

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, November 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, and Dan G. Gunkel - Secretary

STAFF PRESENT: Jim Smith - General Manager, Gwyn Miller - Assistant General Manager, Kevin Ricks - Renewable Energy Asset Manager, Cara Smith - AP/Accounting Clerk, Mike DeMott - Director of Finance and Power Management, Sharon Blodgett - W/WW Coordinator, Sarah Honkala - Accounting Clerk, Cynthia Bruce - Accountant, Brandy Myers - Customer and Accounting Services Manager, Brandon Johnson - Engineering Manager, and Luann Mata - Executive Assistant.

Via teleconference: Geoffrey Lacefield - System Engineer, Brandon Walter - W/WW Superintendent, Isabelle Carroll - Accounting Clerk, Mark Garner - Engineering Supervisor, Mike Nixon - Operations Manager, and Courtney Collins - Engineering Support Assistant.

GUESTS: Larry Hoctor

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the October 25, 2022 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 8th day of November, 2022.

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

- Accounts Payable Voucher Nos. 214683 and 214685 through 214795 in the total amount of \$665,875.72; Wire and Automated Clearing House (ACH) transaction Nos. 8801715 through 8801718, along with Electronic Funds Transfer (EFT) transaction Nos. 400 in the total amount of \$169,333.58 for the period ending November 8, 2022; and
- Payroll Warrant No. 214684 and ACH Direct Deposit Payroll transactions 210391 through 210476 in the total amount of \$255,515.87 for the payroll period ending October 23, 2022.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Renewable Energy Assets update - Kevin Ricks provided an update for October. Production was below the budgeted daily average for the month due to the planned outage for tying in the blower project and a subsequent unplanned outage. Kevin is still forecasting RNG production to be above budget by year-end. Staff experienced startup challenges after the blower project completion. In troubleshooting, they found indications of intentional damage likely done by a contractor. JH Kelly was informed

and did everything in their power to rectify the situation and the plant is now operating well.

We have filed the Department of Revenue tax audit extension. Legal counsel is evaluating tax exemption qualifications. Commissioner Gunkel asked if we have any recourse to recover legal expenses if we win our tax audit dispute. Kevin stated that even if we win, we will not be able to recoup these costs. Staff will continue to evaluate.

We expect to execute a water reservation contract through the Cliffs water system in December. The Contract is under review.

Dave Warren has scheduled a tour of the pumped storage site and RNG site in December with Senator Nguyen. It is thought that the Senator will be chair of the energy committee this next session.

Energy Services Annual update - Anita Clever reviewed the 2022 Energy Services projects. She reviewed current funds and projected projects. The 2022/2023 biennium budget is \$736,000. Rebates and performance payments for projects completed to date total \$157,470, of which about 12% is residential and low income. An additional \$364,254 has been scheduled and not completed; 43% of these funds are low income residential and 57% are the other rate classes. Commissioner Knowles asked Anita to continue to focus on returning the savings to residential customers rather than industrial and provide feedback on what is possible in her next report. It was noted that the BPA EEI Low Income program does qualify under Clean Energy Transformation Act (CETA) requirements. To date, 29% of the budget is remaining for use through the end of September 2023. Last year the board requested that Anita demonstrate the kilowatt-hour annual savings that this program promotes. Her calculations show 410,319KWh of savings. Ductless heat pumps were the largest utilization of the residential rebates. There were 41 heat pumps installed in 2022. Conservation loans are stagnant, but may be utilized again as interest rates rise. BPA's Bonneville Energy Efficiencies Tracking System (BEETS) will assist with tracking projects, invoicing and improve communication opportunities with BPA and other utilities. This system will go live next week.

Clean Energy Implementation Plan (CEIP) requirements are intended so that the state eliminates the use of coal by 2025, is carbon neutral by 2030 and is carbon free by 2045. We need to demonstrate that we are showing progress and moving forward to meet our utility specific requirements. The next required evaluation will be in 2026. Power Management is tracking our energy profile. Commissioner Knowles asked staff to review the sunset clause from last year and see when we need to review. Lastly, Anita stated that the current programs we have that qualify for credit under CEIP are the income qualified residential home rebate program and the low-income elderly discount program.

Some utilities in Washington are instituting a CETA surcharge on their bills. We are evaluating this option and staff will investigate how other utilities are calculating this charge.

This year Anita resolved three requests as the Hearing Officer. Staff participated in multiple public events and reviewed the outreach program. We continue to see a large increase in the number of net metering accounts and we are expecting to hit the 4% cap in 2023. Anita touched on the expectation that there may be legislative pressure to increase this cap. Commissioner Miller asked how we stand with similar utilities as far as participation levels, staff will evaluate and provide an update.

September Financial update - Sarah Honkala and Cynthia Bruce presented the financial update for September. Our electric retail rate, wholesale market and aid in construction revenues continue to trend above budget. Our wholesale power costs continue to track above budget, but we are under budget on operating expense. As a result, the year-end forecast for revenues is very close to budget. The year-end Debt

Service Coverage is forecast at 1.90, which is up from August. We are forecasting to have 239 days cash on hand at year-end.

The 2021 state accountability audit is progress with the standard areas covered. A couple of new areas will continue to be a focus. They included open public meeting conduct, including transitions to and from executive sessions. Additionally, the state has a financial intelligence tool which they utilize to assess utilities overall financial health. The entrance conference included a CETA component, which was new as well. Commissioner Miller thanked staff for their efforts meeting the open public meetings act requirements.

Finance and Power Management update - Mike DeMott discussed current and future wholesale electric power prices, which continue to rise. In addition to concerns about capacity, carbon pricing impacts on the markets are still not known and these issues are likely driving these prices. Mike is hopeful that we can work toward a larger BPA Tier-1 system that would result in utilities having the opportunity to increase their allocations. With the unpredictable forward price curves and carbon risks, we are confident that locking in the Tier-2 power price was a positive position.

White Creek Wind has completed their transition to Excelsior as of October 7. So far, Mike's experience with them has been positive. He has also began discussing the Transmission Service Agreement with them. These agreements expire in 2027. White Creek budgets are available for review.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller attended the Klickitat County Economic Development Association meeting.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles attended the Public Utility Risk Management meeting. CETA surcharge implementation and insurance coverage renewals were discussed.

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

ASSISTANT GENERAL MANAGER - Gwyn Miller did not have a report.

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

- No additional report provided.

AGENDA ITEMS:

- A. **PREQUALIFICATION OF PROFESSIONAL SERVICES CONSULTANT - MOTION** was made by Commissioner Gunkel to approve the addition of Hydrovo, LLC and agree to add them to the Professional Services Roster for the 2022 period. Motion carried.
- B. **RESOLUTION NO. 1826 ISSUANCE OF CREDIT CARDS - MOTION** was made by Commissioner Gunkel to adopt Resolution No. 1826, thereby authorizing issuance of a company credit card to Brandon Johnson, Andrew Jaekel, and Jonah Humphreys; also, thereby authorizing rescinding credit card authority of Robbie Cacy issued under Resolution 1551. Motion carried.
- C. **RESOLUTION NO. 1827 ENERGY NORTHWEST BOARD OF DIRECTORS REPRESENTATIVES - MOTION** was made by Commissioner Knowles to adopt Resolution No. 1827, thereby reaffirming Commissioner Dan Gunkel as the district's Energy Northwest Board of Directors Representative and designating Kevin Ricks as the alternate to this position to act in all capacities in the representative's absence. Motion carried.
- D. **2023 ANNUAL OPERATING BUDGET 1ST REVIEW** –

Cynthia Bruce and Brandy Myers reviewed the budget presentation. They discussed 3% electric rate increase projections, revenues and expenses, along with labor and capital needs. Projected bond borrowing, loans and grants were also discussed. The proposed budget reflects a Debt Service Coverage of 1.57 and days cash on hand at 167 at the end of 2023. The largest expense increase is 6 million in wholesale power costs, but insurance and transportation cost increases are significant as well.

Commissioner Gunkel reflected that unknown power supply costs are going to be our new reality if the state continues to take away our low-cost power supply options.

Commissioner Knowles asked if this was a sustainable budget and asked that further discussions take place with the board to ensure the longer-term implications of the budget are discussed. He stated that with the issues Commissioner Gunkel referenced, two proposed new substations that are required due to load growth, AMI and significant building and grounds capital expenditures, this feels like this is an inflection point, so we should proceed with care and fully understand the long-term implications of budget and rate decisions. Commissioner Knowles discussed potentially reallocating the rate stabilization fund to cover the AMI project costs as one option. After discussion, a workshop was scheduled to review the operating budget and financial forecasts on November 21, 2022 from 12:00 p.m. to 2:00 p.m.

E. RATE DESIGN DISCUSSION - Brandy Myers, Cynthia Bruce, Sarah Honkala, and Mike DeMott presented electric rate increase options that address the intent of the strategic plan and still meet the revenue requirement from a 3% rate increase. They reviewed the Cost of Service Assessment study and provided thoughts on alternatives to a flat, across the board 3% rate increase. Three options were provided for guidance and discussion. It was agreed that staff would create example rate impacts to specific bills for at least a small, medium and large user for each rate class. These will be discussed further during the rate design process and will also be discussed at the budget workshop.

F. EXECUTIVE SESSION:

- Collective Bargaining Agreement Negotiation and Consideration of Real Estate Acquisition - President Miller called for an executive session at 4:15 p.m. per RCW's 42.30.110 (1)(b) and 42.30.140 (4) noting the session would last until 5:00 p.m.
 - i. Pursuant to RCW 42.30.140 (4)(b) the board convened an executive session for the purpose of planning or adopting the strategy or position to be taken by the governing body during the course of any collective bargaining, or reviewing the proposals made in the negotiations or proceedings while in progress.; and
 - ii. Pursuant to RCW 42.30.110(1)(b), the board convened an executive session for the purpose of considering the selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price.

The executive session concluded at 5:00 p.m. When the board reconvened in open session, No Action was taken regarding RCW 42.30.140 Collective Bargaining; and

MOTION was made by Commissioner Gunkel to authorize the General Manager to negotiate for and acquire the property identified in the executive session consistent with terms, and up to the purchase price, recommended in the executive session. Motion carried.

Adjourned - There being no further business, the meeting adjourned at 5:02 p.m.

 /S/
Douglas B. Miller, President

 /S/
Randy L. Knowles, Vice President

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

 /s/
Luann Mata, Executive Assistant