

Public Utility District No. 1 of Klickitat County
Board of Commissioners' Meeting
Goldendale, WA

Tuesday, July 11, 2017

AGENDA

Time: **KPUD Commission Regular Meeting Start Time – 2:00pm**
Location: 1313 S. Columbus Ave. – Goldendale, WA

- **Pledge of Allegiance**
- Approval of Minutes – 6/27/2017 Meeting
- Approval of Claims / Vouchers for period ending 7/11/2017 (*Sharon, Cynthia*)
- Approval of Payroll for period ending 6/25/2017 (*Sharon, Cynthia*)

- **PUBLIC COMMENT PERIOD**

AGENDA ITEMS (*see Manager's Report for further details*)

A. RESERVE FUND REVIEW-

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

REPORTS – 10 min. each:

- Power Management- Monthly Report
- Generation Assets- Monthly Report
- Commissioners' Reports
- Manager's Bi-Monthly Report (*Jim Smith*) - report attached

GUESTS:

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ADJOURNMENT

FOR THE GOOD OF THE ORDER:

7/25 – KPUD Board Meeting, 2:00pm



Public Utility District No. 1 of Klickitat County

79 Years of Service * 1938-2017

GENERAL MANAGER'S REPORT TO THE BOARD

For the July 11, 2017 Meeting

AGENDA ITEMS

- A. **RESERVE FUND REVIEW** – Given our financial performance to date and the decision to move forward with the Renewable Natural Gas project, there are several impacts on our financial that we want to discuss with you. We will be prepared to walk through potential changes in reserve funds as well as future borrowing and to discuss the opportunity to expense some of our larger work projects that may not come to an actual construction phase, like the John Day Pumped Storage project.
- B. **EXECUTIVE SESSION**: Per RCW 42.30.110 (1)(f) of Open Public Meeting Act (OPMA)

NON-AGENDA ITEMS

1. GM Meeting Attendance:
 - a. July 06 – SDS Industrial billing discussion
 - b. Jun 20 – 26 Personal Time Off
2. Bonneville power Administration and Secondary Power Sales to California – Through a joint letter from BPA and the Public Generating Pool, we provided input to the California Utilities and Energy Committee regarding the proposed SB100 legislation, that provides rules for California achieving a 100% carbon free electricity supply by 2045. Note that this is not a 100% RPS as such, it is defining a requirement for power sources to be “carbon free”, which is a different definition with different mechanisms that could include hydro resources. Unfortunately, in the details there is the potential for this Bill to restrict BPA’s access in to the California marketplace, which we believe would have negative effects on both BPA and California. I have attached that letter for your reference, as well as an additional letter from Elliott from BPA discussing other BPA input to that Bill.
3. Energy North West (ENW) Joint Purchasing Agreement – we are participating in a one year joint purchasing procurement program spearheaded by ENW. There is no obligation to purchase under this agreement, but it gives us another source for materials that may be more cost effective and more timely than our normal bidding process. Jeff is our representative and can report back on how it goes this this year. The agreement is attached for information.
4. Goodnoe Station Extension Policy – we have two very large extensions for large customer initiated projects coming up in the next couple of years I wanted to make you aware of as there are capital implications.

First, our initial estimates indicate that the electrical infrastructure required by the Goodnoe Station

5. project is in the range of \$4.5 million. This project is geographically located in an area that has little electrical infrastructure and without the Goodnoe Hills project, we likely would not be making system investment soon. However, there is a benefit to system reliability in providing a looped source towards the John Day, White Creek and Roosevelt Substations. While we are still developing our estimates, we see an opportunity to make about \$1.0 to \$1.5 million in PUD contributions to system improvement work that would take the system towards this looped system goal. This would be mostly 2018 & 2019 work that is above the forecasted capital amounts presented in previous capital forecasts.

Second, the Van DeGraff project appears to be moving ahead as well. The situation here is that we already have budgeted to construct a new substation in Alderdale to help with load growth in the east end of the County. After reviewing system plans, it is apparent that moving the location from Alderdale west about 6 miles would allow for the same benefits as the Alderdale location, and in addition, provide a strategic location for future load growth. This location would also move us closer to looping our 115 kV transmission lines between MA Collins and HW Hill. Our conclusion is that the PUD should construct 6 miles of 115 kV transmission line west from the Alderdale area as system improvement work and that we will merely relocate the Alderdale substation to the new location. This provides benefit to the Van DeGraff project, although this work is not driven specifically by them. This leads to a PUD capital investment of an additional approximately \$1.5 million. Again, this was not forecast in our capital planning.

My recommendation is that we proceed with the Alderdale Substation work 6 miles west of the original site and complete the transmission and associated distribution work. This work will go ahead whether or not the Van DeGraff project proceeds as this is system improvement. It is also my recommendation that if the Goodnoe Station project proceeds, we use that opportunity to make the system improvements discussed above at that time. The long range plan being drafted will support these ideas. I am looking for Board input and support for these plans.

6. Renewable Energy System Tax Incentive Program – The Governor is scheduled to sign Engrossed Substitute Senate bill 5939 today (Friday). This Bill in part increases the State renewable tax incentive cap from 0.5% of our annual revenues to 1.5% of our 2014 annual revenue. This will fully fund the existing customers who were a part of the program and allow some head room for additional customers. For details, please see the Power Management report. There are some issues for us to discuss as a result of this change and Mike is queued up for this discussion. Included in this discussion is the fact we closed the program due to reaching the cap and it will take Board action to open the plan again. I am not anticipating on asking for Board action at this meeting, but we will bring it back to you formally once we are in agreement and we are prepared to move as directed by the Board.
7. Fitch Credit U.S Public Power Utility Debt Rating Peer Study – I thought you might be interested in this comparison of retail public utilities’ ratings that Fitch does for the utilities that it rates. I have the complete report that includes a generation utility and a wholesale utility comparison. If you are interested, let me know and I will get you a copy. Also for information, we have a call scheduled next week to discuss the semi-annual Fitch review of our utility that they plan to complete in 2017.
8. RNG update - Updated budgets and Schedules will be provided at the second commission meeting each month. I am setting up weekly status meetings with Kevin and Mike and they each have their own team meetings weekly as well to track progress.
8. Wastewater Treatment System Awards - We received notification on July 5th and three of our Wastewater Treatment systems were receiving the “Wastewater Treatment Plant Outstanding Performance” award. The systems receiving this award were Lyle, Wishram, and Klickitat. The recognition is based upon demonstrations of excellence in the areas of compliance with effluent limits, monitoring and reporting requirements, spill prevention planning, pretreatment, and overall operational

demands required in the National Pollutant Discharge Elimination System (NPDES) permit. There were 300 systems evaluated and 108 received recognition. I would expect that DOE will attend a future meeting to make the formal award as in years past.