

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, March 09, 2021
2:00 p.m.

Due to the office closure associated with COVID-19 precautionary standards, in person attendance is still restricted. Attendance is noted below.

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, Mike DeMott - Director of Finance and Power Management, Brandy Myers - Customer Service Supervisor, Kevin Ricks - Renewable Energy Assets Manager, Mark Pritchard - Operations Manager, Brandon Walter - Water/Wastewater (W/WW) Superintendent, Sharon Blodgett - Water/Wastewater Coordinator, Noah Halm - W/WW Operator, Rod Kiser - W/WW Operator, Tim McMurrin - W/WW Operator, Greg Watson - Lead W/WW Operator, Cameron Keith - W/WW Water Trainee, and Luann Mata - Executive Assistant.

Via teleconference: Alex Casimiro - AP Clerk, Cynthia Bruce - Accounting Clerk, Ron Schultz - Engineering Manager, April Greenlaw - Operations Support Assistant, Doug Senn - RNG Site Supervisor, Jeff Thayer - Materials Manager, and Mark Garner - Customer Engineering Supervisor.

GUESTS: None

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

MINUTES: MOTION was made by Commissioner Knowles to approve the February 23, 2021 meeting minutes as presented. Motion carried.

CLAIMS & PAYROLL: Presented by Alex Casimiro. 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 9th day of March, 2021.

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

- Accounts Payable Voucher Nos. 209788 and 209790 through 209876 in the total amount of \$470,450.74; Wire and Automated Clearing House (ACH) transaction Nos. 8801439 through 8801444, along with Electronic Funds Transfer (EFT) transaction Nos. 218 through 219 in the total amount of \$223,052.91 for the period ending March 9, 2021; and
- Payroll Warrant No. 209789 and ACH Direct Deposit Payroll transactions 206620 through 206701 in the total amount of \$209,062.30 for the payroll period ending February 28, 2021.

Motion carried.

PUBLIC COMMENTS: None

AGENDA ITEMS:

- A. DEPARTMENT of ECOLOGY WASTEWATER TREATMENT PLANT AWARDS - Mark Pritchard presented the Ecology Wastewater Operational

Excellence awards to the Water/Wastewater department employees. Mark read the comments from Erik Van Doren of Ecology. Erik asked that the department staff be recognized for their continued excellence in maintaining these systems above the Department of Ecology reporting requirements. The recognition awards program was established in 1995. Klickitat County's Dallesport facility, which is operated and maintained by KPUD, is receiving its 2nd consecutive award, Wishram received its 11th consecutive award, Klickitat received its 12th consecutive award and Lyle received its 14th consecutive award. Commissioner Miller stated that he recalls when these systems were purchased and how much effort was placed in bringing these systems into compliance. He wanted to recognize the effort he knows it took to get these facilities in good operating order, and the commitment it takes to keep systems like the Lyle wastewater treatment plant operating for 14 years under these strict standards which are difficult standards to uphold. Commissioner Knowles wanted to recognize the professional effort each employee contributes to these projects, which is the foundation of these awards. Commissioner Gunkel wanted to recognize that when the decision was made to take over these wastewater systems, they came to us underfunded and under maintained. Without the performance of these individuals and their predecessors, these investments could have adversely impacted our utility. The board thanked the group for their continued efforts.

REPORTS:

Renewable Energy Assets February update - Kevin Ricks presented the department report for February. He reviewed two outages during the month. One was a PLC communication card failure, which was replaced and resolved the issue. The second was when the pressure transmitter on compressor 554 froze. Modifications to the installation were made to prevent a recurrence and the failed transmitter replaced. Republic, KPUD and Loci Controls continues to make progress on the automated well head project, however, the installation date has been pushed back to the week of April 26th due to delays caused by the Texas natural disaster event. Staff continues to pursue potential projects to maximize the value of the RNG facilities such as H2 electrolyzers, CO2 methanation and carbon sequestration.

Kevin and Mike DeMott also gave a presentation on the McNary elevator/stairs project. Given what we have reviewed so far, staff does not support the current project as proposed. The original purpose of the project was to resolve issues with a non-functioning Army Corps of Engineers elevator which has since been repaired and is now functioning. The board gave direction that they also do not support the project and to have further discussions with Northern Wasco County PUD.

Power and Finance February update - Mike DeMott discussed the refinance activities. Resolution 1801 was presented to the board. This RNG debt refinance option is through North Cascades Bank. It is set up under a 15-year payback with no prepayment penalty after the third year. The rate was locked in at 3.1% with a closing date of April 15. Had we not locked this rate in when we did, the interest rate today likely would be 3.4%.

The 2015A bond refinance is in the final stages. Terms are still being negotiated. Mike plans to bring resolution 1802 to our next meeting for review. The current January financial statement does not reflect any financing adjustments, but if we refinance both bonds, we expect our debt service coverage (DSC) to be 1.65.

The commissioners requested that staff propose finance policy language that specifically addresses how we will determine the level of accelerated repayment of debt to meet requirements established by the board. Commissioner Gunkel suggested that we consider tying accelerated repayment to delivered RNG volumes.

AGENDA ITEMS Cont.:

- B. **RESOLUTION 1801 RNG DEBT REFINANCE** - After thorough review by bond council, financial advisors and staff, **MOTION** was made by Commissioner Gunkel to approve Resolution 1801 authorizing the Renewable Natural Gas project debt refinance. Motion carried.

REPORTS Cont.:

January Financial Update - Brandy Myers and Mike DeMott presented the January Financial update. There have not been any significant changes to the 2021 forecast at this point. There were four revenue forecast adjustments discussed. There is an electric retail revenue variance attributed to the budget containing a 1.5% electric rate increase that was not implemented. The year-end forecast will be updated to reflect this outcome. Mild December and January weather have also contributed to revenue lower than budget for January and decreased power supply expenses. Our expected Low Carbon Fuel Standard revenue not received in 2020 is reflected in a line added to the cash flow statement. Lastly, RNG revenue for January reflects production volumes not reaching budget levels. We will reevaluate production estimates over the next few months and expect to see an increase with weather change and the implementation of the LOCI monitoring system. Costs for materials continue to rise and lead times are increasing as well so we will continue to watch this trend. Our year-end forecasted DSC is currently 1.23 and upon completion of debt refinancing our DSC forecast increases to 1.69. Finally our forecasted year-end day's cash on hand is 191, after the refinance is complete, it increases to 220 days.

COMMISSIONER DOUGLAS MILLER - Commissioner Miller stated that he will call in for the April 27 commission meeting. On behalf of the board, he wanted to thank Chris Evans and our IT department for all of their efforts keeping us safeguarded from online threats.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles will attend the Public Utility Risk Management Services meeting at the end of March. Commissioner Knowles may attend the March 23 commission meeting remotely. Information for remote attendance will be provided.

COMMISSIONER DAN GUNKEL - Commissioner Gunkel provided an update on the Columbia Generating Station. The system has been performing at a high level under the direction of Brad Sawatzky. He will be retiring at the end of June. Commissioner Gunkel noted that in his opinion, finding a replacement for Brad may be challenging due to the high performance standards that have been achieved at this location. This system has been performing very well and provides capacity to our area when we need it at a very reasonable price.

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

- **COVID-19 updates:**
 - The Energy Emergency Management group updates have been extremely informative. At this time, the reopening phases are paused at phase 2. Phase 3 and phase 4 requirements have not been finalized. Fortunately, our metrics statewide are low. We expect to hear what phases 3 and 4 will look like within the next month.
- **Staffing** - With the COVID restrictions, we have not maintained our employee luncheons with new employees. We would like to reinstate those while still keeping to appropriate social distancing. We have several new employees that have not met our board yet and several others who have transitioned into new positions. Staff will devise a plan and will schedule the first luncheon for April 13.

