

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, December 12, 2023
2:00pm

CALL TO ORDER: President Randy 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 General Manager, Cynthia Bruce - Accounting Supervisor, Mike DeMott - Director of Finance and Power Management, Kevin Ricks - Renewable Energy Assets Manager, Mike Nixon - Operations Manager, Sarah Honkala - Accounting Clerk, Brandy Myers - Customer and Accounting Services Manager, Luann Mata - Executive Assistant/Clerk of the Board.

Via teleconference:

Seth Jones - Buyer, Brandon Johnson - Engineering Manager, Sohn Kartes - Purchasing Manager, Ocean Barrett - CSR/Water/Wastewater Support Assistant, April Greenlaw - Operations Administrative Assistant, Brandon Walter - Water/Wastewater Superintendent, Mark Garner - Engineering Supervisor, and Courtney Collins - Support Assistant

GUESTS: Jon Hancock and Chris Sattem

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

MINUTES: MOTION was made by Commissioner Gunkel to approve the November 28, 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 12th day of December, 2023.

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

- Accounts Payable Voucher Nos. 218064 through 218184 in the total amount of \$1,074,393.14; Electronic Funds Transfer (EFT) transaction Nos. 540 through 546 and Wire and Automated Clearing House (ACH) Nos. 8801884 through 8801889 in the total amount of \$170,349.60 for the period ending December 12, 2023; and
- Payroll ACH Direct Deposit Payroll transactions 213095 through 213175 in the total amount of \$235,332.89 for the payroll period ending December 03, 2023.

Motion carried.

PUBLIC COMMENTS: John Hancock first addressed the board with appreciation of the "Straight Talk" articles and for informing the public about clean energy legislative impacts. He also provided his full support of our utility pursuing participation in Small Modular Nuclear Reactor projects as safe, non-carbon dioxide emitting resources. Lastly, he requested billing clarification on behalf of the Lyle Fire Department. Since receiving the inquiry, the meter has been removed for testing and

a new advanced meter (AMI) has been installed so that the Lyle Fire Department can now monitor daily usage through SmartHub and staff has information to work with the customer. Anita Clever is also in conversation with the district regarding conservation programs they may qualify for. Commissioner Miller asked what we will do about this significant demand charge; Staff will evaluate whether the meter was operating correctly and once that is determined there will be a discussion with the customer on the findings and next steps.

Chris Sattem thanked the board for their efforts with communication and asked that we continue to “keep up the good work” and continue to keep open communication with events that can impact our customers. The transparency issue is huge.

REPORTS:

Renewable Energy Asset Update - Kevin Ricks provided the monthly update. Production beat budget at 135,555 DTH and the plant operated at a 90.4% reliability factor. Our year-to-date reliability has improved to 96.6%. He has also met with a major industrial gas company who is interested in purchasing CO₂ from our Landfill Gas Plant. They made an onsite visit in November and we have another visit scheduled next Wednesday. Commissioner Knowles will attend. We continue to explore small hydro projects within the region and have begun to evaluate air permitting requirements at LFG II. An Instrument and Controls technician, Loren Davido, began November 21 and LFG Tech/Relief, Ian Watson, began on December 4. Commissioner Gunkel asked why production trended down so significantly during the weeks of May 21, June 18 and July 23; the Republic well lifts and expansion project along with the installation of the Loci Controls equipment on the new wells took wells offline and forced adjustments in others as Republic completed their capital projects. Now that the Republic project is substantially complete, December is realizing daily production increases as seen on the chart presented.

Power and Finance Update - Forward Mid-C pricing compared to 2023 and proposed 2024 budget was reviewed. Mike also discussed our progress with the Bonneville Power Administration (BPA) in determining resource shaping charges for various resources, including run of the river hydro. BPA has a resource shaping charge model, but it has not been used very much and BPA staff are learning to use it as we go.

A 5 MW solar project was modeled into our existing BPA billing forecast. Using a Bonneville Environmental Foundation (BEF) model, this installation would deliver 9,171.36 MWh and an average of 1.05 MW annually. Initial results indicate that a project could result in lower Tier 2 costs, but also would increase our load shaping charges. Project cost versus benefits will be further analyzed.

BPA has announced that the last rate period of our contract will be for a 3-year period versus the normal 2-year period. This will start effective 10/1/2025 and will run until the end of our BPA contract, 9/30/2028.

BPA Resource Planning has started work on RP-24 (Rate Period). This planning effort will not focus on resource acquisition but will inform RP-26 in which resources will be a greater focus. We have made it clear to BPA and other public power associations that we feel the need for resources is clear and should be a higher priority item in the near term given time it would take to approve, permit, design and construct any resource acquisitions. Resource planning needs to include Columbia Generating Station (CGS) uprate as well as potential for lower Snake River dam removal, whether one agrees with that step or not.

White Creek Wind (WCW) will end the year short of our Tier 1 generation share of 63,848 MWh, we carry the “owed” Tier 1 generation forward into 2024. With this carry forward there is potential savings next year.

KPUD has received their Climate Commitment Act (CCA) 2024 carbon allowances. We have budgeted conservatively for 2024 allowance revenue. Mike discussed an upcoming deadline for participation in Q1 2024 CCA auction and allowance sales strategies. The Board directed that we sell 100% of our 2024 allowances in the Q1 auction noting that the prices are not sustainable and could fall with future linkage of the WA program with other programs including California and Quebec in Canada.

October Financials Update - Sarah Honkala reviewed rate revenue noting that the year-end forecast still looks to be under budget, primarily due the industrial power customer contract ending. Our transmission and generation revenue from White Creek Wind has also decreased further from September as mentioned in the Power and Finance report. Our year-end forecast for wholesale, customer accounts, admin and general labor expenses have all been from September's forecast. Overall, we are still forecasting to end the year better than budget. Our year-end debt service coverage is forecast to be 2.04.

The days of cash on hand is currently forecast to be 221 days. Our Washington State Accountability Audit exit interview is tomorrow. There are no findings, but other recommendations for improvements are anticipated. Last week Moss Adams began our 2023 interim financial audit.

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

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

COMMISSIONER DOUGLAS MILLER - Commissioner Miller will attend the Washington State Auditors exit interview tomorrow.

ASSISTANT GENERAL MANAGER - Gwyn Miller discussed

- Commissioner Compensation Update - Per Resolution 1526, we follow the recommendations of the office of financial management updates to RCW 54.12.080 as they are implemented. As such, we will implement the recommended increase effective January 1, 2024.
- We have a union grievance from March 2021 which is scheduled for arbitration. We are also currently negotiating union compensation.

GENERAL MANAGER - The complete report can be found at:

http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

- Washington Public Utility District Association has requested a visit - their requested date is March 12 at 2pm. The board was in agreement. Luann Mata will reach out to confirm.
- PowerEx power purchase, load shaping peaking capacity - Jim met with PowerEx last week. They are currently not interested in long term power sales contracts. However, they are potentially interested in accessing resources within Klickitat County. They will be getting back to Jim. Interestingly, they do not see the same resource adequacy shortages in British Columbia that we are seeing in Washington State. With the completion of their new Site C dam and the delays in new liquefied natural gas (LNG) facilities, they believe that they have capacity available for BC Hydro likely for the next 10 years.
- PPC Columbia River operations - Jim provided an additional update on this topic.

AGENDA ITEMS:

- A. REJECTION OF BIDS- TREE TRMMING 2024 - **MOTION** was made by Commissioner Gunkel to reject all bids for the 2024 Tree trimming contract

bids, as all bids received were incomplete and did not meet the required criteria for award. Motion carried.

- B. CALL FOR BID- TREE TRIMMING AND RIGHT OF WAY CLEARING 2024 - MOTION was made by Commissioner Miller to approve the Call for Bid, Tree Trimming and Right of Way Clearing 2024 with bids being received until 2:00 p.m. December 28, 2023. Motion carried.
- C. RESOLUTION #1843- 2022 CANCELLATION OF UNCLAIMED WARRANTS - MOTION was made by Commissioner Miller to adopt Resolution No. 1843 authorizing the cancellation of unclaimed warrants for 2022 in the amount of \$1,933.73 as per RCW 36.22.100. Motion carried.
- D. 2022 ANNUAL WRITE-OFFS - MOTION was made by Commissioner Gunkel to accept the write off list as presented. Motion carried.
- E. SMALL MODULAR NUCLEAR REACTOR (SMR) UPDATE - Kevin Ricks provided an update on the status of the SMR projects in the region. We have been watching three projects. The Grant PUD project has slowed since Advanced Reactor Demonstration Projects (ARDP) funds were not awarded. The Utah Associated Municipal Power Systems (UAMPS) project has been moving forward at a faster pace, however, their contracts required a specific subscription to be reached by end of 2023. They were unable to obtain that subscription base and UAMPS and NuScale have shut down this project. NuScale is still pursuing international projects. Third, Energy Northwest (ENW) is moving forward. They have regional operational experience, but they are currently lacking subscribers as well. PPC is working with BPA to invest in the project as an additional resource for the region, but that is not confirmed. Until ENW come up with investment funds the delivery dates for this project continue to slip. In conclusion it is staff's recommendation that we continue to watch these projects, but focus time on food grade CO₂, combustion turbine capacity, solid waste digesters, development/acquisition of a small hydroelectric project and other projects that remain consistent with our strategic plan. No action was taken.
- F. POLICY 51- CUSTOMER DATA PRIVACY - Jim Smith reviewed the proposed edits to Policy 51. After discussion it was determined that we would make a few more updates and bring back to the first meeting in January. No action was taken at this time.
- G. KLICKITAT PUD 2024 OPERATING BUDGET PUBLIC HEARING 3:00 p.m. - Commissioner Knowles opened the meeting at 3:00 p.m. as scheduled.
- H. KLICKITAT PUD 2024 ELECTRIC RATE INCREASE PUBLIC HEARING 3:00 p.m. - Commissioner Knowles opened the meeting at 3:00 p.m. as scheduled.

Cynthia Bruce and Mike DeMott presented the 2024 Operating Budget and proposed 2024 Electric Rates. These include the 4.5% increase in our electric rate revenue requirement. Of this 4.5% increase, power purchase costs make up 3% and electric operations and maintenance increases due to supply chain and inflation makes up 1.5%. The 2025-2028 rate projections were discussed for informational context only. Assumptions and financials were reviewed. Of note, transportation costs were budgeted with a 9% increase over 2023 actual costs and our insurance for assets, fire, cyber security, etc. are forecasted to increase by 20%. Wholesale market purchases previously made in the market are now served by BPA Tier 2 at known rates for the BP-24 and BP-25 periods. Future periods assume these purchases will be made at prices as reflected in the 9/7/2023 Mid-C forward price forecast. This budget includes \$20,000,000 borrowing in 2024 and assumes \$10,000,000 in 2026, although the 2026

