

Minutes of
PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY
April 12, 2022
NEWPORT CONFERENCE ROOM, NEWPORT, 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
Karen Willner, Clerk of the Board

Others: Olga Darlington, Moss Adams Partner
Ruslan Zinurov, Allrise Capital CEO
Monty Stahl, Merkle Standard COO and Staff
Jon Carman, Member of the Public
Phyllis Kardos, Responsible Growth Northeast Washington
Approximately 70 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 March 29, 2022 meeting, today's revised agenda, and the vouchers were reviewed.

As of this date, April 12, 2022, the Board, upon motion by Commissioner Onley and seconded by Commissioner Larson approved the following:

- The revised agenda for April 12, 2022 and the minutes of the March 29, 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. 6786 through 6833 in the total amount of \$200,759.58; ACH payments in the total amount of \$307,441.89; and ACH payroll transactions in the total amount of \$234,063.91 for the payroll ending March 31, 2022.

The motion passed unanimously.

BOARD WORKSHOP:

Commissioner Knapp asked if the commissioners had any topics for discussion. The commissioners did not have any topics for discussion.

Colin Willenbrock, District General Manager reviewed today's agenda and reported that Olga Darlington with Moss Adams will be joining the meeting to walk through our audit. He commended her and her team for their work and for being a pleasure to work with.

He provided an update of the wildfire mitigation meetings and our team and how we are handling danger trees.

April Owen, District Director of Finance introduced Ms. Darlington, Partner with Moss Adams, and reported she will give a briefing on our 2021 audit.

Ms. Darlington reported the audit was completed on time and she provided a presentation of the District's audit for 2021. She reported it was a clean audit and reviewed the areas of audit emphasis and audit standards. There were no audit adjustments or proposed or recorded adjustments. She thanked the District for being good to work with and making it a smooth audit. Commissioner Knapp thanked her for attending today and giving a report. Ms. Owen thanked Ms. Darlington and her team for being great to work with and reported the final audit should be ready for distribution in a couple of weeks. She commended John Bricher, District Finance Manager; Megan Malone, District Accounts Payable Analyst; Destini Parker, District Payroll & Benefits Coordinator; and Sarah Holderman, District Director of Customer Services for their efforts and great work.

Mr. Willenbrock reported the draft wildfire plan will go out to the Board at the end of April or beginning of May.

He provided a summary of our fiber broadband grants and reported we are working to try to get fiber to the north part of the county.

He reported we had wind events and outages last week and it was Amber Gifford's, District Customer Service & Contracts Manager, first major outage event as our customer service manager. Staff were helping to answer phones and we were able to restore all services in a little over a day. He reported we had minimum outages yesterday. Kevin Conway, District Director of Utility Services reported it was Ray Chantry's, District System Operator, first outage experience and he did well.

Mr. Conway reported the region had a frequency event a week and a half ago that was outside of our area. He explained that frequency level dropped, our generators responded as they should, and a power plant operator noticed it right away. He did not know the cause of the frequency event. Discussion was held.

SAFETY SPOTLIGHT:

Mr. Conway reported today's topic is about lifting and the importance of lifting with your legs and not your back.

He reported there was a lost time incident on the fish ladder regarding an employee who was pulling up the grates. The grates have now been welded down and the District is designing "hay hooks" that will help pull these next time without putting workers in an awkward position.

CUSTOMER SPOTLIGHT:

Ms. Gifford thanked everyone for participating in our March Madness Food Drive. We collected a total of 2,389 pounds of food which was 785 pounds more than we collected in 2020. This addresses our core value of our focus on our community. She reported the food was distributed evenly at the Newport, Cusick, and Ione Food Banks yesterday and she thanked everyone for helping. Customer service was the winning team.

She reported that 1,500 customers lost power during the April 4 outage and everyone's power was restored in 24 hours. She thanked everyone for helping.

COMMISSION REPORT:

Commissioner Knapp reported he fielded customer phone calls and emails regarding fiber, meters, and duties of a commissioner. He met with Wayne Antcliff, Owner of Concept Cable to discuss the Newport School District's football field. He had an Energy Northwest meeting yesterday to discuss the executive representative candidates. He is working with other PUDs on governance.

Commissioner Larson attended a Washington State Broadband Office (WSBO) meeting yesterday with Hart Clements, Senior Policy Advisor with Senator Patty Murray, in attendance. He reported it was a thorough discussion on fiber broadband grants at a federal level, which now needs to be changed at the state level. He noted we can submit a

letter of support in reference to the objection process signed by Senator Murray to WSBO.

Commissioner Onley attended a Greater Newport Area Chamber of Commerce meeting on April 5 where a discussion topic included the city's beautification project. He reported the District's warehouse building on Union Avenue was discussed.

COMMISSION BUSINESS:

Commissioner Knapp will attend the Washington Public Utility Districts Association (WPUDA) meetings on April 13 – 15 in Tulalip.

Commissioner Larson will attend a Northwest Open Access Network meeting tomorrow in Spokane and a virtual Broadband Action Team meeting on April 14.

Commissioner Onley will attend the WPUDA meetings on April 13 – 15 in Tulalip. He received an email regarding a small nuclear reactors meeting on April 26. Discussion was held. Commissioner Knapp approved Commissioner Onley's attendance.

Discussion was held regarding the WPUDA executive-committee voting. Commissioner Knapp will proceed per the commissioners' recommendations.

ACTION ITEMS:

- Unbudgeted Item – Cisco Firewall. Bob Pebles, District Information Technology Manager/CIP Senior Manager reported this is a request for funding to replace 13 firewalls that were not included in the Cisco SmartNet contract renewal quote. Discussion was held regarding the state contracting options and delaying other budgeted items. A motion was made by Commissioner Larson and seconded by Commissioner Onley to approve the unbudgeted item for the Cisco Firewall devices in the total amount of \$18,442.74. The motion passed unanimously.
- Sunvale Acres Water Loan #DWL27109 Revision. Tyler Whitney, District General Counsel reported this is a state drinking water loan to replace the previously received Public Works funding and that a meeting with the Sunvale Acres Water System members was held on March 29. Commissioner Larson reported it was a great meeting. Ms. Holderman reported that as part of the subsidy we would need to raise the water system rates and that these numbers were provided to the members. Discussion was held. Mark Scott, District Water Systems Manager reported we will go out to bid as soon as possible and the project will start in the late fall or early next spring. A motion was made by Commissioner Larson and seconded by Commissioner Onley to approve the loan and authorize staff to proceed. Commissioner Onley thanked Commissioner Larson for attending the March 29 meeting. The motion passed unanimously.
- Contracting and Purchasing Policy Updates. Ms. Gifford reported the updates were for clarity and language that was added throughout the policy. A motion was made by Commissioner Onley and seconded by Commissioner Larson to approve the revised policy, as presented. Mr. Willenbrock explained the decision-making process. The motion passed unanimously.
- Electric Line Extension Policy Revision. Mr. Willenbrock reported the cost of services and goods have gone up but this revision is just to address the transformers. A motion was made by Commissioner Larson and seconded by Commissioner Onley to accept the revised policy, as presented. Commissioner Larson would like to review the policy in more detail at a future meeting. Mr. Willenbrock reported we need to cover our costs and have an internal team working on revising the policy. Commissioner Onley would like to see a refinement of residential, commercial and solar services. Mr. Willenbrock

reported we will have a workshop in May to discuss this further. The motion passed unanimously.

Commissioner Knapp reported the next action item will wait until after the business from the public. We will take a short break now and followed by a Merkle Standard presentation. We will then have more business from the public following that presentation.

Following a 15-minute recess, the meeting resumed.

BUSINESS FROM THE PUBLIC:

Commissioner Knapp reported Merkle Standard will be giving a presentation. Following the presentation, we will take a break to mingle with staff and ask questions of Merkle Standard, then we will resume for any other business from the public. He welcomed Merkle Standard staff.

Ruslan Zinurov, Allrise Capital CEO introduced himself, thanked the Board for allowing them to attend, and thanked the community members for attending. He introduced his staff.

Monty Stahl, Merkle Standard COO reported it was great to be here again and thanked the Board for the opportunity to attend today's meeting. He provided a presentation and reported they are committed to building a leading and sustainable digital asset mining platform. He explained their core principles of community, transparency and execution. He reported on their positive impact to the local economy and how they are investing in the future of the county. They expect to import power for current and future operations and don't expect any adverse rate impacts to the county ratepayers. He explained their digital mining advantage which can be curtailable and flexible with power and be a grid asset. He reviewed their community involvement, environmental benefit, financial impact and community support. They expect to have a data center in June and direct tax payments to the county. His role in a large community is to support first responders, sponsor local education programs and create jobs. He reported they are committed to preserving the paper mill assets and have spent money to preserve these assets and plan to restart the mill process when it makes sense. They want to use local contractors and be a good neighbor. He explained that data bitcoin technology makes sense as a business and that block chain will be a growing technology. He welcomed the Board's questions and thanked the Board for this opportunity.

Discussion was held regarding if Merkle Standard would stay in the county, employment and credentials required, and the number of shipping containers currently on site.

Commissioner Knapp thanked Mr. Stahl and his team for attending and presenting. He asked if there was any other business from the public.

John Carman, member of the public, thanked Merkle Standard for their presentation and he commended the Board and District staff for keeping rates down and hoped ratepayers could benefit from the low rates.

ACTION ITEMS (continued):

- May Energy Transactions. Ms. Owen reported on the Shell Energy Agreement vs. Seattle City Light Boundary amounts. For light load hours in May, we will be selling excess Boundary power to Shell. In heavy load hours in May, the District will be purchasing power. A motion was made by Commissioner Larson and seconded by Commissioner Onley to accept Ms. Owen's proposal on the May power sales. The motion passed unanimously.

Mr. Willenbrock thanked Merkle Standard staff and the public for attending. He reported we continue to have regular meetings with Allrise. He noted that we have received customer emails which have been given to the Board. He reported that once we have a contract we will have a public hearing for public comment. He encouraged the public to

reach out to Merkle Standard/Allrise for any questions, concerns, and/or comments. Commissioner Knapp referred people to the District's website for Allrise project updates.

Sonya Scaufaire, Selkirk Sun Owner, inquired if the PUD was still emailing press releases. Mr. Willenbrock reported we send our press releases to the County's paper of record and put them on our website. She will renew her request to receive the press releases.

Commissioner Knapp announced a 60-minute executive session on pending and/or potential litigation to begin at 11:10 a.m. with Tyler Whitney, General Counsel 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. No action will be taken during the executive session. The next meeting is April 26 at 8:30 a.m. in the Newport Conference Room in Newport and virtual via Microsoft Teams.

EXECUTIVE SESSION – PENDING AND/OR POTENTIAL LITIGATION:

A 60-minute executive session on pending and/or potential litigation commenced at 11:10 a.m. The following were in attendance: Board of Commissioners; Colin Willenbrock, General Manager; and Tyler Whitney, General Counsel. The executive session adjourned at 12:00 p.m. The Board returned to open session. No final action was taken.

Discussion was held regarding the fish ladder operation, a future Sullivan Lake Dam Emergency Action Plan meeting and lake level, Department of Fish and Wildlife payments to the District and a special use permit with the Forest Service.

Commissioner Knapp reported the next meeting is April 26, in the Newport Conference Room in Newport, WA and via Microsoft Teams.

There being no further discussion to come before the Board, the meeting adjourned at 12:23 p.m.

President

ATTEST:

Secretary

General Counsel
Approved as to Form