

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, April 10, 2018
2:00pm

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

PRESENT: Randy L. Knowles- President and Douglas B. Miller-Secretary.

STAFF PRESENT: Jim Smith- General Manager, Gwyn Miller-Director of HR & Business Services, Mike DeMott- Power Manager, Ron Schultz-Chief Engineer, Cynthia Bruce- Accounting Clerk, Brandy Myers- Customer Service Supervisor, Kevin Ricks- Generation Assets Manager, and Luann Mata-Executive Assistant.

GUESTS: Ty Ross, Chad Ross, and Larry Bakken

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

MINUTES: **MOTION** was made by Commissioner Miller to approve the March 27, 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 this 10th day of April, 2018. **MOTION** was made by Commissioner Miller to approve accounts payable vouchers and payroll in the amounts as listed:

- Accounts Payable Voucher numbers 112434 through 112525 in the total amount of \$746,150.47 and Wires, ACH and EFT numbers 8800914 through 8800925 in the total amount of \$1,468,394.74 for the period ending April 10, 2018; and
- Payroll Warrant number 43360 and ACH Direct Deposit Payroll transactions 9919356 through 9919432 in the total amount of \$193,271.69 for the payroll period ending April 1, 2018.

Motion carried.

PUBLIC COMMENTS:

Ty Ross and Chad Ross addressed the board to request them to consider an exception to the Industrial Class 3A requirements. They stated that upon completing their project, Washington State Labor and Industries (L&I) informed them that their capacity rating was only 75% of what they installed. They were not aware of this when they began the project. However with this stipulation even if they install another 1MW phase of their project, they still would not meet the KPUD 2.5 MW peak load requirement for the Industrial rate. Their request of the board is to waive that 2.5 MW requirement for their service, for a period of two years and allow them the billing rate of \$40 per MW hour, rather than the Large General Service rate of approximately \$48 per MW hour.

Jim verified that the KPUD infrastructure required to connect their service was paid for prior to energizing their service.

Commissioner Knowles asked if there were any financial consequences with their request. Staff stated that all upfront costs have been paid, however this request would make an exception to a rate class and that would require a public hearing. Jim believes that additional staff discussion is required and the Board concurred. Ty and Chad can expect to be contacted by staff once this has been further reviewed and discussed with the board.

Ty also stated that he would like staff and the board to consider opening up a location where a large consumer could come in and install a building that could be utilized for this Crypto Currency today and then repurposed in the future for another consumer. Chad stated that staff has been very professional to work with. The Ross' thanked everyone for their time.

REPORTS:

Generation Assets update – Kevin Ricks presented the Generation Assets report for March.

RNG- Kevin discussed the outcome of negotiating the mechanical contract as directed last board meeting. The team received five bid proposals and the most beneficial proposal to our rate payers provides a path to be very close to our scheduled completion, but is still over the original estimated costs. As discussed, this appears to be as a result of a very hot construction market for the labor skills required to do this type of work. The Michels Corporation bid was the most competitive and staff would like to pursue signing the contract, which is under legal review, as soon as the review has been completed. The proposal amount is \$2,518,097 for the mechanical construction and the estimated completion date is July 25th. We would also like approval for the insulation proposal for an additional \$148,347. Commissioner Miller thanked staff for going out and obtaining five different quotes. Kevin stated that having the freedom to negotiate and evaluate risks made the difference for both the schedule and project costs, although the schedule has shifted about three weeks. We anticipate start up around August 6th and commercial operation around August 21st. Staff is requested that the board authorize the General Manager to enter into a contract with Michaels Corporation for the contracted amounts discussed.

MOTION was made by Commissioner Miller to Authorize the General Manger to complete negotiations and enter into a contract with Michaels Corporation for the mechanical construction and insulation of piping conforming to the terms that were presented by staff, after negotiations as per Resolution 1757. Motion Carried.

LFG Update- It was the highest MWh output for March ever; however it was down from February. Staff is spread a little thin with the pipeline inspections and we had an operator leave the District. We have hired a replacement operator and he should begin work in May. With schedules and staffing levels being what they are, we have adjusted the work schedule of several employees prior to the shutdown. That shutdown is planned for June 4th to allow time for training of our operators with the RNG process. Kevin received an invitation from ENVIRO Gorge to sit on their board of directors and asked if there are concerns from the Board. Commissioner Knowles asked what would happen if they took positions that were counter to those held at the PUD. Kevin said as a Board member he would use his positon to the extent possible to assure that does not happen, but it may lead to him leaving their Board if it came to that. Kevin stated this was an honor; and he was considering the invitation as an opportunity to spread awareness of Landfills and RNG's accomplishments. The Board supported Kevin sitting on the Board for Enviro Gorge at this time.

Report was accepted as presented.

Power Management update – Mike DeMott presented the Power Management report for March. We have hedged additional June purchases: 5MW LLH for \$2.75, 5MW LLH for \$2.25 and 5MW LLH at \$1.25. White Creek and LFG's generation were both above budget. In January BPA said that there was about a 72% chance of their implementing a \$40 million Cost Recovery Adjustment Clause charge. This probability will be updated again in May. If this is instituted the assessment would begin Fiscal year 2019. KPUD would be assessed on their Tier One Costs. Upon review, over all it looks to be more of a \$20 million BPA impact rather than \$40 million. This could begin to impact KPUD the last few months of 2018. We have approximated our impact to be around \$9,000 per month. We will include this anticipation in our budget forecasts. Hydro generation looks long. However there has

been discussion of a spill surcharge. This surcharge matters more when hydro is low. In a high hydro scenario BPA would spill anyway.
Report was accepted as presented.

COMMISSIONER DAN GUNKEL - ABSENT

COMMISSIONER DOUGLAS MILLER- stated that Chelan PUD is going after unauthorized bit coin users for illegal installations. Ecology is struggling with Hurst and Foster decision and how it applies to small water systems. Not sure what's driving Ecology to go after small systems, but the issue is that if a small water system falls below 15 connections it can lose their water rights. The Hurst decision does not affect us directly, but it's definitely something to watch. Columbia River Treaty is moving forward. There is a voter's initiative out there that has met the legal requirements and is a carbon bill. This measure proposes charging pollution fees and is somewhat similar to the Governor's carbon bill, but we should look at the impacts of this initiative. Commissioner Miller still feels we need to have a discussion regarding bit coin mining. Ron is developing a power point presentation to include requested availability at each location, interconnection status, and line ratings.

COMMISSIONER RANDY KNOWLES – no report.

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:

- Brandy (Customer Service Supervisor) - Addressed the board with some programming revisions and subsequent adjustments required within PCS. We found there was a proration issue happening with the Basic fee during the estimate adjustment process. There are 3 scenarios for discussion. The first issue was isolated to when the first month of a customer's account estimated, and the 2nd month was actual. We have sent out adjustments on active accounts with the current billing noting the correction at the bottom of the statement. There were 550 accounts with adjustment credits. The average credit was \$10.38 per open account. This was for current account holders where we overstated an earlier bill. The second scenario is for a group which we understated their final bills. There were 303 of these accounts, and we understated their bills between 0.54 and \$1.42. We recommend no action to correct these accounts, as the \$1,425.43 financial impact is minimal compared to the cost of executing the adjustment. The third scenario is for inactive accounts which a credit could be issued to former customers. Staff is seeking direction from the board on how to handle the 381 accounts that average \$6.71 per account in credit. Staff believes the effort to issue the credits would be unfruitful, because of lack of accurate information for inactive accounts. If issued we believe the credit would eventually sit in unclaimed property at the state level. Commissioner Knowles stated that based upon the board's understanding, the remediation costs are more substantial than the credit. The board is in agreement to not pursue this account modification effort. As long as it's clear that if a customer presents the question of being owed a refund we will research, and if verified a credit payment will be provided, then the board is ok with not working through the refund process on these referenced accounts
- Emergency response program- Jim asked for clarification on a discussion from the last board meeting. He stated that we have an outage storm procedure and other catastrophic event procedures; however we don't have a formal full integration with EMS. Commissioner Miller just asked if we should have a fire investigative team trained in photography and investigative note taking. He would like staff to be proactive not relying on secondary information. Discussion continued and staff stated that our staff is knowledgeable in responding, collecting data, taking pictures, and staying on scene until everything is finished or they are directed to leave by a supervisor. They are equipped with a one page checklist to complete when they respond to incidents.
- Policy 4EE- This policy requires staff to take a consecutive 40hrs once per year. We are asking that the board waive this requirement for Kevin Ricks for this year. With the RNG deadlines Kevin's absence would impact work. Both board members were in agreement to waiving Kevin's 40 hr. PTO requirement, until such time as the RNG plant is operational.
- Mile Marker 28 Settlement- We received a FOIA request from the Enterprise to provide the full settlement agreement once it is available. Jim is waiting for the final settlement agreement to be executed and will forward on to the Enterprise once complete.

AGENDA ITEMS:

- A. BID AWARD- Sixprong Substation 15kV Circuit Switcher: **MOTION** was made by Commissioner Miller to award the bid for the Sixprong Substation 115kV Circuit Switcher to Anixter, Inc. in the amount of \$40,999.00. This price includes one jobsite visit with expenses, but is excluding taxes. Motion Carried.
- B. CALL FOR BID- RNG Electrical: **MOTION** was made by Commissioner Miller to authorize advertisement of call for bids for the Sonova Switchyard 115kV Relay and Control Panels, with a bid opening date of May 2, 2018 at 2:00 P.M., Pacific Time. Motion Carried.
- Commissioner Knowles- received a letter from Claira Tuning requesting items for the Goldendale Middle School Reading Auction donation. Commissioner Knowles would appreciate staff responding on the boards behalf.

ADJOURNMENT – There being no further business, the meeting adjourned at 4:05pm.

Randy L. Knowles, President

ABSENT
Dan G. Gunkel, Vice President

Douglas B. Miller, Secretary
Date Approved: _____

Luann Mata, Executive Assistant