

Minutes of
PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY
December 4, 2018
NEWPORT CONFERENCE ROOM, NEWPORT, WA

Present: Daniel L. Peterson, President
Curtis J. Knapp, Vice President
Richard A. Larson, Secretary

Staff Present: F. Colin Willenbrock, General Manager
Management/District Staff
Tyler R. Whitney, General Counsel/Director of Regulatory &
Governmental Affairs
Karen Willner, Clerk of the Board

Others: Dave Spencer, CEO, Northwest Open Access Network
Don Gronning, Newport Miner
Desiree Hood, River Valley Beacon
Six Members of the Public

The meeting was called to order at 8:30 a.m. by Daniel L. Peterson, President.

CONSENT AGENDA:

The minutes from the November 20, 2018 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 4, 2018, the Board, upon motion by Commissioner Knapp and seconded by Commissioner Larson approved the following:

- The minutes of November 20, 2018 meeting and the agenda for December 4, 2018.
- Payment of those vouchers, included in the list referred to above and further described as follows: Voucher Nos. 2181 through 2216 in the total amount of \$257,120.36; ACH payments in the total amount of \$145,788.59; Wire Transfers in the total amount of \$813,660.68; and ACH payroll transactions in the total amount of \$262,695.32 for the payroll ending November 15, 2018.

BOARD WORKSHOP/GENERAL MANAGER'S REPORT:

Colin Willenbrock, District General Manager introduced Dave Spencer, CEO of the Northwest Open Access Network (NoaNet) and reported the District is a NoaNet member. Mr. Spencer reported he has been meeting with other public utility district (PUD) commissioners regarding NoaNet's Project Tango and asking them to think about the options to address financing for capital projects. He provided details of Project Tango and explained it is a public safety project.

He provided a NoaNet history and reported it was created by an interlocal agreement of PUDs and is similar to our fiber broadband project. He reported NoaNet's current focus is on public safety. He provided a timeline of events for Project Tango. NoaNet has been ramping up and the system should be up by the end of the year. He explained the bank has frozen NoaNet's line of credit due to delays and therefore they can't access the necessary capital. NoaNet has gone back to its members to ask for financing with two options: one, NoaNet borrows from its members and sets up a repayment agreement or two, have members provide financing directly for projects in their area and then NoaNet would pay them back as a share of their capital contribution. He is visiting members who have not yet decided. Discussion was held.

Mr. Willenbrock explained the next procedural steps and reported the NoaNet Annual Meeting is December 12 in Spokane and the Washington Public Utility Districts Association (WPUDA) Annual Conference is this week in Tulalip. He explained the current structure. Discussion was held and the Board indicated they were not willing to lend CNS reserves to NoaNet at this time. Mr. Willenbrock thanked Mr. Spencer for attending and providing the information.

Mr. Willenbrock reported he and Tyler Whitney, District General Counsel/Director, Regulatory & Governmental Affairs met yesterday with Mark Brown, Teck Mine Manager who provided them with a full briefing of their operations and a tour. He discussed their outstanding safety program and the application to our safety program. Mr. Willenbrock reported it was a productive meeting and a great tour. He also noted Teck's Courageous Safety program that District staff attended this year. Discussion was held.

Following a 5-minute break, the meeting resumed.

SAFETY SPOTLIGHT:

Lloyd Clark, District Director, Safety & Human Resources introduced Jason Pimental who was hired as the District's new Safety Coordinator. Mr. Pimental provided his background history as an inspector for L&I and reported he is excited to work for the District. Discussion was held. The Board welcomed Mr. Pimental to the District.

Mr. Willenbrock reported Mr. Clark and Mr. Pimental will coordinate all the District's safety programs, policies, training, reporting, scheduling outside trainers and provide safety consultations. He noted that our message continues to be that everyone is responsible for safety and putting the right resources to support the message is important.

CUSTOMER SPOTLIGHT:

Libbey Bartel, District Customer Service Manager reported the District is highlighting its Neighbors in Need Low Income Assistance program this month and the customer service representatives are working to create solutions for customers who may need assistance in paying their bill.

COMMISSION REPORT:

Commissioner Knapp attended an Economic Development Council meeting on November 21 in Cusick and reported there was no quorum so attendees had open dialogue. He reported one topic of discussion was on an electric vehicle stations program. Discussion was held on infrastructure costs, options and locations.

COMMISSION BUSINESS:

Commissioner Knapp will attend a WPUDA Annual Conference tomorrow through Friday in Tulalip, a NoaNet Board meeting on December 12 in Spokane. Discussion was held regarding attendance at a WPUDA/Washington State Wire sponsored Re-Wire Policy Conference on December 13 in Seattle.

Commissioner Larson will attend a Tri-County Economic Development District meeting tomorrow in Colville and a NoaNet Board meeting on December 12 in Spokane.

Commissioner Peterson will attend a WPUDA Annual Conference this week in Tulalip and a Public Power Council Annual meeting on December 13 in Portland.

ACTION ITEM:

- Kalispel Tribe of Indians Casino Service Line Agreement. Mr. Whitney explained the details and reported that under federal regulations for tribal lands we are required to bring this item before the Board for action. Discussion was held. A motion was made by Commissioner Larson and seconded by Commissioner

Knapp to authorize the general manager to execute the agreement and attached new line extension map. The motion passed unanimously.

BUSINESS FROM THE PUBLIC:

A member of the public inquired if the cause of the outages that occurred this past summer was determined. Mr. Willenbrock reported after investigation the District found and rectified a number of minor maintenance items that could have been the cause—but nothing definitive.

A member of the public asked about his irrigation bill. The customer was referred to the District's Senior Discount program which would provide a discount on his residential bill but he could use that savings to help pay his irrigation bill. Mr. Willenbrock thanked the customer for attending and voicing his concerns.

Following a 2-minute break, the meeting resumed.

PUBLIC HEARING – 2019 PROPOSED BUDGET AND ELECTRIC SYSTEM RATES:

Pursuant to notice given to the Newport Miner, a public hearing to discuss and consider the 2019 Proposed Budget and Electric System Rates was held at 10:15 a.m. There were seven members of the public in attendance.

Ms. Holderman explained that staff makes a recommendation on the proposed budget and the commissioners take action based on that recommendation. She provided a powerpoint presentation and explained budget assumption scenarios.

Ms. Owen reported there have been a number of meetings held during the last couple months to review and ask questions on the proposed budget.

Ms. Holderman explained operating revenue for the Water Systems, Community Network System (CNS) and Electric System. She explained the cost savings of refinancing our 2009 bonds this year. She provided general service revenue for residential, commercial and industrial customers. She provided operation and maintenance costs and customer information for the Box Canyon Production System, Electric System, CNS and Water Systems. She provided administrative and general and protection, mitigation and enhancement measures costs. She reviewed capital expenditures and labor assumptions. She provided a financial summary and reported staff is proposing a consolidated \$61.5M budget for 2019. She explained the debt service coverage and reported we are projected to be at a ratio of 5.85 which is well above the goal. She explained the District is building reserves and at this time staff is not recommending a rate increase for 2019. She reported staff will re-evaluate the rates in the spring.

Commissioners Knapp and Larson expressed their appreciation of staff's continued work on the budget to build reserves and not raise rates for our customers.

Mr. Willenbrock expressed his appreciation for the work done to achieve this budget by Ms. Holderman and Ms. Owen and the finance team.

Commissioner Peterson inquired if the members of the public had any comments or questions. There were no comments or questions from the members of the public.

The hearing ended at 10:50 a.m.

EXECUTIVE SESSION – PENDING AND/OR POTENTIAL LITIGATION:

A 45-minute executive session on pending and/or potential litigation commenced at 11:00 a.m. The following were in attendance: Board of Commissioners; Colin Willenbrock, General Manager; April Owen, Director, Finance/Auditor; and Tyler Whitney, General Counsel/Director, Regulatory & Governmental Affairs. The executive

session adjourned at 11:45 a.m. and the Board returned to open session. No further action was taken.

DISCUSSION ON BUDGET AND FUTURE LOAD GROWTH CONTRIBUTIONS IN AID OF CONSTRUCTION:

Mr. Willenbrock reported the District has experienced load growth causing us to look at 5-year plans and contributions. He reported several new large industrial customers have asked whether the PUD would be willing to finance the costs of their electric interconnection. He reported that per our current policy it is the customer's responsibility to pay those costs. The recommendation from PUD staff is to continue under the same policy guidelines as the District is not in a position financially to provide customer financing as it seeks to maintain financial stability and build reserves. A motion was made by Commissioner Knapp and seconded by Commissioner Larson to confirm the District's current line extension policy and to continue operations per the policy. The motion passed unanimously.

Discussion was held regarding the Teck Mine visit and load.

There being no further discussion to come before the Board, the meeting adjourned at 12:18 p.m.

President

ATTEST:

Secretary

General Counsel
Approved as to Form