

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, April 12, 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, Randy L. Knowles - Vice President, and Dan G. Gunkel - Secretary

STAFF PRESENT: Gwyn Miller - Assistant General Manager, Isabelle Carroll - AP/Accounting Clerk, Cynthia Bruce - Accountant, Kevin Ricks - Renewable Energy Assets Manager, Mike DeMott - Director of Finance and Power Management, Jeff Thayer - Materials Manager, Jonah Humphreys - LFG Site Supervisor, Leonard Swift - LFG O&M Tech, Michael Hauner- LFG O&M Tech, and Luann Mata - Executive Assistant

Via teleconference: Robbie Cacy - Procurement Specialist, Brandy Myers - Accounting and Customer Services Supervisor, April Greenlaw - Operations Support Assistant, Daniel Bartholomew - LFG Instrument & Controls Tech, Jim Brokaw - Metershop Superintendent, LFG Control room Personnel, and Courtney Collins - Engineering Support

GUESTS: Kevin Nordt- Grant PUD, Mary Nordt, and Larry Hoctor.

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the March 22, 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 12th day of April, 2022.

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

- Accounts Payable Voucher Nos. 212991 and 212993 through 213111 in the total amount of \$1,053,132.87; Wire and Automated Clearing House (ACH) transaction Nos. 8801615 through 8801624, along with Electronic Funds Transfer (EFT) transaction Nos. 330 through 334 in the total amount of \$529,445.97 for the period ending April 12, 2022; and
- Payroll Warrant No. 212992 and ACH Direct Deposit Payroll transactions 209088 through 209173 in the total amount of \$228,803.63 for the payroll period ending March 27, 2022.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Renewable Energy Asset March Report - Kevin Ricks began his report by discussing well production and the Loci system. Since implementing the dynamic tuning, well production seems to have stabilized. However, Loci took a very conservative approach to their tuning parameters, which did not yield the increase in gas production we should have seen. Kevin feels that the Loci system could be a bit more aggressive, since the dynamic tuning data leads us to believe that the gas production is stabilizing. There is a meeting scheduled with Loci later this month to

discuss the tuning options. We still feel that Loci will yield a positive return on our investment and expect to see this value grow over the next several months.

Staff completed the annual spring maintenance shutdown last week. The outage was scheduled for eight days. Five days of maintenance with three days to restart. Due to the successful improvements made to the system the three day start up schedule was reduced to two days. Windy weather was challenging since most of the required work was outside. Kevin highlighted a few of the projects completed. He also mentioned that the meter shop and electric crew outage timing was planned out well. Unfortunately, the plant went down a bit early due to an unplanned BPA outage on their 500kVA transmission system. Fortunately, everything worked out; but staff was concerned about the restart since the system went down prior to manual shutdown.

Lastly, Kevin and Mike DeMott will attend the McNary Klickitat Public Utility District /Northern Wasco People's Utility District operating committee meeting scheduled April 13, 2022. They will provide an update at our next meeting.

Power and Finance Current update - 2022 Mid-C Forward Prices vs 2022 budget were reviewed and show substantial increases have occurred. Current day ahead pricing was \$101 on peak and \$88 for off peak. US Natural Gas Storage is at low levels and near the lowest levels seen over the 2015-2020 period. News of increased LNG exports will put additional downward pressure on gas inventory levels. These factors combined with recent cold weather events have contributed to increases in market power prices. With likelihood this will continue, hedges were executed for 2022 Q4 LLH and Jan-Feb HLH and LLH. 2022 hedging continues to provide positive outcomes for KPUD as hedges prices are below current market prices.

Washington Climate Commitment ACT (CCA) related items were discussed with focus on carbon content of several power supply options. With a January 2023 start date to the CCA there are still several unknowns including: allowance allocations to be received by KPUD, cost \$\$/metric ton that will be 'charged' to the utility, as well as the potential value of allowance. We are also seeing that Slice customers are looking to transition away from their committed sourced projects and move back to a Bonneville provided product due to all of the unknowns at this time. The carbon emissions threshold under the CCA is 25,000 Metric Tons (MT) per year. Carbon emission rates measured in MT/MWh was presented for several resources showing the resulting annual carbon emissions for each resource under a variety of Tier 2 MWh scenarios. Our Tier 1 BPA share of roughly 36aMW would result in 6,075 MT of emissions and this value was included in all scenarios. Under all scenarios presented, KPUD would exceed the 25K annual MT limit with the exception of utilizing BPA or another for Tier 2.

White Creek Wind (WCW) output was discussed as a potential resource to serve load due to the low carbon nature of the resource. Previously WCW has not been considered for use in serving our above BPA load requirements due to shaping related costs. Now with increasing forward power prices and carbon cost concerns WCW with shaping charges applied may be a competitive option. BPA is to provide actual shaping costs and KPUD may consider utilizing WCW output during the BP-24 period.

The KPUD strategic plan requires an assessment to be completed by fall of 2023 of power supply options for KPUD to utilize during the post-2028 period. A matrix of options being reviewed was presented to the Board. This list will continue to be presented and discussed but at this time it was determined that the list is comprehensive with no major exclusions found.

The Public Power Council has presented the Post-2028 Concept Paper to BPA on 3/31. Key items in the letter were presented to the Board. Mike would like to meet internally to talk through concepts. This review will assist Mike with his focus on areas that could potentially impact us.

January and February Financials - Cynthia Bruce presented the monthly financials for January and February. The forecasted revenue for year-end shows minimal variances across rate revenue classes. Renewable Natural Gas (RNG) production is slightly under budget so far this year, though WCW revenues are predicted to end the year in our favor based on current market pricing and forward price curves. Interest income is slightly increased based upon Local Utility District payments. On the expense side, wholesale power costs have increased and are predicted to end the year \$150,000 over budget. The remaining year-end expense forecast remains unchanged at this time. Our O&M labor is over budget year-to-date due to the January storms, which may qualify for Federal Emergency Management Agency (FEMA) reimbursement. Debt Service Coverage is forecasted at 2.16 compared to 2.12 budgeted. The only change to forecasted year-end for items of cash significance is within capital expenditures: we increased the expected spending by \$800,000 due to projects that will be completed in 2022, but had not been included on the 2022 budget. Our forecasted days cash on hand is 208 days, up from 192 budgeted.

Cynthia also updated the Board on current Accounting department activities. The utility began our 2021 Financial Audit with Moss Adams April 4. It is anticipated that we will have provided all necessary reports by April 15. We also expect to have the audited financials back from Moss Adams in mid-May. Our 2020/21 winter windstorm qualified for FEMA reimbursement. We do not have an expected reimbursement date yet. April and Cynthia are also beginning the filing process to seek reimbursement for our 2022 winter storm.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller stated he would be attending the Lyle community meeting tonight and the WPUDA association meetings by zoom on Wednesday and Thursday this week. He also stated that he attended the Klickitat Community meeting last week and that the meeting was well attended.

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

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

ASSISTANT GENERAL MANAGER -

- **FEMA** - April Greenlaw reported that we have completed an initial submission to FEMA for the January 2022 storm event. FEMA has approved our 2021 windstorm event for reimbursement. This event was approved at a 90% reimbursement, but typically, if approved FEMA reimburses at 75% of total costs submitted. April stated that since NISC has a better way to track outage costs through a “tracking work order” it has increased our ability to smoothly acquire, produce and provide storm damage costs. Commissioner Miller asked if there is a trigger where a “tracking work order” would be created. At this time a work order is created dependent on how quickly events transpire or how wide spread the reporting areas are. April elaborated that we are more inclined to create tracking work orders, because we have the ability to close them out at any time if they don’t transpire into something larger, but it gives us a central location to gather costs and information for recalling at a later date if needed.
- **Supply Chain update** - Jeff Thayer began the discussion stating that we have a combination of 150 Overhead 15 and 25kVA transformers in stock. He discussed the inventory items that were secured from a PGE surplus sale. We purchased 22 pad-mount 25kVA transformers. These should be delivered this week. The cost was actually a little cheaper than market pricing. We have an order of 60 transformers scheduled for delivery in May and with the arrival of those, we are back up to our normal construction use inventory levels. Should we have a construction year like last year we will not have enough inventory yet, but we will evaluate our needs prior to December when the next transformer delivery is scheduled to be received. Jeff will continue to search for transformers as we move throughout the year. All other inventory items

are at normal usage stock levels for the year. Our annual inventory count process will be completed next week. Lastly, Jeff asked that the commissioners be aware that the stock levels and the inventory value amounts will be higher than typical years.

- WS office remodel - Jeff also updated the board that the general contractor is almost complete. The carpet layer was in on Monday and found that the glue used on the carpet had adhered to the linoleum tiles underneath and when they pulled up the tile they found what could potentially be asbestos. This dust is being tested now and Jeff will provide testing results at the next meeting. Should this require abatement, it would potentially delay the reopening 3-4 weeks. Otherwise, we are looking to reopen the office on April 25.
- NWPPA Annual E&O conference - is being held this week in Spokane. Brandon Johnson, Mike Nixon, and Mark Garner attended the event and will provide an update at the next meeting.
- Staffing - Jeff Speelman has resigned. With our current crew levels, we have engaged the Operations staff to assist us with creative scheduling for standby and call. We are asking Goldendale crewmembers to backfill coverage. Staff is being creative with their coverage options and we have a Dock crew beginning on Monday. However, response times may be impacted as we navigate these challenges.
- Recruitment/sign-on bonus - Gwyn stated that she has drafted a sign on bonus for critically hard to fill positions. The general proposal is a \$15,000 signing bonus in exchange for a two-year commitment. A portion received upon hire, another portion at 6 months and so on until they reach their two-year commitment. This proposal also includes a finder's fee component to award to staff for assisting with the recruitment process should their recommendation be awarded the position. Recruiting for other positions has been challenging as well. We have another IT position opening at the end of the week. Rick Adams has tendered his resignation. Therefore, we will have two job openings in the IT department to fill.
- Summer student positions - are posted. We have received some response and expect to interview in the coming weeks.

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

AGENDA ITEMS:

- A. REVIEW OF GRANT PUD/ENERGY NORTHWEST SMALL MODULAR NUCLEAR REACTOR PROJECT DISCUSSION @ 2:15 PM - Kevin Nordt of Grant PUD was present to promote the Grant PUD/Energy Northwest Small Modular Nuclear Reactor (SMR) project.

Mr. Nordt provided a brief background of his experience with both Grant PUD and Energy Northwest. He reviewed Grant PUD's past project accomplishments, struggles, and successes regarding previous projects and project management. He was extremely proud of the fact that they have been very successful completing projects on time and on budget. He discussed Grant PUD's philosophy regarding the SMR's. He reviewed cost effectiveness of this carbon free power resource stating it can provide firm, dependable, dispatchable carbon free power. SMR's have high capacity factors with a smaller footprint than other renewable power resources can provide. Commissioner Knowles asked about the efficiencies with this source. The Range is from 15% to full power over a 3-day period, they can be ramped up or down dependent on need, but it is not an immediate process.

