

Minutes of
PUBLIC UTILITY DISTRICT NO. 1 OF PEND OREILLE COUNTY
November 2, 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: Sonya Scauftaire, Selkirk Sun
Nine Water Systems Members

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 October 26, 2021 meeting, today's agenda, and the vouchers were reviewed.

As of this date, November 2, 2021, the Board, upon motion by Commissioner Onley and seconded by Commissioner Larson approved the following:

- The agenda for November 2, 2021, and the minutes of the October 26, 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. 6241 through 6252 in the total amount of \$15,461.32; and ACH payments in the total amount of \$401,556.04.

The motion passed unanimously.

BOARD WORKSHOP:

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

Colin Willenbrock, District General Manager reported today's workshop will consist of a budget for 2022 discussion.

Sarah Holderman, District Director, Treasury, Broadband & Strategic Planning shared her screen and provided a draft 2022 Budget preview.

April Owen, District Director, Audit, Finance & Power Supply reviewed the power supply purchases and sales.

Ms. Holderman reviewed the general service revenue for residential, commercial and industrial customers. Discussion was held. She reviewed the operation and maintenance costs and administrative and general costs for the production, electric, community network, and water systems. She reviewed the protection, mitigation and enhancement costs and reported the Off-License Settlement Agreement payment is anticipated to be accrued in 2022. She reviewed the capital expenditures. Discussion was held. She reviewed the labor assumptions and provided a summary. She reported a budget hearing will be held during the November 16 meeting. Discussion was held.

Mr. Willenbrock thanked staff for their efforts working on the budget and provided insight for the proposed 2022 budget.

SAFETY SPOTLIGHT:

Adam Wiltse, District Safety Manager provided a COVID-19 vaccine update and reported the Occupational Safety and Health Administration (OSHA) mandate was approved by the federal Office of Management and Budget which will be effective this week. He explained that in Washington State, and if there is no other Washington State rule in place, the OSHA federal rule would apply and needs to be as strict or stricter than the Washington State rule. The mandate will be published this week and when it becomes effective and if it applies to us, we will work on being compliant with the federal rule. Discussion was held.

CUSTOMER SPOTLIGHT:

Ms. Holderman provided a customer arrearage update and reported we received 42 American Rescue Plan Act grant applications for a total of \$28,000. At the end of September our arrearages were approximately \$250,000 with 1,800 customers. Currently we have customer arrearages of approximately \$150,000 with 1,500 customers. Discussion was held.

COMMISSION REPORT:

The commissioners did not have any changes to their previously approved meetings.

Commissioner Knapp attended the Energy Northwest (ENW) meetings and an ENW Member Forum on October 26 - 28 in the Tri-Cities and provided an overview which included a cyber-security discussion.

Commissioner Larson attended a virtual Tri-County Economic Development District meeting on October 27 and provided an overview which included an audit discussion. He reported TEDD applied for a state broadband grant and if they get the grant they will own their own fiber and lease it out.

Following a 5-minute recess, the meeting resumed.

BUSINESS FROM THE PUBLIC:

Sonya Scaufaire, Selkirk Sun asked for the Board's opinions on a ballot measure to remove ballot boxes in Pend Oreille County. Tyler Whitney, District General Counsel & Assistant General Manager suggested that she email each commissioner separately so they can respond in an individual capacity. She will send separate individual emails to each commissioner. Commissioner Knapp thanked her for attending.

COMMISSION BUSINESS:

Commissioner Knapp will attend a virtual Public Utilities Risk Management Services meeting on November 4.

Commissioner Larson will attend a virtual Northwest Open Access Network (NoaNet) Board meeting on November 10 and tentatively attend a virtual Broadband Action Team (BAT) meeting on November 11. He asked for discussion regarding his attendance at the BAT meeting.

- Pre-Approval of Commissioner Travel or Meeting Attendance for December. Commissioner Knapp plans to attend the virtual PUD Board meetings on December 7 and 21 and tentatively plans to attend a virtual Washington Public Utility Districts Association (WPUA) Annual Conference on December 1 – 3 depending on the cost. Commissioner Larson plans to attend the virtual PUD Board meetings on December 7 and 21 and a virtual NoaNet Board meeting on December 8. He tentatively plans to attend a virtual BAT meeting on December 9

and the virtual WPUA Annual Conference on December 1 – 3 depending on the cost. Commissioner Onley plans to attend the virtual PUD Board meetings on December 7 and 21 and the virtual WPUA Annual Conference on December 1 - 3.

A motion was made by Commissioner Larson and seconded by Commissioner Onley to approve the commissioner travel or meeting attendance for December. Discussion was held regarding Commissioner Larson's BAT meeting attendance. Mr. Willenbrock reported that Commissioner Larson is the District's Representative and Commissioner Onley is the District's Alternate. He will only send staff as needed. The motion passed unanimously.

ACTION ITEMS:

- Surplus Bid Awards – Newport Miscellaneous Items. A motion was made by Commissioner Larson and seconded by Commissioner Onley to award the bids to the highest bidders, as presented. The motion passed unanimously. Staff will proceed as appropriate.
- Contributions Policy Revision. Discussion was held. Mr. Whitney will add the word "telecommunications" to the list of services we provide. A motion was made by Commissioner Larson and seconded by Commissioner Onley to approve the policy revision as amended. The motion passed unanimously.
- Damage Claim DC201643. Based on staff recommendation, a motion was made by Commissioner Larson and seconded by Commissioner Onley to deny the damage claim in the total amount of \$12,000. The motion passed unanimously.

Discussion was held about scheduling a legislative luncheon meeting and a PUD townhall meeting.

Mr. Willenbrock inquired if the Board wants to rejoin Public Power Council (PPC) and he noted PPC's help on the Bonneville Power Administration (BPA) power contract with regards to Ponderay Industries. Discussion was held. The Board was in favor of rejoining PPC.

He reported progress continues in our work with Ponderay Industries and we have received a verbal confirmation that the site may be limited for load. BPA feels comfortable green lighting up to 100MW at the site. A load study will be published in early December based on the original request from Ponderay Industries. We continue to work through the contracts with Ponderay Industries.

PUBLIC WATER RATE HEARING:

Pursuant to notice given to the Newport Miner, a public water rate hearing to present and discuss the proposed water rate adjustments commenced at 10:30 a.m. There were nine members of the public in attendance.

Ms. Holderman reported the Board sets the rates and takes staff recommendation and public comments into consideration. She shared her screen and provided a rates overview. She reported rate adjustments are being recommended for Sandy Shores, Riverbend, Greenridge, Riverview, Sunvale, Lazy Acres, Holiday Shores and Granite/Sacheen Water Systems.

She reviewed the Sandy Shores Water System financials and reported their current monthly rate is \$45 and she is proposing an inflationary only rate adjustment of \$1.50 for a total monthly rate of \$46.50. She reviewed the intercompany loan balance.

She reviewed the Riverbend Water System financials and reported it is an aging water system and their costs are exceeding their revenue. Their current monthly rate is \$87 and she is proposing a \$5 rate adjustment for a total monthly rate of \$92. She reviewed the

intercompany loan balance and costs. Gene Stone, Riverbend Water System member was concerned with how the water system has been working and that they would like to get a handle on the expenses. They plan to meet with PUD staff in November to further discuss the expenses and to propose putting a spending limit on the system and getting approval before doing any replacements on the system. He is proposing a \$3 rate increase for \$90 per month. Ms. Holderman thanked him for attending and providing feedback. Mr. Stone is looking for a \$2 savings for customers each month and they are looking for ways to reduce their operating expenses. He inquired if the monthly water meter readings could be done remotely. Discussion was held. Mark Scott, District Water Systems Manager will meet with the members for further discussion. Ms. Holderman is not asking for the Board's approval today and will ask for approval in December. Commissioner Knapp thanked Mr. Stone for attending. Mr. Stone thanked the Board for listening to his comments.

Ms. Holderman reviewed the Greenridge Water System financials and intercompany loan balance and reported individual water committee meetings were held virtually in September. Guy Thomas, Greenridge Water System member is concerned about the water quality and he reported that a person wants to hook up to the system but was told the state will not allow them to put anyone else on the system. He would like to get the new person hooked up. Gary Burgess, Greenridge Water System member reported he made water quality recommendations and suggested installing a water filter valve on the system to get better water quality to Rusty Gill, District Lead Water System Operator. He praised Mr. Gill for the work he does. Mr. Scott reported they installed a flush valve at the pump house last year. Commissioner Knapp thanked them for attending and for providing comments. Ms. Holderman reported their current monthly rate is \$83 and she is proposing a rate adjustment of \$1.75 for a total monthly rate of \$84.75.

She reviewed the Riverview Water System financials and intercompany loan balance. Mr. Scott provided an update on the water treatment plant which included warranty gasket work. He reported the treatment process has been working well to remove arsenic and manganese and additional flushing has been done. Ms. Holderman reported they received total grant and loan funding of \$577,000 which will help pay for the system. She reviewed their loan payments, water supplies and labor costs. She reported their current monthly rate is \$50 and she is proposing a rate adjustment of \$15 for a total monthly rate of \$65. A \$20 a month increase alone would pay for their loan payment. Denise Pauling, Riverview Water System member commented it is hard to come up with an additional \$15 per month. She is concerned with the cost of the loan and how long it will take to pay off the loan and labor costs. Ms. Holderman thanked Ms. Pauling for her comments. JoAnn Bell, Riverview Water System member has the same concerns as Ms. Pauling. Mr. Scott explained that once the system transitioned to a Group A community, the state said we needed to install a filtration plant. Therefore we looked for funding and piloted a program. The first pilot program was unsuccessful so we brought in another company to do a pilot study and we went to the state for drinking water funds. The project cost came in higher than expected so we asked the state for more funding, which we received. He reported they are trying to figure out how to reduce the chlorine, but in order to treat for arsenic it's required to chlorinate to make the process work. The system is currently set at the minimum. Discussion was held. Commissioner Knapp asked Mr. Scott to schedule a meeting with the members to discuss further. Ms. Holderman will email information to Ms. Pauling.

Ms. Holderman reviewed the Sunvale Acres Water System's Public Works Board loan details and reported the loan payments won't start until the full loan is drawn on. She reported their current monthly rate is \$52.50 and she is proposing a rate adjustment of \$7.50 for a total monthly rate of \$60. She reviewed the intercompany loan balance.

She reviewed the Lazy Acres Water System intercompany loan balance and reported their current monthly rate is \$53 and she is proposing a rate adjustment of \$3 for a total monthly rate of \$56.

She reviewed the Holiday Shores Water System financials and reported that in 2021 they lost their well pump which affected their intercompany loan balance. She reported their current monthly rate is \$51 and she is proposing a rate adjustment of \$4 for a total

monthly rate of \$55. Brian Fleisher, Holiday Shores Water System member inquired about a one-time assessment and if they are able to pay the deficit all at once. Ms. Holderman could reach out to all the customers to see if they want to do this. She thanked Mr. Fleisher for attending and for his suggestion and will follow up with him. He will send a letter to the members and asked Ms. Holderman to provide a dollar amount.

She reviewed the Granite Shores/Sacheen Water System financials and reported their current monthly rate is \$83 and she is proposing an inflationary only rate adjustment of \$1.50 for a total monthly rate of \$84.50. She reviewed their intercompany loan balance and reported their water system has been doing great and is on an upward trajectory.

She provided a summary of the water systems proposed rate adjustments. She thanked everyone for attending and reported the Board will take staff recommendation and customer comments into consideration.

The hearing ended at 11:26 a.m.

Commissioner Knapp announced a 1-hour executive session on pending and/or potential litigation 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 November 16, being held virtually via Microsoft Teams.

EXECUTIVE SESSION – PENDING AND/OR POTENTIAL LITIGATION:

A 1-hour executive session on pending and/or potential litigation commenced at 11:30 a.m. The following were in attendance: Board of Commissioners; Colin Willenbrock, General Manager; and Tyler Whitney, General Counsel & Assistant General Manager. At 12:30 p.m., Commissioner Knapp rejoined the open session to publicly announce the executive session would be extended for 30 minutes. The executive session adjourned at 1:00 p.m. The Board returned to open session. No final action was taken.

Commissioner Knapp reported the next meeting is November 16, via Microsoft Teams.

There being no further discussion to come before the Board, the meeting adjourned at 1:01 p.m.

President

ATTEST:

Secretary

General Counsel
Approved as to Form