

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, November 22, 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 (via teleconference)

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, Brandon Walter - W/WW Superintendent, Sarah Honkala - Accounting Clerk, Cynthia Bruce - Accountant, Brandy Myers - Customer and Accounting Services Manager, Brandon Johnson - Engineering Manager, Mark Garner - Engineering Supervisor, Mike Nixon - Operations Manager, and Luann Mata - Executive Assistant.

Via teleconference: Sharon Blodgett - W/WW Coordinator, Geoffrey Lacefield - System Engineer, Isabelle Carroll - Accounting Clerk, Anita Clever - Energy Services Specialist, 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 November 8, 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 22nd day of November, 2022.

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

- Accounts Payable Voucher Nos. 214797 through 214912 and 214914 through 214932 in the total amount of \$1,307,135.13; Wire and Automated Clearing House (ACH) transaction Nos. 8801719 through 8801723, along with Electronic Funds Transfer (EFT) transaction Nos. 401 through 405 in the total amount of \$1,544,698.91 for the period ending November 22, 2022; and
- Payroll Warrant No. 214796 and ACH Direct Deposit Payroll transactions 210477 through 210561 in the total amount of \$244,382.08 for the payroll period ending November 6, 2022.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Water Wastewater update - Brandon Walter provided an update for October. The Glenwood water leak detection project only took three days. The contractor found three leaks. The contractor fixed one leak; repairs on a second were started but crews were called off due to snow. Staff also found a 15 gpm leak in Ponderosa. This issue occurred on a weekend, so staff completed the repairs on Monday. The air release project in Dallesport is still ongoing, but Brandon discussed how employees were

utilizing their confined spaces training and equipment to complete this project. Lastly, the Dallesport wastewater system biosolids have been tested and sent out for disposal. Brandon thanked the electric Operations department for their assistance with the disposal project.

Operations update - Mike Nixon provided an update for October. Reliability is 99.793. He discussed the calculation and the board agreed that we should remove the outages during the January windstorm. This improves the reliability statistics, but we still do not meet the reliability goal set for 2022. The MA Collins substation fire in Alderdale and the Skyline Drive outage in White Salmon contributed to the reduced reliability for October. Fire condition settings were removed from all breakers as of November 8. An outage study was completed on the lines that were under the fire condition settings. Staff calculates that there were 2739 customer outage hours due to the fire condition non-reclose and line patrol requirements during fire season. This equates to approximately 10% of the total customer outage hours in our reliability target according to Jim Smith. Commissioner Knowles asked if the programmable reclosers will be deployed to the same areas where fire conditions were issued. The programmable reclosers are planned for the identified fire condition and high-risk areas. Mark Garner added that these electronic controls are ordered and are expected to arrive before next year's fire season begins.

Next week we will transition back to three crews. We have three pre-apprentices starting November 28. One will work in White Salmon and two in Goldendale. Their focus will be to help with tree trimming, warehouse and line crews. This month Goldendale focused on customer work and MA Collins substation repairs. There were six customers ready and scheduled with six additional new installations that are close to completion. White Salmon's customer work numbers were similar at four scheduled and four in progress.

We continue to have three Kemp West tree trimming crews on the property. They will be in Snowden until they are snowed out. In October 16 miles of trimming was completed. Our work year-to-date has yielded 80 miles trimmed from the time and materials bid and 42 miles from the hard bid. North Idaho Contractors completed their pole-testing contract and are off the property for the remainder of the year. This was a two-year contract so they will be back next year.

The October safety meeting covering hot sticks and CPR was postponed until November. There is another CPR training schedule in December. Commissioner Miller asked if we still closed the underground trenching season annually. Mark Garner answered that we obtain damage waivers for underground work completed once we enter late fall. In November, there was a report of a fire spotted at the Lyle substation. Upon investigating the report, it was found that the individual who reported the fire was across the river and used google map to estimate its location. It did not involve our substation. We also had a tree fall on the line near milepost 26 on Hwy 97, which was located and repaired.

We experienced a break-in on the east end of the Goldendale Warehouse. Thieves gained access to equipment that is located outside of the buildings by cutting the lock off the gate. Security improvements were discussed and commissioners proposed potential options and focus points for consideration.

Engineering update - Brandon Johnson and Mark Garner provided an update for October. The process for determining underground requirements for new services in high fire danger areas was discussed. The target is to have a process in place by construction season next year, dependent on material lead times. Mike Nixon stated that when we move this direction, we will also need to upgrade our underground installation equipment, Engineering concurred. Commissioner Knowles recommended that staff communicate with local contractors to prepare them for this potential change. Commissioner Gunkel asked if there is a cost difference between cable in conduit (CIC) and 2" jacketed wire installed in conduit. Wire in conduit costs

are still higher. Staff was instructed to bring back a policy update and a payment process for work orders due to the supply chain pricing fluctuations.

Last Monday we received the preliminary testing results of the MA Collins transformer. The initial results do not show any damage to the transformer, but more tests are being conducted. Staff met last Thursday to discuss rebuild plan options. Brandon reviewed the options along with potential bird mitigation efforts.

E.E. Clouse major equipment is ordered and due to arrive late summer 2023. The transmission line construction bid has been received and is under review. Steel quotes are scheduled for review next week. The anticipated project completion date is 4th quarter 2023 and commissioning is planned for the end of the 1st quarter 2024.

The staking engineers are still busy meeting with customers. There were 64 letters sent in October and 50 in September. We think this indicates that we can expect a busy customer workload next year. Aaron Estey and Nathaniel Hill are working on the Gilmer South feeder upgrade. Justin Beierle and Nathaniel were shut out from completing the Rock Creek transmission line inspections during hunting season, so they will return to this project in the spring.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller attended the Washington Public Utility District Association meeting online last week. The topics of discussion were FEMA, Clean Energy Transformation Act and rate class subsidization. There was discussion of HB1623 making a comeback since it was passed by both houses but denied by the governor. This is Representative Mosbrucker's grid reliability bill. The last two items were proposed Labor and Industries rest period requirements for hot weather and a disconnect moratorium when temps reach 95 degrees.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles did not have a report.

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

ASSISTANT GENERAL MANAGER - Gwyn Miller presented

- **Energy Northwest grant writing partnership opportunity** - We were approached to participate in a partnership with Energy Northwest. They have proposed hiring a qualified person to assist its members in navigating the various funding programs available, to help us identify programs that cover our system improvements (such as AMI) and to then assist with completing and applying for those grant opportunities. Energy Northwest will hire the person and the participating utilities would share the costs. Staff will be requested to list items they think would apply. We have agreed to participate.

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. **CALL FOR BID: Tree Trimming and Right of Way Clearing 2023 - MOTION** was made by Commissioner Knowles to approve the Call for Bid: Tree Trimming and Right of Way Clearing 2023; authorizing staff to advertise the call for bid. This is a one-year bid with hard bid and time and materials components, with the option of a one-year extension for T&M. Bids will be received until 2:00 p.m. December 15, 2022. Motion carried.
- B. **PREQUALIFICATION OF PROFESSIONAL SERVICES CONSULTANT - MOTION** was made by Commissioner Knowles to approve the addition of

Tone Proper AV and agree to add them to the Professional Services Roster for the 2022-2023 period. Motion carried.

- C. LINE OF CREDIT RENEWAL - **MOTION** was made by Commissioner Knowles to authorize the General Manager to sign the Bank of the West Line of Credit terms and conditions as provided. Motion carried.
- D. RESOLUTION NO. 1828 APPOINTMENT OF AUDITOR AND DEPUTY AUDITOR - **MOTION** was made by Commissioner Knowles to adopt Resolution No. 1828, thereby appointing Brandy Myers as the Auditor for the District and appointing Sarah Honkala as the Deputy Auditor. Motion carried.
- E. POLICY 9: FINANCIAL PLAN - **MOTION** was made by Commissioner Knowles to approve the Policy 9 Financial plan updates as presented. Motion carried.
- F. 2023 ANNUAL OPERATING BUDGET 2nd REVIEW -

Cynthia Bruce and Mike DeMott presented the 2nd review of the 2023 Draft Annual Operating Budget. Upward movement in future power prices was the focus of discussion as these drive large wholesale power purchase costs. We will be utilizing the BPA Tier 2 product with known pricing for each year of the BPA BP-24 and BP-25 rate periods. Periods beyond this are subject to movements in forward markets which continue to rise. Comparisons of forward pricing for the BP-26 to BP-30 rate periods as of 9/8/22, 10/31/22 and 11/18/22 were provided along with potential financial impacts given KPUD load growth. Using the 11/18/22 forward price curve we could see an increase to power supply costs in the range of \$2-\$3 million compared to results using 9/8/22 forward prices.

Increased forward prices does cause improvement to future forecasts of KPUD revenue received from our share of White Creek Wind generation which is sold into these same rising markets. Under current contracts, KPUD receives this generation until November 2027. Increased generation revenue is highly dependent on timing of wind and other factors. While this helps offset a portion of increased power supply costs it cannot be relied upon to achieve consistent and predictable results. The financial hedge against raising power supply costs provided by White Creek Wind is beneficial but we must be mindful that our contracts end in 2027.

Net financial impact of increase power supply costs and revenues under the 3 forward pricing scenarios were reviewed through the BP-30 period which would end September 30, 2030. The results of these scenarios all show a declining financial position over time.

The financial impact of markets on KPUD cash position forecasts was presented. As KPUD is faced with increasing capital expenditures, we must be aware of how volatility in power supply costs combined with increasing capital expenditures impact our cash balances over time. Modelling these scenarios clearly shows that in order to maintain acceptable days cash on hand levels, some portion of large capital projects should be funded by debt. Four scenarios were discussed. Using borrowing for AMI and large capital projects was the only scenario that yielded results that meet current financial policy.

Commissioner Miller asked that staff be considerate of the 2023 budget and be prepared, if necessary, to make mid-course corrections should the need for cash arise. Commissioner Gunkel asked if there were any planned maintenance projects that were a want versus a need. The capital plan was reviewed and determined that the projects discussed were necessary for future reliability.

G. 2023 RATE INCREASE AND DESIGN DISCUSSION - Brandy Myers, Cynthia Bruce, Sarah Honkala, and Mike DeMott presented four potential electric rate increase scenarios. As discussed during the budget workshop, our last electric rate increase of 1.5% was in 2019. Our 2023 operating budget was proposed with a 3% across the board electric rate increase. We have held our rates without increases the past few years due to commissioners wanting to avoid rate impacts during the COVID-19 pandemic and have used our cash position to offset these impacts.

The major topic of discussion was reviewing four rate increase options that adjust costs of service between rate classes. This issue was highlighted in our past two Cost of Service studies, which showed a need to reduce the burden on residential and small general rates, and adjust our irrigation and large general service rates to balance these costs. The rates proposed would also adjust basic fees in some rate classes and kWh and kW rates in others. These adjustments are also recommended in our Cost of Service studies. It will take time to transition the rates, but these proposals are a first step in rebalancing our rates. The proposed rate structures are designed to recover the rate revenue equivalent of a 3% across the board increase. After discussion, the board ask for Brandy's recommendation. Brandy's recommendations are listed below:

- Electric Rate Schedule 1- Residential/Farm change basic fee from \$20.62 to \$22.00
- Electric Rate Schedule 1a- Residential Net Energy Metering change basic fee from \$20.62 to \$22.00
- Electric Rate Schedule 3A5- Small General service change basic fee from \$32.00 to \$33.00
- Electric Rate Schedule 3A6- Medium General service change basic fee from \$52.19 to \$54.00 and change the all kWh in excess of 7500 from \$0.0479 to \$0.0500 and All kW in excess of 25 from \$7.18 to \$9.00
- Electric Rate Schedule 3A7-Large General service no change to basic fee, Period 1 (March-June) kWh change from \$0.0337 to \$0.037, Change demand charge for period 1 from \$5.88 to 6.20 per kW and for period 2 change the charge from \$7.98 to \$8.50
- Electric Rate Schedule 5-Irrigation service Minimum Annual Charge for Single phase changes from \$217.18 to \$223.70 and three phase changes from \$506.77 to \$521.97 along with the demand charge changing from \$9.78 per Horsepower to \$11.74 per kilowatt
- Electric Rate Schedule 5-1- Irrigation Service Time of Use Annual Minimum charge for single phase changes from \$217.18 to \$223.70 and three phase changes from \$506.77 to \$521.97 along with a time of use meter charge adjustment from \$654.79 to \$674.43 and a full adjustment to each month for on-peak and off-peak charges- see attached redline of proposed rate adjustment
- Electric Rate Schedule 9-Unmetered Services would adjust 3% across all tiers. Tier 1 from \$44.89 to \$46.24, Tier 2 \$70.70 to \$70.82, Tier 3 from \$96.48 to \$99.38 and Tier 4 from \$122.24 to \$125.91

H. SET DATE AND TIME FOR 2023 KLICKITAT PUD ELECTRIC RATE INCREASE PROPOSAL HEARING - **MOTION** was made by Commissioner Gunkel to authorize staff to advertise for the 2023 Klickitat PUD Electric Rate Increase public hearing to be held on December 13, 2022 at 3:00 p.m. in the KPUD Public Meeting Room. Motion Carried.

- I. SET DATE AND TIME FOR 2023 KLICKITAT PUD OPERATING BUDGET HEARING - MOTION was made by Commissioner Gunkel to authorize staff to advertise for the 2023 Klickitat PUD Operating Budget public hearing to be held on December 13, 2022 at 3:00 p.m. in the KPUD Public Meeting Room. Motion Carried.
- J. EXECUTIVE SESSION: Collective Bargaining Agreement - President Miller called for an executive session at 4:10 p.m. per RCW 42.30.140 (4) noting the session would last until 4:15 p.m. Pursuant to RCW 42.30.140 (4)(b) the board convened an executive session for the purpose of reviewing the proposals made in the negotiations or proceedings while in progress.

The executive session concluded at 4:15 p.m. When the board reconvened in open session, **MOTION** was made by Commissioner Gunkel to authorize the General Manager to execute the union bargaining agreement as discussed in executive session. Motion carried.

Commissioner Miller recessed the meeting at 4:19 p.m.; noting that the meeting be in recess until 2:00 p.m. Wednesday, November 30, 2022 at which time the board will complete additional review of the budget and proposed rates with staff.

Wednesday, November 30, 2022

2:00pm

CALL TO ORDER: President Douglas B. Miller called the meeting to order at 2:06 p.m. as announce at the end of the November 23 meeting.

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

STAFF PRESENT: Gwyn Miller - Assistant General Manager, Mike DeMott - Director of Finance and Power Management, Sarah Honkala - Accounting Clerk, Cynthia Bruce - Accountant, Brandy Myers - Customer and Accounting Services Manager, and Luann Mata - Executive Assistant.

Via teleconference: Jim Smith - General Manager, Geoffrey Lacefield - System Engineer, Kevin Ricks - Renewable Energy Asset Manager, Mark Garner - Engineering Supervisor, Mike Nixon - Operations Manager, and Courtney Collins - Engineering Support Assistant.

GUESTS: None

- K. **BUDGET REVIEW WORKSHOP-** 2:00 p.m. Wednesday, November 30, 2022. The workshop opened with Cynthia Bruce reviewing four material adjustments made to the 2023 proposed operating budget since the November 22 portion of this meeting. Adjustments were made to income, labor, Automated Metering Infrastructure (AMI) repayment schedule and the revisions to the Bonneville Power Administration's Reserves Distribution Clause (RDC) credit. The electric rate sheets and budgets were adjusted to reflect the adjusted income from the recommended rate design from the November 22 portion of this meeting.

Commissioner Knowles requested that everyone provide feedback on the rate structure proposal and understanding of the rate requirement needs. After discussion, it was apparent that a 3% rate revenue increase would cover increased wholesale power costs if 3% was applied for three consecutive years as had been discussed, but it would not provide any revenue to cover increasing operations and maintenance costs. A 4.5% rate increase was deemed necessary in 2023 to ensure that we are can sustainably maintain standard utility operations.

MOTION was made by Commissioner Knowles to change the rate revenue

requirement increase to 4.5% and to continue to review future year's rates during the next budget cycle. Motion carried. Commissioner Knowles also recognized the importance of not relying on this income until it is received. If we are likely going to the bond market in 2025, we need to be prepared. This rate proposal stabilizes the debt service coverage and days cash on hand. Staff will update the rate schedules to reflect an equivalent 4.5% revenue increase. This will be done with the rate adjustments presented earlier at the 22nd of November portion of this meeting and by adding a 1.5% across the board increase to each rate class and rate component, effective January 2023.

Jim Smith also discussed that we are not to a point where we can show any of these revenues as a Clean Energy Transformation Act (CETA) surcharge this year on our bills, even though that is part of what is causing the wholesale market increases. We can evaluate this option during the next budget cycle. General Facilities Charge options will also be brought forward for discussion during the 2024 budget cycle. Staff is drafting a press release to review the rate projections, prior to the December 13 public hearing. With the rate adjustments proposed, residential and small general service rate revenue will increase approximately 2.5%.

L. EXECUTIVE SESSION PER RCW 42.30.110 (1)(i) Review of potential litigation: Mile Marker 28 mediation (3:00 p.m. P.S.T.)

President Miller called for an executive session at 3:00 p.m., noting the session would last until 3:30 p.m. Legal counsel was present via web-based meeting.

The executive session concluded at 3:30 p.m. No action was taken.

Adjourned - There being no further business, the meeting adjourned at 3:32 p.m.

/S/
Douglas B. Miller, President

/S/
Randy L. Knowles, Vice President

/S/
Dan G. Gunkel, Secretary
Date Approved: December 13, 2022

/s/
Luann Mata, Executive Assistant