

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
**Tuesday, December 14, 2021**  
**2:00 p.m.**

**Meetings are open to the public; teleconference is also available. Attendance is noted below.**

**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 Clerk, Brandy Myers - Customer and Accounting Services Manager, Mike DeMott - Director of Finance and Power Management, Anita Clever - Energy Services Specialist, Cynthia Bruce - Accountant, and Luann Mata - Executive Assistant

Via teleconference: Brandon Johnson - Engineering Supervisor, April Greenlaw - Operations Support Assistant, Alex Casimiro - AP Clerk, Brandon Walter - W/WW Superintendent, Ron Ihrig - Interim Operations Manager, Robbie Cacy - Buyer, Mark Garner - Engineering Supervisor, and Kevin Ricks - Renewable Energy Assets Manager

**GUESTS:** Present- Larry Hocter, Candy Magnesen, Delmer Eldred, Greg Wagner, Torre Linne, Elaine Harvey, Terry Chamber and via phone Sherrie (last name unknown)

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

**MINUTES: MOTION** was made by Commissioner Gunkel to approve the November 23, 2021 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 14th day of December, 2021.

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

- Accounts Payable Voucher Nos. 212009 through 212013 and 212015 through 212172 in the total amount of \$976,126.10; Wire and Automated Clearing House (ACH) transaction Nos. 8801560 through 8801565, along with Electronic Funds Transfer (EFT) transaction Nos. 291 through 295 in the total amount of \$10,986,652.95 for the period ending December 14, 2021; and
- Payroll Warrant Nos. 212008 and 212014 and ACH Direct Deposit Payroll transactions 208282 through 208458 in the total amount of \$453,864.72 for the payroll periods ending November 21 and December 5, 2021.

Motion carried.

**PUBLIC COMMENTS:** None

**REPORTS:**

**Renewable Energy Assets November update** - Jim Smith presented highlights of the November report for Kevin Ricks. Kevin is attending the annual Renewable Natura Gas (RNG) Coalition Conference. He has also scheduled a meeting with Solar

to discuss requirements for refueling and recommissioning the combustion turbines. Gas production in November was 4250 MMBtu per day. There was no down time. Loci's dynamic tuning is beginning to stabilize. We are evaluating what requirements would need met to reinstate the air operating permit for the combustion turbines to allow them to run off of natural gas. Kevin has engaged the assistance of third parties to evaluate this potential option. Dave Warren has been engaged to focus on carbon intensity legislation. Commissioner Knowles asked how isolated the turbine plant was from the gas plant. His concern is if either system had a major failure could you potential adversely impact the other project. Kevin's response, via phone, was that neither project physically interfere with the other, however a wall would need to be built to separate the projects to protect against the potential of a major failure impacting the opposite projects' equipment.

Kevin provided a McNary meeting update. He met with Northern Wasco's Kurt Conger and Jeff Teal on December 9. Jeff is the new director of operations. A document was produced determining that there is no ASR present on the stairs. Northern Wasco still believes that the stairs should be replaced, and Kevin said our position is that we then need to submit a letter of concern to the Army Corp of Engineers noting that the stairs pose a safety threat and wait for their response. Kevin will keep the board up to date as this moves along.

**Power and Finance November update** - Mike DeMott presented the November update. Power prices have trended down from his last report. This adjustment appears to be from a changed water supply forecast and changing natural gas storage levels. Mike stated that pricing will likely remain volatile through this winter.

White Creek Wind project ownership was discussed. The White Creek project owners New York Life and Prudential informed us that they are in discussions with a third party to acquire the project. We have also received a request that we acknowledge certain rights in the document. The utilities still retain a 20 year purchase option. Commissioner Knowles asked that we be clear in our responses and thorough in the review to ensure that we are not losing any rights we retain, and that any sale will not negatively impact our ability to exercise the purchase option should we decide to do so in the future.

Bonneville Power recently released a stronger than expected performance report and the reserve distribution clause (RDC) has been triggered. Discussions are that BPA is evaluating potential power dividends to power supply customers. The reserve distribution clause has been triggered before. The commissioners requested that we send a letter from the Klickitat PUD board to BPA requesting that they consider use of these RDC funds towards future needs to help ensure rate stability over time. Mike and Jim will follow up.

The interest in the large load interconnection at one of our 230 kV substations appears to still be moving forward. There have been several tours, they are completing an on-site survey and are working on their environmental evaluation. Their next step is a facilities study through Bonneville. Mike will be requesting an Executive Session to discuss real estate matters in January.

Mike has talked with SDS leadership regarding the sale of their properties. It still remains as an SDS corporation, but their shares have sold to WKO. At this point, our contract with them should be secure and intact.

Our financial trading credit limits are under review and further review is scheduled for this week with TEA during the Risk Management meeting. Power Management will begin the 2022 Cost of Service Assessment review beginning in January. Before any work can move forward, the 2021 financials must be complete. Mike will continue bringing back information as it becomes available.

Lastly, Clark PUD has asked BPA to remove their River Road project output from being a declared resource. As a declared resource, they must use this power to cover

their load. They are stating that they cannot meet Clean Energy Transformation Act requirements with this resource declared in full. A decision on this would likely not impact us today, but post 2028, it has the potential to reduce the Tier 1 availability which could impact KPUD's access to Tier 1 power to meet our needs.

**Electric Vehicle D/C Fast Charging Stations discussion** - Anita Clever, Mike DeMott and Kevin Ricks discussed the Electric Vehicle charging station project plan. Staff was approached in August by Bonneville Environmental Foundation (BEF). They wanted to inform us of a potential funding option for EV charging station installation. This agency is partnering with utilities to bring in EV fast charging stations to establish a seamless corridor along US-97 from Canada to the Oregon border. The key points were that this is a Department of Revenue grant where the installer receives a tax credit. Along with a Department of Transportation 50% investment match, there is an infrastructure cost associated with this project. When discussed in staff, we rejected ownership, but stated we could consider support if Energy Northwest (ENW) chose to own the installations.

There is an in-kind portion associated with all options. The utility would be required to front the system upgrade costs, with reimbursement coming from ENW / BEF. The installation costs are estimated to be around \$95,000 - \$100,000 and the in-kind costs would be \$12,000 - \$20,000.

The original request was to consider two stations. On one station the payback of the in-kind portion takes 2-3 years if we applied our demand revenues. This has been brought before the board for discussion as the Bonneville Environmental Foundation is requesting a letter of support and the group is divided.

If we choose to participate, prior to year-end we will need to submit a letter of support to Energy Northwest. The key factors are that these chargers would mainly serve travelers, not placed for our customers. The commissioners agreed that there is not enough information to make a decision on participation today. They requested that Anita and the group review and provide further information for board consideration next meeting.

**October Financial update** - Cynthia Bruce reviewed the October Financial statement. Rate revenue income is forecasted to be approximately \$2,000,000 above budget for 2021, mostly attributed to higher industrial consumption and some seasonal anomalies. Forecasted generation revenue is around \$2,000,000 under budget by year-end. This reflects lower than budget RNG production and better than anticipated White Creek Wind performance. Aid in Construction revenue has been consistently above budget. It is forecasted to end the year 1.6 million above budget. We received a \$140,000 COVID assistance program reimbursement payment. We are experiencing a 3-day turn around with these submissions. We still have not received the Department of Revenue Machinery and Equipment Tax reimbursement for RNG, and it was removed from year-end forecasting, but projected in 2022. The other noticeable change to expense is a transfer from capital of \$100,000 to Cliffs Water for preliminary work and permitting assistance for the pumped storage project. Our Debt Service Coverage (DSC) is forecast to be 1.91 by year end.

The most recent adjustment within our items of cash significance was the removal of \$110,000 for Water and Wastewater capital projects, which will carry over into 2022. We made a \$1,000,000 accelerated debt payment along with our bond payment in December. Our year-end Days Cash on Hand is forecast to be 270 days.

**COMMISSIONER DOUGLAS MILLER** - Commissioner Miller did not have a report.

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

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

**GENERAL MANAGER - The following items are additions to the GM report.**

The complete report can be found at:

[http://www.klickitatpud.com/topicalMenu/commissioners/GM\\_Reports.aspx](http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx)

Water-Wastewater Update - Jim Smith and Sharon Blodgett discussed a preliminary inquiry from the Yakama Nation Housing Authority about additional connections within the Wishram water and wastewater systems. There are ample connections available for water and wastewater. Staff will bring back information if they request to move forward. In Lyle, the 30 condo development did not meet their two year construction requirements required by the Conditional Use Permit and the permit is now void.

Inventory Update - Mark Garner and Jeff Thayer discussed the challenges in material ordering and delivery timelines. Every utility in a recent survey is concerned about running out of pad-mounted transformers as lead times have increased exponentially in the past several months. We have also seen customer activity almost double this past summer. In spite of increasing our ordering starting this summer, we are likely to run short of them as well. We will continue to monitor activity and inventory closely, but we believe that customer construction may have to follow a queue process if materials are limited. If new construction projects are put on hold for material, the crews will transition to maintenance; then work on new installation backlog would begin when backordered materials arrive as determined by the queue established when inventory levels require a halt in new construction. This will be monitored and reported on regularly.

**AGENDA ITEMS:**

- A. OPEN CLEAN ENERGY IMPLEMENTATION PLAN HEARING: - at 3:00 p.m. Commissioner Miller opened the public hearing for the Clean Energy Implementation Plan.
- B. OPEN KLICKITAT PUBLIC UTILITY DISTRICT 2022 OPERATING BUDGET HEARING - at 3:00 p.m. Commissioner Miller opened the public hearing for the Klickitat PUD 2022 Operating Budget, noting that we will begin with the CEIP hearing and a decision will be made at the end of the CEIP hearing, following that decision the Klickitat PUD 2022 Operating budget hearing will begin.
- C. CLEAN ENERGY IMPLEMENTATION PLAN HEARING - Anita Clever and Mike DeMott discussed the details of the proposed Klickitat PUD Clean Energy Implementation plan (CEIP). We have determined that Klickitat PUD already meets the 94% carbon free requirements. Anita also reviewed required survey information. After the survey results were reviewed the floor was opened to public comment.

Greg Wagner began the public comment period by asking how we can ensure that our resources are carbon free. Mike DeMott stated that BPA supplies a fuel mix report annually that demonstrates where they obtain the power for sales, whether it is from hydro projects, Columbia Generating Station or bought on the open power market. The undeclared power purchased from the open power market is the only portion subject to potentially not being carbon free. Carbon free products are hydro, wind, solar, and nuclear. Coal and natural gas can make up some of the undeclared purchases, but they are not carbon free. However, as we know electrons flow where they flow, so the fuel mix is based on contracts.

Mr. Wagner also asked what will back up renewables, as they are unreliable. Jim Smith answered there is limited back up at this time for renewables such as wind and solar with the existing hydro-electric system. The KPUD board has significant concerns about the electric grid reliability and asked that this knowledge provides the public an opportunity to reach out to their legislators and engage them in the conversations to increase their understanding of

renewable powers reliability factors and the impacts on rural communities.

Torre Linne stated wind and solar are not sustainable and we should learn from other countries' mistakes. Staff restated that we are currently very well positioned to meet the CETA requirements as currently defined. The general feeling from the public attending the public hearing was that they have genuine concerns with respect to clean energy mandates and sustainable power. The state should not be involved in permitting.

We received a comment on the phone from Sherrie (last name unknown) asking if large scale solar developments help our county meet the CETA requirements. Jim Smith responded that the projects are privately owned and we have not contracted to purchase power from them, so their production will not assist KPUD in reaching their CETA requirements.

Elaine Harvey, a representative for Yakama nation, asked that the nation be informed when project decisions which could impact tribal grounds or ceded lands are discussed.

Lastly, Mr. Wagner specifically asked the board to be considerate of doing business with foreign entities as we do not want them taking over our power production. The examples he provided were Avangrid in other parts of the country and the pump storage investors. One last question asked was whether the PUD pays for any improvements or access for the solar companies. Jim responded that KPUD does not pay for access or improvements for any of our customers. However, new business investments do increase the county's tax base.

The Public comment period ended at 3:48 p.m.

Commissioner ~~Miller Knowles~~ read a statement into the record:

*This is a statement regarding Washington States CETA and the forced, or at best coerced adoption of the mandated goals, and even more so, the philosophies as enunciated within the CETA and the CEIP that we are being asked to adopt today. My concerns are many although I will restrict my comments to the issue of local rate making authority.*

*The language of the CETA and the implementing document appears to me so overly broad and amorphous as to defy the ability to fully or even partially understand the consequences of adoption. Many of the rules have yet to be promulgated, and will be left to staff to create and then administer without review by the legislature.*

*There will be costs, these are ignored in the document; instead they are called benefits to be equitably shared with various groups as designated by the State. The reality is that there will be additional and significant costs and cost shifts within rate groups, and would seem to require the creation of rate groups not subject to our policy of cost based rates.*

*This I believe directly and fundamentally diminishes our legal authority and responsibility as the sole rate making authority as commissioners for Klickitat PUD. By virtue of adoption we will have conceded that authority to the Washington State Department of Commerce.*

*The same is true for every public utility in the state. I find it tragic that we will all concede with nary a whimper. I believe we should not.*

*The potential for bad outcomes and unintended consequences abound, they are not just possible they are likely guaranteed. I understand the difficulty for those charged with crafting all of the rules implementing a program as sweeping as this.*

*Even with acknowledgement of that difficulty, prudence, it would seem dictates we should be cautious in adoption of the CEIP.*

*Given the legal implications of not adopting the CEIP, until such time as the rules are fully established and the actual impacts can be known, I would move as follows:*

- D. CLEAN ENERGY IMPLEMENTATION PLAN ADOPTION - MOTION** was made by Commissioner Knowles to adopt the Clean Energy Implementation Plan (CEIP) with the provision that such adoption shall sunset annually; and that such adoption shall have no further force and effect in subsequent years, absent such a motion and approval reauthorizing adoption by the board in subsequent years. Motion carried.
- E. KLICKITAT PUD 2022 OPERATING BUDGET HEARING** - Cynthia Bruce, Mike DeMott, and Brandy Myers began the presentation of the proposed budget at 4:03 p.m. They highlighted there are no proposed electric rate increases in 2022, but there are proposed 1.5% rate increases beginning in April 2023 through 2026 for the long range forecast. RNG revenue increases in out years due to volume added to Puget Sound Energy contract. The presentation is attached for the record.

The budget meets policy requirements. Our Debt Service Coverage (DSC) sees an increase in 2027 when we pay off RNG, we see a bump in cash in 2029. However, we can also see the impacts of the PSE RNG deal not being inflated as time goes on and costs increase. Jim pointed out that the budget does not have any additional borrowing, other than the cost re-imburement contract with BPA for the Goldendale substation. We feel this is a sustainable budget with consideration of remaining close to where we have been over the past five years. Our performance over the past few years have been positive, consistently beating our budgets. We will have our annual Water-Wastewater budget review to assure that they meet current policy and we plan to get back out to community meetings to discuss rates in 2022. The last item discussed was a cost of living adjustment.

The meeting was open to public comment at 4:39, hearing none, the public comment period was closed at 4:41 p.m.

**MOTION** was made by Commissioner Gunkel that the proposed 3.5% Cost of Living Adjustment be approved as presented under the Klickitat PUD 2022 Operating Budget adoption. Motion carried.

- F. KLICKITAT PUD 2022 OPERATING BUDGET ADOPTION - MOTION** was made by Commissioner Gunkel to approve the Adoption of the Klickitat PUD 2022 Operating Budget as presented. Motion carried.
- G. REALIGNMENT OF COMMISSIONER DISTRICT BOUNDARIES DISCUSSION** - Jim Smith reviewed the current district boundaries, along with the requirements of bringing the population figures more in line and equitable per district. He also discussed the benefit of aligning our boundaries with Klickitat County's voting precincts. After completing the discussion a **MOTION** was made by Commissioner Gunkel to authorize staff to advertise a special meeting for the purpose of reviewing the proposed 2022 Klickitat PUD Commissioner district boundary line adjustments. This meeting will be held December 21, 2021 at 2:00 p.m. Motion carried.

**Adjourned** - There being no further business, the meeting adjourned at 5:10 p.m.

