

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
**Tuesday, March 8, 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 (via teleconference), and Dan G. Gunkel - Secretary

**STAFF PRESENT:** Jim Smith - General Manager, Gwyn Miller - Assistant General Manager, Ron Schultz - Engineering Manager, Isabelle Carroll - AP/Accounting Clerk, Kevin Ricks - Renewable Energy Assets Manager, Mike DeMott - Director of Finance and Power Management, Cynthia Bruce - Accountant, Mike Nixon - Operations Manager, Jeff Thayer - Materials Manager, Brandon Johnson - Engineering Supervisor, Mark Garner - Engineering Supervisor, and Luann Mata - Executive Assistant/Clerk of the Board.

Via teleconference: Robbie Cacy - Procurement Specialist, Brandy Myers - Customer and Accounting Services Supervisor, Brandon Walter - W/WW Superintendent, Geoffrey Lacefield - Project Engineer, and Courtney Collins - Engineering Support Assistant.

**GUESTS:** Jeff Speelman, Ron Ihrig, Cameron Keith - W/WW Operator, Brandon Walter - W/WW Superintendent.

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

**MINUTES:** **MOTION** was made by Commissioner Gunkel to approve the February 22, 2022 meeting minutes as presented. Motion carried.

**CLAIMS & PAYROLL:** Presented by Isabelle Carroll. 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 8<sup>th</sup> day of March, 2022.

**MOTION** was made by Commissioner Gunkel to approve the amended payroll voucher dated February 22, 2022 to recognize a revision in voucher number. Noting no changes to the approved voucher amounts. Motion carried.

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

- Accounts Payable Voucher Nos. 212749 through 212750 and 212752 through 212851 in the total amount of \$747,456.20; Wire and Automated Clearing House (ACH) transaction Nos. 8801600 through 8801607, along with Electronic Funds Transfer (EFT) transaction Nos. 320 through 323 in the total amount of \$1,209,905.30 for the period ending March 8, 2022; and
- Payroll Warrant No. 212751 and ACH Direct Deposit Payroll transactions 208910 through 208997 in the total amount of \$244,790.62 for the payroll period ending February 27, 2022.

Motion carried.

**PUBLIC COMMENTS:** Jeff Speelman requested to speak to the board about KPUD work order costs. Jeff stated that he came to the meeting as he believes that our customers are being overcharged and he brought work orders to show this. He inquired about vehicle and labor costs associated with work orders and wondered why we charge labor on work orders to our customers when they are already paid by

rate revenues. Jim Smith explained that our retail electric revenue covers payroll for our normal operation and maintenance of the system, but not costs associated with new installations. These costs are paid by new customers and are not part of our rate revenues. Our line extension policy defines how we charge for this work. The basis is that new customers pay for the work completed for them. These costs are not born by existing customers. In addition, we charge estimated costs that are designed to collect, on average, 95% of our actual costs.

Jim thanked Jeff for attending the meeting. Staff will continue to review construction design estimates and actuals and analyze costs. Jeff commented that he feels like our crews operate in an efficient manner and would just like to ensure that our customers receive quality work at an appropriate cost. Gwyn agreed and recognized that our crews do their best to work efficiently for the benefit of our customers.

### **REPORTS:**

**Renewable Energy Assets Report** - Kevin Ricks presented the February updates. Capacity continues to increase as compared to last year at this time. The plant generated 123,671 dekatherms and operated at 88% capacity in February.

There was one incident resulting in loss of production. On February 18, a well header leak was located and isolated. The cause was an underground fire under the landfill. The fire smoldered under the surface until it melted a header. Republic has added extra cover to this site, depriving this section of oxygen, extinguishing the fire. This situation resulted in 24 hours loss of production. Even with this temporary outage, the plant still demonstrated the best daily average in 15 months.

Last week staff reinstated dynamic tuning, which we stopped using when the Loci control system was installed. The issue the team was addressing is that Loci technology is installed on approximately 2/3 of the wells on the landfill. This system monitors production and adjusts the well settings accordingly. That means that we are not adjusting the other 1/3 of the wells. This has worked on other Loci installations but we believe that the weather and barometric changes are not as severe at our site. These wells also have low gas production. By reinstating the dynamic tuning process, we are now influencing these low producing wells, but it is improving gas quality. Over the very short period since we re-instituted dynamic tuning, we have realized an improvement in well field production, and stability appears to have improved as well. Kevin also credited staff with working on projects that increase plant efficiencies. For example, Daniel Bartholomew automated the dynamic tuning process to allow operators to focus on running the plant. Kevin continues to support the Loci project and anticipates we will move forward with a contract in the future. "The statistics look encouraging," said Kevin.

On another project note, Kevin is meeting with Brandon Johnson and a representative from Carlson Sales to research communication options to improve well site communication reliability. The thought is we could potentially utilize the Automated Metering Infrastructure (AMI) mesh communication technology and integrate it into the Loci system's cell based communication network, to reach the wells where cell service is unreliable.

**Power and Finance Report** - Mike DeMott presented the report. Mid-C current and forward pricing was reviewed. Forward pricing remains significantly higher than pricing at the time of budgeting. Summer months appear to contain a substantial risk premium baked into the HLH price. Reports reflect that the Southwest region of the US has had its driest January and February on record which may affect the Mid-C forward prices.

Our hedging revenue has not yielded savings yet this year, to date, given softening of 1<sup>st</sup> quarter prices. Overall 2022 hedges are forecasted to provide financial benefit versus an unhedged portfolio.

Mike reviewed our Super-peak allocations. At this point, we are financially about even. Last quarter 2021 yielded a savings, but so far, in 2022 results have realized a

net cost. We continue to monitor results and analyze strategies to obtain better results should we continue super peak elections in the future.

As Mike continues to run load growth scenarios, he is finding that KPUD's loads continue to increase. Average and peak loads were reviewed for the 2012 to 2021 period. With exclusion of the recently added Industrial customer in Dallesport we have grown from 41aMW in 2012 to 52aMW in 2021. This load growth potentially increases exposure to wholesale power markets and pricing volatility. Strategies to minimize this volatility continues to be investigated. This includes forward hedging and potential utilization of BPA Tier 2. As loads increase, the natural hedge provided by revenue earned from White Creek Wind sales is less effective to fully hedge increases in costs. Engineering and Power Management continue to evaluate load growth at various point of delivery locations. Staff will continue to watch our growth and evaluate future power supply options.

There is a potential to share value with Puget Sound Energy for RNG they are delivering to the vehicle fuel markets. PSE has discussed its willingness to share value with the agreement that we will cooperate in maintaining pathway certifications necessary to deliver RNG to the vehicle fuel markets. Contract amendments that would allow for this is under review. This option drives home how important it is to maintain our certifications to allow gas to be sold as RNG for premium prices.

Mike also requested support to extend The Energy Authority (TEA) transmission intertie management contract for an additional year to capture current opportunities to further monetize this asset.

**December Financial Statement Report** - Cynthia Bruce reviewed the draft December financial statement. There are a few outstanding items, which could impact the Debt Service Coverage (DSC) figures, but do not impact reported cash balance. We ended the year with revenue \$1,400,000, or 2.2% above budget. Our income increase was due to increased industrial and residential revenue, along with the revenue realized from the water and wastewater connection fees paid in 2021. The influx of revenues offset under-production from the Renewable Natural Gas project for the year. Our expenses were \$1,100,000 above budget, however will be further adjusted by an entry to true-up our OPEB (other post-employment benefits) liability, as well as a bond premium adjustment for the debt refinancing done in 2021. Our current DSC is 1.83. Capital spending ended the year \$4,000,000 under budget. Staff moved 40% of this amount forward into the 2022 budget, 40% was contributed to labor and transportation costs unused during the year, and 20% for projects that were anticipated to be completed in 2021, but that will cross over into 2022. Year-end day's cash was 282 days. Designated funds were included in this calculation. If we excluded designated funds, we have 204 days cash. Gwyn Miller recognized Cynthia's efforts and the efforts of the accounting group as a whole for meeting deadlines and learning the processes.

**COMMISSIONER DOUGLAS MILLER** - Commissioner Miller did not have a report.

**COMMISSIONER RANDY KNOWLES** - Commissioner Knowles stated he would be attending the Public Utilities Risk Management Systems March 24 Excess liability meeting.

**COMMISSIONER DAN GUNKEL** - Commissioner Gunkel commented that Energy Northwest is partnering with X Energy and Grant PUD in evaluating small modular nuclear reactor development. He pointed out similarities in economy and industry when the last round of nuclear development occurred. This includes labor shortages and material supply issues. At the next ENW meeting he will offer his opinion on being cautious moving forward with all of the current uncertainties we face.

**ASSISTANT GENERAL MANAGER** -

- FEMA Process Update - April Greenlaw has been compiling and submitting required information related to the January outages. These are only the

preliminary numbers for 2022, which are estimated to be \$240,000 in damages. If this is payable by FEMA and all of the charges submitted qualify we could expect 87% reimbursement, or \$210,000. We do not know if the State met the required damage threshold to qualify for funds. Cynthia and April also submitted documentation for damage that occurred during the 2020-2021 windstorm. FEMA is processing claims for this storm, but there have been delays due to COVID. The submitted charges were \$80,000 in damages, so we estimate an approximate \$70,000 in reimbursement.

- College student program - We are ready to fill our college student vacancies. In the past several years, we have struggled with filling vacancies with interested individuals. We are exploring opportunities to broaden our student pool and extending the opportunity to Junior and Senior students, not only target graduating seniors or returning college students. We feel that if we can begin to capture the interest of a younger age group we may be able to provide an opportunity to promote our industry and encourage youth in our community to explore the opportunity to work for us. We will continue to seek opportunities to encourage growing the youth of our communities to pursue careers in our industry. Commissioner Knowles supported this direction. Commissioner Miller asked us to pursue trade school students as well. Gwyn also mentioned that we are still evaluating the scholarship opportunity suggested by Commissioner Knowles. As a public entity, we can educate our staff, but we may not have an opportunity to create a scholarship program. We will continue to research this and bring back information.
- Organizational Chart review - Gwyn presented the updated organizational structure. This structure recognizes the shift in the Engineering department. It also represents the operational components of our transmission and distribution lines all report to Gwyn. W/WW still resides under Jim for now, but will move under the operations umbrella when the time is right.

**GENERAL MANAGER** - The complete report can be found at:

[http://www.klickitatpud.com/topicalMenu/commissioners/GM\\_Reports.aspx](http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx)

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

- Special recognition - Jim began by stating that we received a letter from a Lyle customer explaining her appreciation of Cameron Keith, water/wastewater operator, helping her and her husband outside of work hours. We asked Cameron to attend the meeting so we could recognize his efforts.

Commissioner Gunkel also recognized the extended efforts of Ron Ihrig and thanked him for providing his expertise and service to allow us time to find a new operations manager after the retirement of Mark Pritchard.

- Supply Chain - Jim reviewed the steps we have taken since the last commission meeting. Jeff Thayer stated that it has been very beneficial meeting as a group and getting group input. At this time, it appears that we should be able to meet our material needs through the end of 2023. With the exception of the pad-mount transformer shortage the industry is seeing. Jim discussed increased costs we are seeing and noted the fact that these costs will be passed along to new customer installations. Commissioner Gunkel stated he felt we are going down right path, due to this volatile situation.
- Public Power Council Post 2028 BPA Rate White Paper - Jim discussed the PPC white paper, the perspectives and the participating trade association groups that have been involved with PPC.
- Dallesport Wastewater system - we have provided our normal rate model to the County and RH2 to include the waste water system plan costs and forecasts that RH2 is completing for the County. The only change is that we extended the time frame to 10 years. The next steps will be a workshop with

Commissioner Miller and Klickitat County Commissioner Sauter to review the preliminary results.

- Legislative update - the radiation safety bill and SHB 1623, the Mosbrucker system reliability study bills both passed the House and Senate, and are to the Governor for signature. HB 5803, the Wildfire Risk Mitigation bill, did not pass out of the House. Dave Warren reported that key members of the House that were retaliating against Senator Rolfes killed the bill. The Senate's version of the budget, SB 5693, passed both the Senate and the House.
- Customer Inquiry - John Nakea, of Trout Lake, called us to request information on how we determined our voting boundaries. Luann Mata spoke with him explaining that we chose to align our voting districts with the Klickitat County voting district boundaries, as it was the best option for population equality for each district. Mr. Nakea stated that the Trout Lake community has been in litigation with Klickitat County due to the bifurcation of the Trout Lake precinct in 2011. At that time, Klickitat County split the eastern part of Trout Lake and included it within the Glenwood voting precinct. Mr. Nakea just wanted to understand why we chose to adjust our boundaries the way we did.
- PPC is beginning a new program called FUEL (Forum of Elected Utility Leaders). It represents elected officials with a quarterly meeting to review current issues facing utilities. These meetings will be conducted via Zoom. Doug expressed his willingness to participate.

#### AGENDA ITEMS:

- A. RESOLUTION 1815 EMERGENCY DECLARATION TO OBTAIN MATERIALS SUBJECT TO SUPPLY CHAIN CONSTRAINTS CAUSED BY COVID-19: MOTION was made by Commissioner Gunkel to adopt Resolution 1815. Declaring an emergency to obtain materials subject to supply chain constraints caused by COVID-19, and providing the General Manager, Materials Manager or designee the latitude to procure materials per RCW 39.04.280 Emergency and Special Market conditions beginning March 8, 2022. Motion carried.
- B. RESOLUTION 1816 RECOGNITION OF RETIREMENT AND THE CONTRIBUTIONS OF RON SCHULTZ TO PUBLIC UTILITY DIST NO 1 OF KLICKITAT COUNTY: MOTION was made by Commissioner Gunkel to adopt Resolution 1816 recognizing the retirement and contributions of Ron Schultz. Motion carried.

**ADJOURNED** - There being no further business, the meeting adjourned at 4:23 p.m.

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/S/  
Douglas B. Miller, President

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/S/  
Randy L. Knowles, Vice President

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/S/  
Dan G. Gunkel, Secretary  
Date Approved: March 22, 2022

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/s/  
Luann Mata, Executive Assistant