



Public Utility District No. 1 of Klickitat County

80 Years of Service * 1938-2018

GENERAL MANAGER'S REPORT TO THE BOARD For the November 10, 2020 Meeting

AGENDA ITEMS:

- A. Glenwood Water System Water Rights and Approved Connections - as we discussed last week, there have been two items that have led to concerns about water availability in the Glenwood water system.

First, there have been significant leaks in the past two years and while we have repaired leaks we have located, there still appears to be leaks that we have not been able to locate to date. In the past two years, these leaks have totaled in excess of 20% of the water usage on the system. As you know, this system is old, has an extremely large amount of pipe and, for most of the year, the water table is above the pipes. These leaks have now lead to the point that we are very near our water rights limits. Unless we can find, repair and demonstrate that leaks have been reduced, we cannot add further connections. We are currently pressure testing the system a piece at a time, but with the high water table and many miles of line on the system, these leaks could be very difficult to find and repair. We will keep you posted as we proceed.

Second, we have seen a significant increase in connection requests in the past several months on the system. As with all of our systems, we obtain Department of Health (DOH) approval on the number of water connections that we are able to provide. These available connects are based on water rights, well capacity, storage capacity, and those types of factors. The issue we face with our smaller systems is that load growth is very small, so we struggle with DOH on increasing available connections and one modest sized development for an increase in connection request can deplete the approved connections.

All of this leads us to the conclusion that we cannot offer further water connections at this time. Policy 18 revisions, in the next agenda item, address taking service applications into a queue until the issues are resolved. Staff will be present to talk through these issues and arrive at an agreed upon path forward and communications with the Community.

- B. Policy 18-Water Customer Service revision - Sharon Blodgett will discuss the updates that we are recommending for Policy 18.
- C. Second Review of the 2021 Operating Budget - Gwyn, Mike and I will provide an overview of revisions to the proposed budget made since the last meeting.
- D. Existing Line of Credit Renewal Discussion - It is time to renew our line of credit with

Washington Federal. I am continuing to support maintaining the operating line of credit to ensure staff has flexibility throughout the year. The Financial Policy is still in place that sets guidelines on how we use this facility. COVID-19 has presented some additional interest savings potential, so now is a good time to renew this line of credit and lock in the interest savings benefit. We are looking for the board to authorize the general manager to approve the documents when provided.

- E. Set the 2021 Operating Budget Hearing for December 8, 2020 at 3:00 - I will request that the board set the Budget and Rate Hearing for December 8, 2020.

Set the 2021 Electric Rate Hearing for December 8, 2020, also at 3:00 - I will request that the board set the Electric Rate Hearing for December 8, 2020. I would also note that the proposed rate adjustments would go into effect for bills issued after April 1, 2021.

NON-AGENDA ITEMS:

- 1. **Port District Water System Operations and Maintenance Contract** - I think you all have heard that Marc Thornsby is no longer the Port's executive director. Our O&M and billing contract with the Port expired July 1, 2020 after a ten-year term and ten, one-year extensions. This document was with Marc to revise. After speaking with Port Commission President Wayne Vineyard and Margie Ziegler of the Port District, I sent them a simple contract extension that merely extends all terms and conditions until March 31, 2021 to allow time to negotiate a new contract. I do not think it will take that long, but I wanted to make sure we do not have to worry about the date.

Some of the operating work on the water system was completed by Port District employees in the past. Commissioner Vineyard asked me to consider our operators completing more of this work, as we would do for any other water system. I committed to creating a draft with our WWW staff for them to consider. I will run this draft past you once we are getting close unless you have further direction for us.

- 2. **WPUDA Manager's Meeting** - I am attaching the WPUDA's legislative priorities 2021 document from my WPUDA general managers meeting last week. If you have issues or bills you would like us to propose, push for or follow, please let me know.



- 3. **Goldendale Energy Storage Project** - National Grid has formally sold or transferred their position in the pumped storage project to Copenhagen Infrastructure Partners, Inc. Nate Sandvig is now employed by Rye Development, so they are maintaining continuity in people working on the project. Erik has stated that their intent is to complete the water supply agreement with KPUD by the end of the year.

We have also communicated formally with NSC and with Rye Development on our requirements to provide water service to the proposed pumped storage project. Brian will be working with both parties to try and arrive at contracts and agreements that support the development of the project and provide the benefits to KPUD that were agreed to in our MOU with Rye and now with Copenhagen. Our 2021 budget includes funds for Brian to continue to work on these agreements if they are not completed by year-end and if Brian is willing to continue to work with us. He is actively winding down his workload and looking to actually retire.

4. **Lower Snake River Dams** - PPC involved me in the early drafting of the PPC position paper on the lower Snake River Dams and I am happy with the result. As far as I can tell, there is no dissention within the PPC membership with the position developed. PPC will issue their position in the next couple of weeks.
5. **PPC Annual Meeting** - I was re-elected onto the PPC Executive Board. Gwyn Miller is our alternate. I have been a member of the Board since 2013.

At the annual meeting, revisions to the bylaws were approved. There had been proposals to limit the ability for board members to be on the Executive Board in order to ensure that working level knowledge and experience is brought on to the board. That proposal was not well received. The bylaws, as approved, were revised with the following language:

“Given the highly technical nature of the Council’s work, it is preferable that the person serving on the Executive Committee holds a senior leadership role at a Member utility, and has demonstrated the type of breadth and depth of management, leadership, and electric utility experience that would aid the Council in carrying out its purposes and mission.”

Liz Green, Skamania County Commissioner, was elected onto the PPC Executive Board in the elections for 2021.

October 15, 2020

WPUDA Legislative Priorities for 2021

Overview: WPUDA members (27 not-for-profit, community-owned PUDs and Energy Northwest) provide essential utility services for approximately 2.3 million people in more than 27 counties across Washington. These services include energy, water, wastewater, and wholesale and limited retail telecommunications.

The PUDs proactively responded in the early days of the COVID-19 outbreak in Washington, putting in place measures to help customers facing economic hardship. Locally elected boards made prudent decisions to meet the needs of their customers while ensuring the continued financial health of their utilities. These measures include the following:

- Suspension of disconnections
- Waiving late fees
- Reconnecting customers who had been disconnected
- Developing payment plans for customers
- Delaying scheduled rate increases
- Development and expansion of customer relief programs
- Applying deposits to outstanding past-due amounts
- Connecting customers with resources to assist with utility bills

In addition, PUDs using their own infrastructure and know-how, quickly installed and activated more than 120 free wi-fi hotspots providing access to the internet for citizens without service.

On March 24, 2020 Governor Jay Inslee passed proclamation 20-23.1 which encouraged, but did not mandate all utilities to suspend disconnections, waive all late fees, and reconnect disconnected customers. On April 17, 2020 the Governor amended the proclamation (20-23.2) which required utilities to suspend disconnections, waive certain fees and reconnect disconnected customers. While PUDs had already taken actions to ensure continuation of essential services, WPUDA did not support the mandate for two reasons; it could undermine the financial viability of consumer-owned utilities, especially small water utilities working with slim margins, and it could result in customers who are able to pay their bills not doing so, further exacerbating the financial strain on not-for-profit utilities. It was noted that the Governor's Office reported no complaints of customers being disconnected during COVID-19 even before the mandate was issued.

This proclamation was extended several times and with the latest extension through the end of 2020.

In light of the directives in the proclamation and the financial impact on the customers of public utility districts, the Washington PUD Association is advocating for short term modifications to existing law and policy approaches that will ensure continuation of essential services, provide relief for customers and facilitate economic recovery.

- **Submit again legislation to provide support for PUD customer assistance programs.**
 - House Bill 2505 passed the legislature with overwhelming support in the 2020 session and would have provided funding to support low-income customer programs.
 - The legislation reinstates a B&O tax exemption on credits that are returned to utilities from the Bonneville Power Administration for achieved conservation for those utilities that use the tax savings to support low income customer assistance programs.
 - The legislation eliminates the treatment of the credits as new revenue, ensuring ratepayer funds are returned to the community to support those in need.
 - The fiscal impact to the state is relatively small, estimated at \$1.3 million for the 2021-23, but the measure would provide meaningful financial support for PUD communities that would be otherwise needed to come from other resources.

- **Allowing PUDs to count customer relief as conservation compliance under the Energy Independence Act for a period of two years.**
 - Under the Energy Independence Act, utilities are required to achieve all cost-effective conservation. The compliance timeframe is two years. Failure to meet conservation targets results in penalties, which for a consumer-owned utility, would create a greater financial burden for ratepayers.
 - The pandemic is likely to result in lower investments in conservation thereby reducing achievable, cost-effective conservation. Rather than fine utilities for non-compliance due to economic impacts that are the direct result of state-issued emergency directives, utilities should be able to assist customers facing escalating bills and use the customer assistance dollars to count toward conservation during the economic recovery.
 - This will have NO fiscal impact on the state.

- **Allow utilities who can demonstrate over 80% of their resources are from non-emitting resources a deferral of all CETA related activities for a period of 5 years if they continue to retain these non-emitting resources.**
 - This would include deferral of any reporting or implementation activities until 2025.
 - This would not change any of the net carbon neutral requirements beginning in 2030.

- **Waiving a portion of the utility tax paid by PUDs in direct proportion to the amount expended by PUDs for ratepayer relief and service continuity.**
 - PUDs pay an excise tax on the revenue they earn from providing utility service to customers. As consumer-owned utilities, this tax liability is passed on to PUD customers.

- The directive that prevents utilities from disconnecting customers will likely result in potentially large outstanding balances for customers unable to pay bills during the COVID-emergency. These outstanding balances present a significant financial burden for customers and may result in default or the need for a long-term payment plans.
- Because customer bills include the state excise taxes on utility service revenue, bills that end up in default or are converted to payment plans will result in a tax burden on the utility without corresponding revenue.
- The state, for a period not to exceed two years, should exempt consumer-owned utilities from that portion of the utility service excise tax which corresponds to outstanding bill amounts due to the state mandated moratorium on disconnections. Taxes collected under payment plans will be paid to the state at the time of collection.
- **Provide support for increased access to broadband including additional funding and additional authority for PUDs.**
 - The legislature should provide sufficient funding to support the State Broadband Office and capital funding to support the development of broadband infrastructure.
 - Authorize PUDs to have greater authority to provide broadband access to those without access because of financial barriers.
- **Include funding for water system consolidation and repair grants in state's capital budget and economic stimulus efforts.**
 - Consolidation and repair of small water systems creates immediate local construction work and will assist water systems in rural areas with lower-income customers most impacted by COVID-19.
 - Water system consolidation under the ownership of local-government utilities such as PUDs is a long-term objective of local and state health departments to reduce agency support costs and prevent more expensive water system failures in the long term.