Energy Assets Report – Kevin Ricks presented the department report for September/Oct. September's production average was 52% of capacity due to scheduled and unscheduled outages. The plant has experienced some reliability problems with the E-Stop circuits, mostly attributable to loose wires and failed relays. ES-Engineering have made modifications that greatly simplifies the circuit and reduces the chance of unintended E-Stops. We are closely monitoring the situation and will continue to make improvements accordingly. The final grading is nearly complete. We have changed the scope of work for the condensate and air line project. We have decided to take the condensate to the upper pond rather than the Republic pond below. This will save approximately \$80,000 of the cost of the project. On October 14th we experienced a complete failure of I-8051 thermal oxidizer. The failure was caused by improper insulation that caused the carbon steel to overheat and crystalize. We have shipped the failed thermal oxidizer to Texas for repairs. Staff has scheduled a meeting with RDC on November 7th to discuss modifications to the existing Optimization Agreement. We have included the cessation of leachate recirculation as a topic of discussion. Dan Waineo has provided KPUD a research memo stating that the cessation of leachate recirculation will result in less production of landfill gas. We have postponed the fall improvements project work and are working on alternatives to complete the projects in smaller pieces as contractors are available. The Utilities Transportation Commission is holding a workshop on biogas standards in Olympia on Tuesday, October 29th and Kevin will provide testimony. Additionally, Kevin will be attending the EPA 2020 Renewable Volume Obligation public hearing in Detroit on Wednesday October 30th along with other members of the RNG Coalition.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel was contacted by a customer regarding a discrepancy between quotes received for new construction. The information was provided to Ron Schultz for review.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller met with the Klickitat County Commissioners this morning. Commissioner Sauter praised the White Salmon crew on his service installation. They briefly discussed the childcare need throughout the county. Commissioner Sizemore asked for Klickitat PUD's support and attendance at the next meeting. Commissioner Miller stated that he could attend in support. He also discussed the approval of the Senior Discount program for 2019-2020. Ron discussed the pending solar projects and power needs for the new courthouse building. The new building will be more

energy efficient and all of the annexed locations would go away. The county commissioners discussed the Dallesport upgraded water clarifier for the wastewater treatment plant. They also mentioned their concerns with a qualified workforce due to retirement.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles and Jim Smith met with the Solar Installers of Washington group to discuss our net metering policy. There was discussion on how we arrived with our policy and they discussed what they feel are challenges to our policy. Commissioner Knowles will develop a response to them, but feels that our policy promotes longevity of the program, which has always been the goal of the board.

GENERAL MANAGER – The complete report can be found at:
http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

In addition to the written report, Gwyn Miller presented the following information:

- December meeting Dates- We need to have two meetings in December. With the holidays, it was determined that our December 24th meeting will be moved to Monday December 23rd at 2:00 p.m. to complete district business.
- Union Contract Negotiations- We have received the letter requesting the opening of the Union Contract for bargaining.
- Veteran's parade- We have been approached about participation in the Veteran's Day parade. This is the third year for the event and they are reaching out for participation. This will be discussed at the next Staff meeting.
- Pumped Storage- The permitting process is continuing to move forward.

AGENDA ITEMS:

- A. BUDGET REVIEW: First Draft - The first review of the budget was presented by Mike DeMott, Nichole Lantau, and Gwyn Miller. The Budget was provided to the board and staff last week for initial review. Nichole and Mike reviewed 2019 end of year projections for revenue and expenses. They discussed the assumptions in the 2020 Budget. The overall budget is very similar to the 2019 revenue and expenses. There is an anticipated rate increase of 1.5% assumed in April. Commissioner Gunkel asked for a comparison of labor charges between 2019's actuals and 2020's budget. Revenue assumptions for 2020 have been re-evaluated and we are taking a conservative approach. The Debt Service Coverage increases over time. Medical costs have stabilized. With the new borrowing, the borrowed funds must go towards capital construction. Mike also stated that we have hedged power for volatile months in 2020. No action taken.

RECESS: Commissioner Gunkel **recessed** the meeting at 5:07 p.m. on October 22nd until Thursday October 24th to discuss adoption of Bond Resolution 1781.

October 24, 2019

PRESENT: Dan G. Gunkel- President (via teleconference), Douglas B. Miller-Vice President, and Randy L. Knowles- Secretary (via teleconference), Gwyn Miller-Director of Human Resources & Business Services, Mike DeMott-Power Manager, and Luann Mata Executive Assistant.

GUESTS: Deanna Gregory- Pacifica Law Group District Bond Counsel

CALL TO ORDER: President Dan G. Gunkel called the meeting to order at 4:10 p.m. as advertised.

Commissioner Gunkel **reconvened** the meeting at 4:10 p.m. October 24, 2019 to discuss the full resolution disclosure of Bond Resolution 1781. Deanna Gregory, Pacifica Law Group provided an overview of the resolution and explained the differences between this resolution and the resolution reviewed on October 8th. Assured Guaranty will issue a principle and interest municipal bond insurance policy and this policy will replace the reserve account requirements.

AGENDA ITEMS Continued:

- B. RESOLUTION 1781- Electric System Revenue and Refunding Bonds - **Motion** was made by Commissioner Miller to approve Resolution 1781 which establishes the authority and requirements for staff and the President of the Board of Commissioners to execute the required bond documents for the bond sale on October 30th, 2019. Motion carried.

Adjourned – There being no further business, the meeting adjourned at 4:21 p.m. October 24, 2019.

/S/
Dan G. Gunkel, President

/S/
Douglas B. Miller, Vice President

/S/
Randy L. Knowles, Secretary
Date Approved: November 12, 2019

/s/
Luann Mata, Executive Assistant