

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, October 12, 2021
2:00 p.m.

Meetings are now open to the public, teleconference was offered during this meeting as we transition back to in person attendance. Attendance is noted below.

CALL TO ORDER: President Douglas B. Miller called the meeting to order at 2:00 p.m. as advertised.

PRESENT: Douglas B. Miller - President, Randy L. Knowles - Vice President, and Dan G. Gunkel - Secretary (via teleconference)

STAFF PRESENT: Jim Smith - General Manager, Isabelle Carroll - AP Clerk, Brandy Myers - Customer and Accounting Services Manager, Mike DeMott - Director of Finance and Power Management, Kevin Ricks - Renewable Energy Assets Manager, Jeff Thayer - Purchasing Manager, and Luann Mata - Executive Assistant.

Via teleconference: April Greenlaw - Operations Support Assistant, Mark Garner - Engineering Supervisor, Ron Ihrig - Interim Operations Manager, Geoffrey Lacefield - System Engineer, Sarah Honkala - Accounting Clerk, Brandon Johnson - Engineering Supervisor, Anita Clever - Energy Services Specialist, and Robbie Cacy - Buyer.

GUESTS:

PLEDGE: The Pledge of Allegiance was recited by those present.

MINUTES: MOTION was made by Commissioner Gunkel to approve the September 28, 2021 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Isabelle Carroll. Vouchers were audited and certified by the auditing officer as required by RCW 42.24.080, and all expense reimbursement claims presented were certified as required by RCW 42.24.090 and were recorded on a listing made available to the board this 12th day of October, 2021.

MOTION was made by Commissioner Knowles to approve accounts payable vouchers and payroll in the amounts as listed:

- Accounts Payable Voucher Nos. 211488 through 211613 in the total amount of \$1,108,318.96; Wire and Automated Clearing House (ACH) transaction Nos. 8801536 through 8801541, along with Electronic Funds Transfer (EFT) transaction Nos. 277 through 278 in the total amount of \$285,552.56 for the period ending October 12, 2021; and
- Payroll Warrant No. 211487 and ACH Direct Deposit Payroll transactions 207938 through 208024 in the total amount of \$222,378.15 for the payroll period ending September 26, 2021.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Renewable Energy Assets September update - Kevin Ricks presented highlights of the September report. The plant generated 131,788 dekatherms. This is a slight reduction from August due solely to Republic Services' well field construction activity. RNG facility operated at 100% reliability.

Michael Ashby has completed all of the training requirements for and was promoted to LFG Operations and Maintenance Technician 1.

The report was accepted as presented.

Commissioner Miller asked if there was a gas volume drop from the lack of rain in the region. Kevin feels that the geometry of the landfill has been causing the decrease in the volume output trends and he feels that volumes will increase as new capital expansions are complete as they include new cells.

Power and Finance September update - Mike DeMott presented the September update. His report provided current forward pricing of Mid-C power prices as well as Sumas forward gas prices. Summer and winter month pricing peaks have become more pronounced than in years past. He also noted that market pricing in the Pacific Northwest trading hubs have been exceeding those in California and the desert southwest, which is a change from historic relative pricing. In researching a recommendation for future hedging, Mike found that longer terms are literally not available. Sumas gas curve suggests that \$8/MMBtu gas prices could hold going into winter. Foreign exports and low inventory levels have put upward pressure on pricing.

Mike will bring back past forecast models to compare and discuss our forward price assumptions. He is also reviewing the same trends for gas pricing.

Mike has provided a fuel mix report update and included the information on our website so that employees and customers can see our sources of power supply. The general make up shows we are 76% hydro (non-emitting), 9% nuclear and 16% unspecified. Our hydro comes from BPA as well as our share of McNary and Packwood, our nuclear is from BPA, and our unspecified sources represent market purchases not from a specific generation source.

Fitch Rating results - We received our rating update from Fitch. They have affirmed our A- rating with the outlook being stable. In the eyes of the bond rating agencies, RNG is still a relatively new, unproven revenue stream. We expect that when production levels stabilize and deliverables are met consistently, this evaluation would be reassessed. Mike discussed changes and trade-offs required to likely reach the "AA" goal set in our strategic plan. Commissioner Knowles stated that he will push for us doing what is best for the utility, even if that means changing our financial rating goal in our strategic plan. They did view our debt refinance in 2021 as favorable. Commissioner Miller asked for more information concerning impacts of BPA power supply on our operating risk rating. Mike will research further and follow up with Fitch as necessary.

Our super peak schedule is started as of October 1. Mike and The Energy Authority are working on the hedging strategy for future unhedged periods. 2022 is largely hedged with exception of some winter volumes, so focus is on remaining 2022 hedges and 2023 forward. Rate design is another area of focus for Power Management with additional work in this area planned during 2022. With electrification of vehicles and pretty much any product that is currently operated by a fossil fuel being converted to electric, the future load requirements will increase. Various California entities seem to now acknowledge that there is a cost shift occurring between net metering customers and those who are not participating in net metering programs.

August Financial update - Brandy Myers reviewed the August financial statement with the board. She provided the August updates and focused on the year-end forecast.

Rate revenue is trending above where we anticipated and we expect to end the year above budget. White Creek wholesale revenue has increased based on the forward price curve. Aid in Construction revenue has increased by 300,000 in August as compared to budget expectations. Our wholesale power purchase expense increased in August by approximately 1.1 million, which is consistent with

what we experienced on our rate revenue side. Our O&M is still forecasted to end the year under budget. RNG expenses will be offset by the anticipated tax payment refund from the Department of Revenue. We expect to end the year right at budget. We also expect that we will end the year under budget for capital expenses. Another noteworthy adjustment is that customer deposits are increasing due to the increased deposit requirement of the Dallesport large service customer.

Our collection efforts since lifting the moratorium have been increasingly successful. Individuals are applying for the COVID assistance programs and making payment arrangements. We have distributed upwards of \$40,000 from the Commerce grant funding to our customers since the beginning of the month. Brandy also mentioned the positive aspects and appreciation of the office remodel in Goldendale and is looking forward to the updates in White Salmon.

Buildings and Vehicles discussion - Jeff Thayer discussed thoughts moving forward on building concepts and vehicle purchases. The Commissioners reconfirmed their decision that in today's delivery market placing the order ahead of budget approval is prudent, provided that the board agrees to the purchase before the order is placed, understanding that a formal budget approval is coming with the annual budget. Jeff then expanded the conversation regarding buildings and grounds and the board confirmed that there are no plans for replacing buildings in the near future and that maintaining the existing infrastructure is prudent, but will be a significant investment as we have been tight on budgets for the past 10 years or so. The Commissioner's asked that staff bring a facilities plan back to the board for review.

Commissioner Miller stated that he is understanding of the philosophy going forward considering lead-times; he also voiced his approval to issue the purchase order now for the small bucket truck that has the 630 day lead-time which will be delivered in late 2023. He also asked staff to look at our current budget practices and make sure that we are taking these lead times into consideration.

The White Salmon remodel quotes have been received. The first bid was for \$128,000 and the second came in at double that. The low bidder realized that they did miss a small detail, but they continued to stand behind their bid. Materials are ordered and construction is scheduled to begin the second week of January.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller stated he enjoyed meeting with the customer service and accounting groups. Brandy was very helpful with facilitation of questions and keeping the conversations going.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles met with the line crews, mechanics and warehousemen on the annual meeting day. The larger lineman group had some interesting questions that they wanted Commissioner Knowles perspective on. These items were discussed and staff follow-up will continue. He noted that we should consider even smaller groups, like by each crew, as smaller groups seem to lead to more open conversations.

Commissioner Knowles and Jim Smith attended a customer meeting in Snowden. The customers were focused on KPUD providing fiber service. It was reinforced that we support and can help facilitate, but will not provide last mile fiber service installation by Klickitat PUD.

COMMISSIONER DAN GUNKEL - Commissioner Gunkel felt that the small group conversations were very well received. The questions on vision, future power requirements and future potential investments from the engineering, meter shop, and power management departments were very well stated and everyone seemed engaged. His second meeting with the water group also lead to very interesting discussions. He enjoyed the opportunity for the small group discussions.

GENERAL MANAGER - The following items are additions to the GM report.

The complete report can be found at:

http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

Executive Session - this meeting has been scheduled on October 14, 2021. Jim asked that President Miller recess today's meeting until 12:00 Noon on the 14th. He estimated that the session would last until 3:00 p.m.

Columbia River operations - Public Power Council received comments and held a discussion at their last meeting. The question was whether to invest \$250,000 in legal expenses regarding legislation and litigation pertaining to future operation of this system. Our portion of this amount would be \$1,500 for this research. The board agreed to the expense. Jim also mentioned that several Northwest Requirement Utility employees have transitioned to work for PPC. This is a change in dynamic for future discussion.

RNG staff meeting and McNary tour - Kevin will work with Northern Wasco PUD and Commissioner Gunkel to schedule a tour of the McNary project the week of November 1. The tour will consist of a site visit and evaluation of the Northern Wasco proposed capital projects along with meeting RNG staff for their annual meeting discussion.

WebEx - We have had our meetings open to the public for a few months now, and have continued to offer a call in phone number. We would like to discontinue the use of the call in number and move back to the physical open meeting concept. The Commissioners agreed to transition back to normal meeting parameters, effective today.

AGENDA ITEMS:

- A. WASHINGTON PUBLIC UTILITY DISTRICT ASSOCIATION EDUCATIONAL SCHOLARSHIP NOMINATION - **MOTION** was made by Commissioner Knowles to approve the submission of Kennedy Berry as the 2021 Klickitat PUD nominee for the Washington Public Utility District Association Educational Scholarship drawing. Motion carried.
- B. RESOLUTION 1810 - LOW-INCOME ELDERLY RATE - **MOTION** was made by Commissioner Gunkel to approve Resolution 1810 - Low Income Elderly rate as presented stating that there is a program maximum of \$62,500 for the 2021-2022 period, which is a 3% increase from the 2020-2021 period. Motion carried.

Meeting Recessed at 4:36 p.m. This meeting will reconvene at 12:00 p.m. Thursday, October 14, 2021 to complete Agenda Item C - Executive session.

CALL TO ORDER: President Douglas B. Miller called the meeting to order at 12:00 p.m. as advertised and entered directly into Executive Session.

- C. EXECUTIVE SESSION: POTENTIAL LITIGATION MILE MARKER 28 - Per RCW 42.30.110(1)(i) - President Miller called for an Executive Session at 12:05 p.m. per RCW 42.30.110 (1)(i) noting that the session would last for 3 hours, for the purpose of discussing the Mile Marker 28 fire litigation. Jennifer MacLean, and Meredith Weinberg of Perkins Coie were present for the session via teleconference. The session ended at 2:05 p.m. No action was taken.

RCW 42.30.110 – Executive Session.

(1) Nothing contained in this chapter may be construed to prevent a governing body from holding an executive session during a regular or special meeting:

Adjourned - There being no further business, the meeting adjourned at 2:06 p.m. on October 14, 2021.

