

Minutes of
PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY
November 21, 2023
NEWPORT CONFERENCE ROOM, NEWPORT, WA AND
VIRTUAL VIA MICROSOFT TEAMS

Present: Curtis J. Knapp, President
Joseph B. Onley, Vice President
David W. Rick, Secretary

Staff Present: Sarah Holderman, Co-Interim General Manager
April Owen, Co-Interim General Manager
Management/District Staff
Karen Willner, Clerk of the Board

Others: Tyler Whitney, Cable Huston, LLP, virtual
Eight Members of the Public

The meeting was called to order at 8:30 a.m. by Curtis J. Knapp, President.

Commissioner Knapp announced that the Board of Commissioners will go into a 30-minute executive session on evaluation of qualifications of applicants for public employment at 8:32 a.m. in the Riverbend Conference Room. No final action will be taken during the executive session. Following this executive session, he and the Board will rejoin the open session to continue the meeting.

EXECUTIVE SESSION – EVALUATION OF QUALIFICATIONS OF APPLICANTS FOR PUBLIC EMPLOYMENT:

A 30-minute executive session on the evaluation of qualifications of applicants for public employment commenced at 8:32 a.m. The following were in attendance: Board of Commissioners; Suzie Wrbelis, Director of Human Resources; and Tyler Whitney, Cable Huston, LLP, virtual. The executive session adjourned at 8:56 a.m. No final action was taken during the executive session.

APPROVAL OF CONSENT AGENDA:

The minutes from the November 7, 2023 meeting, today's revised agenda, and the vouchers were reviewed.

As of this date, November 21, 2023, the Board, upon motion by Commissioner Onley and seconded by Commissioner Rick approved the following:

- The revised agenda for November 21, 2023, and the minutes of the November 7, 2023 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. 8774 through 8816 in the total amount of \$208,259.52; ACH payments in the total amount of \$3,511,416.06; Wire Transfers in the total amount of \$248,858.21; and ACH payroll transactions in the total amount of \$248,114.49 for the payroll ending October 31, 2023.

The motion passed unanimously.

PUBLIC HEARING – PROPOSED YEAR 2024 BUDGET, ELECTRIC SYSTEM RATE ADJUSTMENTS, AND WATER SYSTEM RATE ADJUSTMENTS:

Pursuant to notice given to the Newport Miner, a public hearing to discuss the proposed Year 2024 Budget, Electric System Rate Adjustments, and Water System Rate

Adjustments commenced at 9:00 a.m. There were eight members of the public in attendance. Commissioner Knapp thanked staff for providing the Board with the information.

Sarah Holderman, District Co-Interim General Manager, provided a Power Point presentation on the proposed 2024 Budget. Discussion was held. She reported staff will ask the Board for approval at a December meeting.

Commissioner Knapp asked for any public comments.

Ernie Hood, member of the public, asked the Board to consider how any rate increase will impact people who receive social security or who are on a fixed income and people who are looking to start a business and are concerned with the store front costs. Commissioner Knapp thanked Mr. Hood for attending and for his comments.

Ms. Holderman provided a Power Point presentation on the proposed 2024 Electric System Rate Adjustments. Discussion was held. She reported staff is recommending a 2% revenue adjustment, provided an electric rates summary, and reported if approved the new rates would be effective on January 1, 2024. Commissioner Knapp thanked Ms. Holderman for her presentation and the information.

BUSINESS FROM THE PUBLIC/OPEN COMMENT PERIOD:

Commissioner Knapp asked if there was any business or comments from the public.

Denise Pauling, member of the public, inquired when the meter project cost will be charged to the customers and about the difference between single and three phase meters. Ms. Holderman reported the meter cost is included in the 2024 budget. She reported the different meter phases refer to the line size, a single phase meter is used for a smaller service than a three phase.

Commissioner Knapp thanked the public for attending and providing comments.

PUBLIC HEARING – PROPOSED YEAR 2024 BUDGET, ELECTRIC SYSTEM RATE ADJUSTMENTS, AND WATER SYSTEM RATE ADJUSTMENTS (continued):

Ms. Holderman provided a Power Point presentation on the Water System Rate Adjustments for Greenridge, Holiday Shores, Lazy Acres, Metaline Falls, Riverview, and Sunvale Acres. She reported that revenues need to cover costs and the proposed monthly rate adjustments are to make sure there is enough revenue to cover costs. She is proposing small incremental monthly rate adjustments for the Greenridge, Holiday Shores, Lazy Acres, and Metaline Falls Water Systems. She is proposing higher rate adjustments for the Riverview and Sunvale Acres Water Systems to cover their debt payment costs. Discussion was held.

Commissioner Knapp asked if there were any public comments. There were no comments. He thanked the public for attending.

Ms. Pauling inquired about how water system costs vary between systems. Ms. Holderman reported that each system is different, including the number of customers, which impacts their costs. Ms. Pauling commented that they are required to be good stewards for their system and the PUD should also be good stewards to all the water systems.

Mike Coker, member of the public, expressed his frustration with the lack of communication the PUD provides to the water system members and would like the PUD to absorb their loan cost. Discussion was held.

Commissioner Knapp thanked the public for their comments and for attending.

Commissioner Onley supports the water system rate adjustments but he disagrees with the 2% increase to electric system revenue and supports having no electric rate increase.

Commissioner Rick appreciates all the staff's work and the information provided but commented that the supply chain costs are unknown. He wonders if we went backwards last year by not changing the electric system rate and suggested making rate adjustments as they are needed. Our working cash amount is good and he has difficulty saying that we need a rate increase.

Commissioner Onley suggested having a review of the metrics of cash on hand, each water system, and market indicators.

Ms. Holderman explained that we need to look at the forecast for the next few years as we are projecting a multi-year drawdown of cash for the upcoming capital projects.

Commissioner Rick commented that we need to get federal grants to do capital projects. Ms. Owen explained that we would need to expend funds to do the grants. Because of the amount of work involved, she recommended hiring a grant writer to help with the grant. Commissioner Rick reported the Port recently hired a grant writer and we need to ask about collaborating with them.

Commissioner Knapp wants to stay out of the bond market and reported that we are continually reducing costs and increasing our cash flows. He noted that the over speed event at Box Canyon could have taken all of our cash reserves. We need to take care of our utility, our employees, our equipment, and we'd be putting our heads in the sand if we don't do any rate adjustment. He appreciates everyone's opinion.

Ms. Owen reported our annual payments on principle are \$5M and our total bond payments are \$11M each year.

Mr. Hood commented that we can learn from the corporate world and when a corporation does well and feels stable, they give shares back to their stakeholders. If the PUD wants to increase rates and has a lot of revenue maybe it can look at giving back to its customers. Commissioner Knapp noted that it's different for non-profits.

The public hearing ended at 10:50 a.m.

Following a short recess, the meeting resumed.

SAFETY SPOTLIGHT:

Adam Wiltse, District Safety Manager, reported it is the holiday season and gave statistics of drinking and driving. He reported that one-quarter of all children killed are due to a drunk driver. The number one drunk driving time is Thanksgiving night into Black Friday morning. He provided legal limit statistics and that it's important to make and have a plan to travel safe during the holidays. Discussion was held.

CUSTOMER SPOTLIGHT:

Ms. Holderman reported our 2024 PUD Calendar is in proof stage and she thanked Shannon Johnston, District Communications & Utility Services Coordinator for designing the calendar.

MANAGEMENT REPORT:

Kevin Conway, Director of Utility Services:

He and Bryant Kramer, District Director of Power Production, had an Operational Dam Safety Program audit and inspection on November 6 – 8 and reported the feedback was that compared to other utilities with generation, we do very well. We have a good program and it is properly implemented. We are waiting to receive the inspection report.

He thanked staff for working with him over the years and reported this is his last Board meeting. The Board thanked him for all the work that he's done for the District. He

reported his last day is November 30 and he is working to transition his workload to other staff.

Philip Roice, Engineering Manager:

He reported the Diamond Lake pole building concrete work in the open bays is finished and it is looking good.

Suzie Wrbelis, Director of Human Resources:

She reported the Meter Reader job position has been filled with Jared Smiley who will start on November 27. He was a previous summer student with the District. She and staff are conducting interviews for an electrical project engineer. She and staff have finished the Utility Services Designer group labor union negotiations and a tentative agreement will be given to the Board for approval.

Ben Hall, Energy Resources Manager:

He reported that at the last Board meeting the Board gave its contingent approval for selling surplus power in the event Cascade did not want to purchase it. Cascade did not purchase that power so we went out on the market and found a buyer for the surplus power.

He reported that the Board gave its approval for the Seattle City Light (SCL) Hatchery Electric Service Agreement in October. SCL didn't meet the minimum threshold to be considered an industrial customer. We have an agreement ready to go if needed and they are now considered a commercial customer. We will schedule a spring tour for the Board.

He reported that Cascade's consumption level for December is 18MW around the clock. It is \$95 per hour for light load and between \$120 - \$130 per hour for heavy load.

Bryant Kramer, Director of Power Production:

He showed and reported on the Cusick Pumping Plant's 250 hp Pumps 1 and 4. He explained the plant consists of four pumps and they roughly pump 100 cubic feet per second per pump. He reported we had mechanical issues at the end of the spring runoff season with Pump 1. It was a vibration issue due to the lower bushings being worn out and the lower shaft was worn. Pump 4's lower section bolts were loose and the lower shaft was broken near the impeller which caused damage to the shaft and bushing. Pumps 2 and 3 were able to pass the last of the spring runoff from Calispell River. Pumps 1 and 4 were reassembled in October 2023 and should be back in service in the spring. Discussion was held.

April Owen, Co-Interim General Manager:

She reported the District got a credit rating upgrade from Moody's and we went from a Baa1 to an A3 with Stable Outlook which is good for the District. Commissioner Knapp commended staff for their hard work. Ms. Owen reported that a press release will be published.

She reported that we are working with Moss Adams to prepare an appeal for the taxability of the Ponderay Newsprint Company bankruptcy proceeds. We will submit our appeal next week.

She reported Moss Adams will start an interim audit next week and a full end-of-year audit is scheduled for the third week in February. We are currently in the midst of a Clean Energy Transformation Act audit.

Commissioner Knapp noted the draft 2024 Board Meeting Calendar and the District Representation information for review. The Board will take action on these items at a December meeting. He requested a governance and public records training for the Board at the beginning of next year.

ACTION ITEMS:

- Declaration of Surplus Property – Two Pickup Truck Canopies. Ms. Holderman reported we these were the canopies on the two old pickups that were declared as surplus. These canopies will be taken to auction. A motion was made by Commissioner Onley and seconded by Commissioner Rick to approve and declare the canopies as being unserviceable, inadequate, obsolete, worn out, or unfit to be used in the District’s operations, and no longer necessary, material to, or useful in the operations of the District and, therefore, surplus to the needs of the District. The motion passed unanimously. Staff will proceed as appropriate.
- Declaration of Surplus Property – Fleet Asset #153, a 2004 Ford F-150 and #154, a 2005 Ford F-150. Ms. Holderman reported we would like to declare these trucks as surplus due to their age. The trucks will be sold through our sealed bid process. A motion was made by Commissioner Onley and seconded by Commissioner Rick to approve and declare the fleet assets as being unserviceable, inadequate, obsolete, worn out, or unfit to be used in the District’s operations, and no longer necessary, material to, or useful in the operations of the District and, therefore, surplus to the needs of the District. The motion passed unanimously. Staff will proceed as appropriate.
- Bid Award – Contract No. 23-056 Distribution Overhead Transformers. Ms. Holderman reported Nexgen Power, Inc. was the low responsive bidder. Discussion was held. A motion was made by Commissioner Onley and seconded by Commissioner Rick to award the bid to the apparent low bidder, Nexgen Power, Inc. in the total amount of \$872,370. The motion passed unanimously.
- Approval of Electric Service Agreements. Mr. Hall reported the Board was given a template electric service agreement for our standard industrial customers. He provided an overview of the customers with expiring electric service agreements and a potential new customer. Discussion was held. A motion was made by Commissioner Rick and seconded by Commissioner Onley to authorize the General Manager to execute the electric service agreements in substantially the same form as presented with the customers discussed. Commissioner Onley commended staff for their work on standardizing the agreements. The motion passed unanimously.

COMMISSION REPORT:

Commissioner Onley attended the Washington Public Utility Districts Association (WPUDA) meetings on November 15 – 17 in Olympia and provided an overview. He noted the nice retirement gathering for George Caan, WPUDA Executive Director.

Commissioner Rick attended the WPUDA meetings on November 15 – 17 in Olympia and provided an overview.

Commissioner Knapp attended the WPUDA meetings on November 15 and 16 in Olympia, and on November 17 virtually. He attended Energy Northwest meetings on November 6 – 8 in Atlanta and provided an overview.

COMMISSION BUSINESS:

- Pre-Approval of Commissioner Travel or Meeting Attendance for December.

Discussion was held. A motion was made by Commissioner Onley and seconded by Commissioner Rick to approve the commissioner travel or meeting attendance for December, as presented. The motion passed unanimously.

Commissioner Knapp apologized for the time delay in the Board’s search for the general manager and reported they will have a special meeting on November 27 for an executive

session to evaluate the qualifications of applicants for public employment beginning at 8:30 a.m.

Commissioner Knapp announced that during a working lunch, the Board of Commissioners and staff will go into a 40-minute executive session on pending and/or potential litigation to begin at 12:00 p.m. in the Riverbend Conference Room with Tyler Whitney, Cable Huston, LLP virtually attending. If the executive session needs to be extended, he will rejoin the open session to publicly announce an extension. No final action will be taken during the executive session. Following this executive session, he will rejoin the open session to adjourn the meeting.

EXECUTIVE SESSION – PENDING AND/OR POTENTIAL LITIGATION:

A 40-minute executive session on pending and/or potential litigation commenced at 12:00 p.m. The following were in attendance: Board of Commissioners; April Owen, Co-Interim General Manager; Sarah Holderman, Co-Interim General Manager; and Tyler Whitney, Cable Huston, LLP virtual. The executive session adjourned at 12:30 p.m. No final action was taken during the executive session.

Commissioner Knapp announced the Board of Commissioners will go into a 15-minute executive session to evaluate the qualifications of applicants for public employment to begin at 12:30 p.m. in the Riverbend Conference Room. If the executive session needs to be extended, he will rejoin the open session to publicly announce an extension. No final action will be taken during the executive session. Following this executive session, he will rejoin the open session to adjourn the meeting.

EXECUTIVE SESSION – EVALUATION OF QUALIFICATIONS OF APPLICANTS FOR PUBLIC EMPLOYMENT:

A 15-minute executive session on the evaluation of qualifications of applicants for public employment commenced at 12:30 p.m. The following were in attendance: Board of Commissioners; Suzie Wrbelis, Director of Human Resources; and Tyler Whitney, Cable Huston, LLP, virtual. The executive session adjourned at 12:45 p.m. No final action was taken during the executive session.

Commissioner Knapp reported the next regular meeting is on December 5, 2023, beginning at 8:30 a.m., in the Newport Conference Room, Newport and via Microsoft Teams.

There being no further discussion to come before the Board, the meeting adjourned at 12:46 p.m.

President

ATTEST:

Secretary

General Counsel
Approved as to Form