

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, May 08, 2018
2:00pm

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

PRESENT: 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- Power Manager, Ron Schultz-Chief Engineer, Mark Pritchard- Operations Manager, Jeff Thayer- Purchasing Manager, Cynthia Bruce-Accounting Clerk, Kevin Ricks- Generation Assets Manager, and Luann Mata-Executive Assistant.

GUESTS: Larry Bakken, Sam Wilkins and Lou Marzeles.

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the April 24, 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 8th day of May, 2018.

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

- Accounts Payable Voucher numbers 112668 through 112779 in the total amount of \$1,087,144.24 and Wires, ACH and EFT numbers 8800935 through 8800944 in the total amount of \$1,880,775.98 for the period ending May 08, 2018; and
- Payroll Warrant number 43362-43363 and ACH Direct Deposit Payroll transactions 9919512 through 9919586 in the total amount of \$173,061.65 for the payroll period ending April 29, 2018.

Motion carried.

PUBLIC COMMENTS:

Sam Wilkins asked the Board to reconsider their stance on delaying further engineering work for large power user installation requests. The Board stated that at this time we have limited resources to allocate to large requests that require significant substation or transmission upgrades. We are providing options for the prior queue positions that are connected to our distribution system where we have determined there is capacity. The Board stated that we have several positions posted at this time, and depending upon the outcome of hiring, the program may reopen sooner than expected. Mr. Wilkins asked if his request would remain in the BPA queue, even if we have placed our queue positions on hold. Mr. Schultz stated that he has been in direct contact with our Customer Service Engineer and our Transmission Service Engineer and they are both in agreement that the customers will not lose their queue positions, while KPUD works through their projects. The board suggested that if Mr. Wilkins could get BPA to move forward with the Harvalum interconnection that would be the project that would least impact KPUD employees at this time. In essence, the Harvalum request could move forward as BPA would bear most of the burden of system connection requirements.

Lou Marzeles addressed the board to request that KPUD increase their communications with the media. He stated that the Enterprise and the Yakima

Herald Republic both ran stories that he was not aware of. His request was that we inform him of significant events. Jim Smith stated that we post most items of interest on our website. Our meeting notifications, minutes, and Ruralite articles are typically posted within a week of approval or distribution. We have not typically issued many press releases. Mr. Marzeles asked if KPUD would be willing to issue more press releases. After discussion, Commissioners asked staff to consider additional press releases of significant events, keeping in mind that “significant” can mean different things to different people. Commissioner Knowles thanked Mr. Marzeles for coming to talk to the Board and asked him to contact him or any member of the board anytime if he has other comments or questions.

REPORTS:

Generation Assets – Kevin Ricks presented the Generation Assets report for April. The LFG plant total production in April was 15,891MW-hours. Operation of the flare has contributed to a reduction in gas production this month. We have challenges with controlling the wellfield with the flare running, as well as staffing issues as we have seen some turn over. We have had an employee working alongside of Republic employees to work towards an efficient operation of the wells to produce high quality gas. This is been especially important as we transition towards RNG, however we have had some staffing turn over and the RNG project has created challenges that has required we pull this individual off of his well field assignment. Commissioner Gunkel asked staff to be diligent in returning the wellfield technician to the well field as soon as possible. Commissioner Gunkel also asked if the Air Cooled Condenser (ACC) variable frequency drive (VFD) issues would continue to affect plant output. Kevin reported that when the VFD failed, the repair cost would exceed the value gained by making the repair. We do not plan to repair the unit at this time as it will not be used as a part of the RNG facility. Kevin also noted that Republic is supportive of our installing a smaller trim flare and staff will move forward with that addition as soon as practical. Staff will continue to work through processes to obtain the most effective gas quality possible.
Report was accepted as presented.

Power Management – Mike DeMott presented the Power Management report for April. Our hedging activity has helped alleviate low spring prices. Spill and runoff is happening and above average mountain snow levels are still reported north and east of us. Mike reported that we are now six months into the load following product. It was difficult to compare our slice costs compared to load following, but our net power cost analysis showed our costs came in very close to the Slice product. However, we did realize cost savings by moving to load following due to reduced administration and trading costs, as well as arriving at a lower risk position. Bonneville Power Administration (BPA) Spill surcharge figures should be published and ready for review by May 16th. The Cost Recovery Adjustment Clause (CRAC) estimate has been lowered to an 8% probability it will be implemented, the cost range has been estimated between \$5 million and \$50 million. Our portion would be approximately 0.5% of the actual figure. Northwest Requirements Utilities (NRU) has proven to be a beneficial membership again this year as they are closely tracking these BPA issues. We have been working with Weaver on the Renewable Natural Gas (RNG) certification requirement for Environmental Protection Agency (EPA). The Renewable Identification Number (RIN) values this month are still exceeding the estimated values reflected in our budget forecasts. British Petroleum has agreed to sign the Vehicle Fuel Certification form for the entire contract. By having them sign the form we will likely qualify for the Manufacturers’ and Equipment (M&E) tax exemption and payment of Business and Occupation (B&O) tax versus Public Utility Tax (PUT), which could be a 6% sales tax saving as well as a 3% revenue tax saving. . Legal counsel continues to advise KPUD on this matter.

Community Solar conversation- At the last meeting staff was directed to work with Johnathan Lewis and draft an Memorandum of Understanding(MOU) to potentially work with him on exploring a Community Solar project tied into a public facility, in this case, Klickitat Valley Health and qualify for the State incentive program prior to

the June deadline for this year. We contacted WSU, who administers the program and found that an MOU is not sufficient to qualify for the program and that they would need to have an executed interconnection agreement. There appears to be many unanswered questions, so at this time staff feels that completing this project request by the June 16th cutoff date is unattainable. Staff will continue to work with Johnathan Lewis and keep stepping through the processes, if he feels that the 14-cent incentive would be costs effective for the program he proposed.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel requested Executive Session to discuss the qualifications of a candidate for appointment to an elected office.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller did not have a report.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles did not have a 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:

- **YEAR END FORECAST**. Staff was asked to include BPA's current estimates for a Cost Recovery Adjustment Clause (CRAC) into our year-end forecast model.
- **CARBON INITIATIVES**- Jim asked for the board's approval to support Public Generating Pool's (PGP) push on carbon initiatives. They continue to work on least cost carbon reduction initiatives, but the industry is looking to expand these studies to include system reliability. The study will likely involve Bonneville Power Administration (BPA), some of the Investor Owned Utilities (IOU) and potentially PoweEx. Jim's ask is that we support PGP's interaction working with the IOU's and BPA and provide their input to studies on our behalf. This additional study work will likely cost PGP about \$50,000 and our share would be 10% of that, or around \$5,000. The total study is likely to cost about \$450,000. The Board agreed with the expenditure, contingent on our actual expenses in aggregate being under our approved expense budget.
- **PUMP STORAGE PROJECT**- Jim asked Dana Peck with the Goldendale Chamber to talk with local press about the project and the upcoming meeting on the 15th.
- **PROFESSIONAL SERVICES Contract extension**- In January we signed a six month contract with Skeahan Advisory Group. That contract ends on June 30th. With that deadline approaching Jim wanted to talk through options. After discussion, Commissioners agreed with Jim to extend the contract through the end of 2018 to continue professional support for the District in ensuring that we receive the full benefit from our Memorandum of Understanding (MOU) with National Grid and Rye Energy, as well as work to transfer and extend the Army Corp of Engineers lease.
- **ENERGY NORTHWEST**- We received the Participants Review Board (PRB) election designation request from Energy Northwest. KPUD will not nominate a utility representative to serve on the PRB board at this time, and will keep the two previously delegated commissioners as the voting delegates.
- **ENERGY NEWS DATA**. We just received official notification that Ruralite has purchased Energy News Data. They are responsible for providing our Clearing up subscriptions. Energy News Data was a family owned business that provided Utility awareness for California and the Pacific Northwest.
- **LARGE LOAD INTERCONNECTION INFORMATION**- With all of the talk of Chelan placing a moratorium on Data Center or Bit Coin installations we felt it was prudent to discuss the actual load impact that they have witnessed compared to what KPUD has already connected. Prior to issuing the moratorium, Chelan had connected bitcoin miners whose aggregate load totals 4.5% of their average utility load. KPUD has agreed to projects that could result in us adding 25% to our average load. We have also stated that we have to place utility projects ahead of new large requests, we have not stated that we will not consider the requests.

- District Staffing Update- We have awarded the senior warehouseman position to Bill Rogers. We received one internal application for the System Technician position and this position was awarded to Brandon Johnson. There are 15 positions posted on the website, with all 15 positions that we currently have posted only four are new jobs the rest are a cycle of replacements. We are actively recruiting for Ron Schultz's position under our succession planning.
- OPERATION WARM HEART- Jim and Brandy met with the Goldendale Christian Fellowship this morning. Brandy presented a draft of a revised Warm Heart contract and noted the changes. It was a very good discussion on the purpose of the application and the philosophy behind it. There were approximately 12 representatives at the meeting. They were all very appreciative for the opportunity to discuss the intent of the program and the revised agreement to administer the program was executed at the end of the meeting.

AGENDA ITEMS:

- A. **BID AWARD- RNG Electrical Contract** - Kevin requested that the Board Recess this meeting to be reconvened on Monday May 14th at 8:00 am to allow staff to extend the bid opening by one week and to allow the team time to evaluate the bids received. Commissioners agreed to the extended evaluation period.
- B. **DRAFT ELECTRICAL RATE- Industrial Service**- Jim presented a draft of the two changes to the wording on this rate. Commissioners asked if there would be any negative impacts to existing customers. Jim answered that this change would not affect existing Industrial customers. Commissioners agreed that Rate schedule 3A8 should be included in the rate hearing on May 22nd along with the Water/Wastewater Rates. No Action Taken.
- C. **EXECUTIVE SESSION**- Qualifications of Candidate for appointment- President Knowles called for an Executive Session at 3:55pm per RCW 42.30.110 (1)(h) noting that the session would last for 20 minutes, for the purpose of discussing qualifications of a candidate for appointment to elective office.

RCW 42.30.110 – Executive Session.

(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:

Executive Session ended at 4:12. No Action was taken.

Recessed – There being no further business, the meeting recessed at 4:15 p.m. until 8:00 am Monday May 14th at which time we will reopen the meeting to evaluate the RNG Electrical Contract Bid Award.

Reconvened-Vice-President Gunkel reconvened this meeting on Monday May 14th, by calling the meeting to order at 8:00 am to discuss the award of the RNG Electrical Contract bid. Bids were opened Friday May 11th at 2:00 p.m. There were three bids received and these bids were reviewed. Commissioner Knowles was absent.

MOTION was made by Commissioner Miller to award the RNG Electrical Contract Bid to Power Technologies Inc. in the amount of \$785,000 excluding tax, as lowest responsive bidder and contingent upon reference verification. Should reference verification be negative, bid will be awarded to JH Kelly being the next responsive bidder, per RCW 54.04.080 . Bids were opened on Friday May 11th at 2:00 pm. Motion Carried.

