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Public Utility District No. 1 of Klickitat County

80 Years of Service * 1938-2018

GENERAL MANAGER'S REPORT TO THE BOARD For the May 25, 2021 Meeting

AGENDA ITEMS:

- A. **Prequalification of Professional Services** - Ron Schultz will be asking to add the firms recommended.
- B. **Resolution 1803-Appointment of Auditor and Deputy Auditor** - this resolution is to assign these two responsibilities with the departure of Nicole Lantau.
- C. **Setting of Water/Wastewater Rate Hearing** - I am attaching the recommended rate increases in an attachment to the agenda item cover sheet. They are unchanged from those we discussed last meeting. I do want to discuss the relative pricing of the rate tiers for Glenwood. Given the increased usage we are seeing, I think it is prudent to consider increasing the third tier more relative to the other tiers. I will do some more homework as I am not prepared to make a recommendation at this time. I think that the 5% increase in rate revenue is necessary, but we need to decide if, by increasing the higher tiers, we not increase the others as much, or if we think about additional revenues to the water system.

NON-AGENDA ITEMS:

- 1. **Office Reopening and Public Meeting Discussion** - I would like to discuss thoughts on reopening the office and public meeting rooms on a staged basis. We discussed this possibility at our last staff meeting and I am looking for your input. I believe that we need to treat the White Salmon office and Goldendale offices differently. I think WS remains closed to public for the time being, but that we should discuss the reopening of the front office area of the Goldendale office to customers on a limited basis. This could include customers coming in to work with customer service and engineering for new services. The restrooms would remain closed and staff would need to come up front from the back in order to work with customers.

I would also like to discuss your thoughts on our public commission meetings. We could remain the same, we could open to a limited number of customers in person and we could use phone lines or WebEx.

2. **Glenwood Water System** - at the recommendation from Tom McDonald, I reached out to Phil Rigdon in the ecology section of the Yakama Tribe to discuss the Glenwood water system needs. We talked on the phone and I followed up with an email with contact information and a summary. I have not heard back yet on a technical meeting.

We also held a public meeting at the Glenwood Grange. We are not participating in public community meetings again this spring due to COVID concerns, but we decided that there was enough going on with the Glenwood water system that it was worth setting up and holding this meeting. It was well attended and the overall feel was very positive. A 10 minute discussion was followed by an hour and a quarter of question and answers. There is community support from those attending for the direction we are taking with respect to water rights and water system connections.

3. **Hydrogen Legislative Summary by Dave Warren** - attached is a summary on the various hydrogen related bills passed in this legislative session. Note the \$3 million in funding Representative Mosbrucker obtained for KV Health. There is about \$1 million included in the funding for a fuel cell / microgrid demonstration project that KPUD will participate in. There will be no customer funding used in the project.

MEMO

Date: May 19, 2021
From: Dave Warren
RE: Summary - 2021 Washington Legislative Action on Hydrogen

The 2021 Washington Legislature addressed renewable and green electrolytic hydrogen through a variety of policy and budgetary actions that demonstrate strong bi-partisan support for developing a clean hydrogen industry in Washington and the region.

SB 5000 (Hawkins) (No rulemaking participation necessary)

Beginning July 1, 2022, SB 5000 removes the MSRP eligibility cap on the sale or lease of a new electric passenger, medium duty passenger, and light duty truck fuel cell electric vehicles (FCEVs) for a 50% sales and use tax credit based on the purchase price or fair market value at the time of the lease. For used passenger, light duty trucks and medium duty passenger FCEVs, 100% of the sales and use tax is exempted up to a market value of \$16,000. Credits are no longer available after 650 vehicles have taken advantage of the credit.

HB 1287 (Ramel)

Hydrogen stakeholder participation strongly suggested

HB 1287 requires the Washington Department of Transportation's (WSDOT) Public Private Partnership Program, in consultation with Ecology, Commerce, and the Office of Equity to develop and maintain a “publicly available mapping and forecasting tool that provides locations and essential information of charging and refueling infrastructure to support forecasted levels of electric vehicle adoption” designed to “enable coordinated, effective, efficient and timely deployment of charging and refueling infrastructure” to support electrification efforts.

- Prioritize on-road transportation
- Model charging and refueling infrastructure
- Incorporate traffic data
- Provide data to support state agency programs that support electrification
- Provide data that supports electric utility planning
- Forecast ZEV use to achieve emissions reductions consistent with RCW 70A.45.020
- May include maritime, public transportation and aviation
- The amount type and location and year of installation for electric vehicle supply equipment (includes both battery charging and hydrogen fueling equipment) to support forecasted EV penetration and usage in the state

- Include granular data such as utility, transit, municipalities, counties, and federally recognized tribal governments boundaries
- Existing charging and fueling infrastructure
- A public interface with downloadable data
- Identify and support highly impacted communities
- Include population, health, environmental and socioeconomic data on a census tract basis
- Include infrastructure at or near state and provincial borders
- **Conduct a stakeholder process**

HB 1091 (Fitzgibbon) – Clean Fuel Standard

Complex rulemaking - Hydrogen stakeholder participation critical

Hydrogen will be included, as will numerous other fuels, as a clean fuel under the CFS. Electrolytic Hydrogen's Carbon Intensity (CI) will be calculated according to the specific fuel mix provided by each utility, so H₂'s CI will vary by the actual electricity used to charge it.

Additional provisions specific and that add value to hydrogen include a provision that allows Ecology to assign credits for:

- “investments and activities that support deployment of machinery and equipment used to produce gaseous and liquid fuels from nonfossil feedstocks, and derivatives thereof”
- The fueling of battery or fuel cell electric vehicles by a commercial, nonprofit, or public entity that is not an electric utility
- Capacity credits for hydrogen fueling stations “The rules adopted … must allow the generation of credits based on capacity for zero emission vehicle refueling infrastructure, including DC fast charging infrastructure and hydrogen refueling infrastructure.”
- Allows Utility expenditures from revenues earned from the retail sales for EV charging for:
 - The production and provision of hydrogen and other gaseous fuels and derivatives thereof for transportation fuels
 - Provision of new or used zero emission vehicles at no cost or a discount to nonprofit service providers, transit agencies or public fleets
 - Construction, operation or maintenance of hydrogen fueling infrastructure

SB 5126 – Climate Commitment Act

Complex rulemaking - Hydrogen stakeholder participation strongly recommended

This is a cap and trade legislation modeled similar to California's program, with distinct differences. Electrolytic and other low carbon hydrogen could, in addition to the transportation sector, realistically play a part in GHG emissions reductions for the refinery, natural gas and other covered entities.

Legislative Appropriations (Opportunities for H2 related businesses to provide equipment for funded projects and/or compete for funds for project development)

- **\$2.55M** to Twin Transit (Lewis County, WA – midway between Portland and Seattle) for a hydrogen fueling station using renewable hydrogen or hydrogen produced with electrolysis in Washington.
- **\$1.5M** directed towards Douglas PUD for a co-located hydrogen fueling station and DC Fast Charger in the Wenatchee, WA area using renewable hydrogen or hydrogen produced with electrolysis in Washington.
- **\$3.04M** to the Klickitat Valley Health Hospital for an Electrical Upgrade and Smart Grid Project (includes up to 100 kWs of fuel cell generation)

Approximately \$5M direct appropriations for hydrogen related infrastructure

- **\$3M** for (among other eligible competitive projects) . . . “develop EV charging and refueling infrastructure along highways, freeways, and heavily trafficked corridors across the state to support long-distance travel” . . . “that dispenses renewable hydrogen or hydrogen produced electrolytically in Washington”
- **\$2M** for federally recognized tribes - for above goals and addressing EV supply equipment gaps in rural communities (includes H2 fueling stations)
- **\$8.9M** is provided for the Public-Private Partnership Program to fund clean alt fuel charging and refueling infrastructure
- **\$2.4 M** to provide clean alternative fuel vehicle use opportunities to underserved communities and low to moderate income members of the workforce not readily served by transit or located in corridors that exceed emission standards

Approximately \$16.3M for competitive grant programs that include hydrogen related infrastructure and vehicle end use market development opportunities

- A portion of a **\$17M** appropriation for fuel for Puget Sound ferry operations. The department shall review future use of alternative fuels and duel fuel configurations, including hydrogen