

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, February 8, 2022
2:00pm

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

PRESENT: Douglas B. Miller - President and Dan G. Gunkel - Secretary

STAFF PRESENT: Jim Smith - General Manager, Gwyn Miller - Assistant General Manager, Isabelle Carroll - AP/Accounting Clerk, Mike DeMott - Director of Finance and Power Management, Kevin Ricks - Renewable Energy Assets Manager, Brandon Johnson - Engineering Supervisor, Mark Garner - Engineering Supervisor, Ron Schultz - Engineering Manager, and Luann Mata - Executive Assistant.

Via teleconference: Brandon Walters - Water/ Wastewater Superintendent, Cynthia Bruce - Accountant, Brandy Myers - Customer Service Supervisor, Ron Ihrig - Interim Operations Manager, Mike Nixon - Operations Manager, Geoffrey Lacefield - Project Engineer, Jeff Thayer - Materials Manager, Brandon Walters - WWW Superintendent, April Greenlaw - Operations Support Assistant, and Courtney Collins - Engineering Support Assistant.

GUESTS: Larry Hoctor was present for the meeting and Athan Tramountanas was present for the executive session via teleconference.

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the January 25, 2022 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 8th day of February, 2022.

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

- Accounts Payable Voucher Nos. 212521 through 212523 and 212525 through 212617 in the total amount of \$555,504.81; Wire and Automated Clearing House (ACH) transaction Nos. 8801584 through 8801590, along with Electronic Funds Transfer(EFT) transaction Nos. 312 through 314 in the total amount of \$301,194.80 for the period ending February 8, 2022; and
- Payroll Warrant No. 212524 and ACH Direct Deposit Payroll transactions 208730 through 208817 in the total amount of \$237,525.29 for the payroll period ending January 30, 2022.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Renewable Energy Assets Report - Kevin Ricks presented the January update. The plant reliability factor was 92% and capacity factor was 82.6%. He discussed the two issues that led to the capacity factor below our target of 95%. RNG staff continues to work with Loci in stabilizing the well field and increasing production.

Loci added another full time well field technician. They have also updated control programming to reflect the needs of our system, upgraded batteries, and are evaluating strategies to reduce power use by spreading out the number of measurements to get longer run time on batteries during periods of inclement weather. Loci has identified 6 more wells that could benefit from adding of a Loci control unit and are in the process of completing those installs as part of our existing contract. Kevin provided two graphs to illustrate 2022 production compared to 2021 and to show year to date actual production versus budget. Apart from the January unplanned outage, daily production has been consistently above 2021 output.

Kevin also discussed a number of plant reliability, efficiency and safety projects initiated and completed by plant technicians. He said bit by bit, every little project that makes the plant more reliable and easier to operate continues to pay dividends in production and safety.

Kevin and Mike DeMott participated in the McNary 1st quarter owner's project committee meeting with Northern Wasco staff. Our major focus was to ensure meetings and processes identified in the operating contract are being followed. NWPUD and KPUD agreed to appoint a technical advisor who will participate as a voting member of the committee. After a process, Kurt Conger and Kevin interviewed and hired Kevin Marshall as the Technical Advisor. He will start on the proposed elevator and stairway project review.

Kevin also met separately with the Army Corps of Engineers' McNary Operations Project Manager and Operations Manager regarding the status of access to the project, specifically condition of the stairs and elevator. They walked down the proposed stair project and reviewed all of the renovations made to the current elevator. The Corps stated that they don't feel either of these items are a safety concern, noting their employees use both on a daily basis. They concurred that the stairs are unsightly, but that they are no different from other infrastructure they operate and maintain and that they would address issues if they do become a safety concern. They also reviewed the elevator. The Corps confirmed that the elevator was completely rebuilt, including new pulleys and cables. Kevin noted that the current permit had inadvertently expired, so the Corps is currently working to get this reinstated. The elevator does have a safety alarm that goes to the Corps' control room that is manned 24/7. If anyone were to be stranded in the elevator, there are individuals monitoring this and there are standard protocols for response. Commissioner Gunkel stated that the elevator and stairway are Corps property and are outside of the NWPUD/KPUD operating agreement.

Power and Finance Report - Mike DeMott presented the future wholesale power curves. Mike reviewed the 2022 power financial hedges; they show benefit to our overall annual wholesale power expense. At this time, our hedges are \$1.6 million positive mark to market. Mike has executed a 5MW HLH hedge for Q2 2024 at \$29.50 and he will continue to reduce our longer-term wholesale power market exposure as discussed at previous meetings. White Creek's January generation and resulting revenue is down versus budget. However, this may yield yearend positive results, as it should push generation we receive out to months in Q4 where prices are better.

The Bonneville Power Administration Post 2028 contract discussions are continuing. PUD's through Northwest Requirements Utilities (NRU) and the Public Power Council (PPC) are trying to provide BPA with input with respect to the setting the Tier 1 system size and allocation options. KPUD would benefit from a larger Tier 1 and a re-allocation based on a more recent year than the existing 2010 base due to our load growth. Regional analysis is focusing on determining if there is more value to customers if Tier 1 is larger, therefore decreasing Tier 2 power purchases for customers, versus a smaller Tier 1 and more BPA secondary sales revenue.

The 2022 Cost of Service Analysis process is underway with information being provided to EES Consulting for analysis. The McNary Renewable Energy Credits for

2022 were budgeted at \$0.85/REC and bids received were for \$1.75/REC so this will provide additional revenue to KPUD.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller discussed the Washington State compliance audit exit interview and our position that their one issue should not have risen to the level of a finding. The State Auditor confirmed that they have assessed findings to other utilities for this same issue and are not changing their finding. The issue is that we did not obtain affidavits from bidding contractors that states they do not have any outstanding issues with L&I or the State with respect to labor requirements. He commended our staff on their fine efforts they make keeping our PUD in compliance with state law.

Commissioner Miller also listened to Washington Public Utility District Association legislative update meeting last Tuesday.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles was absent from the meeting.

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

ASSISTANT GENERAL MANAGER –

- Outage Debrief - Over the past several weeks, we completed two outage debriefs with both crews and office staff following our January storm outages. Both of these meetings focused on teamwork, process, communications and new technology. The team identified inconsistent radio communications and the need for additional training for newer staff on the roles in the field and within the office. All of the discussions were very positive and productive. We will develop training and will continue to focus on working with Klickitat County Emergency Management directors on radio repeater site reliability. Gwyn also focused on the fact there is no printable procedure that works with every circumstance. Therefore, we will focus on education of roles and less on a document that describes each action. She also stated that in every situation safety would always be the priority and emphasized that we are very pleased that there were no injuries during the outage.
- Recruitment - Gwyn updated the board on the status of lineman recruitment practices within the area. We currently have two unfilled positions, which have been open for approximately two years. Gwyn asked the board grant herself and Jim latitude when recruiting for critical hard to fill positions. Commission Gunkel asked if this was a regional problem. Gwyn stated it was a national problem. However, we would prefer to pull candidates from the northwest regional pool, as they are trained and tested under the same criteria our apprentices and journeymen. Gwyn said we are considering recruitment bonuses and a finder's fee for staff who find qualified candidates that we end up hiring. After discussion, the Board concurred. Gwyn will continue to update the board on recruitment efforts.

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:

- Current Legislative session - The new bill cutoff date was February 3. Jim discussed several pending bills. Two of significance are SB 5803 and HB 1623. SB 5803 is the wildfire risk bill proposed by Senator Rolfes. As it currently stands, the bill states that utilities will create a fire mitigation plan and will submit it to the Department of Commerce for review to ensure compliance with state requirements. SHB 1623 is the Mosbrucker electric system reliability bill, which is moving. However, with its revised wording, the original intent may have gotten lost. Rick Dunn of Benton PUD stated that NERC (North American Electric Reliability Corp.) issued a paper

concluding that the Pacific Northwest is at high risk of supply side caused outages in the future, if they continue down the path of 100% renewables. Kevin Ricks and Dave Warren are watching the renewable hydrogen bills as well as methane emissions bills that could affect Republic Services. We want to make sure that we are abreast of the requirements in case there are ways we can collaborate with Republic to ensure that our RNG project remains successful.

- Utility Rate comparisons - As of January 2022 we have moved from eighth highest to tenth highest in the state for utility rates. Our historic position has been number four. Our strategic planning strategies have assisted us in moving towards our board directed goal of fifteenth out of 35 utilities. With Clean Energy Transformation Act (CETA) requirements coming into effect, many utilities have stated that rate increases are imminent. Puget Sound Energy for example has stated that they anticipate a rate increase of 12.8% in 2023. If other utilities do the same, we are in a position to successfully meet our goal.
- Dallesport Wastewater System - Jim met with County Commissioner Dave Sauter and David Quesnel today to discuss the potential transfer in ownership of the Dallesport wastewater system from Klickitat County to the PUD. County and PUD staff are already working on this. The main two issues are the effects on rates of the county no longer providing the capital for the system and the funding of the capital work required after 20 years of operation. The intent is to allow for a decision by KPUD and Klickitat County on transferring the system by year-end if it works for both parties.
- Wildfire Mitigation Plan - Staff met on Monday to review the draft of the mitigation plan. We will schedule a presentation of the plan to the board by staff and Brown and Kayser in the next couple of months.

AGENDA ITEMS:

- A. ANNUAL PROFESSIONAL SERVICES PREQUALIFICATION 2022: MOTION was made by Commissioner Gunkel to approve the addition of all of the firms presented and agree to add them to the Professional Services Roster for the 2022 period. Motion carried.
- B. PREQUALIFICATION OF CONTRACTORS: MOTION was made by Commissioner Gunkel to approve the addition of all of the contractors presented and agree to add them to the Construction Works Roster for the 2022 calendar year. Motion carried.
- C. EXECUTIVE SESSION: Review of Real Estate Sales or Lease of Property options per RCW 42.30.110 (1)(b) and (c) - President Miller called for an Executive Session at 3:40 p.m. per RCW 42.30.110 (1)(b) and (c) noting that the session would last for 20 minutes, for the purpose of discussing property sales or lease. The session was extended for an additional 20 minutes to complete the discussion. The session ended at 4:19 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 4:20 p.m.

/S/

Douglas B. Miller, President

