

Public Utility District No. 1 of Klickitat County
Board of Commissioners Meeting
Tuesday, May 11, 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 (via teleconference)

STAFF PRESENT: Jim Smith - General Manager, Gwyn Miller - Assistant General Manager, Mike DeMott - Director of Finance and Power Management, Kevin Ricks - Renewable Energy Assets Manager, Sharon Blodgett - Water/Wastewater Coordinator, Brandy Myers - Customer and Accounting Services Manager, Ron Schultz - Engineering Manager, Brandon Johnson - Engineering Tech, Mark Garner - Customer Engineering Supervisor, Beth Schroder - Accountant, Luann Mata - Executive Assistant, Jonah Humphreys - Interim LFG Site Supervisor, and Anita Clever- Energy Services Specialist

Via teleconference: Alex Casimiro - AP Clerk, Mark Pritchard - Operations Manager, April Greenlaw - Operations Support Assistant, Jeff Thayer - Materials Manager, Brandon Walter - Water/Wastewater Superintendent, and Cynthia Bruce - Accounting Clerk.

GUESTS: No one identified themselves

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

MINUTES: MOTION was made by Commissioner Knowles to approve the April 27, 2021 meeting minutes as corrected. 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 11th day of May, 2021.

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

- Accounts Payable Voucher Nos. 210279 through 210366 in the total amount of \$417,428.54; Wire and Automated Clearing House (ACH) transaction Nos. 8801470 through 8801475, along with Electronic Funds Transfer (EFT) transaction Nos. 235 through 237 in the total amount of \$160,022.76 for the period ending May 11, 2021; and
- Payroll Warrant No. 210278 and ACH Direct Deposit Payroll transactions 206961 through 207045 in the total amount of \$214,278.69 for the payroll period ending April 25, 2021.

Motion carried.

PUBLIC COMMENTS: None

REPORTS:

Conservation update - Anita Clever provided an update on the Underwood Fruit Company upgrade project. Underwood Fruit Company has been located in Bingen since the 1960's. In fall of 2017 they experienced a fire and were left with significant fire damage. They salvaged what they could; one item salvaged was their original sign, which has been relocated to their conference room. They have been working on rebuilding since 2018, when they completed design review. Bonneville Power Administration, the entity that administers the rebate program, made recommendations on how they could improve their conservation and maximize the rebate program benefits. The project was finalized in 2021. Anita stated that she worked with Terry Beckwith from beginning to end. The rebate program provided the ability to install larger condensers, evaporators, and fans while still witnessing an annual cost savings of around \$55,000. Anita provided a few project photos along with a picture of awarding the rebate check during a presentation ceremony. They expressed their appreciation of our assistance on this project.

Renewable Energy Assets March update - Kevin Ricks and Jonah Humphreys presented the report for April. The April unplanned outage impacted production by 6.7%, there were 120,965 Dekatherms produced. The wellhead project is underway. Loci Controls has hired an operator that is working on the site now. Commissioner Knowles asked what monitoring capability we will have once these monitors are in place. Kevin responded that the relevant gas percentages, wellhead temperatures and flow will be monitored and recorded in a database accessible by us and Republic in real time.

Kevin also discussed an unannounced Labor and Industries inspection that occurred on April 19. We have provided formal responses to all items requested and supplied to L&I. L&I has not issued findings or citations at this time.

Mike DeMott and Kevin completed a McNary site visit at the end of March. This visit was part of our efforts to evaluate elevator and stair project recommendations made by our partners, Northern Wasco PUD. On April 28, they conducted a project meeting discussion with Northern Wasco. They discussed the elevator and stair projects, along with staff safety concerns. Mike and Kevin committed the KPUD to funding taking the engineering completion level on the stairs and elevator from 60% to 90%, for about \$40,000. With 90% completion level, the Army Corps of Engineers will review the plans and specs and the commissioners from both commissions will be better informed of the project scope and costs to give further direction. Staff does not believe there would be major expenditures in 2021 for this project.

Kevin continues to work with RNG project engineers to investigate a potential project for beneficial use of carbon.

Power and Finance March update - Mike DeMott discussed power pricing. The summer price spike continues. The drivers appear to be resource adequacy issues in the Pacific Northwest markets, exacerbated by California's dry weather and rising temperatures that increase the adequacy concerns. Even with planning, there is the potential California could be short this summer if a heat event occurs. Long-term forward pricing shows electric system peak prices in summer, while gas peaks occur in the winter. This could potentially provide revenue to support a business case for repurposing the Landfill Gas combustion turbines.

Commissioner Knowles inquired about our hedging strategy. Mike discussed this and the market financial outcome of our hedges following the forward price curves represented in the report. Mike also discussed other alternatives for serving our load, one of which was to bring renewable resources to load. However, our ability to use these resources are limited by our current BPA contract which requires us to purchase a flat block of power. Utilizing resources for demand charge reduction was also discussed in which resources could be utilized in a manner similar to the BPA super peak schedule discussed previously. Normal Bonneville Power Administration contracts do not contain scheduling options that are flexible enough. The Northwest is definitely bracing for one of the driest summers on record. This potentially impacts irrigation loads, as they will require starting earlier and irrigating longer to make up for this lack of moisture. White Creek generation income is improving as a result of

these increases in market pricing and will likely positively impact our budgets. BP-22 final rates will be established at the end of July. Our load shaping charges will be driven by our Dallesport large load customer.

Mike provided concepts to update the Financial Policy 9 for discussion. He focused on a few key areas. Adding minimum payment wording to reflect the board's intent to pay down debt with surplus funds. He also discussed reserve fund policies and internal liquidity metrics. He wanted to make sure that we focus on the fact that customer deposits as well as water and wastewater system cash balances should be excluded from consideration of excess general use funds for debt repayment. He also provided a potential definition of surplus funds, which focused on RNG production measured in MMBtus in excess of production needed to meet financial policy metrics. After further discussion, it was suggested that working through scenarios in a workshop format may best inform the final policy outcome. A workshop for this purpose will be scheduled for a future board meeting.

March Financial update - Beth Schroder presented the March financials. Revenue forecasts have been updated. RNG revenue was below budget approximately \$300,000, with forecasted revenues updated for expected production. Electric aid in construction (AIC) revenue is \$730,000 as of the end of April. This AIC amount is in addition to the Wishram subdivision project payment for water/wastewater. Forecasts for year-end expectations were updated following first quarter activity. We are not adjusting expenses this early in the year. We are watching the trends however, including increased material prices and we will be adjusting these forecasts after the second quarter. Our current year-end forecast for Debt Service Coverage (DSC) is 1.74 at the end of March. We have reduced the year-end forecast for electric system capital spending and RNG has deferred a few capital projects originally scheduled in 2021 to allow for the installation of the Loci control system. We are preparing to shift operations resources to vegetation management, which will likely impact electric capital spending. With the minimal moisture, we are evaluating and reprioritizing crew work. McNary capital expenses have been increased to reflect our portion of the required engineering of project work. Our year-end forecast for Day's Cash on Hand was 241 days as of the end of March.

AGENDA ITEMS:

- A. **2021 PHYSICAL INVENTORY UPDATE** - Jeff Thayer provided the results of the 2021 Physical inventory. Inventory was completed the 3rd week of April. It was moved from our normal September/October timeframe as the spring better fits with resource availability, weather and customer work schedules. The adjustments for 2021 were \$11,663. This was for a six month period, but equates to a less than 1% adjustment on an annualized basis. We are happy with this number, but will continue to evaluate a few items in an attempt to reduce this adjustment even further. Our goal is an adjustment of 2% or less, however we continue to evaluate ways to improve upon that goal. Commissioner Knowles inquired on where most adjustments come from. The largest discrepancy is in wire. We continue to apply policies and are always looking at ways to improve.
- B. **PREQUALIFICATION OF CONTRACTORS** - **MOTION** was made by Commissioner Knowles to approve NW Utility Services, LLC and agree to add them to the small and large works rosters. Motion carried.

REPORTS Cont.:

Jeff also reported that his staff is preparing for a vehicle public surplus auction. Information will be provided through email to internal employees. It will also be published in the newspapers and our website. He is still trying to maximize the return on investment of used items.

AGENDA ITEMS Cont.:

- C. **CALL FOR BID: Echo Glen to Bristol Rd Rebuild** - **MOTION** was made by

Commissioner Gunkel to approve the call for bid for the Echo Glen to Bristol Road rebuild project. Motion carried.

- D. LARGE LOAD DISCUSSION - Ron Schultz, Mike DeMott, Brandon Johnson, and Mark Garner discussed the increase in large load requests that are being received. In 2017 when we began to experience an influx of inquiries, staff discussed the challenges with the board and at that time, a moratorium was established. We are currently operating under this moratorium. With the renewed interest beginning to surface again, staff discussed options for these inquires. After listening to staff's concerns about capacity, Commissioner Gunkel stated that there should be a mechanism to ensure that new customers would be paying to replace any capacity they take up. He directed staff to build capacity replacement requirements into a policy and to evaluate options that economic development be allowed as a negotiating factor. Staff will evaluate options and bring back a policy to review with the board.
- E. CORONAVIRUS EMERGENCY SUPPLEMENTAL FUNDING ASSISTANCE PROGRAM PROPOSALS - Brandy Myers discussed the CESF Local Government funding proposal. Staff plans on providing funding for three KPUD customer assistance programs which were not previously budgeted for in 2021; COVID Small Business Discounts, Residential Customer Assistance Programs and Warm Weather Low Income Elderly Discounts. We anticipate the proposed programs and CESF funding would potentially impact approximately 800 customers. We project the unbudgeted programs will run from June and through December, subject to contract funding requirements. The COVID Small Business Discounts program as proposed removes the business maximum originally instated with original program in 2020. The Residential Customer Assistance Program (RCAP) was proposed to reach many of our customers who struggle to navigate the WAGAP programs successfully. There are a significant number of COVID impacted customers falling through cracks. The RCAP would be a one-time electric services grant not to exceed \$300.00 or a multiple services (electric with water and/or wastewater) grant that is not to exceed \$500. In all cases, these funds would be directly applied to the customer's account. The commissioners requested that we have controls in place so that the grant assistance will not produce a credit as these grant funds are non-refundable. The third program would establish a Warm Weather Low Income Elderly Discount, which has been previously requested by Senior Services and customers. The existing Low Income Elderly Discount program is funded through our budget process and is limited to cold weather months, which are often the highest usage or until program maximum is reached. The CESF grant provides the opportunity to offer our most vulnerable population, low income senior customers, discounts from June through November utilizing the existing income and residential requirements. Staff will ensure communication clarifies the temporary nature of this one-time CESF program funded action, which is supported by KPUD, but not funded by KPUD. The Warm Weather Low Income Elderly Discount is for 2021 and not funded in perpetuity. The board indicated support for the programs and directed staff to continue with the implementation of programs upon receipt of a contract.
- F. WATER/WASTEWATER RATE DISCUSSION - Jim Smith and Sharon Blodgett discussed the budget forecast for the water and wastewater systems to evaluate the need for rate adjustments. After discussion, it was requested that staff continue to follow the normal rate review process for all of the systems. At our next meeting Jim and Sharon will present formal rate recommendations and request that the board set a public rate hearing date.

REPORTS Cont.:

COMMISSIONER DOUGLAS MILLER - Commissioner Miller discussed his thoughts around SB-5008 and inquired if our senior discount program meets the intent of this bill. We have programs in place that meet the intent of this bill. He also discussed the Clean

Energy Transformation Act stating that there may be potential to repurpose existing assets to meet this need.

COMMISSIONER RANDY KNOWLES - Commissioner Knowles stated that he and Gwyn Miller will attend the Public Utilities Risk Management Services meeting June 2-3. He will provide an update on June 8.

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

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

- COVID-19 update:
 - Metrics - During the meeting the State's metrics determining where counties reside within the reopening guidelines were updated. As of now, Klickitat County is not meeting the main two metrics. Updated guidelines will be provided when available.
- Long Term Care deduction: We received an update on changes from the Governor's office regarding payroll taxes. The state has implemented a required long-term care tax. Individuals have from now until November to demonstrate they have already invested in a long-term care product. If unable to demonstrate the investment, then their employer will be required to collect it. Employers will begin collecting this tax in January 2022. The only two exemptions are self-employed and sovereign nations. The statistics are that nine out of ten individuals will utilize long-term care services within their lifetime. Their proposed benefit is \$100 per day.
- County child care needs: Representative Corry and Representative Mosbrucker are working to acquire much needed funding for Klickitat County child care programs. The county has completed a needs assessment; our county is considered economically depressed and there are zero licensed daycares operating within Klickitat County. We also do not offer afterschool programs. Gwyn will bring back updates as they become available.

GENERAL MANAGER - The complete report can be found at:
http://www.klickitatpud.com/topicalMenu/commissioners/GM_Reports.aspx

- Vegetation Management product - Mark Pritchard and Mark Garner provided the first draft of the vegetation management map for tracking vegetation management progress.
- Pumped Storage Water Service agreements - Brian Skeahan, Kevin and our legal team are drafting our asset agreement and supply agreement.
- Outage Management System - We are going through the training process with newer staff and aligning understanding of outage restoration procedures.
- BPA switching - Crews and associated engineering staff participated in meetings with BPA operators at BPA's Bald Mountain substation and BPA's Goldendale substation to review switching procedures in these substations under BPA dispatcher direction.

Adjourned - There being no further business, the meeting adjourned at 5:32p.m.

/S/
Douglas B. Miller, President

