



**Minutes**

President Huffman called the meeting to order at 9:00 a.m. and Mr. Freeman called roll.

**Directors:**

Gene Huffman, President  
 David McKenzie, Vice President,  
 Kirk Rathbun  
 Griffin Hanberg  
 Arland Ward

**Staff Present:**

Charles Freeman, District Manager  
 Jason McShane, Engineering/Operations Manager  
 Seth Defoe, Land and Water Resources Manager  
 Stuart Dezember, Comptroller/District Treasurer  
 Melissa Olheiser, Accounting Supervisor  
 Matt Berglund, Public Relations Coordinator  
 Lori Gibson, Executive Assistant to Engineering  
 Doris Rakowski, Executive Assistant

**Other Persons Present:**

Chad Stuart, USBR  
 John Crotty, Western Legal  
 Three members of the public

**APPROVAL OF AGENDA: Vice President McKenzie moved to approve the agenda. Director Rathbun seconded. The motion carried.**

**CONSENT AGENDA: Director Rathbun moved to approve the consent agenda. Director Ward seconded. The motion carried.**

Items on the consent agenda were:

1. Minutes, KID Board Meeting, May 17, 2022
2. Minutes, KID Board Special Meeting, May 26, 2022
3. Travel Authorization, NWRA Western Water Seminar
4. Travel Authorization, Irrigation Leader Watertronics Tour
5. Planned Unit Development PUD2021-102-Meadow Hills Ph 3-Skyhous
6. Preliminary Plat SUB 2022-002-Cottonwood Creek Ph 4
7. Binding Site Plan BSP-2022-0018-8203 W Quinault
8. Vouchers/Warrant Approval

**Accounts Payable:**

Numbers:

	83911	through	83912	\$	3,714.93
	83913	through	83983	\$	170,796.91
	83984	through	83989	\$	514,251.71
Bank Drafts	FSA			\$	-
Bank Drafts	General			\$	-
Bank Drafts	AP			\$	96,460.64
<b>Total Accounts Payable</b>				<b>\$</b>	<b>785,224.19</b>

**Payroll:**

Numbers:

	0	through	0	\$	-
Direct Deposit		5/20/2022		\$	154,141.58
<b>Total Payroll</b>				<b>\$</b>	<b>154,141.58</b>

**Voided Checks:**

	83957	VOID and Cancel		\$	(1,891.38)
<b>Total Disbursements</b>				<b>\$</b>	<b>937,474.39</b>

**PUBLIC COMMENTS:**

**Patrick McGuire**, 47909 E Badger Rd, operating a farm on the main canal: Mr. McGuire said he thought Resolution 2022-11 created multiple LIDs inappropriately. He said applying Southridge IEUs to this area was flawed. He spoke about documentation of how costs were assigned and gave examples of infrastructure that benefitted the district as a whole or just smaller areas. He said things like what to do during drought and peak flow were in the wrong place in individual resolutions for small areas; an overall policy and procedure was needed for that.

Mr. McGuire said he previously had a functional weir box that clogged daily, causing work for KID, so eliminating the weir box as an overall benefit to District. He asked the board to Reconsider and waive costs based on the premise of how KID's rate structure was established.

Mr. McGuire reported that there was a dust problem where dirt removed on the hillside. He said it needed to be sprayed to keep the dust down.

Mr. McGuire asked if the hole was plugged when the weir box was decommissioned so as not to be a danger to his property.

Mr. McGuire asked when he would have an answer to his question from October 2021 regarding prepayment when short-platting last summer. He asked for a letter from the treasurer regarding what happened to the 125% of lot 2's 2022 assessment. Mr. McGuire said this appeared to be a hole in KID's process that needed addressed.

Mr. Freeman said that staff would get Mr. McGuire answers to his questions and address his comments.

**PRESENTATIONS:**

**Subordination Presentation, Chad Stuart, USBR Yakima Field Office Manager:** Mr. Stuart presented a preliminary draft PowerPoint, "Subordination Overview," which he said he had presented elsewhere a number of times. He worked with Boris Belchoff (retired) on this data set. The presentation represented his interpretation of subordination with many assumptions which would need to be investigated by the Boise regional office.

Current Operations and Subordination

Chandler Canal Capacity: 1500 cfs, averaging 630 cfs. April-October diversions 630 cfs (280 cfs KID, 350 cfs drive water) with an irrigation season max potential for power production of 870 cfs.

Roza Canal Capacity: 2000 cfs, with average irrigation diversions from April-October of 900 cfs and irrigation season max potential for power production of 1100 cfs.

Current subordination targets below dam:

Chandler: Jan 1 – Mar 31: 600 cfs  
Apr 1 – Jun 30: 1000 cfs  
July 1 – Oct 20 end of irrigation season: the greater of 450 cfs or YRBWEP flow  
Oct 20 – Dec 31: 800 cfs

Roza: Apr 1 – May 31: 1300 cfs - Started in 2015, to help fish survival  
Jun 1 – Mar 31: 500 cfs

Mr. Stuart clarified that subordination was limiting production of power, so for Roza in April to May there was 800 cfs less available for power production. He said fish had priority over power, despite the Bureau’s commission to produce power. He said this was an internal decision meant to balance the diverse goals of different groups.

Director Ward said that in the future there was likely to be less water from drought and producing food to feed the country should be top priority.

Mr. Stuart said it was likely that fish and agriculture would trump power production.

Potential Flow Benefits of Full Subordination

Below Chandler:

	Power diversion average	If diversion stopped, average river flow would increase to:
March	1300 cfs	5300 cfs
April	900 cfs	6100 cfs
May	800 cfs	5400cfs
June	450 cfs	2500 cfs

Below Roza:

	Power diversion average	If diversion stopped, average river flow would increase to:
March	1300 cfs	5300 cfs
April	900 cfs	6100 cfs
May	800 cfs	5400cfs
June	450 cfs	2500 cfs

Mr. Stuart confirmed to Mr. Freeman that only the diversion for power would be subordinated, not for irrigation. The allocation would still be provided for the water right and drive water.

Mr. McShane noted that the decrease from May to June was because there was less water in the river. Mr. Stuart said that was when irrigation demand was high and less storage was left.

Mr. Stuart confirmed to Vice President McKenzie that only Roza and Chandler had generators.

Power Production and Shaping Agreement

Mr. Stuart reported that there were currently three permanent staff at each of the Roza, Chandler and Green Springs plants. Shared area office staff resources for the three plants were the Supervisor, PSC Engineer, Power Manager, Facility Specialist, and Budget.

Mr. Stuart said most power production occurred between December and March, followed by April to May with current subordination, and minimal system power production occurred from June to November. Maintenance shutdowns were scheduled in October for Roza and November for Chandler. The “flip-flop” for fish health reduced available flows for Roza and, after storage control, minimal flows were available below Parker.

Conveyance canal cost share: 65% BPA (Bonneville Power Administration) and 35% KID and RID (Roza Irrigation District). There was 100% appropriation from Congress for fish screens, ladders, etc.

Mr. Stuart said the USBR held May 10, 1905, priority date water rights. "Not release water from storage...water available from the natural flow of the Yakima River and its tributaries..." The water right had co-equal status not to the detriment of other parties, such as fish or irrigation. At Mr. Crotty's request, Mr. Stuart spoke about the BPA's relationship to the USBR. He said USBR produced power, which was funded and sold by the BPA, and the USBR charged the BPA the power production cost. He said the 35% cost sharing was because of irrigation benefits of the canals. He confirmed there was an interagency agreement between the USBR and the BPA.

#### Production and Costs:

- Chandler Plant produced an average of 53,000 MWh per year, sold at market cost, with no contract agreement with KID. Current production cost: \$26.64 MWh
- Average USBR Power Production Benchmark Cost: \$5.00 to \$7.00 MWh
- Due to plant capacity size, costs were extremely high compared to other plants
- Processes and staff for each Columbia-Cascades Area Office's power plant were the same regardless of power produced

Necessary processes must be followed for these very small power generation systems; staff and equipment could not be cut. The cost per KWh to operate them was high due to the small size.

Mr. Stuart explained that the Shaping Agreement provided RID with power at production cost as a 1988 lawsuit settlement from the "Flip-flop" that had unequal status for fish and irrigation. The rate was set every five years. Details included:

- Current 5-year RID rate was \$25.04/MWh
- Next 5-year rate would be \$31.81/MWh (just signed)
- Contracted to produce 67,200 MWh/y of which 40,000 MWh/y was for RID at production cost goes to RID, and the excess to be sold at market cost by the BPA
- At their current rate, RID paid approximately \$900,000 per year for power production costs for 35-37,000 MWh/y

#### Challenges of Further Subordination

- Roza and Chandler subordination were already prohibitive from a power production schedule standpoint. If production were cut fully in April and May, it would be likely to reduce power production by 30-40% annually. If cut from March and June, it would be reduced by about 50% annually.
- Since 2015, below Roza Dam subordination of 1300 cfs, the shaping agreement average was not being met (65K MWh/y, 15-20% drop). Not meeting contractual agreements with Roza and BPA.
- Further subordination would be likely to void the shaping agreement because power production cost would increase above purchase cost.
- Power for RID would be purchased at Tier 1 or market cost, if shaping agreement were voided.
- Approximately \$700k increase annually to purchase power

Mr. Stuart said if the shaping agreement were voided, the USBR would probably be sued by Roza. Costs of that would have to be passed on somewhere. BPA would be the likely party to stop production. Mr. Stuart said the USBR would never make that decision locally, as it would be violating a federal law.

Mr. McShane said that before IP, the biological assessment flows had a negative impact on power production. There were lower flows in the lower river since then. With less flow and higher

biological assessment flows, less power would be produced. With increased modernization, there were negative impacts on water in the river. Mr. McShane said they hoped for mitigation in Kittitas Valley with ground water recharge. Mr. Stuart said he did not disagree with anything said.

Mr. Crotty asked if they were doing fish studies below the dam to determine if there are actual benefits to fish. Mr. Stuart replied that the goal was to increase flow and improve infrastructure in a more fish friendly way. He noted that Roza was being redesigned to keep screens in the river and have a much higher fish survival rate.

#### Assumptions of Further Subordination

Mr. Stuart said there was a risk that further subordination would cause a cascading effect of shutdowns. Cost of a shut-down plant would be shifted to the remaining plant(s) causing them to be untenable and the power program would probably end.

Power/Maintenance/Wheeling costs would have to be absorbed if power were purchased and the BPA cost share went away, with an annual cost increase at Roza of \$1,400,000, and \$1,000,000 at Chandler.

Mr. Stuart said the USBR would have to maintain the Chandler diversion. Director Ward asked if the KID could purchase it from USBR and Mr. Stuart said that would have to be through the title transfer process.

Mr. Stuart noted that the BPA was sued when only 90 of 95 required improvements were completed. BPA Willamette Valley was now running to fail and shutdowns would follow failures.

Mr. Stuart said several groups have said full subordination was not in the ideals of IP. Fish would win and other groups would lose, so it would not be a win-win situation.

Mr. Stuart said the USBR had preliminary conversations with the BPA and would continue to talk with interested parties. No other meetings on this topic were currently scheduled.

Mr. Stuart confirmed to Mr. Freeman that storage would not be drawn on for fish, as it would violate the water right.

In response to a question from Director Rathbun, Mr. Stuart said he did not know yet who would pay for it if there were more subordination. He said it was his opinion that the Chandler plant had more flexibility as all its power went to the BPA. There would be no impact to KID unless the plant went away.

Mr. Stuart said cost of production was still below the market price of about \$50 but was about five times higher than BPA's benchmark.

Mr. Stuart said the USBR would not exercise its senior water right to produce power to the detriment of KID.

Mr. Stuart said the drive pumps went online in 1957. He said there could be some benefits of combining electrification with fish benefits. If the generator were down, there would be a forced outage, and the work would be done as quickly as possible. It could be BPA funded, if they chose to do it. Mr. Stuart said Roza had similar aging infrastructure.

In response to a question from Mr. Defoe, Mr. Stuart said he did not know of the USBR ever generating power to KID's detriment before 1984.

Mr. Stuart said that if decisions were made, all parties would be in the room.

Mr. Stuart said he would send Mr. Freeman a copy of the Roza power shaping agreement.

Director Hanberg asked if it would be cheaper in long run to electrify Chandler. Mr. Stuart said possibly, but they would have to look at that question.

Director Rathbun said he would like to see other groups say subordination was not acceptable and discuss KID's diminished water supply.

Mr. McShane said understanding KID's use of excess water was a challenge for others. Many considered it a bonus and did not understand that was something KID needed and had an agreement about.

Director Rathbun said KID's users only saw that the district had less water as we used to but did not understand what happened or how the USBR let it happen.

Mr. Stuart said he would try to find a copy of the Chandler marketing agreement with the BPA for McShane.

President Huffman called a ten-minute break at 10:17 a.m., and the meeting resumed in open session at 10:27 a.m.

**Financial Statement Acceptance - December 2021 Final:** Mr. Dezember reported that the draft December 2021 Financial statements had been approved in February. Necessary transfers had occurred, and Board approval was needed for finalized reports.

Mr. Freeman noted that the Statement of Revenues & Expenditures – Budget to Actual, Period ending Dec. 31, 2021, showed that we underspent budgeted amounts, even with expected high-cost items such as title transfer.

**Director Rathbun moved to accept the financial statements for the period ended December 31, 2021. Director Ward seconded. The motion carried.**

**2021 Annual Report Review:** Mr. Dezember presented the annual report for fiscal year 2021. He said preparation of the annual report was primarily performed by Ms. Olheiser, and he focused specifically on the preparation of Statement 16 - Schedule of Expenditures of Federal Awards.

Mr. Dezember said he reviewed the report for accuracy and completeness, and certified and submitted the report on May 26, 2022 (before due date of May 31<sup>st</sup>). He spoke about the internal control process for review of the annual report, and the nature of the certifications he made to the auditor on the accuracy of the reports.

Mr. Dezember reviewed the Fund Resources and Uses Arising from Cash Transaction page of the report. He said the Final December 2021 report was the building block for this report.

Mr. Dezember reviewed highlights of Notes to the Financial Statements including:  
Note 1 – Summary of Significant Accounting Policies - KID uses Cash basis accounting.

Note 4 – Deposits and Investments

Note 5 – Interfund Loans - Realty reserve and other internal funds

Note 6 – Long-term Debt – Tracking payments to 2041

Note 7 – Other Postemployment Benefits – KID benefits through state PEBB; Difference between actuarial amount and costs today; KID's portion of liability.

Note 8 – Pension Plans – KID member of state DRS (PERS) value of investments and KID reports liabilities and assets – liability PERS 1 and asset for PERS 2 & 3

Note 9 – Risk Management – KID member of CIAW; language provided by CIAW; good to review KID coverage.

Schedule 01 for the year ended December 31, 2021, showed the BARS account numbers and amounts.

Schedule of Liabilities for the year ended December 31, 2021, showed KID's current and future liabilities as of 12/31/2021, including compensation if KID employees left, the 2012 Department of Ecology loan, the Banner Bank loan, pension liabilities and OPEB health insurance actuarial liabilities. The USBR construction loan balance was zero due to title transfer.

Schedule of Expenditures of Federal Awards for the year ended December 31, 2021, and Notes report indicated to the State the amount KID expended for grants in 2021. An additional single audit must occur if the amount were over \$750,000, which was not the case in 2021.

Schedule 21, Local Government Risk Assumption for Schedule of Liabilities for the year ended December 31, 2021, indicated that KID self-insured for unemployment, though it worked with the State on that. KID must let the state know KID had sufficient resources for its liabilities.

Mr. Dezember noted that preparing the reports was a team effort, working with staff and engineering. He thanked everyone for their help and meeting deadlines. He noted that he worked with Mr. Crotty on any needed disclosures, and there were none known at this time.

**Director Ward moved to accept the 2021 Annual Report submitted pursuant to RCW 43.09.230 to the Washington State Auditor's Office for the fiscal year ended December 31, 2021. Director Rathbun seconded. The motion carried.**

**PUBLIC HEARING:** None

**BOARD REPORTS:** None

**ACTION ITEMS:**

**Call Special Meeting – Board Retreat:** Mr. Freeman said that July 12<sup>th</sup> was the proposed meeting date.

Minutes were provided in the packet for the last two planning retreats regarding the District Capital Improvement Program (CIP) held on May 6, 2021, and in February 2021. He said he would work with staff to develop an agenda for this retreat.

Director Hanberg offered his shop as a location for the retreat.

Mr. Freeman said the meeting would begin as an open meeting and could have an executive session.

**Vice President McKenzie moved to call a special meeting of the Board, to be held at 190009 E 47th Avenue in Kennewick at 9:00 a.m. on July 12, 2022. Director Ward seconded. The motion carried.**

**RESOLUTIONS:** None

**STAFF REPORTS:**

**Finance Manager:** Mr. Dezember reported regarding:

- Transfer from general account to LGIP, and payment to Banner Bank
- Reviewing fee schedule; plan to take it to next Finance Committee meeting
- Revision to Helping Hands policy and procedure
- Foreclosure process review with legal counsel

**Engineering/Operations Manager:** Mr. McShane reported regarding:

- Repair and maintenance activities
- Terrestrial and aquatic weed control
- Staffing challenges and hiring
- Water use increasing as temperature rise
- Shop break ins. Four catalytic converters were stolen. Staff was working on different proposals to improve security, such as extended contract with security company for random checks at night and additional cameras.

Mr. McShane reported about a meeting with Ziplly yesterday. Locates were discussed and an issue was that they are trying run fiber at the same depth as KID lines. He said there was a 48-hour notice through locate tickets, but better notifications were needed, and Ziplly would send KID their work schedules. He said Ziplly said they were submitting and getting permits from City of Kennewick.

Mr. McShane said one of the 16 Ziplly repairs cost about \$30,000. He said KID needed to prove Ziplly was at fault. One location was damaged by Charter. Ziplly was actively working in Richland and West Richland as well.

Director Rathbun said KID needed a plan in place if they were to hit a private line area (PLA). Challenges with PLAs were discussed. There was no agreement in place for KID to fix and charge non-publicly held entities.

Mr. Freeman said it was disturbing to hear from Ziplly that they didn't even know KID was there. He said it would have been nice to get copy of their agreement from the City of Kennewick. The need for utility sign-off of plan sets was discussed. Mr. Freeman said that Ziplly claimed to have a permit for everything done and said he would run that to ground.

In response to a question from President Huffman, Mr. McShane spoke about installation of new isolation valves when needed for PLAs with necessary repairs. He said the PLA conversion program offered other options.

**Land & Water Resources Manager:** Mr. Defoe displayed and discussed webpages including:

- [usbr.gov](http://usbr.gov) - Hydromet - Major Storage Reservoirs in the Yakima River Basin ("Teacup") diagram, and Water Year Graph.
- [nrms.usda.gov](http://nrms.usda.gov) - Washington SNOTEL Current Snow Water Equivalent % of Normal map. Snow Water Equivalent.

- [cpc.ncep.noaa.gov](http://cpc.ncep.noaa.gov) - Monthly and Seasonal Temperature and Precipitation Outlook maps, and El Niño/Southern Oscillation (ENSO) La Niña Advisory.
- [wrh.noaa.gov](http://wrh.noaa.gov) -Temperature and Precipitation graphs for Pasco, Washington.

Mr. Defoe displayed and discussed River Ops meeting handout pages including:

- Reservoir Refill
- June 1, 2022 TWSA Estimate for June 1-Sept 30
- June 1, 2022 TWSA Comparison for June 1-Sept 30
- TWSA Historical Comparison
- Yakima Basin Flows – Minimum Flow Targets
- Hydrologic Summary
- Activities
- Photo of sensor probes used to investigate fish experience in gates and bypasses

Mr. Defoe also reported regarding:

- Reservoir Environmental Impact Statement progress
- Realty calls, but no offers at this time

**District Manager:** Mr. Freeman reported regarding:

- Title transfer meeting with Friends of Badger Mountain
- Congressionally directed spending discussions with Senators Cantwell and Murray
- Off hours incident reports have been manageable
- Contractors have been very helpful

**WORKSHOP:** None

**EXECUTIVE SESSION:** At 11:27 a.m., Mr. Freeman announced on behalf of the presiding officer that the board would go into executive session to discuss with legal counsel potential litigation, in the form of litigation or legal risks of a proposed action or current practice pursuant to RCW 42.30.110(1)(i)(iii), for about 10 minutes ending at 11:40 a.m. unless extended. No action was expected following the executive session.

Members of the public were moved to the Zoom waiting room.

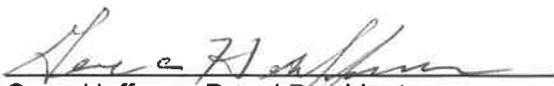
**OPEN SESSION:** At 11:41 a.m., the public was re-admitted, and open session resumed.

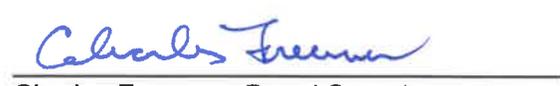
There being no further business, President Huffman called for a motion to adjourn.

**Director Rathbun moved to adjourn. Vice President McKenzie seconded. The motion carried.**

Attest:

Witness:

  
Gene Huffman, Board President  
Minutes Approved July 5, 2022

  
Charles Freeman, Board Secretary

Prepared by Doris Rakowski