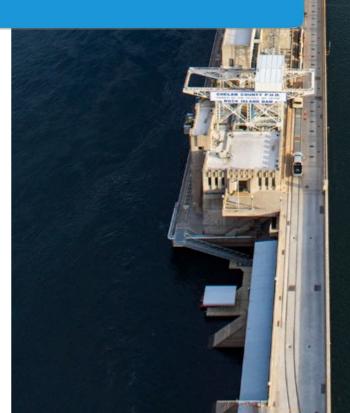
Two-Dam Independence Project Update



COMMISSION MEETING JULY 9, 2018



Today

Review Project Scope, Schedule and Status Staffing Analysis & Recommendation

Overview of Requested Action

Two-Dam Independence Project (TDIP)

June 2019 coordination with Grant County PUD/ Central ends

PUD assumes functions of Central management for Rocky Reach & Rock Island

Technology advances make this possible:

- » Sub-hourly river forecast modeling
- » Unit dispatch optimization
- » Improved energy accounting system

Project Status Update

Design work underway

Project Execution Plan accepted by project stakeholders and sponsors

Project currently on-schedule for May 29, 2019, cut-over

TDIP Commission Approvals

Approved project budget: \$3M

Commission-approved service agreements:

- » Forecast Modeling Tool (RiverWare by CADSWES 18-14240)
- » Energy Accounting System (WebAccounting by OATI 17-14174)
- » Energy Management System upgrades (Monarch)
- » Project management consulting services (Sapere 18-14250)
- Agreements executed within delegated authority:
- » Real-time plant and unit dispatch (Vista RT by Hatch)
- » Technical programming support services (Page5)

TDIP Staffing Need Analysis

- Cross-departmental study group convened
- Evaluated both internal and contract staffing options

Identified:

- » new/changed internal tasks
- » time requirements
- » constraints and requirements for meeting staffing needs
- **Used Decision Evaluation Criteria**

Preliminary approval from Senior Management May/June

Staffing Recommendations

Add a third 24/7 System Operator desk

- » 24/7 desk = 5 operators
- » 1 reassigned + 4 new hires
- » Reevaluate need 18-months post cut-over

Collect data throughout for 18-month reevaluation

Use attrition to reduce headcount if reevaluation indicates it is appropriate (3 retirement eligible operators in next 2 years)

No 2018 budget revisions

Will be included in future year budget forecasts

Decision Evaluation Criteria

Impact to Customer-Owners: \$765k/year in labor costs (until reevaluation)

Legal: can be implemented by cut-over date

Workforce/Operations Implications: allows for succession planning and risk mitigation

Impacts to Stakeholders: Supports cyber-security and participant confidentiality

Commitment to District Values: Operational Excellence

Next Steps for Staffing

Approve staffing resolution

Complete labor negotiations

Review of candidates, interviews, offers

Certification of new operators

Train all System Operators on new responsibilities





Use of Constraints to Evaluate Potential Alternatives

	24/7 Coverage	Local IBEW 77 represented	Does Not Overburden Current System Operations	NERC-Certified Operated
Using Hydro Operators				X
Absorbing additional tasks into current system operations job descriptions			X	
Using management positions		X		
Hiring two to three system operator positions	X		X	
Adding an additional four-letter system operator shift	X		X	
Adding an additional five-letter system operator shift				
Adding a temporary five-letter system operator shift				

Financial Comparison of Viable Options

	Current Mid- Columbia Coordination Budget	Permanent Five- Letter SO Shift	Limited Assignment Five-Letter SO Shift	Third-Party Outsourcing (costs sourced from past bids for 3-PUD coordinated operations)
Implementation Costs	N/A	\$2.9 million (current TDIP estimate at complete)	\$2.9 million (current TDIP estimate at complete)	\$2.8 - \$4.2 million
Two-year Startup Operations	N/A	\$900k (\$135k in ongoing system costs, \$765k in ongoing labor costs)	\$900k (\$135k in ongoing system costs, \$765k in ongoing labor costs)	\$3.3 - \$3.7 million
Ongoing Steady-State Operations	\$1,139,561 (Chelan's share = \$548,015)	\$900k (\$135k in ongoing system costs, \$765k in ongoing labor costs)	\$0 - \$900k (no ongoing steady- state costs if this position were determined no longer needed)	\$2.7 - \$3 million

Decision Evaluation Criteria Analysis of Viable Alternatives

	Add 24/7 Five-Letter Shift	Add Temporary 24/7 Five-Letter Shift	Outsourcing to a Third-Party
	IMPACT TO CUS		
Long-term Direct Costs	2	3	1
Acceptability to the Union	3	2	1
Short-term Direct Cost	3	3	1
Relative Indirect Cost due to loss of hydro optimization	3	3	1
	LEGAL IM		
Ability to implement by June 2019	3	2	1
	WORKFORCE/OPER		
Flexibility to Change	1	2	3
	IMPACTS TO OTH		
Participant Confidentiality/Participant Market Information	3	3	1
Cyber-security	3	3	1
	COMMITMENT TO		
Change in ability to meet operational requirements	3	2	1
TOTALS	24	23	11