

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
**Tuesday, July 11, 2023**  
**2:00pm**

**CALL TO ORDER:** President Randy Knowles called the meeting to order at 2:00 p.m. as advertised.

**PRESENT:** Randy L. Knowles - President, Dan G. Gunkel - Vice-President and Douglas B. Miller - Secretary

**STAFF PRESENT:** Gwyn Miller - Assistant GM, Cara Smith - Accounting Clerk, Mike DeMott - Director of Finance and Power Management, Brandy Myers - Customer and Accounting Services Manager, Mike Nixon - Operations Manager, Cynthia Bruce - Accountant, Sarah Honkala - Accounting Clerk, Isabelle Carroll - Accounting Clerk, Russ Patton - Project Engineer, Mark Garner - Engineering Supervisor, and Luann Mata - Executive Assistant/Clerk of the Board.

Via teleconference: Alex Casimiro - LFG Support Assistant, Brandon Walter - WWW Superintendent, Sohn Kartes - Materials Manager, Kevin Ricks - Renewable Energy Assets Manager, Patrick Carroll - IT Consultant, Anita Clever - Energy Services Specialist, Courtney Collins - Engineering Support Assistant.

**GUESTS:** Keith Simovic - Moss Adams Auditor

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

**MINUTES:** **MOTION** was made by Commissioner Gunkel to approve the June 27, 2023 meeting minutes as presented. Motion carried.

**CLAIMS & PAYROLL:** Presented by Cara Smith. 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 11<sup>th</sup> day of July, 2023.

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

- Accounts Payable Voucher Nos. 216673 through 216780 in the total amount of \$1,267,473.20; Electronic Funds Transfer (EFT) transaction Nos. 482 through 487 and Wire and Automated Clearing House (ACH) transaction Nos. 8801813 through 8801819 in the total amount of \$325,844.70 for the period ending July 11, 2023; and
- Payroll ACH Direct Deposit Payroll transactions 212017 through 212109 in the total amount of \$262,231.83 for the payroll period ending July 02, 2023. Motion carried.

**PUBLIC COMMENTS:** None

**REPORTS:**

**Renewable Energy Assets Report** - Kevin Ricks presented the May and June department report. May and June's renewable natural gas (RNG) production was below budget. Forced outages, Republic Services source testing and RNG control system issues were the main causes. Some of these issues have taken longer to troubleshoot due to the ongoing control system issues, but June was only 4-Dth under budget. Equipment updates and vendor discussions are ongoing to address the control issues. The team has a control system review ongoing. Chis Evans is working to simplify the network as well. Production for July to-date has been positive.

Loci completed the build out in June. There are 250 units installed. There are still 30-40 wells that don't have Loci controls, but these wells are never adjusted. Commissioner Gunkel asked when we should expect to see the positive results of this project. Kevin's feeling is that we are already seeing the positive results, but they should only get better. Kevin will review data and bring back information on production trends. Kevin also noted that this project has changed the way the operators adjust our field vacuum. They are meeting targets much more easily and gas quality fluctuations based upon weather have been significantly reduced.

Kevin reported that the Low Compression Building Air blower project has been completed. We are also moving forward with the voluntary carbon credit project.

Kevin provided an update on the Skagit public hearing regarding the Republic waste management contract. He attended the meeting and provided testimony. The Skagit Commissioners were complimentary about Klickitat County's engagement and evaluated the supporting information. However, with Republic waste transportation issues in 2021 still in the forefront of the commissioners minds, it appeared that there were no comments that would sway their decision. They made a unanimous decision to award the contract to Waste Management.

**Finance and Power Management** - Mike DeMott reviewed Mid-C pricing trends. 2023 pricing is still around \$10-12/MWh above budget assumptions. BPA Tier 2 prices for BP-24 and BP-25 are substantially below current market pricing. Mid-C market prices continue to exceed \$80/MWh on an annual basis through FY30. Mike will be attending a Bonneville Power Administration (BPA) meeting on NT Transmission related items in Portland. One of the discussion topics will be BPA's consideration of large data site customers load forecasts and transmission planning. Mike is continuing to petition for the removal of the Dallesport customer load from our forecasts.

BPA has scheduled a Post 2028 workshop July 26 along with additional public meetings in August. A public comment period will be open from August to October. Final post 2028 Policy and Record of Decision (ROD) completion is expected January 2024. The BP-24 rate case settlement has been on hold but a draft ROD has been issued indicating no change to expected BP-24 rates. BPA has informed us of a potential transmission billing error focused on Operating Reserves calculation. This billing calculation dates back to when we transitioned from Slice to Load following.

Super peak savings total \$158,465 since approving the election. On a side note, Northwest Energy in Montana is building additional natural gas plants to utilize until 2040 when their compliance requires retiring these resources. In the Northwest Energy IRP document, Small Modular Nuclear Reactors (SMR) were briefly mentioned. Last, Mike briefly discussed carbon allowances. KPUD has been allocated 37,848 for 2023 vintage allowances from ecology. The calculation method and where the funds that are raised will be allocated are still largely unknown. We also won't know our compliance obligations for the 2023 period until 2024. Staff is beginning to track this allocation and it will begin to be called out on our monthly financials. KPUD has consigned 8,600 carbon allowances, or about 20% of our allocation, to be sold during the August auction.

White Creek Wind production is short of their Tier 1 allocations due to the May scheduled outage. Excess output for the site will not be available and we anticipate they will owe us our remaining Tier 1 supply next year.

**May Update** - Sarah Honkala and Isabelle Carroll presented the financials. Income rate revenue is under budget, partially because irrigation revenue is down so far in 2023. The irrigation revenue may be due to irrigation season not coming on line as anticipated within the budget. Transmission and Generation revenue is forecasted to end the year above budget due to RNG performance and unbudgeted carbon allowance credits, which is more than offsetting out White Creek's underperformance. Our Aid in Construction revenue is down slightly from budget. We have refunded customers for payments prior to meeting all installation

requirements. This reduces our AIC income, but we anticipate those customers will complete their projects later this year. The number of projects has also decreased from previous years, which is masked because of the increase in material costs.

On the Expense side, we are slightly over budget year to date. Our year-end forecast DSC is 1.82 vs 1.69. We continue to monitor our capital spending as maintenance work increases. Our day's cash year-end forecast to be 181 days. The Department of Revenue payment is being modeled should this expense be incurred. Commissioner Miller requested that we add a line item on the expense documents accounting for the costs incurred by KPUD constructing the BPA substation project, since we are forecasting revenue payments for the project. Sarah will add in for review.

**COMMISSIONER RANDY KNOWLES** - Commissioner Knowles did not have a report.

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

**COMMISSIONER DOUGLAS MILLER** - Commissioner Miller discussed that he attended Dallesport Water District meeting yesterday. He recognized Brandon Walter's efforts clarifying rate information, the fact that the county sets the rates and discussing budgeted projects as well. A follow-up meeting on August 10 was discussed, but September may work better for all parties. Commissioner Miller spoke with Klickitat County Commissioner Zoller who stated her appreciation of the efforts of Kevin Ricks to assist the county and Republic Services in their attempt to retain the Skagit County solid waste contract. Commissioner Miller stated that he has met with two individual customers inquiring on the AMI opt out process. He will follow up with these individuals when the opt out steps are defined and available. Lastly, he is reviewing net metering legislation information and will bring this back at a future date for discussion.

#### **ASSISTANT GENERAL MANAGER** -

- Grant Opportunities - Gwyn Miller provided an overview of the grant opportunities available to us. We have a grant review committee, which evaluates when or if we seek applying for grant opportunities. In past years, we have not actively sought out these opportunities, but we are now actively seeking funding with internal staff as well as with Energy Northwest.

#### **AGENDA ITEMS:**

A. **MOSS ADAMS 2022 FINANCIAL AUDIT PRESENTATION** - Keith Simovic presented the 2022 audit results, reestablishing on site audit practices. Moss Adams issued an unmodified clean report, no findings with no material weaknesses. There were two items of note, two invoices were booked in 2023, but should have been recorded by year-end 2022. These invoices were received after the year-end AP cutoff date. There was no material impact. Brandy recognized the accounting staff and referenced their department cross training strategy. Gwyn Miller noted that this is the strongest accounting team in the history of the utility.

B. **POWER TRANSFORMERS 2023: REJECT ALL BIDS AND CALL FOR NEW BID - MOTION** was made by Commissioner Gunkel to reject all bids received for the Power Transformers 2023 Bid. Motion carried.

**MOTION** was made by Commissioner Miller to authorize staff to publish the call for bid for the updated Power Transformers 2023 bid. Motion carried.

C. **PUBLIC HEARING: ELECTRICAL INDUSTRIAL RATE SCHEDULE 3A8** - Commissioner Knowles opened the public hearing at 3:00 p.m. as advertised. Brandy Myers and Mike DeMott reviewed the updates to "Electrical Industrial Rate Schedule 3A8", noting that the change recommended was to align the industrial rate with the large general service rate schedule so that there is no

gap between the rates. At this time there are no customers impacted by this change. The meeting was opened up for public comment. There was no public comment received. Hearing no other comments, the public comment period and the public hearing closed at 3:02 p.m. and the meeting entered back into regular session.

D. RESOLUTION 1838: ELECTRICAL INDUSTRIAL RATE SCHEDULE 3A8 - MOTION was made by Commissioner Miller to adopt Resolution 1838 authorizing the updates to Electric Rate Schedule 3A8. Motion carried.

E. POLICY 21 ELECTRIC CUSTOMER SERVICE - MOTION was made by Commissioner Gunkel approving the updates to Policy 21 Electric Customer Service aligning it with the updates to Industrial Rate Schedule 3A8. Motion carried.

F. POLICY 7 CREDIT SALES: COLLECTIONS/CHARGES AND ADJUSTMENTS - Brandy Myers presented a redline of Policy 7 to discuss updates required for compliance with the new Heat Moratorium legislation. Last board meeting HB1329 outlining heat moratorium compliance requirements was reviewed. Brandy reviewed the areas within Policy 7 with noted adjustments. They included expanding language regarding utility shutoff moratoriums, updating our disconnect notice language to include clear instruction on how to reconnect during heat related events. Additionally, adjustments were proposed within the reconnect section, stating heat related reconnects need to be requested and executed during business hours, and that appropriate fees will be applied. Brandy sought board feedback and expressed the need to balance customer messaging with required language to execute delinquent bill collection processes. Brandy stated that the policy will continue to be brought forward and fees assessed as we move towards remote reconnect and disconnect. There was an emphasis on pricing the fees appropriately. Commissioner Gunkel's direction was that the utility needs to remain whole while complying with the requirements of the legislation. Commissioner Miller voiced his concern about an increase in our uncollectable accounts recognizing that disconnect and reconnect fees will be added to accounts that are already behind. Brandy will bring back recommended reconnect / disconnect language and fee assessments.

G. CARBON FREE POWER SOURCE, SMALL MODULAR NUCLEAR REACTOR INVESTIGATION UPDATE - Mike DeMott presented the update. Energy Northwest (ENW) is in discussions with an investor-owned utility regarding investment in the project. X-Energy says their cost model updates are complete but we have not seen them yet. Mike will follow up on Thursday as ENW is meeting with X-energy to review the costs. Staff continues to evaluate other Carbon Free power sources. Solar developers continue to contact landowners within the county. We are evaluating whether there are opportunities to take output from other potential renewable projects to offset our Tier 2 needs that might fit with BPA's post 2028 rate construct. Depending on the developer's distribution ability, this could pose a beneficial partnership. With having transmission systems and established rights of way, it may be possible to form a similar partnership to our White Creek Wind project.

H. FIRE MITIGATION UPDATE - Mark Garner and Mike Nixon discussed our wildfire mitigation preparedness status. Staff attended Department of Commerce / Department of Natural Resources (DNR) training June 14. This training included fire conditions outage patrol procedures, daily situational awareness, current Industrial Fire Precaution Levels (IFPL) designations, and daily weather forecasts. Mark and Mike along with their staff monitor multiple weather sites and emergency management radio channels for current situations that arise.

Throughout the county, we currently have 52 reclosers set to non-reclose. Engineering and operations staff meets, at a minimum, weekly to discuss the

addition or removal of one-shot programming of these recloser locations based on local conditions. The Commissioners asked if wire stabilizers are installed on lines in our high wind areas. This equipment is on order. In addition, this year we ordered 50 trip saver devices. 44 have been programmed and 13 have been installed so far in the Goldendale service territory and 9 in the White Salmon area. We expect to install 15-20 additional devices within the next two weeks. As these units are installed, the reclosers are placed on one shot. As of yet, we have not seen an operation on any equipment programmed on the one shot setting or with a trip saver installed. We also have staff lined up to replace hydraulic reclosers with electronic reclosers. We can obtain additional valuable information from the electronic reclosers.

Commissioner Knowles inquired if we have a “Public Safety Power Shut-off” policy. We do not have a policy, but we are following the steps outlined in our Fire Mitigation plan. We will bring the plan back at a future meeting for the board to review again. April Greenlaw also monitors and manages the fire investigation logs and coordinates responses, repairs, and billing if necessary.

A part of the plan that is being implemented is to update our construction standards in our high fire potential areas. We have instituted our Avian construction specification on the Woodland Road upgrade and we anticipate this will become a standard rather than an option in the future. This construction standard is a positive for both fire mitigation and wildlife preservation. The main change is the construction utilizes taller poles and allows for additional clearance between transmission lines, distribution lines and communications connections.

The crews and Phillip McMillan are completing distribution and transmission line inspections. We also hired a contractor to complete UAV inspections in the Glenwood Valley. The benefit of having a contractor complete the Glenwood Valley projects was timing. They had the resources to complete the inspection in two days and provide us with data so we can address issues that may not have been seen from the ground. The crews will be addressing the items on the contractors report over the next few weeks.

We have Tenneson Engineering completing the site evaluation of the Trout Lake substation property. Kemp West continues tree-trimming work up the Hwy 141 corridor. John Starr is completing vegetation management evaluations. He is inspecting previous fire areas and evaluating the trees from the ground. We are finding that a visual inspection look of the tree appears to be healthy, but at the base, it’s rotting. John is helping to identify the most critical danger trees and assigning the work based on these assessments.

**Adjourned** - There being no further business, the meeting adjourned at 4:37 p.m.

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/S/  
Randy L. Knowles, President

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/S/  
Dan G. Gunkel, Vice President

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/S/  
Douglas B. Miller, Secretary  
Date Approved: July 25, 2023

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/s/  
Luann Mata, Executive Assistant