

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, March 28, 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, Mike DeMott-Interim Power Manager, Rob Rising-Line Superintendent, Ron Schultz-Chief Engineer, Cynthia Bruce-Accts Payable/Accounting Clerk, Beth Schroder-Accountant, Sharon Ohnstad-Accounting Clerk, Nichole Lantau-Accountant, and Kathy Loveland-Executive Assistant.

GUESTS: Curt Dreyer-public at large.

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

MINUTES: **MOTION** was made by Commissioner Dan Gunkel to approve the March 14, 2017 meeting minutes as presented. 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 March, 2017.

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

- Accounts Payable Voucher numbers 109240 through 109355 in the total amount of \$370,205.87 and Wires, ACH and EFT numbers 8800665 through 8800673 in the total amount of \$759,433.63 for the period ending March 28, 2017; and
- Payroll Warrant number 43329 and ACH Direct Deposit Payroll transactions 9917168 through 9917246 in the total amount of \$164,558.36 for the payroll period ending March 19, 2017.

Motion carried.

PUBLIC COMMENTS: None.

REPORTS:

COMMISSIONER DAN GUNKEL reported that he attended a portion of the Klickitat County Economic Development Agency's meeting which included a presentation and recommendations from the consultant TIP for implementation of a strategic plan for the county.

Commissioner Gunkel also reported that he attended Energy Northwest's PRB meeting on March 21st. The Columbia Generating Station has begun its coast-down for its refueling and maintenance outage that starts May 13th. The maintenance work will include replacing more than 150 valves to increase water flow through the core. This could add 20 MW or more to the plant's generation. Last year the plant set a new generation record, however they suffered a 3-day unplanned outage in March due to BPA equipment malfunction. We saw the effects of this outage on our electric system here at KPUD. CGS's 4th quartile performance records are down from previous years due to human errors, equipment malfunctions, and ongoing issues with radiation protection. There has been some improvements, but performance is still not where it needs to be.

COMMISSIONER DOUG MILLER reported that he attended the Washington PUD Association's Commissioners' Orientation session March 15th, and their Water Committee meeting on March 16th in Olympia. There were some discussions among the group regarding BPA's power costs and what PUDs might be able to do to help. They also discussed the possibility of BPA implementing a CRAC (Cost Recovery Adjustment Clause), which no one would be happy about. BPA's conservation program was discussed as well.

Commissioner Miller spent a day with Kevin Ricks on March 23rd to discuss the LFG project which included a tour of the plant.

Commissioner Miller also noted that he has been asked to write a comment letter to Congresswoman Herrera Beutler regarding the proposed funding cuts to loans administered out of the USDA for water-wastewater system improvements.

COMMISSIONER RANDY KNOWLES reported that he recently became aware that the aluminum company property industrial site in Klickitat County is being offered for sale. Mr. Smith has worked with our attorney to write a letter to NSC, reminding them of their contractual obligations.

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:

- 1) Accounting, Billing, Purchasing, Payroll, & H.R. Systems – We are starting down the path to look at software products that will better meet our needs than our current packages. NISC is a software cooperative with over 500 members, 11 of which are other PUDs in WA state. Mr. Smith is hopeful that staff can include new software system costs in the 2018 capital budget. Improved systems would give staff the ability to have more time to analyze data vs. spending time just entering data. We are still in the discovery stages.
- 2) Water Rights – 101 Bar Ranch is still moving through the process with the Department of Ecology for approval of leasing water rights from the Cliffs Water System.
- 3) H.W. Hill LFG Project – Power offtake contract language with Powerex is in the final stages.
- 4) Office Loading Bay – We are moving forward with the loading bay area construction project, which will allow for additional offices and a meeting room.
- 5) State Auditors' – The State auditor's office has requested that we sign an MOU with them, thereby giving KPUD the authorization to use an outside accounting firm to perform the District's financial audits, which the state would then accept. We believe that the RCWs already allow us to use an outside auditor, and therefore we believe an MOU with the State is unnecessary; the Board agreed.
- 6) Wishram School Board Meeting – I will be attending the Board meeting at 5:00pm today to discuss the purchase of property for the new water well.

POWER MANAGEMENT – Mike DeMott presented the monthly Power Management Department report for February 2017, which included the following slides: Forward Weather Outlook; Slice Forecast Distributions; 3/22/2017 Forward Price Curve Compared to 11/2/2016; Mid-C Forward Prices Over Time; Recent Swap Activity; 2017 Swap Month-to-Month & Hedged Volume; Portfolio Sensitivity to Price: Debt Service Coverage View; DSC Radio Distributions; Net Margin Distributions; EOY Cash Balance Distributions; February Total Load Results; 2017 YTD Physical Position Review; White Creek Wind Generation-February; LFG Generation-February; Short and Long-Term Net Positions; White Creek Wind Excess Output marketing; Tier 2 Purchase as a Load-Following Customer; and Conservation Program Projects Update.

In regard to the potential Renewable Natural Gas Project, agreements with the financial institution are ready to implement when we complete a bond resolution and give them the go-ahead, and contract negotiations are continuing with BP. Our attorney and financial advisors are working on the resolution for Board adoption on the financial side of things, and should be ready to present at the April 11th Board meeting.

The monthly report was accepted as presented.

ACCOUNTING – Beth Schroder and Gwyn Miller presented the January financial report, which included the income and expense reports and a statement of cash flow. Also included was a statement of operations report for the Dallesport Industrial Park Water and Wastewater Systems. It was also noted that Moss-Adams representatives will be onsite next week to start their yearly financial auditing process. The report was accepted as presented.

OPERATIONS/Water-WW – Rob Rising presented the monthly Operations Department report for February 2017, noting that the department met their reliability goal for 2017 is 99.9720%; outage hours to date are 9,489 vs. 3,088 at this time last year. Vegetation management included a system-wide assessment with mapping and circuit-specific notes. We began trimming and removing priority trees in the town of Goldendale as the snow receded and also began spring weed treatment in substations and other key areas county-wide. Tree contract pre-bid inspection on 49 miles of distribution lines was completed. The report was accepted as presented.

WATER-WASTEWATER – Jim Smith presented the monthly report for the Water-Wastewater Department for February 2017 noting that the new Wishram water well construction began March 20, 2017 with the access road and drilling pad; and the second set of 20 radio read meters will be installed in Roosevelt the first week of April with the system being fully switched over by 2020. The report was accepted as presented.

ENGINEERING – Ron Schultz presented the monthly Engineering Department report for February 2017, noting that all monthly substation inspections have been completed as well as WECC required testing on the White Creek Substation; the transmission operator agreement with Bonneville Power Administration has been signed and is now in place; and work on the new Bingen Substation is continuing. Ron also noted that Power Engineers has been retained to assist with capital engineering projects. Their engineer, Kyle Bennett will be working out of our offices. An exciting item of note is that Kyle is ex-Commissioner Harold Hill's grandson. Customer work requests are starting to ramp up with the weather improving. The report was accepted as presented.

AGENDA ITEMS

- A. **PRE-QUALIFICATION OF CONTRACTORS** – **MOTION** was made by Commissioner Dan Gunkel to authorize the addition of Sturgeon Electric Company Inc. of Troutdale, Oregon to Klickitat PUD's Large Works Roster for the 2017 calendar year, as they have met our qualification requirements. Motion carried.

- B. **CALL FOR BID: Bingen Substation** – **MOTION** was made by Commissioner Douglas Miller to authorize staff to advertise a call for bids for the Bingen Substation Relay Panel, with a bid opening date of April 19, 2017 at 2:00pm pacific time. Motion carried.

- C. **RESOLUTION No. 1734** – **MOTION** was made by Commissioner Dan Gunkel to adopt Resolution No. 1734, thereby rescinding Resolution No. 1719 which gave Craig Lohrey business credit card authority during his employment with the District. Motion carried.

ADJOURNMENT – There being no further business, the meeting adjourned at 4:10pm.

/s/
Randy L. Knowles, President

/s/
Dan G. Gunkel, Vice President

/s/
Douglas B. Miller, Secretary
Date Approved: 4/11/2017

/s/
Kathy Loveland, Executive Assistant