

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, January 10, 2023
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, Kevin Ricks - Renewable Energy Asset Manager, Brandy Myers - Customer and Accounting Services Manager, Sarah Honkala - Accounting Clerk, Cynthia Bruce - Accountant, and Luann Mata - Executive Assistant.

Via teleconference: Mike Nixon - Operations Manager, Isabelle Carroll - Accounting Clerk, Geoffrey Lacefield - System Engineer, Jeff Thayer - Materials Manger, 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 December 27, 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 10th day of January, 2023.

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

- Accounts Payable Voucher Nos. 215184 through 215330 in the total amount of \$1,331,400.93; Electronic Funds Transfer (EFT) transaction Nos. 417 through 420 and Wire and Automated Clearing House (ACH) transaction Nos. 8801736 through 8801740 in the total amount of \$173,323.68 for the period ending January 10, 2023; and
- Payroll ACH Direct Deposit Payroll transactions 210835 through 210925 in the total amount of \$257,481.26 for the payroll period ending January 1, 2023.

Motion carried.

PUBLIC COMMENTS: None.

REPORTS:

Renewable Energy Assets December update and Year-end project summary - Kevin Ricks presented the department report for December. The plant set a production record for the year ending at 1,543,331 dekatherms and 97.2% reliability. The plant operated from April 15 to October 3 at 100% reliability. Kevin discussed the two December outages. Cold weather continues to have an impact on production, but increased plant efficiency continues to improve production levels even during cold weather impacts. Commissioner Miller asked what Kevin contributes the production and reliability improvements to. Kevin stated that hundreds of improvements, some small, some large, over the past several years along with the addition of the Loci system have all contributed to the increased efficiency and reliability. Staff's ability

to evaluate, adjust, and provide input on upgrades to procedures and system improvement projects have led to improved gas quality. The next steps will be to continue to monetize the increased gas flow to generate carbon credits.

Staff received notice from the Department of Revenue regarding our tax liability review. We have until January 23 to provide our appeal letter back to the state. The combustion turbine core sale is nearly complete. These units should be sent to Solar in February. Kevin also stated that he provided testimony to the Board of Adjustment on behalf of Klickitat PUD to support the vertical expansion of the landfill. Commissioner Knowles asked Kevin to review our contracts and to make sure that current agreements remain applicable if the expansion is granted.

Power and Finance December update and Hedging Annual update - Mike DeMott presented the department report for December. He provided a recap of the actual 2022 Mid-C market prices vs the market pricing projections at the time the 2022 budget was set. Friday, December 23, 2022, we experienced a peak usage of 101.17MW. Our previous peak was 96.71MW in February 2022. Fortunately, budget assumptions and hedging kept us close to budget for 2022. The Super Peak allocation saved \$68,000 in December on Bonneville Power Administration (BPA) demand charges. Commissioner Knowles asked staff to review the degree day's correlation during these event dates. The forward pricing is beginning to come down and hedging opportunities are beginning to open up again. Mike has executed hedges in June and July to protect against any potential hot weather spikes like we experienced in 2022 and he will continue to look for opportunities to capture savings and protect budget until the BP-24 Tier 2 purchase contract is in effect starting October 1st, 2023.

Sumas Gas price projections were reviewed.

The Northwest Requirements Utilities Post 2028 BPA compromise proposal package was discussed. The main talking point is that different utilities have different needs and how do you design a package that meets the majority of the wants. Jim Smith added that Public Power Council (PPC) is also participating in these discussions. There are several other PPC meetings scheduled this month on this topic. The BPA irrigation rate and low-density discount is still under discussion. No detailed proposal at this time.

Mike is working with Excelsior on executing a 230kV transmission agreement related to WCW output, when the current agreements expire in 2027. There are multiple factors under review at this time. The existing Energy Purchasers still retain their asset purchase options in 2027, so that will factor into the transmission agreement decisions. 2023 agreements have been executed for WCW energy purchases. Mike will evaluate and update the forecast in the near future to reflect the 2023 agreement. BPA has scheduled a 20-day outage in May on their Rock Creek substation. Generation will be down for the duration of the outage. At this time, Mike estimates a net financial improvement for shifting the May generation to a future time period. Commissioner Gunkel asked Mike to provide an update on how the Rock Creek substation's reliability compares to other substations in the area. The Puget Sound Energy RNG contract revision is complete.

November Financial update - Sarah Honkala reviewed the November financial statement. Residential revenue, Medium service, and Industrial rate revenue are all forecast to end the year above budget; along with transmission revenue, wholesale revenue, and miscellaneous revenue. The Glenwood Water System billed and received \$140,000 from the Landfill Gas Improvement fund to reimburse the system costs associated with the Corrosion Control system and leak detection project. In December we received a COVID relief grant. This is forecast in miscellaneous revenue, but will be a reduction in residential revenue for December since it was a discount applied to accounts. November's debt service coverage is 1.99, which is an increase from October. In the Items of Cash Significance, we are showing the miscellaneous cash flow adjustment forecasted currently at \$4,000,000 to reflect the expected year-end cash balance. Part of that miscellaneous cash flow adjustment

amount includes a 2022 inventory build, which increased the inventory level by \$1,000,000 in response to supply chain challenges. Our day's cash ended at 243 days.

The Moss Adams 2022 Financial audit is in process. The accounting department will be conducting an audit of assets coming soon. If our appeal is unsuccessful for the RNG Department of Revenue Audit for the tax reimbursement, the amount owed will be paid back to DOR. Commissioner Miller asked that staff review wording to be consistent between the financial reports and the policy where the rate stabilization fund is being referenced.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller discussed Senator King's article in the Goldendale Sentinel, a proposed Department of Natural Resources interactive state land development map and the relevant rate articles published in the January issue of Ruralite.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles stated he will not attend the next meeting.

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

ASSISTANT GENERAL MANAGER - Gwyn Miller presented the current operational update.

- Operational Update - Gwyn recognized the communication group and their focus on relevant subject matter. Commissioner Knowles requested an opportunity to write a future article. Gwyn also noted that Judy Woody will officially retire in January.

GENERAL MANAGER - The complete report can be found at:

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

In addition to the written report, Jim Smith presented the following information:

- Customer letters - Jim Smith received two customer letters recognizing staff's efforts during the December storm outages. He read the comments from both customers to the board and provided a copy to staff.

AGENDA ITEMS:

A. 2021 ELECTION OF OFFICERS -

- a. **MOTION** was made by Commissioner Gunkel to nominate Randy L. Knowles for President, Dan G. Gunkel for Vice President, and Douglas B. Miller for Secretary, which follows the standard succession protocols of the board. Motion carried.
- b. **MOTION** was made by Commissioner Gunkel to elect each of the officers in the position nominated. Motion carried.

B. PREQUALIFICATION OF PROFESSIONAL SERVICES - MOTION was made by Commissioner Gunkel to approve the addition of Tent Engineering and agree to add them to the Professional Services Consultants Roster for the 2023 period. Motion carried.

C. EXECUTIVE SESSION - Per RCW 42.30.110(1)(g) Review the Performance of a Public Employee - President Knowles called for an Executive Session at 3:15 p.m. per RCW 42.30.110 (1)(g) noting the session would last until 3:30 p.m. The session ended at 3:30 p.m. No action was taken.

Adjourned - There being no further business, the meeting adjourned at 3:30 p.m.

Absent
Randy L. Knowles, President

/S/
Dan G. Gunkel, Vice President

/S/
Douglas B. Miller, Secretary
Date Approved: January 24, 2023

/s/
Luann Mata, Executive Assistant