

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, March 14, 2017
2:00pm

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

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, Kevin Ricks-Generation Assets Manager, Mike DeMott-Interim Power Manager, Brandy Myers-Customer Service Supervisor, Ron Schultz-Chief Engineer, Cynthia Bruce-Accts Payable/Accounting Clerk, and Kathy Loveland-Executive Assistant.

GUESTS: Legal Counsel Jonathon Hoff with K&L Gates via teleconference during the Executive Session.

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

MINUTES: MOTION was made by Commissioner Dan Gunkel to approve the February 28, 2017 meeting minutes with revisions as stated by Commissioner Knowles. 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 14th day of March, 2017.

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

- Accounts Payable Voucher numbers 109133 through 109239 in the total amount of \$383,587.23 and Wires, ACH and EFT numbers 8800658 through 8800664 in the total amount of \$1,121,866.56 for the period ending March 14, 2017; and
- Payroll Warrant number 43328 and ACH Direct Deposit Payroll transactions 9917092 through 9917167 in the total amount of \$160,589.00 for the payroll period ending March 5, 2017.

Motion carried.

PUBLIC COMMENTS: None.

REPORTS:

COMMISSIONER DAN GUNKEL gave an update on subject of the recent article by McCullough Research on replacing Energy Northwest's Columbia Generating Station with renewable energy. The Public Power Council's staff put together a document that put a lot of meat into the subject. McCullough's analysis takes a "median" levelized cost of energy (LCOE) from "Lazard's Levelized Cost of Energy Analysis" that projects a range of potential LCOE values for new resources on a national level. The report for new solar shows \$42.50 per MWh and \$31.00 per MWh for new wind. These numbers are in bright contrast of what the industry knows they are in this region. Regional costs here for solar are \$61.43 per MWh and wind comes in at \$102.43 per MWh according to the 7th Power Plan if all the integration and transmission costs are included. The result is that their analysis is an apples and oranges comparison of what real costs are. For the Columbia Generating Station, the average projected cost from 2016 to 2026 is \$45.62 per MWh, and with delivery \$48.50 per MWh. There are many implications with replacing base load with intermittent resources that need to be considered in cost comparisons that the McCullough report does not consider. This is just one more reiteration of the anti-nuclear group spinning the real facts to tell a story that simply isn't true.

Commissioner Gunkel further pointed to a "Forbes" magazine's February 2017 issue with one of the main topics on the cover entitled "Green Fossil Fuels." Commissioner Gunkel read some of the highlights of the article, and noted how this technology could impact the power industry. This new technology is an electric-generation system that

burns natural gas and sequesters all of the produced carbon dioxide, and it states it is at the same cost as other modern gas-fired turbines. They are claiming at 6 cents per kilowatt-hour, or \$60 per MWh. The plant uses CO₂ to run the generator, instead of steam. If this technology becomes reality and is certified as renewable, one would expect large impacts on intermittent renewables such as wind and solar generation. The whole package is interesting and the renewable market will continue to change.

Commissioner Miller asked about small nuclear power modules and whether or not the Nuclear Regulatory Commission's process and fees is what stopping them from being built? Commissioner Gunkel commented that the process to obtain a license and build that type of facility is very expensive at this point, and NRC's licensing process is very time-consuming as their main goal is to maintain safe operations in nuclear plants. Economics is not their concern, safety is. Small modular reactors (SMR's) are designed based on a fail-safe philosophy where there is no physical way for them to melt down or overheat as they are built in an underground water cooling system, so it's a very safe passive model. Commissioner Gunkel believes that SMRs will be developed in the U.S., but will be deployed in other locations around the world before they are permitted and installed in the U.S. due to the permitting process.

COMMISSIONER DOUG MILLER reported that he attended the Washington PUD Association's commissioners' orientation session which included training on the Open Public Meeting Act, as well as WPUA's Water Committee meeting in Olympia March 15-16, 2017. He noted that he would like to see the Open Public Meeting Act become a more palatable process.

Commissioner Miller also brought up the subject of electronic board packets, and would like to see the District pursue this option at some point in the future. Mr. Smith will investigate this option and bring back information at future Board meetings.

COMMISSIONER RANDY KNOWLES reported that National Grid purchased the Swan Lake pumped storage project, a 393 MW project located near Klamath Falls, Oregon. National Grid is currently working with us as well on the JD Pool pumped storage project. Commissioner Knowles is continuing to work with Senator Honeyford for legislative support and interest in helping the JD Pool project come to fruition for the benefit of the region. Mr. Smith commented that full clean-up of the aluminum site is expected to be complete by 2020, according to Mac Seyhanli with Columbia Gorge Aluminum, although the timeline has slipped from the original 2019 date.

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:

- **BPA-Fish Mitigation** – Commissioner Knowles asked if this is a US Treasury payment issue, and if BPA implements a CRAC what will they use to determine the amount of the CRAC and how will we be required to pay it? If it is a cash payment, the amount should be the minimum required to ensure that the probability of making the Treasury only just exceeds the trigger. Mr. Smith will provide the Board's feedback to BPA.
- **Strategic Planning Session** – First session is scheduled for March 30th, and likely a second session on April 14 depending on if we finish the process in one session. Kathy was asked to schedule the meeting room at Maryhill Museum.
- **Water-Wastewater Rates** – Mr. Smith and staff began rate reviews earlier today. The Klickitat water system's account is stable and continuing to gain funds, and we are not anticipating any repairs or upgrades to that system for at least 10 years. Therefore Mr. Smith will be recommending at the rate hearing that Klickitat's water rates be reduced 30% this year. The Board was in agreement, as long as that is what the numbers are showing and with the caveat that we start ramping up the rates when we see expenditures on the horizon.
- **Packwood Lake Hydro Project** – Packwood has approved their annual budget. They produce 10 average MW, of which KPUD owns 3%. \$78,000 is KPUD's portion of the annual budget. The estimated 2017 production rate is \$25.43 per MWh, with their long-term outlook being 25% less than BPA. Commissioner Miller asked if the project has fish related requirements; and yes it does have fish mitigation requirements.

The report was accepted as presented.

GENERATION ASSETS – Kevin Ricks presented the monthly H.W. Hill Landfill Gas Project report for February 2017, noting that the average station output was 21.05 average MWs, utilization factor was 96.03%, and reliability factor was 100%. Station output so far in March is looking even better. The report was accepted as presented.

AGENDA ITEMS:

- A. PRE-QUALIFICATION OF CONTRACTORS – **MOTION** was made by Commissioner Dan Gunkel to approve the addition of two new contractors to KPUD’s Small Works Roster, as they have met our qualification requirements. They are: TK Contractors LLC of Rathdrum, Idaho and Sturgeon Electric Company of Troutdale, Oregon. Motion carried.

- B. EXECUTIVE SESSION – President Knowles called for an Executive Session at 3:30pm per RCW 42.30.110(1)(i) noting that the session would last for 60 minutes for the purpose of discussing H.W. Hill Landfill Renewable Natural Gas Contracts. Legal Counsel was present via teleconference as required.

RCW 42.30.110 – Executive Sessions.

(1) Nothing contained in this chapter may be construed to prevent a governing body from holding an executive session during a regular or special meeting:

At 4:30pm, President Knowles announced that the executive session was being extended an additional 15 minutes.

The Executive Session concluded at 4:45pm. No action was taken.

- C. H.W. HILL LFG PROJECT – Kevin Ricks discussed the disposition of the reciprocating engines at the LFG site with the Board, noting that maintaining these units could have an impact on our air operating permit. It was the consensus of the Board that it would be a prudent business decision to remove them from the site for the best value that could be obtained. Kevin will carry out this process. Mr. Smith noted that the process will involve staff submitting a request to the Board at a future date to authorize surplusung the five units. No action was taken at this time.

ADJOURNMENT – There being no further business, the meeting adjourned at 5:10pm.

/s/
Randy L. Knowles, President

/s/
Dan G. Gunkel, Vice President

/s/
Douglas B. Miller, Secretary
Date Approved: 3/28/2017

/s/
Kathy Loveland, Executive Assistant