

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
REGULAR SESSION
AUGUST 7, 2018

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

ABSENT: Dan Williams, President

Vice 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; Principal Engineer & Strategic Asset Planner Paul Titus; Operations & Engineering Manager Pat Morehart; Key Accounts Manager Justin Brock; Contracts & Risk Specialist Sue Powers; Director of Corporate Services Cyndi Gentry; Asset/Program Manager Steve Horzynek; and Chief Finance Officer/Director of Finance & Enterprise Risk Harvey Hall.

Visitors: Barbara Nagle and Jenny Loughmiller

PUBLIC COMMENT

Vice President Karp recognized former Director Barbara Nagle who is in attendance this evening.

There was no one wishing to provide public comment.

CONSENT AGENDA

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

- Regular Session Minutes of July 3, 2018
- Work Session Minutes of July 17, 2018
- June Outage Report
- Energy Management/Marketing Report
- Checks/Vouchers
- June Financial Report
- June Write Offs

The Board considered the approval of the August 7, 2018 Consent Agenda.

{{{Director Howe moved to approve the August 7, 2018 Consent Agenda as presented. Director Gonser seconded the motion; it was then passed unanimously.}}}

2018 QUARTER 2 REPORT

General Manager Roger Kline stated that the Board was provided with the 2018 Organizational Performance Dashboard and Quarter 2 results, and his memorandum which explains the performance of the District. Kline noted that everything is moving as planned, both from an operational performance and budget standpoint.

Kline asked if the Board had any questions.

Director Gonser stated that he thought the Quarter 2 Report looked good.

Kline noted that the results of the "CAIDI - Average Outage Duration Customer Experiences", as listed in the report, were related mostly to the Tygh Valley System outages, which are a part of the large capital reinvestment work authorized by the Board of Directors. The District did experience a few unplanned outages, but those outages were handled, and progress continues on the Tygh Valley Rebuild Project. Staff is hoping to complete the project by the end of August 2018.

Director Gonser stated it is good to have the memorandum from Kline in the Quarterly Reports, since Kline summarizes the District's performance during the given quarter.

NEW BUSINESS

Strategic Action Plan – S.W.O.T. Analysis:

General Manager Roger Kline stated that last month the Board and staff spent time talking about a strategic plan, the successes of the 2015 Strategic Plan, the District's organizational goals going forward both as an industry and public power, and specifically our District while recognizing that the environment has changed over time. The District has an opportunity to refocus in some areas or pivot to new areas in the future.

Kline noted that there is a Draft Strategic Plan in the Board Packet that he developed after receiving input from the Board and staff during the July 17, 2018 Work Session

Meeting, and after reviewing other organizations' Strategic Plans. Some of the photos used are just place holders; they will be updated over time.

Kline called to the Board's attention the S.W.O.T. Analysis, which is his and the Executive Management Teams first cut. Staff believes this analysis illustrates the current condition of the District. Kline is hopeful that the Board can take time between now and September to discuss the Draft Strategic Plan amongst themselves and to provide him with their comments during their "one on one" meetings.

Kline stated that staff spent some time shifting the value statements, which are closer to the way the District is currently being managed. Safety is paramount, integrity, customer service, respect for each other, and operational excellence. Kline noted that these values have not been formally called out before.

Kline felt that the Draft Strategic Plan speaks to the District's values, especially as we go forward. Recognizing that infrastructure will be used differently than it was historically; the District's smart grid initiative, we will potentially see power flowing both ways as distributed generation becomes a reality; electrification of the transportation sector; sustainability from a financial integrity perspective; as well as innovation.

Kline feels that these values are more closely aligned with the District of the future. Dealing with new large single loads; a changing economy; changing the way power is delivered; and the rising cost of Bonneville Power Administration (BPA) and unsecured futures.

Kline asked the Board if he captured what was talked about back in July during the Strategic Planning Work Session.

Director Gonser stated that he will discuss a couple of things regarding the Draft Strategic Plan when he meets with Kline during their "one on one" meeting.

General Counsel James Foster had a couple of questions. The first was regarding the term "adaptive strategy".

Kline responded by stating it is about the conversation that needs to happen when the District would pivot or make a shift in some areas of the organization. Some strategies would need to be developed which would help the organization move in a new direction.

Kline noted that he mostly wanted to engage the Board to identify, that yes, they think there are areas of improvement that we can refocus on; working together with operational plans to get the District there in the future. If the District is going to plan to move, that is the adaptive strategy.

Foster's second issue was regarding using the term "aging workforce". The only time you do not have an issue with aging workforce is if everyone is dead. Foster suggested that the Board be provided with information on how many employees, both inside and outside staff, are in their 20s, 30s, 40s, etc.

Kline noted that the industry uses the term "aging workforce".

Director of Corporate Services Cyndi Gentry suggested using the term "transitioning workforce".

Vice President Karp liked Gentry's suggestion.

Director Howe stated that he will visit with Kline during their upcoming "one on one" meeting on the Draft Strategic Plan. He suggested that the Board meet one more time, as a group, to discuss the draft of the Strategic Plan.

Kline asked if the Board would like staff to schedule another Work Session during September or October.

Director Gonser suggested that the Board play it by ear if another Work Session is needed.

Kline stated that he appreciates the feedback. He will update the plan and will include a glossary.

Adoption of Capital Improvement Plan:

Principal Engineer & Strategic Asset Planner Paul Titus stated that the Board has been provided with the Ten-Year Capital Plan, which has been reformatted since last month's presentation for easier reading. Titus stated that the capital items listed in the Plan are needed for reinvestment in the District's electric system, which will provide the services that our customers expect for reliability and resiliency.

Staff is recommending that the Board of Directors adopt the Ten-Year Capital Plan as presented.

Some brief discussion occurred after Director Howe raised a question regarding cyber security.

**{{{Director Smith moved to adopt the Ten-Year Capital Plan as presented.
Director Gonser seconded the motion; it was then passed unanimously.}}}**

Further discussion occurred after Director Gonser raised a question regarding using profits earned from the sale of the output from the District's hydro projects for capital improvements at those hydro facilities.

Chief Finance Officer/Director of Finance & Enterprise Risk Harvey Hall responded to Director Gonser's question by stating that any proceeds that exceed the District's expenses get swept into reserves. The District has dedicated reserves for specific funding requirements and has unallocated reserves.

The District uses profits from the hydro projects to help fund the District's capital activities.

Discussion on Rural Utilities Services (RUS) and CoBank Borrowing Facilities:

Hall stated that the District has three funding sources for any capital outlay activity; customer funds, borrowed funds (the District currently has a little over \$2 million left in the 2016 bonds to use for capital projects), and rate funded capital (the money in the reserves).

Hall stated that over the next three years the District will need to have \$8 million to \$10 million of borrowing capacity to fund capital outlay activities being proposed in the Capital Plan over the next three years. This amount is based on the District's Long Term Financial Plan and staff's conservative assumptions. There is a total of \$19.7 million worth of projects that will happen between 2019 and 2021.

Hall noted that this information was provided to the Board when the Capital Plan was presented last month. Staff needs to have funding mechanisms in place for the District's use, as needed.

Director Smith asked Hall how much debt the District currently has.

Hall responded by stating that there is debt associated with hydro, which is managed by Bonneville Power Administration. Otherwise, the District currently has \$13 million of debt.

A lengthy discussion occurred regarding the District's reserves and the need to borrow funding over the next three years to cover the cost of capital projects during 2019 through 2021.

Hall noted that if the District's retail load grows quicker than staff's conservative assumptions, the amount needed to be borrowed could be less than currently anticipated.

Hall noted the funding options that staff is currently exploring, which are traditional bond borrowing, CoBank, Rural Utilities Services (RUS), National Rural Utilities Cooperative Finance Corporation (CFC) and a traditional bank loan. Staff is keeping in mind while exploring these various options the cost associated with borrowing, the flexibility of the funding source, the ability to prepay the loan without incurring a penalty, and the conditions and restrictions placed on said funding.

Hall stated that staff is currently looking at CFC and CoBank since they have options that would give the District the greatest flexibility.

Hall asked if there were any questions from members of the Board on this status update.

General Counsel James Foster stated that there are certain kinds of borrowing that need to go to the District's rate payers for approval as required under state statutes. District staff will need to get an opinion from bond counsel as to whether future borrowing needs to be approved by the rate payers.

Hall noted in closing that borrowing allows the District to do the capital work in a cost-effective manner while providing flexibility to the District.

Economic Development:

Director Howe would like the Board to conduct a Work Session to discuss the District's Economic Development Grant Program to better define brick and mortar type projects that are eligible to receive economic development funding.

The Board feels that a Work Session with General Counsel James Foster would be a good idea to redefine the Economic Development Grant Program.

General Manager Kline will ask Executive Assistant Kathy McBride to schedule a Board Work Session this fall.

Kline asked if the public member arriving after the Public Comment period wished to address the Board.

Jenny Loughmiller did not wish to provide any public comment.

OLD BUSINESS

There was no old business to discuss.

BOARD REPORTS / ITEMS FROM BOARD MEMBERS

Oregon People's Utility Districts Association (OPUDA):

No report will be given this evening since the OPUDA Board did not meet during the month of July.

Energy Northwest:

Director Smith reported as follows on last week's Energy Northwest meeting:

- Energy Northwest is still trying to determine if they want to approve the funding request from Bonneville Power Administration (BPA) for Energy Northwest to use some of their bonding authority while BPA assumes the debt. No decision has been made.

Some discussion occurred.

Director Gonser complimented staff for the quality of the reports and what is being reported on to the Board of Directors. What the Board is seeing, and hearing is very relevant for the Board to look at and to be able to make decisions based upon that information. Gonser stated "hats off to all of you".

General Counsel James Foster wished to comment on the tremendous job the District did in terms of helping our neighboring utility, Wasco Electric Cooperative, during the recent fires. Foster has heard great things about the District and the staff. He knows that Wasco Electric Cooperative was very appreciative of everything that the District did to assist them during these fires.

Kline stated that a presentation will be made to the Board in September, with photos and videos of the recent fires, and the assistance provided to Wasco Electric Cooperative by the District.

Director Gonser commented on his experience with helping one of his friends, living on Fifteen Mile, during the fire and his conversations with representatives from Wasco Electric Cooperative. Wasco Electric Cooperative General Manager Jeff Davis was very appreciative of the assistance provided to their Cooperative by the District. Gonser stated it is important for people living in small rural communities to work together whenever there is a crisis. Gonser feels that is one positive attribute of living in a community this size; you realize we are here for everyone.

APPROVAL OF FUTURE MEETINGS/TRAVEL/OR RELATED MATTERS

August 16 – OPUDA Bylaws Committee – Howard Gonser and Clay Smith
August 17 - OPUDA Board Meeting – Howard Gonser and Clay Smith
September 5, NEMS, NESC & NIES – Howard Gonser, Connie Karp, Clay Smith
and Roger Howe
September 5, PPC Forum - Howard Gonser, Clay Smith and Roger Howe
September 6, PPC Executive Committee Meeting - Howard Gonser, Connie
Karp, Clay Smith and Roger Howe
September 19-20, OPUDA Annual Conference – Howard Gonser, Connie Karp,
Clay Smith and Roger Howe

MISCELLANEOUS INFORMATION

New System Peak:

Kline reported that on July 30, 2018 between 5 p.m. and 6 p.m. the District set a new historic system peak at 114.673 MW. He reminded the Board that until this year the District was a winter peaking utility; 109 MW was the historic winter peak last year, 108 MW the year before.

EXECUTIVE SESSION


At 6:43 p.m. Vice 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; Principal Engineer & Strategic Asset Planner Paul Titus; Chief Financial Officer/Director of Finance & Enterprise Risk Harvey Hall; Engineering & Operations Manager Pat Morehart; Director of Corporate Services Cyndi Gentry; and Key Accounts Manager Justin Brock.

At 7:15 p.m. the Board convened under ORS 192.660(2)(h) to consult with counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed.

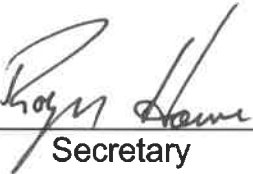
At 7:23 p.m. the Board adjourned from Executive Session to return to Regular Session.

There being no further business the meeting adjourned at 7:24 p.m.



Vice President

ATTEST:



Secretary