

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
**Tuesday, February 13, 2018**  
**2:00pm**

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

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

**STAFF PRESENT:** Jim Smith- General Manager, Mark Pritchard-Operations Manager, Gwyn Miller-Director of HR & Business Services, Kevin Ricks-Generation Assets Manager, Jeff Thayer-Materials Manager, Cynthia Bruce-Accts Payable/Accounting Clerk, and Luann Mata-Executive Assistant.

**GUESTS:** Robert Baker, Liz Baker, Vik Kaufmann, Johnathon Lewis

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

**MINUTES:** **MOTION** was made by Commissioner Gunkel to approve the January 23, 2018 meeting minutes as amended. 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 13<sup>th</sup> day of February, 2018. **MOTION** was made by Commissioner Miller to approve accounts payable vouchers and payroll in the amounts as listed:

- Accounts Payable Voucher numbers 111941 through 112087 in the total amount of \$692,339.72 and Wires, ACH and EFT numbers 8800873 through 8800884 in the total amount of \$1,389,111.02 for the period ending February 13, 2018; and
- Payroll Warrant number 43355 through 43356 and ACH Direct Deposit Payroll transactions 9918956 through 9919115 in the total amount of \$346,825.66 for the payroll periods ending January 21 and February 4, 2018.

Motion carried.

**PUBLIC COMMENTS:** Commissioner Knowles, recognizing that the individuals wishing to speak were present for the Net Metering discussion Agenda Item C, asked if public comment period could be delayed until after the Net Metering update had been presented. Those present agreed.

**AGENDA ITEMS:**

- A. RESOLUTION NO. 1754- Surplus Vehicles 18,40,57,66, and 78: **Motion** was made by Commissioner Miller to approve Resolution 1754 for the surplus of vehicles 18,40,57,66, and 78 to the Klickitat County Rural 7 fire department for auction in April. Rural 7 cleans the vehicles as well as makes small repairs to increase their value. KPUD receives 85% of the proceeds from each item and 15% benefits the fire victim's fund.
- B. 2017 CUSTOMER SERVICE SURVEY RESULTS: Brandy Myers presented the results of the Customer Service Survey. Holly was responsible for tabulating all of the results this year. Discussion continued on effective and efficient methods of assessing customer satisfaction and expectations given low participation rates in surveys. The response this year was the lowest participation in the last 10 years, with only 294 responses total. Most responses were from the age demographic of 66 and over. We will continue to see if there is an alternative

method of obtaining customer feedback. With the results received, those customers responding were satisfied with the service they receive. Billing statements continue to be an issue for customers. Our current billing system limits our ability to modify the format of our statements, but our planned migration to NISC should help with options to make our bills easier to read and more understandable. We will continue to provide statement notifications, and update Facebook and the website with information for our customers. Transparency is one area where we drift between satisfied and dis-satisfied. Conservation programs and tips, Customer Service and Rates are the top three areas that customers feel strongly about keeping informed of. There were several surveys that requested responses and staff will follow up on those.

- C. NET METERING UPDATE: Jim Smith provided an overview of the Net Metering customer meeting from February 7<sup>th</sup> and recommended that we postpone the Rate hearing, currently set for February 27<sup>th</sup>, until March 27<sup>th</sup>. The board was provided the Minutes from the February 7<sup>th</sup> customer meeting along with additional responses received throughout the week following the meeting. There were approximately 27 customers in attendance and the meeting lasted three hours. There was a good exchange of information. PUD staff focused on rate design and the underlying cost shift that needs to be addressed in order to keep the program sustainable. Most customers had an appreciation that there is a cost of having the system available to them when they needed it, however several felt that the cost approach we presented was not reasonable and didn't fall within the parameters of their original Net Metering agreements. The State Legislation states that the payback is One for One based upon net generation delivered to the system and delivery of that net generation back to customer at some point. Our contracts also state this premise. If we wanted to, we have the ability to cancel the contracts with 30 days' notice, which is not our intent, but that ability is there. Our dilemma is complying with the requirements listed in the agreements, and not shifting any costs to other customers. Staff has worked this week to come up with the most reasonable approach to meet Board direction and the Net Metering customer's needs and desires.

After listening to customer comments and reading response letters that were received after the meeting, Commissioner Gunkel believes that we should have a two bucket approach. He feels it's very important for KPUD to stand behind our commitments. So he proposed we consider existing net metering customers along with the 20 customers that are waiting for the Net Metering program to be reinstated, under our existing philosophy and agreements. However any new Net Metering applications would fall under our new philosophy. This will commit KPUD to honoring existing contracts, and allow us to implement rules that are very clear to new customers for them to consider as part of any decisions they may make regarding net metering. That doesn't mean that the program won't evolve in the future as legislation and needs change. Most customers are just expecting the decisions be fair and equitable. Johnathon Lewis stated that he appreciated the Board being considerate of the situation and choosing to honor the spirit of the original agreements. Vic Koffman also asked that the board make equitable decisions regarding the contracts for the existing Net Metering customers. Robert Baker stated that he appreciated the board honoring the One to One payback.

Commissioner Knowles agreed with this philosophy, but wanted to be assured that staff will be expected to articulate, up front, the requirements of the new contracts with new customers. It was also discussed that the contracts are with the individuals, they do not follow the property, so if the property changes hands we should consider if the new owner would have to apply for a "New" contract.

Commissioners were in agreement with the solution and asked staff to move the process forward. Staff was advised to bring back alternatives at the next meeting, demonstrating no change for existing customers, but also demonstrating what the new contract would state and the rate sheet

representing the two rates. The Commissioners also want this information communicated to customers. **Motion** was made by Commissioner Gunkel to rescind the February 27<sup>th</sup> Rate Hearing to be rescheduled at the appropriate time.

## **REPORTS:**

**Generation Assets Update** – Kevin Ricks presented the Generation Asset report. Republic lit their flare last month and since that time, the plant has seen degrading gas quality. We are continuing to work with Republic's staff to find solutions that provide a consistent quality gas supply. Republic has also recently contracted out the well field tuning duties. Since doing so their tuning performance has increased and on the last tuning round, they tuned 97% of the wells in compliance with the guidelines. Commissioner Miller asked about an ATV purchase. The equipment was purchased to allow for the Renewable Natural Gas project representative to be able to inspect the new natural gas pipeline at the landfill. Kevin said that when they evaluated rental costs they found that rental cost exceeded 50% of the outright purchase price of the equipment. They then made the decision to purchase it and continue to use it for transportation needs at the site after the project completion, considering that the upper and lower power site are more than a mile from one another.

Report was accepted as presented.

**Power Management** – Mike DeMott presented the power management report. A warm January led to lower retail sales, but it has been colder so far this month so usage is trending back up. BPA has said there is a 70% or higher chance that they will implement the Cost Recovery Adjustment Clause (CRAC) charge this year. Their estimates would result in costs to us in the \$100,000 to \$300,000 range. Michael Dean at PPC is working on this now. Commissioner Knowles asked about the water year. Mike said that although in our area and south of here snowfall has been light, the snow density in the northern part of the Columbia River system is slightly above average so far this year. Mike also reported that hedging activities in 2016 and 2017 realized about \$1.2 million in increased revenues relative to the market pricing. The adjustments to the Republic well field operations have really helped with our wholesale revenues as well as we have produced more power than budgeted. Commissioner Knowles also asked about the impacts on our revenues from the Underwood fruit fire. The impact was about a 0.5 to 1 MW. Commissioner Miller noticed that there was an increase in peak demand when temperatures reach 80 degrees. Was this increased peak due to irrigation use or higher customer consumption due to air conditioning? Most of the volume is irrigation driven, however that doesn't mean there aren't more customers cooling their homes than in years past. Because of the size of the impacts of irrigation load, the increase is not strictly just temperature related; it is also time of year and precipitation related.

In 2017 our transmission sales for our transmission capacity from Rock Creek (RC) to John Day (JD) and from John Day to the California Border (COB) realized a total net margin income of \$45,000. The assets are managed by TEA. Within the next few months we will need to make a decision to commit to a 5 year renewal with BPA for the Rock Creek to John Day portion of the path. This portion was obtained to establish a complete path to California for marketing landfill gas generation. However, this piece also is generating negative net revenues, while the JD to COB is generating positive net revenues. This cost is likely to increase as all indications are that BPA's transmission cost are going to increase in the future, probably faster than their power costs. Commissioner's asked if we need to have this access in order to transport to California and the answer is yes, that is why it was purchased. However, as we move to Renewable Natural Gas rather than power generation, we should consider letting the RC to JD go. There is potential benefit in the future if Energy Imbalance Markets (EIM) drive the capacity market, but this is an unknown and the EIM participation is at the balancing authority level at this time. Based on Mike's recommendation, the Board agreed to not renew the RC to JD BPA transmission path. Data center loads have been an upfront focus recently. With the

increased requests for large power user installations, Mike has been working to draft contracts and Engineering is continuing to work with customers and BPA. Report was accepted as presented.

**AGENDA ITEMS CONTINUED:**

- D. **POLICY BULLETIN 7- Credit Sales Collections Service Charges update:** There was in depth discussion around modifications to the Industrial Customer related sections of Policy 7. After discussion with staff, Commissioner Knowles suggested that rather than approving the proposed changes to Policy 7, it would be a better direction to totally remove Industrial Customers references from Policy 7 altogether and address the policy issues in their individual contracts. After discussion, Staff was asked to bring revisions to Policy 7 that implement this direction to next meeting for consideration and approval.
- E. **AUDIT ENGAGEMENT LETTER-** At the request of Moss Adams, the Audit Engagement letter was presented to the board. The board acknowledged receipt of the letter.
- F. **EXECUTIVE SESSION: Per RCW42.30.110 (1)(g) - To Review Performance of a Public Employee.** Commissioner Knowles called for an executive session at 4:40 pm to last for a period of 60 minutes. Executive session ended at 5:40 pm. No Action was taken.

**COMMISSIONER DAN GUNKEL** did not have a report.

**COMMISSIONER DOUGLAS MILLER** will be attending the WPUDA meeting this week and will present updates from February's WPUDA meeting upon his return. He also asked if we have any information on Bonneville's spill requirements at the dams. He noticed that they were spilling over The Dalles Dam last week and he was curious if that was because of run off, fish, or flood control. He also noted that it appeared the Yakima River was at flood stage already.

**COMMISSIONER RANDY 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, Mr. Smith presented the following information:

- Community Meetings - We hope to start our community meetings in early March. Nothing has been scheduled yet, but Jim and Luann will bring a tentative schedule on the 27<sup>th</sup> to obtain input on commissioner availability.
- Klickitat Water System Wells – this past summer, operators noticed issues with air in the water supply to the treatment system. Further investigations found well capacities have significantly reduced and we have found significant iron bacteria in all three wells and staff is concerned about an adequate water supply to the system. Jim asked Commissioner Miller if there were water quality issues with Well #1 which has been being used to feed the ball field at the school separate from the water system. He could not recall any. Staff is continuing investigations into water supply capacities at all 3 wells so we have data to determine how severe this issue is. It is likely to drive a requirement for a new water source, but we do not know how quickly it might be required. Sharon is already working on the availability of funds if required for studies should we determine a new source is required. Jim has already asked Tom McDonald research restrictions of going back to using the river as one alternative source and at this time there doesn't appear to be any issues going back to the river source, except it would likely cost more than new well. Jim asked that Commissioner Miller talk with Russ to ensure we can transfer as much of his experience and knowledge on Klickitat to Russ as we work through the issues.
- Energy Northwest Resolution- We received a resolution requesting support of noting their operations as a carbon free affordable source of electricity. Commissioner Gunkel's opinion is to make the changes we need to in order to support this request and bring it back for Board consideration and approval.

