

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
**Tuesday, June 13, 2017**

**CALL TO ORDER:** President Knowles called the meeting to order at 2:00 pm 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, Sharon Ohnstad-Accounting Clerk, Nichole Lantau-Accountant, Jeff Thayer-Materials Manager, and Luann Mata-Executive Assistant.

**GUESTS:** Erik Steimlie and Paul Jacobs- Rye Energy, Brian Skeahan-Skeahan Advisory, Nate Sandvig- National Grid (via phone) were here to discuss the John Day Pump Storage potential project. Karl Enyeart-City of Goldendale was present to observe the City Street Light Bid award.

**MINUTES:** **MOTION** was made by Commissioner Doug Miller to approve the May 23, 2017 meeting minutes as presented. Motion carried.

**CLAIMS & PAYROLL:** Presented by Sharon Ohnstad and Nichole Lantau. 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 13<sup>th</sup> day of June, 2017.

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

- Accounts Payable Voucher numbers 109804 through 109958 in the total amount of \$691,212.66 and Wires, ACH and EFT numbers 8800710 through 8800717 in the total amount of \$163,748.99 for the period ending June 13, 2017; and
- Payroll Warrant number 43334 and ACH Direct Deposit Payroll transactions 9917568 through 9917649 in the total amount of \$182,673.54 for the payroll period ending May 28, 2017.

Motion carried.

**PUBLIC COMMENTS:** None.

**REPORTS:**

**COMMISSIONER DOUG MILLER** reported that he spoke with a customer regarding the property that the Rimrock well No.1 is on. Well 1 has been disconnected from the system and we may be required to decommission this well in a few years. The property owner is selling the property where the well is located and was inquiring as to the future of the well. After some discussion, Doug offered to work with Sharon Blodgett on options for this property. Commissioner Miller requested that we add a discuss item to the next meeting to follow up on discussions regarding this issue.

Doug also received a call from a Dallesport customer concerned about capacity on the Waste Water treatment plant if the proposed tribal / army corps housing development is approved. It was explained to the customer that everything is connected on a "First come first serve" basis. So if a customer comes in

and provides payment for the available connections they will have priority over someone inquiring who has not made their contribution to the system yet.

**COMMISSIONER RANDY KNOWLES** – reported that he attended the PURMS executive meeting. The focus was placed on the Property Insurance cost reduction. There were discussions on the Old Highway 8 fire settlement as well. Randy also suggested that since Jim Moss sits on the board as well, it would be great to have him present more detailed information to the board regarding the PURMS decisions and discussions since those details don't necessarily make it to the executive board level.

**GENERAL MANAGER** – The complete report can be found at:  
[http://www.klickitatpud.com/topicalMenu/commissioners/GM\\_Reports.aspx](http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx)  
In addition to the written report, Mr. Smith presented the following information:

**Renewable Natural Gas (RNG) Project Update** – Jim signed the Kobelco purchase and sales agreement signed on Friday. During the last week of negotiations, the team was able to move the schedule up a month at no cost. As this was a critical path item, this relieves some pressure on the overall project schedule. The BCKK final contract should be received tomorrow June 14<sup>th</sup>. Outstanding items are the Williams pipeline agreement and the SEPA permit. Russ Patton will be the internal lead regarding the SEPA permitting application and process. Funding process has been going smoothly. We have formed an internal RNG finance team, who will discuss upcoming payments associated with the project. The Landfill Gas reciprocating engines have been idle since April 2012. In order to make room for the RNG project emissions under our existing permit, Department of Ecology and Klickitat PUD agreed to rescind the operating permit for reciprocating engines. Staff will make preparations to surplus the reciprocating engines and the associated equipment. The reciprocating engines have been rendered inoperable at this time.

**POWER MANAGEMENT** – Mike DeMott presented the monthly May Report. He had requested that his reports be moved to the first meeting of the month, rather than the second meeting in an effort to present more current information to the board. The Weather outlook is looking to be cooler and wetter than years past, although the short term forecast shows some 90 degree days coming. There is still snow in mountains and it is still a guess as to whether the rest of the runoff will happen all at once or not. However at this time there is a healthy supply of resources. Report was accepted as presented.

**GENERATION ASSETS** – Kevin Ricks presented the monthly H.W. Hill LFG Project for May 2017, noting that the average year to date station output was 22.4 MW. Reliability factor was 99.5%; total production was 16,667 MW-HR. Air Operating Permit (AOP) has been modified to remove permission to operate the reciprocating engines in preparation for incorporating the Renewable Natural Gas (RNG) project. May 4<sup>th</sup> the plant underwent an unanticipated outage due to a lightning storm in the area. Some equipment issues arose from the sudden loss of power due to the storm; however, none of the damaged caused the system to remain off line once power was restored. The plant underwent their annual maintenance outage last week. Solar was on site during the outage. Solar's comments were that the Combustion Turbine's (CT's) look great. Our conclusion after the inspections and service is that we will be able to operate into the middle of next year as hoped. Kevin stated that the LFG staff performed all of the planning and work associated with the maintenance shutdown and executed the plan flawlessly with no safety incidents and restored the plant to full operation ahead of schedule. The LFG report was accepted as presented.

**Purchasing-** Jeff Thayer presented an update on his five year fleet vehicle work plan. Jeff has assembled a team to assist in the assessment and focus for the five year plan. Over the

past 5 years of very tight budgets, we have repurposed several vehicles and equipment, bearing in mind that the large vehicles were aging. Those were thought out considerations, however now it's time that we invest in our fleet or we risk our long term vehicle costs increasing if equipment is pushed too long and starts failing. The plan will be to continue to repurpose and reuse what we can but also to begin purchasing large trucks over the next five or six years to get our fleet back up to a standard. The large trucks have a 12-15 month lead time, so our annual budgeting process poses a challenge. Jeff has been ordering off of the state bid; however he has recently been considering a joint purchasing group that would allow us to buy vehicles off their agreements. Jeff has not fully reviewed this process; however it appears that if he buys vehicles under this agreement there is no upfront cost outlay. We pay for the vehicle upon delivery. It also appears that purchases under this contract have a shorter lead time for deliver as well. Commissioner Randy Knowles asked if we have researched a multi-year purchasing agreement with any of the vendors in an attempt to get an even more competitive price. Jeff stated that he has not researched this, but could certainly look into it. Direction from the board was to grant Jeff the latitude to continue to research the purchasing options and approved the purchase of replacement of Truck #37 with a capital outlay of \$120,000 in 2017 and \$220,000 in 2018 under the state bid process or a purchase of \$340,000 in 2018 upon delivery of the completed truck under the joint purchase agreement.

## **AGENDA ITEMS**

- A. **NATIONAL GRID PUMP STORAGE** – National Grid has completed the due diligence work it considered completing under the Memorandum of Understanding (MOU) dated October 14, 2016 with Klickitat Public Utility District (KPUD). National Grid attended the meeting via teleconference, and a potential additional partner, Rye Energy was on site to discuss moving forward with this project. National Grid and Rye Energy have formed a partnership to evaluate the pumped storage project in Klamath Falls Oregon and want to work together on the John Day Pool (JDPS) project as well. They believe that there is economic value in the project and that the JDPS location is the best location in the Pacific Northwest for a pumped storage project from a constructability standpoint. Both companies feel that the market demand is expected by 2025-2027 which seems a realistic timeframe. Rye and National Grid are prepared to work with the Washington State Environmental Protection Agency (EPA) and the Federal Energy Regulatory Commission (FERC) to obtain the permits. Their ask of KPUD is to sign a Memorandum of Understanding (MOU) with National Grid and Rye Energy, so they may complete their due diligence. Commissioner Randy Knowles feels that there is value in what we have provided to date, but most interest lies in getting the project built and asked what, if any, assistance Rye Energy and National Grid are hoping to obtain from KPUD. The conversation commenced with asking that KPUD be willing to help as a facilitator and with supplying water to the project. Rye and National Grid requested that we enter into a three way MOU. Commissioner Dan Gunkel also wanted to recognize that he feels there is value to the ratepayers in getting this project built in Klickitat County. MOTION was made by Commissioner Dan Gunkel to authorize General Manager Jim Smith to enter into a MOU with Rye and National Grid with one wording change to the MOU Section 1.h.. We need to have it recognized that we will not supply a water right, but would be willing to enter into a water supply agreement.
- B. **CONSERVATION PROGRAM REVIEW**: No Motion requested, informational only. As part of Anita Clever's conservation program review, she noted that residential customer rebates seem lower this year. Anita feels this is most likely due to the decreased rebate



