

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, July 26, 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, Mike Nixon - Operations Manager, Brandy Myers - Customer and Accounting Services, Cynthia Bruce - Accountant, Sarah Honkala - Accounting Clerk, Kevin Ricks - Renewable Energy Assets Manager, Mark Garner - Engineering Supervisor, Sharon Blodgett - Water/Wastewater Coordinator and April Greenlaw - Operations Support Assistant.

Via teleconference: Jim Smith - General Manager, Courtney Collins - Engineering Support Assistant, Alex Casimiro - LFG Support Assistant, Mike DeMott - Director of Finance and Power Management, Patrick Carroll - Consultant, and Geoffrey Lacefield - System Engineer.

GUESTS: Keith Simovic - Moss Adams Auditor

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

MINUTES: **MOTION** was made by Commissioner Knowles to approve the July 12, 2022 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 26th 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. 213812 through 213813 and 213815 through 213926 in the total amount of \$1,195,048.82 and Wire, ACH and EFT Nos. 364 through 369 and 8801674 through 8801682 in the total amount of \$1,528,154.21 for the period ending July 26, 2022; and
- Payroll Warrant No. 213814 and ACH Direct Deposit Payroll transactions 209772 through 209863 in the total amount of \$227,311.37 for the payroll period ending July 17, 2022.

Motion carried.

PUBLIC COMMENTS: None

AGENDA ITEMS:

- A. MOSS ADAMS 2021 FINANCIAL AUDIT REPORT REVIEW** - Keith Simovic with Moss Adams presented the 2021 Financial Audit Report.

Keith reported they did not have any findings based on the Government Auditing Standards Report. He also reported on those in charge of governance there were no material weaknesses found.

He highlighted the significant standards that have been adopted by the Governmental Accounting Standards Board; GASB 89 no longer allows the capitalization on interest of large projects. Commissioner Knowles asked if this is now amortized over the life of the loan or asset. Keith clarified that now interest will be expensed as it is incurred.

An adjustment was made to correct the understated AP balance for invoices related to 2021. There should have been an accrual of \$185,885 in the 2021 financials; however, this was recorded in the next calendar year.

Also listed under the passage of GASB 87 is a section which impacts leases effective in the period beginning 6/15/2021. The new standard will be effective next year and will change how leases will be recorded. An agreement will need to be in place for anything that KPUD is either a lessee or lessor of to allow the use as an asset for a set period of time. This will take into account things that were not leases before such as pole contacts or easements. Something to consider are the underlying terms of the agreements. If something is an asset or liability on the financial statement, we will need to look into this.

Jim recommended that staff look into the V75 water mitigation rights that we are leasing. Keith advised that we should go over the lease agreements that we have in place in addition to reviewing anything that could be a part of the GASB 87 that could be potential leases and then analyze it against the rule. Moss Adams will also include Jim in the conversations with accounting.

Brandy Myers took the time to thank each of the accounting employees for their assistance and willingness to work with Moss Adams in a timely manner. Commissioner Miller echoed her thanks to the department.

REPORTS:

Water Wastewater Report - Sharon Blodgett presented the department report for June. Sharon began by thanking the Customer Service department on their efforts with our field audits in integrating handheld meter reading devices. She also thanked the Meter Shop for all of their assistance on their various projects. Lyle's new well had damaged cables coming in due to animals and the Meter Shop, including all of their new team members, have gone above and beyond and installed armored cable.

Sharon received an update from Jason Shira from Aspect Consulting regarding the Glenwood water rights. The Yakama Nation has not received any public comment, the process is moving along and they are anticipating seeing something within the draft of the permits. She advised they are hopeful that the process is moving in the right direction.

The W/WW crew has been diligent on their maintenance routines that typically run in the background. Commissioner Knowles asked how the water quality is holding up in Klickitat. Sharon confirmed that she has not received any water quality concern reports. Sharon and the crew believe that the previous water quality issues were likely on customer's water filtration system.

Operations Report - Mike Nixon presented the department report for June. The ASAI index was lower than our goal due mostly to a large live tree that came down in the White Salmon district. The actual length of the outage was 1.75 hours, but the number of customers was significant. Commissioner Knowles commented that near the fire station in Snowden has been logged and inquired if we are notified by the Department of Natural Resources (DNR) regarding their plans for logging since they tend to leave behind a row of trees along the KPUD's right-of-way. Mark Garner stated he had not heard about the plans to log here ahead of time, but that he has been in contact with their district forester with the Flat Top project and will inquire about notifications from DNR.

The Goldendale crew is about two weeks out on customer work, but due to slowing customer work, they have been able to complete all of the storm damage clean up repairs. Commissioner Miller inquired about the customer-caused outage in the Goldendale district and whether customer education is needed, or if it was negligent. Mike confirmed the customer was aware of the line and was upset with his staff over the outages. The customer was also billed accordingly.

Kemp West has two crews trimming and one crew focused on mulching. We are still on track to complete our annual goals. Commissioner Knowles asked if we were going to stop mulching due to the fire danger levels. Mike agreed that it is time and advised that Dale is working with the faller this week and they were attempting to complete as much falling as possible during Rick Slawson's time on the property.

Mike also informed the board that due to the high heat levels, the line crews will be working 6:00a.m. until 2:30p.m. The intention is to continue doing this during the high temperatures to avoid heat exhaustion. Commissioner Miller asked if there was a plan to keep them out in the rural area during this time. Mike agreed that they are to keep quieter during the early hours as not all of the scheduled work is out of town.

Gwyn mentioned that Mike is planning a trip to Medford this week to talk with snow-cat vendors. Mike will be going with one of the mechanics to assess this snow-cat to see if it will meet the needs of the crews for accessing sites during inclement weather.

Engineering Report - Mark Garner presented the department report for June.

Engineering is currently engaging in conversation with landowners regarding site locations for the proposed Trout Lake substation. ECI is looking at transformer specifications so we can begin the ordering process. Commissioner Knowles Randy asked if we will be extending the transmission line. Depending on the site, we could need to extend the transmission line approximately up to a half of a mile.

Engineering is in discussion with the county about the yard lighting that they would like in the parking lot where they recently tore down a building in Goldendale. While speaking with the city, they questioned whether we have a program in place to change all of the lighting to Dark Sky compliant lighting within 5 miles of the observatory. The company that we currently purchase the high pressure sodium (HPS) yard lights from have LED lighting options available for approximately \$10 more that we currently pay for the HPS. Mark added the vendor will be discontinuing the HPS in time as well. There are 64 yard lights within the 5-mile radius of the observatory. Commissioner Knowles indicated that Jim should be prepared to have this discussion with the White Salmon community as this has come up in previous conversations. Mark stated that they are also looking into the wide lens lighting at the intermodal yard in Roosevelt as we are now struggling to get replacements for the lights currently installed.

Customer engineering work has slowed. We only have three ready in Goldendale and five in White Salmon. The number of people who are ready is staying steadier in Goldendale and has dropped in White Salmon. However, we have sent a comparable number of letters out in June versus May. The changes in interest rates has definitely impacted the number of customers moving forward with projects. Justin Beierle has been working with a customer who has three large lots in Box Canyon that he is planning to develop. Aaron Estey has been diligently working on the Courtney Rd. Phase I project; they are close to wrapping that phase up. Commissioner Knowles asked if James Dean Construction had contributed to the project. Mark confirmed that they had.

Nathaniel has been working with the City of White Salmon and Bingen on the EV charging sites. Justen Greenwood and Aaron have been working with the crew on Flat Top. Titan Electric will be nearly done by the end of next week with the undergrounding, but then another Titan Electric crew will come in and terminate

and wreck out the old infrastructure. DNR has an upcoming timber sale in September in the mid-section of Flat Top.

Justin Beierle has been working with the Titan Electric crew on Garrison Rd., which will take approximately another three weeks. We will then roll them out to Dot Rd. in coordination with the drilling contractor.

Jared Balcom has been working with Northwest Drilling and Boring in Dallesport. They pushed their start date to August 1 due to the heat and will be boring to replace one mile of direct bury.

Phillip McMillen is continuing to work on all of our mobile products including creating pole inspections and right-of-way inspections in Futura FieldPro.

Gwyn Miller recognized the Engineering department. Everyone has stepped up immensely since Ron Schultz's retirement. Mark Garner and Brandon Johnson both have taken over most of Ron's duties. Brandon will be transitioning to the manager role while Mark continues working on many of the special projects and will continue to dig into duties as needed. Justin will be promoted in his staking leadership role. Aaron has also stepped up in leadership within the department. We are pausing on backfilling anything additional in the department until everything settles within the department. Commissioner Knowles commented that he has a good sense of what is going on in the department and appreciates the efforts Mark has made.

Renewable Energy Assets Report - Kevin Ricks presented the department report for June.

Kevin report that the plant produced 135,095 DTH of gas production in June. The plant is running well. Gas flows are about equal to last year, but due to the increased efficiency, we are selling gas. Due to the EPA's visit, staff put off a scheduled plant outage. Kevin suspects that the inspection will in turn cause Republic to be more diligent on their cover and may dedicate more efforts here. Kevin also included a list of improvement projects completed in June. Kevin advised that there were three promotions at the plant – Hart Sheldon, Michael Hauner and Mike Ashby. Leonard is notably one of the best trainers we have at RNG and Kevin mentioned his efforts. We are very happy with the skillsets on site. Kevin also informed the board that Jonah is no longer the interim plant superintendent, but has permanently accepted this role.

Kevin provided an update on the automated well field. Loci has agreed to change the contract terms to month-to-month in addition to adding liquid level monitoring in the wells. Commissioner Knowles asked if Loci is using sonar, and Kevin clarified that it's a static pressure line that can measure the depth of the water. This will provide some very helpful data to the RNG team. Commissioner Gunkel said he was pleased to see the capacity factor beginning with a 9 to which Kevin added that the plant has been producing RNG at volumes above budget for the past 100 days.

We also received a closeout letter from the UTC.

Kevin recently met with Grant County PUD small modular nuclear reactor project team. Commissioner Gunkel asked how much security is involved in this project and if they don't have an answer, when will they know. Kevin said this is early, but Grant PUD spoke to it stating that the security requirements will likely be different depending on the vendor technology they pursue, but there are defined standards. Commissioner Gunkel agreed there would be no deviation from the current standards and they will be treated like any other nuclear facility. We have a 90-day timeline once we sign our agreements to review and commit KPUD to involvement with their project. We will be subject to non-disclosure agreements during that time and will have the right to review all documentation at their site.

COMMISSIONER DAN GUNKEL - Commissioner Gunkel attended the Energy Northwest board meeting and mentioned that the board of directors sent a letter to

BPA to request they they support the Columbia Generating Station Power Upgrade that would increase the facility’s output by 177 aMW, while decreasing the total cost per MWh produced.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller reported that he received an invitation in the mail for an event at the Glenwood School; however, he will not be able to attend. He has also received an invitation for the Dallesport Community meeting on August 11 as well as the County’s Dallesport Wastewater meeting on August 16.

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

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

AGENDA ITEMS CONT'D:

- B. PREQUALIFICATION OF PROFESSIONAL SERVICES CONSULTANTS - MOTION** was made by Commissioner Knowles to approve the additions to the Professional Services Roster as presented. Motion carried.
- C. AUTOMATED METERING INFRASTRUCTURE CONTRACT COST SUMMARY -** Mike DeMott has been working with Brandon Johnson on the costs associated with the AMI project. There is a 20% contingency for contractor costs and an additional repair contingency built in for damages that happen when we put our hands on customer meter bases. Jim advised that he thinks we will still come in somewhere near \$5,000,000.
- D. RESOLUTION NO. 1824 – SURPLUS OF EQUIPMENT ASSOCIATED WITH LANDFILL GAS PLANT ELECTRICAL GENERATION RELATED EQUIPMENT - MOTION** was made by Commissioner Knowles to adopt Resolution 1824; surplus of the Landfill Gas Project #1 and #2 associated generation equipment. Motion carried. Commissioner Knowles’ hope is to use the costs generated by the LFG turbine sale to help pay down the AMI costs.
- E. EXECUTIVE SESSION: Potential Litigation (1)(i)** - President Miller called for an Executive Session at 4:00 p.m. to discuss risks of current or proposed action regarding the filing of comments on the Goldendale Energy Draft Environmental Impact Statement per RCW 42.30.110(1)(i) noting that the session would last until 5:00 p.m. Zach Lell, attorney from Ogden Murphy Wallace, attended via phone.

Executive session ended at 5:00 p.m.

RCW 42.30.110 – Executive Session.

(1) Nothing contained in this chapter may be construed to prevent a governing body from holding an executive session during a regular or special meeting:

Adjourned – There being no further business, the meeting adjourned at 5:01 p.m.

/S/
Douglas B. Miller, President

/S/
Randy L. Knowles, Vice President

/S/
Dan G. Gunkel, Secretary
Date Approved: August 9, 2022

/s/
April Greenlaw, Operations Assistant