

Minutes of
PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY
November 16, 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: Three Members of the Public

The meeting was called to order at 8:31 a.m. by Curtis J. Knapp, President. A roll call was taken.

CONSENT AGENDA:

The minutes from the November 2, 2021 meeting, today's agenda, and the vouchers were reviewed. Commissioner Onley inquired about a recommendation that he made during the November 2 water rate hearing. Karen Willner, Clerk of the Board will review.

As of this date, November 16, 2021, the Board, upon motion by Commissioner Larson and seconded by Commissioner Onley approved the following:

- The agenda for November 16, 2021, and the minutes of the November 2, 2021 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. 6253 through 6320 in the total amount of \$87,188.21; ACH payments in the total amount of \$354,562.83; Wire Transfers in the total amount of \$193,148.87; and ACH payroll transactions in the total amount of \$224,838.34 for the payroll ending October 31, 2021.

The motion passed unanimously.

BOARD WORKSHOP:

Commissioner Knapp asked if the commissioners had any topics for discussion. Commissioner Larson requested an update on yesterday's windstorm.

Colin Willenbrock, District General Manager reported we had sustained winds last night and most of the damage was in the south county area. We lost the 115kV transmission line at Pine Street and had downed wire on Telephone Road. There were approximately 1,500 – 2,000 customers without power during the peak and their power has been restored. Crews remain in the field probably through the lunch hour today.

He reported Kevin Conway, District Director, Compliance, Safety, Engineering & Technology is spearheading a winter storm table top exercise, which is great timing to do a lessons-learned review from this first storm of the year. The exercise will take place tomorrow.

Commissioner Onley inquired about fiber outages. Sarah Holderman, District Director, Treasury, Broadband & Strategic Planning reported we had one fiber line break near Meteline Falls.

Mr. Willenbrock reported the COVID-19 federal vaccination mandate is a hot topic and currently applies to employers with 100 or more employees. He explained the mandate rule details and reported we are working through it and preparing as if it will apply to the PUD. We are also waiting on the Washington State guidelines. Discussion was held.

PUBLIC HEARING – 2022 BUDGET AND ELECTRIC SYSTEM RATE ADJUSTMENTS:

Pursuant to notice given to the Newport Miner, a public hearing to present and discuss the proposed 2022 Budget and Electric System rate adjustments commenced at 9:00 a.m. There were three members of the public in attendance.

Ms. Holderman reported this is a discussion with staff recommendations and public comment and we will ask for the Board's decision at a December meeting. She shared her screen and provided a 2022 Budget presentation. She reported this is a conservative and balanced budget with a number of existing variables. We are using the cash collateral from the Ponderay Newsprint Company closure and cash reserves from the production system. She reviewed the revenue.

April Owen, District Director, Audit, Finance & Power Supply reviewed the power sales prices and reported this budget is based on power use in 2021. Mr. Willenbrock reported that although we anticipate operations beginning at the PNC site in 2022, we have not included any new revenues or off-setting expenses as the timing and quantum are still relatively unknown and subject to a number of variables. He noted that we are seeing increased revenues due to the efforts of our power supply and finance staff.

Ms. Holderman reviewed the District's overall operation and maintenance costs, customer information costs, administrative and general costs, and protection, mitigation and enhancement (PM&E) measures costs. Tyler Whitney, District General Counsel & Assistant General Manager explained the PM&E costs related to our Box Canyon Federal Energy Regulatory Commission (FERC) license. Discussion was held.

Ms. Holderman reviewed the capital expenditures costs. Discussion was held. She reviewed the labor assumptions and a summary of the budgeted funding sources, budgeted expenditures and change in working capital.

She provided an electric system rate adjustments presentation. She explained the impact to revenue and impact to the average residential and commercial customers with various rate adjustment options ranging from 1% - 2.5%. She provided an electric rates summary. Discussion was held regarding transformers.

Commissioner Knapp asked if there were any comments from the public or staff. Mr. Willenbrock reported on a potential impact to the District's expenditure costs. Commissioner Knapp favored a 1.5% rate increase at a minimum. Commissioner Onley favored a 0% increase and commented we have too much cash and need to tighten our belts. If we lower costs by 1% on the capital side it would prevent a rate increase.

Gretchen Koenig, member of the public commented that she understands why any rate increase is necessary but it would be good public relations if the PUD could do an educational campaign on why rate increases are necessary. Commissioner Knapp thanked her for her comments.

Commissioner Knapp thanked and commended Ms. Holderman and her staff for their work on the budget and rates. He asked if there were any other comments. There were no further comments.

The hearing ended at 9:53 a.m.

Following a 7-minute break, the meeting resumed.

BUSINESS FROM THE PUBLIC:

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

Ms. Koenig referenced a Newport Miner article regarding a new hotel coming to Newport and the City of Newport contemplating letting the hotel use land near the Stratton Elementary School. She is concerned the City is not considering child care needs. Mr. Willenbrock reported that the PUD has not had any communications from the city regarding the hotel. He explained the PUD does not have any ownership rights to the site.

Ms. Koenig inquired if the PUD's helping the city with the Cowboy Park improvements satisfies the PUD's FERC requirement or if the PUD would be interested in developing portions of the water trail. Mr. Willenbrock reported that we are focused on Cowboy Park at the moment, but we would follow up with the county and thanked her for her suggestion and information. Commissioner Knapp thanked her for her information and thanked her and other members of the public for attending today.

BOARD WORKSHOP (continued):

Mr. Willenbrock thanked Suzie Thompson, District Human Resources Manager; Destini Parker, District Payroll/Benefits Coordinator; and Megan Malone, District Accounts Payable Analyst for running an on-site employee biometric health screening and flu shot event last week. He reported it was a good event, well attended and also an opportunity for employees to ask open benefits enrollment questions with staff on site.

Commissioner Onley expressed his appreciation for veterans recognition and thanked Amber Gifford, District Communications, Contracts & Conservation Manager for sending out an employee email to recognize District veterans. Mr. Willenbrock noted the District was awarded Employment Security Department's Employer of the Year for Veteran Hiring in 2020.

SAFETY SPOTLIGHT:

Adam Wiltse, District Safety Manager provided an update on the Target Solutions training platform and reported that last year we had over 1,100 completed employee trainings that were recorded. This year we have 900 completed employee trainings to date. He explained it is a good tool with staff working from home and a critical resource and valuable tool as we look ahead for vaccine mandates and updated policies.

CUSTOMER SPOTLIGHT:

Ms. Holderman thanked all customers who called in their outages last night and for their patience. She commended the customer service representatives (CSRs) for their help and for staying late. Commissioner Onley inquired if she monitors the outage management system on our website and gets feedback. Ms. Holderman does not monitor it but checks it for the number of outages.

COMMISSION REPORT:

Commissioner Knapp was unable to attend the virtual Public Utility Risk Management Services meeting on November 4 due to a technical difficulty. Ms. Holderman attended and reported topics included our cyber insurance policy and excess liability insurance policy which are up for renewal. She reported our cyber insurance policy coverage is going to \$1M and our premium cost is tripling. The excess liability insurance policy is increasing due to wildfire liability. We are looking for options.

Commissioner Knapp spoke with Abby Gribi, City of Newport Administrator, had conversations with customers regarding transformers and fiber, and met with the Pend Oreille County Democratic Party last week. He had a conversation with the Newport Rodeo Association members regarding a fiber connection. He spoke with Mark Scott, District Water Systems Manager regarding water system funding opportunities.

Commissioner Larson was unable to attend the virtual Northwest Open Access Network (NoaNet) Board meeting on November 10 or the virtual Broadband Action Team (BAT) meeting on November 11. Mr. Willenbrock reported NoaNet passed its 2022 budget.

Commissioner Onley attended a virtual Greater Newport Area Chamber of Commerce meeting on November 9 and reported discussion was held regarding the potential dissolving of the North Pend Oreille County Chamber of Commerce. He commented that the PUD should be present at the BAT meetings to show our support of broadband grant opportunities. He attempted to attend the virtual BAT meeting on November 11 but the meeting was delayed.

COMMISSION BUSINESS:

Commissioner Knapp will attend the virtual WPUA meetings on November 17 - 19. He asked for a discussion about attending the WPUA American Public Power Association (APPA) Legislative Rally in March in Washington, D.C. and wants a head nod from the commissioners if he should attend.

Commissioner Larson will attend the virtual WPUA Energy Committee and Government Relations and Communication Committees meetings on November 18. He reported there will be a guest speaker to talk about the COVID-19 vaccine mandate at the Government Relations and Communication Committees meeting.

Commissioner Onley will attend the virtual WPUA Commissioner Education and Roundtable meeting on November 17, the virtual Telecom Committee meeting on November 18 as the Vice-Chair, and the virtual Water Committee meeting on November 18.

Commissioner Larson inquired about the WPUA APPA Legislative Rally cost and the value we get out of it. Commissioner Knapp reported the group tries to have representation from each county and provided estimated travel costs.

Discussion was held regarding the Annual Legislative Luncheon/Meeting event.

ACTION ITEMS:

- Damage Claim DC205891. Discussion was held. Based on staff recommendation, a motion was made by Commissioner Larson and seconded by Commissioner Onley to approve the damage claim in the total amount of \$466.43. The motion passed unanimously. Staff will proceed as appropriate.
- DWSRF Application Authorization for Sunvale Acres Water System. Mr. Scott provided the loan application details and reported he would like to replace our current Public Works loan with this DWSRF funding. He showed and explained a map of the project location. Discussion was held. Commissioner Larson thanked Mr. Scott and staff for going after loan grant money. A motion was made by Commissioner Larson and seconded by Commissioner Onley to proceed with the application process. The motion passed unanimously. Staff will proceed as appropriate.
- December Surplus Energy Sales. Ms. Owen reported that similar to November we are long on energy for December due to the delay of load at the mill site at Usk and receipt of the Bonneville Power Administration (BPA) net requirements power. Discussion was held. A motion was made by Commissioner Onley and seconded by Commissioner Larson to approve the December energy sale. The motion passed unanimously.

MANAGEMENT REPORT:

Tyler Whitney, General Counsel & Assistant General Manager:

He provided a fish ladder update and reported formal operations commenced as of November 1. He reported that fish have gone through the facility. We need to go to the Fish Subcommittee to tweak the v-trap to keep the fish from moving out of the trap. Crews are doing a great job at getting the fish ladder tweaked to make sure it is safe and effective. Today crews are with Fish & Wildlife testing the fish pipes at Box Canyon.

He provided a City of Newport utility franchise update and reported we have come to a tentative agreement with the city's attorney. The terms were reviewed with the city council at last night's meeting. The agreement will be published in summary form in next week's Newport Miner newspaper with final approval on December 6. If approved, the agreement would be put before our Board for approval at our December 7 meeting.

He reported our grazing land leases will come up for renewal at the end of this year. Staff recommendation would be to renew the leases on substantially the same terms.

He has been working with Ms. Owen, Mr. Willenbrock and Christopher McKey, Energy West, LLC to look at Ponderay Industries' wholesale power supply needs. He will have a review of the terms tomorrow.

He reported Abby Gribi, City of Newport Administrator has been great to work with.

Bryant Kramer, Power Production Manager:

He reported the Pend Oreille River flows were at 18,000 cubic feet per second and after a brief dip in flows at the Albeni Falls Dam plant they should go back to 18,000 cfs. A unit was off this morning which may need to go back on. Operator crews are studying the water and fish flows.

He reported David Hodder, District Engineering Manager gave a protective relaying class at Box Canyon yesterday.

He will attend the major storm tabletop exercise provided by Mr. Conway tomorrow.

He reported the maintenance crews are wrapping up items for the year. The lower spillway gate in Bay 3 is back in position which required spilling water. Most of the winterization is complete and crane inspections were done in October. Campbell Pond has been drawn halfway down. Discussion was held regarding the spillway gate bolts.

Mark Scott, Water Systems Manager:

He is working with the city to secure the binding site plan for Cowboy Park. He commended Ms. Gifford for her work to get the proposal together for the plan.

He is moving forward on getting the easements for the Metaline Falls water distribution mains replacement project and will do the project in the spring.

He is working to get the Sunvale Acres Water System pipeline replacement project going.

He reported the crew is working on North Fork Dam maintenance for the spring.

Suzie Thompson, Human Resources Manager:

She reported the District held an employee health wellness fair which included biometric screenings and flu shots on November 10. It was well attended and there were also safety and dental booths.

She shared her screen and presented an annual review of the District's compensation program. She recognized the District's Hire-a-Vet Employer of the Year for 2020 award. She explained non-union compensation which includes employee performance, market adjustments matrix and Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). She reported the social security benefit increased by 5.9% this year. She explained the 2021 updates for employee job grades. Discussion was held. She

explained per our policy, the general manager has control over merit increases to non-union personnel based on job performance evaluations which cannot be greater than 3% for the total pool. Discussion was held. Mr. Willenbrock reported the budget includes the 3% merit pool and could include a cost of living adjustment. The Board will make the final decision at the December 7 meeting.

Amber Gifford, Communications, Contracts & Conservation Manager:

She provided a contracts update and reported there are four bids open on our Procureware site. One bid includes dispatch center logging software replacement that closes on December 13. Other bids are procurements for power poles, padmount transformers and underground conductor wire. There are bids for an engineering support and services request for proposal for the Ponderay Industries work and an electrical engineering consultant request for qualification which are in the queue today. She will launch the bid opening for the Newport Cowboy Park sprinkler construction today.

She provided an energy efficiency update and reported we do not have any BPA money in the budget and any rebates we are issuing are coming from our own utility funded dollars. To date we have used \$12,000.

Sarah Holderman, Director, Treasury, Broadband & Strategic Planning:

She provided a Community Network System (CNS) update and reported we still have a contractor helping with the fiber line extensions. Crews are working on outage restoration today. She is working on a Washington State Broadband Office grant application to bring fiber broadband to the entire Northern Pend Oreille County. The application submittal is due November 30.

She provided a metering and customer service update and reported customer disconnects for non-payment will be happening this week. She commended the CSRs for helping customers make payment arrangements. Discussion was held regarding the disconnection turnaround time, length of disconnects, and the landlord/tenant privacy waiver.

Kevin Conway, Director, Compliance, Safety, Engineering & Technology:

He reported the crews are putting the system back together after the windstorm. He will conduct a major storm tabletop exercise tomorrow.

He provided a compliance update and reported he is working with Mr. Kramer on a North American Electric Reliability Corporation (NERC) winter weather preparedness and will work with Seattle City Light at Boundary Dam for optimization. He received an urgent action alert for a NERC standard and reported staff made some adjustments on our processes and procedures. The Western Electricity Coordinating Council (WECC) is undergoing a reorganization and will shift at the beginning of next month. He explained that we have an opportunity to help with that and he has been asked to be on a committee. He reported Ray Chantry, District System Operator Trainee is getting close to becoming a system operator. He is working on procedures for NERC and WECC compliance.

Bob Pebles, Information Technology Manager/CIP Senior Manager:

He and staff are working on the replacement of the Newport primary network equipment and working through testing scenarios.

He and staff are working on the Mapwise fiber project and working with the vendor to get the work criteria established. Dario Nila, District CNS Supervisor/Network Specialist is working with the vendor on mapping.

David Hodder, Engineering Manager:

He and staff are working on the OPGW repair project from Pine Street to Usk and the Diamond Lake line redesign and rebuild project. They are working with the consultants on the design.

He reported the Bare Mountain Substation project evaluation is starting and crews are continuing work on line extensions which they will do as we have the parts and pieces we need.

He reported the relay protection class at Box Canyon yesterday was a good class.

He and staff are continuing to work with Ponderay Industries regarding the mill site in Usk.

He and staff are working with the high density load customers on Telephone Road.

He reported crews are continuing with outage maintenance and a major storm tabletop exercise will be held tomorrow.

He reported the request for proposal contract for the 115kV line from Usk north for the Ponderay Industries project closed today and selection will be made by the end of November. Discussion was held regarding the OPGW repair and the Diamond Lake redesign and rebuild project.

Adam Wiltse, Safety Manager:

He reported that the Box Canyon staff had worked through the recommendations by Labor & Industries (L&I) before operating the fish ladder. The safety work has been done and the L&I inspector applauded the District's work. He commended the crew for their good job on completing the checklist.

He reported there are new on-call and temporary employee hires for the fish ladder. They are working on Target Solutions training.

He is still trying to get more COVID test kits and explained that by having the tests in-house we can quickly rule out if employees have COVID.

He is working on hazard assessments for our Fire Retardant clothing program and is documenting employee risk levels. He is working with supervisors on employee job lists. He is working through the job hazard assessments and tasks and should have the job analysis on file for all employees by the end of this year.

John Bricher, Finance Manager:

He is working on the annual physical inventory counts and reported the water system counts are done and is working with CNS to complete theirs. The electric system will be done in December.

He is working with Mr. Nila and Lauren Naccarato, District CNS Fiber Staking Field Engineer on the process of closing work orders.

He reported the finance team is getting prepared for the Moss Adams annual audit with pre-audit field work scheduled for the week of November 29. He is working on the October financials.

Chris Jones, Director, Operations:

He thanked everyone who helped with last night's windstorm and outages. He will attend the major storm tabletop exercise tomorrow. He commended staff and reported we have great tools and a good group of linemen, tree trimmers, mechanics, CSRs, and system operators who do a great job in helping to restore power.

Commissioner Knapp thanked everyone for their reports and asked if there were any more questions for staff. There were no further questions.

Commissioner Knapp announced a 90-minute executive session on pending and/or potential litigation to begin at 11:45 a.m. with Tyler Whitney, General Counsel and Colin Willenbrock, General Manager present. If the executive session needs to be extended, he will rejoin this open session to publicly announce an extension. Following the executive session he and/or the Board will rejoin the open session to take any action or to adjourn the meeting. The next meeting is our townhall meeting on November 30 at 4:00 p.m., being held in the Newport Conference Room in Newport with safety guidelines and protocols in place and virtually via Microsoft Teams.

Following a 7-minute recess, the meeting resumed.

EXECUTIVE SESSION – PENDING AND/OR POTENTIAL LITIGATION:

A 90-minute executive session on pending and/or potential litigation commenced at 11:45 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 1:11 p.m. The Board returned to open session. No final action was taken.

COMMISSION BUSINESS CONTINUED...

Commissioner Knapp reported the Board will continue its discussion on commission travel related to the APPA Legislative Rally. He provided a breakdown of the costs. Discussion was held about the costs and value to the District and its ratepayers. Commissioner Larson was in favor of having Commissioner Knapp attend and in the future having a conversation with Okanogan County PUD about their attendance. Commissioner Onley was neutral.

Commissioner Knapp reported the next meeting will be a townhall meeting held at 4:00 p.m., on November 30, in the Newport Conference Room, Newport and via Microsoft Teams.

There being no further discussion to come before the Board, the meeting adjourned at 1:25 p.m.

President

ATTEST:

Secretary

General Counsel
Approved as to Form