

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, December 13, 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, Cara Smith - AP/Accounting Clerk, Mike DeMott - Director of Finance and Power Management, Anita Clever - Energy Services Specialist, Sarah Honkala - Accounting Clerk, Brandy Myers - Customer and Accounting Services Manager, Brandon Johnson - Engineering Manager, Jeff Thayer - Purchasing Manager, Holly Thiele - Customer Service Rep., Mike Nixon - Operations Manager, and Luann Mata - Executive Assistant.

Via teleconference: Kevin Ricks - Renewable Energy Asset Manager, Cynthia Bruce - Accountant, Patrick Carroll - IT Contractor, Mark Garner - Engineering Supervisor, Billie Quantrell - Power Analyst, Geoffrey Lacefield - System Engineer, Isabelle Carroll - Accounting Clerk, and Courtney Collins - Engineering Support Assistant.

GUESTS: Larry Hoctor, Delbert Eldred, Randy Holycross, and Ron Ihrig

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the November 22, 2022 and November 30, 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 13th day of December, 2022.

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

- Accounts Payable Voucher Nos. 214933 through 214940 and 214942 through 215072 in the total amount of \$1,516,651.45; Wire and Automated Clearing House (ACH) transaction Nos. 8801724 through 8801732, along with Electronic Funds Transfer (EFT) transaction Nos. 406 through 410 in the total amount of \$11,835,486.42 for the period ending December 13, 2022; and
- Payroll Warrant Nos. 214913 and 214941 and ACH Direct Deposit Payroll transactions 210562 through 210741 in the total amount of \$493,441.17 for the payroll periods ending November 20, 2022 and December 4, 2022.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Renewable Energy Assets update - In addition to his November report, Kevin Ricks provided an update via teleconference. The plant operated the majority of the month at 100% reliability. However, on November 29 a circuit breaker trip resulted in a production loss of 6,234 DTH ending the month at 95.6% reliability. Kevin attended the Renewable Natural Gas Coalition Conference in Dana Point California.

October Financials - Sarah Honkala provided the update for October, reviewing the income and revenue for the month. Retail rate revenue and generation income for October was favorable. Renewable Natural Gas revenue is above budget year to date, and while expenses increased as well due to increased royalty payments, the result was an increase in net revenue. Aid in Construction and interest income were both above budget as well. The year-end forecasted expenses have been reduced and we expect to be right on budget by year-end. The Glenwood water system reimbursement request was submitted to Klickitat County under the Landfill Gas Infrastructure program. Our year-end forecast for day's cash on hand is 248. The Washington State audit has concluded and the Moss Adams financial audit is under way now. Commissioner Miller attended the entrance and exit conferences for the state audit and felt staff was very responsive and the audit was favorable.

Power and Finance update - Mike DeMott began by discussing the status and initial positions taken by various parties regarding the BPA post 2028 contracts and reviewed their updated schedule. He wanted the board to know that we are tracking irrigation rate and low-density discounts. The perspective is that both discounts should be maintained, but unsure on how the allocations will apply. The key dates for Mike and Jim are July 2023 when BPA will release their draft policy.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller called and spoke with Nicholas Garcia of Washington Public Utility District Association yesterday regarding the Clean Energy Implementation Plan options. He will also participate in WPUA's Day on the Hill in February.

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

COMMISSIONER DAN GUNKEL - Commissioner Gunkel attending a meeting in Alderdale with larger customers and irrigators. Jim Smith, Brandon Johnson and Justin Beierle also attended. The group is very concerned about long-term system reliability. They committed to meeting and discussing the key issues and whether they would be willing to contribute funds to have the PUD implement system improvements to meet these needs. We committed to have the engineering group review details and provide ideas to meet their needs. Another item that was brought to us from Alderdale is that the transmission line from Benton is in poor condition. This may provide us an opportunity to work with Benton PUD to invest in infrastructure and add protection to this line.

ASSISTANT GENERAL MANAGER - Gwyn Miller presented

- **Cost of Living Increase (COLA) review** - at the last meeting commissioners approved the General Manager to sign the union contract memorandum of understanding (MOU) increasing the bargaining unit wages for 2023. For the purpose of transparency, Gwyn also stated that a 5% COLA is reflected in the current budget proposals previously reviewed by commissioners. Approval of the budget will include both of these increases.
- **Operational update** - A group of six visited Benton PUD for the purpose of discussing records management. We have put together a committee and will be bring back recommendations in the future. Washington State has some of the most cumbersome records laws in the U.S.
- **Security** - In addition to the warehouse theft, last week two of our water wastewater facilities experienced break-in's as well. We are working on security measures. During the meetings last week in Alderdale, it was brought to our attention that they have developed a local area security program that their business' are investing in and they asked the PUD to participate. We have agreed. Staff will bring back updates as this develops.

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

- **Radio Interview** - We reached out to Julian Notestine and we have a talk show interview scheduled for January 4. We will inform you of the date we expect the interview to air.
- **December 27 Commission Meeting** - We have moved the normal reports to January to keep the agenda short. The only action item is review and approval of a resolution for unclaimed warrants, approval of minutes and paying bills. Commissioner Knowles and Gunkel will call into the meeting and Commissioner Miller will be on site to facilitate the meeting. This will be a short meeting.

AGENDA ITEMS:

- A. **2022-2025 CLEAN ENERGY IMPLEMENTATION PLAN ANNUAL REVIEW FOR CONTINUED APPROVAL** - **MOTION** was made by Commissioner Gunkel to approve the 2022-2025 Clean Energy Implementation Plan for 2023 as presented this day, December 13, 2022 with no changes from the publicly adopted version approved on December 14, 2021. The requirement for annual approval is still in force and effect for 2024 and 2025. Motion carried.
- B. **RESCINDING CALL FOR BID- Tree Trimming 2023** - **MOTION** was made by Commissioner Knowles to rescind the call for bid issued on November 22, 2022 for 2023 Tree Trimming contracts; and move forward with an extension of the current Kemp West time and material bid for the 2023 period as per that contract. Motion carried.
- C. **PREQUALIFICATION OF CONTRACTORS** - **MOTION** was made by Commissioner Gunkel to approve the addition of the two contractors provided and agree to add them to the 2023 Small Works roster. Motion carried.
- D. **POLICY 16 : Line Extension** - **MOTION** was made by Commissioner Knowles to approve the updates to Policy 16 - Line Extension with the addition of the word “only” as discussed. Motion carried.
- E. **CALL FOR BID: Tapered Steel EE Clouse** - **MOTION** was made by Commissioner Gunkel to approve the Call for Bid for Tapered Steel; authorizing staff to advertise the call for bid, with bids received until January 5, 2023 at 2:00 p.m. Motion carried.
- F. **2023 ANNUAL WRITE-OFFS** - **MOTION** was made by Commissioner Knowles to approve the write-off list as recommended by staff. Motion carried.
- G. **2023 ELECTRIC RATE INCREASE HEARING** - Commissioner Miller opened the 2023 Electric Rate Increase hearing and the 2023 Operational Budget Hearing at 3:00 p.m. as advertised.
- H. **2023 KPUD OPERATING BUDGET HEARING** - Commissioner Miller opened the 2023 Electric Rate Increase hearing and the 2023 Operational Budget Hearing at 3:00 p.m. as advertised.

Budget Hearing Presentation - The meeting began with Cynthia Bruce reviewing the Final adjustment to the 2023 KPUD Operating budget, which included the electric rate revenue requirement increase of 4.5% to take effect on bills issued after January 1, 2023. Commissioner Gunkel asked what the AMI project loan term is projected to be. This loan will be set over a 10-year repayment term.

Rate Revenue Presentation - Following the budget presentation was an Electric Rate revenue requirement discussion by General Manager, Jim Smith. We had projected 1.5% rate increases in 2020, 2021 and 2022, but with our budget success in 2020 and in the subsequent years and with the COVID-19 impacts the Klickitat PUD Board of Commissioners elected to defer rate

increases in those years. Jim specifically noted that we are not trying to make up on uncollected rate increases, but the effects of increases in the wholesale power market and supply chain increases are decreasing our forecasted cash levels. Our expenses have been held flat over the past several years, but this is not sustainable. We have also established a long-range capital investment plan in order to ensure our system capacity is maintained for reliability and future growth.

Our forecast is that our power costs, if they do not change, will drive an 8% increase in retail electric rates. We are recommending that our rate revenues be increased 3% over the next three years to cover this increase. As this rate increase is for 2023 only, if the markets change, we can make the necessary adjustments. The remaining 1.5% retail revenue increase is being driven by the continued increase in the cost of business in general. These two items make up the 4.5% recommended increase.

Mike DeMott spoke to the markets which have increased substantially in the past few years. Prices are expected to remain higher than they have been. We get 36 average mega-watts from BPA as a preference customer, this amount is capped and our remaining need is purchased the market. In 2023, the Climate Commitment Act goes into effect. Utility industry concerns about scarcity, limited capacity and unknown carbon penalty costs are increasing wholesale market prices. The volatility we are trying to mitigate is unheard of. For instance, power prices for December of this year have skyrocketed. In 2020, we purchased power for a portion of December of this year at \$34 aMW. Yesterday's price for that block of power was \$695 aMW. That is a difference of over \$2,000,000 for one month. The goal of KPUD's risk management committee is to try and protect our customers interests whenever possible and in this instance, it saved us \$2,000,000. Staff is also imbedded in discussions on Bonneville's next power contract which will begin in 2028. We know the need for additional power resources will continue to increase so we are engaged in discussions to try to obtain this power directly from the BPA in preference power contracts after 2028. Since we are unable to obtain additional supply from BPA's preference power contracts before then, we have elected to purchase Tier 2 power at a locked in price for years 2024-2026 to protect against these unknown prices.

Public Comment:

Public Comment was received by the public present during the presentations. Mr. Eldred asked the board to consider finding other ways to increase income or reduce costs as to not impact the irrigation community and impact agriculture production within our county.

Mr. Holycross inquired about how renewables impact our system and if we could charge our RNG plant a higher rate to gain rate recovery from the project rather than residential customers.

Mr. Hoctor thanked the board for not raising rates over the past three years, but also stated that cost increases are happening across the board. He said he understands that the cost of doing business today is higher than three years ago and he appreciates that KPUD is looking at ways to level out the power burden and not subsidize any one rate classification.

Commissioner Knowles addressed the cost shift question posed by Mr. Eldred by stating that the irrigation customers are being subsidized by the residential electric customers. Who should have to pay for their usage if they do not?

Commissioner Gunkel also addressed Mr. Eldred by stating that the irrigation rate has been historically under collected for the past 20 years. Our past several cost of service studies have demonstrated the need for an increase. "Historically, I have been against raising those rates, and have been supported

by my fellow board members, however now is the time to begin to bring those rates in line to support the need.” stated Commissioner Gunkel.

Commissioner Miller stated that the board tasked staff to find ways to reduce operating expenses. Staff did a fine job, but this budget makes it apparent that the board should have continued with rate increases over the past three years. However, the board elected not to, knowing that costs would catch up at some point. We are facing a double whammy of green power costs, limited resources, and supply chain restrictions. Staff has met the boards requirements, especially the past couple of years. They have been coming to board with options, bringing forth the positive and negative back up details for the options presented. The board appreciates the General Manager and staff to support the Commissioner’s decision-making.

General Manager, Jim Smith asked the public and the board if Brandy Myers should go through the details of each rate class change. The public responded no and the board stated that they have seen the rate proposal and do not need to review it again.

Hearing no further comments, Commissioner Miller closed the 2023 KPUD Operating Budget hearing and 2023 Electric Rate hearing at 4:20pm.

- I. RESOLUTION 1829 KLICKITAT PUD 2023 ELECTRIC RATE ADOPTION - After review of the electric rate proposal and consideration of public comment received, **MOTION** was made by Commissioner Knowles to adopt Resolution 1829 Electric Rates 2023 authorizing staff to update the rate schedules as proposed during the Klickitat PUD 2023 Electric Rates hearing. Motion carried.

- J. KLICKITAT PUD 2023 OPERATING BUDGET ADOPTION - After completing the final review of the 2023 budget proposal and consideration of public comment received, **MOTION** was made by Commissioner Gunkel to approve adoption of the Klickitat PUD 2023 Operating Budget as proposed today by staff and the cola included within the budget. Motion carried.

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

/S/
Douglas B. Miller, President

/S/
Randy L. Knowles, Vice President

/S/
Dan G. Gunkel, Secretary
Date Approved: December 27, 2022

/s/
Luann Mata, Executive Assistant