

**Board of Commissioners Meeting
Tuesday, May 23, 2017**

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

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

STAFF PRESENT: Jim Smith-General Manager, Kevin Ricks-Generation Assets Manager, Gwyn Miller-Director of HR & Business Services, Mike DeMott-Interim Power Manager, Leo Perth-Electric Operations Manager, Ron Schultz-Chief Engineer, Cynthia Bruce-Accts Payable/Accounting Clerk, Sharon Ohnstad-Accounting Clerk, Beth Schroder, Nichole Lantau, Kathy Loveland Executive Assistant and Luann Mata-Executive Assistant.

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

GUESTS: Don Jarrett and Joe Carson with McMillen Jacobs Assoc. were present to discuss Agenda Item A - RNG Project Management.

MINUTES: MOTION was made by Commissioner Dan Gunkel to approve the May 9, 2017 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Sharon Ohnstad and 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 23rd day of May, 2017.

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

- Accounts Payable Voucher numbers 109677 through 109803 in the total amount of \$506,985.64 and Wires, ACH and EFT numbers 8800695 through 8800709 in the total amount of \$6,766,521.84 for the period ending May 23, 2017; and
- Payroll Warrant number 43333 and ACH Direct Deposit Payroll transactions 9917488 through 9917567 in the total amount of \$167,463.21 for the payroll period ending May 14, 2017.

Motion carried.

PUBLIC COMMENTS: None.

REPORTS:

COMMISSIONER RANDY KNOWLES reported that he attended the NWPPA Annual meeting, however he felt the content did not contain information with particular substance. Jim Smith mentioned that the training programs are valuable and our member discounts currently amount to the annual dues we are paying. The Energy Northwest Participant's Review Board retained all of its current officers.

COMMISSIONER DAN GUNKEL reported on the Columbia Generating station outage.. They are replacing 272 of the 764 fuel bundles due to defects. They are also installing a New Low pressure turbine motor and refurbishing three low pressure turbines due to a license extension requirement. They are installing a hardened containment to vent contaminated gas. This is a precautionary item. During this outage period they have 1,350 additional employees on site.

COMMISSIONER DOUG MILLER reported that he worked with a customer, Howard Hirsch, on setting up a budget bill. Commissioner Miller wanted to recognize Brandy Myers on her due diligence resolving this issue.

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:

- A proposal in the Trump Administration's budget included potentially privatizing the BPA transmission system. This is not the first time privatizing the Federal Power Marketing Administrations, like BPA, has been proposed. The Public Power Council (PPC) has already joined the region in opposing this move, which would only transfer control of our regions electric grid to the private sector.
- It is pretty clear that BPA will be raising rates this October first(1st) in excess of the 3% as expected. Low revenues from surplus power sales is the largest driving factor. I think it is safe to assume these revenues will not recover in the short term, although BPA is actively engaging in efforts to change the power products they supply to increase the value of their surplus power.
- John Day Pool Pumped Storage Project – Jim informed the Board that National Grid will be discussing the work they have completed with respect to the Memorandum of Understanding we have in place. Joining this conversation next week will be Erik Steimlie of Rye Energy, who may partner with National Grid if we move forward together in some manner. Commissioner Gunkel is supportive of getting the project here and assisting with facilitating a project.
- Renewable Natural Gas (RNG) - There has been some media discussions regarding this project. Kathy put together the general information and Jim wrote a Ruralite back page article. The information is also available on our website. Commissioner Gunkel wanted to know what the feedback has been from the media. Jim's overview is that their conversations seemed positive and have been a fair representation of the projects costs, risks and benefits.

ACCOUNTING – Beth Schroder and Nichole Lantau presented the April Financials. It was noted that revenues came in about \$1.5 million higher than budgeted so far this year, while operating costs are about \$650,000 lower. Jim introduced a discussion on eliminating the Land Fill Gas Sinking fund going forward. By moving forward with the Renewable Natural Gas project, we will not be spending \$5 million to rebuild the combustion turbine electric generator engines. If we do rebuild the units in the future, it will be a separate business case that should address any expenditures. Given this, if we release the sinking fund, these funds could be used rather than borrowing as was planned in 2017. After discussion, the Board asked that staff bring back a proposal at a future Board meeting for their consideration. Commissioner Miller extended his appreciation of the work accounting does to bring reports that have such detail. The reports were accepted as presented.

OPERATIONS – Ron Schultz presented the April report on behalf of Leo Perth. Details related to the Transmission outage effecting Darland and Klickitat were discussed. Tree trimming and pole test and treat contractors will be starting in the next month. Transmission inspections have been completed on our 230kV lines. There were some issues found that require corrections and those corrections are currently being planned. The reports were accepted as presented.

WATER/WASTEWATER – Sharon Blodgett presented the April monthly water and wastewater updates. A specific discussion ensued on the Ponderosa Water System water use efficiency as the system has had significant leakage issues. The system is looking better this year with the replacement and addition of valves to help isolate portions of the system for testing. It is projected that next years' efficiency rates will be even better. The reports were accepted as presented.

ENGINEERING – Ron Schultz presented the April monthly Engineering construction statistics and project updates. Klickitat Ball field water system improvement work began May 23, 2017. Bingen Substation is scheduled to have construction completed within five to six weeks. The reports were accepted as presented.

AGENDA ITEMS

AGENDA ITEMS *(see Manager's Report for further details)*

- A. **RNG PROJECT MANAGEMENT:** Joe Carson, Don Jarrett, Mike DeMott, and Kevin Ricks presented and discussed the project schedule and budget projections. Due to critical path equipment that have substantial lead times they requested that the board authorize Jim Smith to allow approval of payments for these first initial contracts as they are received. **MOTION** was made by Commissioner Dan Gunkel to authorize the General Manager to execute the contracts and approve initial payments to the vendors specified in Resolution No. 1738. Future payments will be run through our normal invoicing and approval process. Motion carried.

