

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, August 14, 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 Gunkel-Vice President, and Douglas B. Miller-Secretary.

STAFF PRESENT: Jim Smith- General Manager, Gwyn Miller-Director of HR & Business Services, Ron Schultz- Chief Engineer, Mike DeMott- Power Manager, Mark Pritchard-Operations Manager, Kevin Ricks- Generation Assets and Special Projects Manager, Eileen Kelsey-College Student, Nichole Lantau- Accountant, Beth Schroder- Accountant, Brandy Myers- Customer Service Supervisor, and Luann Mata-Executive Assistant.

GUESTS: Larry Bakken

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

MINUTES: **MOTION** was made by Commissioner Miller to approve the July 24, 2018 meeting minutes. Motion carried.

CLAIMS & PAYROLL: Presented by Eileen Kelsey 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 this 14th day of August, 2018.

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

- Accounts Payable Voucher numbers 113428 through 113587 in the total amount of \$1,088,941.69 and Wires, ACH and EFT numbers 8801004 through 8801014 in the total amount of \$1,149,469.60 for the period ending August 14, 2018; and
- Payroll Warrant numbers 43369 through 43370 and ACH Direct Deposit Payroll transactions 9919980 through 9920146 in the total amount of \$363,940.47 for the payroll periods ending July 22, 2018 and August 05, 2018.

Motion carried.

PUBLIC COMMENTS: Mr. Bakken commented on the general state of society.

REPORTS:

June Financial Report– Nichole Lantau and Beth Schroder presented the June financial report. Our finance committee meets on a regular basis to discuss financials. At the last meeting, staff determined the Renewable Natural Gas (RNG) Renewable Identification Number (RIN) revenue should be removed from our June forecast and will be reflected in the 2019 operating budget. The removal of the anticipated revenue determination was based upon the Environmental Protection Agency (EPA) certification process timeline. The power management report will discuss the EPA certification determination.

Our revenue year-end forecast is to end the year at \$500,000 below budget. Our expense year-end forecast is \$1,200,000 below budget. There have also been changes made on the capital side. Due to continued shortages of qualified contractors, staff

decided to defer \$6 million in major construction projects. There is some elevated risk on operating the system next summer without these improvements, but with the customer activity forecasted, this risk is small and far outweighed by the potential for much more competitive pricing. We anticipate bidding the construction this year, but allowing a wide window for contractors to complete the work in 2019. This shift in costs is reflected in our 2018 year-end forecast and will also be reflected in the 2019 operating budget proposal. We ended June with 160 days cash on hand.

The 2019 operating budget kick off meeting was held on August 13th. We are advancing the start of our budgeting process as we expect that there will be a significant amount of work to be completed late in the year as we convert to National Information Solutions Cooperative (NISC).

Power Management June Report– Mike DeMott provided the department update for June. Wholesale power pricing is currently higher than expected due to load demand and supply issues combined with the heat. Our hedging activity has mitigated our cost associated with purchasing power in spite of the high prices. Sumas gas index did not reflect a major change, even with the heat, but SoCal's gas pricing did. Analysis of cost and revenue per MWh of KPUD Generation resources over 2017-2018 YTD was reviewed.

White Creek (WCW) and Harvest Wind are considering moving their project balancing authority to a balancing area run by Avangrid Renewables. Avangrid currently provides load-balancing services for their own renewable generation. Tom Svendsen has been working hard on this and contract review is ongoing. Tom Svendsen has expressed desire to retire from current WCW purchasers representative role. The WCW group is actively reviewing the work scope and discussing alternatives. The board asked that staff make the effort to meet with Tom and talk through potential future scenarios and history of the project so that we obtain as much historical knowledge as possible.

Bonneville Power Administration (BPA) announced there will not be a Cost Recovery Adjustment Clause (CRAC) charge this year, so we will remove our CRAC assumptions from the budget forecast.

We are working to prepare for RNG compliance certification audits which take place in August. This includes United States based EPA certification and European International Sustainability & Carbon Certification. The European markets were not something we had considered, but with the fixed price portion of our production being converted by the off-taker to methanol and delivered to Europe, this is something we will be learning about. Pre-audits and audits have been scheduled. EPA certification timeline was discussed as related to impact on timing of future RIN related revenue.

Generation and Assets Monthly Report– Kevin Ricks provided an update on the status of crew assignment during the RNG construction project. Landfill Gas June report showed that in the few days of operation the plant produced 1612 MWh before it was shut down June 4th. The Crew went to Alabama and Texas to work with operators on a BCKK and a Morrow plant to start their training process. Kevin stated it was enlightening to see staffing and routines of other plants. Staff is working with the engineers to set up the control system and a remote control room in the wastewater trailer. Kevin hopes the remote control area will be in use by the end of the year for night shift coverage. We have reviewed the option of ordering a new compressor for the Low Compression building, but after evaluating, we believe that we can maintain the existing units by only replacing the bearings. The shafts appear to be in good condition. We hope to have the project in operation and gas flowing into the pipeline on the 28th of September. All of the contractors are working hard to keep to the schedule. Some of the vendors have required additional staff to maintain the schedule.

COMMISSIONER DAN GUNKEL – Commission Gunkel reported that the Columbia Generating Station had a six day forced outage. They experienced an unexpected equipment failure, which took some time to evaluate and repair. The outage hours influences their statistics and their performance ratings so this will not help their improvement efforts. Franklin PUD's general manager has taken a position with Energy Northwest to head up their energy services department.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller reported that he read that Holly Dohrman is the interim general manager at Franklin PUD. Commissioner Miller also wanted to express his appreciation to Bjorn Hedges' presentation on White Creek Wind from last meeting. He felt the presentation was informative. He noted that Bjorn had reported that the original blades are no longer being produced, so a new design is being used for replacements. He asked staff to follow up on whether the newer blade style will affect revenue.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles did not have a report at this time.

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:

1. PUD preliminary election results- Washington Public Utility District Association (WPUDA) distributed the primary election results. The forecast for the election, from the results of the primary, would lean towards a shift to democratic majority in both houses.
2. Customer letter- You have received a letter regarding an account that was sent to collections. The customer moved out of the area and is disputing their final bill. Their final bill was based upon the final read that our meter reader or service man read. After discussion, it was determined that Jim Smith will respond on behalf of the board.
3. WPUDA Fire Liability Action Plan- There are several utilities working together on this project, as well as interest from PURMs and WPUDA. George Caan is willing to support the action plan, but faces his normal association issues where everyone must support the actions identified in the plan. The goal is essentially to try to establish Department of Natural Resources (DNR) fire investigation qualifications for fires that interact with high voltage power lines, a requirement for third party review when DNR is seeking reimbursement of fire suppression costs, and an improved ability to remove danger trees. The group is also discussing a process to work toward the development of gross negligence standards to prevent a migration towards inverse condemnation provisions. The goal is to limit liability, obtain accurate and competent investigations from qualified individuals, address conflict of interest within DNR, and to allow us to remove danger trees in a timely manner so we can limit fires before they start.
4. Public Works Trust fund (PWTF)- LFG infrastructure fund: We have been working with a PWTF loan for the associated projects in Lyle since 2012. The scope was to replace aging pipes and obtain a new water source. The pipe replacement portion of the project exceeded the estimate, partially due to the county relocating roads and having to move the routing of a pipe around a gravel pit. The Original costs for the pipeline was estimated to be \$200,000. By the time this work was completed it was closer to \$350,000. The well was estimated at \$350,000 and looks to cost around \$700,000 by the time it will be complete. We have seen the same doubling of the cost to drill wells here that we have seen in Wishram and other locations. We also had to move the well outside the urban boundaries in Lyle to obtain the necessary clearances around the wellhead. Jim wanted the Board to know that staff is anticipating applying for the LFG Infrastructure funds to assist the system with paying for these increases. The 2018 Lyle Water system budget had a system cost outlay

of around \$300,000, which would leave around \$100,000 in their reserves. Jim anticipates that the LFG fund application will be \$325,000.

5. Annual Budget- Staff held their budget kick-off meeting Monday. The plan will be to complete budgets by the end of October. The push is not to have budgets approved earlier, but to have the bulk of the staff work completed before the customer service NISC conversion in December.
6. Strategic planning workshop- We plan to reserve the Maryhill Museum for the meeting. We will have lunch provided and the tentative schedule is November 14th from 9am to 1pm. Commissioner Miller suggested that we will need more than 4 hours to complete the review and suggested that the schedule be extended to 5:00pm.

AGENDA ITEMS:

A. RESOLUTION NO. 1765- PUBLIC UTILITIES RISK MANAGEMENT SERVICES (PURMS) 2018 INTERLOCAL AGREEMENT: MOTION was made by Commissioner Gunkel to approve Resolution No. 1765:

1. DECLARING ITS APPROVAL OF PUBLIC UTILITY RISK MANAGEMENT SERVICES (“PURMS”) RESOLUTION NO. 6-7-18-1 AND RATIFYING THE AFFIRMATIVE VOTE ON SAID RESOLUTION BY THE DISTRICT’S VOTING REPRESENTATIVE AT THE PURMS SEMI-ANNUAL BOARD MEETING ON JUNE 7, 2018; and

2. DECLARING ITS APPROVAL OF THE PURMS 2018 AMENDED AND RESTATED INTERLOCAL AGREEMENT (“2018 ILA”) AND AUTHORIZING THE DISTRICT’S SIGNING REPRESENTATIVE TO EXECUTE THE DUPLICATE ORIGINAL SIGNATURE PAGE FOR THE 2018 AMENDED AND RESTATED ILA FOR AND ONBEHALF OF THE DISTRICT.

Motion carried.

B. POLICY 7-Credit Sales Collections Service Charges: Brandy Myers presented the redline of Policy 7. Discussion ensued. Currently if there is an error that benefits the PUD, there is a three-year threshold for collections and if there is an error that favors the customer, the collection period is not limited. The Board felt it is in everyone’s interest to place the same constraints in both cases. They also supported limiting refunds to current active customers only. This limits liability as well as limits resources for verifying reimbursements or collections and prevents funds that are not distributed from being forfeit to the State. This was a discussion item only. Staff will bring the Policy back next meeting for review and approval.

Adjourned – There being no further business, the meeting adjourned at 4:01 p.m.

/S/
Randy L. Knowles, President

/S/
Dan G. Gunkel, Vice President

/S/
Douglas B. Miller, Secretary
Date Approved: August 28, 2018

/s/
Luann Mata, Executive Assistant