

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, November 28, 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, Gwyn Miller-Director of HR & Business Services, Cynthia Bruce-Accounts Payable Clerk, Mark Pritchard-Operations Manager, Ron Schultz- Chief Engineer, Nichole Lantau, Accountant, Sharon Blodgett-Water/WW Coordinator, and Luann Mata-Executive Assistant.

GUESTS: Don Jarrett- McMillen Jacobs Associates,

MINUTES: **MOTION** was made by Commissioner Doug Miller to approve the November 14, 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 28th day of November, 2017.

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

- Accounts Payable Voucher numbers 111361 through 111480 in the total amount of \$707,898.60 and Wires, ACH and EFT numbers 8800820 through 8800831 in the total amount of \$9,609,347.46 for the period ending November 28, 2017; and
- Payroll Warrant number 43350 and ACH Direct Deposit Payroll transactions 9918552 through 9918630 in the total amount of \$187,910.43 for the payroll period ending November 12, 2017.

Motion carried.

PUBLIC COMMENTS: None

AGENDA ITEMS

A. Renewable Natural Gas (RNG) Update: Don Jarrett presented the project update as Kevin Ricks and Mike DeMott are at the RNG conference in California this week. Progress with all major equipment procurement and design is going well. Aaron Parker was in Texas in November to verify progress on the equipment that has already been procured by the vendors. The only problem area at this time is that the pipeline construction bids came in about double what was originally budgeted. When we reviewed this section of the project for the engineering estimate Don stated that it became clear the original numbers were just wrong and we should have reviewed this several months ago. Don explained that the original budget, which was supplied by a contractor and reviewed by engineers, was off in many areas, primarily in the trenching and fabricating sections. Commissioner Gunkel stated that there was not one item mentioned that wouldn't have been known, upon reviewing the Geotech report. Don agreed. Jim Smith stated that as all three bids were very close to the engineering estimate, we believe the actual construction cost is market and the estimate was wrong. After review over the Thanksgiving

holidays, the team still believes that the project will be completed within the \$35 million cost estimate, although this does eat up much of the contingencies. The contractor guarantees completion 120 days after the notice to proceed is issued, which is good and provides some leeway in the critical path. The Conditional Use Permit application was submitted and one comment was received from the Department of Ecology. They did not comment on the SEPA permit, which was interesting. The public hearing for the CUP is scheduled for December 4th. Commissioner Gunkel wants to see the written response to the permit and the expert testimony prior to sending. He also asked if this facility is within the energy overlay zone and if that if so, does that create any advantages in permitting? Staff will look into this further and will get back to Commissioner Gunkel directly prior to the public hearing. Report was accepted as discussed and no action was taken.

B. BID AWARD - RNG Dual 6” Gas Pipeline Project: MOTION was made by Commissioner Gunkel to authorize staff to award the RNG Dual 6” Gas Pipeline Project to Rockford Corporation in the amount of \$4,953,175.00 plus taxes, as recommended by Don Jarrett and staff. Motion carried.

C. RATE HEARING - Rate Schedule 8 - KPUD Electric Service Rate:
The Schedule 8 Rate Hearing opened at 3:32 pm. With no public present the hearing was closed at 3:34pm. MOTION was made by Commissioner Gunkel to approve Resolution 1751 adopting the proposed Rate Schedule 8 as presented. Motion carried.

D. 2018 OPERATING BUDGET SECOND DRAFT REVIEW - Discussion item only. There were no additional comments regarding the second draft review of the 2018 Operating Budget by the Board. The 2018 Operating Budget hearing is scheduled for 4:30 pm. December 12th.

E. EXECUTIVE SESSION - *for the Commissioners to plan the strategy to be taken by the governing body during the course of collective bargaining. These discussions are exempt from the Open Public Meetings Act.*

Entered into the Executive Session at 4:20 pm. and the Executive Session concluded at 4:29 pm. Motion was made by Commissioner Gunkel to authorize Gwyn Miller to execute the Memorandum of Understanding between the International Brotherhood of Electrical Workers (IBEW) Local 125 and the District Contract Reopener for the Years 2018 – 2019 as presented by staff. Motion carried.

REPORTS:

Water/Wastewater – Sharon Blodgett presented the Water Wastewater report for November/December. She wanted the board to be aware that we have replaced the decanters in the Lyle waste water plant as this replacement was an unbudgeted expense. The cost for this replacement was \$21,000. There is a second decanter at the plant and it has been budgeted for replacement in 2018. She also wanted to make the commissioners aware that the investment for the Mission alarm system in Ponderosa is paying off. Staff noticed via daily reports last week that the well appeared to be pumping three times the normal amount of water. Staff reported this information to the homeowners association and crews began to investigate. It turned out that a customer had a leak. The system lost over 100 thousand gallons due to that leak, which was on a 1.5” line that fed a frost free faucet. The Mission system truly saved us time and our customer’s money as we were alerted early so

we could take action. Commissioner Knowles asked if the Mission system establishes an average usage of which it bases the reports. It was confirmed that the reports are based upon an average usage. Mission alarms were also used in Klickitat last winter. The water waste water staff worked with our meter reader Justin Beierle to find a leak at a residence that was not occupied, using the new radio read meters. The Water/Wastewater report was accepted as presented.

Human Resources (HR)) Quarterly Report – Gwyn Miller presented the HR quarterly report. 2017 year to date healthcare costs are lower than 2016 and lower than budget. Our monthly average is around \$150,000; which is nearly \$20,000 lower than the 2016 monthly average. We do not have a rate increase budgeted for 2018 for Healthcare premiums. We did increase our healthcare by 5% in January of 2017. In 2017 we had six workers compensation claims. Two of the six claims were anaphylactic reactions. There were no injuries reported in 2017 by either our Water department or our Office staff. In 2018 the plan will be to revive the wellness program. The plan is to create a sustainable and long term program with employee buy in. The HR report was accepted as presented.

ENGINEERING – Ron Schultz presented the Engineering report for October. In addition to the report Ron discussed that BPA has completed the rebuild of the Spearfish tap. Adcomm radio testing is going well. For example when testing the radio site at Golgotha Butte, which has posed problems in the past, Ron said it sounded like it was right next door. All of the temporary antennae's have been removed. We are still using the existing system and plan to cut over to the new system by year end. He also provided brief updates on the long range planning, street lighting project, RNG electrical infrastructure, and the irrigation projects. Ron spoke briefly on the bitcoin operation being installed east of the Spearfish substation. There have been several other recent inquiries so Mike DeMott and Ron are reviewing security requirements and rates that would be associated with the infrastructure required for facilities of these types. The Engineering report was accepted as presented.

OPERATIONS – Mark Pritchard presented the Operations report for October/November. In addition to the report Mark discussed that we are close to meeting our 2018 outage goal numbers. Half of the outages this past month were fire related. One such outage was the fire at the Underwood Fruit company and the other was a controlled burn at the Conboy Lake National Wildlife Refuge. We will be taking a three hour outage in the near future to heat up the Bingen transformer, however this date is undetermined and weather dependent. The White Salmon crew has patrolled the 69kV transmission line to Glenwood; they were assisted by a contracted tree faller that removed many dead trees from this Right of Way. The tree crew has been completing our vegetation management for the year. Mark is currently working on a request for proposals to improve our Safety program. The White Creek and Harvest Wind transmission line inspections are also complete. Crew will complete the one repair required this week. The Operations report was accepted as presented.

MONTHLY FINANCIALS – Nichole Lantau presented the monthly financials for October. Our Net Margin for October was nearly \$550,000 which was \$623,314 better than budget. Commissioner Knowles wanted to verify his belief that many of our Organizational dues are revenue based, and if staff has considered that in future years we could be charged a higher rate for these organizational memberships. Jim confirmed that this is the case and we will look at those membership dues if this happens. Total expenses were on budget for the month. Our year end debt service coverage (DSC) is forecasted to be 1.79, up from 1.77 last month. Commissioner Gunkel inquired about the status of the elevator project at the McNary site; staff will bring this information back. Staff also recommended that we expense the capital holding account for the John Day Pump Storage project in

2017, as our DSC looks good and we will not be doing any actual construction work. Staff will ensure correct treatment with our auditors and will include this expense in the December monthly financials for the Board's review. The Financial report was accepted as presented.

COMMISSIONER DOUG MILLER – Commissioner Miller reported that he does not plan to attend the WPUDA annual or water meetings this week.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles did not have a report.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel 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: Meetings - Jim stated that he was planning to attend the WPUDA General Managers meeting and that he would attend the opening of the Annual meeting as well.

Department of Natural Resources (DNR) Request - Commissioner Miller asked for clarification on a request from the DNR for the District participating in a water supply project in the Patterson WA area. Jim explained that DNR originally proposed that Klickitat PUD consider assisting DNR in funding this project in exchange for potentially moving some of these water rights into Klickitat County. Since then DNR has determined that it must perfect the water right on specific lands in that area before there would be any potential for those rights to be moved into Klickitat County. As a result, we will likely be moving forward with DNR for this project. Benton PUD would be in a much better position to work with them for mutual benefit.

ADJOURNMENT – There being no further business, the meeting adjourned at 4:31pm.

/S/
Randy L. Knowles, President

/S/
Dan G. Gunkel, Vice President

/S/
Douglas B. Miller, Secretary
Date Approved: December 12, 2017

/S/
Luann Mata, Executive Assistant