

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, July 11, 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, Nichole Lantau- Accountant, Cynthia Bruce-Accounts Payable Clerk , Jeff Thayer-Materials Manager, Ron Ihrig- Chief Operating Officer, Beth Schroder- Accountant, Ron Schultz- Chief Engineer, Anita Clever-Energy Services, and Luann Mata-Executive Assistant.

GUESTS: None

MINUTES: MOTION was made by Commissioner Gunkel to approve the June 26, 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 11th day of July, 2017.

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

- Accounts Payable Voucher numbers 110085 through 110200 in the total amount of \$729,659.64 and Wires, ACH and EFT numbers 8800730 through 8800736 in the total amount of \$142,309.61 for the period ending July 11, 2017; and
- Payroll Warrant number 43336 and ACH Direct Deposit Payroll transactions 9917727 through 9917810 in the total amount of \$187,788.23 for the payroll period ending June 25, 2017.

Motion carried.

PUBLIC COMMENTS: None.

AGENDA ITEMS

- A. **RESERVE FUND REVIEW** - The Landfill Gas (LFG) sinking fund is a holding account that we contributed funds to in order to reserve funds to rebuild the Combustion Turbines (CT's) at the HW Hill generation site under a routine maintenance schedule. The original maintenance schedule warranted rebuilding the CT's after a certain number of hours of operation. Due to the excellent performance of the cleaning system, the scheduled maintenance that our staff has been performing on the CTs and the Renewable Natural Gas (RNG) project moving forward, we do not plan to rebuild the turbines as originally scheduled. If staff does find a contract that would require the rebuild of the CTs, that business case would need to support the costs of any rebuilds. We also do not plan to borrow funds this year as currently budgeted and these funds could be used to cover this reduction debt borrowing. Therefore, staff is requesting to transfer the LFG Sinking Fund Balance to General Cash. Commissioner Miller was concerned that the interest revenue the fund currently generates would be lost and staff reassured him that the funds continue to remain invested similarly in either case. Mike DeMott and Nichole Lantau will bring a financial update to the next meeting that will show the impacts of the transfer of these funds. Commissioner Knowles asked if we will have a fund like this for the RNG project debt repayment. Jim Smith stated that we are discussing this idea, and that the Board should keep in mind we can also make additional payments against the RNG debt at any time without penalty.

Motion was made by Commissioner Gunkel to authorize staff to release the LFG Sinking Fund balance to General Cash. Motion Carried.

B. EXECUTIVE SESSION: Per RCW 42.30.110 (1)(f) of Open Public Meeting Act (OPMA)

RCW 42.30.110 – Executive Sessions.

(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:

(f) To receive and evaluate complaints or charges brought against a public officer or employee. However, upon the request of such officer or employee, a public hearing or a meeting open to the public shall be conducted upon such complaint or charge;

Entered into the Executive Session at 4:00 and the Executive Session concluded at 4:15 pm. No action was taken.

REPORTS:

POWER MANAGEMENT – Mike DeMott presented the monthly Power Management report for June. Wholesale revenues were above budget due to higher than average slice generation levels and higher than budgeted White Creek output. The August hedges are in the money as well. Landfill Gas (LFG) was under budget this month due to our completing a one week outage for Combustion Turbine (CT) inspection that was not scheduled in the initial budget. As we have decided to proceed with the Renewable Natural Gas (RNG) project, we are not planning the major rebuilds later this year, so we completed this additional inspection of the CTs to ensure there are no concerns in operating them until commercial operation of the RNG project begins. However, we budgeted down time later in 2017 to rebuild the CTs, which will no longer be required, so we will see above budget output during that time.

With the passing of Senate Bill SB5939 last Friday we know that the Net Meter tax incentive levels have been increased from 0.5% to 1.5%. There is a potential for our customers to access an additional \$200,000 in incentives. The current reimbursements were based upon a 2014 revenue number, so were known. The new program is based on annual revenues so there is a bit more uncertainty in the final state tax incentive amounts. The program is still voluntary; the incentives decrease over time for new installations and the program is extended through 2030. Washington State University's (WSU) energy program has been charged with management of the program. We are likely months away from fully understanding the implications of this bill as the implementation plan is not developed. We will participate in discussions with WSU staff on implementation requirements.

Anita would like to propose a temporary closure of our Net Metering program, with the exception of the three (3) pending applications. Commissioner Knowles agrees to close the program until the guidelines are clearly established. Commissioner Gunkel wants to make sure we notify our customer base that due to changing legislation over time, participants may not be fully reimbursed for their investment. Commissioner Miller wants to get the existing three applications completed since they have already been working through the requirements. He also stated, should we have the option, to limit the rebates to residential installations and would support a policy for the implementation. Discussion ensued, but final direction was to close the KPUD Net Metering program for now until guidelines have been established. The Board requested that they be updated with implementation timelines once the information is available from WSU. The Power Management report was accepted as presented.

GENERATION ASSETS – Kevin Ricks presented the monthly Generation Asset report for June. Even with the June maintenance outage, LFG ended the month ended up at 18 aMW. The facility is currently operating at a 23.2 MW average and is operating with a 99.65% reliability factor. On June 24th a compressor motor failed due to corroded terminal blocks, resulting in a 36 hour outage. The compressor motor maintenance will be added to the next outage rotation schedule so that we remove and clean terminals on a regular basis. The Solar inspection report summary states that the turbines look good, but they recommended that we complete a borescope inspection every 4,000 hours so we will take another short inspection out this winter. Solar doesn't foresee any issues with operating the turbines until next summer, given the inspection results. Jim Smith mentioned that the system operation performance is a direct result of the excellent performance of the cleaning system operation. Our main RNG engineer, Dan Waiono,

was instrumental in getting that cleaning system on line and operational which speaks to the quality of the team Kevin put together for the RNG project. The Generation Asset report was accepted as presented.

COMMISSIONER DOUG MILLER reported that he has been working with Luann on an electronic version of the staff packet. He feels the tablet is a great tool but needs to figure out the program access to allow for notations on PDF documents. One recommendation would be to spend a little extra money for a product that doesn't require as much programming. However, the final outcome is that he prefers the electronic board packet over the paper binder. Jim Smith asked if Commissioner Miller could help keep on top of water related WPUDA items. Commissioner Miller stated that John Kounts does a great job of offering information regarding water and waste water system issues, and he would be willing to review WPUDA information and will bring back the information that may affect our systems. He also mentioned that he expressed his interest with staff in the Wishram well project, but wanted to be clear that he is asking as he is very interested in the project, but is not trying to direct or influence staff.

COMMISSIONER RANDY KNOWLES – Randy stated that he had nothing to report at this time.

COMMISSIONER DAN GUNKEL – reported that the Columbia Generating Station completed their outage and were operational on June 19th. They completed their outage two days ahead of schedule. They replaced one of the three low pressure turbines, a hardened containment vent system was replaced and they implemented new technology to accurately measure the cooling water temperature throughout the system. With all of these improvements they gained an extra 20 MW of generation capacity and completed their work ahead of schedule.

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:

Extension Policy – Jim provided information on the application of extension policy 16 to the interconnection of two companies that are planning large irrigation loads. They are similar projects in nature, but not in location. No action was taken, as Jim was just wanted the Board to be aware of the potential impacts on our system upgrade capital work plans and expenditures.

Fitch – staff will be working with Fitch on their semi-annual bond rating review. Staff does not anticipate any downward pressure on our current A- stable rating and will report back how this process goes.

Customer – Brandy Myers attended a power theft jury trial representing KPUD. The customer was not convicted of power theft. The estimated PUD revenue loss is \$11,000 dollars. We will deal with the situation with our normal collection processes, now that the Prosecuting Attorney's office has completed their steps.

State Parks - We received a notice from Washington Parks stating that they are planning on acquiring 592 acres of property to add to the Klickitat trails boundary. The properties are located in the area of Harms Road and Swail Creek. Given recent changes to fees charged by State Parks for utility crossings, the Board directed staff to draft a letter stating our opposition not only to this addition, but to the fees charged by Parks in general, as they amount to revenue transfer between state entities as they are not cost related.

Wishram WWW systems – Jim discussed a situation in Wishram where infrastructure is on private property without an easement. He will continue to discuss options and update the board on the outcome.

New Wishram Well - The well driller reached the interface between the Wanapum and the Grande Ronde aquifers at 460 feet. The initial tests with the drilling equipment still place showed 150 gallons per minute with no draw down. They are planning to pull the drilling equipment, completing the seal between the aquifers and complete a pump test. They are expecting to pull the full amount of water right, but we will not know until they complete the actual tests. The Board supported completing this work and the pump test. Given complications in the drilling process, the schedule for having the well on line and operational before the fire season will not be met. It is expected that the well will not be operational until October. The fire department is aware of the delay and has prepared for fire season with pumps in river and permission to pump to respond to emergency situations. Commissioner Gunkel directed staff to set up meeting with community. Sharon has posted the information and the community has received notification, but we can work to set up a face to face meeting.

ADJOURNMENT – There being no further business, the meeting adjourned at 4:17pm.

_____/s/
Randy L. Knowles, President

_____/s/
Dan G. Gunkel, Vice President

_____/s/
Douglas B. Miller, Secretary
Date Approved: July 25, 2017

_____/s/
Luann Mata, Executive Assistant