

Minutes of
PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY
December 15, 2020
TELECONFERENCE ONLY

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: Sheryl Miller, Member of the Public
Christopher McKey, Energy West, LLC
Russ Pelleberg, City of Newport Administrator
Gretchen Koenig, Member of the Public

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

CONSENT AGENDA:

The minutes from the December 1, 2020 meeting and today's agenda were reviewed.

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. As of this date, December 15, 2020, the Board, upon motion by Commissioner Onley and seconded by Commissioner Larson approved the following:

- The minutes of December 1, 2020 meeting and the agenda for December 15, 2020.
- Payment of those vouchers, included in the list referred to above and further described as follows: Voucher Nos. 5138 through 5219 in the total amount of \$175,214.71; ACH payments in the total amount of \$793,413.62; Wire Transfers in the total amount of \$183,083.74; and ACH payroll transactions in the total amount of \$219,842.48 for the payroll ending November 30, 2020.

BOARD WORKSHOP:

Commissioner Onley inquired about an outage at Sacheen Lake and a blinking light issue. David Hodder, District Engineering Manager reported there was a breaker issue on the line that was tested yesterday. Colin Willenbrock, District General Manager added some details. Discussion was held.

Mr. Willenbrock provided an overview of today's agenda and reported Christopher McKey, Energy West will be joining the meeting during the power supply session to discuss a proposed Shell Energy deal. December 29 will be the last meeting of the year to finalize a number of items.

He provided a COVID-19 update and reported we continue to track infection rates in the county and at the District. Last Friday through Sunday there were 11 new cases and the county is hovering around 99 cases. We have modified our operations through until at least January 4 and then we will reevaluate. Vaccines currently being distributed.

Commissioner Onley inquired if there was a sense of how the employees feel about the vaccine. Mr. Willenbrock reported that staff sentiment was consistent with that of the country—cautiously optimistic.

He provided a Department of Natural Resources (DNR) and wildfire update and reported the task force is coming to an end at the end of this year. He and Jim Smith of Klickitat County PUD, recently met with DNR to discuss further work on the model danger tree agreement. DNR agreed to continue work on the agreement. Commissioner of Public Lands, Hilary Franz drafted a funding relief bill and has solicited input from utilities.

Commissioner Larson inquired how to separate out utilities that are doing a good job versus ones that are cutting costs. Mr. Willenbrock explained it starts with a mitigation plan and we want a plan that is approved by DNR, Forest Service and others. Commissioner Larson noted that our PUD is in a better shape than ever on our vegetation management and we should receive credit for that good work. Mr. Willenbrock agreed.

Mr. Willenbrock reported the Northwest Open Access Network (NoaNet) had a successful bond issue and pricing for \$24M in bonds that were issued at a 1.9% interest rate. It's a good thing for NoaNet, state and us. They approved their annual budget.

Commissioner Onley inquired about NoaNet's calculation for number of days of cash on hand. Discussion was held.

He reported we have reached out to the Kalispel Tribe of Indians on the broadband grant for the north county and the tribe is waiting for final contract authority to proceed. The PUD has indicated a willingness to assist.

He reported on the Columbia River Treaty. He has been in contact with Congresswoman Cathy McMorris Rodgers office to discuss the regional utility position on this matter. Discussion was held.

SAFETY SPOTLIGHT:

Adam Wiltse, District Safety Manager reported a western states group is reviewing the vaccine. The state elected for the vaccine would go through a second check. Governor Jay Inslee said it was approved, all the data was reviewed and the vaccine was deemed as safe.

He reported OSHA reviews safe winter driving each year with a focus to prepare, prevent and protect. He provided an overview of how we prepare our vehicles, the importance of safe distance driving and making sure to have the necessary items in the vehicle.

CUSTOMER SPOTLIGHT:

Sarah Holderman, District Director, Treasury, Broadband & Strategic Planning provided an update on how the customer service department is helping customers and she reported our emergency COVID assistance program helped 57 customers and 24 customers were given Neighbors in Need utility assistance awards. The proclamation for disconnects was extended through the end of April 2021 and we are working with customers to keep them current.

Commissioner Knapp inquired about disconnecting fiber customers. Ms. Holderman reported we cannot disconnect residential fiber customers for non-payment. Commissioner Onley asked about recourse for nonpaying RSPs. Mr. Willenbrock reported we work with the RSPs to get their accounts current. Disconnection is always a last resort. Our RSPs continue to pay and we also keep deposits on hand to help them if needed. Commissioner Onley inquired if the proclamation covers RSPs so they can't disconnect their customers. Tyler Whitney, District General Counsel & Assistant General Manager reported it does cover the RSPs. Discussion was held.

COMMISSION REPORT:

Commissioner Larson attended a NoaNet Board meeting on December 9 and reported there were 35 people in the virtual Zoom meeting. New officers were elected and Ron Gadeberg from Okanogan County PUD was elected as President. He provided an overview of wages and benefits and the bond sale. He attended a virtual Broadband

Action Team (BAT) meeting on December 10 and provided an overview which included discussion on mapping data. He commended Ms. Holderman and the CNS team for their quick response in getting requested information to the group.

Commissioner Onley was contacted by a former Ponderay Newsprint Company (PNC) employee about future ideas for the site. He attended a virtual Greater Newport Area Chamber of Commerce meeting on December 1 where they reviewed the annual meeting agenda for tonight's meeting. He attended a virtual WPUDA Annual Conference on December 2 – 4 and commended Commissioner Knapp for doing a good job in presenting and awarding the educational scholarship. He provided an overview of the sessions.

Commissioner Knapp attended the virtual WPUDA Annual Conference on December 2 – 4 and virtual BAT meeting on December 10. He commended Commissioner Hilary Franz for doing a great job on her presentation and he noted Representative Joel Kretz's appreciation of Commissioner Franz's visit.

COMMISSION BUSINESS:

Commissioner Onley will attend a virtual WPUDA public agency do's and don'ts meeting on December 17.

Commissioner Larson will attend a virtual Economic Development Council Executive Council meeting, with a date to be determined.

Commissioner Knapp will attend a virtual Energy Northwest Executive Board meeting tomorrow and the virtual WPUDA public agency do's and don'ts meeting on December 17.

ACTION ITEMS:

- Damage Claim DC-200028. Mr. Hodder reported the damage was caused by a District bolt that failed. Discussion was held. A motion was made by Commissioner Larson and seconded by Commissioner Onley to approve and pay the damage claim in the total amount of \$522.52. The motion passed unanimously.
- Early Closing of Business, December 24, 2020. Mr. Willenbrock reported the Board has historically done this as a thank you to staff for the good work they've done each year. A motion was made by Commissioner Onley and seconded by Commissioner Larson to close District offices at 2:00 p.m. on December 24, 2020. The motion passed unanimously.
- Resolution No. 1446 – Water Rate Adjustments for 2021. Ms. Holderman reported this is a follow up to the public hearing. Discussion was held. A motion was made by Commissioner Onley and seconded by Commissioner Larson to adopt the resolution and approve the related revised water system policy. The motion passed unanimously.

MANAGEMENT REPORT:

Mr. Willenbrock reported this session will be a year-end review and update of projects.

Tyler Whitney, General Counsel & Assistant General Manager:

He provided a legal matters year-end review and reported the District had a successful year. The Washington State Supreme Court issued an order unanimously denying further review of the lawsuit by Responsible Growth NE Washington and Citizens Against Newport Silicon Smelter for the land sale by the District. He noted his appreciation of outside counsel's help. The District was successful in obtaining full dismissal of the Maslonka lawsuit, which is now on appeal. We've had good progress on the fish passage

project with good success in getting the contractor off site with a full settlement of all issues. The project came in under budget.

Tim McMaster, Power Production Manager:

He provided a production operations and maintenance update and reported Albeni Falls Dam discharge flows are 13,000 cfs and Sullivan Lake has an elevation of 2,570 feet. There are three turbine units in operation at Box Canyon Dam and they are starting an outage on unit 3 due to an issue with guide bearings breaking. Unit 2 was taken apart and we implemented a modification of installing the guide bearing bolts and we will do the same modification with unit 3. He reported two units were taken down at the Cusick pumping station. Crews are snow plowing, making modifications to the plowing equipment and taking care of the equipment. The old arch bridge in Campbell Park was removed and a new bridge will be installed.

He provided a regulatory update and reported staff is in a year-end push to get all the Federal Energy Regulatory Commission (FERC) documents submitted. All part 12 inspections for Box Canyon Dam and Sullivan Creek are done. The annual emergency action plan review with the stakeholders was held on December 9 and there were a few changes for FERC and the North American Electric Reliability Corporation. An order for the free-standing bridge crane for fish transport tables for the fish passage was placed. Options for the fish transfer and return pipes were pursued and we are narrowing it down to a few viable low cost options. He referenced the snow pack and reported the National Weather Service said it was a La Niña year with lower than average temperatures and above average precipitation. Discussion was held.

Scott Jungblom, Natural Resources Manager:

He provided a license compliance and implementation update and reported they started with the trout habitat and restoration program and most of the current projects are on hold due to waiting for the off-license settlement agreement from FERC. He received approval for the Smalle Creek project. Staff will start to work on in-house projects and make modifications to transfer pods to mount on to the transfer trucks. Work is done on the wildlife management plan. There was a major mapping effort where Syd Maurer, District Wildlife & Habitat Specialist mapped all existing cottonwood tree wrappings. The nest box structures have been distributed. For wetland management, 15 different wetland ponds were created and have heavy inundation from cattails. Photo point monitoring for how management tools are progressing was done this year. Staff is working to schedule contracting services for next year and prepping for the startup of the fish ladder. The major project for next year is the ponderosa tree planting at Everett Island where 30 acres will be treated. Discussion was held.

BUSINESS FROM THE PUBLIC:

There was no business from the public.

MANAGEMENT REPORT (continued):

Mark Scott, Water Systems Manager:

He provided an update on the Riverview Water System arsenic treatment work and reported TML Construction, Inc. is doing a wonderful job. The reservoir, tank, and meters are installed and most of the outside work is wrapping up. This week they are working on the inside electrical work and putting in pressure tanks.

He provided a Metaline Falls downtown pipe replacement project update and reported he is reviewing the engineer's proposed easements layout. He gave an update to the town last week. The project will kick off in mid to late spring.

He reported the watermen are working on inside maintenance and working with the Town of Cusick's new water operator. They are also working on reports.

He reported his Public Works Trust Board term is up in June or July and the next meeting is January 8.

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

He reported documents are being cleaned up and updated for next year. System operators have a couple of outages today and are working through the outage management system which works great. Work is being done on improving the keys controls at the District and updating the key policies. Compliance training is being done through a Target Solutions online course which allow staff to maintain social distancing. Staff was asked to finish internal compliance training by the end of this month.

David Hodder, Engineering Manager:

He reported the pole test and treat program in Newport was finished. For vegetation and wildlife management drones were brought in and staff is reviewing the documentation. The Diamond Lake Substation metering and the 230kV feeder bus from PNC was finished. Work is continuing on the Avista energy imbalance project. Meters at Box Canyon will be changed out next month and then Pine Street Substation meters will be done. The Western Electricity Coordinating Council testing at Box Canyon was pushed back to February. Some of the insulators at substations were not working so they are being tested and repaired. The department has been supporting other departments. We are looking at rebuilding the Diamond Lake tap line due to the line needing repairs. Metering at Box Canyon is changing as part of the energy imbalance project. There was an outage on the 115kV line where a lot about the system and communication cutout was learned and we are looking at how the relays and communications are set. We were able to simulate testing and outages. We are standardizing in how the metering data is brought back and we are working with the Information Technology (IT) department. We are working with Chris Jones, District Director, Operations on change outs and river crossings. The Milsoft Windmill engineering analysis software is working well and we are making lots of progress and integrates with the National Information Solutions Cooperative software.

Bob Pebles, Information Technology Manager/CIP Senior Manager:

He reported IT staff have been busy doing a full inventory on the system to make sure data comes in correctly which leads to the mapwise importing and outage management system. Staff looked at systems and firewalls and made adjustments as needed. Staff was able to quickly adjust due to COVID-19. They have helped engineering with the Milsoft software server. Staff is continuing to work on the outage management system connectivity model. They are heavily looking at Pi and Supervisory Control and Data Acquisition (SCADA) systems to make sure the systems are clean. Pi is becoming heavily used by system operations, engineering and power supply. They got notification to move our telephone system demarcation to the north which stabilized our analog phones up north. For employees doing remote work staff was able to implement virtual machines for people to work at home. We have more laptops and got Microsoft Teams up and running. We transitioned the IT training to Target Solutions which is more efficient and helps to meet compliance regulations more quickly. Monthly patching for servers is able to be completed easily. We will look at all the servers and systems. We had a core change out of the system in the administrative building in Newport. We will look at improving security and encryption data.

Angie Hall, Regulatory Compliance Analyst:

She is wrapping up year-end compliance operations. She commented on the Target Solutions online training.

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

She reported the Community Network System (CNS) staff is working on fiber line extensions. All the industrial contracts expire at the end of the year. She sent all the

contracts out and asked that they be returned by next week. Once returned, she'll get those to the Board for review.

Robert Fritz, Community Network System Supervisor:

He provided a CNS update and reported there are 325 fiber line extension requests, 260 fiber line extensions are paid and moving forward, and 230 extensions have been built with 28 left to do and are scheduled to be done by December 28. Twelve fiber extension requests will be built in the spring. They tried something new where the line crews build in the conduit for them. The broadband feasibility study for the north county is wrapping up on the design projections to run to other routes. Once he gets those the study will be wrapped up.

Dario Nila, CNS System Specialist:

He reported Mike Reed and Patrick Barley, District CNS Technicians are doing a great job in getting the fiber line extensions done and are doing their best to get customers connected.

John Bricher, Finance Manager:

He gave a slide presentation on accounting and finance updates. He thanked Megan Malone, District Accounts Payable Analyst and Diana Jackson, District Power Supply Analyst for doing a great job and helping him get trained. He thanked staff for getting their invoices approved. He reported \$31.4M in invoices was paid last year and 4,784 invoices were processed. Inventory counts were done and he thanked all those who helped count over 1M units and he reported there was over \$2M in inventory cost. He and Ms. Holderman searched for tax credits on the electric vehicle charger and he reported WA State has a clean alternative fuel vehicle infrastructure grant. He is busy with the 2020 year-end financial close and will work with the managers to get work orders and purchase orders closed. He will draft the 2020 financial statements for the annual report. Moss Adams will do an audit in early 2021.

April Owen, Director, Audit, Financial & Power Supply:

She reported the state completed the District's final audit for 2019 which consists of 2018 and 2019 work. The state performs a compliance audit every 2 - 3 years where it looks at the RCWs for contracting. This was scheduled for this year but she doesn't know if it will occur due to COVID-19.

She provided a power supply update and reported staff is working on the Shell Energy agreement. Staff is working with IT on moving to the Pi and SCADA systems and updating the reporting and reconciliation tools in excel.

She reported power supply and finance sides are both extremely busy and staff has kept things going. She thanked Mr. Pebles and his IT team for working with staff. She thanked her team and reported that some of them have only been at the District for two years. She thanked Ms. Holderman who has also taken on other duties at the District.

Megan Malone, Accounts Payable Analyst:

She thanked Ms. Owen and Mr. Bricher for their kind words. She reported it has been great working in the finance department.

Diana Jackson, Power Supply Analyst:

She commented that a good team shows they have good leaders. She thanked Ms. Owen and Mr. Bricher and is looking forward to new challenges next year.

Adam Wiltse, Safety Manager:

He reported it has been an exciting and interesting year with COVID-19. He provided a Target Solutions online training update and reported there were 56 different trainings, 1,130 training completions and over 1,000 training hours. These are great statistics given the COVID situation. He is pulling past training records for staff and is working on facility maps and the emergency action plan. He follows the COVID reporting with the Department of Health, state and Tri-County Health District. He is hoping staff does not let their guard down until the vaccinations are here. He is receiving safety incident report forms and has reviewed safety documents and finding some that need to be updated and corrected. He reported there were some safety incidents that didn't result in accidents. He will do an initial review of policies from now until the end of the year.

Suzie Thompson, Human Resources Manager:

She reported we currently have 77 employees with the number holding steady. The employee open enrollment period was concluded and medical insurance rates remain the same. Other benefit rates went down and Central Washington Public Utilities benefits were added. Compensation and VEBA health program were reviewed. She thanked Destini Parker, District Payroll/Benefits Coordinator for her work with employee's benefits and payroll.

She reported a veterans job fair was held and we were awarded employee of the year for our Hiring Veterans program and we received a congratulatory letter from Congresswoman Cathy McMorris Rodgers. She is working on video software training.

Amber Gifford, Communications, Contracts & Conservation Manager:

She reported a master communication plan for our website and customer connect newsletter was established and she will continue to help the District stay connected.

She reported the 2021 PUD calendars are here. This year the front and back covers highlighted employees and departments.

She thanked staff who helped with decorating the Christmas tree and helped with various festivities. She reported gingerbread mansion kits were distributed to employees and she wants employees to make those with their family and send pictures to her.

She provided a contracts update and reported there were 20 request for proposals created through ProcureWare this year. She explained that ProcureWare is a great tool to track submittals and keep all contract documents electronically. She reported an Early Learning and Child Care Center grant in the amount of \$100,000 was awarded to the District from the Washington State Department of Commerce to develop a business plan for the center in Newport.

She provided a conservation update and reported 18 ductless heat pump energy rebates and 10 dryer energy rebates were submitted for a total of \$20,000 in rebates given. We have a good amount of funds available in 2021 for residential rebates.

Karen Willner, Assistant to General Manager/Clerk of the Board:

She thanked everyone for their help in reviewing department records. She made a big push to get records removed from the meat locker storage building and continues to scan records into the iVUE Docu-Vault system.

Commissioner Onley asked Ms. Gifford about electric energy rebates. She is working on various programs for next year.

Mr. Willenbrock praised the great team of employees we have and reported we had a lot of accomplishments this year.

Following a 10-minute recess, the meeting resumed.

POWER SUPPLY TRANSACTION:

Mr. Willenbrock reported this session is to discuss what to do with our power supply resources now that PNC has closed. He reported we have been working with Energy West for load resources, market pricing and strategic planning. This is the first public meeting to review and discuss this topic further. He commended Christopher McKey and his firm who have done a great job in giving the District options. The end goal is to have a final deal before the Board by December 29 for approval, authorization and execution.

Christopher McKey, Energy West, LLC provided a presentation on a PUD strategic partner initiative. He thanked the District's team who are a pleasure to work with. He provided a history background of challenges beginning from January 1, 2019 and explained the District's load resource balance with BPA, Box Canyon and Boundary and the allocation with the general service load, the District and PNC. Avista is the District's balancing authority and provides the District with marketing and balancing needs. He explained that due to PNC's potential closure, the District started strategic planning discussions with Portland General Electric to provide load options to the District. He reviewed the general service load and generation obligations. He provided scenarios of the District with and without a strategic partner as of January 2021. He explained the scenario of the District having Shell Energy as a potential strategic partner. Discussion was held.

Russ Pelleberg, City of Newport Administrator inquired if the Shell Energy deal will provide sufficient revenues to reduce electric rates. Mr. Willenbrock explained that the five year transaction results in losses due to the cost of Box Canyon and depressed market conditions that will need to be made up through rate adjustments.

Gretchen Koenig, member of the public inquired if the Box Canyon product will be sold to Shell Energy at a zero carbon rate. Mr. Willenbrock explained the Box Canyon product will be sold to Shell Energy effectively at a market rate with a zero-carbon adder. She inquired if this would be applied to the Boundary product. Mr. Willenbrock reported the District would temporarily remarket its Boundary power through Shell Energy. Seattle City Light (SCL) has so far refused to confirm they will deliver from Boundary at all times of the year. Until then, Shell cannot give the zero carbon adder.

Mr. Willenbrock reported there will be more review from others before the Shell Energy deal is finalized and brought before the Board for consideration. He explained it will be a transition year and would provide additional value to the District and rate stability to our customers.

Mr. McKey reported the ball is now in Shell Energy's court to review. Mr. Willenbrock thanked Mr. McKey for attending today and providing information.

BUDGET AND RATES:

Ms. Holderman provided an updated budget presentation. She reviewed capital expenditures and reported on the OPGW line costs. Discussion was held. She reported the dues and memberships for the American Public Power Association and Public Power Council were removed for 2021. Discussion was held. She gave a summary of the reduction of cash for the electric and production systems.

Ms. Owen provided an excel spreadsheet comparison of the 2019 actual financials with PNC in business versus the projected 2021 budget without PNC in business. She reviewed the differences in revenue before and after PNC's closure. Discussion was held. She provided and reviewed a monthly cash flow projection of customer load and Box Canyon generation sales.

Commissioner Knapp thanked Ms. Owen and Ms. Holderman for their information.

Mr. Willenbrock reported the budget and rates are basically a cost recovery for Box Canyon and we need to consider what we can do with strategic cash and rate drawdowns. We need to make sure the utility is financially sound today as well as into the future. We need to continue to build reserves and take advantage of opportunities. Discussion was held.

Commissioner Knapp wished everyone a Merry Christmas. Commissioner Onley reported he is about to be a grandfather again.

There being no further discussion to come before the Board, the meeting adjourned at 12:40 p.m.

President

ATTEST:

Secretary

General Counsel
Approved as to Form