

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, April 11, 2023
2:00pm

CALL TO ORDER: President Randy L. 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, Gwyn Miller - Assistant GM, Cara Smith - Accounting Clerk, Mike DeMott - Director of Finance and Power Management, Kevin Ricks - Renewable Energy Assets Manager, Sarah Honkala - Accountant, Brandy Myers - Accounting and Customer Service Manager, Anita Clever - Energy Services Specialist, Jeff Thayer - Materials Manger, and Luann Mata - Executive Assistant.

Via teleconference: Brandon Johnson - Engineering Manager, Mike Nixon - Operations Manager, Brandon Walter - Water/Wastewater Superintendent, Alex Casimiro - RNG Support Assistant, Patrick Carroll - IT Consultant and Courtney Collins - Engineering Support Assistant.

GUESTS: None

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

MINUTES: **MOTION** was made by Commissioner Gunkel to approve the March 28, 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 11th day of April, 2023.

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

- Accounts Payable Voucher Nos. 215912 through 216034 in the total amount of \$1,197,929.71; Electronic Funds Transfer (EFT) transaction Nos. 449 through 452 and Wire and Automated Clearing House (ACH) transaction Nos. 8801770 through 8801776 in the total amount of \$1,238,592.30 for the period ending April 11, 2023; and
- Payroll ACH Direct Deposit Payroll transactions 211380 through 211467 in the total amount of \$237,528.95 for the payroll period ending March 26, 2023. Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Renewable Energy Assets Report - Kevin Ricks presented the department report for March. There were three outages during the month. One was caused by a transmission outage at the Bonneville Power Administration's Rock Creek substation. The second consisted of equipment failure on the distribution line that feeds the lower site buildings. A short power interruption also occurred April 5 during scaffolding installation by our contractor. Commissioner Miller inquired on the value of lost production; Kevin estimated it at approximately \$75,000 total for

these events. Doug Tuning began working as the RNG Site Supervisor on April 10. The annual maintenance outage is set for April 17-21. In addition to the normal planned RNG maintenance, meter shop personnel will be on hand to change out instrumentation panels, IT staff will be upgrading communication equipment, and BPA will conduct testing of their facilities.

Finance and Power Management Update - Mike DeMott presented the department report for March. Mid-C pricing updates indicated continued upward pressure on pricing. KPUD has unhedged August/September power purchases that will be subject to these high summer prices. We have not been able to complete hedging efforts as there has been no liquidity in the market. After further discussion, the board concurred that we continue efforts to hedge these outstanding positions at current prices given risk of extreme summer price volatility. Mike has instructed TEA staff to continue efforts to secure hedges as recommended by the board and KPUD staff.

February Financial Review Update - Sarah Honkala and Brandy Myers presented the February report. February closed with revenue \$175,748 above budget. RNG revenues continue to be a part of that increase. Department expenditures were also below budget, which produced a positive net operating margin variance of \$400,000 in February. Our debt service coverage (DSC) is forecast at 1.82 compared to our budgeted 1.69. We are forecasting 199 days cash on hand at year-end.

Supply Chain Update - Jeff Thayer reviewed our current pole contract. He noted that our current vendor The Oeser Co. has been bought by Bell Lumber & Pole Company. We have been under a contract with The Oeser Co. since 2017 that expires in August. Jeff has secured a contract extension that holds current pricing through August, but then prices will increase significantly. Lead times will also increase under the extension. However, the extension should give us access to the poles we will need as a new contract with Bell Lumber & Pole Company would result in a worse position. The renewal will begin September 1, with a renewal option for 3 years. Jeff wanted everyone to be aware that supply chain continues to have impact on budgets and poses challenges for storage and construction. Commissioner Knowles asked if there were any plans to consider steel or concrete poles. Jeff replied that they have been considered along with fiberglass and composite. He also noted that pole needs may reduce with the undergrounding requirement updates going forward. Delivery timelines are also continuing to pose additional challenges. Jim Smith also noted that with the supply chain issues still on the rise, we are exploring increasing inventory for different materials as potential shortages show up. Staff is evaluating options to modify buildings at the warehouse to store more materials more efficiently. The commissioners asked that staff continue to think about the next challenge so we can continue to be proactive in this market.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles attended the Public Utility Risk Management Services (PURMS) meeting last week. PURMS is being sold to Brown and Brown. We are unsure of the impact to us at this time and there will be additional meetings over the next few months as we transition. Gwyn Miller stated that we have nuances to our plan and that some of the benefits we offer may not be offered by the new owners, so we will need to shop these items with other insurers or make the necessary adjustments. The transition may require more uniformity among the utility group.

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

COMMISSIONER DOUGLAS MILLER - Commissioner Miller attended the Bickleton community meeting. There were two customers present, however, these individuals are very well informed and are very good about communicating with the community. He also attended the Ponderosa community meeting on April 8. This meeting was well attended. Jim, Brandon W., and Sharon provided responsive answers to all questions that arose. We will attend the Klickitat community meeting

tonight. Commissioner Knowles will attend the Glenwood community meeting April 18, in Commissioner Miller's place.

ASSISTANT GENERAL MANAGER - Gwyn Miller

- **Security** - Gwyn provided an update on security components for substations, warehouses and various other utility properties. There will also be backbone infrastructure required as well. This is an expansive project and the life expectancy of these systems is relatively short due to the fast pace at which technology changes.
- **SAO Clean Energy Transition Act (CETA) Audit engagement letter** - Gwyn and Anita Clever discussed their understanding of what the first round of audits will consist of. We are in the process of answering the first round of questions and submitting documentation. Anita is unclear if they will be on site for the audit or not. The commissioners were interested in what makes up the substantial costs of this audit and if we received the request in writing. Anita confirmed that we received a written request; she will forward a copy of the request to Commissioner Knowles for review. Commissioner Gunkel inquired if these fees would be credited back to the utility under program costs. Anita was unsure, but noted we could discuss this during the exit conference.
- **Net Metering** - Anita reviewed the program and informed the board that we expect to reach this cap by the end of the year. We have 24 applications currently being processed that will bring us within approximately 8% from our required participation level. A discussion on whether we implement the infrastructure rate when we hit the 4% cap followed. The commissioners asked that Anita bring back information for further discussion at a future meeting.
- **Department of Health (DOH) Lifetime Achievement Award** - some time ago Brandon Walter submitted an application to DOH nominating Tim McMurrin as KPUD's nomination for the Lifetime Achievement Award. We received notification that Tim was selected as the award recipient and DOH will be on site at our May 8 Commission Meeting to present the award to Tim McMurrin's family.
- **Summer Student Job Position Updates** - we have posted the jobs and we are reaching out to all of the high schools as well. Our plan is to begin interviews the last week of April in hopes we will have positions filled by mid-May.

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:

- **Communication Paper comments** - Jim will schedule time with Commissioner Knowles to review his thoughts on our white paper. Our goal is to have this information ready to post on our website and issue to the media by the end of April. Rodger Nichols has been drafting the document with Jim. This will also coincide with posting our initial Advanced Metering Infrastructure information.
- **WPUA strategic plan** - Jim provided a copy of the WPUA Strategic Plan to the board, per discussions from last meeting.
- **Glenwood community meeting Tuesday night** - We will send out letters and make automated phone calls to the Glenwood community. The discussion topics are the draft Yakama Nation water supply permit and the feedback we are receiving from the Department of Ecology and Department of Health

requirements with respect to regulation. Staff will also review the water and wastewater proposed 2023 rates.

- **Klickitat Water System** - In 2017, we made the decision to decrease rates in Klickitat 30% for water. We are now facing a recurring material buildup in the wells that has forced us to recondition the wells, likely on a five-year basis. This is increasing the cost to keep the wells operational. This will be part of our discussion with the community tonight.
- **Follow up on the 2022 Capital Projects, carried forward into 2023** - Commissioner Knowles had asked for a report several meetings ago. We did not complete and re-budgeted approximately \$120,000 worth of specific capital projects into 2023. We had a couple of 2022 projects that were not completed until early 2023. There was \$50,000 in costs that were incurred in 2023 that were not budgeted to complete them. Lastly, there was a total of \$380,000 worth of projects that were not completed in 2022 and are a part of general improvements planned in 2023.
- **High Use Dallesport customer** - It is highly likely that our industrial, contract-based load in Dallesport will not continue operating after September 2023 due to the increase in wholesale electric market costs. We are in discussions with BPA on removing them from our long-term load forecast.

AGENDA ITEMS:

- A. **PRE-QUALIFICATION OF CONTRACTORS - MOTION** was made by Commissioner Gunkel to approve the pre-qualification of Olympic Electric Company and agree to add them to the Small Works Roster for the 2023 period. Motion carried.
- B. **CARBON FREE POWER SOURCE, SMALL MODULAR NUCLEAR REACTOR INVESTIGATION UPDATE** - Kevin Ricks presented an overview of the Energy Northwest Small Modular Nuclear Reactor key facts and project schedule. We have signed a non-binding expression of interest agreement and have also provided \$75,000 in funding to further our investigations in this project.
- C. **AGENDA ITEM C CONTRACT NEGOTIATIONS** - This item was stricken from the agenda.
- D. **EXECUTIVE SESSION - PER RCW 42.30.110 (b) LEASE OR ACQUISITION OF REAL ESTATE** - Commissioner Knowles called for an executive session at 3:55 p.m. This session will last until 4:15 p.m.; at 4:15 p.m. the commissioners entered back into open session and Commissioner Knowles requested an extension of the executive session until 4:45 p.m. Executive Session ended at 4:45 p.m. No action taken.

Upon entering into open session:

MOTION was made by Commissioner Gunkel to Authorize the General Manager to sign the First Amendment to The Agreement for Real Time Data and Control System Service Agreement for Landfill Gas Collection Voluntary Carbon Credit Assignment and Management April 18, 2023. The original agreement was executed on February 5, 2021. The amendment is to realize value from voluntary carbon credit assignment and management with LoCi Corporation. This motion is subject to verification that the termination of the amendment will not terminate the original agreement and that there is a definition of the specific costs included in the calculation of net costs. Motion carried.

Adjourned - There being no further business, the meeting adjourned at 4:50 p.m.

/S/
Randy L. Knowles, President

/S/
Dan G. Gunkel, Vice President

/S/
Douglas B. Miller, Secretary
Date Approved: April 25, 2023

/s/
Luann Mata, Executive Assistant