

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, September 26, 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, Jeff Thayer-Purchasing Manager, Mark Pritchard-Operations Manager, Ron Ihrig- Chief Operating Officer, Ron Schultz- Chief Engineer, Nichole Lantau, Accountant, Sharon Blodgett-Water/WW Coordinator, and Luann Mata-Executive Assistant.

GUESTS: Don Jarrett and Tyler Ross-McMillen Jacobs, Dan Waineo and Aaron Parker-ES Engineering, and Brian Skeahan-Skeahan Advisory.

MINUTES: **MOTION** was made by Commissioner Doug Miller to approve the September 12, 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 12th day of September, 2017.

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

- Accounts Payable Voucher numbers 110720 through 110858 in the total amount of \$649,172.37 and Wires, ACH and EFT numbers 8800783 through 8800792 in the total amount of \$1,665,193.99 for the period ending September 26, 2017; and
- Payroll Warrant number 43343 and ACH Direct Deposit Payroll transactions 9918225 through 9918309 in the total amount of \$184,462.43 for the payroll period ending September 17, 2017.

Motion carried.

PUBLIC COMMENTS:

AGENDA ITEMS

- A. Renewable Natural Gas (RNG) Update:** Don Jarrett introduced Tyler Ross, who is an engineer with McMillen Jacobs. His focus will solely be schedule tracking. Our engineers are concentrating on producing the site work, electrical and mechanical interconnection bid documents to assure the various vendors skids will interconnect properly. They are already scheduling a trip to Texas in October to review progress of Morrow Brothers and BCKK on site. We have received the signed Republic easement, which was one of the major schedule milestone items. Discussions with Williams on the interconnection to the pipeline are on schedule. The SEPA process is complete for the pipeline and the DNS has been issued. We have issued payments on the project in excess of \$6,000,000 to date with the expectation of spending approximately \$7,000,000 in October. We have received the 2nd draft of the Air Operating permit notice of issuance of November 26th and we expect a permit within the next few weeks. Engineers are also working with the County on the building inspection requirements and with Washington State Labor and Industries (L&I) on the electrical inspection requirements. We are planning on having a 3D model of the facility to present to the board at the next RNG update meeting. Commissioner Gunkel asked if the vendors are trending to be slower than expected. Don stated that the progress schedules indicate that some of the milestones appear to be running behind schedule, however this is the engineering phase and it is his belief that the critical path items were within the

schedule deadlines. BCKK shows the largest lag, but they are their own manufacturer, and we have had discussions with them about making this schedule up. It doesn't appear that there will be schedule issues; however we will continue to monitor their progress. The question was asked if the recent weather events would affect delivery. Staff has been asking vendors the same questions and the answer to date has been no impact on critical path items.

Commissioner Knowles wanted to confirm that we have total control over all equipment interface, Kevin confirmed, yes we do. Commissioner Gunkel wanted to verify with staff if there are any concerns that keep them up at night, the answer was today there isn't anything that is on the critical path, that isn't moving in the right direction. Kevin mentioned that there have been a few change order discussions; however these change orders do not pertain to items missed within the bid issuance process. They all pertain to us choosing to move scope of work from one contractor to another to ensure the best possible outcome financially and schedule wise. Our consultant, Cosentino Consulting Inc. is looking after all of the Washington Utilities Transportation Commission (WUTC) requirements for the pipeline. They are also providing our O&M documentation. The pipeline itself is under the jurisdiction of the WUTC, not the project. Dan Waino provided a powerpoint overview of the project. The presentation was also provided to LFG staff so that they understand the facility that is being built and to gain operational suggestions. Commissioner Gunkel asked how we felt about our revenue forecasts given the current design. Staff modeled the output and hence the revenues very conservatively and we believe that we are still well within our forecasts. Another positive note is that Republic is also completing their capital 2017 upgrades, which should further improve the fuel supply. No action was taken.

- B. Call for Bid - RNG Project Water Chiller: **MOTION** was made by Commissioner Dan Gunkel to authorize staff to issue a Call for Bids for the RNG Project Water Chiller, with a bid opening date of October 18th, 2017 at 2:00pm. Motion carried.
- C. Call for Bid - RNG Project Pump Skid: **MOTION** was made by Commissioner Dan Gunkel to authorize staff to issue a Call for Bids for the RNG Project Pump Skid, with a bid opening date of October 18th, 2017 at 2:00pm. Motion carried.
- D. Call for Bid - RNG Project Candle Flare: **MOTION** was made by Commissioner Doug Miller to authorize staff to issue a Call for Bids for the RNG Project Candle Flare, with a bid opening date of October 18th, 2017 at 2:00pm. Motion carried.
- E. Call for Bid - RNG Project Dual 6" Gas Pipeline Construction: **MOTION** was made by Commissioner Doug Miller to authorize staff to issue a Call for Bids for the RNG Project Dual 6" Gas Pipeline and Fiber Optics Construction, with a bid opening date of November 8th, 2017 at 2:00pm. Motion carried.
- F. POLICY UPDATE - Policy Bulletin No. 45 "Risk Management & Trading: **MOTION** was made by Commissioner Doug Miller to approve revisions to Policy Bulletin No. 45 "Risk Management & Trading" as recommended by staff. Motion carried.
- G. PREQUALIFICATION OF CONTRACTORS: **MOTION** was made by Commissioner Doug Miller to approve the renewal of Mission Construction, Inc. of Hood River and authorize staff to add them to the District's Small Works Roster. Motion carried.
- H. BID AWARD - CIC Conductor: **MOTION** was made by Commissioner Dan Gunkel to award the bid for the Underground C.I.C. conductor to Anixter Inc. (for general cable) in the amount of \$155,040.00 excluding taxes for the estimated quantities as recommended by staff. The bid opening was held September 14th, 2017 as advertised. Motion carried.
- I. SET RATE HEARING DATE - Setting of City Street Light Rates for Bingen, Goldendale and White Salmon: **MOTION** was made by Commissioner Dan

Gunkel to set a public hearing date for October 24, 2017 at 3:00pm for the purpose of reviewing, discussing, and adopting staff's proposed revisions to the Street Lighting and Area Lighting Rates that reflect the addition of LED lighting. Motion carried.

- J. RESOLUTION No. 1748 - Credit Card for Operations Manager: **MOTION** was made by Commissioner Doug Miller to adopt Resolution No. 1748, thereby authorizing the issuance of a company credit card to Mark Pritchard, Operations Manager for the purpose of conducting company business. Motion carried.
- K. RESOLUTION No. 1749- Senior Discount: **MOTION** was made by Commissioner Doug Miller to adopt Resolution No. 1749, thereby authorizing staff to approve the funds for the KPUD Low-Income Elderly Rate program with no changes from the December 2016 through May 2017 for the December 2017 through May 2018 period, with one modification to include the age requirement on the Resolution. Motion carried
- L. WALKLEY SCHOLARSHIP DRAWING: President Randy Knowles drew the Walkley scholarship nominee and Harley Clever was the recipient chosen. Our nominee information will be forwarded to the Washington Public Utility District Association (WPUDA) for inclusion in their drawing process. There is one scholarship awarded by WPUDA annually.
- M. JOHN DAY PUMP STORAGE PROJECT - National Grid/Rye Energy: Brian Skeahan was present to discuss the value of the project to National Grid and Rye Energy and how we may facilitate moving the project forward. Discussions continued and the Board directed staff to continue working with the developers on a strategy that provides the utility with the best value and facilitates its construction within Klickitat County.
- N. EXECUTIVE SESSION: Personnel Matters: President Randy Knowles called the executive session to order at 3:33 for one hour *to evaluate complaints or charges brought against a public officer or employee pursuant to R.C.W. 42.30.110(1)(f)*

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 evaluate complaints or charges brought against a public officer or employee.

The Executive Session concluded at 4:35pm. No action was taken.

REPORTS:

ENGINEERING – Ron Schultz presented the Engineering report for August. He discussed that we are still working through the BPA protocol for TOP procedures. Michaels has completed their work at the Bingen substation and the meter shop is finishing up wiring controls in the substation. Commissioning is scheduled for October 10th -13th. There will be a 4 hour outage to transition over to the new transformer. P.O.W. is still working in Wishram on the new well project. The meter shop crew is wiring in the electrical controls and we should be commissioning the new well in October. The contractor damaged an access road, so this repair work will need to be completed before they leave the site. Ron continues to work with ADCOMM on the radio upgrades. With the weather issues in the South, the equipment needed for this project may not be as readily available as originally anticipated. Adcomm will continue to work on acquiring the equipment required for this installation and provide the equipment as quickly as possible. Ron's best estimated completion date at this point is possibly by the end of the year, but definitely by January. Commissioner Miller asked that we continue to make this a priority and push the contractor to assure this is completed before the end of the year.

Ron noted that construction is picking up again and the Staking Engineers are noticing the late fall rush. Joli has drafted some fault indicator maps for both ends of the county and the Engineers are working with the crews to begin replacing old fault indicators before the winter season. The Six Prong substation and transmission line are in the design phase. We

have acquired a perpetual easement from Oren Johnson for the new Lyle water well and pipeline and for the electrical distribution crossing to Appleton. The Engineering report was accepted as presented.

OPERATIONS – Ron Ihrig and Mark Pritchard presented the Operations report for August/September. Ron introduced Mark to the board. We are currently meeting our outage goal, but we are very close. One of the larger outages this month was on Little Mountain road in Trout Lake, which was 3200 outage hours. The second largest was a truck vs. pole in Alderdale and that cost us 315 outage hours. Tree crew trimmed 354 trees, 220 were priority or problem trees noted on our assessments. However, Ron noted an increase in the number of new dead trees being found. Ron has contacted a local logger and requested a T&M crew from Asplundh to assist with these issues. December 1st is the contract deadline date for Asplundh to have their contract trimming completed. As they appear to be a bit behind, Ron spoke with the foreman and requested follow-up on additional crews.

The Operations report was accepted as presented.

Water/Wastewater – Sharon Blodgett presented the Water Wastewater report for September/October. She wanted to make the board aware that last night she received a call from dispatch regarding a sewage smell near the Lyle trailhead. We were also contacted by DOE. It appears that a private sewer line on the property across the highway from the trail head may have had a leak. Brandon took pictures of the situation. The owner of the property does not live in the area. The tenants refused to provide the owners name. The tenants did notify us that the owner would be traveling through today, so we are waiting for him to contact us. Brandon informed the tenants to discontinue use of their bathrooms until the issue is corrected.

The Water/Wastewater report was accepted as presented.

MONTHLY FINANCIALS – Nichole Lantau presented the monthly financials for August. Our Net Margin for August was \$561,934 which was \$127,314 better than budget. Most of this was due to increased retail income. LFG generation revenue was up but this was offset with lower wind generation than expected. Total expenses were on budget for the month. Our Debt service coverage is 1.7. Year-end forecast for cash on hand is forecasted at \$7 million better than budget. The total day's cash on hand is 232 days. The local government investment pool (LGIP) interest rate is up at 1.1 % and in August we received around \$31,000 in interest income.

The Financial report was accepted as presented.

PURCHASING – Jeff spoke to the board about a 2005 Ford F150 requiring replacement outside of the normal retirement schedule. The vehicle has major mechanical issues and the estimated costs of repair are \$3,500. This is about the estimated value of this vehicle today if it was working well. Jeff asked for the Board's support as he would like to look into the 2017 vehicles state bid and see if there is are any similar vehicles still available and replace this vehicle now rather than in 2019 as it is currently scheduled for. Jeff estimates the investment would be around \$23,500 to purchase a new F150. Board asked Jeff to look at options and move forward with the best option to replace the vehicle.

COMMISSIONER DOUG MILLER – Commissioner Miller reported that he was reviewing an article on House Resolution 3144 and he noticed that there is nothing in the document that refers to industry or agricultural use of water. Doug feels this is something that staff should pursue discussions on. This resolution is in front of the US congress now, so it would be prudent to research. The article he mentioned was printed in the Friday Facts issued by WPUA. Doug also mentioned he was researching the Hirst decision.

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

COMMISSIONER DAN GUNKEL – Commissioner Gunkel 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:

Organizational Chart - 2018 Reorganization Chart redefining the operations division.

Contract Adjustment Request - Gene Callan with 101 bar requested deferral of their first water lease payment which is due December 2017. Board stated that given that this contract was a result of public bid procedure, this request cannot be granted and the contract must be as negotiated in this regard.

ADJOURNMENT – There being no further business, the meeting adjourned at 6:05pm.

 /S/
Randy L. Knowles, President

 /S/
Dan G. Gunkel, Vice President

 /S/
Douglas B. Miller, Secretary
Date Approved: 10/10/2017

 /s/
Luann Mata, Executive Assistant