NORTHERN WASCO COUNTY PEOPLE’S UTILITY DISTRICT
REGULAR SESSION
MARCH 5, 2019

PRESENT: Connie Karp, President
Roger Howe, Vice President
Clay Smith, Secretary
Howard Gonser, Treasurer
Dan Williams, Director

President Karp called the Regular Session to order at 6:00 p.m.

The following individuals were present during the Regular Session:

Counsel: James Foster

NWCPUD Staff: General Manager Roger Kline; Assistant General Manager/Director of Power Resources Kurt Conger; Chief Innovation Officer Paul Titus; Executive Assistant Kathy McBride; CFO/Director of Finance & Enterprise Risk Harvey Hall; Senior Financial Analyst/Contracts, Risk and Supply Chain Sue Powers; Operations & Engineering Manager Pat Morehart; Key Accounts Manager Justin Brock; Director of Corporate Services Cyndi Gentry; Engineering Associate Garrett Mauritson; GIS Technician Jacob Kellogg; Engineer Ed Ortega; and Asset/Program Manager Steve Horzynek

Visitors: Jeff Griffin, Wilson-Heirgood Associates

PUBLIC COMMENT

There was no one present wishing to provide public comment.

CONSENT AGENDA

Items contained in the consent portion of the Agenda includes the following:

- Regular Session Minutes of February 5, 2019
- January Outage Report
- Energy Management/Marketing Report
- Checks/Vouchers
- January Financial Report
- January Write Offs
The Board considered the approval of the March 5, 2019 Consent Agenda.

{{Director Williams moved to approve the March 5, 2019 Consent Agenda as presented. Director Howe seconded the motion; it was then passed unanimously.}}

INSURANCE REVIEW

Jeff Griffin, Wilson-Heirgood Associates, stated that he is here tonight to present a PowerPoint presentation entitled “The Future of Risk Management”. This presentation allows the District to receive a 2% insurance premium discount under the Special Districts Insurance Services (SDIS) Best Practices Program.

Griffin presented to the Board a copy of the Northern Wasco County PUD Renewal Summary. Griffin reported on the following items, which pertains to the District’s insurance coverage for 2019:

- The District will receive a $7,000 longevity credit this year.
- The District staff spends a lot of time working to meet the requirements under the SDIS’s Best Practices Program. There is an opportunity, each year, for the District to receive up to a 10% insurance premium discount.
- The credits are assigned to areas where insurers are experiencing losses.
- The average rate increase in insurance premiums this year for entities that SDIS represents is 7%. This increase is not because of their losses, it is due to reinsurance.
- The District’s base rates went down.
- The District’s reinsurance rate could increase by 5% next year.
- The District saw a 3.03% increase in premiums this year due to the increase in property values by approximately $685,000, and the increase in budget and payroll costs. The rating exposures went up.
- Inspection of the District’s infrastructure and assets will be conducted to ensure that values are accurate.
- A two-tier deductible level approach saves the District money.
- The District’s property and auto deductible levels are being reviewed and analyzed.
- The District has $10 million in liability coverage; $1 million in cyber liability coverage.
- The Dalles and McNary Hydroelectric Fishway Plants will be re-inspected; it is important to have accurate data on the value of the plants.
Some discussion occurred throughout the presentation after questions were raised by Board Members and General Counsel. The discussion pertained to the District's deductible amounts, property coverage, and cyber security.

Foster asked a question pertaining to cyber security and the installation of Advanced Metering Infrastructure (AMI), which will be monitored and managed outside the District by a third party. Foster asked Griffin to share any policy or contractual language that he comes across which protects the client from a third party.

Griffin stated that contracts are going to be important as the District moves forward with AMI installation.

At this time the PowerPoint presentation was presented entitled “The Future of Risk Management”. A copy of said PowerPoint presentation is hereto attached and marked as Exhibit 1.

Some of the highlights from Griffin’s presentation are as follows:

- Under the SDIS Best Practices Program the District has the option of taking one of five different classes to qualify for a 2% premium discount.
- The insurance industry is heading for significant changes in risk management due to huge losses.
- During 2017, the Federal Emergency Management Agency (FEMA) experienced $17 billion losses or greater; three of them were hurricanes totaling over $350 billion in losses.
- These losses not only drive up insurance costs, but they will force entities to be instituted in risk management.
- Griffin believes that FEMA will require public entities across the country to have an Enterprise Risk Management (ERM) Program.
- Griffin and CFO/Director of Finance & Enterprise Risk Harvey Hall have had a conversation regarding enterprise risk management. Griffin is very impressed that Northern Wasco County People’s Utility District is already involved in risk management under the COSO ERM Program. Griffin noted that there are two forms of ERM; one is COSO and the other is ISO 31000.
- Cultural drift is “the difference between a written policy and the practice”.
- The five (5) steps to risk management are:
  - Identity
  - Analyze
  - Make a Plan
  - Execute the Plan
  - Monitor/Modify the Plan

In closing, Griffin stated that in the future Wilson-Heirgood & Associates may recommend that cameras be installed on District vehicles.
At 6:39 p.m. the Board convened as the District’s Contract Review Board.

**CONTRACT REVIEW BOARD**

Notice of Intent to award the Power Transformer Contract for the Tygh Valley Substation Rebuild Project:

Chief Innovation Officer Paul Titus stated that Engineering Associate Garrett Mauritson will present staff’s recommendation to award the Power Transformer Contract for the Tygh Valley Substation Rebuild Project.

Engineering Associate Garrett Mauritson informed the Board that the District received proposals from five bidders. Staff and TriAxis, District Consultant, evaluated the bids and determined that Virginia Transformer was the lowest bidder based on lowest cost and highest value. The total bid without losses is $252,912.

Discussion occurred regarding the proposal received from Virginia Transformer, the services that will be provided under the contract, and the evaluation of the bids received.

Titus responded to questions from members of the Board by stating that the District has not previously purchased a transformer from Virginia Transformer. The delivery timeline is 20 to 22 weeks. In the electric industry it is not uncommon to have 20 to 30 weeks lead time for delivery of a transformer.

Titus noted that the proposal included fees for storage. Titus stated it would be in the best interest of the District to store the transformer in the yard or onsite. A mover and crane would be needed to store the transformer and to relocate it to Tygh Valley. The transformer will be installed by Virginia Transformer; the installation will be overseen by the District.

```
{{Director Smith moved to accept staff's recommendation to award the Station Transformer for the Tygh Valley Substation Rebuild Project to Virginia Transformer for a cost not to exceed $252,912. Director Gonser seconded the motion; it was then passed unanimously.}}
```

Notice of Intent to award AMI Installations Contract:

Engineering Associate Garrett Mauritson presented staff’s recommendation to award the Advanced Metering Infrastructure Meter Installation Contract for the AMI System Project. Mauritson stated that the District received four bids. The low bidder failed to
meet some requirements as a responsible bidder. Staff did more research on the low bidder’s qualifications. Mauritson stated that it is staff’s recommendation that the bid be awarded to the next lowest bidder, Anixter Inc. for the cost of $288,660. Discussion occurred regarding the qualifications of the low bidder, the research that staff conducted in determining their recommendation, the approximate installation cost per meter, and the estimated time to install an AMI meter.

Mauritson briefly described the AMI meter installation process. The process takes less than 10 minutes for a normal installation.

{{Director Williams moved to accept staff’s recommendation to award the Advanced Metering Infrastructure Meter Installation Contract for the AMI System Project to Anixter Inc. in the amount of $288,660. Director Smith seconded the motion; it was then passed unanimously.}}

At 6:54 p.m. the Board adjourned as the Contract Review Board and reconvened into Regular Session.

DIVISION UPDATES

Engineering/Operations:

Operations and Engineering Manager Pat Morehart provided the following report:

The Dalles Marina Rebuild Project:

- The Dalles Marina Rebuild Project is moving along at a slow steady pace.
- The contractor has been installing the stainless-steel raceways for the conductors and the meter pedestals.
- On March 11th the Marina’s management will be shutting down the marina for Oregon Marine to mobilize their cranes to lift the transformer flats and transformers into place.
- Conductors will be installed, and the meter bases energized.
- The snow and cold weather have been a factor in getting the work completed.
- The project is scheduled for completion at the end of April 2019.
- Photographs of the Marina were shown to the Board at this time. Copies of the photographs are hereto attached and marked as Exhibit 2.

Public Contracting Rules and Policy:

- This past month Morehart, along with Chief Innovation Officer Paul Titus, Chief Financial Officer/Director of Finance & Enterprise Risk Management Harvey Hall, Senior Financial Analyst/Contracts, Risk and Supply Chain Sue Powers, and
General Counsel James Foster wrote an appendix to the District’s Public Contracting Rules & Policy.

- These operational definitions of construction work as public improvements versus services are in the interest of compliance with the District policy and Oregon’s public contracting laws.
- The definitions outline the work staff can assign to a contract services crew without specifying projects.
- The definitions allow staff the flexibility to assign day to day tasks.

Outages:

- On the morning of February 17, 2019, the District began experiencing outages due to the impact of the cold and snow on the electric system. The weight of the snow began to pull service conductors down and break tree limbs onto the conductors.
- Between 5 a.m. and approximately noon the District’s line crew had addressed 31 trouble calls including one call from fire dispatch to de-energize a service to a residential structure due to an electrical fire in the service panel.
- By 12:30 p.m. that afternoon all electrical service had been restored.
- Trees Inc, District Contractor, was called to assist the line crew with various tree limb issues in back lot lines and trees broken and threatening the District’s electric system.
- That same evening at approximately 7 p.m. Wasco County Sheriff Dispatch reported a car hit a power pole in the 2800 block of Three Mile Road.
- The non-injury accident resulted in a broken primary pole.
- An outage was required from Steele Road to the end of the line on Three Mile in order to make the needed repairs. The outage started at around 8:30 p.m. and lasted until 1:30 a.m. on Monday, February 18th.
- On Monday, February 25th snow broke down several spans of the District’s primary neutral that is overbuilt on a Bureau of Reclamation primary circuit.
- The line was in a hard to reach area and the District’s line crew was able to use the ATV outfitted with snow tracks to ferry personnel and equipment into the area.
- The linemen had to climb each pole to make repairs.
- The Bureau of Reclamation’s circuits were repaired as well by the District’s line crew.
- Photographs of the District responding to the recent snow storm outages were shown to the Board at this time. Copies of these photographs are hereto attached and marked as Exhibit 3.
Michels Power:

- Michels Power, District Contractor, has been making good progress on the projects assigned to them prior to and throughout the current snow event.
- The District has allowed Michels Power to deploy three times to render aid to utilities in Washington and currently to Consumers Power and Lane Electric.
- Should the District require assistance, Michels Power would be called back to The Dalles immediately as we are their first priority.
- Michels Power is expected back on Monday, March 11th.

Engineering & Operations:

- District staff is scheduling another round of Public Utility Commission (PUC) required pole inspections with Osmose, District Contractor.
- Osmose is scheduled to start in June inspecting poles in the Rowena area.

Staffing:

- Financial Analyst Nichole Fimple is joining the Engineering and Operations Departments as the Engineering and Operations Coordinator.
- Fimple’s primary duties will be focused on administratively processing work orders as the work is being developed, executed and then closed out.
- Fimple will create a smooth flow of the transitioning of the work orders from the Engineering and Operations Departments to the Finance Department for final accounting and closing.
- This work will prevent end of year backlogs, timely billing for developers, and accurate asset accounting going forward.
- The District has filled the position of Joint Use and Reliability Compliance Program Manager. Tom McGowan has been hired; he comes with an extensive background in joint use.
- McGowan is known throughout Oregon; he has served on several state and regional committees and associations dealing with Oregon joint use regulations.
- McGowan begins working for the District on Monday, March 11th.
- The District has hired Doug Daniels, a Journeyman Wireman from Goldendale, to fill the represented position of Substation Wireman Technician.
- Daniels will be working with Engineering Associate Garrett Mauritson to develop a District Substation Department.
- Daniels has extensive and vast hands on experience with system protection relays, high voltage switch gear, and other protective and monitoring equipment.
- Daniels will be a huge asset to not only the substation and system protection, but his technical skills will also be employed at The Dalles and McNary Hydroelectric Fishway Plants.
- Daniels first day will be Monday, March 18th.
Finance & Risk:

Chief Financial Officer/Director of Finance & Enterprise Risk Harvey Hall reported as follows:

Staffing:

- Financial Analyst Nichole Fimple has been selected as the Engineering and Operations Coordinator.
- Dan O’Connell has been hired to take Fimple’s job doing billing and accounts payable.
- O’Connell is a 30-year veteran of finance, billing, accounts payable, and payroll.
- O’Connell will begin working for the District the week of March 11th.

Financials:

- Net Income was a positive $239,000 for the month.
- January was a warm month.
- The District experienced 3.6% higher load in February as compared to January 2019.

Audit:

- Moss Adams, District Auditor, left on Friday, March 1, 2019, after conducting a field visit last week.
- There are no findings for the District; it is a clean audit so far.
- The Auditor has found that the District is in compliance with all standards. Moss Adams is looking to the District to formalize some policies, which will tie into the District’s ERM work.
- So far, the audit is looking clean.

Enterprise Risk Management:

- Executive Assistant Kathy McBride went through District records to pull together District policies. Senior Financial Analyst/Contracts, Risk and Supply Chain Sue Powers and General Counsel James Foster are working on reviewing these policies. The review of policies is one of the District’s main projects this year.
- This summer, staff will take the first initial inventory for each major division of the District; identifying what would be the risk to the District if we were not to achieve our goals.
- The Audit Risk Committee will look at these identified risks and will determine if the District has a management plan for those risks.
Hall presented a PowerPoint Presentation entitled “Enterprise Risk Management: Risk Process – Establish the Context”. A copy of said PowerPoint Presentation is hereto attached and marked as Exhibit 4.

Highlights from Hall’s presentation are as follows:

- Establish the context includes:
  - Internal context
  - External context
  - Risk management context
  - Criteria
  - Define the structure

- An organization’s internal context includes:
  - The factors that influence how it manages risk and tries to achieve objectives include our approach to governance, philosophy of risk, capabilities, culture and standards.
  - Governance includes the District’s structure, policies, objectives, roles and decision-making process.
  - Capabilities include the District’s knowledge, human, technological, and capital resources.

- An organization’s external context includes:
  - The factors that influence how it manages risk and tries to achieve objectives include customers, legal and regulatory, economy, technology and political.

- The risk management context is the principles, policy and framework that guide how the District will manage risk and sets the criteria for how risks will be assessed.

- Define the criteria is the standards, measures and expectations that guide how the District will judge the significance of a risk to be assessed.

- Define the structure is the responsibilities and escalation levels for dealing with risks. The oversight of the District Enterprise Risk Management (ERM) Program has two important bodies: Risk Oversight Committee (EMT) and Audit/Risk Committee.

- The Audit Risk Committee assists the Executive Management Team and the Board of Directors in fulfilling their oversight responsibilities. The Audit/Risk Committee reviews and assesses information in relation to District policies and strategic plan, recommend actions if needed, and report to the Board of Directors.

- The Audit Risk Committee consists of Directors Connie Karp and Roger Howe, General Counsel James Foster, Senior Financial Analyst/Contracts, Risk and Supply Chain Sue Powers, Senior Financial Analyst Lana Egbert; and CFO/Director of Finance & Enterprise Risk Harvey Hall.
On March 18th the Audit Risk Committee will have their first meeting to receive the first review of the District's 2018 Financial Audit by Moss Adams, District Auditor.

Power Resources:

Assistant General Manager/Director of Power Resources Kurt Conger reported as follows:

Hydro Departments:

- The Dalles and McNary Hydroelectric Fishway Plants are running well after winter outages concluded in January and February.
- The Dalles Fishway successfully restarted on February 12, 2019, after testing and commissioning the new exciter.
- Chief Hydro Plant Operator Jay Bonogofsky retires in April.
- Two new Hydro Operators were hired for The Dalles Fishway to backfill some of the part time Hydro Operators who are looking at retiring.
- One new hire is a mechanical specialist and the other is an electrical specialist.
- Both individuals will begin work on Monday, March 18, 2019, as trainees at a percentage of the normal operator trade rate.
- Power prices have been very favorable for the output at The Dalles Fishway.

Enel X Reverse Auction:

- On February 20, 2019, the District held the Enel X Reverse Auction. President Connie Karp was in attendance.
- The District purchased 10 MW flat for Quarters 3 and 4, 2019, and Calendar Year 2020; 132,000 MWh; value is approximately $4.26 million.
- The average price was $32.3/MWh.

Quenett Creek:

- The energization of Quenett Creek Substation is scheduled for the end of April 2019.
- The dedication ceremony will be held in May or June after all work has been completed at the Chenoweth Substation.

Market Price Update:

- Various PowerPoint Slides regarding market prices were shown to the Board at this time. Copies of these PowerPoint Slides are hereto attached and marked as Exhibit 5.
Some discussion occurred during Conger’s PowerPoint Presentation regarding market prices, how the market affects the District’s customers, and the Enel X Auction results.

**Corporate Services:**

Director of Corporate Services Cyndi Gentry reported as follows:

**Phone Payment System:**

- The District had a great implementation kickoff for the phone payment system.
- When the phone system began having problems, the District had received a total of 164 payments through the payment system.
- Staff was able to determine that Southeastern Data Cooperative (SEDC) IVR System is not a phone system; it is a payment system.
- The phone payment system was shut down by District staff to upgrade the phone system to include a front end IVR option to direct the calls. Staff is hoping to have the phone payment system back in operation this week.
- Calls will be pushed to the SEDC’s payment system for customers to make payments.
- Outage calls will be pushed to customer service.

**Advanced Metering Infrastructure (AMI) Communications:**

- Staff has received a few emails, took a phone call and had a conversation with a customer at the front office counter regarding the District’s Advanced Metering Infrastructure Program.
- Customers are reading the District’s AMI flyers.
- The District’s website was viewed at this time showing information on Advanced Meters.
- Staff is working on updating the information to include an answer to the question “Why can’t I opt out?”.
- Some of the positive information on Advanced Meters will be used in Facebook posts as the District gets closer to installation. The goal is to state the good things that smart meters will do for our customers.
- Energy Management Technician Travis Hardy is doing an excellent job updating the District’s website.

Some discussion occurred regarding AMI meters.

**Key Accounts:**

Key Accounts Manager Justin Brock reported as follows:
District Load:

- The District’s total retail load averaged 113 MW for the month of February and established a new record high of 129.75 MW.
- Yesterday, March 4th, this mark was again surpassed by almost a full MW.
- The District is experiencing growth. The District’s total customer count is 10,131. A year ago, that number was approximately 50 less for the single-phase service, and a year before that 40 less.
- Other customer classes such as Demand, have also seen a slight increase in customer accounts.
- This growth is around a half of a percent (0.5%).

City of The Dalles:

- The City of The Dalles has embarked on developing an Economic Opportunities Analysis and Action Plan in partnership with a strategy action firm and community members. The District has been invited to become a participant on a committee.
- The economic opportunities analysis will be aligned with the Comprehensive Economic Development Strategy prepared by the Mid-Columbia Economic Development District.
- The project is aimed to provide an analysis of The Dalles’ assets, and what actions are needed locally to enhance opportunities in the community.
- The Economic Opportunities Analysis and Action Plan will do the following:
  - Establish a vision and a framework for long-term economic gains and will communicate those visions and values between partners and stakeholders.
  - Provide demographic, social, and an economical baseline in identifying assets and challenges.
  - Offer a detailed outline with competitive industries, investment needs, and action strategies; both now and in the future.
  - Identify what gaps in professional talents exist and fill with a workforce grown locally, as well as those brought into the area.
  - Outline potential new enterprises and startups looking to grow in The Dalles.
  - Leverage and promote the area and the quality of the community.
- Preliminary data from the analysis indicate that population projections for The Dalles will range from 1% to 1.5% growth annually over the next 20 years.
- One step that the District is taking to prepare for this growth is through enhancements and efficiencies in our own day to day operations. Equipped with the right tools paired with technology.

Brock stated that he has asked GIS Technician Jake Kellogg to present a new tool, an iPad which is being used by Operations and Engineering staff out in the field. Kellogg
has spearheaded this project from developing the business case, to its proof of concept, to now showing you, the Board of Directors, a live product.

GIS Technician Jake Kellogg stated that he began working on this project in September or October of last year. Kellogg using the iPad was able to show the Board what staff can view while out in the field. Maps of the District’s electric system, from transmission to the distribution system can be viewed on the iPad. Staff is able to search by meter and to determine how customers are impacted during an outage, just to name a few.

Engineer Ed Ortega informed the board what staff has been able to do with this new iPad device. The iPad has a built in GPS system with an accuracy of 10 to 15 feet. Ortega is able to begin a staking job out in the field, put in all major components, save it and then come back into the office and upload the project to the server. Ortega can then begin editing and porting the information into the system. Notes made out in the field can be used to create the work order. It saves him time in the field. Photographs can also be taken using the iPad.

In closing, Kellogg informed the Board that there are many examples on how this iPad device has helped staff do their jobs. These devices have multiple pieces that can be built onto the system. Staff is coming up with new ideas on how to work with these iPad devices.

Some discussion occurred after a question was raised by Director Howe on the District’s relationship with Mid-Columbia Economic Development District.

General Manager Roger Kline responded by stating that the District was invited by the City of The Dalles to participate on the committee that Brock reported on. District staff was somewhat aware of growth in the city; an increase in growth of 1% to 1.5% annually is a lot.

Some discussion occurred regarding the iPad’s capabilities and the various benefits that staff is seeing in using this device out in the field.

Brock informed the Board that he will be reporting on electric vehicles at next month’s Board Meeting.

Innovation & Planning:

Chief Innovation Officer Paul Titus reported that he missed last week’s AMI Weekly Meeting. There is nothing, at this time, that would put the District off our AMI installation schedule.
Titus stated that staff is investigating whether the District should relocate the Tygh Valley Substation closer to the road or to the entrance to the White River Falls State Park. Relocation of the substation will provide better response times, along with better access. If relocation does not make sense, the District will rebuild at the same location.

**General Manager:**

General Manager Roger Kline provided the following report:

- As reported earlier, the District’s load peaked at 129.7 MW earlier in the month of February; yesterday a new high was reached at 130.5 MW.
- A post on the District’s Facebook page was shown to the Board. The post was regarding how “nutty weather can lead to higher power bills”. The post is a reminder that the District’s rates do not change during the winter, but the customer’s consumption does.
- The District’s write offs are decreasing over time. Staff is very diligent and compassionate to our customers, especially during the cold of winter.
- On Friday, March 1st Kline attended the City of The Dalles’ Economic Opportunities Analysis and Action Plan Meeting where economic development and growth were discussed.
- Later that day Kline attended the Oregon Cap and Trade Field Hearing at The Dalles Civic Auditorium, as did Director Howard Gonser. Kline provided testimony at the hearing. Said testimony will be shared with members of the Board of Directors. Each person was allowed to provide two (2) minutes of testimony. Utilities providing testimony at the hearing included: Northern Wasco County People’s Utility District, Hood River Electric and Umatilla Electric. Wasco Electric Cooperative was also in attendance.

Some discussion occurred after Director Gonser made several comments regarding his observation at the Oregon Cap and Trade Field Hearing last week.

Kline reported in closing that he had lunch with the City of The Dalles Mayor Richard Mays. Mayor Mays invited Kline and the District to present the State of the PUD address at the March 11th City Council Meeting, which begins at 5:30 p.m. in the City Council’s Chambers. Kline invited members of the Board of Directors to attend said presentation.

**General Counsel:**

General Counsel James Foster reported that he spoke to the Board back in November 2018, regarding governance policies. Foster will be working with staff to create and/or update governance policies for the Board of Directors. These policies will address the Board’s responsibilities and how the Board operates.
Foster has been looking at various documents from other utilities. He has seen governance policies ranging from 15 pages in total up to 96 pages. Foster intends to provide the Board with a draft document, which will include some alternate revisions for the Board to consider. The document will be reviewed prior to scheduling a Work Session for the Board to consider the proposed policies. Foster anticipates that the Work Session would be held during April or May 2019.

Foster noted in closing, that this document is important to the Board and will be even more important to new Board Members.

Director Williams asked Foster a question pertaining to a comment made by Operations and Engineering Manager Pat Morehart regarding the development of an appendix to the District’s Public Contracting Rules & Policy.

Foster responded by stating that the appendix is a guideline for distinguishing different types of work. It is not a modification to the adopted Board policy. The appendix does not need to be approved by the Board of Directors. The Board just needs to be made aware of the appendix.

Director Smith had a couple of questions, which he felt might need to be discussed in Executive Session.

Foster asked if the questions have to do with the ongoing litigation against the State of Oregon and the Oregon Department of Energy. If so, Foster has not seen anything come through his inbox. Parties will be looking at another possible filing, but no decision has been made as of now.

Foster’s response answered Director Smith’s questions.

**NEW BUSINESS**

Consideration and adoption of Resolution #01-2019 in the matter of the designation of Special District Registered Office and Registered Agent:

General Manager Roger Kline stated that staff discovered that the District is in need of updating by Resolution the designated Registered Agent. Staff is recommending that the Board approve Resolution #01-2019 in the matter of the designation of Special District Registered Office and Registered Agent.

General Counsel James Foster recommends that the Board adopt said Resolution.
Director Smith moved to approve Resolution #01-2019 in the matter of the designation of Special District Registered Office and Registered Agent. Director Howe seconded the motion; it was then passed unanimously.

OLD BUSINESS

USDA Rural Economic Development Loan & Grant Program:

CFO/Director of Finance & Enterprise Risk Harvey Hall informed the Board that he has been in contact with Curt Dixson, USDA Rural Economic Development Loan & Grant Program Representative, regarding their loan and grant program. Hall will have a conversation with the District’s bond counsel after obtaining more information on the USDA’s Rural Economic Development Loan and Grant Program. If a loan is taken out the District will need to disclose said matter to our bond holders.

Hall had a discussion with Mid-Columbia Economic Development District (MCEDD) Executive Director Amanda Hoey. MCEDD could administer the USDA Rural Economic Development Loan & Grant Program for the District, in terms of acquiring and setting up a loan. However, in terms of who gets a loan is a function of the Board of Directors.

Hall stated that he wants to ensure that the District can participate in this program and that the District remains in compliance with existing bond requirements.

Director Gonser stated that he has no interest in the USDA Rural Economic Development Loan & Grant Program. The focus of the District has always been on electricity.

Director Howe agreed with Director Gonser.

Director Williams stated that this has to do with risk management. Director Williams is not interested in participating in the Program as well.

Director Smith concurred with his fellow Board Members.

President Karp stated that the agencies who apply for the District’s Economic Development Grant dollars would not be able to repay such a loan under the USDA’s Rural Economic Development Loan & Grant Program.

Director Howe suggested that it may be the time to discontinue calling the District’s program “economic development”, but instead calling it “community enhancement”. The District could then get rid of the terminology of “bricks and mortar”.
Some discussion occurred regarding the USDA Rural Economic Development Loan & Grant Program and the District’s Economic Development Grant Program.

General Counsel James Foster reminded the Board that the District’s program is called economic development since there is enabling legislation under Oregon Revised Statute (ORS) Chapter 261. Foster will work with the Board to determine what the District can or cannot do after reviewing the Oregon Revised Statutes.

Executive Assistant Kathy McBride and General Counsel Foster will work together regarding the District’s current Economic Development Grant Program.

In the meantime, General Manager Roger Kline will respond to the letter received by the Board of Directors from Loyal Quackenbush, Wasco County/The Dalles Museum Commission Member.

**BOARD REPORTS / ITEMS FROM BOARD MEMBERS**

*Oregon People’s Utility Districts Association (OPUDA):*

Director Howe reported that he spoke to Danelle Romain, The Romain Group, regarding OPUDA’s Lobby Day scheduled on Thursday, March 21, 2019. Romain indicated that coffee and donuts will be served for breakfast that morning at the Oregon State Capitol. A small lunch will be served to save time and for convenience.

**APPROVAL OF FUTURE MEETINGS/TRAVEL/OR RELATED MATTERS**

- March 6, NRU Board Meeting - Connie Karp, Roger Howe, Clay Smith, Howard Gonser and Dan Williams
  - March 6, PPC Forum - Connie Karp, Roger Howe, Clay Smith, Howard Gonser and Dan Williams
  - March 7, PPC Executive Committee – Connie Karp, Roger Howe, Clay Smith, Howard Gonser and Dan Williams
  - March 21, OPUDA Lobby Day – Connie Karp, Roger Howe, Howard Gonser and Dan Williams
  - March 22, OPUDA Board Meeting – Connie Karp, Roger Howe, Howard Gonser and Dan Williams
  - April 3, PPC Forum – Connie Karp, Roger Howe, Clay Smith, Howard Gonser and Dan Williams
  - April 4, PPC Executive Committee – Connie Karp, Roger Howe, Clay Smith, Howard Gonser and Dan Williams
EXECUTIVE SESSION

At 8:46 p.m. President Karp recessed the Regular Session to convene into Executive Session as authorized by ORS 192.660(2) (g) to consider preliminary negotiations involving matters of trade or commerce in which the governing body is in competition with governing bodies in other states or nations.

Those present for the Executive Session included the Board of Directors; General Counsel James Foster; General Manager Roger Kline; Assistant General Manager/Director of Power Resources Kurt Conger; Chief Innovation Officer Paul Titus, Key Accounts Manager Justin Brock; Director of Corporate Services Cyndi Gentry; CFO/Director of Finance & Enterprise Risk Harvey Hall; Operations & Engineering Manager Pat Morehart; and Executive Assistant Kathy McBride.

At approximately 9 p.m. President Karp convened the Board into Executive Session as authorized by ORS 192.660 (2)(d) to conduct deliberations with persons designated by the governing body to carry on labor negotiations.

Those present for this portion of the Executive Session included the Board of Directors; General Counsel James Foster; General Manager Roger Kline; Assistant General Manager/Director of Power Resources Kurt Conger; Chief Innovation Officer Paul Titus, Key Accounts Manager Justin Brock; Director of Corporate Services Cyndi Gentry; CFO/Director of Finance & Enterprise Risk Harvey Hall; Operations & Engineering Manager Pat Morehart; and Executive Assistant Kathy McBride.

At 9:17 p.m. the Board adjourned from Executive Session to return to Regular Session.

There being no further business the meeting adjourned at 9:18 p.m.

[Signature]

President

ATTEST:

[Signature]

Secretary
The Future Of Risk Management

Presented by Jeff Griffin, 2019
2017 FEMA Disasters Over $1B

Sources: NOAA, Ball State University Center for Business and Economic Research (for Harvey), Reuters (for Maria), and CoreLogic (for Irma)
Risk Management

- The keys to success:
  1. Enterprise Risk Management
  2. Continue Developing Just Culture
  3. Enhancing Continuous Improvement Processes
  4. Pair ERM with Future Plans
  5. Continue Developing the Critical Decision Making Process
Cultural Drift

- Cultural drift is “the difference between a written policy and the practice.”
If it is PREDICTABLE
It is PREVENTABLE

Regulations and standards are only the starting point for a quality Risk Leadership program.

• 7.5% of injuries and law suits are attributed to “things”

Focusing on the Human Factor is the key to a successful Risk Leadership program.

• 92.5% of all injuries have one common thread!
Building on the Basics

- The 5 steps to Risk Management
  - Identify
  - Analyze
  - Make a Plan
  - Execute the Plan
  - Monitor/Modify the Plan
Cultural Drift

How the Service Approaches Safety

- The Process
  - Policy/Guideline/Practice
  - Training
  - Environment Issues
    - Practices
    - PPE
  - Human
Walls of defense between an action and an event

P - Policy
T - Training
E - Environment
H - Human
Walls of defense between an action and an event

P       T       E       H

Policy  Training  Environment  Human
Our Greatest Asset is Our People:

- Doing The Right Thing
- At The Right Time
- In The Right Way
- With The Right Attitude
- For The Right Reasons
TEAMWORK

Teamwork is the ability to work together toward a common vision. The ability to direct individual accomplishment toward organizational objectives. It is the fuel that allows common people to attain uncommon results.
Enterprise Risk Management
Risk Process – Establish the Context
Northern Wasco County PUD
Discussion – March 5, 2019
What we are considering tonight in the Districts Risk Management Process.
ESTABLISH THE CONTEXT

- The Internal Context
- The External Context
- The Risk Management Context
  - Develop Criteria
  - Define the Structure
The Internal Context

An organization’s internal context includes:

- The factors that influence how it manages risk and tries to achieve objectives:
  - Our approach to governance
  - Philosophy of Risk
  - Capabilities
  - Culture
  - Standards

- Governance includes the Districts:
  - Structure, Policies, Objectives, Roles and Decision making process

- Capabilities include the District’s:
  - Knowledge, human, technological, capital resources
The External Context

An organization’s external context includes:

- The factors that influence how it manages risk and tries to achieve objectives:
  - Customers
  - Legal and Regulatory
  - Economy
  - Technology
  - Political
The Risk Management Context

It is the principles, policy and framework that guide how the District will manage risk and sets the criteria for how risks will be assessed.
Define the Criteria

This is the standards, measures and expectations that guide how the District will judge the significance of a risk to be assessed.
This is the responsibilities and escalation levels for dealing with risks. The oversight of the District ERM program has two important bodies:

- Risk Oversight Committee (EMT)
- Audit/Risk Committee
Audit Risk Committee

Assists executive management and the Board of Directors in fulfilling their oversight responsibilities.

The Audit/Risk Committee reviews and assesses information in relation to District policies and strategic plan, recommend actions if needed, and report to the Board of Directors.
Audit Risk Committee

Composed of:
- Connie Karp
- Roger Howe
- Jim Foster
- Sue Powers
- Lana Egbert
- Harvey Hall

First meeting is March 18th to receive first review of 2018 Financial Audit by Moss Adams.
The Energy Authority Market Update: 2/6/2019

The good news: There is downward pressure on energy prices due to low, relatively stable Natural Gas prices in the long term

The bad news:

- Upward pressure on energy prices is likely the dominant long term force due to expected capacity shortfall beginning in 2020;

  *The region will be short due to coal retirements in WA/OR (see below)*

  *Carbon-free legislation is limiting new builds of natural gas too*

- Expect increased short term/episodic market volatility of energy prices:

  *Baseload resources (coal/natural gas) are being replaced by variable resources (solar/wind) putting substantial and increasing pressure on existing natural gas resources*

  *Poor water years exacerbate volatility, particularly during peak load periods*

The punchline: A short position in 2020 and beyond is more risky than it has been in the past.
Northwest Coal Retirements

- Aside from Carty NG built at the Boardman site, there isn’t a plan to replace existing coal retirements with conventional generation.
- NW coal capacity factors are down over the past few years, especially during Q2.
- Higher resource capacity needs during peaking months will pose risk to regional capacity needs during poorer water scenario years.
Approximately two thirds of natural flow at The Dalles Dam is from areas on these maps that are currently below average (yellow and orange) so inflow forecasts remain below normal.
Price Indicators – Short Term Q3 Volatility?

Q3 Temperature Outlook

Q3 Water Supply Outlook
Mid-C Price Trends (as of 3-4-2019)
## Enel X Auction on 2/20/19

### Forward Prices for Mid-C

<table>
<thead>
<tr>
<th>Period</th>
<th>Flat</th>
<th>HLH</th>
<th>LLH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-19</td>
<td>$36.36</td>
<td>$39.00</td>
<td>$33.00</td>
</tr>
<tr>
<td>Apr-19</td>
<td>$22.10</td>
<td>$24.00</td>
<td>$19.50</td>
</tr>
<tr>
<td>Q2-2019</td>
<td>$18.56</td>
<td>$22.70</td>
<td>$13.20</td>
</tr>
<tr>
<td>Q3-2019</td>
<td>$43.10</td>
<td>$53.75</td>
<td>$29.65</td>
</tr>
<tr>
<td>Q4-2019</td>
<td>$29.76</td>
<td>$32.75</td>
<td>$26.00</td>
</tr>
<tr>
<td>CY-2020</td>
<td>$28.78</td>
<td>$33.65</td>
<td>$22.55</td>
</tr>
<tr>
<td>CY-2021</td>
<td>$33.13</td>
<td>$38.55</td>
<td>$26.20</td>
</tr>
</tbody>
</table>

### Closing Price data as of 03/04/2019

<table>
<thead>
<tr>
<th>Period</th>
<th>Flat</th>
<th>HLH</th>
<th>LLH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apr-19</td>
<td>$28.61</td>
<td>$31.50</td>
<td>$25.00</td>
</tr>
<tr>
<td>May-19</td>
<td>$17.58</td>
<td>$20.00</td>
<td>$14.50</td>
</tr>
<tr>
<td>Q2-2019</td>
<td>$22.50</td>
<td>$26.40</td>
<td>$17.45</td>
</tr>
<tr>
<td>Q3-2019</td>
<td>$48.16</td>
<td>$58.75</td>
<td>$34.80</td>
</tr>
<tr>
<td>Q4-2019</td>
<td>$31.93</td>
<td>$35.25</td>
<td>$27.75</td>
</tr>
<tr>
<td>CY-2020</td>
<td>$30.66</td>
<td>$36.15</td>
<td>$23.65</td>
</tr>
<tr>
<td>CY-2021</td>
<td>$34.93</td>
<td>$40.95</td>
<td>$27.25</td>
</tr>
</tbody>
</table>

### Closing Price data as of 02/20/2019

<table>
<thead>
<tr>
<th>Period</th>
<th>Flat</th>
<th>HLH</th>
<th>LLH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-19</td>
<td>$36.36</td>
<td>$39.00</td>
<td>$33.00</td>
</tr>
<tr>
<td>Apr-19</td>
<td>$22.10</td>
<td>$24.00</td>
<td>$19.50</td>
</tr>
<tr>
<td>Q2-2019</td>
<td>$18.56</td>
<td>$22.70</td>
<td>$13.20</td>
</tr>
<tr>
<td>Q3-2019</td>
<td>$43.10</td>
<td>$53.75</td>
<td>$29.65</td>
</tr>
<tr>
<td>Q4-2019</td>
<td>$29.76</td>
<td>$32.75</td>
<td>$26.00</td>
</tr>
<tr>
<td>CY-2020</td>
<td>$28.78</td>
<td>$33.65</td>
<td>$22.55</td>
</tr>
<tr>
<td>CY-2021</td>
<td>$33.13</td>
<td>$38.55</td>
<td>$26.20</td>
</tr>
</tbody>
</table>

### Auction Purchase Price

<table>
<thead>
<tr>
<th>Period</th>
<th>2/20/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3-2019</td>
<td>$44.00</td>
</tr>
<tr>
<td>Q4-2019</td>
<td>$30.50</td>
</tr>
<tr>
<td>CY-2020</td>
<td>$29.75</td>
</tr>
</tbody>
</table>

- 10 MW = small, odd lot
- Coal source exclusion