

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, August 22, 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- Power Manager, Cynthia Bruce-Accounts Payable Clerk, Nichole Lantau-Accountant, Ron Ihrig- Chief Operating Officer, Ron Schultz- Chief Engineer, and Luann Mata-Executive Assistant.

GUESTS:

MINUTES: MOTION was made by Commissioner Dan Gunkel to approve the August 08, 2017 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 the 22nd day of August, 2017.

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

- Accounts Payable Voucher numbers 110425 through 110576 in the total amount of \$1,002,835.54 and Wires, ACH and EFT numbers 8800756 through 8800770 in the total amount of \$3,368,805.54 for the period ending August 22, 2017; and
- Payroll Warrant number 43340 and ACH Direct Deposit Payroll transactions 9917977 through 9918058 in the total amount of \$168,124.00 for the payroll period ending August 6, 2017.

Motion carried.

PUBLIC COMMENTS: None

AGENDA ITEMS

- A. RENEWABLE NATURAL GAS (RNG)- Schedule and Budget update: Dan Waineo was present to discuss the RNG project schedule. To date the project is within a week of schedule and within budget. There have been technical issues as expected. For example, Kobelco was willing to allow a factory inspection but requested a 3 week concession on schedule if request was granted. We are working through these issues and they are not major concerns at this time. The engineering group will be traveling to Texas next week to meet with BCKK and Morrow to complete on-site drawing reviews. Commissioner Gunkel asked if there is anything that still needs to be resolved. Dan Waineo mentioned two items. First, he has not

decided on the Thermal Oxidizer technology. The concern in other plants he has worked with is that variation in flow can cause the oxidizer to go offline, which drives a specific technology to be used. However our plant does not have that issue, which gives us flexibility in technologies. Commissioners wanted assurance that we are 100% confident that we have completed our due diligence where the Thermal Oxidizer is concerned. Dan Waino stated that he has looked at other alternatives, however they are more expensive and he is confident that the design we have originally chosen will work best in our situation. Commissioners asked if there was ever a failure would we be able to switch to another design without issue. The answer was yes, but it is a pretty low risk and Dan said he not worried about it, he has just not yet proceeded. The second issue is the Republic easement, which is still under review. After discussion, the Board stated that this issue is a significant concern in that we are committing more money to this project and they view the easement is a fatal flaw issue. The Board asked that Republic be informed that if we cannot get an agreement and a signed easement by the next meeting, they may need to halt project until the easement is executed. Jim will follow up with Republic Services regarding this issue. The Draft Air Operating Permit is expected any day. The State Environmental Policy Act (SEPA) process will identify additional permit requirements and the Determination of Non-significance (DNS) is expected to be filed in the next couple of weeks. Construction Insurance was purchased. Mike DeMott reported that there will be some substantial draws over the next few months as contract initiation and milestone payments are coming due. Staff also reported that they have received interest in purchasing RNG from the project. Staff was asked to ensure that we do not get distracted from our construction process, but it is okay to discuss mutually beneficial ideas with BP.

- B. POLICY BULLETIN 52- Small and Attractive Assets: **Motion** was made by Commissioner Doug Miller to authorize the approval and implementation of Policy Bulletin 52 - Small and Attractive Assets as recommended by staff. Motion carried.
- C. PROFESSIONAL SERVICES APPROVAL – Cosentino Consultants Inc.: **Motion** was made by Commissioner Doug Miller to authorize the addition of Cosentino Consultants Inc. to Klickitat PUD's Professional Services Consultants listing for the 2017 period as they have met our qualification requirements. Motion carried.

REPORTS:

ENGINEERING – Ron Schultz presented the Engineering report for July. Preliminary design work on the Energizer getway has begun. We have Sole Sourced the breaker for the Linden Switchyard to ensure it fits with our existing breaker fleet for maintenance and backup spare requirements. We have received official notification that Bonneville Power Association (BPA) has registered with Western Energy Coordinating Council (WECC) as our Transmission operator (TOP). Ron is continuing to work with BPA on the Transmission Planner piece. Once the process is finalized we will be the first in BPA's que to follow up with in November. The Lyle switch is installed and we have cut the switch in during the last Lyle outage. The next BPA outage will be on the Spearfish line to tie back to the new transmission build from the new

Spearfish switch location to the Spearfish Substation (Chenoweth Line). BPA crews are pulling wire now. We have had some informal discussions with Hood River Electric Co-op (HREC), BPA, and Pacific Corp regarding the Columbia River crossing. Most of the Hood River system is 69kV and at this time HREC doesn't have any interest in upgrading to 115 kV. The Bingen outage on August 13th went well, except there was an issue with the overhead buss clearance. This issue was resolved during the outage. White Salmon crew completed their work on Oak Street during the Bingen Substation outage and the Construction Crew recently completed the Kennedy/Elton drive project. There was an RNG preliminary electrical design meeting today. The Engineering report was accepted as presented.

OPERATIONS – Ron Ihrig presented the Operations report for July and August. We are currently meeting our electric reliability goals. Most of the recent outages have been caused by animals and underground issues. The Klickitat outage went well. The power was off at 8pm and back on at 11:30pm. During this outage the crew connected 3 poles that were pre-installed by hand by John Starr's crew, on a side hill outside of Klickitat. Asplundh is still working in the Snowden area trimming trees and they are scheduled to complete the contract by December 1st. Ron would like to address the trees that were identified in last winter's inspections with a Time and Materials (T&M) contract crew. We may research hiring loggers in certain areas. Ron requested that we increase the Tree trimming budget by an additional \$55,000 during the 2017 budget year to complete this additional scope of work. After discussion, the Board authorized this increase in expenditures. We are currently under a Level 3 Department of Natural Resources (DNR) shutdown due to high fire danger. We have filed an exemption application with DNR. Our KPUD tree crew has been moved to town and contract crew has been shut down pending approval of exemption permit. The Operations report was accepted as presented.

WATER/WASTEWATER – Sharon Blodgett presented the Water/Wastewater August report. The departments focus right now is on educating the public on leaks in systems. There was a low reservoir alarm in Wishram. Operators went door to door to request conservation. Due to the water loss overnight it was thought that there may have been a leak, but as soon as notifications were given, the water level came back up. POW has completed the tie in work adjacent to the Wishram school property and they will be doing the pressure and BacT tests tomorrow. Growth within county is bringing challenges to our agreements. Sharon was contacted by a customer new to Bickleton who wanted to discuss why they must pay the basic water fee, when they are not physically connected to the system and have a perfectly good well on their property. The customer had not seen the letter agreements regarding the new water system. We have also received questions on assessments that are not revealed during the closing process of a property purchase, due to purchaser not checking with utilities prior to closing and then being surprised with the connection charges. We do not have the ability to lien a property for outstanding connection fees, which creates issues with regards to standby charges on our water and wastewater systems. Jim will bring up the lien issue with WPUDA group to see how other PUDs are dealing with this issue. The Water/Wastewater report was accepted as presented.

ACCOUNTING – Nichole Lantau and Beth Schroder presented the July Financial Report and the Monthly capital budget summary. Trending the past two months, our net margins have been negative, but they are still above budgets for these months. Projected revenues from the lease of Cliff's water rights are reflected in the year end forecast revenues. Year-end LFG revenues are forecasted to be \$944,000 above budget. Contributing factors of this increase are an increase in production from the

budgeted 18 aMW to 21 aMW, an increase in production later in 2017 as we will not be shutting the facility down to rebuild the CTs as originally planned and a reflection that the price we received for RECs in the back half of 2017 is \$11.05 versus the budgeted \$8.00. Our current Debt Service Coverage number is 1.72 and we currently have 232 days cash on hand. Forecasts have been reviewed by each department and are updated and we are scheduled to end the year below budget on expenses. The Accounting report was accepted as presented.

COMMISSIONER DOUG MILLER – Commissioner Miller reported that he received an email that Infrastructure Associated Coordinating Council conference is being held in Wenatchee October 24th-26th. The Council is dedicated to helping Washington communities find resources for their infrastructure.

COMMISSIONER RANDY KNOWLES – Commissioner Knowles reported that he received an email from Brian Skeahan regarding pump storage. At this juncture National Grid and Rye Energy wish to pursue a preliminary permit application for the project. KPUD would not be named in the permit as they wish to pursue the venture as a private investor without municipal preference. Without KPUD's municipal participant involvement, we are not sure of the ability to obtain state funding for the project. Staff was advised to investigate how the parties may move forward and provide value to the PUD and report back to the Board as soon as practical considering the timeline in which National Grid and Rye wish to move forward.

COMMISSIONER DAN GUNKEL – Commissioner Gunkel reported that on August 20th, 2017 the Columbia Generating Station experienced an unscheduled shutdown. This was caused by a stuck valve on their main condenser. Energy Northwest staff proceeded to complete the required repairs to get the valve repaired.

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:

McNary Elevator- I think you are aware of the discussions with the Corps over the last several years on repairing the Corp's failed elevator at the McNary project site. The Corps has been unwilling to repair the elevator and as the only access to the deck is by 63 vertical feet of stairs, we have significant safety and L&I concerns for the operators. We must keep in mind that all equipment and tools must be carried up and down these stairs and that there are also four stories of stairs below the bridge deck that operators must navigate as well. In preparation for their 2017 budgeting process, Northern Wasco PUD (NWPUD) has been exploring if the Corps will let us install our own elevator in lieu of the Corps replacing the failed unit. Dwight started this process some years ago before he retired. NWPUD has formally asked if we would be willing to commit \$240,000, which equates to 50% of the cost, to acquiring and installing a new elevator in 2018. This is a preliminary request as the Corp has not provided us with agreements, but has indicated they are willing to discuss this further. Northern Wasco is basing the budget request amount off of an escalated calculation of a bid they received a few years ago. The Board supports the concept, but wants to have a permit and operating agreement from the Corp in hand before committing the funds. Staff will pursue this option and report back.

1-10 mgw servers and Bit Coins- Jim discussed inquiries we have been receiving from developers interested in potentially locating bit coin mining and other server type installations in our service territory. Power Management has been working on the required rate methodology for industrial rate sized customers given our upcoming change back to the BPA Load Following rate structure. Our Industrial sized customers, who our rates define as 1 aMW usage or 2.5 MW peak demand, are by negotiated contracts and we are ensuring our cost methodology is correct. This was an information item only.

D. **EXECUTIVE SESSION-**President Randy Knowles asked for an Executive Session to evaluate the performance of a public employee pursuant to R.C.W. 42.30.110(1)(g) for a period of 15 minutes beginning at 5:00 pm. At 5:15 pm the Executive Session was extended for 45 additional minutes ending at 6:00pm. No action was taken.

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:

(g) to evaluate performance of a public employee.

ADJOURNMENT – There being no further business, the meeting adjourned at 6:02pm.

_____/S/
Randy L. Knowles, President

_____/S/
Dan G. Gunkel, Vice President

_____/S/
Douglas B. Miller, Secretary
Date Approved: _____

_____/S/
Luann Mata, Executive Assistant