

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, May 26, 2020
2:00 p.m.

All Attendee's participated via teleconference due to the office closure associated with COVID-19 precautionary standards.

CALL TO ORDER: President Dan G. Gunkel called the meeting to order at 2:00 p.m. as advertised.

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

STAFF PRESENT: Jim Smith - General Manager, Gwyn Miller - Assistant General Manager, Mike DeMott - Director of Finance and Power Management, Ron Schultz - Engineering Manager, Kevin Ricks - Renewable Energy Assets Manager, Cynthia Bruce - AP/Accounting Clerk, Sharon Blodgett - Water/Wastewater Coordinator, Brandy Myers - Customer Service Supervisor, Jeff Thayer - Materials Manager, April Greenlaw - Operations Support Assistant, and Luann Mata - Executive Assistant

GUESTS: Brian Skeahan - Skeahan Advisory Group, and Larry Hocter

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

MINUTES: MOTION was made by Commissioner Knowles to approve the May 12, 2020 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Cynthia Bruce. 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 26th day of May, 2020.

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

- Accounts Payable Voucher Nos. 207379 through 207504 in the total amount of \$739,942.10; Wire and Automated Clearing House (ACH) transaction Nos. 8801321 through 8801327, along with Electronic Funds Transfer (EFT) transaction Nos. 133 through 137 in the total amount of \$4,628,759.65 for the period ending May 26, 2020; and
- Payroll Warrant Nos. 207378 and ACH Direct Deposit Payroll transactions 204841 through 204926 in the total amount of \$267,092.05 for the payroll period ending May 10, 2020.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Water/Wastewater Report - Sharon Blodgett presented the department report for April. The Klickitat Wastewater system has been experiencing some instances of wastewater backing up. The system has collector tanks and has pipe with very little slope that is designed to carry liquids only. As a result, we hired a contractor to pig the system to clean the pipes. The project went well, but was an unbudgeted item. Sharon stated that this type of project would benefit Dallesport, but the system was not designed with the pigging ports.

There are two employees that will be out in the near future for surgery, so it has been extremely beneficial to have the additional operator trained and available to carry some of the workload.

Staff will be meeting with an engineering firm in Glenwood to evaluate options to remedy lead and copper issues found in the older residences. Staff has submitted all of the required Department of Health documentation under the timelines that have been set during the research portion of the project.

Discussions continue with a tribal housing project proposal in Wishram. There is a conference call next week to discuss the developer's plans. Commissioner Gunkel asked if staff was discussing the project with tribal staff or a realtor. Sharon stated both, but she has directed her responses to Kelly Coons, a representative for the Yakama Nation Housing Authority. He is designated to discuss the project on behalf of the tribe. The tribal purchase of the subdivision is in the closing process this week. Sharon will contact Mr. Coons and emphasize that, until system analysis and connections are paid for, connections are not guaranteed. Depending on their development needs, we may require that a system evaluation be completed. Any system evaluations will be at the expense of the developer.

Engineering Report - Ron Schultz presented the department report for April. Staff schedules and work remain consistent. Customer work is on the rise as the state loosens its construction restrictions.

We have confirmed that the damage in the Klickitat substation was vandalism. Damage was also found in the Lyle substation. These incidences were reported to the Sherriff's office. The metershop and crew completed repairs at the Harvest Wind substation and on the transmission line during an extended outage last week. A drone inspection had found issues that needed repairing. There were two structures the crew could not reach, but there are no immediate concerns on these structures, so they will be repaired during a future outage.

Mark Garner and Mark Pritchard continue to work with Brown and Kyser Inc. on the fire mitigation work. BKI will provide recommendations on our process. Staff will provide the board with an update when their recommendations are received.

Inquiries regarding solar developments in Klickitat County are increasing. Nexterra Energy, Cypress Creek Renewables and Avangrid would interconnect with Bonneville Power Administration directly if approved. Invenergy has received BPA interconnection queue approval for a 75MW installation that would interconnect through our Linden substation. Solar installations take a significant amount of property so property negotiations are one of the installer's challenges. Mike DeMott is reviewing contract provisions for these installations. Commissioner Gunkel requested a map of the county that designates these proposed installations.

COMMISSIONER DAN GUNKEL - Commissioner Gunkel stated that he was unable to attend the last Economic Development Board meeting. This meeting apparently housed some lengthy discussions as it lasted over three hours. He will bring back an update on his findings from this meeting.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller participated in the Washington Public Utility District Association board election process. Commissioner Liz Green, Skamania PUD, is the newly elected president of the WPUA board. He also participated in the Washington State Department of Ecology water trust webinar this morning. They are evaluating redefining temporary housing water right as a trust rather than a permanent water right given to the state. This would be a transition towards water banking. Jim Smith stated that Tom McDonald has mentioned consideration of moving some of our rights from a trust to a water bank in the past as well. This will be a conversation for a future meeting.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles did not have a report, but he stated that he is anxious to resume physical meetings.

ASSISTANT GENERAL MANAGER - Gwyn Miller

- COVID-19 Update – Gwyn presented the current data on positive statewide reported cases. Yakima remains a focus for us, partially due to their significant rise in cases over the past two weeks, but mainly because of their proximity to us.

Klickitat County is now in a position to apply for Phase 2 of the state's reopening process. The requirements for entering into Phase 2 include having access to adequate testing, medical facility availability, limited positive test results and a location to provide quarantine facilities if needed. The County has installed temporary housing at the fairgrounds to meet the quarantine facility requirements. This approval process takes some time, so it appears that in June we should be on par for release of some restrictions. With this adjustment, our construction will evolve as well. This means staff traveling to construction sites and contractors traveling among worksites, as well, which increases the potential for staff exposure.

Mark and Gwyn are working together on appropriate education, staffing levels and personal protective equipment requirements to adapt to these changes. April Greenlaw will be monitoring and documenting training criteria for staff as well as maintaining documentation of worksite access for our records. We are postponing the return of those working from home back into the office. This approach will provide us time to acquire adequate PPE as an additional safety measure.

With the upcoming Customer Service area remodel, we are evaluating holding off on re-opening the lobby. If we reopen the lobby now, prior to construction, we will need to invest in barriers for the counters. The main factors that we will focus on are personal hygiene, face shields, and good ventilation. We feel that our construction site poses minimal exposure issues to staff if it remains closed to the public. Most areas would provide the ability for contractors and staff to social distance during construction.

One other area that we have fallen victim to is unemployment fraud. We have received notification that a few of our employees had false unemployment claims filed under their names. When we received notification, we reported the fraud to the employee and the state unemployment division. There have also been false stimulus checks circulated.

- Projected Financial COVID Impacts – Mike DeMott stated that his last report reflected adjusted retail revenue taking into consideration concerns of revenue impacts associated with uncollected fees suspended during this pandemic. He anticipates that impacts could be larger than he estimated earlier in the month. Our BPA bill for May has been slightly above average. Our current forecast adjustment is 3% for COVID impacts. This calculates to approximately \$600,000 under budget for residential and commercial revenue. We are going to hold to this calculation for now. Brandy Myers stated for clarification that we bill for the previous months usage so the actual impacts for this event are yet to be determined. We estimated a large number of our accounts in the months of April and May to minimize employee and customer exposure. Our June billing cycle will true up these charges. The moratorium on late fees and disconnects is scheduled to lift on May 31. Our significant impact to date is on the uncollected late fees, disconnect and interest charges. Our current estimate is a decrease of \$100,000 in revenue due to this moratorium. If the moratorium continues this revenue decrease will continue to adjust. Customer Service staff has ramped up communications reaching out to customers to promote payment arrangement options. Most arrangements are from 1-3 months. We anticipate a 25% increase in write-offs this year. Staff will update call capture messaging. Our Operation Warm Heart account has \$9,000 left in the fund. This pool has significantly decreased over the past few months. We continue to receive small business assistance applications. The

first round of discounted bills were mailed out last week. The Low Income Home Energy Assistance Program still has available funds to be applied for.

Mike also reviewed the anticipated renewable natural gas related revenue for existing gas in storage. The pricing at the time the Low Carbon Fuel Standard credit gas is removed from storage will determine our actual revenue. Mike used a moderate figure for the forecast. This moderate calculation gets us close to budget at a \$21,000,000 net margin standpoint. Our expense costs actually increase with the execution of our Puget Sound Energy contract this year. If we capture current LCFS and current Renewable Identification Number value, we will meet our budget goal of the \$21,000,000 revenue figures. If not, we come in closer to \$20,000,000. Currently we have 174,000 dekatherms of RIN gas in storage. We anticipate adding around 82,000dth before our PSE contract executes on July 1. Current pricing at the low end is \$8.00, our budget anticipation is \$10.00; however, today's price is \$13.20. We are hopeful that our LCFS credit will yield \$4.00 per share. The goal is to be as close to budget as possible.

Our capital costs transitioning to expense costs will reduce our debt service coverage numbers but should not significantly impact total budget figures. When we last spoke, we estimated moving \$250,000 from capital to expense; we expect this amount to increase to \$500,000. Our cash position will not be significantly impacted at this point. The anticipation is that staff will provide the board with adjusted budget forecasts in the near future. This will be a major focus of the August strategic planning sessions.

Lastly, we have staff working to develop our NISC reporting documentation. We know that we have a weakness in our capital tracking reporting. Therefore, we are working to improve this reported information. Staff is also evaluating automated metering. This system could offer many improvements for customer service along with updated system data.

- Automated Meter Installation Pilot Project – Brandon Johnson has been working with vendors on bringing in a pilot project. Brandon has engaged Engineering, Metershop, Information Technologies, Customer Service and Power Management staff in this evaluation process. They have talked with various vendors. At this time, Verizon appears to have the most versatile system. Verizon has agreed to provide us with a trial option of three or four meters that we could install in multiple locations over a three to four month period. This would provide us with an opportunity to evaluate if communication is possible in remote areas of our system. It will also provide an opportunity to see how prepaid meters may integrate into our system. Another area we would benefit from is installation in areas of voltage concerns so we can begin to capture real time data. The cellular based rollout will allow for versatility compared to the rollout requirements associated with a traditional system upgrade. We have purchased the required NISC software to upgrade to the prepaid metering option. This should be installed the first quarter of 2021, so we have a little time before our billing system will be equipped to fully utilize the new meters.

We believe that this meter information will assist us with future rate design by having real time data to base our usage requirement assumptions on.

- NISC Financial Statements – Internally we have a finance group. Jim Moss is spearheading this group. System generated financial reports will remove the need for spreadsheets. The system-generated documents will have the ability to provide dashboards of report metrics. Jim is working on designing templates for future use. Our goal for these new reports is to provide timely, accurate financial information reflective of our multiple business lines.

Budget season is around the corner. Gwyn is hopeful to have templates out to department heads by mid-June. This will allow departments to complete their year-end forecast predictions, as well as begin the 2021 budget process. New

budget templates will be developed through NISC. We don't expect to use the new forms for the 2021 budget year, but expect to move to them in 2022. The expectation is that the system will generate reports that coincide with our financial reports. We have a complex system, so we are approaching this move cautiously. We will continue to update you on our progress.

- In-person Board Meetings – We plan to implement a phased approach with five or fewer people in attendance, even in Phase 2. Our plan will be to discuss this after our first June meeting. At that point, our county should be open; we may need to limit who attends the meeting.
- Other Operational Issues – We have had several vacant positions in a holding pattern. Now that some of the regulations are being lifted, we are hoping to begin the process to fill these open positions. We have had a position in IT that has remained unfilled. We will focus on the hiring process for this position so that the IT department will gain their additional support. Since this is a department of two, they have been stretched thin providing all of us with the support we have needed as we transitioned our technology requirements to fill the needs during the COVID crisis. Two linemen resigned last year, we wanted to take the time to evaluate crew structure and finalize contract negotiations prior to advertising for these positions. We have held off on advertising for college student positions so far this year, but now there may be an opportunity to develop creative interview processes if staff is interested in pursuing a student for the summer. As expected, with the press releases out on RNG regarding our contract, FOIA requests are coming in. There are many good things happening and we have sparked interest in Klickitat PUD. Others ask what new and exciting projects we have in store for the future.

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:

- Representative Mosbrucker – Representative Mosbrucker has sparked interest in a local micro grid project. We have asked Mike DeMott and Dave Warren to stay abreast of the conversations in our area. We have interest in helping Klickitat Valley Health with a project like this. We know they have had a need for many years to improve their backup generation to support the back up of their systems. We have discussed involvement in a community solar project and there has also been interest expressed by Toyota to build a 100kw hydrogen fuel cell test site. If this happens, there may be an opportunity for a battery storage project as well. By participating in these projects, we have the ability to grow staff knowledge of innovation while partnering with our communities on beneficial use projects. We are not promoting any of these options at this time and the ideas are very early in their development, but we are monitoring them for potential opportunity.

AGENDA ITEMS:

- A. GOLDENDALE ENERGY PUMPED STORAGE UPDATE: Brian Skeahan provided an update on the Goldendale Energy Pumped Storage project. Goldendale Energy expects that the project will make their final license application to Federal Energy Regulatory Commission (FERC) by the middle of June. As anticipated, the Yakama Nation expressed opposition to the preliminary application. Rye Development and National Grid are participating in ongoing conversations with the tribe. There were also comments received by Turlock Irrigation. They expressed concerns about the impacts on airflow with the installation of the reservoir. They also expressed concerns about bird impacts for the wind sites. National Grid and Rye Development have requested an expedited licensing process. If granted, it would be the first application approved by FERC under this process. If not approved under the expedited process, the licensing could take approximately four years to

