

Minutes of
PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY
February 4, 2025
NEWPORT CONFERENCE ROOM, NEWPORT, WA AND
VIRTUAL VIA MICROSOFT TEAMS

Present: David W. Rick, President
Curtis J. Knapp, Vice President, virtual
Troy J. Moody, Secretary

Staff Present: John Janney, General Manager
Management/District Staff
Karen Willner, Clerk of the Board

Others: Tyler Whitney, Cable Huston, LLP, virtual
Laura Verity, Merkel Standard
Tom Larovere, Member of the Public
Michael Flynn, Member of the Public

The meeting was called to order at 8:30 a.m. by Commissioner Dave Rick, President.

BOARD WORKSHOP:

Stacie Maier, District Director of Utility Services, introduced Mike Schleich, District Engineering Manager, provided his background and reported that he started yesterday. The Board welcomed Mr. Schleich to the District. Mr. Schleich reported he is glad and excited to be here.

Commissioner Rick thanked John Janney, District General Manager, for his service and knowledge and commented that it has been great to work with him. Commissioner Moody expressed his appreciation of Mr. Janney's wisdom and thanked him for his service. Commissioner Knapp thanked Mr. Janney for his sincerity and caring and wishes him the best. Mr. Janney thanked the Board for the opportunity and staff for being great to work with and he commented that he is the District's biggest fan.

APPROVAL OF CONSENT AGENDA:

The minutes from the January 21, 2025 meeting, the January 27, 2025 special meeting, today's revised agenda, and the vouchers were reviewed.

As of this date, February 4, 2025, the Board, upon motion by Commissioner Moody and seconded by Commissioner Knapp approved the following:

- The revised agenda for February 4, 2025 meeting, the minutes of the January 21, 2025 meeting, and the minutes of the January 27, 2025 special 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. 10166 through 10198 in the total amount of \$295,230.73; ACH payments in the total amount of \$181,069.25; Wire transfers in the total amount of \$1,041,323.59; and ACH payroll transactions in the total amount of \$281,711.05 for the payroll ending January 15, 2025.

The motion passed unanimously.

SAFETY SPOTLIGHT:

Katie Pfitzer, District HR Generalist, provided a Safety Program refresher for new staff. She reviewed the safety bulletin board location and information, internal hazard communications location, fire alarm locations and reported we are working with staff to get the fire alarm system done at Box Canyon, the AED locations and reported they are in all of our trucks, the employee muster area if there is a fire in the administration building, and the CPR/first aid training schedule.

CUSTOMER SPOTLIGHT:

Shannon Johnston, District Customer Service Supervisor, reported that this month we are offering a free PUD-logo tote bag to customers who donate to our Neighbors in Need Program in the office. She reported the program provides a \$250 grant (once every two years) to eligible customers and last year we helped 74 customers and raised just over \$21,000.

BUSINESS FROM THE PUBLIC/OPEN COMMENT PERIOD:

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

Tom Larovere, member of the public, reported he had a house fire in 2023 that was caused by a lithium ion battery in his laptop and is concerned with the District's Meter Replacement Program. He asked the Board to consider who is responsible if the meter blows up, the replacements costs, the power measure - kilowatts, and the potential danger of a battery spontaneously exploding. Commissioner Rick reported at the break he will exchange contact information and follow up.

Michael Flynn, member of the public, noted a concern that the meters might be hacked. Commissioner Rick reported at the break he will exchange contact information and follow up.

Mr. Janney asked if Commissioner Rick wants him and staff to follow up with these customers' concerns. Commissioner Rick asked Mr. Janney to follow up.

Commissioner Rick thanked everyone for attending and for expressing their concerns.

Following a short recess, the meeting resumed.

GENERAL MANAGER REPORT:

Mr. Janney asked Sarah Holderman, District Director of Customer Services, to give a Broadband Equity Access and Deployment Grant update.

Ms. Holderman reported we have submitted our five grant applications and thanked Nik Reed, District Broadband System Administrator, and the Northwest Open Access Network team for their help with this process. She reported two applications are for north county and three are for south county. We should hear results this summer.

John reported that with a recent actions by the new Trump administration there may be impacts to utility customers such as delaying grant programs, tariffs on Canada, Mexico, and China which will drive up prices, and restricting flows of federal money. He noted a Department of Government Efficiency program deferred resignation policy and reported that Bonneville Power Administration employees are eligible for the program as are other federal agencies. This could cause a ripple effect for the time it takes to get permits and approvals.

FOLLOW-UP Q&A FOR 10-YEAR FORECAST AND ELECTRIC RATE STUDY AND DISCUSSION:

April Owen, District Director of Finance, provided a follow-up presentation on how we got here and the next steps. She reviewed the process which included topics discussed at Board meetings and the various public meetings that were held. She reviewed the current baseline assumptions of our finances for the next 10 years and reported the baseline will be updated as we receive more information and we will provide quarterly reports to the Board. She reported our current baseline assumptions include load projections, expected large capital projects, new electric debt to help with substations in 2028, inflation rate of 3%, and Clean Energy Transformation Act and Climate Commitment Act impacts. Discussion was held.

She explained the various impact scenarios of our baseline with a proposed annual rate increase of 4.25%, or if there is no annual rate increase, or if there is no rate increase in 2025 but an annual rate increase of 4.25% thereafter, or with two substations needed as soon as possible, or if there is no debt issued for the substations. Discussion was held. She reported Commissioner Knapp asked to see scenarios with a 4% and a 5% annual rate increase and she provided those proposals. She summarized the highlights and reported that based on our Customer Research Study, our customers prefer smaller, regular increases as compared to larger, less frequent increases. She reported that staff is

recommending a 4.25% rate increase and a public rate hearing will be held on February 18. Discussion was held.

Mr. Janney commended Ms. Owen for her presentation and thorough information and seconded her concern on uncertainty. He noted our Box Canyon and Clark PUD power sale deal, the impacts if we have growth above our projected load, the potential changes in our Boundary contract with Seattle City Light beginning in 2030, meeting local customer load during extended major winter weather events, the costs of hedging or covering our exposure during these events, Box Canyon costs exceeding projections, Calispell Creek dike costs, 401 water quality certification compliance costs, potential infrastructure risks and costs and the importance of maintaining our current bond rating. One of the bond rating criteria is a willingness to raise rates, when needed, and potential rating agency concerns in light of management-recommended increases not being adopted in each of the previous two years. He is confident with the staff's direction and is in agreement with staff's recommendation. Discussion was held. Commissioner Rick thanked Mr. Janney for his comments and for the team's vision and direction.

OWNER'S DAM SAFETY PROGRAM ANNUAL REVIEW:

Bryant Kramer, District Director of Power Production, reported that our Owner's Dam Safety Program and annual review is a statement of our safety culture on dam safety. He provided a presentation and reported dam safety involves all of us and starts with the Board. He reviewed the roles and responsibilities of the Board, General Manager, Chief Dam Safety Engineer, Senior Roving Hydro Operator, and Box Canyon Hydro Operators. He explained the Federal Energy Regulatory Commission's mission statement and role. He reviewed our Dam Safety Program Policies, inspections, meetings and trainings, learning organization analysis and investigations, and noted a case study where the Upriver Dam in Spokane washed out in 1986. Discussion was held. Commissioner Rick thanked Mr. Kramer for his presentation and review.

ADVANCED METER OPT OUT:

Sarah Holderman, District Director of Customer Services, reported that she is presenting a proposal for our Advanced Meter Opt-Out Program which will be a part of our public rate hearing on February 18. She reviewed our meter exchange program and explained why we may want to offer an Opt-Out Program. She noted the benefits of the new meters. She explained the purpose of rates and fees and reported they must be sufficient, fair, and efficient. She provided the options of a proposed Opt-Out Program including fees and recommends a \$100 one-time fee with a monthly fee of \$45 to cover the costs of reading the meters every other month. Discussion was held. Commissioner Rick thanked Ms. Holderman for her presentation.

ACTION ITEMS:

- Approval of Unbudgeted Request – Sullivan Creek Project Incremental Hazard Analysis and Liquefaction Analysis. Mr. Kramer reported the amount is \$175,155

which includes the proposal from McMillen and he provided the details. Discussion was held. A motion was made by Commissioner Moody and seconded by Commissioner Knapp to approve the unbudgeted request in the total amount of \$175,155. The motion passed unanimously.

- Approval of 115 kV Breakers, Bare Mountain, Contract No. 24-036. Ms. Maier reported this is for three breakers, the amount is \$425,667.06, and the lead time is 100 - 110 weeks from the date that the contract is signed. This is for the Bare Mountain Substation and work at the Diamond Lake Substation. Discussion was held. A motion was made by Commissioner Moody and seconded by Commissioner Knapp to approve and authorize the general manager to execute the contract. Commissioner Knapp noted this is an example of why it's important that we have cash on hand. The motion passed unanimously.

COMMISSION REPORT:

Commissioner Moody attended a Tri-County Economic Development District (TEDD) meeting on January 22 in Colville and commended Commissioner Rick for his guidance at the meeting. He attended the Special Board meeting on January 27 in Newport. He met with Pend Oreille County Commissioner Robert Rosencrantz regarding the Pend Oreille Representatives Workshop on March 12 and public access to the river. He met with District Directors and appreciates the learning experience.

Commissioner Knapp attended Energy Northwest Executive Board meetings on January 21 - 23 and a Legislative Reception on January 22 in Olympia, and a Special Board meeting on January 27 in Newport. He is currently attending Energy Northwest Safety meetings in the Tri-Cities.

Commissioner Rick attended the TEDD meeting on January 22 in Colville and provided an overview. He attended the Special Board meeting on January 27 virtually. He participated in a Washington Public Utility Districts Association (WPUDA) Legislative Update call on January 30 and thanked and commended the District's management team for attending.

COMMISSION BUSINESS:

Commissioner Moody will attend the WPUDA meetings and the PUD Day on the Hill event on February 12 – 14 in Olympia.

Commissioner Knapp will continue to attend the Energy Northwest meetings this week in the Tri-Cities and the WPUDA meetings and PUD Day on the Hill event on February 12 - 14 in Olympia.

Commissioner Rick will attend the WPUDA meetings and PUD Day on the Hill event on February 12 – 14 in Olympia.

He announced a 30-minute executive session to review the qualifications of a candidate(s) for public employment will begin at 11:15 a.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 the executive session, he and the Board will rejoin the open session to take action or to adjourn the meeting.

EXECUTIVE SESSION – REVIEW QUALIFICATIONS OF A CANDIDATE(S) FOR PUBLIC EMPLOYMENT:

A 30-minute executive session to review the qualifications of a candidate(s) for public employment commenced at 11:15 a.m. The following were in attendance: Board of Commissioners; and Tyler Whitney, Cable Huston, LLP, virtually. At 11:45 a.m., Commissioner Rick publicly announced the executive session would be extended for 30 minutes. John Janney, General Manager, joined the executive session at 11:50 a.m. and exited the executive session at 12:10 p.m. The executive session adjourned at 12:20 p.m., and the Board returned to open session. No final action was taken during the executive session.

Commissioner Rick reported the Board would like to schedule a special meeting for an executive session to review the qualifications of candidates for public employment. Karen Willner, Clerk of the Board, will schedule.

Commissioner Rick reported the next regular meeting is scheduled for February 18, 2025, starting at 8:30 a.m., in the Newport Conference Room, in Newport and via Microsoft Teams. He adjourned the meeting at 12:22 p.m.

President

ATTEST:

Secretary

General Counsel
Approved as to Form