

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, September 12, 2023
2:00pm

CALL TO ORDER: President Randy Knowles called the meeting to order at 2:00 p.m. as advertised.

PRESENT: Randy L. Knowles - President, Dan G. Gunkel - Vice-President and Douglas B. Miller - Secretary

STAFF PRESENT: Gwyn Miller - Assistant GM, Jim Brokaw - Metershop Superintendent, Brandon Walter - W/WW Superintendent, Sharon Blodgett - W/WW Coordinator, Mike DeMott - Director of Finance and Power Management, Sarah Honkala - Accounting Clerk, Brandy Myers - Customer and Accounting Services Manager, and Luann Mata - Executive Assistant/Clerk of the Board.

Via teleconference:

Kevin Ricks - Renewable Energy Assets Manager, Ocean Barrett - Customer Service Representative, Mike Nixon - Operations Manager, Mark Garner - Engineering Supervisor, Andrew Jaekel - Buyer, Brandon Johnson - Engineering Manager, Cynthia Bruce - Accountant, Alex Casimiro - LFG Support Assistant, and Courtney Collins - Engineering Support Assistant.

GUESTS: Gene Callen- V75 LLC., Tom McDonald- Cascadia Law (via-teleconference)

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

MINUTES: MOTION was made by Commissioner Gunkel to approve the August 22, 2023 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Sarah Honkala. 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 12th day of September, 2023.

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

- Accounts Payable Voucher Nos. 217161 through 217299 in the total amount of \$918,275.39; Electronic Funds Transfer (EFT) transaction Nos. 504 through 511 and Wire and Automated Clearing House (ACH) Nos. 8801840 through 8801848 in the total amount of \$965,043.78 for the period ending September 12, 2023; and
- Payroll ACH Direct Deposit Payroll transactions 212496 through 212586 in the total amount of \$265,743.94 for the payroll period ending August 27, 2023.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Renewable Energy Assets Update - Kevin Ricks presented the report. The project achieved a new full month team best output of 149,932 DTH. RNG staff continue to

look for all cost-effective improvements to reliability and efficiency. Production is back up to over 4,800 DTH average and is exceeding budget since the Newell Road fire curtailment. Republic is embarking upon one of the largest well field expansions in 7 years. Kevin is optimistic that this expansion will increase the gas curve when complete.

McMillen Jacobs is evaluating potential small hydro projects for us. Kevin is in Nashville this week attending the RNG Works Technical Workshop and Trade Expo to continue exploration of increasing the value of our RNG assets.

Power and Finance Update - Mike DeMott reviewed Mid-C power pricing and provided current pricing as compared to budgeted estimates from 2023 forecasts. With relatively mild weather, summer pricing is coming in under the 2023 budget forecast. Summer hedges will settle out of the money as a result. As we head into budgeting, we are updating the 5-year forecast to reflect updated pricing for future BPA rate periods, including potential Tier-2 purchases. BP-24 and BP-25 prices are already fairly set as part of the BP-24 rate case. Market pricing for future periods has increased compared to assumptions used during 2023 budgeting. Changes to the shape of BPA system output and pricing for the BP-24 period were compared to BP-22. Load shaping cost and demand rates have increased during summer months. CCA Carbon Auction rates landed at \$ 63.03, which creates an anticipated revenue of \$542,058 for the allowances we sold during this auction. With all of our power purchases coming from BPA, it does not appear we will have any carbon obligation for the first CCA compliance period. The board provided guidance to sell the remainder of the 2023 allowances during the 4th quarter auction. There will be a Ruralite back page article on our power supply mix in October. Based upon our 2022 information from BPA our usage make up is 80% Hydro/Wind/Nuclear, the other 20% is BPA unspecified, but all Washington based products.

Mike also reported that we have received an updated financial rating from Fitch. They kept our rating at A- Stable. Mike is pleased with this outcome.

July Financials Update - Sarah Honkala presented the July update and the year-end forecast. Rate revenue continues to be under budget in part due to lower irrigation revenue than expected. Generation revenues are above budget primarily due to carbon allowance auction revenues and increased RNG production. Our Aid in Construction revenue is still below budget and we expect this trend to continue. Electric capital expense is forecast to end the year above budget.

Our year-end forecast Debt Service Coverage is forecast to be 1.93 versus a budget of 1.69. We continue to monitor our capital spending as maintenance work increases. Our days cash on hand year-end forecast is 201 days.

The state auditors will be on site the first week of October.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles informed the group that the Public Utility Risk Management Services (PURMS) executive committee voted to allow our services agreement to transfer to Brown/Brown. Commissioner Knowles was not in favor of this transfer. However, he agreed there were a host of issues and if we were out in the market, we could not replicate what we have.

He also spoke about the Trout Lake Community Council meeting he and Jim attended on September 5. The topic was Advanced Metering Infrastructure (AMI). There were many individuals in attendance who were passionate about the subject. One of the topics discussed were individuals who are hypersensitive to RF frequencies. Level of exposure from our system is minimal when compared to the accepted levels from IEEE, FCC and NRIFC. For example, Jim Brokaw measured RF at 1.4 milliwatts per meter squared (mW/m²) for a period of seconds while the meter was transmitting. These meters will transmit less than ninety seconds per day. When the meter stopped transmitting the reading was 0.04 mW/m². The most stringent of these standards sets a maximum of an average of 4,500 milliwatts per meter squared over 6 minutes. The topic of medical exemptions to AMI meters was

discussed. The board does not want to be insensitive to medical conditions; however, we are not equipped to make determinations on medical requirements.

Commissioners asked staff to review shielding options and bring back thoughts on medical exemptions, with input from other utilities in the region.

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

COMMISSIONER DOUGLAS MILLER - Commissioner Miller reported that he is still fielding customer AMI questions. He will not be attending the Washington Public Utility District Association water-wastewater meeting this week. Lastly, he discussed industry related articles.

ASSISTANT GENERAL MANAGER -

- Gwyn Miller reviewed budget preparation statistics, staffing, and the AMI project.
- Jim Brokaw discussed lightning prevention efforts within water facilities. In Roosevelt as in other facilities, PLC and HMI installations introduce additional ground paths not originally built into the systems. For example, Ponderosa has a long run of wire to their reservoir for communication. Staff is taking steps to minimize damage by actively researching other communication pathways to reduce impacts of lightning. We are installing surge arrestors and staff is actively reaching out to other utilities and municipalities to evaluate their protection efforts.
- Water and Sewer connection transfer request by Dan Hathaway was reviewed. The request is to transfer an existing water and sewer connection from one of Mr. Hathaway's lots to another. The purchaser of the existing lot does not require water or sewer services with his current property plans. Upon review, this is a viable option as Mr. Hathaway has been paying the necessary minimum fees for many years and has therefore contributed financially to both systems. After additional discussion:

MOTION was made by Commissioner Gunkel to authorize the Assistant General Manager to transfer an existing water and sewer connection at 215 N. 2nd Street, Glenwood, owned and paid for by Dan Hathaway, to one of three other lots owned by Dan Hathaway. The new lot must be within the Glenwood Water and Wastewater system boundaries. The conditions of transfer from 215 N. 2nd Street, Glenwood, which is currently up for sale by Dan Hathaway are:

- The ~~new-current~~ owners for the 215 N. 2nd. Street Glenwood property must sign an agreement acknowledging the lot ~~they are purchasing~~ no longer has a valid water or sewer connection.
 - Should the owner choose to install a water and sewer connection at 215 N. 2nd Street, Glenwood, they understand that all the fees relating to a new water and sewer service would be their responsibility.
- Dan Hathaway is to pay for the actual costs associated with the physical transfer and connection fees for the lot which will receive the services. All general facilities charges (GFC's) previously paid by Dan Hathaway for the service at 215 N. 2nd Street, Glenwood, will transfer to the new lot owned by Dan Hathaway.
 - Dan Hathaway also agrees to pay all necessary construction costs to move the connections to his short-platted location. **He also agrees to continue to pay monthly water and sewer service fees.**
 - Both water and sewer services must transfer to the same lot and cannot be split to serve different lots.

- All road crossing permits and fees are to be paid for by Dan Hathaway and are to be completed to KPUD specifications and with a water line large enough to accommodate three water services.

Motion carried.

GENERAL MANAGER -

- Jim Smith was not present to review his submitted report.

AGENDA ITEMS:

A. V75 WATER SUPPLY AGREEMENT QUAD-FURCATION - MOTION was made by Commissioner Gunkel to authorize the General Manager to sign the necessary documents to split the existing V75 Water Supply Agreement into four parts as requested by V75’s letter dated August 28, 2023. Motion carried.

B. CARBON FREE POWER SOURCE, SMALL MODULAR NUCLEAR REACTOR INVESTIGATION - Kevin Ricks and Mike DeMott reviewed project status.

Kevin Ricks attended the biweekly meeting with Energy Northwest on August 31. A class 4 project cost estimate is in development and is due in November. Cost estimates will be reviewed by two outside firms. FTI Capital remains engaged to pull together options for the financing structure. While Hanford Site 1 has been the focus, other sites including Centralia are being considered. Potential commercial start date has been shifted from 2030 to 2031. Department of Energy has issued a Request for Interest for the leasing of 19,000 acres at Hanford for carbon-free projects. This land is not part of the proposed SMR location.

Adjourned - There being no further business, the meeting adjourned at 3:49p.m.

/S/
Randy L. Knowles, President

/S/
Dan G. Gunkel, Vice President

/S/
Douglas B. Miller, Secretary
Date Approved: September 26, 2023

/s/
Luann Mata, Executive Assistant