

MINUTES OF THE REGULAR MEETING OF THE
BOARD OF DIRECTORS OF THE COLUMBIA BASIN HYDROPOWER
EPHRATA, WASHINGTON MARCH 27, 2018

President Alford called the regular meeting of the Columbia Basin Hydropower to order at 9:35 AM.

CBHP Directors

SCBID – Bryan Alford
ECBID – Dennis Mickelsen
QCBID – Phil Stadelman
QCBID - Mike LaPlant
ECBID – Boe Clausen
SCBID - Richard Conrad

Other CBHP Directors Attending

ECBID – Duaine Anderson (Alt)
QCBID - John Rylaarsdam (Alt)
SCBID - J.J. Danz (Alt)
SCBID - Charles Lyall (Alt)

Others Attending

Dave Solem, SCBID
Darvin Fales, QCBID
Craig Simpson, ECBID
Bill Dickens, Tacoma Power
Tony Walsh, SCBID
Stefanie Johnson, Seattle City Light

Staff

Tim Culbertson, Secretary-Manager
Richard Lemargie, Attorney
Jacob Taylor, Treasurer
Judy Runge, Administrative Assistant
Betty Craig, Technical Information Administrator
Larry Thomas, Assistant Manager/Hydro Supervisor
Robert Stoaks, Engineer
Stacey Bresee, Data Management Technician
Brian Liggett, Hydro Craftworker

INTRODUCTION

Manager Culbertson introduced our employee Brian Liggett who will be attending the meeting.

CONSIDERATION OF MEETING MINUTES

Dennis Mickelsen moved that the minutes of the February 20, 2018 meeting be approved as distributed. Boe Clausen seconded the motion. Motion passed.

ACKNOWLEDGEMENT, REVIEW AND/OR APPROPRIATE CONSIDERATION OF THE FOLLOWING:

Recommendation from the Personnel Committee

The Personnel Committee met earlier on March, 27, 2018 at 9:00 AM to discuss the salary adjustment for non-bargaining unit employees. The result is as follows:

Mike LaPlant moved to approve the salary adjustment of 4.0% increase for non-bargaining unit employees effective April 8, 2018. Richard Conrad seconded the motion. Motion passed. A copy of the 2018 Salary Schedule effective April 8, 2018 is attached and incorporated by reference.

Based on the recommendation from Manager Culbertson and due to the exemplary performance of the Treasurer Jacob Taylor, Richard Conrad moved to approve Jacob Taylor salary increase from Grade 9, Step 4 to Grade 10, Step 2 effective April 8, 2018, and that Mr. Taylor would receive another evaluation in six months. Mike LaPlant seconded the motion. Motion passed.

Recommendation from the Power Steering Advisory Committee

Task Order No. 12, Change Order No. 1 – Main Canal Dam Safety Inspection Report Contract 12356-08-14 and Supplemental Agreement No. 1

Dennis Mickelsen moved to approve Task Order No. 12, Change Order No. 1.
Phil Stadelman seconded the motion. Motion passed.

Travel Authorizations:

Mike LaPlant moved to authorize attendance and payment of reasonable expenses for travel, lodging and meals for the following:

- (1) Washington Public Treasurers Association Conference, April 17-20, 2018, Chelan, WA, Reg. \$250 – Jacob Taylor
- (2) SEL University, PROT 301: Protecting Power Systems for Technicians, June 19-21, 2018, Phoenix, AZ, Reg. \$1,725 each – Travis Ogle and Bob Knesek
- (3) SEL University, TST 101: SEL Relay Testing Basics, July 10&11, 2018, Vacaville, CA, Reg. \$850 each Travis Ogle and Bob Knesek
- (4) AVO Training, Cable Splicing and Termination, Medium Voltage, July 9-13, 2018, San Leandro, CA, Reg. \$2,810 – Brian Skidmore
- (5) NWRA Small Hydro Workshop, April 10-11, Hood River, OR, Reg. \$220, Larry Thomas
- (6) NWPPA Administrative Professionals Workshop, May 2&3, 2018, Tacoma, WA, Reg. \$1,155 – Stacey Bresee
- (7) Ratify travel to Washington DC for meeting with Washington State Senator Maria Cantwell regarding the Banks Lake Pumped Storage Project, March 19&20, 2018 – Tim Culbertson
- (8) Meeting in Washington D.C. with the Columbia River Treaty Power Group for meeting with Northwest delegation members, April 10-12, 2018 – Tim Culbertson
- (9) Meeting in Portland with members of Columbia River Treaty Power Group. This meeting is for a meeting with leaders of Columbia River Tribes, April 5&6, 2018 – Tim Culbertson
- (10) Travel to Seattle or Bainbridge Island for a meeting with the Project Consultant regarding the Quincy Chute penstock. Meeting date TBD – Tim Culbertson, Larry Thomas and Jacob Taylor
- (11) Lake Roosevelt Forum, April 24&25, Spokane, WA, Reg. \$135 – Tim Culbertson

Richard Conrad seconded the motion. Motion passed.

Property and Casualty Insurance Coverage Renewals 4-24-2018 to 4-23-2019

Boe Clausen moved to renew insurance coverage package, as presented in 2018 Policy Premiums Summary Sheet dated March 26, 2018, effective April 24, 2018 - April 23, 2019.
Richard Conrad seconded the motion. Motion passed

TREASURER'S REPORT

Financial Reports

The February 28, 2018 Balance Sheet (unaudited) and All Power Plants Income Statement (unaudited) were included in the Board packets for review.

Approval of Voucher

The Current Expense Voucher (O&M) was presented at the meeting for consideration. Check numbering is as follows:

Current Expense Voucher (O&M) – \$458,333.87
Check Numbers: 16830-16940

On motion by Boe Clausen, seconded by Dennis Mickelsen, which motion passed unanimously, the Current Expense Voucher (O&M) dated March 27, 2018 in the amount of \$458,333.87 was approved.

STAFF AND OTHER REPORTS

The following written activity reports, attached and incorporated by reference, were made available for review and comments:

Field O&M Activities (Larry Thomas)
Engineering (Bob Stoaks)
Engineering (Derek Wolf)
Technical Information (Betty Craig)

OTHER POWER BUSINESS

Renewal and Replacement Fund Letter of Agreement

A letter dated April 24, 2017 from the cities of Seattle and Tacoma to Columbia Basin Hydropower proposing agreement on several issues pertaining to the management of the Renewal and Replacement Fund was approved by CBHP Board on April 25, 2017. On March 8, 2018 Columbia Basin Hydropower received a revised letter of agreement from the Cities for correction purposes. Under Item 2 the expiration date of the Contract for the Main Canal Headworks Project was corrected from December 31, 2025 to December 31, 2026. In addition, the letter of agreement dated March 8, 2018 states, "This agreement updates and replaces the previous letter agreement on these topics, dated, April 24, 2017." All other information in the letter of agreement remains unchanged.

Richard Conrad moved to authorize the President Alford to sign the replacement letter of agreement dated March 8, 2018 from the cities of Seattle and Tacoma. Mike LaPlant seconded the motion. Motion passed. A copy of the replacement letter of agreement is attached and incorporated by reference.

Project Development

Project Development Expense Report for the month of February 2018 was presented to the Board for review.

Manager Culbertson informed the Board on recent inquiries from potential investors on both the conduit projects as well as another large equity investment company interested in the Banks Lake Project. Natel has been in contact with CBHP and informed us that they have grant funds available from DOE and BPA Environmental Foundation for a project and they are interested in working with us on one of the Franklin County sites.

Columbia River Treaty

Manager Culbertson provided a summary from the latest Power Group meeting. Most notable is the increasing number of meetings being scheduled with various groups with the Department of State and with the lead negotiator.

USBR - No report
Cities - No report
Districts - No report

DATE OF NEXT BOARD MEETING

Richard Conrad moved that the scheduled CBHP Board Meeting on April 24, 2018 be changed to April 23, 2018. Boe Clausen seconded the motion. Motion passed.

EXECUTIVE SESSION

At 10:55 AM President Alford called for a 30-minute executive session to discuss labor negotiations.

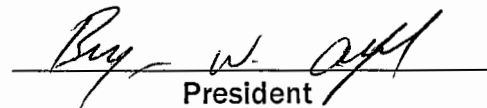
RECONVENE

At 11:25 AM the regular meeting reconvened.

Mike LaPlant moved to approve the successor labor agreement as negotiated between Columbia Basin Hydropower and the Local Union 77 and to authorize officers to sign the said agreement for period August 1, 2018 through July 31, 2021. Richard Conrad seconded the motion. Motion passed.

ADJOURNMENT

There being no further business to come before the Board President Alford adjourned the meeting at 11:30 AM.



President



Secretary

CBHP 2018 Annual Salary Scale

Grade	Step									
	1	2	3	4	5	6	7	8	9	10
1	34,711	35,867	37,024	38,182	39,338	40,493	41,652	42,808	43,965	45,493
2	38,835	40,130	41,424	42,717	44,012	45,306	46,600	47,894	49,189	50,481
3	43,288	44,732	46,175	47,617	49,060	50,503	51,945	53,388	54,830	56,273
4	48,105	49,709	51,314	52,919	54,521	56,126	57,731	59,334	60,938	62,541
5	53,276	55,052	56,827	58,603	60,378	62,152	63,929	65,704	67,479	69,255
6	58,842	60,804	62,765	64,725	66,687	68,647	70,608	72,568	74,530	76,490
7	64,800	66,960	69,121	71,282	73,442	75,603	77,763	79,924	82,083	84,246
8	71,194	73,568	75,939	78,313	80,685	83,057	85,431	87,804	90,176	92,549
9	85,333	88,176	91,023	93,866	96,710	99,554	102,398	105,241	108,088	110,932
10	101,473	104,853	108,237	111,619	115,001	118,383	121,767	125,148	128,529	131,913

Effective April 8, 2018

COLUMBIA BASIN HYDROPOWER

Activity Report

For Period: February 11 through March 17, 2018Reported by: Betty Craig Function: Technical Information Dept.CMMS:

- CASCADE data entry is up to date.
- Project to add all PRC-005 related equipment to CASCADE is ongoing.

NERC/WECC COMPLIANCE:

- Reviewed NERC & WECC websites for any upcoming deadlines or revisions to existing standards.
- Completed annual NERC refresher training for all employees.
- Cleaned up network evidence folders.

NETWORKING & COMPUTERS:

- Routine security, maintenance, and verification of nightly backups.
- Assisted users with miscellaneous hardware and software issues.
- Preparation for beta testing of J5 logbook software continues.
- New network server transition is nearing completion.

HYDRO PROJECT DEVELOPMENT:

- Work continues on project development binders and network folder organization.

OTHER:

- Scanned and created .pdf files for CBHP staff.
- Continuing to support the Treasurer.
- Website updates.
- Ordered 2 vehicles approved by Board in February.

Columbia Basin Hydropower

Activities Report for the period of Feb 12th, 2018, through Mar 16th, 2018.

Derek Wolf, PE Mechanical Engineer

General:

- Finalizing the mechanical off-season maintenance work.
- Coordination with Grant PUD on FERC-required non-destructive testing (NDT) on the turbine discharge ring at the PEC Headworks.
- Oil purification commencing at South plants.
- Coordinated the annual confined space rescue training for all affected employees.
- Aided with the annual "inventory" of assets.
- Startup testing at north plants. U160 and U161 online as of March 14.

Main Canal Power Plant:

- Lube oil and governor hydraulic oil purification completed. Samples being analyzed.
- Continuing contract development for the new steel storage building including coordination with USBR.
- Helen strainer electrical wiring/control system finalized.
- Meeting with USBR on cooperative check gate operation and communication.

Summer Falls Power Plant:

- U162 oil head mechanical seal completed.
- Check structure new staff gauge installed on west wing wall.
- U162 hub oil catch basin sight glass installed.
- Investigation into faulty seals in the hydraulic cylinders of the turbine bypass valves. Design calculations created for a removal device for the cylinders.

Russell D. Smith Power Plant:

- Emergency generator replacement in switchyard.
- Grapple truck hydraulic rebuild in progress.

Columbia Basin Hydropower

Activity Report

For Period: February 12, 2018 through March 15, 2018

Reported by: Robert Stoaks P.E. Function: Engineering

- 1) Main Canal check gate backup power transfer switch controller cards are faulty. Repaired cards. Purchased new transfer switches and will install next offseason.
- 2) Performing study to increase efficiency and output of Main Canal and Summer Falls. Gathering information from vendors on efficiency upgrades and costs.
- 3) EBC 4.6 transformer tested for high gasses (Methane, Ethane, and Ethylene) which indicates an internal hot spot possibly from a loose connection or overheating of tap changer. Quotation for tap changer work was \$25,000. New replacement transformer quote was \$75,000. Decision to repair tap changer in-house by cleaning connections, drying oil, testing oil using Karl Fisher, and dielectric tests for moisture. We will re-energize transformer and monitor during next season.
- 4) Purchased replacement package to remove analog electronics on the RDS exciter and install a Basler DECS-400. Delivered on 9/25. Installation completed by electrical crew. Final commissioning when we have water to spin the unit.
- 5) SCADA/PLC/Relay replacement for all plants: H2E is working on design.
- 6) Calisto2 transformer oil monitors from Morgan Schaffer were installed.
- 7) Electricians installed new 17kW generator for the Smith plant. Generator works with existing transfer switch. Plan to purchase and install new transfer switch during next offseason.
- 8) Calculated setting requirements to meet NERC PRC-025-1 load dependent relays. Coordinating changes with Avista.
- 9) Researching how to heat the governor hydraulic oil to lower the viscosity to less than 54cSt. Contacted experts and vendors.
- 10) Coordinating the proper response of the Main Canal generator to a system event with Avista.
- 11) Design of wireless controller for bridge crane in Main Canal shop.
- 12) Reviewing maintenance practices and making recommendations for improvement.

COLUMBIA BASIN HYDROPOWER
Activity Report

For period February 9, 2018 to March 15, 2018
Reported by: Larry Thomas Function: Field O&M Activities

Russell D. Smith Power Plant

- . Installation of new exciter equipment was completed. Commissioning will take place when sufficient water is available to rotate the unit.
- . Oil filtration was completed.
- . A new replacement standby generator was installed.

P.E.C. 66.0 Power Plant

- . Routine equipment inspection and maintenance performed.

E.B.C. 4.6 Power Plant

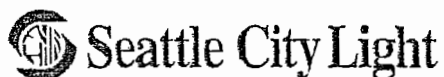
- . Routine equipment inspection and maintenance performed.

Main Canal Power Plant

- . Waterside turbine maintenance was completed.
- . March 14, startup testing was completed and the unit was placed online for the season at 1307 hours, 4 MW output.

Summer Falls Power Plant

- . Unit 162 oil head mechanical seal repair was completed.
- . Turbine cavitation repair was completed.
- . March 14, startup testing of unit 162 was completed and the unit was started for the season at 1545 hours, 15 MW output.



TIM CULBERTSON
COLUMBIA BASIN HYDROPOWER
P.O. BOX 219
EPHRATA, WA 98823

March 8, 2018

Dear Mr. Culbertson,

On May 10, 1980, Seattle City Light and Tacoma Power (Cities) and Columbia Basin Hydropower (CBHP) entered into Power Purchase and Sale Contracts (Contracts) for hydropower projects operated and maintained by CBHP known as the Summer Falls Development, the Main Canal Headworks Development, the Russell D. Smith Development, the E.B.C. 4.6 Development, and the P.E.C. 66.0 Development (Projects). The Contracts define the Renewal and Replacement Fund as "the fund of that name created by Bond Resolution". Section 4.04 of Resolution S-80-12 established the Renewal and Replacement Fund and stated that the amounts therein "shall be applied to the payment of extraordinary Operating and Maintenance expenses and contingencies, including construction contingencies and the prevention or correction of any unusual loss or damage to the System to the extent not covered by the proceeds of insurance or other moneys recoverable as a result thereof". As of March 28, 2017 the balance of the Renewal and Replacement Fund is zero. The purpose of this letter is to address several issues related to the Contracts.

The Cities and CBHP agree:

1. The Cities will not replenish a Renewal and Replacement Fund unless new bonds are issued as described in Section 4(a)(2) of the Contracts and the related bond resolution requires the Cities to fund the Renewal and Replacement Fund. For the remaining term of each contract, capital improvements and extraordinary maintenance costs shall be included in the estimate of Annual Power Costs for each project and recovered from the Cities as described in Sections 5(b) and 5(e) of the Contracts.
2. For purposes of determining the expiration date of the Contract for each Project, the Parties shall use the hour-ending 2400 of the following dates: the Russell D. Smith Development, August 31, 2022; the E.B.C. 4.6 Development, April 30, 2023; Summer Falls Development, December 31, 2024; the P.E.C. 66.0 Development, February 28, 2025; and the Main Canal Headworks Development, December 31, 2026.
3. All amounts paid by the Cities to replenish the Renewal and Replacement Fund in 2015, 2016, and 2017 shall be included in the calculation of the Basic Project Energy Unit Cost (BPUC) for that year.

Neither party shall seek recalculation of the BPUC regarding the treatment of the Renewal and Replacement Fund for years prior to 2015. If the Cities resume replenishment payments in the future pursuant to a bond resolution, they will be included in the calculation of the BPUC.

This agreement updates and replaces the previous letter agreement on these topics, dated, April 24, 2017. This agreement shall become effective upon execution by all Parties and shall remain in effect concurrently with the terms of the Contracts.

To indicate CBHP's acceptance of the terms of this Letter Agreement, please sign all three originals at your earliest convenience. Retain one original for your files and return the other two fully executed copies to Seattle City Light and Tacoma Power at the following addresses:

Seattle City Light
700 Fifth Avenue
Suite 3200
P.O Box 34023
Seattle, WA 98124

Tacoma Power
3628 South 35th Street
Tacoma, WA 98409

COLUMBIA BASIN HYDROPOWER

TACOMA POWER

BY: Bryan W. Aitford
NAME: Bryan W. Aitford
TITLE: President
DATE: 3-27-18

BY: Clay Norris
NAME: Clay Norris
TITLE: Power Manager
DATE: 4-10-18

SEATTLE CITY LIGHT

BY: Joy M. Liechty
NAME: Joy Liechty
TITLE: Interim Assistant Power Management Director
DATE: 4/16/18

APPROVED AS TO FORM:
[Signature]
DEPUTY CITY ATTORNEY