

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

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

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

STAFF PRESENT: 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, Nichole Lantau-Accountant, Beth Schroder- Accountant, Kevin Ricks- Generation Assets Manager, Anita Clever-Energy Services Specialist, and Luann Mata-Executive Assistant.

GUESTS: Present were Don Jarrett, Larry Bakken and Rick Allen. These individuals were present for the commission meeting. On the phone: Dan Short and Meredith Weinberg participated in the Executive Session.

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

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

- Accounts Payable Voucher numbers 112302 through 112433 in the total amount of \$4,401,013.14 and Wires, ACH and EFT numbers 8800904 through 8800913 in the total amount of \$7,075,404.74 for the period ending March 27, 2018; and
- Payroll Warrant number 43359 and ACH Direct Deposit Payroll transactions 9919275 through 9919355 in the total amount of \$197,020.34 for the payroll period ending March 18, 2018.

Motion carried.

AGENDA ITEMS:

A. **2016 ECOLOGY OUTSTANDING PERFORMANCE AWARDS:** Eric Van Doren, with the Department of Ecology, was here to present the Water/Wastewater department with the 2016 Wastewater Outstanding Performance awards for the Klickitat, Lyle, and Wishram systems. Eric expressed his appreciation to the crew for providing him with a tour of each of the systems and offered to be another resource to the crew should they have questions. Tim McMurrin, Brandon Walters, Noah Halm, Sharon Blodgett, Rod Kiser and Greg Watson were all present for the presentation. Commissioner Gunkel asked "How many years in a row has this group been receiving awards?" The answer from Sharon was as long as she has been working here. Eric mentioned that the Lyle system is in the running for a 10 year award. Commissioner Gunkel asked if ten years without violations would be a typical achievement. Eric responded that the duration for outstanding performance of ten years is a rare achievement.

PUBLIC COMMENTS: Rick Allen- Trout Lake. Mr. Allen was asked to investigate “Poop to power” Dairy waste power supply for the Trout Lake business association. The board stated that they are aware of the technology and have had previous discussions with some of the dairies in the Trout Lake area. To make a project like this work requires connection to the local power grid; our Chief Engineer Ron Schultz is the contact for interconnection request work. Commissioner Knowles being the representative from the west end, has been aware of the interest for some time. Commissioner Knowles stated that our staff would be happy to work with Mr. Allen and assist him with his research. There may be conservation grants available for projects like this. The first place to start is to determine if there are interconnection options. If there are not, then there would be no need to go any further. There are about 1500 cows right now. That might supply enough power for a few hundred houses. So the assumption of the board is that it would fall into approximately a 1.5-2MWh range for generation. Commissioner Gunkel stated there is an interconnection policy available for review and also provided some background information, as a representative of Energy Northwest, he stated that about 4 or 5 years ago Energy Northwest took a serious look at this type of project. They evaluated all of the fine points for dairy producers in the Tri-Cities area and, at that time, could not make this form of power cost competitive. There may be some additional options available now or possibly some underlying funding that this previously reviewed project did not have the benefit of. Commissioner Gunkel also stated that they would probably want to market the power on their own. Mike DeMott or Jim Smith would be a good resource for sales to subsidies ideas and options. Mr. Allen asked if the Energy Northwest study information would be useful or applicable to this project. The Commissioners agreed that the information may be useful and may save him some time.

REPORTS:

Engineering update – Ron Schultz presented the Engineering report for February. Large Load requests have slowed down. We had a meeting with BPA today. They are completing 30-45 day status update meetings on these projects. The EE Clouse load move update review will take place next week. We are evaluating moving the Goldendale load to be fed from EE Clouse. Adcomm is finished with our radio system upgrades. Ron still has some programing information to provide to the crew to assist with their receipt of out of county call information. He will also be reviewing the Long Rang Plan with the crew and engineers. Some of the projects slated have been budgeted for 2018. Sixprong and Sonova projects are progressing well. There will be a construction call for bid in June. We met with ECI last week in Portland to make sure that we explained our focus and schedule requirements. Ron also talked with a customer, Steve Crothers, from the White Salmon area that wanted to bring our attention to this Generlink product. It sits behind the meter in a similar fashion to our surge protectors. The customer was hoping for support and looking to have KPUD purchase, provide, and install for our customers. In 2009 Ron reviewed these items. They were not approved for use by Labor and Industries (L&I). L&I sent Ron an explanation on where they stood in reference to the WAC. Ron provided the L&I study to the customer and we have not heard anything since. There is currently one utility in Washington that is allowing this Generlink product. From Ron’s research they are providing them due to a decision of one engineer. Metershop has been busy, Randy Pimley resigned last week. Staff conducted an exit interview and he wants to have winters off so he’s going to work out of the hall to be able to adjust his time. We approached the county to share the ditch for a project on Hwy 141, their cost estimate back to us was cost prohibitive, and so we will not underground this section at this time. The costs to share the trench for the East Humbolt street widening was to expensive as well. Commissioner Miller asked about capacity at various substations. The board wants Ron to be very cognoscente of growth and consider thinking of consolidating locations for these large load ventures as to not utilize

capacity that has been paid for by other customers and make sure it is available for other future economic development. The board also requested that Ron complete an overall view analysis and provide a presentation of the analysis to the board. Doug would like to scheduled time for a more in depth discussion. Ron should be able to provide that analysis after the next BPA planning meeting in June. He will keep the board updated and current on these projects.

Report was accepted as presented.

Operations update – Mark Pritchard presented the Operations report for February. The crews will be completing a reconductor project on East Main Street in Goldendale. This project will take both crews and an outage next week to complete. The preparation work will begin next week for Sonova Road Switch Station project. This involves removing distribution underbuild from the transmission line, installing poles for a static wire and reconductoring. To reduce the travel time and make the project more efficient, the Goldendale Crew will be working 4 -10's, beginning Monday April 2nd. The Vegetation Management has been the focus for the month of February with the mild weather and they are currently working in White Salmon. Mark may consider moving them to 4- 10's as well, but that has not been determined yet. They were able to remove 84 trees last month. Asplundh has about 8 more days of work before completing their 2017 contract. They will be moving back to Flat Top to pick up some areas that they didn't complete due to weather. Then they will move right into the 2018 contract work. John Spain, our new safety trainer, attended our last Safety and Standards meetings. He had some helpful input for both meetings. Jeff, Sharon, April and Shelby have taken on the Safety Banquet tasks. The Banquet is scheduled for May 12th at the Goldendale Golf Course.

Water-Wastewater update –Sharon Blodgett presented the W/WW report for Feb. Brandon Walter has taken advantage of our membership with Evergreen Rural Water of Washington (ERWOW) and the free services they provide. We utilized the knowledge and services of the area representative and were able to repair a fire hydrant in the Roosevelt Water System which allowed us to remove a capital budget item of \$3,000 for a new hydrant. Sharon also noted that KPUD will be hosting an advanced electrical training offered through ERWOW. It will provide ERWOW a centralized location for training for neighboring water districts, and KPUD employees will not have any travel expenses. Brandon is encouraging everyone to pursue their annual training now before we get to the busier summer season. Gwyn did make note that Brandon had just returned from his 3rd of a 4 series training program on Leadership. DOH has yet to approve the new Wishram Smith Well. We just provided them with the last required water testing results for insecticides. We will follow up with DOH the end of the week if we still have not heard. We have a contractor working on Pressure Reducing Valves in the Ponderosa Park water system and there will be another contractor beginning the installation of radio read meters. They will also complete the placement of radio read meters in 4 of the water systems this year.

Report was accepted as presented.

Financial update – Beth Schroder and Nichole Lantau presented the financial report for January. The net margin at this time is \$264,365 better than budget. Contributing factors included a reduction of the projected expenses for January; an increase in the AIC over what was budgeted; and an increase over budget in LFG and White Creek production. Our forecasted debt service coverage ratio is currently based on budget. This will be updated as forecasted numbers change. Revenue forecasts will be updated each month, with a full forecast including expenses provided periodically. BPA is forecasting that they will likely be implementing additional charges to customers via their Cost Recovery Adjustment. Commissioner Knowles requested that next month's report adds that impact into the forecast. Capital spending was lower than budgeted as some projects scheduled to begin in January did not get underway. The financials are now showing a comparison between budgeted and forecasted day's cash on hand. At this point, everything on the statement of cash flows is the same between forecast and budget with the exception of the beginning cash balance which was about a million dollars higher than was

budgeted. Reports were presented showing 2017 activity for the Dallesport Water and Dallesport Wastewater systems. These are the same reports that the Port of Klickitat and Klickitat County Public Works receive for their respective systems each month.

Report was accepted as presented.

COMMISSIONER DAN GUNKEL did not have a report.

COMMISSIONER DOUGLAS MILLER noted that it has been officially reported that Representative Norm Johnson will not run for another term. It appears that there is a representative from Yakima and an individual from White Salmon that are interested in running. Commissioner Miller attended the Life Flight Dedication in Dallesport. He stated that the representation from the County was large. Most of the questions that he fielded were directed towards pump storage. Commissioner Knowles asked how pump storage became a discussion in this forum. Most of the questions were from Dana Peck and noted that Congresswoman Jaime Herrera-Beutler was a knowledgeable resource; she answered several of Dana's questions. It was also mentioned that he read an article that on the east coast home generators are being paid a stipend to shave their peak power use in an effort to balance peak loads. Commissioner Miller ask for a workshop presented by staff on crypto currency electric service requirements and benefits, the board is very interested in whether there is a contribution to the general commerce of the County with these projects. Commissioner Miller would also like staff to put together an Emergency Response team, so that when we have any type of critical issues we have educated staff responsible for responding to situations. Commissioner Gunkel agreed with this Emergency Response team request and stated that it has been an item discussed with Jim. Gwyn stated that we have been talking about it on the electrical side and discussions and process development is continuing. There have also been discussions at WPUA, but she didn't have any update on previous discussions. The commissioners asked staff to advance this discussion. Commissioner Knowles asked for additional discussion regarding this plan at the next meeting.

COMMISSIONER RANDY KNOWLES reported that he attended the Lyle Lions Club meeting. The community was very welcoming, nothing of substance to report from the discussions except that Mark Yinger is retiring and will not be a resource for future water or wastewater projects. He also reported that the Town Council is reconstituted; we will need to contact the head of the council and schedule another meeting regarding water rates.

GENERAL MANAGER – The complete report can be found at:

http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

In addition to the written report, Ms. Miller presented the following information:

Staffing- Gwyn Miller reported that Jim will have a staffing conversation at the next board meeting. Gwyn would like to get everything available posted at one time if possible. There are many open positions, some due to retirements and others have been budgeted but unfilled for some time. Staff would like to discuss how the domino effect impacts business as we want to look at the big picture and ensure our current employees have the opportunity to grow with the utility. We may have employees who demonstrate interest in many avenues. Commissioner Miller asked if most of these are budgeted positions or retirements; if they are budgeted positions that we have been doing without, should they be filled right now. Gwyn stated that it is always wise to reevaluate positions and determine if the original plan is still the focus. Commissioner Miller just wants to make sure that we are being prudent with our budget dollars.

Commissioner Tablets- Gwyn stated that Chris is reviewing the option of tablets for the board. He will come back with options that he feels will be compatible with our system. He is leaning towards apple products as they appear to be the product that is compatible with our NISC products that we are purchasing. His goal is to find a product that will last a few years. Staff will bring back information to the next board meeting for discussion.

AGENDA ITEMS CONTINUED:

- B. **RNG Update:** Don Jarrett presented an overview of where we are with the project. BCKK and Morrow are on track with the schedule. We are scheduled to begin receiving equipment next week. We have the offloading contract with Michels Construction in place.

On the Mechanical Construction Contract, the bids were opened on the 23rd of March and came in surprisingly high for the scope involved. We sent the bid out to over 20 contractors and we had a good turnout for the pre-bid walk through. However we only received two bids total. Contractors have consistently told us that they are too busy to bid the work. With all of the bids being non-responsive due to exceptions and being more than 15% over engineer's estimate, staff is recommending that both the bids received be rejected. After opening the bids, the team researched our next steps. If the Board rejects all bids, we will present a Resolution drafted by General Council according to Washington State public bid law, that the Commissioners direct staff to negotiate a contract for this work as there were no responsive bidders. Commissioner Gunkel ask what they felt was the contributing factor of the low number of bids and the excessive bid amounts from the two who chose to bid. Don stated that he felt it was a combination of things. He felt it was poor timing in the marketplace and we were asking for the contractor to bear all of the risk for delivery schedule and our deadline dates. Our bid requirements took an approach that was reasonable for us, but may not have been a reasonable request in this heated marketplace. Commission Gunkel also wants staff to be cognoscente that if we have welding contractors working out there in the middle of summer the welders may only be able to put in 5-6 hours per day due to heat stress issues. Make sure those considerations are being reviewed in this process as well. Don stated we are still striving to meet our original schedule goals. From our current evaluation we should still be able to make the August 1st operational date. We may still need to be flexible with risks. Commissioner Gunkel asked if the contractors will set their skids. The answer was no, there were be a contracted off-loading contractor on site working with ES Engineering to make sure everything is set correctly.

Commissioner Knowles asked for verification from staff that the bids received were unacceptable under any circumstances. Don explained that exceptions taken to the Terms and Conditions were a blatant discrepancy and when you add that both bids were over the 15% Engineering Estimate threshold it is a closed issue. Commissioner Miller asked what the goal of negotiating with a contractor would be. Don stated that the goal would be to negotiate a contract fairly quickly, hopefully for little financial impact on the bid, and with a completion time that allows us to meet our original schedule. He recognizes that it will clearly take compromises. **MOTION** was made by Commissioner Gunkel to adopt resolution 1757 Rejecting all bids and authorizing direct negotiations for the HW Hill Renewable Natural Gas Expansion Project Mechanical Scope. Motion Carried.

Commissioner Gunkel wanted to recognize staff and their team and he understands that markets move quickly and he appreciates the hard work that everyone is putting in on this project.

- C. **CALL FOR BID- RNG Electrical:** **MOTION** was made by Commissioner Gunkel to Call for Bids for the RNG Electrical Installation. Motion Carried.
- D. **PROFESSIONAL SERVICES APPROVAL-** **MOTION** was made by Commissioner Gunkel to approve Weaver and Columbia REA and agree to add them to our professional services roster for 2018. Motion carried.

Commissioner Knowles recessed the regular meeting at 3:56pm to be reconvened at 4:30pm.

Commissioner Knowles reconvened the meeting at 4:30pm and adjourn the public meeting at 4:31pm to enter into Executive Session.

E. EXECUTIVE SESSION-Commissioner Knowles called for an executive session at 4:30 pm to last for a period up to 30 minutes. Commissioners, Staff, Dan Short of Paine Hamblen and Meredith Weinberg of Perkins Coie (attending via phone) entered into an EXECUTIVE SESSION pursuant to RCW42.30.110 (1)(i) - To discuss Potential Litigation regarding MM28 fire. Executive session ended at 4:55 pm. No Action was taken.

Upon completion of the Executive Session Commissioner Knowles recessed the normal meeting at 4:56pm to be reconvened for the Net Metering Rate Hearing at 6:00pm.

Commissioner Knowles called the meeting to order at 6:00pm and opened the floor to receive Public Rate Hearing testimony.

Mike DeMott opened the meeting by explaining the proposed changes to the Electric Rate Schedule 1a- Residential Net Energy Metering Availability for bills issued after April 1st, 2018. The rate would apply to new Net Metered customers without an existing Net metering contract. Existing customer's contracts will continue on with the program as it has been administered in the past.

Testimony:

Rick Allen of Trout Lake stated he was opposed to the proposed change to the 1 for 1 reimbursement ratio. He stated by changing the policy it's not economically feasible for him to make the investment now. He also stated that he'd like to see transparency in our rate structure determination and felt that the Utility would realize more income than we would lose by promoting Solar and Electric Vehicles.

Q. Rick Allen asked if we would demonstrate how we determined the infrastructure fee.

A. Staff reviewed cost calculations, including the EES cost of service study to determine the charge. Staff is available if you would like a more in depth conversation on the rate determination process.

Q: Rick Allen- Have we contacted other utilities to see how they were calculating these fees.

A: Our staff consulted with other utilities.

Q: Rick Allen- Are we under a deadline to pass this rate.

A: Yes we are under a deadline. In order for new net metering installations to qualify for the current Washington state incentive program rate, customers must have their systems installed and their applications approved by Washington State University (WSU) prior to the upcoming adjustment in July. Every annual adjustment to the states incentive program decreases the incentive amount a customer can qualify for and WSU requires that utilities have a policy in place prior to accepting enrollment applications from their customers.

Q: Can the fixed (Base Rate) be increased to lower the kwh rate?

A: No one likes the split that has been made. With each service's usage requirements being different, some customers use less, some use more; it will never be completely equitable to everyone. The structure we currently have reflects several studies and was the most equitable solution we could find.

Peter Leon stated that he is a solar power producer but missed out on the subsidy program, so he is waiting for this to be resolved so he can apply with WSU and begin

the program. Power doesn't create a lot of wear and tear on the system. He stated that he understands that the system must be maintained and serviced and recognizes that there is an infrastructure benefit and that comes with a cost. He also understands that he will be paying the infrastructure charge for the power that he places on the grid. He appreciates the fact that the board is willing to grandfather his installation, but has an issue with paying the infrastructure charge for power he produces and uses himself.

This statement was clarified by staff. The infrastructure charge is applied to the NET generation and read by the KPUD bi-directional meter. That is the power that is delivered to the KPUD system. Not the customer owned production meter. Mr. Leon stated that the clarification was helpful. It eases his mind that he's not paying on the power he's consuming from his system. He summarized his thoughts that under the existing contracts he is appreciative of what the program offers. He understands the cost avoidance issues and even though it is a reduction in benefit he understands the reason behind it.

Q: Which meter is used to bill the new rate?

A: Each system is set up a little differently; some have production meters and then net meters. We base our rate on the KPUD meter installed. If you need clarification on which meter we calculate this from, please contact Anita Clever for assistance.

Q: If I install more panels does it fall under my current Net Metering contract or would it require a new contract?

A: If capacity is added it falls under a new contract. For individuals who are currently grandfathered, this would mean they could have a portion of their system that would be subject to the new rate structure. The additional installation may require separate metering.

Darold Ward of White Salmon stated that he was one of the first solar producers in Klickitat County. He felt the utility was very proactive in the beginning and encouraging of installations and the net metering program. His feeling is that the attitude at the PUD has changed significantly and in view of what the national focus is for solar, feels we should be encouraging production of green power within Klickitat County. He stated that he felt we were being nearsighted and myopic in our approach to the current situation. He felt that KPUD should be looking at the bigger picture not penalizing people. He has strived to minimize the power that he uses. He would like to see KPUD continue in this philosophy and not penalize people for moving towards green power.

Eric Strid of White Salmon stated that he has never seen a thirty million dollar company with no plans for the future. He stated that KPUD's current mission is to keep lights on and minimize costs but doesn't embrace technology and is likely to shut down customer solar in Klickitat County. Companies in denial end badly. Margins spiral out of control. If KPUD were investor owned it would have spiraled downward from its lack of future planning. There are opportunities to increase revenue by encouraging the use of electric vehicles. Transform KPUD into a utility that acts like an investor not a monopoly.

Q: How is the twenty dollar base fee established?

A: It is comprised of a percentage of the Operation and maintenance costs associated with the system equally apportioned across the system.

Eric Strid stated that by doing this KPUD is already compensating or cost shifting to all customers. Mr. Strid also felt that KPUD has conducted zero analysis of solar value and we have no vision of where society is going so no value for future.

Commissioner Knowles stated that we are taking appropriate steps forward and part of the urgency to pass this policy is to accommodate the people who want to move forward. So we feel that part of this is being pushed by the needs of our customers.

Dan Kincaid stated that the PUD is not looking long term and not allowing people to help. We are stagnant.

Darlene Daggett felt we are putting the brakes on solar installations.

Mary-Jane Baker stated that this program is a good thing, solar is the wave of the future and is good for a lot of things. It encourages small users, but this proposed rate makes it just too expensive.

Austin Bernard asked that if you don't have solar panels, are customers are paying six cents for power? They are paying 6 cents for system costs. KPUD's residential kilowatt hour charge is around nine cents for usage; there is a base fee on top of that usage fee.

Max Ericson asked if there is cost shift that is occurring, what is the total amount we are trying to recover by charging the infrastructure charge? With the current net metering participants there is approximately \$47,000 that is not being collected from the current net metering customers. This amount will only increase as additional customers join the program that is the reason for addressing the cost now.

Unknown- Is KPUD looking at installing a solar farm in the future? At this time we are not looking at those options.

Unknown stated this fight with solar has been going on across the country. There is no need to raise rates to accommodate for solar installations.

Unknown- stated that they moved here about 10- years ago. Their winter electric bill doubled, it went from \$300- \$600 a month. That was their purpose for installing the solar panels. The infrastructure is expensive but it pays for itself over time.

Unknown- stated that they feel the philosophy of KPUD has changed and the accommodation of the green power concept is favoring other sources of green power not solar. If the entire county decided to convert to solar then where would the PUD's money come from?

Robert Baker stated that it sounds like people want to put in solar systems and want the PUD to pay for it. People can make choices to cut down on use so they don't have to pay as much for power under the new rate. However, whether there is money back from the state should be immaterial.

Unknown- If net metering customers just put in a few more panels and go off the grid, then there would be a rate increase.

Randall Holycross stated that people have a choice, they could install batteries and go off grid, then there would be no infrastructure charge assessed to them. Being attached to KPUD is a choice. He also stated that this program was costing the PUD money the way it was set up before.

Unknown - how many customers do we currently have enrolled in the program and what would the impact be if that number doubled? Anita Clever stated that we have 119 customers currently enrolled in our program. According to the State's incentive program rules we can at least double what we currently have. All of these factors depend on how fast things grow. The program is based on a first come first serve process, but there will eventually be a cap to the state incentive.

Commissioner Knowles stated that we have options but they all have consequences. We could choose to not go down this road, and move the policy forward later as we do additional studies. That puts the customers on hold longer and they may lose out on the current incentive available to them. We can pass the policy now and review it again in the future looking at other factors that may alter the costs. This could prove an increase or a reduction, you just don't know. There is never a perfect policy, but the board feels they are truly making an effort to allow people to move forward should they choose too. However, if by updating our policy there isn't enough incentive for individuals to move forward installing a project, then we are sorry, but that is a personal choice. The board does not discourage solar installations. The

