

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

CALL TO ORDER: President Knowles called the meeting to order at 1:00 pm as advertised at the Klickitat PUD office. Commissioner Knowles opened the meeting and closed the public session to enter into Executive Session for up to 60 minutes. Executive Session ended at 1:35 and Commissioner Knowles recessed the meeting until 2:00 pm.

AGENDA ITEMS:

A. **EXECUTIVE SESSION:** Commissioner Knowles called for an executive session at 1:00 pm to last for a period up to 60 minutes. Commissioners, legal team, and staff entered into an EXECUTIVE SESSION pursuant to RCW42.30.110 (1)(i) - To discuss Potential Litigation regarding MM28 fire. Executive session ended at 1:35 pm. No Action was taken.

Commissioner Knowles reconvened the Public Meeting session at 2:00pm.

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, Jeff Thayer- Purchasing Manager, Mike DeMott- Power Manager, Ron Schultz-Chief Engineer, Cynthia Bruce- Accounting Clerk, Anita Clever-Energy Services Specialist, and Luann Mata- Executive Assistant.

GUESTS: Present: On the phone: Jena MacLean and Meredith Weinberg for the Executive Session. Larry Bakken and Sandy DeMent

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the February 27, 2018 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 this 13th day of March, 2018. **MOTION** was made by Commissioner Gunkel to approve accounts payable vouchers and payroll in the amounts as listed:

- Accounts Payable Voucher numbers 112185 through 112301 in the total amount of \$684,608.38 and Wires, ACH and EFT numbers 8800895 through 8800903 in the total amount of \$160,267.53 for the period ending March 13, 2018; and
- Payroll Warrant number 43358 and ACH Direct Deposit Payroll transactions 9919197 through 9919274 in the total amount of \$184,308.86 for the payroll period ending March 04, 2018.

Motion carried.

PUBLIC COMMENTS: Larry Bakken just stated he was here to observe. Sandy DeMent asked if there was any impact on our current bond issues due to the Moody's rating change. She also asked if any portion of the \$130,000,000 or so of capital debt would require renegotiation. Commissioner Knowles and Jim Smith spoke to her questions. There are no material impacts on any bonds we have issued from the change and there are no renegotiations necessary. According to each individual bond covenant, there are requirements when a rating is changed, primarily posting notifications. We have completed those requirements. While we do not agree with their rating change, we do understand their position is with respect to construction risk and we have already asked them to be prepared to look at our rating again once the construction risk they cite is taken care of when the project is on line.

Ms. DeMent also stated that it appeared we were just now calling for bid on items related to the project and asked how we could possibly have this projected completed by the August 1st deadline if we were just beginning the bid process. This was clarified by addressing the fact that we have had many call for bids to date for the RNG project. The one in question was for part of the final pieces of construction. All of the major components are being constructed, assembled and tested at the manufacturer. They will then be disassembled and shipped to the site. Upon arrival they will require reassembly and will need to be connected to the electrical controls on site. We are still anticipating meeting our schedule of August 1st. Sandy asked if the 25% tariff on steel the president is imposing would affect costs. The answer is that it could impact material pricing, but all of the major equipment is already purchased and those prices are set.

REPORTS:

Power Mgmt/LFG update – Mike DeMott presented the Power Management report for February and updated the Commissioners on Landfill Gas generation statistics. The snowpack is looking good for the northern area of the region. California's and southern Oregon snow pack is substantially below average for this year. CAISO generation mix was reviewed and hydro is only 5-10% of their resource mix. Imports overtime look pretty steady. Renewables continue to see substantial growth. Nuclear power production continues to decline and looks to be completely off line by 2025 in California. It will be interesting to see what California will do for capacity in the future. Their load and peak overall appears to be pretty flat which may be driven by conservation efforts. Battery storage will continue to grow in California and there is potential for battery costs to go lower over time. PUC recently ordered 500mWs of behind the meter battery storage. Given PUC model ratepayers in CA will likely cover cost of battery storage. Forward pricing is still fairly steady, it has remained fairly flat for the past 5 years. We have 20 MW of light load to hedge in June. With RNG coming on line we will likely turn LFG off on June 4th. We had planned to be off line in July, so this is a month earlier than scheduled. Kevin's goal is to have RNG operational before August. This means that we will not have contract payments until September. We will be adjusting the forecast to accommodate this shutdown schedule change. There will be some revenue as we test the system but we don't have a figure for that at this time. Commissioner Miller asked if this early shutdown would change the budget. The answer is that the budget doesn't change, forecasts adjust monthly, but budget remains what was approved by the board, unless the board chooses to amend it. Both WC and LFG had above budgeted production for the month. LFG averaged 24.6 aMWh. We are still working on the large load contracts. BPA load forecasting must be locked in by Sept 30, 2019. Mike will be meeting with BPA tomorrow to work through strategies on the large load interconnection requests we have received. Mike and Kevin are working through RNG contracts. Weaver is a 3rd party that resides in the middle as the data validator and work with EPA certifications. Meeting with tax attorneys from BP and KPUD took place and we presented them with our thoughts of gas being used for vehicle fuel. We need BP to certify that it will be used as vehicle fuel to receive tax benefits. BP was polite and listened, but not wanting to sign off on this request just yet. They were not clear on what their issues are with the certification process. Since the vehicle fuel portion would be used outside of Washington State, they were hesitant to

certify this tax requirement without reviewing it first. We want to be sensitive to what we ask. The possible tax implications could be a State Tax of 3+%, where if we provide the certification the B&O tax would be roughly .5%. We have also asked for language that they will provide a successor form.

Report was accepted as presented.

AGENDA ITEMS CONTINUED:

- B. **PREQUALIFICATION OF CONTRACTORS:** **MOTION** was made by Commissioner Gunkel to accept the listing as presented and agrees to add all of the companies listed to the works roster for 2018.
Motion carried.
- C. **NET METERING DISCUSSION:** Review drafts of Policy, Rates, and Resolution- Staff is asking that the Commissioners review the proposed Policy 25, Net Metering Agreement, Rate Schedule 1-A, and Resolution 1755. If the board is in agreement with Staff's proposed changes, staff will bring back the final versions on March 27th for approval. There was additional customer comment received today, and distributed to the board for review. The board requested a few wording additions to the agreement and the policy. One addition requested by the board was to place a few initial blocks next to key items in the new agreement, Anita will make these additions. Commissioner Miller asked that section 1.2 in the agreement should reflect that we have the ability to change to smart metering at any point during the agreement. Commissioners further discussed grandfathered agreements; we will be inserting an annual update request within our process to prompt updates to our contracts, should property ownership change throughout the year. Staff is looking at options of how to accomplish this review. Another verification the board asked for was that if a customer increases their capacity, does the new capacity require a new contract. The state incentive program would require a new production meter for the customers system should they add to their systems. That being said we will need to evaluate how we process these additions. The answer is that there would be a potential for one existing net metering customer to be operating under a grandfathered contract and a new contract simultaneously. Within this process, we would probably require a new meter for the new generation as well. The commissioners requested that we provide documentation to all potential and current net metering customers prior to the hearing on March 27th.
- D. **BID REJECTION-** Sixprong Substation 115Kv Circuit Switcher Bids: **MOTION** was made by Commissioner Miller to reject all bids for the Sixprong Substation 115kV Circuit Switcher due to a Technical Specification Issue that affected all bids. Staff will call for bid on this item again. Motion Carried
- E. **BID AWARD-** Sixprong Substation 15kV Power Circuit Breakers: **MOTION** was made by Commissioner Miller to award the bid for the four (4) 15kV power circuit breakers to be installed in the Sixprong substation to General Pacific for \$62,800. Motion carried
- F. **BID AWARD-** Sixprong Substation 115kV and 15kV Disconnect Switches: **MOTION** was made by Commissioner Miller to award the bid of the three (3) 115kV Disconnect Switches and one (1) 15kV Disconnect Switch to be installed in the Sixprong Substation to General Pacific for \$36,312. Motion Carried.
- G. **BID AWARD-** Sonova Switchyard 115kV Power Circuit Breakers: **MOTION** was made by Commissioner Gunkel to award the two (2) 115kV power circuit breakers for the Sonova Switchyard to General Pacific for \$95,548. Motion Carried.
- H. **CALL FOR BID-** Sixprong Substation 115kV Circuit Switcher: **MOTION** was made by Commissioner Miller to authorize advertisement of call for bid for the Sixprong Substation 115kV Circuit Switcher, with a bid opening date of April 04, 2018 at 2:00pm. Motion Carried.

COMMISSIONER DAN GUNKEL reported that we have seen what the rating agencies did with Klickitat PUD's rating, they are now looking into Energy Northwest and Bonneville Power's (BPA) ratings as well and have put them on a negative watch due to declining power reserves. The update also noted that BPA is highly leveraged and that the hydro market is volatile. This rating change impacts the interest rate on new bonds and bond sales. This reflection just reinforces that it's not a good time to be in the power generation business. Commissioner Gunkel also stated that he attended the Klickitat County Economic Development Association meeting. The meeting focused on rating five upcoming projects to gage focus. It also included in strategic plan. They also indicated that their plan moving forward opens the door to some additional funding that is available and that their focus is on the economic development movement.

COMMISSIONER DOUGLAS MILLER reported that he was reading an article on bit coin mining projects. It referenced that some of these operations were home based. Commissioner Miller's question to staff is do we have any way of finding these issues. Staff stated that we have seen some issues, but unless this increased use impacts equipment, we really don't have any issue with these services in residences.

COMMISSIONER RANDY KNOWLES reported that he, Jim Smith, and Brian Skeahan met with National Grid, Rye Energy and NSC last week. The discussion is that we need to utilize a portion of the land for development soon. Commissioner Knowles had a very good discussion with Scott Tillman. It was a very productive meeting. The following day Commissioner Knowles met with Scott again. There have been proposal discussions. We need to pull together a map that outlines discussions. Need to determine what triggers the "water facilities options". There was discussion that if a state grant becomes available, we would like to use that money to begin the Corp of Engineer's lease process finalization. Commissioner Gunkel just wanted verification that obtaining the Corp lease is indeed listed as a project costs to be paid for by the project not the PUD. We will have Memorandum Of Understanding (MOU) that follow all of the discussions and outlines costs. The Corp Lease is a component that is directly needed to secure the project viability. April of 2019 is when the lease options expire. The board is sensitive to contaminated site issues. We don't want to enter into long term leases for all of the property that the Aluminum plant occupied. The maps block out the large area of contaminated property. We would want a decree that would show it is safe should we decide to purchase the property in the future. Now is also the time to secure 100 or 200 acres of land on the Goodnoe Hills project site as well. This may add value in the future, to have a site secured on top of the hill as well. We will want additional ground for substation, future discussions to follow on that. Commissioner Knowles would like to continue this discussion at the next meeting. We want to make sure that we secure our value, if the developers have the potential to serve project with their own water, all of our work would be futile. Assume National Grid will get a decree for the footprint of their project, but we would like to have the decree include other portions of the site not just their footprint. Scott is trying to do significant development. National grid needs certainty. Scott wants to retain the section of property between the Johnday Sub and Harvalum sub, so that he can sell that portion of the property. We currently have this property tied up at this point. We need to determine what the water supply value is verses the infrastructure value. Infrastructure should be compensated at the max amount allowable by law according to agreements. This agreement values the property at \$2,700,000. So the discussion is that we need to come up with options to obtain value without burdening the customers. The brown field is still on the Department of Ecology's checklist (we need to obtain the policy and verify how they function) this may not be an option as they don't have the frame work to break out parcels unless they change their policy. We will need to evaluate this process. Brian should have this documentation so Jim will follow up with Brian.

ENGINEERING REPORT

Ron Schultz update on Bingen Substation Outage discussion- BPA's outage last weekend went well. The new transformer in the Bingen Substation is operational. The metershop completed bus work during the outage, however when they went to energize the substation we had a trip on the differential. This differential switch tripped out when White Salmon came on line, we tried it multiple ways and every time we introduced White Salmon's load it operated. We have determined that there was a device that is set at the manufacturer's recommendation, but we feel the settings are too low. We plan to take an outage at 2am one morning for approximately 15 minutes and update the settings on this device. We also had an issue with the Glenwood breaker. This was closed manually and repairs have been made. Other than these two glitches the outage went very well. We had the Crew working at the Gilmer Substation and on some of the transmission. Ron will include more information on this outage in his report at the next meeting.

Bingen street lights- We have the replacements in stock. Ron has talked with Potelco and there were 3 fixtures that required adapters for Bingen. Bingen was going to have one of their employees manufacture the adaptors and contact Potelco when they were ready. Potelco was not notified that those adaptors were ready. They will come back once there is a confirmation from Bingen that the adaptors are complete. White Salmon has issues with the decorative lights on the south side of their main street. Ron spoke with them and offered staff to help trouble shoot their circuits. Ron will create a drawing of what they have in this area and label it for them. He will also have Joli add the information to our mapping program so that we know where these customer owned lines are for future questions.

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:

- April 10th we have a quarterly meeting with county commissioners scheduled. Is there anything we want to present to them at this meeting? After discussion it was determined we will cancel the April meeting with the county commissioners.
- WPUA board of directors Listing- No change was suggested at this time.
- 2018 Legislative Session has ended- The Carbon tax did not pass, nor did the various 100% RPS bills or the net metering bill. The RNG bill did pass however. The RNG bill allows sales tax exemptions for materials and equipment for gas processing systems that are used for RNG, but the bill comes too late for us to receive any benefit. Siloxane standard is under review. Not sure if any voter initiatives will get added or not but if they do, the front runner looks very similar to the governor's carbon tax bill proposal.

ADJOURNMENT – There being no further business, the meeting adjourned at 4:18pm.

/S/

Randy L. Knowles, President

/S/

Dan G. Gunkel, Vice President

/S/

Douglas B. Miller, Secretary

Date Approved: March 27, 2018

/s/

Luann Mata, Executive Assistant