

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, June 9, 2020
2:00 p.m.

All Attendee's participated via teleconference due to the office closure associated with COVID-19 precautionary standards.

CALL TO ORDER: President Dan G. Gunkel called the meeting to order at 2:02 p.m. as advertised.

PRESENT: Dan G. Gunkel - President and Douglas B. Miller - Vice President

STAFF PRESENT: Jim Smith - General Manager, Gwyn Miller - Assistant General Manager, Mike DeMott - Director of Finance and Power Management, Mark Pritchard - Operations Manager, Cynthia Bruce - AP/Accounting Clerk, Brandy Myers - Customer Service Supervisor, Beth Schroder - Accountant, Nichole Lantau - Accountant, Kevin Ricks - Renewable Energy Assets Manager, Ron Schultz - Engineering Manager, April Greenlaw - Operations Support Assistant, Jeff Thayer - Purchasing Manager, Jim Moss - Auditor, and Luann Mata - Executive Assistant.

GUESTS: Larry Hoctor

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

MINUTES: **MOTION** was made by Commissioner Miller to approve the May 26, 2020 meeting minutes as amended. Motion carried.

CLAIMS & PAYROLL: Presented by Cynthia Bruce. 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 June, 2020.

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

- Accounts Payable Voucher Nos. 207506 through 207604 in the total amount of \$432,284.24; Wire and Automated Clearing House (ACH) transaction Nos. 8801328 through 8801329, along with Electronic Funds Transfer (EFT) transaction Nos. 138 through 139 in the total amount of \$152,720.22 for the period ending June 9, 2020; and
- Payroll Warrant Nos. 207505 and ACH Direct Deposit Payroll transactions 204928 through 205010 in the total amount of \$261,745.58 for the payroll period ending May 24, 2020.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Finance and Power Management update - Mike DeMott presented the department report for May. The Federal Columbia River Supply System water supply forecast is improving, so power pricing is staying low. Regional load has also reduced due to the current COVID-19 situation, so the current water supply situation has triggered oversupply curtailment. Along with the wind generation curtailment, the Columbia Generating Station output has been reduced for the first time since 2018. Our May power swaps yielded an additional \$22,000 in our favor. This was allocated toward our White Creek Wind budget deficit. Mike has also locked in May 2021 hedges for high and low load at prices that beat forecasts on our budget.

The renewable natural gas Renewable Identification Number (RIN) pricing has increased recently. The Low Carbon Fuel Standards pricing is also on an upward trend as well. We still have gas in storage so we will continue to monitor pricing. Our hope is that this pricing will hold out until we receive our Carbon Intensity certification rating and that British Petroleum takes the gas out of storage to supply California needs. Mike has had discussions with both Moody's and Fitch this week. He has informed them of the signing of our long-term sales contract with Puget Sound Energy. The verbal feedback Mike received from the agencies was positive. Mike will be reaching out to North Cascades Bank to notify them of the sales agreement as well.

White Creek Wind is still generating above budgeted volumes. This would normally be good except we only receive the Tier 1 amount of power and this year it is being generated early in the year when prices are low, rather than in November and December when the pricing is better. We anticipate a \$200,000 deficit due to this generation timing.

Bonneville Power Administration is evaluating the BP20 rate period high water marks and tier one usage for the rate period. Mike discussed that the Tier 1 supply is reduced from BP20 and BP22. It is projected that we will lose about 1.5MW of Tier 1 load. This would mean we would need to go to market to purchase approximately 8MW of our load to meet our needs in the future. Mike will continue to work through the Northwest Requirements Utilities (NRU) group and participate in discussions, as we really do not want to see the reduction in Tier 1 availability. Commissioner Gunkel stated that we need to understand why this is potentially happening when many utility loads are decreasing and we should actually see our share increase. Our current load requirements are around 50MW. We have also hesitated to lock in our unpredictable commercial Dallesport load so we do not expose our other customers to increased risk. There is also a petition to request that BPA suspend their surcharge for the remainder of 2020 to assist with financial impacts from the COVID-19 situation. If this surcharge is suspended, the impact on KPUD would be approximately \$20,000 in BPA expense reduction per month.

Financial update - Nichole Lantau, Mike DeMott and Brandy Myers presented the current financial update through April. Retail electric revenues are above budget. This is mainly due to industrial customers and the Dallesport data-mining customer. We have had a substantial reduction in our interest income with the COVID-19 situation, we were seeing a 2.5% return on our investments. We budgeted for 1.5% to allow for fluctuations; however, current rates are less than 0.5%. Collection of late fees on retail electric sales are down as a result of the COVID-19 moratoriums. Current accounts in arrears total about \$500,000. Aid in Construction revenue is also down due to the limitations on construction over the past few months. We anticipate the income trending back up later in the year, but this will definitely have an impact on our overall budget for 2020. Staff will be completing a detailed year-end forecast review in the next couple of weeks and will provide the forecast in a future meeting. We are doing our best to mitigate some of these reductions. We are back out reading meters, as we estimated meters for the past two months. This may yield some additional income. We are also increasing our efforts to collect past due accounts. Customer Service staff is reaching out to customers to make payment arrangements.

Mike also stated that our debt service coverage is projected to be 1.33 at this point. Our policy states our DSC will be 1.5. If it falls below 1.4, we need to have a plan in place to bring it back up. We believe that our long-term RNG contract will increase this over time. We ended April with \$36,000,000 cash on hand, which is equivalent to 253 days of available cash.

Outage update - Mark Pritchard and Ron Schultz discussed last week's wind storm outages. It has been a while since we have experienced a storm like this one. It was relatively short in duration, but brought forth substantial damage. The answering service began receiving calls around 3:30 p.m. on Saturday, May 30, 2020. The

majority of customers affected were due to BPA and Benton PUD transmission outages. Both Benton and BPA experienced some major damage, so it took time for them to respond to our outages.

Mark described the local outages as being “pocket” outages. The outage locations were grouped together, but wide spread throughout the county. The entire storm event only lasted around three hours. There were many reports of sustained winds of 50 mph with gusts from 75 to over 100 miles per hour. The pattern suggests microbursts and lightning strikes. The crews worked until everyone was back in power, in many cases using temporary fixes to get customers back in power, and this left us with repair work to complete this past week. The hardest hit line was the west feed from the John Day substation. We lost 17 poles near the Maryhill Winery. Commissioner Miller asked if staff considered re-routing this line. Mark stated that we assessed moving the line, but moving this line comes with right of way challenges as well as Gorge Scenic area requirements, so rebuilding in the same location was the chosen direction. This is still currently under an alternate feeding situation, but that should be switched back to normal by next week, since the repair work is complete. Wishram had significant tree damage, however minimal equipment damage. Most of the trees that were damaged in this storm were green trees and would not have been considered in our tree removal evaluation. Mark also mentioned that our reliability numbers will definitely be impacted by this event.

We had approximately 160 hours of staff overtime with this event. Everyone stepped up to assist with the situation. The crews were all on site working the issues. Support staff all reported to support the crews and customers. Engineering staff was involved in evaluating customer reports and securing unsafe conditions.

We also use these events as a learning tool; our debriefing yielded some areas where we excelled and some areas we could improve upon.

COMMISSIONER DAN GUNKEL - Commissioner Gunkel stated that Energy Northwest curtailed output of the Columbia Generating Station (CGS) to 60% at the request of BPA to help with the oversupply situation Mike DeMott mentioned earlier. Columbia Generating Station is not designed to accommodate load following options. It is likely at this point that CGS is going to shut down completely if the oversupply situation persists.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller stated that he will remotely attend a Department of Ecology discussion tomorrow on water banking and will remotely attend the Washington Public Utility Districts Association board of directors meeting on Friday. The WPUA discussion will be on current operational requirements imposed by the state.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles was absent from this meeting.

ASSISTANT GENERAL MANAGER - Gwyn Miller presented the current operational update.

- **COVID-19 status** - Gwyn Miller reviewed the current COVID-19 Washington statistics.
 - **District Expenses** - actual direct costs so far appear to be \$25,000. This is comprised of costs for PPE, sanitizing consumables, water station rentals, and community support efforts, excluding the small business support program. We understand that overall costs incurred are higher than this. We have shifted the timing of many scheduled Information Technologies (IT) investments to purchase equipment earlier than scheduled to keep personnel working in the field and keep our small group of at risk employees working effectively from home during this situation. As we evaluate the state requirements and start to interact more with the public, we anticipate that our PPE requirements and other direct expenses will increase. We will continue to keep our adjusted schedules and adjusted workspace conditions for the

foreseeable future.

- Proclamation Update - The last page of the Governor's proclamation prohibits disconnects, mandates services be provided and states no additional fees may be charged until July 28. WPUDA is gathering input from members and will be responding directly to the Governor's office. The collective response is recommending that the state allow PUD's to pursue their collections efforts and manage their customer service programs. Jim mentioned that there are other entities out there lobbying for customer relief to be extended through the end of the year.
- Implications of Moratorium - With the moratorium extended through the end of July we know impacts will accumulate. There is need for reaching out to customers to make payment arrangements. We are seeing a pattern that many customers are not making payment arrangements on their own since the moratorium was issued. Some of these accounts were behind coming out of winter after the cold weather moratoriums ended, so that compounds any COVID-19 created situations. Brandy is completing a Department of Commerce survey to assess current utility financial impacts of the moratorium.

Customer Service staff continues to reach out and communicate with customers. They will begin to make phone calls and issue door hangers shortly. Our current disconnect list is over 800 customers. The revenues at risk associated with this are in excess of \$500,000. Some of this will be uncollectable. Staff is equipped with tools to work with customers based upon their situation. All agreements will be based upon a case-by-case evaluation. In the past week, our phone calls have yielded payment arrangements by 90 customers for approximately \$96,000 in revenue recovery. The commissioners instructed staff to adhere to policy for consistency and evaluate if there is any need to revise policy after experiencing this situation. Staff is also thinking outside of the box to evaluate potential infrastructure changes as another incentive option to recover costs.

- Meetings - We recognize that remote commission meetings pose challenges, however we anticipate remote meetings to continue into July. It is likely that we will continue to have the offices closed and that the public will continue to have access to our meetings via phone bridges as we are currently doing at least through July. When we do open the building to the public, there will be additional effort required to maintain hygiene as well as cleaning efforts to keep our employees healthy. Our customers have expressed appreciation for us remaining open, even if our lobby is not accessible.
- Senior Banners - Brandy Myers worked with the local schools to coordinate installation of the senior banner signage for almost all of the high schools in the county. Klickitat PUD purchased the brackets, mounted them and hung the banners on the poles. The crew efforts were appreciated by all of the communities. The crews enjoyed being able to partner with our schools and communities and John Starr did a fabulous job coordinating all of the installation. Now that the brackets are installed, we will be able to use them in future years for community related communications.

GENERAL MANAGER - The complete report can be found at:

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

In addition to the written report, Jim Smith presented the following information:

- RNG Update - Kevin stated the plant experienced two outages in May. One was from a leaking gasket on the Amine system. When we received a

replacement heat exchanger two weeks ago, it was found to have the incorrect gaskets. During the outage last month, staff elected to use these gaskets as a temporary fix as we would not have been able to run without the heat exchanger while we waited for replacement gaskets. Unfortunately, the gasket failed, but the manufacturer delivered the correct gasket replacement. These were installed and the impact of this outage was approximately two days of production. The second issue was caused by the power outages during the windstorm on May 30. This outage yielded approximately eight hours of production loss.

Jim also mentioned that Jonah Humphreys and Phillip McMillen are working together to develop tools to map methane production to assist us with well field optimization.

- Yakama Nation Housing Authority - Jim asked the board for direction on a request from YNHA. The YNHA is evaluating a property purchase in Wishram. The application for this development has 46 connections associated with it. We have capacity available on both the water and wastewater systems. Our policies state that all connection fees and general facilities charges are required prior to connections being made and the monthly base fees must also be paid in order to reserve connections. These costs are not refundable. The developer has asked if these fees could be made refundable if there are no financial impacts to the system should the purchase fall through. After discussion, the board advised staff to follow policy in order to remain consistent for all developers and potential customers.
- Corp of Engineers Lease - The Corp easement for the water intake structure has language, which we object to due to their standard wording for providing notice. Jim asked the board's opinion of whether the standard easement wording meets our infrastructure requirements. After discussion, staff will evaluate other options and execute the Corp lease easement as is.
- Prepaid metering - We are evaluating our options for automated metering. The costs are not insignificant, but we have seen how this moratorium has impacted our current processes. If we move toward automated metering there is a cost to acquire the programming, and integrate the system with NISC. That cost is around \$45,000 and each meter would be an additional cost for equipment and installation. We do not think that a full-scale roll out would be economically beneficial, which is why the cellular option appears to be cost effective. We are in the process of scheduling a trial to make sure meters will work like we anticipate and so we understand how the system functions and where communications may challenge us. We have the budget to purchase 150 meters this year if we move ahead after presenting a business case to you.

AGENDA ITEMS:

There were no agenda items for this meeting.

Adjourned – There being no further business, the meeting adjourned at 4:14 p.m.

/S/
Dan G. Gunkel, President

/S/
Douglas B. Miller, Vice President

ABSENT

Randy L. Knowles, Secretary
Date Approved: June 23, 2020

/S/

Luann Mata, Executive Assistant