

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, May 9, 2023
2:00pm

CALL TO ORDER: President Randy L. Knowles called the meeting to order at 2:00 p.m. as advertised.

PRESENT: Randy L. Knowles - President, Dan G. Gunkel - Vice President and Douglas B. Miller - Secretary

STAFF PRESENT: Jim Smith - General Manager, Gwyn Miller - Assistant GM, Cara Smith - Accounting Clerk, Mike DeMott - Director of Finance and Power Management, Kevin Ricks - Renewable Energy Assets Manager, Mike Nixon - Operations Manager, Brandon Johnson - Engineering Manager, Anita Clever - Energy Services Specialist, Phillip McMillen - GIS Specialist, Jeff Thayer - Materials Manger, Sohn Kartes - Materials Manager Sarah Honkala, Accountant, Sharon Blodgett - W/WW Coordinator, Brandon Walter - W/WW Superintendent, and Luann Mata - Executive Assistant.

Via teleconference: Cynthia Bruce - Accountant, Andrew Jaekel - Buyer, Geoffrey Lacefield - System Engineer, Patrick Carroll - IT Consultant, Mark Garner - Engineering Supervisor, Brandy Myers - Accounting and Customer Service Manager, and Courtney Collins - Engineering Support Assistant.

GUESTS: Sheri Miller and Andy Cervantes of the Department of Health; the Tim McMurrin Family, and Larry Hoctor

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

MINUTES: **MOTION** was made by Commissioner Miller to approve the April 25, 2023 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by 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 9th day of May, 2023.

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

- Accounts Payable Voucher Nos. 216168 through 216271 in the total amount of \$853,612.26; Electronic Funds Transfer (EFT) transaction Nos. 459 through 464 and Wire and Automated Clearing House (ACH) transaction Nos. 8801782 through 8801791 in the total amount of \$1,924,745.20 for the period ending May 9, 2023; and
- Payroll ACH Direct Deposit Payroll transactions 211560 through 211648 in the total amount of \$289,971.06 for the payroll period ending April 23, 2023. Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Renewable Energy Assets Report - Kevin Ricks presented the department report. He discussed the April planned maintenance shutdown, along with an overview of the work completed. Production fell below budget in April due to the planned outage and two forced outages. Doug Tuning, our new RNG site supervisor, has started and

is focused on his task list and providing support to staff. The Loci project agreement is executed and they are moving ahead on the project. Kevin also updated the board on the Pumped Storage federal draft Environmental Impact Statement meetings held last week held by FERC. Written comments are due by June 5.

Power and Finance Update - Mike DeMott presented the department report for April. The short-term forward price curves moved down during April. Water level reports from March have increased and 2023 now looks like a more normal water year, although runoff patterns might be different. July and August prices are still trending high as expected. We have hedged the August and September loads. We continue to believe that much of the high pricing of markets are impacts from carbon legislation. We have heard that electric vehicle sales have slowed recently. Discussions on BPA's Irrigation Load Discount and bringing non-federal resources to load were also a focus. We anticipate that White Creek Wind will not hit their Tier 1 output volumes this year and the output projection is affected by the planned outage at the BPA Rock Creek substation. This outage is expected to last 25 days. Lastly, Mike is evaluating the 230kV transmission service contracts.

March Financials Review - Sarah Honkala presented the March Financial statements. Rate revenue is holding steady with a positive 5% variance to budget. We have already seen irrigation loads begin to increase and this should be reflected beginning in the May financials. RNG revenues continue to trend above budget. Aid in Construction is following very close to budget so far for the year and operating expenses are trending below budget. Wholesale power costs are higher than budget. The year-end debt service coverage (DSC) is forecast at 1.81 which is up from the budgeted 1.69. Cynthia Bruce is working on finalizing new cash flow statements. They will look different than our current items of cash significance and should be ready to be presented to you soon. Current days cash on hand is 193.

2023 Physical Inventory Review - Jeff Thayer and Sohn Kartes provided the final 2023 inventory totals. This year the process was completed in four days with only internal staff. We have met our policy requirements of less than a 2% write off even with nearly doubling our normal inventory totals. Process wise there is still room for improvement but we are moving the right direction. Jeff was recognized for focusing on increasing our inventory of critical materials during the past year that will keep us working should delivery delays continue. We have received our signed contract back from Bell Pole as discussed last meeting. This is a 2-year contract, with a 3-year extension option and pricing escalation will begin September 1. We have extended our pole bunks and storage to accommodate the upcoming purchases. With updated undergrounding requirements, we expect to see a reduction in use of poles for new construction. However, we have aging infrastructure replacements that will utilize the inventory.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles reported on the Public Utility Risk Management System's (PURMs) purchase by Brown and Brown. The PURMS board is completing their due diligence work at this point. Commissioner Knowles will continue to update the board and staff on the transition going forward.

COMMISSIONER DAN GUNKEL - Commissioner Gunkel signed a letter drafted by Kevin Ricks and Jim Smith to Skagit County Commissioners supporting the Republic Services bid for solid waste services for Skagit County.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller attended the Klickitat County Economic Development Administration meeting last week. The \$0.09 Bingen City Tax for a water line extension service to support the development of the Dickey Farms property was the main topic of discussion. He also discussed a proposal by a company to explore carbon sequestration efforts on the east end of the county. The county commissioners held two public meetings related to a proposed rate increase on their Dallesport wastewater system that we operate. Lastly, he thanked Courtney Collins for running our webinars.

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

In place of a written report, Jim Smith presented the following information:

- **Home and Garden Show** – our booth had a constant stream of customers. One of the questions received on Advanced Metering Infrastructure (AMI) was whether there would be an opt out option. Staff is planning on bringing back Policy 21 with the option as specified by the board for approval, so we can begin review of these requests.
- **Dallesport Wastewater** - The Klickitat County Commissioners presented the community with a 25% rate increase proposal at two public meetings. This is in line with what we saw from the impacts of the system engineering facilities study. This would result in wastewater rates aligning with rates for the wastewater systems we own and operate. The county commissioners stated that the county will maintain ownership and may eventually transfer to KPUD. KPUD staff will engage with County public works staff and work through the process. Commissioner Gunkel asked for an updated engineering evaluation to ensure our diligence is complete. We want to ensure clear messaging to the community on reasonable expectations and clarity from the county on what we would be getting.

AGENDA ITEMS:

- A. **DEPARTMENT OF HEALTH LIFETIME ACHIEVEMENT AWARD PRESENTATION HONORING TIM MCMURRIN** - Sheri Miller and Andy Cervantes; representatives of the Department of Health, presented Jodi McMurrin and the McMurrin Family with a lifetime achievement award, honoring Tim McMurrin's exemplary years of service as a Certified Water Operator and his commitment to improving the quality of life for Klickitat PUD customers.
- B. **CALL FOR BID POWER TRANSFORMERS 2023 - MOTION** was made by Commissioner Gunkel to approve the extension of the call for bid, originally authorized on March 28, 2023. This will extend the bid opening date to June 21, 2023 at 2:00 p.m. and authorizes staff to advertise the Call for Bid for Power Transformers 2023. Motion carried.
- C. **RHINE VILLAGE MULTI-FAMILY NET METERING AGGREGATION CONTRACT APPROVAL** – after discussion, **MOTION** was made by Commissioner Miller to approve the Addendum to the Rhine Village Multi-Family Net Metering Aggregation Contract #2023-0226 to allow for additional aggregated meters as specified in the addendum. Motion carried.
- D. **CARBON FREE POWER SOURCE, SMALL MODULAR NUCLEAR REACTOR INVESTIGATION** - Kevin Ricks and Mike DeMott discussed potential projects and provided an update on the status of the ENW SMR project. At the current time, it appears like the construction capital requirements results in risk that is just too high at this point. Staff will continue to engage with ENW on trying to resolve these issues. The Grant PUD project is also slowing down its pace due to the capital cost challenges. Staff will continue to bring back regular updates on this topic.

Commissioner Gunkel asked if the BPA contract allows KPUD to secure our own resources without decreasing our preference power allocation. Jim responded that this is still being investigated, but it appears it would not affect the post 2028 contracts, but very likely would affect the contract period after that. Commissioner Knowles asked staff to continue to evaluate our ability to utilize resources we have to serve load.

