

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, May 10, 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: Jim Smith - General Manager, Isabelle Carroll - AP/Accounting Clerk, Jeff Thayer - Materials Manager, Brandon Johnson - Engineering Supervisor, Kevin Ricks - Renewable Energy Assets Manager, Mike DeMott - Director of Finance and Power Management, Cynthia Bruce - Accountant, Gwyn Miller - Assistant General Manager, and Luann Mata - Executive Assistant

Via teleconference: Robbie Cacy - Procurement Specialist, Brandon Walter - Water/Wastewater Superintendent, Mark Garner - Engineering Supervisor, Anita Clever - Energy Services Specialist, Brandy Myers - Customer and Accounting Services Manager, Alex Casimiro - RNG Support Assistant, and Courtney Collins - Engineering Support Assistant

GUESTS: Larry Hocter - present, Brain Skeahan - via teleconference

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

MINUTES: **MOTION** was made by Commissioner Knowles to approve the April 26, 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 10th day of May, 2022.

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

- Accounts Payable Voucher Nos. 213249 through 213337 in the total amount of \$791,743.48; Wire and Automated Clearing House (ACH) transaction Nos. 8801632 through 8801639, along with Electronic Funds Transfer (EFT) transaction Nos. 341 through 343 in the total amount of \$266,065.62 for the period ending May 10, 2022; and
- Payroll Warrant No. 213248 and ACH Direct Deposit Payroll transactions 209263 through 209347 in the total amount of \$263,990.92 for the payroll period ending April 24, 2022.

Motion carried.

PUBLIC COMMENTS:

REPORTS:

Renewable Energy Asset Report - Kevin Ricks presented the April updates. In addition to the planned outage discussed during the last report, there were three forced outages in April. However, even with the additional unscheduled outages, the plant yielded its highest production to date. We produced 103,656 DTH, which was 9,031 DTH production better than budget. Year to date, we are 3,664 DTH ahead of budget. Kevin reviewed the projects accomplished during the planned outage down time.

He stressed in his report that we had a “symphonic restart” and wanted the commissioners to understand why he felt this was an accurate description of staff’s contributions. He stated that everyone came together to work as a team to accomplish all of the projects slated for the outage timeframe. This was an “all hands on deck” approach and required a good plan, efficient workers, with known goals and tasks to accomplish to the best of their ability in order to make this restart successful. The entire RNG staff did an amazing job and had the plant back in full operation nearly 48 hours earlier than expected.

He also updated the board on the Loci performance to date, which the April production results confirmed. RNG staff continue to have conversations with Loci staff weekly to maintain parameters to keep production increasing.

Kevin and Dan Waino traveled to San Luis Obispo, California to evaluate potential opportunities of incorporating organic waste digesters, into our power production portfolio, that would provide KPUD another fuel source as it relates to the Washington State HB-1799 organic waste diversion law. It was an opportunity to evaluate risks and opportunities. Kevin will discuss findings with Republic to see if there are opportunities to work together on a future project.

The McNary project meeting was discussed. The group met on April 13, 2022 to discuss the outstanding projects. Both parties are committed to working through the process.

Power and Finance current update - 2022 Mid-C Forward Prices vs 2022 budget as well as longer term trends were reviewed and show pricing increases have continued since last report was given. Sumas natural gas pricing was reviewed compared to budget and has also shown increases. US Natural Gas Storage remain at low levels and are near the lowest levels seen over the 2015-2020 period. Delayed runoff and cooler weather has supported NW gas demand and pricing. Overall pricing continues to be volatile.

Policy 45 states that we will not execute hedges that result in credit exposure greater than \$2 million with a counterparty without Board approval. Policy also states market price changes may cause exposure to exceed this level. It was reported that credit exposure to CITI has exceeded \$2 million due to movement in forward pricing positively impacting wholesale purchase financial hedges. This position will continue to be monitored and as monthly hedges settle this exposure will drop. Overall financial hedging of wholesale power purchases continues to provide favorable outcome for KPUD.

Mike rolled out a long-term financial trend model that covers the 2022-2031 period. Mike used the model to serve as a tool to show how we can address future financial position trends. This will continue to be refined and utilized in future discussions.

During the report it was communicated that on 5/10 an amendment to the RNG contract with PSE was executed that provides KPUD with value sharing of RNG delivered by PSE to RIN producing markets in Washington State starting January 1st, 2023.

March Financials - Cynthia Bruce presented the December final adjustments and our March financial update. Our income rate revenue is higher than budget across most categories. The RNG revenue is above budget for March and we anticipate that continuing the remainder of the year. White Creek Wind is operating above budget as well. Aid in Construction continues to be higher than typical years, so this income could increase as well. Our power costs are higher than budget and our O&M labor cost are elevated as well. The elevated labor costs are due to the January snowstorm event. Even with these above budget expenses, we do not anticipate ending the year over budget. The Titan dock crew is currently working. Our debt service coverage year-end forecast is 1.68 vs 1.59 budgeted. We received our Millaman evaluation and our OPEB adjustment. The capital costs for work not completed in 2021 is an

\$800,000 carry over to 2022 to complete these projects. Our days cash on hand is 209 vs the 192 budgeted.

Commissioner Knowles asked if the increased wind revenue will offset the wholesale power price increases. The anticipation is that as long as the wind continues to blow we should still end in a positive cash position.

The Moss Adams draft 2021 financials have been received. These are to be submitted for our annual report due the end of May. Moss Adams will present a final report to the board in June. Our FEMA 2020/21 storm reimbursement is nearing completion. We anticipate receiving \$45,000 back. The 2022 storm reimbursement is still under review.

Department of Revenue is conducting an audit of our RNG tax exemption reimbursements. They feel that we didn't qualify for the exemption that we have received, but there may be another exemption we may fall under. We have reached out to Ogden Murphy Wallace and they are assisting us through this review.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller attended the Ponderosa Park meeting on May 9. They are a community who is actively involved in how they want their system run. Russ Patton was able to provide answers to the system operation questions customers asked. Commissioner Miller also attended the Home and Garden show May 7-8. He wanted to recognize that the individuals he worked with were very knowledgeable in answering customer questions.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles stated that he will attend a PURMS operating meeting on May 26. He will also attend the PURMS annual meeting June 2-3.

COMMISSIONER DAN GUNKEL - Commissioner Gunkel provided the outcome of the Energy Northwest insider election. Jim represented KPUD at the meeting.

ASSISTANT GENERAL MANAGER - Gwyn Miller discussed the following:

- **Supply Chain** - Jeff Thayer stated that we have material available to cover at least the 2022 construction season. The only material item that is still challenging us at this time are the pad-mount transformers. We feel that we have enough at this point with the anticipated May delivery to get us through a normal construction season. However, if we have an elevated construction season as we experienced last year, there may be a potential that we could run out of pad-mount transformers by late summer or early fall. The next shipment of pad-mounted transformers will be December 2022. We will make sure that engineering staff continues to keep new customers apprised of the potential shortages that could occur. Jeff will continue to watch for additional opportunities to acquire additional pad-mounts. He will also provide an inventory report at the next meeting.
- **Safety Officer Appointment** - Jeff Thayer took over the position when Mark Pritchard retired and will work with Mike Nixon to transition the position to Mike. Jeff will continue to assist with overseeing and guiding the process. Gwyn thanked Jeff for his efforts to support the crews and the safety program.
- **Job openings** - We extended an offer for a lineman position May 9. We still have two Information Technology positions open. Chris is our only on site IT personnel. We are working on creative options for filling these positions. One option is to contract with Patrick Carroll. He has extensive knowledge of NISC and would be able to provide insight into how to better utilize the NISC system. He is also willing to assist us with IT as needed. We are interviewing some interns for PC Tech positions this week.
- **High School Senior presentations** - In doing these exercises, it is very clear that high school student career exploration was limited the past few years. Areas like job shadowing and internships did not happen during COVID.

Gwyn asked several of the students she interviewed with if they were aware that we offered a summer student program. It was very evident that this information was not distributed through the school system. We will need to concentrate our efforts on student outreach moving forward. There is a need to provide exposure to our utility positions as we already have and will continue to have a need in the future.

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:

- Open Public Meetings Act meeting requirements - On June 1, the OPMA will lift the emergency declaration for electronic meeting requirements; the electronic meeting options are encouraged but are not required after May 31, 2022. Jim discussed this change with the commissioners and it was unanimous that the phone in option will be retained for individuals who may not have the ability to attend in person.
- Dallesport Wastewater System - Jim and Commissioner Miller met with Commissioner Sauter to discuss system options. After last week's discussion it was determined that, there is a need for system improvements and a need to adjust rates. They discussed the transfer of the system to KPUD, but until they address some of these system issues, it will be incredibly difficult to transition this system. We proposed that we could continue to operate the system as we have for the past 20 years and have ownership transfer over a 5-6 year period. We will wait for them to come back to discuss options with us.
- Water and Wastewater system upgrades - Russ and Brandon Walter have been actively working over the past couple of years to acquire additional DOH approved system connections for the systems that are pushing up against their maximums. They also completed reviews and implemented changes to the General Facility Charges (GFC's) to ensure they are appropriate. In doing this, they are completing system project planning. We have identified several systems that would benefit from funds for system improvements from the LFG Improvement fund. Our last application was in 2018. We are completing requests for funding for a Glenwood water and wastewater projects, along with Ponderosa and Rimrock projects. Our plan is to utilize these funds to keep system rates stable without dropping their cash positions. The four applications total about \$900,000.
- Upcoming meeting - Jim will attend the next board meeting remotely. He will be available to present the Water Wastewater rate proposals along with discussing the water use efficiency goals. The group will also provide the interruptible bulk water rate resolution for review.
- Customer meetings - Our last community meeting will be with Rimrock on May 12. We are sending letters to Wishram, Glenwood and Roosevelt customers.
- PPC Meeting - At the last PPC meeting we discussed the Energy Northwest look forward Post 2028. Small Modular Nuclear Reactors were discussed.
- Department of Natural Resources Advisory Committee - The DNR Advisory committee has not met since last September. It appears that the Lands Commissioner has not approved the membership because there are special interest group positions that are not filled. This means the committee is not authorized to meet. Discussions with Washington Public Utility District Association and DNR are being planned.

AGENDA ITEMS:

- A. WATER FILL RATE RESOLUTION DISCUSSION - Jim Smith discussed that we have visited most of the water and wastewater communities to discuss the proposed rate adjustments. So far, there have been no issues or questions from customers attending these meetings.

Staff has also reviewed the fill rate resolution and are recommending that this rate be changed to an interruptible bulk water use rate. They feel that the \$100 base rate is still reasonable, but will bring back an updated resolution that will increase the fill rate from \$5 per 1000 gallons to \$20 per 1000 gallons. Staff will issue a quote letter to the requester, which will have the estimated costs, and would require payment in full prior to approval. We will have the authority to interrupt the service should a system need arise such as fire suppression or system capacity needs increase. Commissioner Knowles asked that the resolution include wording that neither KPUD nor the systems would be held responsible for any liability should an interruption occur. Jim will provide that request to staff and review during the rate hearing discussion May 24. No action was taken.

- B. PREQUALIFICATION OF CONTRACTORS - MOTION was made by Commissioner Gunkel to approve the three contractors as presented. Motion carried.

- C. SAFETY OFFICER REAPPOINTMENT - MOTION was made by Commissioner Knowles to approve the appointment of Mike Nixon to the Safety Officer position; replacing Jeff Thayer who was appointed Interim Safety Officer with the retirement of Mark Pritchard in August. Motion carried.

- D. RESOLUTION 1818 METER SOLE SOURCE PROCUREMENT - MOTION was made by Commissioner Gunkel to adopt Resolution 1818 allowing the purchase of the brand of meters that supports the communications and functionality of the automated meter system pilot project. Motion carried.

- E. EXECUTIVE SESSION: Review of Real Estate Sales or Lease of Property options per RCW 42.30.110 (1)(b) - President Miller called for an Executive Session at 4:12 p.m. per RCW 42.30.110 (1)(b) to discuss pumped storage water right agreements, noting that the session would end at 4:45 p.m., for the purpose of discussing consideration of the selection of site or acquisition of real estate by lease or purchase. The session ended at 4:51 p.m. No action was taken.

RCW 42.30.110 – Executive Session.

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 4:52 p.m.

/S/
Douglas B. Miller, President

/S/
Randy L. Knowles, Vice President

/S/
Dan G. Gunkel, Secretary
Date Approved: May 26, 2022

/s/
Luann Mata, Executive Assistant