

Minutes of
PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY
December 7, 2021
VIRTUAL VIA MICROSOFT TEAMS

Present: Curtis J. Knapp, President
Richard A. Larson, Vice President
Joseph B. Onley, Secretary

Staff Present: F. Colin Willenbrock, General Manager
Management/District Staff
Tyler Whitney, General Counsel & Assistant General Manager
Karen Willner, Clerk of the Board

Others: Gretchen Koenig, Member of the Public

The meeting was called to order at 7:33 a.m. by Curtis J. Knapp, President.

Commissioner Knapp announced a 1-hour executive session on pending and/or potential litigation with Tyler Whitney, General Counsel present. If the executive session needs to be extended it will occur at the end of this meeting. Following the executive session he and the Board will rejoin this open session.

EXECUTIVE SESSION – PENDING AND/OR POTENTIAL LITIGATION:

A 1-hour executive session on pending and/or potential litigation commenced at 7:35 a.m. The following were in attendance: Board of Commissioners; Colin Willenbrock, General Manager; and Tyler Whitney, General Counsel & Assistant General Manager. The executive session adjourned at 8:28 a.m. The Board returned to open session. No final action was taken.

A roll call was taken.

CONSENT AGENDA:

The minutes from the November 30, 2021 townhall meeting, today's agenda, and the vouchers were reviewed.

As of this date, December 7, 2021, the Board, upon motion by Commissioner Larson and seconded by Commissioner Onley approved the following:

- The agenda for December 7, 2021, and the minutes of the November 30, 2021 townhall meeting.
- Vouchers audited certified by the auditing officer as required by RCW 42.24.080, and those expense reimbursement claims certified by RCW 42.24.090, have been recorded on a listing, which has been made available to the Board. Payment of those vouchers, included in the list referred to above and further described as follows: Voucher Nos. 6351 through 6394 in the total amount of \$44,757.15; ACH payments in the total amount of \$517,429.83; and Wire Transfers in the total amount of \$61,366.94.

The motion passed unanimously.

BOARD WORKSHOP:

Commissioner Knapp asked if the commissioners had any topics for discussion. Commissioner Onley looks forward to an automated metering technology presentation next year.

Colin Willenbrock, District General Manager reported the Clean Energy Implementation Plan (CEIP) presentation is coming up and there are a number of action items today. He asked if the Board had any more discussion on the budget.

Commissioner Larson mentioned the engineering and metering project budgets.

Commissioner Onley suggested cutting the engineering budget by 30%. He opined that the transmission line to Diamond Lake is not that old of a line. David Hodder, District Engineering Manager reported for the 115kV line at Diamond Lake, we are replacing poles with woodpecker damage and he needs to bring the poles up to current standards. This would allow us to have four connections to BPA or Avista and if we lost transmission we could tie into each system for reliability.

Commissioner Knapp is comfortable with the budget as presented. Commissioner Larson is fine with the budget as presented with the understanding that the substation and metering projects are still in the preliminary investigation stage.

Sarah Holderman, District Director, Treasury, Broadband & Strategic Planning reviewed the proposed engineering budget. Commissioner Larson would like to see another metering presentation in January or sooner. Commissioner Knapp commended staff for their foresight in trying to improve the safety and reliability of our system. Mr. Willenbrock summarized the balanced budget and suggested if the Board approves the budget today, a motion could be made to approve the budget with a \$500,000 reduction to the metering project.

Mr. Willenbrock clarified that staff has not recommended any electric rate adjustment. The rate presentation included 1%, 1.5% and 2% inflationary rate adjustment options for the Board to consider. He explained that historically to keep pace with inflation we do small incremental adjustments to keep the rates low for our customers and to maintain reserves for the District. Commissioner Knapp commented that he does not see us moving forward without any rate adjustment given the COVID-19 and supply chain situations. He is leaning towards a 1.5% rate adjustment. Commissioner Onley would like a zero rate adjustment but is proposing a 1% rate adjustment. Commissioner Larson is still considering. Mr. Willenbrock appreciated the Board's support and commended staff for working hard to try to balance the Board's concerns and putting a balanced budget before the Board for its consideration.

Commissioner Knapp asked Ms. Holderman to provide the monthly cost scenario of customers bill increases with a 1% and 1.5% rate adjustment. Ms. Holderman provided the information.

REVIEW DRAFT CLEAN ENERGY IMPLEMENTATION PLAN:

Mr. Whitney appreciated the Board's thoughts and discussion that was held at the November 30 townhall meeting. He reported the Clean Energy Implementation Plan (CEIP) reporting is due every four years and will be filed on January 2022. He reported it mirrors the Clean Energy Transformation Act's (CETA) statutes and implementation of energy efficiency, renewable energy and demand response. He shared his screen and reported this plan needs to be approved by the utility's governing body. He reviewed the plan, our reporting requirements, and our specific energy conservation savings target. He reviewed the CETA requirements and community and vulnerable population definitions. He reviewed the forecast of impacts for the distribution of energy and non-energy costs and benefits and the District's energy assistance programs. He reviewed the resource plan compliance, clean energy action plan compliance, and the long-term plans. He reviewed the risks, public participation, alternative compliance options, resource adequacy standard, and incremental costs. He asked if there were any questions. Commissioner Onley inquired if this spreadsheet is provided to the state. Mr. Whitney reported it is. Commissioner Knapp thanked Mr. Whitney for his work on this and for keeping the public informed.

BUSINESS FROM THE PUBLIC:

Gretchen Koenig, member of the public, commented that south county growth could be limited in the future by the availability of water and exempt wells. Commissioner Knapp thanked her for comment.

Following a 5-minute recess, the meeting resumed.

SAFETY SPOTLIGHT:

Adam Wiltse, District Safety Manager shared his screen and provided an update on the COVID-19 case and death numbers in Washington State. He reported the numbers are trending down. He reported the Omicron variant data shows it is a less deadly disease but is more contagious. There are three Washington counties with Omicron confirmed cases. Commissioner Knapp inquired if insurance companies need to pay for the testing. Mr. Wiltse reported the insurance company needs to cover the cost of individual testing at home. The effective date is at the end of this year or at the beginning of next year. Commissioner Knapp inquired if this will affect what we pay for our medical insurance. Mr. Wiltse was not sure. Commissioner Larson inquired if we have received any update from Governor Jay Inslee or the state L&I. Mr. Wiltse has not received any update.

CUSTOMER SPOTLIGHT:

Ms. Holderman reported the PUD Calendars for 2022 have arrived and are ready for customers to pick up or the Board to distribute.

She reported we have awarded a total of \$40,000 in American Rescue Plan Act grant funds to our customers. We have \$60,000 in grant funds remaining to award. She reported our customer disconnect list had over 400 accounts but was narrowed to 70 customers for this month's efforts. Disconnect letters were mailed to customers on Thursday and the meter readers hung door hangers. Following the letters and door hangers we now have 30 customers who are up for disconnect tomorrow. She commended the customer service representatives for working with our customers on payment arrangements and letting them know what assistance programs are available. Discussion was held.

Discussion was held regarding energy rebates for Smart Thermostats.

COMMISSION REPORT:

Commissioner Knapp attended the virtual Washington Public Utility Districts Association (WPUDA) meetings on November 17 - 19 and provided an overview. He attended the virtual Annual Legislative meeting on December 1, virtual WPUDA Annual Conference on December 2 - 3, and met with the Skookum Rendezvous RV Park homeowners on December 4 and discussed power rates, the former Ponderay Newsprint Company site, boat launch, broadband and how to get a hotspot there. Commissioner Larson inquired if there was any discussion on our seasonal disconnect policy at Skookum. Commissioner Knapp reported the focus was broadband.

Commissioner Larson had a conversation with Pend Oreille County Commissioner John Gentle regarding an RTI letter of support for a broadband grant, the Broadband Action Team (BAT) meeting on November 18 and county projects. He provided an overview. He attended a virtual North Pend Oreille County Chamber of Commerce meeting last night and reported the dissolution conversation has ceased. He attended the virtual WPUDA meetings on November 18 and a virtual Annual Legislative meeting on December 1. Discussion was held regarding the Public Works Board broadband grant.

Commissioner Onley attended a virtual WPUDA Commissioner Education meeting on November 17 and reported there are a handful of PUDs not doing a rate increase and the broadband grant was discussed. He gave a report about our fish ladder ribbon cutting. He attended the virtual WPUDA meetings on November 18 and reported discussion was held on resource adequacy and the meeting schedule for 2022. He vice-chaired the Telecom Committee meeting and provided an overview. He attended the virtual WPUDA Energy Committee, Water Committee, and Government Relations and Communications meetings on November 18. He attended a virtual Annual Legislative meeting on December 1 and provided an overview. He attended a virtual WPUDA Annual Conference on December 2 - 3 and provided an overview.

Discussion was held regarding our cyber security insurance policy through the Public Utility Risk Management Services.

COMMISSION BUSINESS:

Commissioner Knapp inquired if there were any changes to the Board's pre-travel plans for December. Commissioner Onley noted the virtual WPUDA Water Committee meeting on December 9 that he added. Commissioner Knapp reported he is good to attend. He added a virtual meeting with Olga Darlington, Moss Adams on December 10 and a PUD Family Holiday Party on December 18.

- Pre-Approval of Commissioner Travel or Meeting Attendance for January. Commissioner Knapp will attend the virtual PUD Board meetings on January 4 and 18, the WPUDA meetings on January 12 – 14 in Olympia, and the Energy Northwest meetings on January 25 – 27 in Olympia. Commissioner Larson will attend the virtual PUD Board meetings on January 4 and 18, a virtual Northwest Open Access Network meeting on January 12, a virtual BAT meeting on January 13, the virtual WPUDA meetings on January 12 – 14, a virtual Tri-County Economic Development District meeting on January 26, and a virtual North Pend Oreille County Chamber of Commerce meeting – date to be determined. Discussion was held regarding future BAT meeting attendance. Commissioner Onley will attend the virtual PUD Board meetings on January 4 and 18, a virtual Greater Newport Area Chamber of Commerce meeting on January 4, and virtual WPUDA meetings on January 12 – 13, as well as the February WPUDA meetings. Commissioner Knapp reported he will not be attending the American Public Power Association Legislative Rally on February 28 – March 2 in Washington, D.C.

A motion was made by Commissioner Onley and seconded by Commissioner Larson to approve the commissioner travel or meeting attendance for January. The motion passed unanimously.

ACTION ITEMS:

- Third Amendment to Location and Right of Way Easement Agreement Between PUD and TerraPact, as Assignee of Port of Pend Oreille. Mr. Whitney reported the Port of Pend Oreille owns the railroad for our transmission line right of way. We negotiated an extension through 2020 and the Port entered into a transaction with TerraPact who received the rights of the Port in issuing licenses. We began negotiations with TerraPact on behalf of the Port regarding an extension of our license. We did a 6-month extension. We then negotiated this third amendment to PUD's agreement to give perpetual rights to occupy the rail corridor with a one-time payment. We would operate under the terms of the 2017 agreement, except as modified by the Third Amendment. Discussion was held on the one-time payment and how it is funded. A motion was made by Commissioner Onley and seconded by Commissioner Larson to authorize the General Manager to execute the Third Amendment to the Location and Right of Way Easement Agreement between the PUD and TerraPact, as Assignee of the Port of Pend Oreille. The motion passed unanimously. Commissioner Knapp thanked staff for the work they have done on this agreement. Commissioner Onley thanked staff for protecting the interests of the PUD's ratepayers.
- Calispell Lake Grazing Leases. Mr. Whitney reported we have two land parcels at Calispell Lake that we lease for grazing. They are both 2-year agreements that will expire on December 31. Staff recommends extending these leases on substantially the same agreement terms. He inquired about the cost of cattle head count and fair market value rate. Discussion was held. A 2-year extension would be \$6 per head of cattle per month for 2022 and 2023. Commissioner Larson is good with \$6 and a 2-year extension for both leases. Commissioners Knapp and Onley were in agreement. Based on staff

recommendation, a motion was made by Commissioner Onley and seconded by Commissioner Larson to approve the Calispell Lake Grazing Leases as 2-year extensions. The motion passed unanimously. Mr. Whitney will contact the landowners.

- Franchise Agreement with City of Newport. Mr. Whitney reported we received news last night after the City of Newport Town Council passed the ordinance for the franchise. He provided the details. A motion was made by Commissioner Larson and seconded by Commissioner Onley to approve the Franchise Agreement with the City of Newport. The motion passed unanimously.
- COVID-19 Safety Policy. Mr Willenbrock reported the first draft of the policy was presented to the Board at the November 30 townhall meeting and we have a few redlines following Commissioner Larson's changes. Discussion was held. Mr. Whitney read the policy amendments. Mr. Wiltse provided the policy details for vaccinated and unvaccinated employees. Discussion was held. Mr. Whitney shared his screen to show the redlined policy. Commissioner Larson again questioned the need to have a policy if Washington State hasn't provided its mandate. Mr. Whitney provided an explanation of the requirements. A motion was made by Commissioner Onley and seconded by Commissioner Knapp to approve the COVID-19 Safety Policy. The motion passed unanimously.
- Resolution No. 1452 – 2022 Budget and Resolution No. 1453 – Electric Rates for 2022. Ms. Holderman explained the budget, electric rates and cost of living adjustment (COLA). Discussion was held regarding the electric rates and COLA. A motion was made by Commissioner Onley to increase revenue by 1%. Commissioner Knapp asked if there was a second to Commissioner Onley's motion. There was no second to Commissioner Onley's motion and the motion died. Commissioner Larson proposed and made a motion for a 1.25% revenue adjustment. Commissioner Knapp asked if there was a second to Commissioner Larson's motion. Commissioner Onley seconded Commissioner Larson's motion for a 1.25% revenue adjustment. Mr. Whitney recommended Resolution No. 1453 and the Electric Service, Rates, and Credit policy be adopted at the December 21 meeting. Ms. Holderman will update our policy and provide it with the resolution to the Board for their approval at the December 21 meeting.

She clarified the discussed proposed budget, electric system rates and COLA amendments being made to the budget; the COLA adjustment would be effective April 1, 2022. Discussion was held. Commissioner Onley made a motion to amend the 2022 Budget with a 1.25% electric system revenue increase, a 2% COLA increase, a \$500,000 reduction in metering, and a 10% reduction in the engineering capital projects. Commissioner Knapp asked if there was a second to Commissioner Onley's motion. There was no second and the motion died. Commissioner Larson made a motion to pass Resolution No. 1452 and amend the 2022 Budget with an increase to revenue by 1.25%, an increase to COLA by 2%, and a reduction of \$500,000 to the metering project. Commissioner Knapp seconded Commissioner Larson's motion. Discussion was held. The motion passed unanimously.

Discussion was held above regarding Resolution No. 1453 – Electric Rates for 2022. Mr. Whitney recommended that, although the Board's prior motion did approve a 1.25% increase to revenue, the Board take final action on this resolution and related policy at the December 21 meeting, so that the referenced policy could be properly modified and appended to the resolution. The Board deferred final action on Resolution No. 1453 until the December 21 meeting.

- Resolution No. 1454 – Water Rates for 2022. A motion was made by Commissioner Onley to approve the adjusted water system rates as presented.

Commissioner Knapp seconded Commissioner Onley's motion. The motion passed unanimously.

- Review Draft Resolution No. 1455 – Redistricting Plan. Mr. Whitney reported the purpose is to meet RCW 29A.76.010 requirements. He reviewed the RCW and reported the resolution adoption will take place at the December 21 meeting. He shared his screen and read the draft resolution and showed the proposed commissioner districts map. Discussion was held. Mr. Whitney's recommendation is to take additional comment from the public today and for the next two weeks with resolution action on December 21. The county is looking at adopting its resolution at its December 21 meeting. He explained there could be a timing issue of when we adopt our resolution and when the county adopts its resolution. Discussion was held. Commissioner Knapp commended the county for its work on redistricting. Mr. Whitney thanked the county for inviting us to a meeting to discuss and thanked the Port for also attending. Commissioner Knapp inquired if there was any additional comment. Ms. Koenig inquired how often the districts are redrawn. Mr. Whitney reported they are required to be done at the end of each census and no more than four years outside of the census. She was concerned that one commissioner will have a large district with a lot of people. She suggested that we wait to see what the county will do. Commissioner Knapp thanked her for her comment.
- Discuss 2022 Board Meeting Calendar. Discussion was held. The Board will take action at the December 21 meeting.

Commissioner Knapp thanked everyone for attending and reported the next meeting is December 21, via Microsoft Teams.

There being no further discussion to come before the Board, the meeting adjourned at 11:54 a.m.

President

ATTEST:

Secretary

General Counsel
Approved as to Form