



Public Utility District No. 1 of Klickitat County

GENERAL MANAGER'S REPORT TO THE BOARD For the **October 22, 2024** Meeting

AGENDA ITEMS:

- A. 2025 Klickitat PUD Operational Budget 1st Draft Review - Cynthia Bruce, Brandy Myers and Mike DeMott will present the first draft of the 2025 Budget. This review will include expense and capital numbers that we are using to compile into the various documents necessary for the budget package. We will relate these numbers to a revenue requirement for a preliminary electric rate discussion as well.

We will then take your questions and recommendations and bring a more complete package back for a second review on November 12th. Also on November 12th, staff will request the board to set the Operational Budget Hearing for December 10, 2024.

- B. 2025 Klickitat PUD Electric Rate proposal - Mike DeMott, Brandy Myers and Cynthia Bruce will be presenting the first draft of the electric rate design proposal for your review and input. The proposal is much like last year, in that we are proposing that we adjust the various rate classes differently to continue align costs with the most recent Cost of Service Analysis. The initial proposal also includes a small demand fee on residential rates. At this time, we are thinking that this demand would only apply during high load hours.

Past rate adjustments have been very successful in better aligning cost allocation to the various rate classes and these changes would further improve these allocations and would also result in us having demand rates for all rate classes.

On November 12th, we will also be requesting that we set the 2025 Public Rate Hearing in conjunction with the budget hearing on December 10, 2024.

NON-AGENDA ITEMS:

1. December meeting date change - In preparation of the holiday season, we are requesting that we move the 2nd Commission Meeting in December to Monday, December 23, 2024, at our regular time of 2:00 p.m.

2. Energy Northwest Carbon Free Small Modular Nuclear Reactor Announcement - On Wednesday, October 16, 2024 Amazon announced that it has joined with Energy Northwest, Dominion Energy and X-Energy working to develop two small modular nuclear reactor sites. They said one site will be in Virginia and the other will be at the Energy Northwest proposed site in the Tri-Cities. The announcement is attached.
3. BPA 2024 Resource Program Update - BPA reviewed its draft resource program plan and the optimizer model they are building for the first time on October 17th. While I am as concerned about their progress and the accuracy of the model as I was before, there at least was acknowledgement of the model limitations. They conceded that their model does not include transmission costs / constraints to the level necessary, that the 18-hour reliability metric is probably not a stringent enough reliability metric to use and that overall reliability needs to be addressed further. They also said that they are including BPA and other stakeholder policies as constraints in the model, but we have not seen what those are yet. They did model natural gas outside the optimizer, but this needs further review on how, or if it will be integrated back into their model. They are clearly behind and there are clearly issues with their model. They said they will include improvements to the model for the BPA 2026 Resource Program that will be used for potential resource acquisition post 2028.

In the end, it seems to me they are using a rudimentary model to solve for metrics that are not indicative of the markets as they exist today and will evolve into in the future. It also does not appear that they will be moving up their schedule to determine the magnitude of their potential service obligations post 2028.

4. 2024 / 25 Bond Sale Wrap Up - attached is the final summary from Scott Bauer at NW Municipal Advisors. If you would like other information, just let me know. Mike, Cynthia, Brandy and the team were well coordinated and achieved a very good result on this sale.
5. I met with retirees in White Salmon and Goldendale over the past several weeks.