



Public Utility District No. 1 of Klickitat County

85 Years of Service * 1938-2023

GENERAL MANAGER'S REPORT TO THE BOARD For the November 14, 2023 Meeting

AGENDA ITEMS:

- A. Policy 34- Information Systems and Security - Chris Evans is requesting approval of revised Information Technology policy.
- B. Drinking Water State Revolving Fund Loan Application for Ponderosa Park - Sharon Blodgett and Brandon Walter are preparing a loan funding application for the rebuild of the Red Cedar portion of the Ponderosa Park system. The application requires board approval for submission of the application. Staff is seeking that approval to submit the application.
- C. Bid Award- Power Transformer 2023
 - o Schedule A: Replacement Spare 115/69-12.47 kV dual high side transformer. The low successful bidder for Schedule A is Howard Industries/Carlson Sales. We utilized our spare transformer at MA Collins.
 - o Schedule B: 69-12.47kV transformer for the proposed Trout Lake Substation. The low successful bidder for Schedule B is R.E. Uptegraff/Gen Pac.
- D. Call for Bid- Tree Trimming Bid 2024 - Mike Nixon is requesting to call for bids for the 2024 tree trimming program.
- E. Carbon Free Power Source, Small Modular Nuclear Reactor Investigation - staff will provide an update.
- F. 2024 Operating Budget Review 1st Draft - we will present the compiled 2024 budget. There are no material changes to the financials that we discussed last meeting. We will review the resulting financials and review the 2024 budget versus the 2023 budget. Staff will be available for questions. We have one further board meeting on November 28th to bring back any requested changes before a proposed public hearing on December 12th.
- G. 2024 Electric Rate Increase Draft Proposal - coinciding with the 2024 operating budget, we are preparing an electric rate increase proposal. For 2023, we made adjustments that affected rate classes differently so that our rates more accurately reflect cost causation. This was supported by the last Cost of Service study we completed. This resulted in a lower impact on residential rates and a higher impact on irrigation rates, for example.

This proposal continues these adjustments, albeit more slowly than last year, and introduces the concept of charging for all demand in the medium general rate class, as opposed to only charging for demand over 25 kW. It also introduces the concept of tiering demand charges that ratchet higher as demand increases.

We have modeled a 4.5% increase in electric revenues as proposed last meeting and as envisioned last year. This can be split into 3% due to wholesale power costs and 1.5% due to inflationary pressures. We will walk through the draft proposal and hope to have discussion on the concepts and end goal for rate design.

- H. Set Public Hearing Date- 2024 Operating Budget - We are asking that the board set the 2024 Operating Budget Review Public Hearing for December 12, 2023 at 3:00 p.m.
- I. Set Public Hearing Date- Public Rate Hearing - We are asking that the board set the Public Rate Hearing for December 12, 2023 at 3:00 p.m.

NON-AGENDA ITEMS:

1. WPUDA Executive Director George Caan's Retirement - I will be attending the retirement dinner as I will be in Olympia for the DNR Wildfire Task Force meeting. Luann will have a card for you to sign at the meeting and I will take that with me to the dinner.
2. WPUDA Manager's Meeting General Information - Mason #3 and Skamania have already implemented a CETA surcharge. Mason is at \$4 a month and Skamania is charging \$1.77 a month. Both are slated to increase in future years.

Mason 3 is implementing a 7% rate increase. Their proposed base fee is \$54. They do not have any Above High Water Mark (AHWM) load.

Skamania raising rates 3.75%. They have a very small amount of AHWM load.

OKPUD is doing a 4% rate increase and running an \$8 million deficit as commissioners did not want to raise rates more. The GM did not have a good answer for how this is sustainable. They are around 27 on the comparison list.

Kittitas is well above their available Tier 1 power supply from BPA and have been Tier 2 for years. They are expecting a significant change in their cost of Tier 2 power from BPA, but will not actually see the change until the bills from October this year show up. It does not appear that they have changed rates in anticipation of this increase.

I reached out to Kootnai Electric Co-op in Idaho as they are representative of many Idaho utilities that are growing as we have been. They are seeing a 6% impact on their rates due to increasing Tier 2 costs.

It is important to note that many westside utilities do not have these same rate pressures with respect to wholesale power prices as they have lost load. They maintain that they have conserved load, but I think there are changing demographics to more and more, smaller residential dwellings that lead to a lower power consumption per residence. We are seeing the opposite.

1. Energy Northwest Public Power Forum - I continue to be concerned about public power's overall perspectives on electrification and other changes in the industry. I think we agree that improving the environmental impacts of all sectors of the economy is the right thing to do. I think we agree that "society," through utility providers, is being forced to utilize specific technologies that do not solve the coming capacity issues. I think we agree that the goals are implementing the transition too fast and the result is wildly increasing costs and decreasing reliability. I do not think that this full picture is widely discussed or understood. However, it seems to me that within public power there is a resistance to the changes that are already happening around us. I fear that this will result in public power not being as prepared for those inevitable changes as they should be and we will be fighting that as we try and prepare for the future. I will give you my perspectives on what I heard at the forum at the meeting.
2. AMI -
 - a. Trout Lake Community Council letter.
 - b. Review of customer contacts to the board to date.
 - c. Response to public comment at the 10/24 meeting as requested by the board.
5. Republic Services Electric Semi Truck Pilot Project - Republic Services' corporate representatives are planning a site visit at the end of the month to walk-down Republic's facilities in preparation for a Class 8 EV truck pilot project to haul waste containers from the intermodal to the landfill. Republic believes that the Roosevelt site is a good test case for heavy-duty electric trucks. They have enlisted Shell Energy to help provide charging infrastructure and technology assistance.

These trucks will have 400 kWh batteries (about 3x the size of a Ford Lightning battery) and charging rates up to 150 kw. We know that they have many options for charging rates and the time of day when charging takes place. We also know that they expect a significant reduction in maintenance costs and that regenerative braking for example, will provide them benefits. If successful, Republic intends to electrify their fleet of trucks at the landfill. We believe they have a good chance of success.

Staff also believes this is a good learning opportunity on how best to support our customers in the area of electrification and ensure that we understand the impacts on our electric system and on other customers. This pilot will provide valuable information on the use of EVs, understanding the extent of flexibility they have in charging their vehicles, the impacts of these systems on our electric system and power supply, provide insights to help us with thoughtful rate design and could provide positive benefits for all our customers.

As such, staff is taking a “whole of utility” approach similar to AMI implementation, in working with Republic Services on their pilot project. We are not being asked to contribute, only to support their learning about how they may expend this pilot project into implementation for their fleet.