

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, April 14, 2020
2:00pm

CALL TO ORDER: President Dan G. Gunkel called the meeting to order at 2:00 p.m. as advertised.

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

STAFF PRESENT: (All Staff listed attended via teleconference) Jim Smith - General Manager, Gwyn Miller - Assistant General Manager, Mike DeMott - Director of Finance and Power Management, Mark Pritchard - Operations Manager, Kevin Ricks - Renewable Energy Assets Manager, Ron Schultz - Engineering Manager, Brandy Myers - Customer Service Supervisor, Beth Schroder - Accountant, and Luann Mata - Executive Assistant.

GUESTS: Larry Hocter announced himself via teleconference.

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

MINUTES: MOTION was made by Commissioner Miller to approve the March 24, 2020 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Beth Schroder. 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 14th day of April, 2020.

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

- Accounts Payable Voucher Nos. 207023 and 207025 through 207144 in the total amount of \$1,466,739.22; Wire and Automated Clearing House (ACH) transaction Nos. 8801305 through 8801310, along with Electronic Funds Transfer (EFT) transaction Nos. 123 through 124 in the total amount of \$1,244,155.21 for the period ending April 14, 2020; and
- Payroll Warrant Nos. 207024 and ACH Direct Deposit Payroll transactions 204509 through 204591 in the total amount of \$187,806.67 for the payroll period ending March 29, 2020.

Motion carried.

PUBLIC COMMENTS: Mr. Hocter expressed his thanks to the PUD and our staff for the job they are doing to look after customers during difficult times.

REPORTS:

Power Management Report/Financial Update - Mike DeMott presented the March report. Mid C power pricing and Sumas gas pricing was reviewed. We have made additional hedging swaps for 1st quarter 2021 and March 2021 with prices secured better than budget. Renewable Identification Number (RIN) / Low Carbon Fuel Standard prices have declined recently partially due to the decline in forecasted fuel use due to the Covid-19 pandemic. The KPUD share D3 RIN and LCFS pricing was reviewed.

The California Air Resources Board (CARB/LCFS) pathway certification process had stalled due to the inability of completing site certifications, again due to travel

restrictions. CARB has revised their processes and is allowing virtual site visits and we expect to complete this process within the next few weeks. Typical Carbon Intensity (CI) numbers for landfill gas sourced Renewable Natural Gas are “typically” between 30 and 60. Our calculated CI number is currently 38, so we should be right on track to meet our goal of being one of the lower CI projects in the country.

The RNG contract process is in the final stages of review by British Petroleum (BP). They have completed approvals of the revisions to the Transaction Confirmation within the United States. We are told BP is completing an informal review in London.

Overall, the financial outlook for 2020 is below budget. We know that our revenues will be under budget this year. Our RNG production is below budget due to decreased well field output. Our wind generation has been high in the first quarter, but with lower prices, we expect to be around \$200,000 below budget in revenue from this source this year. We had a mild January and February with a slight recovery in March for retail sales. We began the year with \$3 million more in cash than budgeted.

Renewable Energy Assets Report - Kevin Ricks presented the department report for March. The plant produced 136,818 dekatherms in March, which was an increase from February. We produced an average of 4,420 dekatherms per day.

On March 11th we had an unscheduled shut down due to carbon build up on the Amine system control valve. Staff removed the carbon and inspected the equipment. No additional corrosion was identified, but staff replaced carbon media and improved the screening to avoid this issue in the future. This shutdown resulted in a loss of production of 5095 DTH or a little more than 24 hours of production.

Kevin also stated that he sent a letter to Republic Services to address concerns regarding their intent to stop re-injection of leachates and instead, diverting this flow to new evaporation ponds. We believe this is a contractual requirement and their actions will negatively impact well field output. Republic is dealing with issues regarding the current coronavirus situation. We have heard that they have experienced a 40% loss of waste volume this month and that has prompted them to lay off 30 employees this week at the Roosevelt site. The Commissioners inquired of impacts to our gas production from the waste reduction. Kevin estimated that this would be an impact six to twelve months from now, and would depend on how long the COVID event impacts volumes. This makes maximizing the wellfield even more crucial. We also have begun to work with Republic on a project to increase well density. This project will add 6 wells and is funded by the District because it is adding increased density. Kevin believes if we get good flow, payback could be less than two months.

COMMISSIONER DAN GUNKEL - Commissioner Gunkel reported that the state has allocated \$5,000,000 dollars to assist small businesses impacted by the shutdowns. He was informed that \$80,000 was allocated to Klickitat County. Applications are available and will be reviewed by the Klickitat County Commissioners for distribution of available funds. They have received 34 applications so far. He also asked for staff input on programs to assist our customers. This discussion was tabled until the General Manager’s report.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller reported that he will attend the WPUA meetings tomorrow and Thursday via Zoom. He mentioned that we have a scheduled meeting with the Klickitat County Commissioners at the end of April. With the current situation, it was discussed that staff would work with county officials to devise plans for customer assistance programs and processes, and the Commissioners asked staff to cancel our joint meeting.

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

GENERAL MANAGER - The complete report can be found at:
http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

In addition to the written report, Jim Smith presented the following information:

- Customer Service Update - Brandy Myers and Commissioner Gunkel have been working with Klickitat County leaders on evaluation of how to best support those that are being impacted by the COVID-19 pandemic that may not have access to State or Federal support. This has resulted in Commissioner Gunkel and County Commissioner Sizemore speaking about program options for small businesses. Brandy Myers and Dave McClure have taken this discussion and have been working on program options.

Mike DeMott reviewed the District's high-level financial status. Net Revenues are expected to be down by around \$2.0 million. This will adjust our Debt Service Coverage (DSC) numbers from 1.5 down to 1.35 and our days cash projections are still about 250 days.

Jim reviewed his thoughts on the impacts we will see from the pandemic. Brandy's current estimate is that we will see a \$25,000 increase in write offs, and a decrease in fees and late payment penalties of about \$80,000 if the situation lasts 3 months. Jim also sees about \$250,000 in capital funds moving from capital to expense as we adjust the type of work we do due to the COVID situation. This is primarily due to an increase in vegetation management activities which is an increase of contract crews and an increase in trimming done by our own line crews. He also sees us being underspent in capital projects by \$2 million. Jim believes that this, combined with the work done by accounting and Mike, results in a year-end forecast of DSC at 1.3 and days cash on hand of 260 days. Jim's comment was that our DSC is lower than what we want it to be, but we do not have a cash issue. This is kind of a financial situation report to now carry on the discussion about customer support.

Brandy stated that our Operation Warm Heart has an available balance of \$14,000. This program is currently only available to residential customers. We do not have changes to this program proposed yet.

The Low Income Home Energy Assistance Program (LIHEAP) has available funds and previous recipients who are already prequalified may be eligible for an additional \$500 in assistance.

Brandy's conclusion supports Commissioner Gunkel's thoughts that there are assistance options available for residential customers, but small business options are limited. The County Economic Development Department has already received 34 applicants from this group of businesses that would serve as a good starting point for a program. Programs that could potentially benefit businesses were therefore discussed. The conclusion of the Board was to target those impacted and to try not to implement broad ranging programs. Brandy was asked to continue to work with Dave McClure on developing ideas for programs that target this group of small businesses. She will also work with the County to ascertain if they can "implement" the program as a third party for us given they have already started working to support this group for the same reason we are interested in supporting that group. The Commissioners asked staff to evaluate what options we legally have to allow us to provide relief program funding and bring back proposals next meeting. They also asked staff to consider a program that includes assisting these businesses as they try and restart after the COVID-19 situation.

- WWW Rate Hearings - Jim is completing a budget review. The preference will be, if budgets support, no rate increases for the water and wastewater systems in 2020. Budget review will determine our recommendation to the Board. We plan to have that information at the next meeting. We are also completing a review of general facility charges and connection fees. Our recommendations of these fee adjustments will be provided at the next

meeting as well. If it's determined to forego rate adjustments this year we will not hold a Public Rate Hearing for water and wastewater rates in May. The general facility and connection fees are not rates and only require Board action, not a public meeting. Our plan will be to send each customer a letter explaining the changes to the fees acted on by the Board, and provide them with a response period before any fees are adjusted. Sharon Blodgett will send out letters at the beginning of May and track any responses received.

- Joint meeting - We will cancel our Klickitat County joint meeting scheduled for April 28th as requested. Brandy will continue to work with Dave McClure and Commissioner Gunkel will follow up with Commissioner Sizemore.
- Fire Mitigation planning - Mark Pritchard will expand on this subject in his next report. However as mentioned above we have increased our focus on protective equipment that would assist with fire mitigation as well as vegetation management. We have hired Brown and Kysar, Inc. to assist us with development of a formal fire mitigation plan. We have been involved in planning and fire mitigation work for years, but we feel a more formal plan will provide benefit to the District. A public hearing process and a formal Board presentation from Brown and Kysar, Inc. is part of the plan development.
- Rate design for future - Staff has been planning a pilot automated metering system that includes remote disconnect/reconnect and prepaid metering options. Brandon Johnson has been leading this process. This would also provide the ability for us to start to explore our rate options that would support the Commissioners' desire to evolve our rate design. We will be bringing you more information as the pilot project develops.
- Klickitat Valley Health Micro Grid Proposal - we have had several discussions over the past year with Johnathan Lewis, who is the Physical Plant Manager at Klickitat Valley Health (KVH), regarding partnering on a community solar project that could also help with improving their back up generation equipment. Representative Mosbrucker has been working with them on acquiring grant funding for a district heating program and a micro grid project. While we do not have any interest in the heating project, the micro grid project is something that could help with both the KVH back up generation and a community solar project. In addition, with Dave Warren's participation, there is a possibility of incorporating a Toyota 100kW fuel cell demonstration project. If we add storage, there is a very interesting system that we could work with them on and develop many ideas on what our future electric system could look like. They estimate the funding costs required to be \$170,000. I have offered that we would like to participate and if that involves any funding, I will come back to you to discuss.

AGENDA ITEMS:

- A. NATIONAL OCEANIC and ATMOSPHERIC ADMINISTRATION FIRE SEASON OUTLOOK PRESENTATION - Jim discussed that NOAA is forecasting that our area is in a drought season pattern, so we should be anticipating a relatively high fire season this year. The Board was shown the NOAA presentation.

Adjourned – There being no further business, the meeting adjourned at 3:48 p.m.

/S/

Dan G. Gunkel, President

/S/
Douglas B. Miller, Vice President

/S/
Randy L. Knowles, Secretary
Date Approved: April 28, 2020

/s/
Luann Mata, Executive Assistant