

NORTHERN WASCO COUNTY PEOPLE'S UTILITY DISTRICT
REGULAR SESSION
AUGUST 22, 2017

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

President Gonser 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: Paul Titus, Principal Engineer & Strategic Asset Planner; Kurt Conger, Assistant General Manager/Director of Power Resources; Kathy McBride, Executive Assistant; Harvey Hall, Chief Financial Officer/Director of Finance & Enterprise Risk; Becky Holce, Senior Financial Analyst; Adrian Williams, Engineering Intern; Nathan Ericksen, Engineering Associate; Pat Morehart, Operations & Engineering Manager; and Steve Horzynek, Asset Program Manager.

Visitors: None

PUBLIC COMMENT PERIOD

There was no public comment.

CONSENT AGENDA

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

- Work Session Minutes of July 18, 2017
- Regular Session Minutes of July 25, 2017
- July Outage Report
- Energy Management/Marketing Report
- Checks/Vouchers
- June Financial Report
- July Financial Report
- July Write Offs

The Board considered the approval of the August 22, 2017 Consent Agenda.

President Gonser wished to have the Regular Session Minutes of July 25, 2017 amended to reflect the reason why Director Smith left the meeting, which was to care for his wife who was ill.

President Gonser also requested that the Write Off Report have lines drawn across the report to make it easier to read.

{{{Director Williams moved to approve the August 22, 2017 Consent Agenda as presented, with the exception of amending the Regular Session Minutes of July 25, 2017 to reflect the reason for Director Smith early departure from the meeting. Director Howe seconded the motion; it was then passed unanimously.}}}

Introductions:

Operations & Engineering Manager Pat Morehart introduced to the Board Nathan Ericksen, Engineering Associate, and Adrian Williams, Engineering Intern. Ericksen is a graduate from Montana Tech in Butte, Montana where he earned his degree in electrical engineering. Williams is a graduate of Willamette High School and is a Junior at Oregon State University studying towards a degree in mechanical engineering.

DIVISION UPDATES

Operations & Engineering Manager Pat Morehart reported on the following:

Engineering:

- GIS Technician/Drafter Jacob Kellogg and Engineering Intern Adrian Williams are working on an outdoor lighting audit. The audit includes the process of identifying the asset, assembly of each light, verification of the lighting, billing and the correction of maps.
- To date the communities of Dufur and Tygh Valley are completed.
- Staff are now working on the outlying areas around the City of The Dalles and working inward to the more condensed area of town.
- LS Networks, acting on behalf of an unidentified customer, has contacted the District in regards to a fiber circuit expansion. This project is identified as the Columbia Gorge, Dalles, Dufur Expansion.
- The Columbia Gorge, Dalles, Dufur Expansion Project has been designed with a route starting at Veterans Drive onto Columbia View Drive, up Fremont onto Old Dufur Road, up Lambert Street to 13th Street, across the Hazel Dell Orchard back down to Old Dufur Road following to the District's last pole on Benson Road. From there they will be attaching to Wasco Electric Cooperative poles all the way to the City of Dufur.

- Steve Horzynek, Asset Program Manager, has been out verifying the attachment requests for this Project, and is working with the contractor on the permitting process.

Operations:

- OSMOSE, the District's Pole Testing Contractor, has been busy these past five weeks having completed over 50% of the allotted poles for this year.
- OSMOSE started with The Dalles downtown area, then moved over to the Mt. Hood area working east. They are now working in the Brewery Grade, 9th Street, 14th Street and hospital areas, continuing east to Lambert Street.
- OSMOSE has found around a 3% pole failure rate. Those poles have already been assigned to work orders and staff is in the process of doing the change outs.
- Engineering staff is in the process of assigning work and service orders for the Public Utility Commission (PUC) corrections that have been identified by OSMOSE.

Some discussion occurred after several questions were raised by General Counsel James Foster and Director Smith in regards to the Street Light Audit and the pole inspection work being conducted by OSMOSE on behalf of the District.

Morehart further reported as follows:

- Michels Power, District Dock Crew Contractor, is nearing the term of their contract for the District's Capital Work Projects.
- Michels Power has taken on some difficult projects, such as the Celilo Neutral Installation and Circuit Rebuild Project; a double circuit pole change out on Crates Way; and a double dead end pole replacement in the 900 block of Mt. Hood Street. These capital projects involved moving multiple energized conductors to accomplish the pole replacements.
- Michels Power has also replaced several service poles and replaced failing dead end insulators on primary circuits in the downtown area of the City of The Dalles.
- Michels Power has worked safely. They have been courteous to District customers and mindful of efficiency.
- Michels Power lends technical expertise and provides specialized equipment in many areas of transmission and distribution line work to augment the District's operations.
- Trees Inc., District Tree Contractor, continues to operate efficiently under the direction of the District's Arborist.
- Operations staff have been busy with day to day operations and maintenance of the District's electric system. Staff have taken on some of the capital improvement work as well. Staff has been replacing the dead-end insulators

found in the port area, as well as pole replacements in various areas on the District's electric system.

- The District continues to maintain a stellar safety record. Staff is continually busy with new customer installations and troubleshooting customer service calls and outages all hours of the day and night.

Some discussion occurred after a question was raised from Director Smith in regards to the Marina Project.

Finance:

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

- Hall noted that the District's financials are trending in a very positive direction with the rate change that the Board passed in April 2017, for May 2017, forward.
- The hot weather helped contribute to a good July.
- The District experienced 38% more cooling degree days in July than last year at this same time.

Some discussion occurred in regards to the increase in load during the month of July and what determines a cooling degree day.

Hall further reported as follows:

- When the District started the year, it was forecasted that the District would end up \$1.6 million to the negative without a rate action. With rate action, \$1.25 million was set aside in Rate Stabilization Funds that the District would look to draw upon to offset this deficit since the District was going to spread the full rate recovery over a two-year period.
- Year to date, the District is just under \$500,000 in the negative at the end of July.
- Hall anticipates that the District can make up more ground in August.
- Senior Management and Finance staff are currently wrapping up the District's Preliminary 2018 Budget, which will be reviewed by staff the beginning of September.
- The Preliminary 2018 Budget will be given to the Board at a very high level to talk about what 2018 could look like at the first preliminary snap shot.
- The District will be engaging EES Consulting, District Rate Consultant, to conduct a Cost of Service Analysis (COSA). Staff will provide EES with the Preliminary 2018 Budget so EES can do a preliminary estimate on what the District is looking at for the Bonneville Power Administration's (BPA) rate increases, as well as other changes in the budget.

- The Preliminary 2018 Budget process is starting now, which will provide staff and the Board multiple looks at the 2018 Budget. The longer budget process will allow more time for consideration and for the Board to ask more questions.

Some discussion occurred regarding the 2018 Budget process. Hall noted that Senior Management is considering the District's year to date actuals; what are the cost drivers; what are our year end projections; and what will the District be doing differently next year. High level assumptions were considered when developing the Preliminary 2018 Budget.

General Counsel James Foster asked when staff looks at the District's largest customer's load usage, do you look at the usage on a 30-day basis, or snap shots throughout the month?

Assistant General Manager/Director of Power Resources Kurt Conger responded by stating that staff watches the trends. The calendar month is the billing period. The load trends were briefly noted by Conger. Conger stated that the hourly meter data is acquired every day. The customer is required to provide the District with a load forecast annually and in advance of the Rate Period.

Hall noted that the Board was provided with July's actuals. It is a commitment of staff to provide the Board with the prior month's financial statements on a consistent basis.

Director Williams congratulated staff.

Power Resources:

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

BPA Rates:

- On July 26, 2017 Bonneville Power Administration (BPA) released the BPA Fiscal Year 2018 – Fiscal Year 2019 Final Rates.
- Staff's analysis is that the District's power rates will increase by 6.22%.
- Over one-half of the Tier One power goes to one customer through the arrangements the District has with that customer.
- About 70% of diversified load customers' revenue requirements are wholesale power. The power rate increase results in rate pressure a little over 4% to the diversified customer base.
- The rate increase in transmission costs for the District was negligible. The actual transmission base rate went down.
- Most of the 6.22% increase is caused by a reduction in the secondary revenues that BPA receives from selling surplus federal energy.

- Northern Wasco County People's Utility District (PUD) gets a credit from that sale of secondary power and the value of that power is decreased with market prices.
- The monthly BPA bill includes an allocation of the fix cost of the federal power system. Against that charge, the District is getting a credit of around \$300,000 per month for the sale of secondary power. BPA sales of surplus power results in credits to customers like the District.

Some discussion occurred in regards to the rate increase from BPA and the impact to the District.

Conger further reported as follows:

Northwest Energy Management Services (NEMS):

- The District has a surplus power position with NEMS, which was a part of a purchase made back in 2015.
- A NEMS Meeting was held yesterday to discuss remarketing for Fiscal Year 2018.
- The District has 1 MW of surplus power for Fiscal Year 2018 to remarket for sale.
- In September, the NEMS Group proposes to remarket the surplus for the month of October 2017, and the second quarter of 2018. If the District can get a deal in place staff could sell the 1 MW back to the original seller, Shell Energy, at a price of \$23/MWh for October 2017. The average remarketing price is \$14/MWh for the second quarter of 2018, which would be settled monthly.
- The District paid \$35/MWh to purchase that power back in 2015.
- Last year the District remarketed other surplus power for \$22/MWh and \$24/MWh to other NEMS Members.
- Staff will continue to monitor the market. There are no buyers from NEMS since the other members have already purchased for their above rate period high water mark obligations.
- Staff has seen some upward price movement. Since early July prices have gone up \$1.00.

The Dalles Fishway:

- Staff is canvassing potential buyers for the output at The Dalles Fishway.
- The Contract with Portland General Electric (PGE) ends September 30, 2017.
- On August 28, 2017 bids are due in for The Dalles Fishway Output. Bids can be submitted for terms from three months to six years.
- It is a very soft market. There are only a few interested parties.
- The District has already received a bid from TEA for six months.
- There is some possibility that Portland General Electric will have some interest.

- The District is still generating revenue above the cost of production. The District will make some margin on the power sales from The Dalles Fishway Plant.
- The output is strong right now at The Dalles Fishway; consistently above 5 MWs due to net head conditions.
- The Plant is operating at its peak performance level. Prices are in the \$30s range in August; some as high as \$140/MWh. Conger expects the Plant to generate over \$100,000 in revenue during the month of August.

McNary Fishway:

- McNary Fishway has had about two months of sustained operations with no outages.
- The output at the McNary Fishway is consistently over 10 MWs throughout the day.
- Last Friday staff went to the Plant and conducted a tour. The windings are tight and are in great shape. The Plant is looking good.
- Klickitat Public Utility District is also very happy. Their Board has given the green light to proceed with the Elevator Replacement Project contingent upon getting permission from the U.S. Army Corps of Engineers.
- The Elevator Replacement Project is a Capital Project in the District's budget.
- The District is scheduling 5 MWs consistently.

230 kV Tie Line Project:

- One of the District's obligations under the negotiated agreement is to build a 230 kV tie line between BPA's Quenett Creek Substation and the Google Taylor Lake Data Center. The District will be reimbursed 100% for the cost.
- On August 18, 2017, an Invitation to Bid was issued for a construction contract. Bids are due in by September 8, 2017.
- Construction will begin after BPA concludes the National Environmental Protection Act (NEPA) Process for the Quenett Creek Substation.
- It could be February 2018, until the 230 kV Tie Line Project is completed.
- Staff spoke to the manufacturer of the towers. The towers are guaranteed to be delivered in November 2017.

Amendment to Port of The Dalles Real Estate Sale Agreement for the RiverTrail Substation Property:

- Conger and General Counsel James Foster talked about this matter at the last Board Meeting. An Invitation to Bid was presented for a Tract B parking lot and access path to the Riverfront Trail. Only one bid came in out of six respondents. The bid was for \$350,000.
- The District's Board had committed up to \$200,000 for the facility.

- Conger went to the Port of The Dalles' last meeting and told the Port Commissioners that the original parking lot and access trail design was too elaborate and too expensive. An alternative proposal was offered by staff, which met the Port's needs, and was accepted subject to the District getting an Amended Real Estate Sale Agreement in place.
- The Riverfront Trail Committee was also consulted. The Committee felt the alternative location was better than what was initially proposed.
- The Project will be cheaper; staff will be able to keep the Project under \$200,000.
- All parties have reached consensus that the design for the original facility was too elaborate and expensive.
- Conger would like to see this Project completed by this fall.

General Counsel James Foster stated that the Board needs to make a motion to approve an Amendment to the Real Estate Sale Agreement with the Port of The Dalles changing the location of the District's obligation to build a parking lot and access trail to The Dalles Riverfront Trail.

Foster noted that the impact to the District will be dramatically less. The Port of The Dalles has approved the new location for the parking lot and access trail. Foster needs to draft the Amendment which will change the location of the parking lot and access trail and language will be added with respect to certain easements that the District needs across an adjoining property to get access to one of the District's electric poles.

{{{Director Smith moved to approve Amending the Real Estate Sale Agreement with the Port of The Dalles to change the location of the parking lot and access trail to the Riverfront Trail as discussed. Director Williams seconded the motion.

Some discussion occurred.

Foster stated that the major issue is the cost of the access trail.

Conger stated that there is a minimal difference in grade at the new location for the access trail; the access would be similar to Klindt Cove.

Director Smith stated as a past member of The Dalles Riverfront Trail Committee he feels the new location will be better than the original location.

Conger noted that The Dalles Riverfront Trail Committee will be meeting on Thursday, August 24th. He will be presenting the revised design to Committee Members.

The vote was called for. The motion passed unanimously.}}

General Counsel:

General Counsel James Foster will brief the Board on litigation with the State of Oregon during the Executive Session. Foster cautioned the Board on the report from OPUDA; both the current and future matters are matters of litigation which should be discussed in Executive Session.

NEW BUSINESS

Board Compensation:

Conger stated that a memorandum from Cyndi Gentry, Director of Corporate Services, in regards to Board Compensation has been included in the Board Packet. Conger is not familiar with the data that is included in Gentry's memorandum. He suggested that the Board look at the memorandum and ask questions next month when Gentry is in attendance.

Director Williams stated that it is his opinion that this report is not what we look at while assessing this Board's compensation. He would like to use a comparison with other Oregon People's Utility Districts.

Director Smith stated that he feels the Board should look at more than Oregon PUDs. He feels the Board should look at utilities within the Northwest, which includes Washington State.

President Gonser stated that this matter can be discussed further at next month's meeting.

Computer for General Counsel:

President Gonser wished to add under New Business the District providing General Counsel James Foster with a computer.

President Gonser feels that General Counsel Foster should be provided with a computer like the ones provided to the Board of Directors, which replaces the iPads.

*****It was the consensus of the Board of Directors that General Counsel James Foster receive a computer for District business use***.**

OLD BUSINESS

Board Effectiveness Checklist:

President Gonser stated that he and Director Karp have not met yet to review both the current Board Effectiveness Checklist and the American Public Power Association's Criteria for Board Self-Evaluation Form. This matter will be tabled until next month's meeting.

BOARD REPORTS

Oregon People's Utility District Association (OPUDA):

President Gonser presented for the record a written report from the last Oregon People's Utility Districts Association Board of Directors Meeting. A copy of the written report from President Gonser is hereto attached and marked as Exhibit 1.

President Gonser reported on the following:

- At a recent meeting, Shane Scott, Fish Biologist for the Public Power Council, brought up something that was interesting to President Gonser. Scott stated that some of the issues that are happening are purely governmental issues. Scott noted a refurbishing project of a dam or lock, President Gonser did not get the name of the facility, where a 5' lead way is taken down to 3' during construction. That lead way was never brought back up causing a loss of 200 to 250 MW of power per year.
- September 18th through September 20th is Legislative Days in Salem, Oregon.
- The Unions have withdrawn Measure 97 due to a mess up on their part.
- There are expectations that there could be multiple Ballot Measures coming up for a vote next year.
- BPA reported that The Dalles Dam, January – August, was at 137 MAF; that is a 101.4% average.
- Danelle Romain brought in Ways and Means Committee Co-Chair Senator Richard Devlin. Senator Devlin talked about what is happening at the Ways and Means Committee. In Senator Devlin's presentation, he mainly focused on the PERS issue. Three of the Oregon People's Utility Districts are members of PERS.
- Senator Devlin stated that there is not a viable process or method to reduce the PERS benefits for Tier One Members. One way that the State can make some changes is in the retirees Cost of Living Allocation (COLA). The COLA has been changed from 2% to a 1.25% for \$60,000 in income. This change will reduce retirees buying power by 20% to 22% in 20 years.

- On the radio, it was announced that it has been determined that in the State of Oregon wind provides 5.6% of the average power for a residential home, and 0.7% for solar. If you put those two statistics together it is an equivalent of having no power for 28 days out of that month.

Foster clarified that statistic by stating that is the amount of power that is delivered to customers in Oregon and not the amount of power generated by those in Oregon.

President Gonser agreed with Foster's comment.

Northwest Public Power Association (NWPPA):

Director Smith reported that his flight to the NWPPA Meeting in Vancouver, B.C. was delayed due to fire conditions and the shortage of flights from Portland to Vancouver. By the time, Director Smith arrived in Vancouver, the Dues and Revenue Meeting had been cancelled due to attendees having difficulty getting there. The meeting will be rescheduled to a later time.

Director Smith stated that NWPPA has a new Program entitled "New Learning on Demand". This Program would have been opened the first of July 2017 to prescribers. For one upfront price, all employees could participate in the Program.

Director Smith reported that the next morning a Board Strategy Meeting was held. The group came up with a few ideas of things to think about. One thing that was noted, is that the NWPPA does not look at specific state issues, they are looking at national political issues that would impact the Northwest and their members.

Director Smith further commented on HR 1873 the Electrical Reliability Forest Protection Act, the Hydro Power Policy and Modernization Act, and HR 2862 the Wildlife Disaster Funding Act.

Director Smith noted in closing that there will be another NWPPA meeting in September that he may or may not be attending. At this time, Director Smith does not have any specifics on the meeting.

Energy Northwest Participants Review Board:

No report was given this evening.

President Gonser briefly commented on Northwest Public Power Association Executive Director Anita Decker's article in the August NWPPA Bulletin in regards to what is happening with ransomware attacks and other things. A portion of the article was read out loud by President Gonser. A copy of the NWPPA Article entitled "This and That from the Executive Director" is hereto attached and marked as Exhibit 2.

Conger stated that the District periodically gets phishing attempts.

President Gonser feels it is good to have the Board periodically updated on this type of information.

President Gonser noted in closing that he and other District staff have attended the Rotary, Lions and Kiwanis to speak about Northern Wasco County People's Utility District.

APPROVAL OF FUTURE MEETINGS/TRAVEL/OR RELATED MATTERS

September 6, NEMS, NESC & NIES Board Meeting - Dan Williams, Roger Howe and Clay Smith

September 6, PPC Forum – Dan Williams, Roger Howe and Clay Smith

September 7, PPC Executive Committee Meeting - Dan Williams, Roger Howe and Clay Smith

September 27-29, OPUDA Annual Conference – Dan Williams, Howard Gonser, Connie Karp, Roger Howe and Clay Smith

October 11, NRECA Director Duties & Liabilities Training – Connie Karp and Roger Howe

October 12, NRECA Board Operations & Process Training – Connie Karp and Roger Howe

EXECUTIVE SESSION

At 7:37 p.m. President Gonser recessed the Regular Session to convene into Executive Session as authorized by 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.

Those present for the Executive Session included the Board of Directors, General Counsel James Foster; Principal Engineer & Strategic Asset Planner Paul Titus; Assistant General Manager/Director of Power Resources Kurt Conger; Executive Assistant Kathy McBride; and Chief Financial Officer/Director of Finance & Enterprise Risk Harvey Hall.

At 8:12 p.m. the Board adjourned from Executive Session to return to Regular Session.

{{{Director Smith moved that General Counsel James Foster be authorized upon receipt of the Energy Supplier Assessment (ESA) Invoice from the Oregon Department of Energy to notify the District's Special Counsel Steel Rives LLP that Northern Wasco County People's Utility District will participate as a Plaintiff in a 2017 Lawsuit against the Oregon Department of Energy. Director Williams seconded the motion; it was then passed unanimously.}}}

There being no further business the meeting adjourned at 8:14 p.m.



President

ATTEST:



Secretary

**REPORT PRESENTED AT THE
OREGON PEOPLE'S UTILITY DISTRICT BOARD OF DIRECTORS MEETING
ON AUGUST 11, 2017, BY PRESIDENT GONSER**

- RiverTrail Substation was recently energized.
- General Manager Roger Kline has been meeting with QualityLife (QLife) Board, Staff and others. Representatives of QLife attended the District's last Board Meeting. Much discussion followed and it was decided that Roger Kline would continue to determine if opportunities exist between the two organizations.
- The Second Quarter Report for 2017 was briefly reviewed and discussed as an ongoing evaluative process.
- At the District's July 25, 2017, Board Meeting, the Board reviewed and adopted the 10 Year Capital Plan. The Plan is a working and sometimes changing document. It allows staff and Board to project into the future and make changes as necessary.

THIS AND THAT FROM THE EXECUTIVE DIRECTOR



There are three things I'd like to share this issue. One is that in July, the NWPPA Board of Trustees met to develop the

NWPPA Strategic Plan for 2018–2022. This plan carried forward from the 2014–2018 Strategic Plan and some things remain the same: NWPPA's value proposition of providing premier education and workforce development for our members; being a Northwest and West voice on federal legislative and regulatory issues; and providing timely value-added communications and information.

However, a new sense of urgency was apparent as the trustees talked about all of the opportunities and challenges before us over the next four years as we see the proliferation of emerging technologies that impact the utility/customer relationship; fulfill the ongoing need for leadership and workforce development; address rate structures and regulations; and better understand distributed energy, battery technologies, and electric vehicles.

Suffice to say, we received our marching orders to stay the course that enhances the success of you, our members!

Another item worth sharing is the need for us all to underscore and raise the awareness of the increase in cyber events—not only in our industry—because ransomware attacks are up 600 percent and cost companies more than \$1 billion in 2016. Some other important points to ponder about ransomware:

- A major defense against ransomware attacks is timely software updates on all systems.
- Malware is often a precursor to ransomware to determine how much ransom an entity can pay.
- Phishing attacks are the gateway to malware—train your staff on how to avoid phishing attacks!
- Back up your data and segment your network so you can recover and not be held for ransom!

And there's more. Malvertisements are dirt cheap—the cost for cybercriminals to infect 1,000 vulnerable computers is about \$5. While global point of sale breaches have dropped from 38 to 26 percent, North America still has the most incidents due to being slower to adopt newer point of sale protections.

Positively speaking, intrusion detection has improved. Instead of 80.5 days to detect compromises, companies are now detecting them within 49 days; internal detection time has also declined, from 65 to 16 days.

NWPPA, APPA, and NRECA are all working diligently on educational efforts to keep our members informed and educated about IT and OT safeguards. And, as a member of the electric sector, if you are not currently registered to receive alerts from the Electricity Information Sharing and Analysis Center (E-ISAC), I want to encourage you (or your information technology or operations technology representative) to sign up at www.eisac.com.

Lastly, I have one more item that should come as good news. As you prepare your 2018 budgets, I am happy to share with you that it looks like there will not be any change to the membership investment formula for 2018!

Enjoy the rest of your summer and I look forward to seeing many of you at upcoming events. NWPPA

Anita J. Decker
Executive Director