

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, November 27, 2018
2:00pm

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

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

STAFF PRESENT: Jim Smith- General Manager, Gwyn Miller- Director of Human Resources and Business Services, Kevin Ricks- Generation Assets and Special Projects Manager, Sharon Blodgett- Water Wastewater Coordinator, Mike DeMott- Power Manager, Mark Pritchard-Operations Manager, Ron Schultz- Engineering Manager, Brandy Myers- Customer Service Supervisor, Beth Schroeder- Accountant, Nichole Lantau-Accountant, Eileen Kelsey-Accounting Clerk Trainee, Jeff Thayer- Purchasing Manager, and Luann Mata-Executive Assistant.

GUESTS: Larry Bakken

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the November 13, 2018 meeting minutes as corrected. Motion carried.

CLAIMS & PAYROLL: Presented by Eileen Kelsey. 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 27th day of November, 2018.

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

- Accounts Payable Voucher numbers 114520 through 114658 in the total amount of \$648,035.29 and Wires, ACH and EFT numbers 8801061 through 8801069 in the total amount of \$8,515,225.19 for the period ending November 27, 2018; and
- Payroll Warrant numbers 43380 and ACH Direct Deposit Payroll transactions 9920651 through 9920735 in the total amount of \$213,393.75 for the payroll period ending November 11, 2018.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Water Wastewater Report– Sharon Blodgett presented the Water/Wastewater report for November. There was a leak found in Ponderosa Park near Red Cedar. It took nearly seven hours to repair. Staff kept the answering service up to date on the status of repairs so they could update customers should they call in.

We received a notice from the Department of Ecology (DOE) stating that the DOE Wishram water right review would be extended to allow additional time for completion of their review. This is a normal process and does not affect the use of the well.

Operations Report–Mark Pritchard presented the Operations report for October. Outage hours are about double, from this time last year. Customer work is steady. The Construction Crew replaced two damaged structures in the Conboy

Lake refuge and also replaced two additional structures that were not earlier identified. The Tree crew is focusing on the hazard trees identified on the tree trimming call in list. In October they trimmed 19 trees and removed 228.

The Asplundh crew is working on the Glenwood Transmission Right of Way. They have requested an extension to their contract, as they will not meet the December deadline. They expect to have the contract completed in January as long as the weather does not turn. Roger Parton and John Starr are meeting with the Kreps family regarding tree-trimming notification.

There was a voltage regulator failure at the MA Collins substation. The crew removed the regulator from service and transferred the load to the portable substation. Load will remain on the portable substation until late winter. Repairs to MA Collins will need to be complete before the irrigation load comes on line in the spring.

We have received our final determination from Washington State Labor and Industries (L&I) regarding the contact incident on Schilling road earlier this year. L&I vacated their finding, after considering information presented, including input from the International Brotherhood of Electrical Workers (IBEW) representative Travis Hefely.

Engineering Report—Ron Schultz presented the Engineering report for October. There has been a significant reduction in Large Load Interconnect Requests (LLIR) lately. There is still a request open at the former Goldendale Aluminum Plant location for a 400MW supply request from the Harvalum Substation. Bonneville Power Administration (BPA) has shared their study information. The cost estimate to complete this request was \$42,000,000 and would be funded by the developer. This would loop the Big Eddy Substation to the Harvalum Substation. The pending interconnection request at the Spearfish substation was also reviewed. Mark, Ron and Mike DeMott spoke with a representative of the Avaris Company, who are planning to purchase the property from Groundworks One in Dallesport. Staff discussed power costs and deposit requirements with the representative. They appeared to understand the requirements and the impacts of their request.

The crew has installed voltage recorders and current transducers on the North White Salmon feed out of the Bingen Substation. Staff will gather the data received from the equipment and utilize it to determine if the long-range plan (LRP) focus is correct. This equipment will also provide data on the voltage issues in the Snowden area.

L&I has issued their notice of corrections on the existing Landfill Gas facility. A contractor will complete one of the corrections; internal staff will complete the other three.

There is no determination of the cause of the regulator failure at the MA Collins substation so far. Staff obtained an oil sample, which was sent out for testing, and we are awaiting those results. Due to the regulator failure, two circuits at the MA Collins Substation were transferred to the portable substation. John Starr came up with the plan to allow for the transfer of load for the rest of the winter.

The metershop is completing the 230kV substation inspections and we have been researching additional ways to inspect 230 kV transmission lines. The Operations department rented a Ultra Violet (UV) camera. Brandon Johnson utilized the camera to evaluate corona discharge on the bulk of our 230kV transmission lines and identified some potential problems. We will schedule an outage in March to complete some maintenance on these lines.

Financial Report—Beth Schroeder and Nichole Lantau presented the updated financial reports for September. Net Margin for September was \$259,810 better than budget. Retail rate revenue, transmission revenue and interest were all above budget and our overall expenses for September were below budget.

Accounting has updated the year-end forecast. Our Debt Service Coverage is forecasted at 1.44. Our rate stabilization fund was overfunded from a previous year when we exceeded budgets. Staff is planning on transferring this overage back to our regular funds by yearend, but we will discuss further as we get closer to year end as this will require Board action.

The year-end capital expenditures have been reduced to adjust our cash balances given the later start to RNG than planned. The current year-end forecast shows that there will be 173 days cash on hand at end of year.

We just processed our second Bond payment for the year. This payment pays on principle and interest where the June payment is only applied to interest.

The October financial report is in process. Staff plans to present the October financial report at the December 11th meeting.

We anticipate that with the National Information Solutions Cooperative (NISC) accounting conversion there will be more tools available to make reporting and the month end closing processes more efficient.

COMMISSIONER DAN GUNKEL – Commission Gunkel did not have a report.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller reported that at last week's Washington Public Utility District Association (WPUDA) meeting there was discussion of the impact a proposed 4% net metering cap would bring to utilities. If the legislation changes there could be substantial financial impacts to utilities' customers. Commissioner Miller requested time with staff to educate himself on this proposed legislation so he could be prepared to discuss this at the "Meet the Legislatures" day in February. The Board would like an update on WPUDA's position on this legislation. Commissioner Miller wanted staff to be aware that the Ecology Water/Wastewater Certification renewal costs may be rising in the future. There has been a \$30 cap on the renewal costs and the cap was removed this year. Commissioner Miller asked that staff keep him apprised of the agenda for future Public Power Council (PPC) meetings, as he would like to attend them on occasion.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles reported that he participated in the State Exit Audit review. There were no findings or notations provided. KPUD received two verbal suggestions and Staff has requested details regarding the suggestions be sent to them.

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:

- **RNG Tax Bill**- Dave Warren has drafted language for a potential bill after visiting with Senator King last week. Jim presented the intent of the bill to WPUDA's energy committee, and they are in support. Senator King appeared in support as well. There is a meeting set up with Representative Mosbrucker later this week. They would like to discuss our proposal with Representative Fitzgibbon's, since he has supported a Low Carbon Fuel Standard bill in the past.
- **Klickitat County Economic Development**- Dave McClure provided us with some information regarding potentially 1000 MW of solar investments in the area. Jim reported developers have been discussing other potential projects of the same size in Sherman, Gilliam, and Wasco Counties. There is a meeting set with Ken Nichols, from Invenergy, on Friday.
- **NISC Conversion Update**- It was determined today that the data conversion from NISC that staff is testing is not at the standard necessary to move forward with the Customer Service system migration. Brandy Myers has been in contact with NISC and we have pushed the go live date to allow NISC more time to work on the conversion process. We anticipate moving to the Customer Care and Billing system near the beginning of January. Staff will continue testing throughout December. We had provided promotional information

regarding the conversion for the December issue of Ruralite. The issue was in the final production process when the decision to delay the go live date was made. Ruralite assisted in including an insert in the December publication with an explanation of the launch delay as the article could not be pulled from circulation.

- **RNG Update**- Kevin Ricks provided an update on the status of operation. The plant is still working through commissioning steps and has not yet reached full operating capacity. Staff is working through fine tuning procedures for operating the system. One of the compressors is not functioning reliably, and there was a leak detected in one of the new coolers. The crew reduced production and took the cooler off-line to inspect the equipment. Staff is working through the repair process with the manufacturer and the engineers. The plant is operating at about 3000 mmbtus per day, which is about the contracted fixed volume amount.
- **BPA TC-20 Settlement Agreement**- Mike DeMott provided an update to the Board of the settlement process status. The BPA settlement was reached last week and the outcome to NT transmission customer was favorable. There were no changes from the previous settlement discussion at the November 13th Board Meeting. Northwest Requirements Utilities (NRU) and PPC affiliates were all in agreement that this is a fair settlement. Staff has discussed and do not see any reason not to sign the settlement. Mike asked for agreement from the Board to allow Jim Smith to sign the TC-20 Settlement Agreement on KPUD's behalf, based upon Mike's report. The Board agreed.

AGENDA ITEMS:

- 2019 OPERATING BUDGET FINAL REVIEW:** Jim, Mike, and Nichole discussed the updates that were made to the 2018 year-end forecast and the implications these changes made to the beginning cash on hand for the 2019 Budget. It was determined that these end of year changes only improved the 2019 budget. No other changes were made to the 2019 Operating Budget proposal. **MOTION** was made by Commissioner Gunkel to authorize staff to advertise for the 2019 Operating Budget Hearing to be held at 3:00 p.m. on Tuesday December 11th, 2018. Motion Carried.
- POLICY 23- PURCHASING:** **MOTION** was made by Commissioner Miller to approve Policy Bulletin No. 23- Purchasing Policy as recommended by staff. Motion Carried.
- PHYSICAL INVENTORY MEMO:** Jeff Thayer reviewed the annual inventory adjustment figures with the Board. Our variance was 1.9%, which is higher than the previous three years. Jeff believes that with having so many employee's in new positions or new to the utility, our various inventory and material processes need reviewing. That should reduce the adjustment next year.

Adjourned – There being no further business, the meeting adjourned at 3:59 p.m.

/S/
Randy L. Knowles, President

/S/
Dan G. Gunkel, Vice President

/S/
Douglas B. Miller, Secretary
Date Approved: December 11, 2018

/s/
Luann Mata, Executive Assistant