



# Public Utility District No. 1 of Klickitat County

80 Years of Service \* 1938-2018

## GENERAL MANAGER'S REPORT TO THE BOARD For the **January 28, 2020 Meeting**

### **AGENDA ITEMS:**

- A. EES Consulting- Cost of Service Analysis Review- Russ Schneider, EES Senior Financial Analyst will be on site to review their first draft of the Cost of Service Study (COSA). He will provide a review of the methodology, as well as the preliminary results and some rate options for background and for discussion.

After we talk, we will start our internal work using the results of the study.

- B. Annual Prequalification of Work Roster Contractors- Mark Pritchard will provide information on our annual request for approval of the contractors who have provided all of the required information to participate on our works roster. Most contractors listed have resided on the roster in past years.
- C. Call for Bids- *(Mark)*
- a. Pole Inspection- Mark will be requesting approval of the call for bid for the Pole Inspection contract for 2020.
  - b. Tree Trimming- Mark will also be requesting approval of the call for bid for our 2020 Tree Trimming project. We will utilize a time and materials contract for this project.
- D. Annual Prequalification of Professional Services – Ron Schultz will be requesting the board to approve the annual renewal of the professional services roster. These firms have resided on the roster in past years. Staff will present new firm approvals to the board on an individual basis.
- E. Policy 45- Risk Management/Trading- Mike DeMott will provide an update to Policy 45- Risk Management and trading. A redline of the changes are attached to this packet. The main updates are to representation and position titles.
- F. Executive Session- Review of Public Employee per RCW 42.30.110(1)(g)

## **NON-AGENDA ITEMS:**

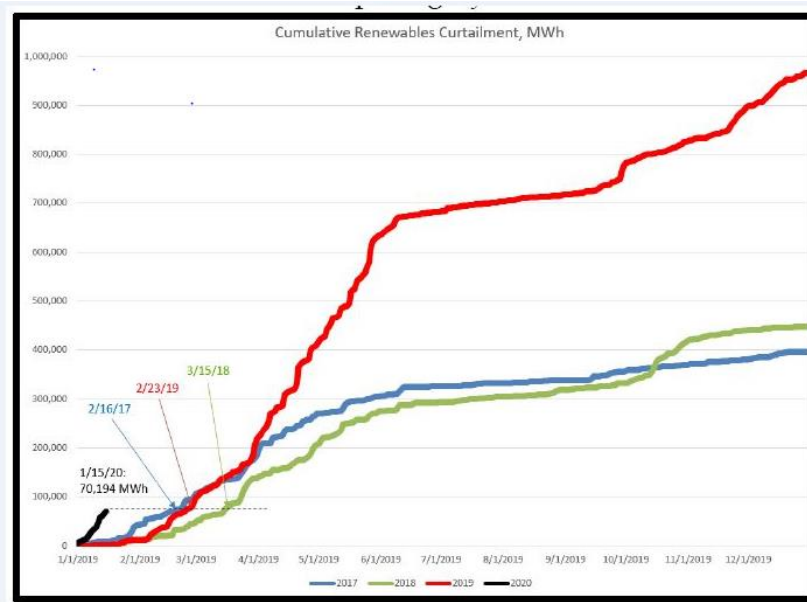
- 1. Landfill Gas Optimization Agreement** – we have been very happy with the progress of the group discussing the restatement of the Agreement. The actual changes to the optimization processes are relatively small, but the implementation of the Agreement is already much improved.
- 2. Water and Waste Water System General Facilities Charges (GFC)** – Russ has completed his analysis. I will be looking for some guidance as we complete our staff review.
- 3. Pumped Storage** – National Grid and Rye Development have engaged Dave Warren to assist them with legislative issues. Dave introduced a bill this week. It amends the section of law that designates projects of statewide significance. The text of the law and what that means for the project is in the bill and I have attached a copy for reference. The only changes to the existing RCW is the underlined section at the top of page 3 of the attachment.

Senator Jim Honeyford will sponsor the Senate bill (at the request of Senator King) and Senator Van de Wege (Chair of Senate Ag, Water, Natural Resources will co-sponsor). We expect the bill to go through that Committee (thus the inclusion of the water rights reference).

In the House, Representative Mosbrucker will be prime sponsor and Representative Brian Blake, Chair of House Ag and Natural Resources will co-sponsor. We expect/hope for the same routing in the House.

Dave has suggested that it will help to have letters of support, if not testimony from county government and the Goldendale City Council.

- 4. CAISO Curtailments** – I saw this the other day and thought it was interesting enough to include. Just more evidence of the growing impact of solar generation in California.



At our Public Generating Pool meeting this week, PowerEx discussed that there are significant issues with CAISO’s accounting for resource adequacy. CAISO acknowledges this and is working to fix it. The issue is that bids are considered in resource adequacy calculations, even if they are not backed by physical resources and even if they are not delivered. This has caused the CAISO to go to markets in real time to fill the gaps for bids not delivered. Obviously, this is not really resource adequate. The impact is that they are then buying “energy” and not paying for the capacity. This reduces value for those bidding into CAISO, decreases the costs to California customers as well as overstates the security of the electric grid. There was one hour in 2019 that CAISO was within 100 MWs of having to curtail load. This was during an hour that was 1,500 MWs below the historic California peak load. There could be some excitement ahead!

In addition, another interesting result of poor market design or good market design depending on how you look at it, CAISO is actually taking bids made into the EIM and attributing any carbon free resources to California load first. Then any excess carbon intensive bids are attributed power flowing through the CAISO to regions outside California. This is happening even if the renewable bid was not delivered. Certainly makes the EIM look good.

The last item of note is that PowerEx and the Mid C PUDs think that California will resolve their ramping issues and that the future value of their products is actually in the Pacific Northwest. I had not thought this would occur, so it is something for us to ponder as we look ahead in our strategic planning.

5. **NWPPA Wildfire Conference** – Mark Pritchard and I presented at the conference this week. Mark talked about vegetation management and I talked about the DNR task force. NWPPA did a very good job and I thought it was one of the more valuable conferences I

have seen. Mark Garner and Brandon Johnson attended as well.

- 6. Fish Costs** – Barry Thom, Regional Administrator for NOAA spoke at the last Public Power Council meeting about ocean conditions relative to river conditions for salmon. Lots of talk, but the most important thing I heard is that NOAA’s role is “to maximize salmon stocks for fishing”. Not increase ESA lists stock to levels where they can be delisted.

That statement tells me that they would support any level of spending, as there can never be enough fish for harvest. Of course, this spending is not by NOAA, it is by others. This is a perspective that is very disturbing to me as I thought they were the “science experts” that were involved in improving ESA listed stocks. This does not give me much optimism about the current Federal Hydro System EIS and BiOp process.