

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, November 14, 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: Jim Smith - General Manager, Cara Smith - Accounting Clerk, Mike DeMott - Director of Finance and Power Management, Brandy Myers- Customer and Accounting Services Manager, Kevin Ricks- Renewable Energy Assets Manager, Mike Nixon- Operations Manager, Sharon Blodgett- Water/Wastewater Coordinator, Brandon Walter- Water/Wastewater Superintendent, Chris Evans- Network Coordinator, Sarah Honkala- Accounting Clerk, Luann Mata- Executive Assistant/Clerk of the Board.

Via teleconference:

Ocean Barrett - Customer Service Representative, Sohn Kartes - Purchasing Manager, Isabelle Carroll - Accounting Clerk, Brandon Johnson - Engineering Manager, Anita Clever - Energy Services Specialist, Cynthia Bruce - Accountant and Courtney Collins - Support Assistant.

GUESTS: Shanea Harpe, Renee Sipe, Jim Lambert, Charlotte Lambert, Geri Starbuck, Michelle Farnham, Duane Farnham, and Charles Pluckhahn

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

MINUTES: MOTION was made by Commissioner Gunkel to approve the October 24, 2023 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Cara Smith. 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 14th day of November, 2023.

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

- Accounts Payable Voucher Nos. 217674 through 217914 in the total amount of \$1,677,723.98; Electronic Funds Transfer (EFT) transaction Nos. 527 through 532 and Wire and Automated Clearing House (ACH) Nos. 8801868 through 8801877 in the total amount of \$2,471,904.00 for the period ending November 14, 2023; and
- Payroll ACH Direct Deposit Payroll transactions 212848 through 213011 in the total amount of \$459,943.05 for the payroll period ending October 22, 2023 and November 5, 2023.

Motion carried.

PUBLIC COMMENTS:

Shanea Harpe re-iterated her concerns from last board meeting about health, safety, privacy and the opt out option. Her request was to allow the customers requesting to opt out to keep their current meters.

Renee Sipe addressed the board and stipulated she has the same concerns that Shanea expressed and she would like to retain her current meter.

Jim Lambert addressed the board and read two articles, cited information found on Jefferson PUD's opt out program and expressed concerns about safety, the opt out policy and the life span of the meters. He asked the board to reconsider and reconstruct the opt out policy.

Geri Starbuck addressed the board regarding fire concerns. She referenced articles where other utilities have removed the AMI meters from operation. Geri asked to have it on record that she did not want her meter changed. Commissioner Knowles asked Jim Smith to address the fire concern when he reviews AMI information later in the meeting.

Michelle Farnham addressed the board stating her service technically does not qualify for opt out but would like to keep existing meter and continue to submit readings.

Duane Farnham addressed the board beginning by stating that he understands that utilities are facing economic pressures of electric demands and exposure to the green energy movement and implementations. He feels this meter exchange process is a choice not a requirement at this time, but recognized that the choice could be taken away with legislative updates. He stated he is one individual of a vocal minority that are asking to retain their current meters and move on. He stated that he has a 9-page complaint ready to file in Klickitat County superior court, but has held off on that step to date. He expressed his concern that Landis+Gyr can modify metering software without our knowledge. He also requested that when KPUD plans to implement time of use rates that the PUD hold public meetings all the way through the process.

Commissioner Gunkel asked staff to set up a meeting with Landis+Gyr (L+G) to discuss the capabilities of the meters we purchased to track in home devices and to address Mr Farnham's questions regarding L+G's ability to change the information accessed by the meter without KPUD direction. He also requested that Mr. Farnham provide the board with the Landis+Gyr data sheets that he referenced.

Charles Pluckhahn addressed the board beginning with stating he is not unhappy with the AMI meter installation, however he is requesting to buy back his old meter. He would like to have the ability to verify that the AMI meters are working correctly as he had a bad experience when Seattle changed out their meters. He also positively commented on the readability of our current electric bills, and would prefer the clarity not suffer as we move forward.

Jim Smith provided a review of the questions that were asked at our October 24, 2023 Commission Meeting.

Many comments referenced the Washington Utilities and Transportation Commission (UTC). Public Utility Districts are not regulated by the UTC, but have elected Commissioners that govern them and create policy. The UTC requires that investor owned utilities offer customer choice via an opt out policy that is not punitive. How it is structured was left to the utilities. Klickitat PUD offers an opt out policy that is cost based and is not punitive. Brandy Myers reviewed how we developed our cost structure for the opt out and that the PUD reviewed other policies in the State, then developed our own requirements informed by that review. She recognized that we are on the higher end of opt out fee structures, but we are not the highest. Several other utilities have told us that their fees will likely increase as they underestimated their monthly costs. Commissioner Knowles added that the policy also stipulates that these fees would be evaluated and adjusted, up or down, if necessary after the project is complete.

Staff reviewed the rationale behind not allowing opting out for 400 amp meter bases and how system data at this granular level will provide us with specific data we have been lacking and allow us to better plan and implement our capital improvement budget. Brandon also explained that we tested out different technologies and different delivery systems. We started our focus on a cellular based system before we found this radio frequency system which increases coverage availability and reliability.

Jim addressed safety concerns about radio frequency (RF) emissions by reviewing published information on RF safety from the World Health Organization, Food and Drug Administration (FDA), Institute of Electrical and Electronics Engineers (IEEE), American National Standards Institute (ANSI), International Commission on No-Ionizing Radiation Protection (ICNRP), the Federal Communications Commission (FCC), the Occupational Safety and Health Administration (OSHA) and the Washington State Utilities and Transportation Commission (WA UTC). All of the data indicates that the meters we are deploying have been well studied, emissions are hundreds of times less than the most stringent standards and are deemed safe by all entities. Jim also performed measurements within and around his own home and his readings seem to align with published data.

Jim also addressed fire concerns regarding utilities removing AMI meters. Jim reached out to L+G to obtain back ground information on fire reports referenced during customer discussions. In 2014, Portland General Electric removed 70,000 “smart” meters after they experienced 3 small fires, one with property damage. The issue was traced to a specific batch of meters manufactured by a company called Sensus. The meters were replaced with smart meters from another batch. There are no reports of utilities removing AMI meters on mass and there have been no reports of fires caused by L&G meters that we know of. Our meters all meet UL Standards.

Jim also addressed concerns about dirty power being created by AMI meters and dismissed this as false. The meters use a power supply that is used in many other consumer electronic devices and the meters and their power supplies meet all required manufacturing standards.

Jim also said that the only data being collected is metered usage data, as well as system information such as voltage and status of the meter, such as whether it is energized. There is no capability to “monitor” or surveil customers.

Jim summarized by stating that this technology is widely used in the United States and has been deemed safe. There are reportedly 125 million AMI meters in service in the US. Currently, approximately 70% of our existing meters in use at the PUD are already digital and we were already replacing the old analogue meters. Therefore it follows that the difference is the radio frequency component to most customers. We have received 112 expressions of interest to opt out. Of those, 25 individuals have applied for the opt out option and are being processed. 9 have paid and have been approved. There have been 15 individuals who have written to the board. We have 7000 meters installed to date and have a total of about 15,000 meters. Jim still feels this project is a sound business decision.

Commissioner Knowles wanted to ensure those present know that the AMI project was not an ill-considered decision. The board took time to consider project goals, the pros and cons of potential customer sensitivities, costs and policy development. We have the same personally protected information requirement with our metering program as we do with our payment portal or other aspects of utility information.

Commissioner Knowles closed the public comment period at 3:54 pm. No action was taken.

REPORTS:

Renewable Energy Assets Update - Kevin Ricks reviewed his report. He provided a project review and highlighted production levels with 35 wells offline. He also discussed a review of potential combustion turbines to evaluate. If we pursue this option we would have to renew our air operating permit, which is another lengthy process. Staff will continue to evaluate options to increase the value of our assets.

Power and Finance Update - Mike DeMott reviewed his report. 2023 Mid-C power prices vs. 2023 budget were reviewed. Current forward power prices were compared to BPA Tier 2 rates. For the BP-24 period market prices average \$93.89/MWh compared to \$63.83/MWh for BPA Tier 2. KPUD is purchasing power at the BPA Tier 2 rate for the BP-24 and BP-25 periods. Our BPA super peak election expired 9/30/2023. Over the 2 year period we realized \$227,000 of savings by participating in the super peak product.

Discussion occurred regarding potential 2024 borrowing to fund roughly 5 years of KPUD capital needs. Borrowing scenarios in the amounts of \$35 million and \$30 million were reviewed. Impacts of borrowing on KPUD leverage ratios was presented. \$5 million of this borrowing will refinance the line of credit utilized to pay for the AMI project as the project is implemented. We will also borrow against our line of credit for the EE Clouse BPA Substation construction. This will be refinanced with a subordinate lien loan that BPA will pay this back overtime including interest and financing fees. This is in addition to the 2024 borrowing amounts presented. The board requested that KPUD staff consider alternative two year borrowing scenarios. These would include a lesser amount of initial borrowing in 2024 with additional borrowing to occur in the following years.

September Financials - Sarah Honkala presented the September financials. Rate revenue for September was under budget but was an improvement from August. Transmission & Generation Revenue continues to be above forecast, mainly due to RNG and Carbon allowance income. Our BPA expense trended close to budget, but we should see a decrease starting in October. Department expense forecasts for Operations and Administrative and General were reduced. The forecast for capital expense has decreased for both McNary and Water/Wastewater. Our Debt Service Coverage is forecast to be 2.7 and our Days Cash On Hand is forecast to be 219 days. The Washington State Accountability audit is nearly complete, we are responding to the final requests.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles discussed the Public Utility Risk Management Systems (PURMS) insurance meeting he attended last week. Insurance companies appear to continue the trend of charging more and providing less coverage. It is also becoming apparent that the costs are surpassing the coverage and at some point the products available may not be worth having. Other coverage costs were reviewed.

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

COMMISSIONER DOUGLAS MILLER - Commissioner Miller stated that he did not plan to attend the Washington Public Utility District Association meetings this week.

ASSISTANT GENERAL MANAGER -

- Gwyn reviewed our water liability coverage quotes and exposure concerns, health and welfare coverage negotiations, limits, coverage area concerns and liability.

GENERAL MANAGER - The complete report can be found at:

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

- Schedule - Jim will attend the DNR Wildfire Risk meeting this week, he will also attend George Caan's retirement event.

- Financial Institute ratings - The Energy Authority's Moody's rating has been downgraded, they are not the only institute in this situation. This appears to be a reflection of US economy.

AGENDA ITEMS:

- A. POLICY 34: INFORMATION SYSTEMS AND SECURITY - **MOTION** was made by Commissioner Miller to approve the revisions of Policy 34 Information System and Security as presented. Motion carried.
- B. DRINKING WATER STATE REVOLVING FUND (DWSRF) LOAN APPLICATION SUBMITTAL FOR PONDEROSA PARK PROJECT - **MOTION** was made by Commissioner Miller to approve the submittal of a DWSRF loan application requesting \$600,000 for the Ponderosa Red Cedar Pipeline Replacement/Improvement Project. Motion carried.
- C. BID AWARD- POWER TRANSFORMERS 2023 - **MOTION** was made by Commissioner Miller to award:
- Schedule A- Spare 115/69-12.47kV Dual High Side transformer to Howard Industry/Carlson Sales in the amount of \$920,500, and
 - Schedule B- 69-12.47kV transformer to Uptegraff/General Pacific in the amount of \$585,800
- as presented. Motion carried.
- D. CALL FOR BID TREE TRIMMING 2024 - **MOTION** was made by Commissioner Gunkel to approve the Call for Bid, Tree Trimming & Right of Way Clearing 2024 with bids being received until 2:00 P.M. on December 7, 2023. Motion carried.
- E. CARBON FREE POWER SOURCE, SMALL MODULAR NUCLEAR REACTOR INVESTIGATION - UAMPS has suspended their project. They were very close to having a class 2 estimate and were recipients of federal funding, however they were unable to meet their project subscription requirements, so they chose to terminate the project. Department of Energy has spent over a billion dollars on an Idaho project. Commissioner Gunkel asked where the Public Power Council is with Bonneville Power subscribing to one of these SMR projects. BPA responded to PPC that if BPA customers choose to utilize the likely Revenue Distribution Clause payments for this purpose, they can, but BPA will not fund Energy Northwest's request directly.
- F. 2024 OPERATING BUDGET REVIEW 1ST DRAFT - Jim reviewed the 2024 operating budget. Commissioner Gunkel requested a review of the land and buildings plan next meeting.
- G. 2024 ELECTRIC RATE INCREASE DRAFT PROPOSAL - Jim Smith and Mike DeMott reviewed the rate presentation. Our 2024 proposed retail revenue increase is 4.5%. Our plan is to adjust different rate classes differently as we did last year. We will complete a Cost of Service Assessment (COSA) process in 2024. Brandy and Mike also provided examples of the average billing impact across the current rate structures with this proposed increase.
- H. SET PUBLIC HEARING DATE- 2024 OPERATING BUDGET REVIEW - **MOTION** was made by Commissioner Miller to Authorize staff to advertise for the 2024 Klickitat PUD Operating Budget hearing to be held on December 12, 2023 at 3:00 p.m. in the KPUD Public Meeting Room. Motion carried.
- I. SET PUBLIC HEARING DATE- 2024 PUBLIC RATE HEARING REVIEW - **MOTION** was made by Commissioner Gunkel to Authorize staff to advertise for the 2024 Klickitat PUD Electric Rate Increase Proposal hearing to be held

on December 12, 2023 at 3:00 p.m. in the KPUD Public Meeting Room. Motion carried.

Adjourned - There being no further business, the meeting adjourned at 6:17 p.m.

 /S/
Randy L. Knowles, President

 /S/
Dan G. Gunkel, Vice President

 /S/
Douglas B. Miller, Secretary
Date Approved: November 28, 2023

 /s/
Luann Mata, Executive Assistant