

Public Utility District No. 1 of Klickitat County  
**Board of Commissioners Meeting**  
**Tuesday, June 23, 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 Knowles - Secretary

**STAFF PRESENT:** Jim Smith - General Manager, Gwyn Miller - Assistant General Manager, Mike DeMott - Director of Finance and Power Management, Mark Pritchard - Operations Manager, Cynthia Bruce - AP/Accounting Clerk, Brandy Myers - Customer Service Supervisor, Beth Schroder - Accountant, Kevin Ricks - Renewable Energy Assets Manager, Ron Schultz - Engineering Manager, April Greenlaw - Operations Support Assistant, Jim Moss - Auditor, Brandon Johnson - Engineering Tech, Sharon Blodgett - Water/Wastewater Coordinator, Russ Patton - Project Engineer, and Luann Mata - Executive Assistant.

**GUESTS:** Keith Simovic - Moss Adams

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

**MINUTES: MOTION** was made by Commissioner Miller to approve the June 9, 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 23<sup>rd</sup> day of June, 2020.

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

- Accounts Payable Voucher Nos. 207606 through 207755 in the total amount of \$1,064,035.57; Wire and Automated Clearing House (ACH) transaction Nos. 8801332 through 8801339, along with Electronic Funds Transfer (EFT) transaction Nos. 140 through 145 in the total amount of \$1,657,657.22 for the period ending June 23, 2020; and
- Payroll Warrant Nos. 207605 and ACH Direct Deposit Payroll transactions 205011 through 205093 in the total amount of \$263,306.33 for the payroll period ending June 7, 2020.

Motion carried.

**PUBLIC COMMENTS:** None

**AGENDA ITEMS:**

- A. **MOSS ADAMS 2019 FINANCIAL AUDIT UPDATE** - Keith Simovic of Moss Adams presented the 2019 financial audit update to the board. We received a clean audit for 2019. This verifies that staff follows established procedures and those procedures meet or exceed all legal requirements.

Keith reviewed their process and what they look for when completing the audit. They focus on procedures performed by employees, effectiveness of our

internal controls and they evaluate our financial statements.

With our 2019 NISC conversion, they evaluated that the data transfer from PCS to NISC transitioned correctly. The auditors performed a detailed testing and inspection of documents to verify that they were consistently presented throughout the year. There were two audit adjustments made, one was a depreciation expense that was not captured in 2018 when the RNG plant became operational, but was captured in April 2019. The other was for interest expense on the refunded bonds. Moss Adams concluded that the financial statements are presented fairly in accordance with U.S. Generally Accepted Accounting Principles. The audit also determined that there was no fraud or potential fraud found. Keith said he was pleased to present the board with another clean audit year.

## **REPORTS:**

**Water/Wastewater May Update** - Sharon Blodgett presented the department report for May. We are reissuing the radio read meter bids for Lyle and Wishram. Sharon and Jim requested that the board agree to have staff proceed with an unbudgeted capital investment project for the Lyle wastewater treatment plant. Due to discontinued production, the meter shop recommended that we replace these Programmable Logic Controller's (PLC) and Variable Frequency Drive's (VFD). If they fail, there is no longer support for specific equipment in the plant. If one of the PLC processors or VFD's fails, it would render the facility inoperable. This increase in capital work would be offset by delaying TV camera inspection work on some of the collection system pipes to 2021. The system has the funds available. The board agreed to this change in budget.

Commissioner Knowles asked if there was information on the Klickitat water source evaluation, apart from the report summary included in the board packet. Jim said that, based upon the report received from Aspect, we will continue to evaluate surface water options and monitor how the wells perform this summer after we rehabilitated Well #3. Sharon will be bringing back proposals as this work proceeds, but this project will require significant funding.

**Operations May Update** - Mark Pritchard presented the report for May. As expected our April and May reliability numbers decreased as a result of the storm at the end of May. The wind damaged many poles, including 17 poles west of Maryhill. Tree issues damaged other structures; this damage was mainly caused by large, healthy trees outside of our right-of-ways (ROW) being knocked down. We provided material mutual aid to Wasco Electric Co-op as they had several large transmission poles damaged during this storm event as well. The crews dedicated the majority of their time in April and May to tree trimming. June began with storm clean up and, with the transition of the State into Phase 2, customer work is on the rise. Mark mentioned that we have improved our outage response since implementation of union contract modifications. He was pleased with this result.

We still have NW Line Clearance and Asplundh on the property working on our vegetation management. NW Line Clearance is still concentrating on the Husum area. Asplundh is working in the Satus area right now. We received our mechanical ROW clearing machine. Mark is also working with Beth Schroder on a Ruralite article to update our customers. Mark Garner and Phillip McMillen are working on designing a layer on the mapping system that would show where we have trimmed, trees we have removed and other notable information for ROW areas.

Mark also briefly discussed the customer service area remodel. There were two bids received for the project. The bid was awarded to Simcoe Construction. Mark stated that Jeff Thayer found creative ways to reduce construction costs. Brandy Myers stated that she is working through a transition plan with her staff. We need to maintain the ability to serve customers. Our goals are for a relatively seamless transition.

Mark Garner is the internal lead for our fire mitigation planning. He is working with Brown and Kysar Inc. to develop the plan. We expect that BKI will have their evaluation complete within the next month and will provide us with a draft plan. Mark Garner will bring a presentation to a future meeting to review their proposed plan.

Mark Prichard stated that with the projected warm weather he has already initiated our fire season protocol. He is the PUD representative participating with DNR and other electric utilities in a Wildland Fire Mitigation Taskforce subcommittee. They held a meeting last week to discuss hazard trees on and off the right-of-way. Their recommendations will be presented to the Wildland Fire Mitigation Taskforce executive committee that Jim is a part of. The next meeting is scheduled for two weeks from now. DNR would like to model the BPA agreement, but the taskforce voiced their belief that we are governed by RCW's. Mark will bring back information for discussion.

**Engineering May Update** - Ron Schultz presented the report for May. Bonneville Power Administration has requested that we work with them to transition their 115 kV to 69 kV Goldendale substation into our EE Clouse substation. We would finance the project, but BPA will cover all costs for a twenty-year period, including operations and maintenance, after which time the facilities would become KPUDs. By owning the facilities and leasing the capacity back to BPA we can increase the reliability as the equipment would be new. We can also reduce the response time for transmission outages that impact over half of our customers when they occur.

A drone flight discovered a leaking transformer bushing in the MA Collins substation. The manufacturer will complete repairs under warranty.

Customer engineering work is beginning to pick up.

Commissioner Knowles requested an update on the Condit line acquisition. Ron stated that Pacific Power has expressed willingness to discuss. Ron is hoping for a face-to-face meeting soon.

**May Financial Report** - Mike DeMott presented the May financial report. This information along with reviews by each department was used to compile our year-end forecast. Detailed report documents were provided to the board.

Our overall forecast for 2020 has not changed significantly since the last report. We continue to project a 3% revenue reduction for commercial retail rate classes as a result of COVID-19 restrictions. Wholesale revenue continues to lag budget due to delayed income from the Renewable Natural Gas project for gas placed in storage as Low Carbon Fuel Standard pathway approval has been pending. This pathway was approved Monday, June 22. It is unclear if any revenues for RNG sold will flow in 2020, as we have heard that payments from California programs have been very slow.

Capital expenses are forecasted to be roughly \$2 million under budget due to adjustments staff has made to offset the impacts of COVID-19.

Report concluded with no additional questions from the board.

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

**COMMISSIONER DOUGLAS MILLER** - Commissioner Miller discussed the Washington Public Utility District Association letter to the governor. All of the utilities were represented and in concert with WPUA's letter. WPUA members determined that the letter needed to be firm. The point being that we are already self-regulated and we need to be allowed to continue to conduct business safely and efficiently according to the legislative authorities that were granted to PUDs to be locally governed. We should have the ability to work with our customers for uncollected bills. Commissioner Miller's perspective is that the Governor's proclamation went into effect just as PUD-issued winter moratoriums would

have been lifted. This means that customers who struggled to meet their obligations during winter are only getting further behind. If there are further extensions, our winter moratoriums might be back in effect, essentially placing many customers 18 months behind in their bill payments. Many people do everything they can to get their bills paid, but some do not. From what we can see all utilities are doing their fair share to help customers. Unfortunately, the Governor's actions by continuing with the proclamations are not reflective of the concerns expressed by WPUA. After discussion, the board asked that Commissioner Miller write a letter to WPUA on behalf of the board, The letter should ask that more firm demands be made of the Governor's office with respect to proclamations that impact PUDs' abilities to provide local control and oversight with respect to disconnects, credit and collections.

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

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

- **COVID-19 status** - Gwyn Miller reviewed the current COVID-19 Washington statistics.
  - **Current Status** - As of yesterday there were 53 cases in Klickitat County and Yakima County's total was 6,500. Washington State has required that employers enforce employees wearing masks when social distancing is not an option, but it appears there may be additional guidance coming. The Washington State Department of Health is recommending that everyone wear masks when in public locations.
  - **Financial Impacts** - Brandy Myers completed the Department of Commerce survey regarding the impacts we have incurred during this pandemic. We are also compiling costs from our customer small business program, lost revenue, personal protective equipment increase, potential for labor and workforce shortages, increased construction project costs, and other unanticipated costs. Those costs will be reflected in upcoming forecasts.
  - **Labor and Industries/Compliance Implementation** - We will continue to work towards consistent practices through L&I. Electric Utility Safety Advisory Committee has made recommendations to L&I for compliance. We have a united front from management and labor on electrical industry safety impacts.
- **Public Utility Risk Management Service's Update** - PURMS has enlisted a broker to complete an evaluation of potential networks to provide an estimate on reduction of claims costs. We have utilized First Choice for some time, so it is prudent to complete this comparison to see if there are options for reductions. There will be an Executive Committee vote coming. Commissioner Knowles will attend this meeting. Our utility is unique compared to others in the pool. We are located in a challenging environment in Washington along the Columbia Gorge, and most of our network availability would be in Oregon. Therefore, we may not truly reap the potential benefits of other participants in this program.
- **Wellness** - For the past seven years, we have participated in the Klickitat Valley Health Wellness event. Gwyn has contacted the KVH and they are willing to provide this service for us. We have inquired about adding additional testing such as Lyme disease; it is under consideration if we have enough participation to qualify for the volume discount. We will bring back the date.
- **Other Operational Updates** - We are responding to two Freedom of Information Act (FOIA) requests and are working on ways to reincorporate our ongoing training programs.

**GENERAL MANAGER** - The complete report can be found at:

[http://www.klickitatpud.com/topicalMenu/commissioners/GM\\_Reports.aspx](http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx)

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

- Fuel Cell Potential Project - Jim discussed potential fuel cell options that have been discussed with staff. He will bring back an update if we pursue these projects further.
- U.S. Army Corps of Engineers Water Facilities Easement - Jim discussed the easement and the process going forward with the Goldendale Pumped Storage project developers.
- Lundhill Solar Project in Roosevelt - We are working with a developer to obtain temporary water rights for construction. Jim asked that the board authorize him to enter into a temporary water mitigation agreement with Sterling and Wilson Solar Solutions for the water right use. **MOTION** was made by Commissioner Knowles to authorize Jim Smith to sign a temporary water agreement with Sterling and Wilson Solar Solutions (SWSS) for the Lundhill Solar project in Roosevelt, Washington. 105 acre-feet will be provided in total over an expected two-year period. All costs will be borne by SWSS and the price will be \$300 per acre-foot per year. Motion carried.

**AGENDA ITEMS Continued:**

- B. WATER / WASTEWATER GENERAL FACILITIES CHARGE (GFC) CONNECTION FEE AND SUPPORTING POLICIES DRAFT PROPOSAL - Russ Patton provided a PowerPoint presentation of the steps taken to revise our water and wastewater system GFC's, connection fees and related policies. A GFC gathers revenue from new customers that reflect the investments made by current customers on that system over time. This ensures that new customers are paying their share of system costs. Under our current process, connection fees cover costs of installation of each meter. Staff proposed that we create a standard fee for individual connections that are consistent among the various systems. The proposal also included changes that correct a situation that occurs when multiple units connect that result in fees being charges in excess of the costs we would collect. These fees were also revised to reflect our current construction practices. Commissioner Gunkel requested that staff evaluate the policy changes and make sure that the expectation of the customer is well defined. Staff will review the policies again with this in mind and will bring back these documents to the next board meeting for approval.
- C. PROFESSIONAL SERVICES APPROVAL - **MOTION** was made by Commissioner Miller to approve the addition of Burns & McDonnell and The Warren Group, LLC and agree to add them to the Professional Services Consultants roster for the 2020 period. Motion carried.
- D. PREQUALIFICATION OF CONTRACTORS - **MOTION** was made by Commissioner Knowles to approve the addition of Tegart Enterprises and agree to add them to the Small Works roster for the 2020 calendar year. Motion carried.
- E. 2020 BUDGET FORECAST REVIEW - This item was discussed as part of the May financial report discussion. No action required.
- F. LETTER OF CREDIT WAIVERS - Lewis County and Cowlitz County PUD's - **MOTION** was made by Commissioner Knowles to waive the Letter of Credit requirements for Cowlitz PUD and Lewis PUD for 2020 as they have met the waiver requirements as stated in the applicable Transmission Service Agreement of each party. Motion carried.

