

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, November 9, 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, Gwyn Miller - Assistant General Manager, Isabelle Carroll - AP Clerk, Brandy Myers - Customer and Accounting Services Manager, Mike DeMott - Director of Finance and Power Management, Anita Clever - Energy Services Specialist, Kevin Ricks - Renewable Energy Assets Manager, Jonah Humphreys - RNG Interim Site Supervisor, Cynthia Bruce - Accountant and Luann Mata - Executive Assistant.

Via teleconference: April Greenlaw - Operations Support Assistant, Geoffrey Lacefield - System Engineer, Ron Schultz - Engineering Manager, Robbie Cacy - Buyer and Mark Garner - Engineering Supervisor.

GUESTS: Nicole Neff and Peter Quigley of Loci Controls, Art Mains of Republic Services. Public attendance: Larry Hocter and Delmar Eldred.

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

MINUTES: MOTION was made by Commissioner Gunkel to approve the October 26, 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 9th day of November, 2021.

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

- Accounts Payable Voucher Nos. 211751 through 211870 in the total amount of \$773,032.98; Wire and Automated Clearing House (ACH) transaction Nos. 8801551 through 8801554, along with Electronic Funds Transfer (EFT) transaction Nos. 285 through 286 in the total amount of \$371,142.03 for the period ending November 9, 2021; and
- Payroll Warrant No. 211750 and ACH Direct Deposit Payroll transactions 208112 through 208195 in the total amount of \$207,823.10 for the payroll period ending October 24, 2021.

Motion carried.

PUBLIC COMMENTS: Delmar Eldred addressed the board asking what Klickitat PUD's position is on dam breaching. Commissioner Miller clarified if he was asking about our position on breaching the Lower Snake River dams. Mr. Eldred confirmed. Commissioner Miller stated that we passed a Resolution in support of the dams and will continue to support them as long as the science demonstrates they are of value.

REPORTS:

Renewable Energy Assets Manager update - Kevin Ricks presented highlights of the October report. He focused on production being 66.8% of capacity for the month. This was primarily due to the scheduled 14-day Bonneville Power Administration outage. Staff utilized this opportunity to complete our fall outage and finished substantial maintenance projects. With the outage hours, plant efficiency was 82% for the month. Kevin reviewed in detail the many projects completed during this outage duration. He also discussed the improvements that the Republic field expansion should bring to the system. There will be ten new wells once they are fully commissioned.

Power and Finance update - Mike DeMott presented the October update. He began his report following up on the Fitch rating criteria discussion from the previous board meeting as it relates to operating risk. From the rating agency perspective, our operating risk “A” rating is good. They recognize and acknowledge that BPA is the provider of choice for us, even though we have most of our power supply from one source. Our revenue defensibility score will improve as Renewable Natural Gas revenue is consistently realized over time. It may take rating periods to increase our overall rating to the AA level. The next opportunity we may seek is movement in our overall rating from a stable outlook to a positive outlook. Mike felt that moving from an “A” stable to an “A” positive rating would be a very positive and obtainable option. Consistently improving financial results should organically nudge us towards a better rating over time. Mike also reviewed the past few years of Mid-C forecast cost peaks compared to those in the CA markets. Mike also addressed a question from last meeting about BPA Power revenue and utilization of funds collected from KPUD. He evaluated our 2020 annual billing and the majority of our payment is applied to O&M, debt is next highest proportion of our billing. Commissioner Miller asked if we have any influence on how our payments are apportioned. Mike stated that during the rate case period, we, as public power, have an opportunity to provide our input.

The irrigation rate review was last completed during the 2017-2018 timeline in the Cost of Service Analysis completed by EES. Mike reviewed this write up. With the BPA irrigation discount trending down and irrigation loads increasing, the rate review is needed. Many potential rate options were discussed. Mike will contact EES and reengage them for an updated Cost of Service Analysis review in the upcoming year.

Mike discussed our CITI Bank credit limit related to our ability to conduct financial swaps with this counterparty. The board approved a 1.75 million dollar credit limit to manage risk exposure with trading partners. Historically we have exceeded expectations on our hedges and have not required increasing this limit. With the pricing volatility, we currently face the potential that credit limits could be exceeded. Policy 45 states that “we will utilize TEA’s system for establishing limits and that we will not take action that would incur a credit exposure with any counterparty greater than \$2 million without board approval”. Mike asked the board to consider increasing the limit of transactions with CITI. With price and supply volatility, Mike is concerned with open exposure for end of 2022 and 2023. Commissioner Knowles stated that these amounts were set ten years ago and they should increase with natural growth, but also as hedging and load increases. Mike will bring back revisions to Policy 45 for board review.

Mike finished his report discussing super peak October results and transmission related items including cost increases of our PGE PTP transmission and potential utilization of our 230kV system.

Customer Service update - Brandy Myers presented the department update. During last month’s report, Brandy stated that she was unsure if we would utilize the entire grant fund by the December 31 deadline. By the end of October, that is no longer a concern. She believes we will utilize the entire \$245,000 as we have received a very positive reaction to our program offerings and our customers are

very appreciative. Washington Gorge Action Program (WAGAP) also received additional funds and have been very responsive in providing assistance very quickly to those who qualify. By the end of October we had allocated \$165,000, with another \$28,000 allocated in just the past week. We have 800 customers who have received some benefit. The grant reimbursement turn around for our reimbursement has been 3 days. Most of the allocated money has gone towards residential assistance. The next highest was the COVID Senior discount. Our KHUD Senior discount program takes effect on bills issued for December. Our local Senior Services department will determine program eligibility for the 21-22 period. The eligibility is the same as last year with the discount being 5-35% depending on income. Brandy was a bit disappointed that there was not more small business interest. We had a great response to our 2020 COVID Small Business Program offering, but this round did not yield that participation. Disconnections of delinquent accounts resumed the beginning of October and is running parallel to the grant program. Staff issued approximately 300 door hangers, completed 77 disconnects and has since reconnected 60 of these accounts. These efforts yielded substantial collection and reduction of aged accounts receivable and payment arrangements. The aged over 90 days decreased by \$92,000 in the last month. Brandy explained the strategy staff employed to accomplish this success. Commissioner Knowles wanted to recognize that staff has done well working with our customers in providing opportunities to catch up.

In wrapping up her report, Brandy recognized the efforts of the communication group. She explained that online engagement opportunities provided for with Public Power week as well as the photo which ran over the summer and yielded photos that could be used in future communication and promotional materials.

Clean Energy Transformation Act Clean Energy Implementation Plan

(CEIP) discussion - Anita Clever and Mike DeMott continued the discussion on internal efforts on the development of the CEIP. Anita has published a 28 question survey to our website. She has received 52 survey responses so far. This survey will remain on the website through the end of November. This survey opportunity was advertised in the Ruralite, Facebook, bill stuffers, and of course, the website. Commissioner Knowles asked if the level of response is enough to make a weighted evaluation of current residents' position. Anita explained that the survey is required as a step in the process, but there are no requirements in the CEIP that require this input. Anita plans to bring back key comments and overall perspective once the survey period closes.

The next step is to submit a draft of the CEIP at the next meeting and ask the commissioners to set the hearing date in December. The final step is to hold a public hearing to review and approve the implementation plan for submission to the State. Commissioner Miller asked how tribal lands in our area are impacted by this plan. Anita stated that tribal land is considered part of that highly impacted community definition. We have several of these sections within our county as identified by the Washington State Department of Health interactive mapping tool. Anita will provide more information at the next meeting.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller did not have a report.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles attended the Public Utilities Risk Management Services meetings. Insurance coverage and costs were the main discussion. Gwyn Miller talked about specific rate increases. It appears the cyber and fire policies have the highest increases. These increases come with reduced coverage as well. There are also some utilities that won't qualify for coverage under these revisions. Commissioner Knowles noted that at some point, the premiums may be so expensive and the coverage so limited, we may need to start thinking about whether it is more advantageous to go without coverage in some areas. Commissioner Gunkel agreed with Commissioner Knowles and asked for more details on the premiums and coverage at a future meeting. He also noted that the PURMS group would like to schedule the Fire

Mitigation planning presentation at the June 2022 meeting.

COMMISSIONER DAN GUNKEL - Commissioner Gunkel did not have a report.

ASSISTANT GENERAL MANAGER - Gwyn Miller presented an update on current staffing. We have had a tremendous amount of change. We had a Staking Engineer resign, which led to Jared Balcom moving from White Salmon to Goldendale and the candidates are being interviewed for the open position in White Salmon this week. An offer for a Customer Service Representative has been extended. This position opening was created when Courtney Collins transitioned to a Support Assistant. There is still an Information Technology (IT) support position out for bid. In the meantime, Chris Evans is utilizing a consultant to assist him weekly. He also has the ability to utilize Energy Northwest staff as back up if needed. Operations Manager interviews are in progress. We have completed four phone interviews and a couple in-person interviews to date. This position will remain posted until a selection is made.

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

Snowden community meeting update - Jim Smith spoke with Aaron Estey, KPUD Staking Engineer and Carrie Pipinich of Mid-Columbia Economic Development District. He updated the board on the status of the fiber optic lines in the area. MCEDD is scheduled to meet with the community council next month. Jim has already contacted the council about his findings. Commissioner Knowles asked Jim to look into whether the federal funding obtained by SawNet had specific requirements around providing service that could benefit the Snowden area.

Public Hearings - We need to hold a public hearing to adopt the Clean Energy Implementation Plan and a hearing for the adoption of the 2022 KPUD Operating Budget. The preference is to hold both hearings on December 14. We will formally set the time and the date at our next meeting.

Pole test and treat bid - Last meeting Ron Ihrig discussed an upcoming call for bid for the Pole Test and Treat program. Ron wanted the board to know that the estimated cost of this bid came in under \$350,000 so staff will complete this bid from the small works roster.

Tree trimming bid - Staff will issue a call for bid for the 2022 tree trimming and right of way clearing bid. The plan will be for a hard bid of the Appleton and Rattlesnake area and a time and material bid for the rest of the scheduled work next year. We will be asking for three crews for the year and plan to complete 80 miles of trimming.

AGENDA ITEMS:

- A. CALL FOR BID: RNG Blower Equipment and Construction - **MOTION** was made by Commissioner Knowles to approve the Call for Bid for the RNG Blower equipment and construction. Motion carried.
- B. LOCI CONTROLS PRESENTATION - Nicole Neff and Peter Quigley were present to discuss the benefits of the Loci Control System and provided an update on the installation and wellfield tuning of the project. Art Mains of Republic Services was also present to support the project. Loci provided information on the products they provide and the monitoring equipment installed at each well. The equipment will alarm when any of the wells or the gas inlet is operating outside of the set parameters. Each well has a solar cellular connection and provides real time data. They are working through battery backup options for our site knowing that we are entering a time when fog and cloud cover could make solar recharging and cellular service a challenge. There will be two employees dedicated to working at our site alongside our staff and Republic employees. Loci provides an online platform

to monitor the system. It will store the data, provide trending information overtime and customized reports are available as well.

Jim Smith asked Art Mains to discuss the buildout projections with the board.

C. 2021 BUDGET PROCESS REVIEW DISCUSSION - Jim Smith provided an update on our current budget status. The first draft of the financials including the proposed 2022 budget was reviewed, along with a review of proposed 2022 expenses and capital plan. Excluding tree trimming and RNG, the Transmission and Distribution expense budget is relatively the same as our 2020 budget figures. He summarized that the draft meets our Debt Service Coverage and Days Cash on Hand metrics without an electric rate increase modeled. Accounting will provide the detailed budget along with the board packet for the next meeting.

D. REAFFIRMATION OF BOARD ACTION TAKEN AT OCTOBER 26, 2021 MEETING - **MOTION** was made by Commissioner Knowles to reaffirm the actions, listed below, taken by the Klickitat PUD Commissioners on October 26, 2021, as phone in public access was not made available. Motion carried.

- **MINUTES: MOTION** was made by Commissioner Gunkel to approve the October 12, 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 26th 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. 211615 through 211749 in the total amount of \$892,292.86; Wire and Automated Clearing House (ACH) transaction Nos. 8801542 through 8801548, along with Electronic Funds Transfer (EFT) transaction Nos. 279 through 284 in the total amount of \$1,674,704.11 for the period ending October 26, 2021; and Payroll Warrant No. 211614 and ACH Direct Deposit Payroll transactions 208025 through 208111 in the total amount of \$230,677.32 for the payroll period ending October 10, 2021. Motion carried.
- BID AWARD: MA COLLINS SUBSTATION EXPANSION CONSTRUCTION - **MOTION** was made by Commissioner Gunkel to approve the Award for the MA Collins Expansion construction to Palouse Power for the bid award amount of \$1,011,567.09 including tax. Motion carried.
- BID AWARD: MA COLLINS SUBSTATION MODULAR CONTROL BUILDING - **MOTION** was made by Commissioner Gunkel to approve the Award for the MA Collins Modular Control enclosure to Electrical Power Products, Inc. (EP2) in the amount of \$324,310.58 including tax. Motion carried.
- CREDIT FACILITY RENEWAL - **MOTION** was made by Commissioner Knowles to authorize the General Manager to sign the Bank of the West Terms and Conditions as provided. Motion carried.

Adjourned - There being no further business, the meeting adjourned at 5:39 p.m.

/S/
Douglas B. Miller, President

 /S/
Randy L. Knowles, Vice President

 /S/
Dan G. Gunkel, Secretary
Date Approved: November 23, 2021

 /s/
Luann Mata, Executive Assistant