

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, October 24, 2017

CALL TO ORDER: President Knowles called the meeting to order at 2:00 pm as advertised.

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

STAFF PRESENT: Jim Smith-General Manager, Kevin Ricks-Generation Assets Manager, Gwyn Miller-Director of HR & Business Services, Mike DeMott- Power Manager, Anita Clever, Energy Services Specialist, Cynthia Bruce-Accounts Payable Clerk, Mark Pritchard-Operations Manager, Lenard Swift- LFG O&M Tech, Jonah Humphries-LFG O&M Tech, Ron Ihrig- Chief Operating Officer, Ron Schultz- Chief Engineer, Nichole Lantau, Accountant, Beth Schroder, Accountant, Sharon Blodgett-Water/WW Coordinator, and Luann Mata-Executive Assistant.

GUESTS: Aaron Parker- ES Engineering and Karl Enyeart-City of Goldendale,

MINUTES: **MOTION** was made by Commissioner Miller to approve the October 10, 2017 meeting minutes. 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 the 24th day of October, 2017.

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

- Accounts Payable Voucher numbers 111092 through 111219 in the total amount of \$768,297.49 and Wires, ACH and EFT numbers 8800802 through 8800813 in the total amount of \$1,703,098.24 for the period ending October 24, 2017; and
- Payroll Warrant number 43345 and ACH Direct Deposit Payroll transactions 9918390 through 9918468 in the total amount of \$171,574.83 for the payroll period ending October 15, 2017.

Motion carried.

PUBLIC COMMENTS:

AGENDA ITEMS

- A. **Renewable Natural Gas (RNG) Update:** Aaron Parker presented the 3-D model of the plant design. BCCK's detailed design was missing from this model, although he is comfortable that the piping interconnection points are accurate in the model. Aaron discussed process flow and how equipment interacted within the system. He also discussed height clearances and access points and demonstrated by "walking" through the plant. We also plan to underground the low pressure pipes that are currently above ground in the model to increase clearance and access. The portion of the project being provided by Morrow Brothers will consist of 5 skids. They will all require foundations. The foundation bids will be the next bids issued. All piping connections will be completed on site. We will utilize a General Contractor for welding. The welding should occur in April and May. Commissioner Gunkel asked if the Kobelco manufacturing has any impacts from the Kobe Steel quality issues that are currently in the news. Staff reported that they have communicated in writing to Kobelco on this issue and have not found any issues. Staff also stated that Kobelco has been very accommodating with the outside inspection process that we have required. We plan to complete our inspection of the Japan plant the week of November 13th. Commissioner Gunkel also asked if there were any aspects of the project that are concerning staff at this time. Kevin stated that the quotes on Pipeline bid that closes November 8th

concerns him. Kevin is not concerned with the capability of any of the vendors that attended the walk through, but rather the bid pricing. No action was taken.

- B. **BID AWARD-RNG Pump Skid** MOTION was made by Commissioner Gunkel to authorize staff to award the RNG Project Pump Skid to Mark Heuett General Contractor, Inc. in the amount of \$140,000.00 plus taxes.
- C. **BID AWARD-RNG Chiller** MOTION was made by Commissioner Gunkel to authorize staff to award the bid for RNG Project Water Chiller to Johnson Controls in the amount of \$122,200.00 plus taxes.
- D. **REJECTION OF ALL BIDS-RNG Candle Stick Flare** MOTION was made by Commissioner Gunkel to reject the Candle stick flare bid, and to authorize Kevin Ricks, Generation Asset and Special Projects Manager to enter into negotiations for the RNG Project Candle Stick Flare equipment based on RCW 54.04.080 since no bids were received.
- E. **STREET LIGHT RATE HEARING 3PM** MOTION was made by Commissioner Miller to adopt Resolution No.1750, thereby authorizing staff to adopt the Street Light Rate Schedule 6A as presented on October 24th 2017 at 3:00pm in the KPUD Board Room.
- F. **ENERGY SERVICES PROGRAM REVIEW-** Anita Clever-Energy Services Specialist reported that the biennium cycle has ended. We began this cycle with \$779,727 from BPA funding and we received \$8,333 from Columbia power as a transfer of funds since they were unable to use them. At the end of the 2017 biennium we rolled over \$447 in excess funds from our beginning balance. This shows that we were successful in issuing \$787,166 in rebates to our Klickitat PUD customers within that timeframe. Anita was very pleased with the ending balances from this biennium.

Anita has been working with the housing authorities and senior services to expand the program benefits to include some of the low income and elderly within our communities to bring them benefits that they may otherwise not have access to. She was able to provide benefit to several industrial and commercial companies that were in need of upgrading refrigeration units, lighting, and pumps for irrigation. She relished at the fact she was able to bring benefit to small farmers as well as larger agricultural producers. The Energy Smart program is now closed. Anita has increased our giveaway promotions this year and it was a very successful campaign. She has continued with conservation loans, however our interest rate on these types of loans is 4.9% and there are contractors out there that have been able to offer 0% interest on their loans, so the need had dropped. We currently have 21 active loans and one pending. Anita participated in the Night Sky Symposium program that was funded by a Google grant.

KPUD's Energy Services program also received an award in 2017 from the National Association of Development Organizations honoring creativity approaches to advancing regional community and economic development and improved quality of life. The Commission thanks Anita for a very successful year. The annual program review was accepted as presented.

- G. **NET METERING PROGRAM REVIEW-** Mike DeMott and Anita Clever presented an update on the Net Metering electric rate options for review. Staff has been in discussions with legal counsel to analyze rate options. Several options have been discussed. It comes down to the Commission would needs to establish cost and define how to allocate consistent with RCW 80.60.020. Staff entered into discussion on feasibility, continuity, and reasonableness of how to continue on

with the program in the future. Other utilities such as Snohomish PUD have implemented a program moving forward. Mike discussed reviewing their approach and comparing it to our situation. We have met the requirements referenced in the RCW, so it was determined that once we define our proposed options we hold a public rate workshop to gather input from our customers. Now is the time to evaluate our program as we have an opportunity to evaluate our rates, policy, and new incentives. One option is that we could move forward under our existing program wording, however we would like to have a new updated policy with new rates before opening the program back up. The Board has asked staff to provide some information to assist them with understanding on how long it would take for a customer under the current program to recover their capital costs. This may take some assumptions on what the project costs incurred are as that is not required information for the customers to submit at this point in time. The board also requests that staff look closely at the commercial incentive options to make sure there isn't a problem that we haven't anticipated, since there is definite interest in the community solar projects. They would like to see information on implications of the rate class adjustments. They also asked that we update and approve all rate classes at once. No action at this time.

REPORTS:

ENGINEERING – Ron Schultz presented the Engineering report for September. In addition to the report Ron discussed that the crew will be completing guy strand insulator replacements this week on the Willis to Dooley 230 kV transmission line, the Bingen substation commissioning will be completed today and tomorrow, a 69 kV switch on the Gilmer line in the Husum Switching station will be replaced. Joel from Adcomm is on the property and will be working on our radio upgrade project full time until it's completed. Ron has update meetings scheduled twice a week. Russ is working with Jeff King on a contract for the radio sites within the county and it should be completed this week. Discussion ensued on the quantity of direct buried underground cable that is left to replace in the Dallesport area. White Salmon has some areas that are being reviewed as well. The Engineering report was accepted as presented.

OPERATIONS – Ron Ihrig and Mark Pritchard presented the Operations report for September/October. Our crews will replace jumpers in the Lyle substation on November 4th/5th, BPA will supply the materials and we will supply the crew. Asplundh is still working to finish the tree trimming contract. They completed most of Snowden, but still need to complete Trout Lake. We asked that they supply another crew that would be billed under Time and Materials (T&M) to complete some additional work we would like to accomplish before winter. Commissioners asked if there were penalty stipulations if they don't complete the bid contract portion by the December 1st deadline, the answer is yes it would be a claim against their performance bond. Ron did want to mention that Asplundh has done a very nice job in Snowden, but it's taken longer than anticipated.

Ron and Mark are evaluating three Answering Service options. One is a general call center, but really has no other capacity; the next can offer some outage assistance and begin logging the information into a mapping program, and the third has all of the mapping and outage systems options plus some. Regardless of the service we choose, the monthly costs will increase and staff ahs included these costs on the 2018 budget. Staff is leaning towards a system that could grow with us. Mark informed the board that he would like to issue a Request for Proposals (RFP) for a third party to help us improve our safety program and implement that program. He attended his first safety meeting last week and was impressed with the program we do have. He was also impressed by how involved employees are in the safety committee. He did have a few recommendations and they were that Safety Committee minutes be read back during the safety meetings, he also noted that our Vivid learning program meet OSA requirements, however he'd like to see us boost our program by enlisting the services of the previously mentioned 3rd party consultant. Mark has worked with these types of consultants in the past and it provides the company with an outside perspective so that the program is being implemented effectively and we are meeting our requirements. Mark requested approval from the board to send out an RFP to obtain quotes for costs associated with the option of utilizing an outside party. The Board is agreeable to

issuing the RFP. Staff also asked for the Board's support to issue the 2018 Pole Test and Treat as well as the tree trimming bid for the Glenwood transmission line before the end of the year. Ron is in the process of reviewing the specifications for the bids and he would like to ask board for permission to call for bid this fall instead of our normal practice which is to call for bid in March. There would not be an impact on the current budget and no bids would be awarded until January. After discussions the board supports staff's intent to issue the call for bids.

The Operations report was accepted as presented.

Water/Wastewater – Sharon Blodgett presented the Water Wastewater report for October/November. She wanted the board to be aware that our contractor was able to connect chlorinator and tomorrow will begin to pump up to the reservoir from the new well. Sharon also mentioned that the department has seen a number of leaks popping up in several systems. There was one on Loop Drive the crew found an air valve that required repair. This leak will be fixed next year when staff finishes the Loop Drive project. The Water/Wastewater report was accepted as presented.

MONTHLY FINANCIALS – Beth Schroder and Nichole Lantau presented the monthly financials for September. Our Net Margin for August was \$963,975 which was \$623,314 better than budget.. McNary was significantly over budget this month, although this will true up next month. LFG generation revenue was up but this was offset with lower wind generation than expected. Total expenses were on budget for the month. Our year end debt service coverage is forecast to be 1.77 and the rear-end forecast for cash on hand is forecasted to be \$8 million better than budget. The local government investment pool (LGIP) interest rate is up at 1.1286 % and in August we received \$34,000 in interest income. Nichole reviewed the Budget Schedule with the commissioners. Commissioner Miller asked a few questions regarding the budget process.

The Financial report was accepted as presented.

COMMISSIONER DOUG MILLER – Commissioner Miller reported that he was at the State Auditor's exit conference. He was very happy to report that it was a glowing report. The Auditors offered several areas for us to consider improving our processes. He extended his thanks to staff for their efforts in accomplishing this task. He also mentioned that the state auditors had nothing but positive comments regarding how we run our utility and the efforts of staff to provide requested information.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles had no report at this time

COMMISSIONER DAN GUNKEL – Commissioner Gunkel had no report at this time.

GENERAL MANAGER – The complete report can be found at:

http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

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

Budgets- Finance committee will complete their first review of the budget this Friday and we will be presenting the first draft of the 2018 Operating Budget to you at the November 14th Commission meeting

Travel- Jim will be attending the WPUDA Managers meeting in the Tri-Cities this Wednesday and Thursday.

ADJOURNMENT – There being no further business, the meeting adjourned at 5:05pm.

/S/
Randy L. Knowles, President

/S/
Dan G. Gunkel, Vice President

/S/
Douglas B. Miller, Secretary
Date Approved: 11/14/2017

/s/
Luann Mata, Executive Assistant