

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, July 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 (via teleconference)

STAFF PRESENT: Gwyn Miller - Assistant General Manager, Isabelle Carroll - AP/Accounting Clerk, Cara Smith - AP/Accounting Clerk, Brandon Johnson - Engineering Supervisor, Cynthia Bruce - Accountant, Mike DeMott - Director of Finance and Power Management, and Luann Mata - Executive Assistant.

Via teleconference: Brandy Myers - Customer and Accounting Services Supervisor, Mike Nixon - Operations Manager, Jeff Thayer - Materials Manager, Mark Garner - Engineering Supervisor, Anita Clever - Energy Services Specialist, Alex Casimiro - RNG Support Assistant, and Courtney Collins - Engineering Support Assistant.

GUESTS: Larry Hoctor and Russ Schneider

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

MINUTES: **MOTION** was made by Commissioner Knowles to approve the June 28, 2022 meeting minutes with Commission Miller's report wording update as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Isabelle Carroll and Cara Smith. 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 July, 2022.

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

- Accounts Payable Voucher Nos. 213702 through 213704 and 213706 through 213811 in the total amount of \$1,094,193.21; Wire and Automated Clearing House (ACH) transaction Nos. 8801667 through 8801673, along with Electronic Funds Transfer (EFT) transaction Nos. 360 through 363 in the total amount of \$273,164.32 for the period ending July 12, 2022; and
- Payroll Warrant Nos. 213705; and ACH Direct Deposit Payroll transactions 209684 through 209771 in the total amount of \$230,423.19 for the payroll period ending July 3, 2022.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Finance and Power Management update - Mike DeMott reviewed the department update. Mike attended the Northwest Public Power Association (NWPPA) Rate design workshop in Boise, Idaho last week. This workshop focused on areas that impact our ability to meet strategic planning goals. The workshop touched on existing rate design and the impacts smart meters have had on future rate design philosophy. This technology provides customers and the utility with significant data

on how each individual uses their power and demonstrates how different rate designs can impact individual customers or classes of customers based upon how they use the system. Several utilities attending/presenting at the workshop have implemented or will be implementing rate changes such as residential demand billing. We will utilize the information obtained from our pilot automated metering infrastructure investment project to assist us in making our upcoming rate design adjustments. We will not have the volume of data other utilities may have, but we can also utilize acquired data from utilities with similar system sizes for comparison purposes. Commissioner Knowles asked if there were any utilities similar enough to us, that we could model our rate design after. Mike will research and provide a representative listing. Commissioner Miller asked how the average customer use is determined. Mike stated that based upon billing KPUD's average customer use is between 1200 and 1500 kw. Our peak power needs will drive our demand related costs. During the NWPPA workshop it was discussed that time-of-use demand rates can target high demand periods and incent customers to level out their load. Commissioner Miller asked if we have considered options for the customers who can't adjust their usage periods, he used the example of a bakery. In this circumstance their business needs drive the time they are utilizing the power and it happens to fall in the period where demand charges could be implemented.

Mike wants to make sure that our decisions do not cause unintended consequences for us, our customers, or BPA. Mike stressed the customer education is the key to developing a successful rate structure. The education component would need to show customers how their decisions can impact their bills.

May financial update - Cynthia Bruce provided a May financial update, highlighting an irrigation revenue decrease due to the wet spring weather. Interest rates continue to improve, with an increase to our forecasted revenue of \$75 thousand. Our current forecasted customer aid in construction revenue for the year is \$2.5 million. We have billed out \$1.2 million so far this year. Our power generation expense projections show us ending the year over budget. Operating expenses remain stable, and staff will complete a forecast exercise before our next monthly financial presentation. Transmission expense and taxes are higher, offset by revenues billed. Year-end DSC is forecasted to be 1.72. Our items of cash significance has been revised to include adjustments to year-end forecast for depreciation and amortization, as well as increased capital spending due to additional AIC from customers. Our forecasted days cash on hand is 210. Cynthia suggested that we continue to increase our Capital Reserve Fund as outlined in Policy 9.

We have also been working through an RNG M&E tax refund audit. We have filed for this tax refund over multiple years without issue. In 2021, WA Department of Revenue opened a full audit of our reimbursements, including the prior filings. WA DOR has expressed that they do not believe Klickitat PUD is generating CNG or LNG and should not have qualified for the tax incentive we claimed. After many conversations we formally involved our legal counsel. The financial impact is in 2018 \$1.9 million, 2019 \$460,000 and 2021 \$477,000. Commissioner Knowles asked about the next steps. Staff will keep the board informed.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller participated in Goldendale's Community Days events. The main questions received focused on rates, small modular reactors, and the pumped storage project understanding.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles was interested in the status of the potential underground extension policy review progress. This will be an agenda item for discussion at the July 26 meeting.

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

ASSISTANT GENERAL MANAGER -

- Utility Position Restructuring overview - Gwyn Miller discussed retirements, overlapping positions for training and vacant position postings. We have a lot of people in new roles who are embracing their roles.
- Quarterly Employee Luncheons - We would like to move forward with holding employee luncheons beginning in September. We will hold our first luncheon on September 13th from 1:00-2:00 p.m.
- July 26 Commission meeting - We have a heavy meeting agenda scheduled for the 26th. We reviewed the agenda and Commissioner Miller felt that there was no need to move anything off of this agenda.
- Office of Emergency Management and Office of Insurance Commission - The OIC and UTC partnered on a call last week to encourage participation in an insurance needs assessment survey. They reviewed the survey questions. The results must be returned within one year, but this deadline does not promote swift action. George Caan of the Washington PUD Association spoke, asking if they are considering fire mitigation efforts as a basis of adjusting rates. The answer was that mitigation efforts are not a focus of this survey. Commissioner Knowles stated that there is a new bill that was recently submitted in correlation to last year's Rolfes bill. It was also stated that the Department of Natural Resources subcommittee meetings need to be reinstated. This evaluation is not limited to non-profit utilities and our interests are not aligned. However, PURMS is evaluating potentially opening our joint pool for self-insured for public entities up to larger utilities. The state was clear that they do not want to address liability but the insurance groups do. Gwyn felt it would be to our best interest to be aligned with our messaging in our responses. The response is anonymous. We also receive a request to voluntarily participate in a cyber-security insurance audit. No decision has been made on this request.
- Treasury Services - Last meeting we touched on challenges with our Klickitat County Treasury services. Understanding that they are experiencing staffing challenges as we have faced them as well, we are still considering moving the treasury services in house. There are benefits to remaining with the county, but there are opportunities for flexibility by moving this process in house. We will continue to evaluate and bring a recommendation back to the board at a future meeting.
- WS office reopening - We are still in need of some finishing touches, but the office is open to the public. There were comments from staff that even though the upstairs was cramped during the abatement process, communication flow increased and they were hoping they could develop a way to continue this flow of information.

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

AGENDA ITEMS:

Mike DeMott and Russ Schneider of EES Consulting presented the 2022 COSA. The COSA analyzes the relationship between revenue and costs for each customer class and provides rate design options for KPUD consideration. The COSA indicated that most customer classes fall within a reasonable revenue to cost ratio with one exception being irrigation rates. This rate class continues to under collect revenues relative to costs and may be subject to higher future rate increases compared to other customer classes. Russ provided information showing the substantial contribution made by additional KPUD business lines such as RNG and how these business lines have offset

the need for larger rate increases. The information provided in this analysis may inform rate adjustment strategies in future budgets. Implementation strategies for residential demand rates were reviewed.

- A. LETTER OF CREDIT WAIVERS - MOTION was made by Commissioner Knowles to authorize staff to waive the LOC requirement for Cowlitz PUD and Lewis PUD as they have met the waiver requirements as stated in the applicable Transmission Service Agreement of each party. Motion carried.
- B. BID AWARD: EE Clouse 2022 Power Transformer Bid - MOTION was made by Commissioner Knowles to accept staff's recommendation and award the EE Clouse Power Transformer Bid to WEG Transformers, based upon engineering review, in the amount of \$867,356.00 including offloading services and \$65,051.70 for taxes resulting in a combined fiscal impact of \$932,407.70. Motion carried.

Adjourned - There being no further business, the meeting adjourned at 4:30 p.m.

Douglas B. Miller, President

Randy L. Knowles, Vice President

Dan G. Gunkel, Secretary
Date Approved: _____

Luann Mata, Executive Assistant