

Minutes of
PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY
November 19, 2024
NEWPORT CONFERENCE ROOM, NEWPORT, WA AND
VIRTUAL VIA MICROSOFT TEAMS

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

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

Others: Troy Moody, Commissioner-Elect
Gretchen Koenig, Member of the Public

The meeting was called to order at 8:30 a.m. by Joseph B. Onley, President.

BOARD WORKSHOP:

Commissioner Onley congratulated Troy Moody, Commissioner-Elect, wished him well, and welcomed him. He read a thank you letter to the Board and District staff and commended the team for all their work. Commissioner Knapp and John Janney, District General Manager, thanked Commissioner Onley for his service.

Discussion was held regarding line extensions without fiber extensions. Chris Jones, District Director of Operations, reported it depends on what the customer wants and where they are located. Commissioner Rick thanked Commissioner Knapp for speaking about electric rates at the Washington Public Utility Districts Association (WPUDA) Budget Committee meeting.

APPROVAL OF CONSENT AGENDA:

The minutes from the November 5, 2024 meeting, today's agenda, and the vouchers were reviewed.

As of this date, November 19, 2024, the Board, upon motion by Commissioner Knapp and seconded by Commissioner Rick approved the following:

- The agenda for November 19, 2024 meeting, and the minutes of the November 5, 2024 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. 9866 through 9935 in the total amount of \$160,905.81; ACH payments in the total amount of \$893,674.00; Wire transfers in the total amount of \$322,719.70; and ACH payroll transactions in the total amount of \$309,065.90 for the payroll ending October 31, 2024.

The motion passed unanimously.

GENERAL MANAGER REPORT:

Mr. Janney provided an overview of our Financial Forecast public meetings held on October 30 at the Newport High School and November 13 at the Selkirk High School and at the Metaline Town Council meeting. He reported upcoming meetings will be held this Wednesday at the Ione Town Council meeting, on November 25 at the Pend Oreille County Board of Commissioners meeting and at the Cusick High School, on December 3

at the Cusick Town Council meeting, and on December 10 at the Metaline Falls Town Council meeting. He reported that we are doing our best to get our story out to the public and he thanked Joe Hathaway, District Public Information Officer, for setting up the meetings, and staff for attending. He thanked the team for their efforts in quantifying the impact of all the projects and things that are coming. Commissioner Onley thanked Mr. Janney and the team for trying to get the word out. Mr. Janney thanked the public members for taking an interest.

He noted the upcoming Board meeting topics and dates schedule and reported we are on track.

He provided a Wildfire Mitigation update and reported there is an effort by investor-owned utilities (IOU's) to introduce legislation to provide protection for utility wildfire liabilities. He volunteered to work on a small committee with other PUD's to evaluate our options and explained that we need to understand the liability risk if we don't do anything. He'll get staff involved and provide a recommendation to the Board. Discussion was held regarding the differences between IOU's and consumer-owned utilities.

PUBLIC HEARING – 2025 BUDGET:

Pursuant of notice given to the Newport Miner, a Public Hearing to discuss the proposed 2025 Budget commenced at 9:00 a.m. There were three members of the public in attendance.

Sarah Holderman, District Director of Customer Services, reported this proposed budget lays the groundwork for our future financial and long-term strategic planning needs. She provided a proposed 2025 Budget presentation that included general service revenue for residential, commercial and industrial customers, Cascade Digital Mining, LLC revenue per the current agreement, and other electric revenue. She reviewed the power costs for the Bonneville Power Administration, Boundary purchases, Shell Energy payment, and market purchases.

She reviewed the employee headcount including proposed four full-time and three temporary additions for wildfire mitigation administrative, succession planning, and hydro maintenance positions. She explained a department positions graph and reported the headcount changes drive some of the cost changes.

She reviewed the Operation and Maintenance costs for Box Canyon, Electric System, Community Network System (CNS), and Water Systems. She explained the cost allocations which are the way we distribute our indirect costs. She reviewed customer information costs and Administrative and General costs and reported one change is to include our safety consultant.

She reviewed the Protection, Mitigation and Enhancement Measures which are costs incurred to meet the requirements for our Box Canyon Federal Energy Regulatory Commission License.

She reviewed the Capital Expenditures Budget including the major projects for the Bare Mountain Substation, wildfire mitigation, equipment and fleet purchases, spillway concrete repair, CNS upgrades, and the Meter Replacement project. Discussion was held regarding Fire Safe Mode and patrolling the lines for wildfire mitigation and protection.

She reported we are proposing an \$80.9M 2025 Budget. She provided a summary of our operating revenues and expenditures. Discussion was held.

She reported we will be seeking Board approval at the December 3 meeting.

Commissioner Onley asked if the public had any questions. There were no questions. He thanked Ms. Holderman for her presentation.

The public hearing ended at 9:36 a.m.

FINANCIAL POLICIES #2 DEEPER DIVE:

April Owen, District Director of Finance, reported we are looking for our plan to be clear in what we need but we never have certainty.

She provided a Financial Policies targets and metrics presentation and reported we will ask for Board approval at the December 17 meeting. She explained the purpose for designating some of our unrestricted funds. She described the Rate Stabilization Fund and how it is used for our debt service coverage ratio. She reviewed the Renewal and License Fund for Box Canyon contingencies and timing issues and reported that it works in conjunction with the Operations Fund. She reviewed the Capital Projects Fund for the Electric System and reported it will be used for capital expenditures, and will be funded with line extension payments, annual depreciation, and a portion of Cascade's delivery fee. Discussion was held.

She reviewed and explained the rating agency metrics and reported that rating agencies are in the business of analyzing businesses and the metrics are geared for the utility industry. She reported that we are rated with an A credit rating with Moody's and Fitch Rating Agencies and we are targeting the AA credit rating levels for financial metrics we have some control over to offset lower rating factors that are out of our control. She explained the ratings are important to trading partners and for future borrowings. Discussion was held. She reviewed a Moody's slide of its analysis of the District.

She reviewed the number of Days Cash on Hand target which is how many days we can operate without income. She reported that all of our metrics are targeted on a consolidated basis.

BUSINESS FROM THE PUBLIC/OPEN COMMENT PERIOD:

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

Troy Moody, Commissioner-Elect, appreciates all the staff's financial information.

Gretchen Koenig, member of the public, asked for clarification to Mr. Janney's report regarding possible legislation to reduce the liability that PUD's would have for wildfire. Mr. Janney reported the proposed legislation would provide some protection to PUD's from getting sued due to utility-caused wildfires. The idea would be to limit the liability if the PUD is prudent in mitigating its wildfire risks. She inquired if we use drones to inspect the lines. Mr. Jones reported that we don't currently have a drone but it is in the 2025 Budget and we foresee our linemen having the drones so that they can use them to patrol the lines.

Commissioner Onley thanked the public for their questions and comments and for attending.

Following a short recess, the meeting resumed.

FINANCIAL POLICIES #2 DEEPER DIVE (continued):

Ms. Owen continued her presentation and reported our days cash on hand target is 250 days. She reviewed our debt service coverage which is how many times principal and interest can be paid after operating expenses. She reported that our target is 2.0 times. She reviewed our debt ratio which is how much of our assets are funded by debt and reported that less is better, and our target is 35% to keep balanced debt levels. Discussion was held.

Commissioner Onley thanked Ms. Owen for her presentation and that she provided real life scenarios.

MANAGEMENT REPORT:

Joe Hathaway, Public Information Officer:

He reported it is great to have a Board that is engaged in the legislative issues. He is in contact with our state legislators and attended our Annual Legislative Luncheon/Meeting on November 12 in Colville. He is in contact with Carol West, WPUA Government Relations Manager. He reported on upcoming legislative meetings and budgets that will be released. January 13 is the start of the official legislative session and he will continue relations with our state, federal and local legislators. He thanked the Board for allowing him to attend these meetings.

Sarah Holderman, Director of Customer Services:

She provided a Meter Replacement Project update and reported the contractor started last week and have over 900 meters replaced. She reported that we have received customer inquiries for opting out and we don't currently have an opt-out option but will discuss options with the Board at a future meeting. Discussion was held on the costs of an opt-out program. Commissioner-Elect Moody reported that a person told him she has a physical ailment due to the automatic meters. Mr. Janney reported that all electronic devices have some electric and magnetic fields exposure and that the new meters shouldn't be materially different than our existing meters. He also mentioned that our meter reads are done through our lines, not RF like some other smart meters.

She reported we launched our Broadband Survey earlier this year for our Broadband Equity, Access, and Deployment (BEAD) Program Grant application and she reviewed the survey results. We received 293 responses.

Nik Reed, District Broadband System Network Administrator, provided a BEAD Program Grant project map area overview and reported there are five project areas. He reviewed the grant rounds criteria and reported that we are working through the shovel-ready designs to evaluate what it would cost and look like. Discussion was held. Mr. Janney reported we still have some unanswered questions that we need to know before we move forward with our application. The Northwest Open Access Network is Assisting the District with the application process.

Suzie Wrbelis, Director of Human Resources:

She will be out of the office starting tomorrow on leave and reported that Katie Pfitzer, District HR Generalist, is available for any questions. Commissioner Knapp wished her well.

Chris Jones, Director of Operations:

He reported we had the first snow over the weekend and had a few outages at the Cusick Substation and Deer Valley Substation due to a tree hit. We also had a tree hit on the Box Canyon to Cusick transmission line. The Cusick Substation was out for approximately five minutes and the Deer Valley Substation was out for approximately two hours. He reported we are supposed to get some snow and wind starting tonight.

ACTION ITEMS:

- Approval of Bid Award – Surplus Property, Fleet Asset #155, a 2009 Ford F-150 4x4 Truck. Discussion was held. A motion was made by Commissioner Knapp and seconded by Commissioner Rick to award the bid to the highest bidder, as presented. The motion passed unanimously.
- Approval of Electric Service Agreements. Ms. Holderman reported the next four items are agreement replacements agreements for 2025 and there are no changes. A motion was made by Commissioner Knapp and seconded by Commissioner Rick to authorize the general manager to execute the Teck, 32 Telephone Road,

Vaagen Brothers, and 100 Telephone Road Electric Service Agreements in substantially the same format as presented. The motion passed unanimously

COMMISSION REPORT:

Commissioner Rick attended the virtual WPUDA meetings on November 13 and provided an overview. He attended the District’s 10-Year Financial Forecast Public meeting on November 13 at the Selkirk High School and commended Mr. Janney for his presentation. He attended the Metaline Town Council meeting on November 13 in Metaline and thanked Mr. Janney for his presentation. He attended the virtual WPUDA meetings on November 14 and thanked Mr. Janney for being a part of the Wildfire Mitigation Committee. He thanked Commissioner Knapp for speaking about association dues at the WPUDA Budget Committee meeting.

Commissioner Knapp thanked Commissioner Rick for his thorough reports. He attended the WPUDA meetings on November 13 – 15 in Olympia and provided an overview. Discussion was held. Ms. Holderman reported that Ziplly Fiber was sold to Bell Canada but iFiber will still operate under the iFiber name. Commissioner Knapp attended the Public Power Council (PPC) Member Forum on November 6 in Portland, the PPC Annual meeting on November 7 in Portland, and the Pacific Northwest Utilities Conference Committee Annual meeting on November 8 in Portland and provided an overview. He and Commissioner Rick attended the Annual Legislative Luncheon meeting on November 12 in Colville and he provided an overview.

Commissioner Onley attended the WPUDA meetings on November 13 – 15 in Olympia 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 Knapp and seconded by Commissioner Rick to approve the Commissioner Travel or Meeting Attendance for December. Discussion was held. The motion passed unanimously.

Commissioner Rick will attend an Economic Development Advisory Committee meeting tomorrow at the Kalispel Tribe of Indians Camas Wellness Center.

Commissioner Knapp suggested a meeting/tour at Avista and Shell with the Board; Mr. Janney; Mr. Hathaway; and Stacie Maier, Director of Utility Services in Spokane. Discussion was held.

Commissioner Onley will attend the 10-Year Financial Forecast Public meeting on November 25 at the Cusick High School. He thanked Ms. Owen, Ms. Holderman, and Mr. Janney for providing the financial metrics.

He asked if there was any further business for the good of the order. There was none. He reported the next meeting is December 3, 2024, starting at 8:30 a.m., in the Newport Conference Room, in Newport and via Microsoft Teams. He adjourned the meeting at 11:24 a.m.

President

ATTEST:

Secretary

General Counsel
Approved as to Form