

Minutes of
PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY
May 2, 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: April Owen, Co-Interim General Manager
Sarah Holderman, Co-Interim General Manager
Management/District Staff
Tyler Whitney, General Counsel
Karen Willner, Clerk of the Board

Others: Lanie Mycoff, Managing Director, Mycoff Fry Partners, LLC,
virtual
Rick Scott, P.E., Senior Managing Engineer, McMillen, virtual
Elizabeth Tellessen, Winston & Cashatt Lawyers
Kirk Boxleitner, Newport Miner, virtual
Steve Wood, CEO, Merkle Standard
Andrew Moratzka, Stoel Rives, virtual
Gretchen Koenig, Member of the Public
Sonya Scaufaire, Selkirk Sun, virtual
Kelly Driver, Manager of Port of Pend Oreille
Corey Ives, Port of Pend Oreille
Diane Haas, Merkle Standard, virtual
Timothy Terrill, Member of the Public, virtual
Lonnie Walkup, Member of the Public, virtual
Darla Rick, Member of the Public, virtual
Norm Smith, Member of the Public, virtual

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

BOARD WORKSHOP:

April Owen, District Co-Interim General Manager, reported today is the last Board meeting for Tyler Whitney, District General Counsel. His official last day is May 5 and he will be going to Cable Huston, LLP. She expressed her appreciation of him and his work with the District and looks forward to working with him in the future. Mr. Whitney thanked her. Commissioner Knapp thanked Mr. Whitney for being a good friend and mentor to him and the District. Mr. Whitney thanked Commissioner Knapp. Ms. Owen welcomed everyone to enjoy donuts and coffee. Discussion was held.

APPROVAL OF CONSENT AGENDA:

The minutes from the April 18, 2023 meeting, today's revised agenda, and the vouchers were reviewed.

As of this date, May 2, 2023, the Board, upon motion by Commissioner Onley and seconded by Commissioner Rick approved the following:

- The revised agenda for May 2, 2023, and the minutes of the April 18, 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. 8037 through 8082 in the total amount of \$96,245.64;

ACH payments in the total amount of \$4,221,516.98; Wire Transfers in the total amount of \$1,496,842.26; and ACH payroll transactions in the total amount of \$242,010.69 for the payroll ending April 15, 2023.

The motion passed unanimously.

GENERAL MANAGERS' UPDATE:

General Manager Search Update. Lanie Mycoff, Managing Director, Mycoff Fry Partners, LLC asked if there were any questions. Commissioner Knapp asked for an overview and update. Ms. Mycoff reported the deadline for applications is May 3 and she has received 11 external candidate applications. Applications will be provided to the Board on May 10. She noted the special meeting on May 17 for review and selection of the candidates for interviews.

The Board and staff thanked Ms. Mycoff for attending. Ms. Mycoff left the meeting.

Commissioner Knapp announced a 10-minute executive session on pending and/or potential litigation will begin at 9:05 a.m., in the Riverbend Conference Room with Mr. Whitney in attendance. No final action will be taken during the executive session. Following the executive session he and the Board will rejoin the open session.

EXECUTIVE SESSION – PENDING AND/OR POTENTIAL LITIGATION:

A 10-minute executive session on pending and/or potential litigation commenced at 9:05 a.m. The following were in attendance: Board of Commissioners; April Owen, Co-Interim General Manager; Sarah Holderman, Co-Interim General Manager; and Tyler Whitney, General Counsel. The executive session adjourned at 9:26 a.m. No final action was taken during the executive session.

CALISPELL DIKE REPAIR PRESENTATION:

Ms. Owen introduced Rick Scott, P.E., Senior Managing Engineer, McMillen. Mr. Scott provided a Calispell Dike repair presentation. He explained that the dike is eroding because it was built several decades ago over a wooden trussel structure. The selected sheet metal wall repair design has been submitted to the Federal Energy Regulatory Commission (FERC) and is waiting for approval. He noted the fall construction project schedule which is dependent upon FERC approval. Discussion was held. Mr. Whitney reported once we get the final design approved, we would need to coordinate with the Port, Diking District, and Kalispel Tribe of Indians. Ms. Owen and Commissioner Knapp thanked Mr. Scott for his presentation and information. He left the meeting.

Following a short recess, the meeting resumed.

BUSINESS FROM THE PUBLIC/OPEN COMMENT PERIOD:

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

Steve Wood, CEO of Merkle Standard reported they are working on a project with Washington State University to use the heat from the mining machines to fuel a greenhouse for growing produce. He reported Ponderay Industries and Cascade want to work with the District in any way they can.

Commissioner Knapp thanked everyone for attending and for their comments.

DISCUSSION OF CASCADE DIGITAL MINING, LLC'S LETTER OF CREDIT:

Mr. Whitney reported staff wants to add an additional action item for Cascade's letter of credit. He reported Moody's Rating Agency downgraded U.S. Bank, which is the confirming bank for Cascade's letter of credit. The downgrade caused U.S. Bank to be deemed as unqualified per our contract terms. Cascade was given a notice of default stating that they need to find a qualified bank within 5 business days, per the contract. We are told by Cascade that they are working on securing another letter of credit but they

need more time. District staff is proposing an extension to May 31 to allow Cascade more time to secure a letter of credit.

ACTION ITEMS:

- Discussion of Cascade Digital Mining, LLC's Letter of Credit. A motion was made by Commissioner Onley and seconded by Commissioner Rick to authorize the District's Interim General Managers to execute a limited waiver to the Electric Service Agreement with Cascade Digital Mining, LLC, to extend the timing requirements of Sections 17.7(A) and 15.1(D) to allow Cascade until 5:00 pm PT on May 31 to provide a substitute Letter of Credit issued or confirmed by a Qualified Institution; provided, if U.S. Bank National Association's Credit Rating falls below A2 (Moody's) or A (S&P, Fitch, or DBRS), the District may proceed with exercising its rights, including termination, under the ESA, without further notice or cure period. The motion passed unanimously. Mr. Wood thanked Mr. Whitney for the District's proposal and for working with them. Mr. Wood left the meeting.

SAFETY SPOTLIGHT:

Adam Wiltse, District Safety Manager, gave a recap on Labor & Industries rule changes that affect us. The changes from last year are the wildfire smoke rule, infectious disease rule, and unified fall protection rule. The upcoming rule changes that affect us for next year and the future are the ambient heat rule, crane rigging and personnel lifting rule, and trenching rescue and excavating rule.

CUSTOMER SPOTLIGHT:

Amber Gifford, District Customer Service & Contracts Manager, reported we are issuing our Customer Connect newsletter to customers electronically through SmartHub and to staff through our internal SharePoint hub site. We mail hard copies to a few customers who requested them. She reported the highlighted article for this month is on tree removal near utility lines. The newsletter also discusses the Pend Oreille County Campground map the District prepares and distributes, and she showed the map.

ACTION ITEMS (continued):

- Approval of Revised Damage Claim Policy. Sarah Holderman, District Co-Interim General Manager, reported this is an update due to Mr. Whitney leaving. Discussion was held. A motion was made by Commissioner Onley and seconded by Commissioner Rick to approve the revised Damage Claim policy, as presented. The motion passed unanimously.
- Approval of June Energy Transactions. Ben Hall, District Energy Resources Manager reported for June we will be short about 20MW and will need to purchase power during heavy load hours. For July we will be short about 10MW during heavy load hours and want to get pre-approval from the Board in case we go below the \$120 per MWh price target mark for July. A motion was made by Commissioner Rick and seconded by Commissioner Onley to approve the June energy transaction and pre-approve the July energy transaction. The motion passed unanimously.

COMMISSION REPORT:

Commissioner Onley attended a Greater Newport Area Chamber of Commerce meeting on April 19 at the Merkle Standard facility and provided an overview. He received a call from Don Gronning, Newport Miner that Kirk Boxleitner is helping them and he will be attending our meetings. He and the Board received an email from a customer regarding Community Network System concerns which he forwarded to Ms. Holderman and reported that she followed up with the customer. He attended an employee retirement celebration for Mark "Bubba" Scott, former District Water Systems Manager on Saturday

and provided an overview. He attended an update meeting with Ms. Owen and Ms. Holderman yesterday at the District.

Commissioner Rick attended his first Economic Development Council meeting on April 19 and provided an overview.

Commissioner Knapp spoke with Robert Rosencrantz, Pend Oreille County Commissioner last week regarding clean energy coalition grants and provided an overview. He agreed to attend a clean energy meeting on May 9 at the county courthouse. He attended a virtual Energy Northwest Regional Task Force meeting on April 19 and provided an overview. He attended Energy Northwest meetings on April 26 – 27 in Richland and provided an overview.

COMMISSION BUSINESS:

Commissioner Rick will attend a Washington Public Utility Districts Association (WPUDA) Telecom Workshop on May 10 - 11 in Spokane.

Commissioner Onley will attend a virtual Greater Newport Area Chamber of Commerce meeting tomorrow and the WPUDA Telecom Workshop on May 10 - 11 in Spokane.

Commissioner Knapp will attend a Clean Energy meeting on May 9 at the county courthouse, and the WPUDA Telecom Workshop on May 10 - 11 in Spokane.

Commissioner Knapp inquired if we have a travel policy template to follow if driving versus flying to meetings. Ms. Holderman reported the current travel policy states travel should be booked using the most direct route and employees should always consider which travel option is more cost effective. We are looking at updating our handbook which will review all sections.

Ms. Owen reported Box Canyon Dam turbine unit 4 is up and running and was successfully commissioned. She congratulated our Box Canyon crew who have done a lot of work on the unit due to the September 29 runaway event. She reported the unit will be taken offline in August to ensure it is functioning properly.

Ms. Holderman reported the Northwest Open Access Network pension loan paperwork is done and we will have a 5-year \$500,000 loan. Discussion was held.

Commissioner Knapp noted an email from Sonya Scaufaire, Pend Oreille County Broadband Action Team (BAT) Facilitator regarding a Community Anchor Institution Survey. Discussion was held. Ms. Holderman will forward future BAT meeting information to Commissioners Rick and Onley.

Commissioner Knapp announced a 60-minute executive session on pending and/or potential litigation will begin at 10:50 a.m., in the Riverbend Conference Room upstairs with Tyler Whitney, General Counsel present. No final action will be taken during the executive session. Following this executive session a 30-minute executive session to review the performance of a public employee will begin at 11:50 a.m., in the Riverbend Conference Room upstairs. No final action will be taken during the executive session. Following the second executive session he will rejoin the open session to adjourn the meeting.

EXECUTIVE SESSION – PENDING AND/OR POTENTIAL LITIGATION:

A 60-minute executive session on pending and/or potential litigation commenced at 10:50 a.m. The following were in attendance: Board of Commissioners; April Owen, Co-Interim General Manager; Sarah Holderman, Co-Interim General Manager; Tyler Whitney, General Counsel; and Elizabeth Tellessen, Winston & Cashatt Lawyers. The executive session adjourned at 11:50 a.m. No final action was taken during the executive session.

EXECUTIVE SESSION – TO REVIEW THE PERFORMANCE OF A PUBLIC EMPLOYEE:

A 30-minute executive session to review the performance of a public employee commenced at 11:50 a.m. The following were in attendance: Board of Commissioners; and Tyler Whitney, General Counsel. The executive session adjourned at 12:35 p.m. No final action was taken during the executive session. Commissioner Knapp returned to the open session.

Commissioner Knapp reported the next meeting is May 16, 2023, in the Newport Conference Room, Newport and via Microsoft Teams.

There being no further discussion to come before the Board, the meeting adjourned at 12:39 p.m.

President

ATTEST:

Secretary

General Counsel
Approved as to Form