

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
**Tuesday, September 12, 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, Brandy Myers, Customer Service Supervisor, Ron Ihrig- Chief Operating Officer, Ron Schultz- Chief Engineer, Sharon Blodgett- Water/Wastewater Coordinator, and Luann Mata-Executive Assistant.

**GUESTS:** None

**MINUTES: MOTION** was made by Commissioner Miller to approve the August 22, 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 12<sup>th</sup> day of September, 2017.

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

- Accounts Payable Voucher numbers 110577 through 110719 in the total amount of \$1,021,407.00 and Wires, ACH and EFT numbers 8800771 through 8800782 in the total amount of \$922,809.82 for the period ending September 12, 2017; and
- Payroll Warrant number 43341-43342 and ACH Direct Deposit Payroll transactions 9918059 through 9918224 in the total amount of \$358,925.49 for the payroll periods ending August 20, 2017 and September 3, 2017.

Motion carried.

**PUBLIC COMMENTS:** None

**AGENDA ITEMS**

- A. **PRE-QUALIFICATION OF CONTRACTORS:** Jeff Thayer presented POW Contracting and Eagle-eye Aerial Solutions, LLC for the works roster approval. **Motion** was made by Commissioner Miller to authorize the addition of these contractors to the KPUD's Works Roster for 2017 calendar year as they have met our qualification requirements.
- B. **BID AWARD- Miscellaneous Pole:** **Motion** was made by Commissioner Gunkel to award the Miscellaneous Pole bid to The Oeser Company. Commissioner Knowles asked if there

were contingencies in place for them to maintain specific inventory levels. The answer was that they would be held to the same stipulations as the previous bidder, which does include holding inventory. The successful bid for the distribution poles totaled \$207,700.50 and the transmission poles bid total was \$248,139.15. This bid will be awarded for a two year period with an option for additional years after August 2019. Motion carried.

- C. PUBLIC GENERATING POOL (PGP) - Carbon Study Results: Jim Smith discussed carbon study work done by PGP. The discussion centered on the potential impacts of carbon programs on our generation and renewable natural gas (RNG) assets. The work appears to support the District's Board decision to pursue the RNG project, although carbon legislation could increase the value of either project. Discussion item only. No action was taken.
- D. RIMROCK WELL NO. 1- Resolution 1747 Surplus of Rimrock Well No. 1: Jim Smith and Sharon Blodgett presented Resolution 1747 to surplus Rimrock Well No. 1. **Motion** was made by Commission Gunkel to approve Resolution 1747 with one correction, that the wording of a Non-Exempt well be changed to read an Exempt well, and authorize the General Manger to execute the required documents. The correction was made and motion carried.
- E. POLICY REVISION- Policy 4-C Hours of Work: Gwyn Miller updated language in Policy 4-C to implement direction from the board to specifically require the direct deposit of paychecks, and the grandfathering those employees currently receiving hard copy checks. **Motion** was made by Commissioner Miller to approve the additional language in Policy 4-C. Motion carried.

## **REPORTS:**

### **POWER MANAGMENT –**

Power Management: Mike DeMott presented the Power Management report for August. August was hot which lead to a peak load of 73.7 MWh and 59 aMW High Load Hours / 47aMW Low Load Hours which is significantly higher than forecast. Market purchases were utilized as needed to cover that additional load. Low Slice output also contributed to the need for extra purchases. Due to the extra purchasing that was required Mike is hopeful that the retail accounts receivable will offset the expense incurred on the wholesale purchases. Hedging activity for October contained in the report is for 5 MW High load at \$25.00 and 5 MW low load at \$22.00 both are still showing below budget pricing for October. An additional 5MW October HLH hedge was executed 9/12 and not listed in the report. There has very little price movement for the Nov-Dec period. White Creek wind was under budgeted results for month. This was mainly due to hot August temperatures and low wind speeds. Landfill Gas (LFG) is expected to exceed budgeted revenue by approximately \$150,000 for the month.

Net metering program: With the new legislation many questions remain regarding implementation processes. WSU will be responsible for administering the program, including calculating rebate payments to customers and will charge a fee for this work. KPUD will remain the liaison between the customer and WSU. The largest issue we are currently facing is that WSU is interpreting the legislation that a utility that pro-rated incentive payments must continue to do so, even with the new higher cap. Their position is that we adjusted the rate. We do not

agree and we have asked WPUDA for assistance as there are 7 or 8 other PUDs who are in the same position as us. Another key change is that we will not be required to offer commercial or community solar rebates. Staff will continue to work with WPUDA and WSU to resolve issues so we can revise and implement the program. Power Management staff also presented the Board with preliminary work on the impacts that net metered accounts have on our revenues and the cost shifting that is occurring to those customer who are not in the program. After discussion, the Board directed staff to continue to develop a solution so that electric rates and programs do not cause unfair cost shifts between customers, and to bring back a proposal to address these issues. The goal is that our rate design should allow our customers choice while ensuring that these choices to not adversely affect others.

White Creek Wind balancing authority change: White Creek and Harvest staff and offtake participants are in discussions with multiple parties about balancing authority options and the potential cost savings of moving the project out of BPA's balancing authority. One of the parties is Avangrid Renewables, who left BPA's balancing authority and appears to have developed a lower cost solution for wind integration. Potential savings include reduced deviation charges and lower occurrence of curtailments.

The Power Management report was accepted as presented.

### **GENERATION ASSETS –**

Landfill (LFG)- Kevin Ricks presented the monthly Generation Assets report for August. The plant has been running at 21.6 aMW average with 100% reliability and 99.6% utilization of available gas. We received the draft RNG Air Operating Permit and our comments are being submitted today. We are required to source test the Combustion Turbines (CT's) annually. Source test scheduled for the week of October 2<sup>nd</sup>. We will then plan to complete the next source test before the CT's are shut down and the RNG project is brought on line. Commissioners asked if there was any issue with Source testing prior to the 12 month schedule. Staff does not think so but will verify. We will need to perform a source test annually if we want to maintain the ability to operate the CTs on LFG. The permit allows for both the CT's and RNG to operate ONLY during commissioning process. Well field operation update, Jonah is focused on verification of optimization agreement. Republic has hired contractor to complete the well tuning twice a month.

Renewable Natural Gas (RNG)- The Engineering team met with Morrow and BCKK last week in Texas. The Morrow group worked with 3D models to plan site layout. BCKK's meeting was successful as well. Progress payment request from Morrow has been received; staff is not satisfied that they have met the expectations for that payment. Staff and Morrow are working cooperatively to meet each other's expectations on the purchase and sale agreement. The Generation Assets report was accepted as presented.

**COMMISSIONER DOUG MILLER** – Commissioner Miller reported that the generation rate for net metering accounts (solar/wind/etc.) should be reviewed. He supports staff building a rate case prior to the expansion of the Net Metering program. Commissioner Miller was in Bickleton last night discussing Conservation Districts and noticed that the Cell phone reception is terrible in this area; he asked if there was any way to get a cell site located at the radio site on Timber Road. Staff informed him that there is a radio tower owned by the County in that area. We partnered with them and our voice radios are located at that site. He intends to ask that the County partner with us to bring in cell facilities. His thought is that this would benefit KPUD employees, County communications and the Bickleton community as

well. Lastly he was reading an article regarding the partnership of Cowlitz PUD, BPA, and NORPAC focused on the Northwest Energy Efficiency Project. <http://investor.weyerhaeuser.com/2012-08-09-NORPAC-BPA-and-Cowlitz-PUD-Partner-on-Largest-Ever-Northwest-Energy-Efficiency-Project> is this a discussion we should have? PPC has been in the discussion of impacting BPA rates. Jim Smith will double check the details and provide an update. Commissioner Miller will attend the WPUDA Water Meeting in Leavenworth the 27<sup>th</sup>- 29<sup>th</sup>.

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

**COMMISSIONER DAN GUNKEL** – Commissioner Gunkel reported that Energy Northwest is in the process of searching for a new CEO. They have a committee reviewing the initial search evaluations on September 13<sup>th</sup>.

**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:

**DNR Water Rights-** Jim Smith and Ron Ihrig met with representatives from the Department of Natural Resources (DNR) August 31<sup>st</sup> regarding partnering on an economic development project. They are looking for an entity to invest in an irrigation project and in return potentially provide water rights benefit to Klickitat County. Discussions are in the preliminary stage evaluating feasibility. Mr. Smith will bring back more details as they become available

**RDC Easement Update -** Don Tibbets and Jim Smith have been discussing the documents and Jim does not have a signed easement yet. Don and Jim feel that they will have a signed easement by the end of the week. It is undergoing legal review with Republic Services corporate. KPUD and RDS staff are continuing discussions and developing a Memorandum of understanding (MOU) regarding the contracts. Republic staff recognizes the value of the RNG project and desires the MOU. KPUD staff is supportive of the MOU provided it denotes clear tuning guidelines and does not renegotiate existing contracts, only clarifies them. Main focal points are the tuning guidelines that optimize the fuel. Commissioner Dan Gunkel was very clear that staff will be required to have an easement in place by Friday September 15<sup>th</sup> or he will expect a Special Meeting called to discuss halting the project until easement is delivered.

**Senior Discount Review-** Martha Quigley the customer who asked for the board to discuss the option of extending the Senior Discount to include summer months was unable to attend the meeting. Staff explained that the current program is fully utilized and if there are benefits offered in the summer months, it would impact the winter benefits. The board was supportive of staff continuing to gather information on what the seniors in the program would like to see, however the funds should not exceed the Original budgeted amount of \$55,000 per year. Staff did state that the relief is much more substantial on winter bills than summer bills. Commissioner Knowles suggested we conduct our own survey, and obtain information from people who have benefited from the program and see what their thoughts and needs are. Discussion has been tabled until spring to allow staff time to gather additional information. The 2018 funds will be distributed under the current guidelines.

**Water WW Standby Fees-** Staff has held discussions with WPUDA representative Bill Clark regarding Washington State PUD's inability to lien properties for fees owed. Our concern is that when properties change hands, potential buyers have been caught unaware of water and waste water standby fees owing. Discussions with real estate professionals in the area have not fixed

the issue. So staff will be proceeding with filing notifications on properties that have these particular outstanding charges pending on them. This would be a recorded notification that would follow the property and would be found during title search process in real estate transactions. Our current policies allow this process.

Klickitat School Irrigation- Brandon Walters and Jim Smith met with the Klickitat School Superintendent regarding the irrigation situation. In October the water department has a contractor scheduled to pull the pump from well #2 and complete a pump test. If the well has enough available water pressure there may be an option to tap the line prior to the treatment plant and utilize a portion of the water for irrigation for the school, which was fed with untreated water from well #1 prior to that well failing. Commissioner Gunkel wanted to note that he recognizes that the existing water source was hard to come by, so he wants to make sure that the community is in agreement that this is the best usage of the resource. Commissioner Miller also wanted to reaffirm that staff will be diligent on its efforts to keep well sources clean.

Enlow Dam Okanagan- Okanagan PUD is in the process of rebuilding the Enlow Dam as discussed in previous meetings. They have asked for support of a resolution to relicense the dam for additional output. Washington Public Utility District Association (WPUDA) is asking PUD's if they would support WPUDA signing the resolution. Upon completion of discussion, Commissioners agreed that we have benefited from the support of other utilities and we in turn would like to support the efforts of others when we can. Jim Smith will communicate our support to George Caan, Executive Director at WPUDA.

Washington State Auditors- The state auditors will be in our office from September 11<sup>th</sup> – 21<sup>st</sup>. They have invited the commissioners to speak with them regarding their annual review. Commissioner Miller has volunteered to meet with them.

Annual Meeting- Our Annual meeting is scheduled for Monday October 9<sup>th</sup> at 9:00 am. The meeting will be held at the Goldendale Grange Hall. We will have the agenda available at the next board meeting. Our plan is to bring in a speaker and provide a designated time for the Commissioners to hold a panel discussion.

Meeting Room procedure highlights- Staff is in the process of adopting an updated procedure that adds clarification for staff to follow regarding the rental of the Public Meeting Room. The main updates are regarding the refundable damage deposit, which is going from \$50 to \$100. The current \$50 is not covering the damage and wear that the meeting room has been seeing with an increase in parties being held here. We understand that there is a shortage of meeting room options in our area and we are happy to make the room available. Community Business requirements will remain the same as they are not the burden on the room that the children's parties can be. Commissioners were in support of where staff would like to take the procedure.

**ADJOURNMENT** – There being no further business, the meeting adjourned at 4:48pm.

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/S/  
Randy L. Knowles, President

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/S/  
Dan G. Gunkel, Vice President

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/S/  
Douglas B. Miller, Secretary  
Date Approved: 09/26/2017

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/s/  
Luann Mata, Executive Assistant