

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, April 13, 2021
2:00 p.m.

Due to the office closure associated with COVID-19 precautionary standards, in person attendance is still restricted. Attendance is noted below.

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

STAFF PRESENT: Jim Smith - General Manager, Gwyn Miller - Assistant General Manager, Mike DeMott - Director of Finance and Power Management, Kevin Ricks - Renewable Energy Assets Manager, Beth Schroder - Accountant, and Luann Mata - Executive Assistant.

Via teleconference: Alex Casimiro - AP Clerk, Brandy Myers - Customer Service Supervisor, Mark Pritchard - Operations Manager, Ron Schultz - Engineering Manager, April Greenlaw - Operations Support Assistant, Brandon Johnson - Engineering Tech, Jeff Thayer - Materials Manager, Sharon Blodgett - Water/Wastewater Coordinator, Brandon Walter - Water/Wastewater Superintendent, and Mark Garner - Customer Engineering Supervisor.

GUESTS: None

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

MINUTES: MOTION was made by Commissioner Gunkel to approve the March 23, 2021 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Alex Casimiro. 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 13th day of April, 2021.

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

- Accounts Payable Voucher Nos. 210030 through 210031 and 210033 through 210159 in the total amount of \$1,324,783.42; Wire and Automated Clearing House (ACH) transaction Nos. 8801453 through 8801462, along with Electronic Funds Transfer (EFT) transaction Nos. 226 through 227 in the total amount of \$468,905.32 for the period ending April 13, 2021; and
- Payroll Warrant No. 210032 and ACH Direct Deposit Payroll transactions 206789 through 206872 in the total amount of \$203,105.98 for the payroll period ending March 28, 2021.

Motion carried.

PUBLIC COMMENTS: None

AGENDA ITEMS:

- A. **PREQUALIFICATION OF CONTRACTORS** - **MOTION** was made by Commissioner Gunkel to approve the addition of D&T Trucking, LLC. and

agree to add them to the small works roster for the 2021 period. Motion carried.

- B. BID AWARDS- Tree Trimming and Right of Way clearing 2021 - MOTION** was made by Commissioner Gunkel to award the bid to Asplundh Tree Experts for \$454,168.00 based upon price and to Northwest Line Clearance in the amount of \$601,120.00 as the second lowest bidder. Each bid was based upon supplying one crew and our work load requires two crews. Motion carried.

REPORTS:

Renewable Energy Assets March update - Kevin Ricks presented the report for March. March yielded the best production to date this year, however we are still below our budgeted volumes. The plant experienced an unplanned outage due to a compressor oil pump failure. Lead time to replace this failed component was 12 weeks, however, spare parts were ordered in 2020 and fortunately this part was received a few days before the failure, so downtime was minimal. Lessons learned were the need for ensuring we have a parts inventory, and the need to continue to improve upon start-up time moving forward. Some items are proprietary but staff continues to research alternate sources in hopes to speed up lead times and reduce costs.

Staffing update: Doug Senn has moved back to an Operator II position, Jonah Humphreys is the Interim Site Supervisor and an offer has been extended to an interview candidate from Texas, also for an RNG Operator II position. These positions were made available as we are expecting two retirements this year. The candidate from Texas has accepted the position and the start date is May 3.

Bonneville Power Administration outage update - Ron Schultz discussed the BPA caused outage from March 25, 2021. An unscheduled power outage was experienced on the 230kV transmission system, which affected over half of our customer base. BPA had been performing some communications testing in one of their substations. A missed step in their test plan resulted in a system operation and stranded our 230kV Transmission line feeding the EE Clouse substation leaving it without power. Staff immediately reached out to BPA, they ceased their testing and power was restored after approximately 20 minutes. The Dalles BPA service territory has undergone some transitions due to retirements. This event exposed areas where BPA needs to improve communications with KHUD and make sure that the new staff understands how our system integrates with theirs. It also provided insight to a few internal areas that we need to harden within our own systems. Staff is working with BPA on education of system and communications as well as evaluating redundancy options for our phones, servers, and other internal systems. A memo was sent to BPA that in the future, prior to any testing being done at substations or systems that might result in the loss of the 115kV to the BPA Goldendale substation, BPA will switch to the Chenoweth feed. Puget Sound Energy also found that their steam turbine generator remained operational and islanded, even when the rest of the plant was off line. They will work with KHUD Engineering to evaluate and to correct this issue as well.

Power and Finance March update - Mike DeMott discussed the impending retirement of Randy Gregg from The Energy Authority (TEA). Randy has contributed his expertise to our utility since 2011. He is an appreciated resource that will be greatly missed when he retires. Mike has been working with Randy to prepare for the Clean Energy Transformation Act (CETA) market and during these discussions TEA provided some presentation material related to the 8th Power Plan. The Commissioners voiced their concerns around the validity of this study as it suggested that with large renewable additions the need for resources to cover capacity and resource adequacy is virtually eliminated by 2027. Natural gas fired generation is also reduced consistently over time under this evaluation and appears to only be replaced by additional renewables. The presentation further suggests that customer

power bills will go down over time. Commissioner Gunkel stated that this study makes no mention of infrastructure costs and who will bear the costs of constructing the large increase in renewable generation and related transmission infrastructure. The commissioners were in agreement that this study demonstrates where the states are heading and asked Mike to continue to evaluate strategies so we can be prepared when future opportunities arise. Mike also reviewed the Mid-C forward price curves which seem to suggest a dry spring/summer and below average hydro supply conditions. Our hedges for purchased power are substantially below the Mid-C forward prices so our exposure to increased wholesale power purchase expense is largely mitigated. White Creek related revenue is anticipated to be above budget if current pricing conditions hold. There will be more discussions to come as we near the end of our White Creek contract. Selling wind power into the hourly market is challenging for power scheduling agents. Flattening wind with other generation and bringing to load is definitely in need of evaluation and a potential future strategy for our share of WCW output.

The 2015A Bond 2035 and 2036 maturity related refinance closing will be April 15. The final documents were provided for signature. The first draft of a resolution to provide repayment structure requirements set forth by the commissioners was presented. The goal is for future board members to understand the thought behind the 2021 refinance strategy. Commissioner Gunkel stated that this was a good high level view, but would like to have minimum payment requirements, discussed in prior meetings, reflected in the resolution or related financial policy documents. This minimum accelerated debt repayment amount was suggested to total \$1 million if surplus funds are sufficient and all other financial policy requirements are met. The commissioners also agree with this repayment strategy having a designated line item within the future budgets. They would like to leave a documented legacy of understanding on how these funds were to be utilized.

February Financial update - Beth Schroder presented the February financials. The year-end revenue variance references the difference between budgeted revenue and forecasted revenue without the budgeted rate increase. The expectation is that the Loci well control project being online will bring the Renewable Natural Gas revenue closer to budget. White Creek Wind revenues are higher than budget due to improved pricing. With the governor's moratorium on collections, our customer service forecasted revenue shows a reduction related to billing fees and loss of interest. Through the end of the current moratorium extension we are forecasting to be approximately \$70,000 lower than budget for the year in those two categories. If moratoriums are extended, this amount will likely increase. Forecasted RNG expenses have increased due to the approved Loci investment with all other expenses to date within budget. With the refinancing activity completed, our debt service coverage improved from 1.23 to 1.68. Our expense forecast will be updated for items of significance following the end of the first quarter.

Moss Adams is completing their 2020 annual financial audit. We expect to receive the audited financials by mid-May. Annual financial reporting to the state is due May 30, so this schedule aligns with that requirement.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller reported that he will attend the Washington Public Utility Association annual meeting on April 15 and has completed his F-1 reporting.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles attended the Public Utilities Risk Management Services administrative meeting in March. With no surprise, insurance prices are rising significantly across the board. Property insurance premiums alone rose 20 percent. The group will be reviewing ways to evaluate this surge during the June meeting. Some items already under discussion are deductibles and cyber security. Being a part of a pool, even though cyber security is one area we have received praise for our efforts, costs are reflective of the group. The need to consider researching our own individual plans to evaluate options is evident. It is healthy to challenge the costs. Property insurance increases were approved at the last meeting and are reflective of the current market. Wildfires are also driving costs. A proposed \$2.5 million premium increase is under

evaluation. Commissioner Knowles inquired on the status of the MM28 litigation. Gwyn stated we have received the first request for information from the Department of Justice. A review is scheduled with our attorneys April 15.

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

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

- **COVID-19 update:** Gwyn discussed the Governor’s “Roadmap to Recovery” announcement of downgrading three areas in the state based upon case increase metrics. Areas are being grouped by county again; adjustments are based upon case number increases as compared to population within the county and hospital occupancy capacity. The Department of Health can also make suggestions to downgrade counties based upon these metrics.
- **Staffing update:** Summer college student positions are currently advertised. Customer service hired an intern to provide coverage in Goldendale and to assist with the White Salmon office coverage rotation as well. This intern will be trained in customer service as well as have an opportunity to see what other departments throughout the utility offer as well. We have two other positions available; one in the office to work with Engineering, Operations, Water/Wastewater and Administration departments and the other individual will work at the warehouse. RNG had posted for two Operator Tech II positions. One of these positions was filled internally. Interviews were held for the second position and an offer was extended. The interviewee will begin May 3. Lastly, we have an Information Technologies (IT) position, posted for some time now. We will continue to pursue applicants for this IT position until filled.
- **Re-opening:** With the relaxing of some restrictions it is time to evaluate re-opening the office to the public. Since construction is complete in the Goldendale office, the Customer Service office could reasonably re-open to the public. Restrooms and meeting spaces would continue to be restricted from outside access and additional cleaning protocols would need to be implemented. Until the remodel is complete in White Salmon, it seems prudent to keep this office closed. Commissioner Miller commented that the utility has done well continuing to serve our customers while having the office closed, so moving towards re-opening in the same thoughtful manner seems reasonable. There will be more discussions to come before we transition to receiving customers in our offices.
- **Customer Service update:**
 - With the current emergency proclamation and the moratorium on disconnects running through July, KPUD is unable to disconnect residential customers for nonpayment and assess fees. However, customer service continues to collect balances due using all means available including door hangers, phone calls and payment arrangements. The customer service group reaches out to customers offering payment arrangement terms up to 18 months and recommends assistance program including Operation Warm Heart and current Washington Gorge Action Programs (WAGAP). Many of our customers make good faith efforts to setup payment plans as their financial situation evolves. KPUD requests that customers stay in contact monthly and make consistent efforts to catch up. Individuals who potentially qualify for federal assistance programs are referred to WAGAP, who recently received \$2 million in funding to assist with rent and utilities within Klickitat and Skamania Counties. In February, staff submitted two proposals for CARES Act related funding for a Crime Victims and Public Safety request for proposal. One was related to weatherization for low income customers, but was unsuccessful. However, today we received notice that we are a potentially successful bidder for the Local Government, Non-profit, Tribal funding. This proposal was for customer assistance program funding, including a year-

round low income elderly discount program, for a total amount of \$245,000. The award has not been made, but Klickitat PUD is one of six eligible bidders qualified for the funding.

- o Brandy also discussed the Low Income Elderly discount program and its current projections. In the fall of 2020 KPUD expanded the eligibility criteria in response to Klickitat County's Senior Services request for 2-person household eligibility criteria and increased annual income requirements to align with state poverty levels. The timing for the changes was in response to COVID and after multiple years of not reaching the \$60,000 cap. The expansion of eligibility was made with the understanding that enrollment would increase. Realistically, we were unable to estimate the financial impact adding the 2-person criteria would have on the program. As of March month-end, 368 customers have been awarded discounts through this program. This is a 38% increase over last year's program recipients. Staff estimates the \$60,000 cap will be met by the end of April and is evaluating options on how to proceed with the program: 1) stop the program discounts at the end of April instead of May and manage to the \$60,000 cap; or 2) continuing the program through May and increase the program funding. The commissioners requested to table this discussion until the next meeting.

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

Water-Wastewater Rates - Jim stated that we are beginning the process to review the water-wastewater rates for 2021. There are three systems that should have had a 5% rate increase last year and should be ongoing. In the process of running through models the plan is to push out our annual rate hearing to the 2nd meeting in June if we move forward with rate adjustments. Preliminary evaluation information will be provided at the next meeting.

Adjourned - There being no further business, the meeting adjourned at 3:44p.m.

/S/
Douglas B. Miller, President

/S/
Randy L. Knowles, Vice President

/S/
Dan G. Gunkel, Secretary
Date Approved: April 27, 2021

/s/
Luann Mata, Executive Assistant