

Minutes of
PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY
November 29, 2022
BOX CANYON DAM, IONE, WA AND
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, virtual
Karen Willner, Clerk of the Board

Others: Dave Rick, Commissioner-elect
Gretchen Koenig, Member of the Public

The meeting was called to order at 9:01 a.m. by Curtis J. Knapp, President.

CONSENT AGENDA:

The minutes from the November 1, 2022 meeting, the November 15, 2022 meeting, today's agenda, and the vouchers were reviewed.

As of this date, November 29, 2022, the Board, upon motion by Commissioner Larson and seconded by Commissioner Knapp approved the following:

- The agenda for November 29, 2022, the minutes of the November 1, 2022 meeting, and the minutes of the November 15, 2022 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. 7524 through 7571 in the total amount of \$77,686.12; ACH payments in the total amount of \$153,202.73; Wire Transfers in the total amount of \$528,565.04; and ACH payroll transactions in the total amount of \$261,241.91 for the payroll ending November 15, 2022.

The motion passed unanimously.

Due to staff arrival delays because of a vehicle rollover accident, the public hearing start time was delayed.

COMMISSION REPORT:

Commissioner Knapp attended a virtual Washington Public Utility Districts Association (WPUDA) Commissioner Education and Roundtable meeting on November 16, a Public Power Council (PPC) Member Forum on November 16 in Portland, a Northwest River Partners Annual meeting on November 16 in Portland, a PPC Annual meeting on November 17 in Portland, and a Pacific Northwest Utilities Conference Committee Annual meeting on November 18 in Portland.

Commissioner Larson did not attend any meetings since the November 15 meeting.

Commissioner Onley attended the virtual WPUDA meetings on November 16 – 18 and provided an overview.

PUBLIC HEARING – PROPOSED 2023 BUDGET AND ELECTRIC SYSTEM RATE ADJUSTMENTS:

Pursuant to notice given to the Newport Miner, a public hearing to present and discuss the proposed 2023 budget and electric system rate adjustments commenced at 9:20 a.m. There were three members of the public in attendance.

Sarah Holderman, District Director of Customer Services, reported staff will ask for Board approval at the December 6 meeting and the budget will need to be approved before the end of this year. She provided a 2023 proposed budget presentation which included a summary, revenues, and expenses. She reported it is a balanced budget.

Gretchen Koenig, member of the public, inquired if the PUD factors in the energy efficiency regulations for calculating customer usage. Colin Willenbrock, District General Manager, reported the usage forecast is based on historical averages with some consideration given to current and future regulatory changes. Discussion was held.

Ms. Holderman reviewed the proposed budget expenses which include operations and maintenance costs for the electric system, production system, Community Network System, and water systems. She reported the proposed budget includes a baseline 3% adjustment for union and non-union wages, which would be effective April 1. Mr. Willenbrock noted the District's merit program, cost of living adjustments, union negotiations. Discussion was held.

Ms. Holderman reviewed customer information, administrative and general expenses, and protection, mitigation and enhancement expenses.

Following a short recess, the meeting resumed.

BUSINESS FROM THE PUBLIC/OPEN COMMENT PERIOD:

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

Dave Rick, Commissioner-elect, commented that as he attends civic events, he is hearing that electric rates are on the minds of the public. Their number one concern is what will happen to rates. Commissioner Knapp thanked him for his comments.

Ms. Koenig commented that the federal government has approved a dam removal on the Klamath River and inquired if the PUD is concerned. Mr. Willenbrock reported the whole industry is concerned about the attacks on hydroelectric projects. We were proactive by modernizing the Box Canyon plant and working with key stakeholders, such as the Kalispel Tribe of Indians, on best practices for impact mitigation. Commissioner Knapp thanked her for her comment.

PUBLIC HEARING – PROPOSED 2023 BUDGET AND ELECTRIC SYSTEM RATE ADJUSTMENTS (continued):

Ms. Holderman reviewed the capital expenditures and reported the Newport Administration building elevator refurbishment was added to the budget. Discussion was held regarding line extensions. Commissioner Onley noted his OPGW position memo email. Discussion was held.

Ms. Holderman reviewed labor assumptions and a budget summary. She reported we will be using \$2 million of the Ponderay Newsprint Company (PNC) cash collateral to help cover our expenses. Mr. Willenbrock commended Ms. Holderman and the finance staff for their budget forecast and reported it is a conservative and solid budget.

Ms. Holderman provided an electric system rate adjustments presentation. She reported we are not asking the Board for its approval today and there will be an action item on the December 6 agenda. The Board should take staff and public comments into consideration when making their decision. If approved before the end of the year, the rates will be effective on January 1. She reported that staff is proposing rate adjustments to be proactive and to have smaller rate adjustments as opposed to large adjustments. She provided three options for a 1%, 1.5%, and 2% proposed rate adjustment.

Commissioner Onley read his proposal of a rate reduction which included a reduction in days cash on hand and a reduction in capital expenditures. Commissioner Larson requested information for a 1%, 3% and 5% reduction scenario and the effect these reductions would have on an average customer's bill. Ms. Holderman explained preliminary reduction scenarios and will provide the requested information to the Board. Discussion was held.

Mr. Willenbrock provided a summary of the PNC closure and the lost revenue needed to cover Box Canyon cost. He suggested the Board consider doing a 0% rate increase as opposed to doing a rate reduction. Commissioner Knapp commented that he understands Commissioners Onley and Larson's suggestion of a rate reduction, but is concerned that now might not be the time with inflation soaring and many unknowns still facing the PUD. He appreciates the conversation and staff providing the additional information. April Owen, District Director of Finance, added that interest rates are rising, so any debt financing of capital projects would be at a higher cost. Discussion was held.

The public hearing ended at 11:09 a.m.

SAFETY SPOTLIGHT:

Commissioner Onley commented that he was proud to see three PUD vehicles and crews helping with the vehicle rollover accident this morning. Bryant Kramer, District Director of Power Production, will pass along Commissioner Onley's praise to the crew.

CUSTOMER SPOTLIGHT:

Amber Gifford, District Customer Service & Contracts Manager, shared a customer letter commending Lisa Curry, District Customer Service Representative, and the engineering team for their help with a line extension. They made the process easy and their attitude was helpful and encouraging. She commended Ms. Curry and the engineering staff.

She reported the PUD calendars for 2023 are being printed and will be available for distribution during the first full week of December.

ACTION ITEM:

- Bid Award – General Pacific, Inc. for Advanced Metering System. Tyler Whitney, District General Counsel, provided the metering system and project details. Based on staff recommendation, a motion was made by Commissioner Onley and seconded by Commissioner Larson to award the bid to General Pacific, Inc. in the estimated cost of \$3.5M and authorize staff to accept and sign the contract and purchase orders for the project. Discussion was held. The motion passed unanimously.

OCTOBER FINANCIALS REPORT:

Commissioner Knapp thanked the finance staff for their work on the financials.

Ms. Owen reviewed the October financials and reported Cascade Digital had diurnal shaping in October and described how they prepaid for their October power. She reported interest rates are up and we had more interest income in October than in other months this year. We are above budget with our revenues and will also see higher loads in November. We had good generation with Box Canyon Dam in October. Discussion was held.

Ms. Holderman reported on a Washington State Broadband Office Broadband Infrastructure-ARPA Capital Grants grant that is available. She provided details and reported the grant amount is \$12M. Nik Reed, District Broadband System Network Administrator, provided and explained a FCC National Broadband map of the north county's served and unserved areas. Ms. Holderman asked for the Board's direction on applying. Mr. Reed reported Pend Oreille County qualifies as a distressed area therefore it would be a zero match. Discussion was held. The Board was in agreement for the

District to apply for the populated, qualifying pink areas on the map which include Ione, Metaline, and Metaline Falls. Staff will proceed with the application.

COMMISSION BUSINESS:

- Pre-Approval of Commissioner Travel or Meeting Attendance for January. Commissioner Knapp will attend the PUD Board meetings on January 17 in Newport and January 31 at Box Canyon, the Washington Public Utility Districts Association (WPUDA) meetings on January 11 – 13 in Olympia, and Energy Northwest meetings on January 25 – 26 in Olympia. Commissioner Onley will attend the PUD Board meetings on January 17 in Newport and January 31 at Box Canyon, a virtual WPUDA Telecom and Ports Joint meeting on January 9, a virtual Greater Newport Area Chamber of Commerce meeting on January 4, and the WPUDA meetings on January 11 – 13 in Olympia. Commissioner-elect Dave Rick will attend the PUD Board meetings on January 17 in Newport and January 31 at Box Canyon, and the WPUDA meetings on January 11 – 13 in Olympia.

A motion was made by Commissioner Onley and seconded by Commissioner Knapp to approve the January schedule, as presented. The motion passed unanimously.

Discussion was held regarding a WPUDA/American Public Power Association Legislative Rally. Commissioner Knapp will follow up.

The Board of Commissioners will attend the WPUDA Annual Conference tomorrow through Friday in Spokane.

Commissioner Knapp commented that he is good postponing our Northwest River Partners membership for next year but the Board can discuss at the December 6 meeting.

A lunch to recognize Commissioner Larson's service with the District was held. Mr. Willenbrock and Commissioner Knapp provided recognition of Commissioner Larson.

Following the lunch, a Box Canyon generator tour of the disassembled rotor and stator was provided to staff and the public attendees by Mr. Kramer.

Commissioner Knapp reported the next meeting is December 6, starting at 8:30 a.m., in the Newport Conference Room in Newport, and virtually via Microsoft Teams.

There being no further discussion to come before the Board, the meeting adjourned at 1:50 p.m.

President

ATTEST:

Secretary

General Counsel
Approved as to Form