

CLALLAM COUNTY PUBLIC UTILITY DISTRICT #1

Minutes of the Regular Meeting of the Board of Commissioners

Main Office | 104 Hooker Road | Sequim, WA 98382

June 28, 2021 – This meeting was held remotely via ZOOM

Commissioners Present

Will Purser, President

Rick Paschall, Vice President

Jim Waddell, Secretary

Staff Present

Doug Nass, General Manager

John Purvis, Assistant General Manager

Sean Worthington, Finance Manager/Treasurer

Travis McClain, WWW Systems Coordinator

Mattias Jarvegren, Utilities Supervisor

Tom Martin, Water/Wastewater Manager

Mike Hill, Engineering Manager

Lori Carter, Controller/Auditing Officer

Ruth Kuch, Financial Analyst

Rebecca Turner, Sr. Accountant

Jamie Spence, HR Manager

Nicole Hartman, Communications Manager

Tyler King, Power Analyst

Teresa Lyn, Executive Assistant

Others Present as Identified

Richard DeBusman

Amy (last name not provided)

Andy (last name not provided)

James Schuememann

Janet Marx

Mike Doherty

Jim Bettcher

J. Metzger

Krestene Reed

Paula Barnes

Patricia Morris

The meeting commenced at 1:30 PM.

CONSENT AGENDA :31

Upon recommendation of staff, and upon motion of Commissioner Paschall seconded by Commissioner Waddell carried, the Commissioners approved the following consent agenda items:

- a. Minutes of the June 14, 2021 regular meeting;
- b. Claim vouchers for June 14 through June 21, 2021 for a total of \$2,918,531.57;
- c. Payroll vouchers for the period of June 1 through June 15, 2021; and
- d. Contractor prequalification for KVA, Electric Inc., in the amount of \$750,000 for the upcoming calendar year.

AGENDA REVISIONS :50

- a. Because the public had a number of questions regarding solar, we will open the solar presentation up to receive questions from the public;
- b. Engineering Manager Mike Hill will report on the weekend power outage; and
- c. Finance Manager/Treasurer Sean Worthington will report on the District's recent financial and accountability audit.

COMMENTS FROM THE PUBLIC 2:15

A solar producing net-metering customer expressed concern about when he might receive pay back on his outstanding \$10,000 balance from his personal investment in his residential solar array installation, and appreciation for the upcoming presentation on solar energy.

BUSINESS ITEMS 6:46

Engineering Manager Mike Hill provided a report on the weekend power outage which occurred about 7:30 on Saturday evening. Approximately 12,000 customers were affected. The outage was due to an equipment malfunction in Bonneville Power Administration's (BPA) Happy Valley substation which resulted in a small fire. The power was rerouted and the outage was resolved in about an hour. BPA estimates it will take one week to repair the substation equipment.

Finance Manager/Treasurer Sean Worthington reported on the District's annual financial and accountability audit, which was closed out this morning with the WA state auditor's office. The audit this year focused on cash receipting, accounts payable, our self-insurance for unemployment, and work orders. For the third year in a row, the District had no findings, no management letters, no exit items, no significant deficiencies in internal controls, no material weaknesses, and no issues of non-compliance in the financial statements of the District. The District's Accounting and Finance staff received high praise for their exceptional cooperation and response during each phase of the audit. Lori Carter, the District's Controller/Auditing Officer, was especially complimented by the auditors for going above and beyond in making herself available on the weekends and after hours to insure the audit was completed in a timely fashion. Finance Manager/Treasurer Sean Worthington also reported that staff is compiling a comprehensive annual financial report that includes 10 years of financials and statistics in order to apply for – for the first time - an award from the Government Financial Officer Association (GFOA).

Finance Manager/Treasurer Sean Worthington then provided a detailed overview of the District's proposed new Financial Policy, which is in line with the District's strategic objective 'Be Financially Responsible.' The policy will work in conjunction with our upcoming new District Investment Policy (which is currently awaiting certification from the WA Public Treasurer's Association (WPTA), and which will be submitted to the Board for adoption in July), and will provide clear guidelines to staff on how to direct the District's fiscal operations. The policy addresses recommendations and guidelines for cash on hand; debt service coverage, leverage targets, rate stabilization fund, and capital funding for the Clean Energy Transformation Act (CETA). The complete Financial Policy presentation is available for viewing at <https://clallampud.net/commission-meetings/>. Upon recommendation of staff, and upon motion of Commissioner Paschall, seconded by Commissioner Waddell and carried, the Board approved RESOLUTION 2202-21 Adopting the District's Financial Policy.

Water/Wastewater Systems Coordinator Travis McClain presented on a proposed expansion of the existing Panoramic Heights water system service area in order to reach new customers adjacent to the system. Upon recommendation of staff, and upon motion of Commissioner Waddell seconded by Commissioner Paschall and carried, the Board adopted RESOLUTION 2205-21 Amending the Panoramic Heights Water System Service Area.

A brief discussion ensued regarding Bonneville Power Administration's (BPA)'s post-2028 contract. Topics included negotiation of Tier I and II rates, the effect of surplus on pricing, the load growth of other utilities who plan to incorporate solar or nuclear, and the importance of maintaining a CETA-compliant source. General Manager Doug Nass advised that staff was closely monitoring BPA's post-2028 contract and will continue to do so in the future. Finance Manager/Treasurer Sean Worthington stated that Western Public WPAG's Ryan Neale has done a tremendous job in informing utilities on the history and background of contract negotiations. According to Assistant Manager John Purvis, the overwhelming staff concern is maintaining no more than 20% carbon in order to avoid a 2% fee which would need to be passed on to the ratepayers.

CORRESPONDENCE/COMMUNICATIONS 54:46

There were no correspondence/communication items.

COMMISSIONER REPORTS 55:00

Commissioner Paschall shared a paper from BPA's website which he felt provided a very good assessment of the lower Snake River dams. See the article at <https://www.bpa.gov/news/newsroom/Pages/Lower-Snake-River-Dams-provided-crucial-energy-and-reserves-in-winter-2021.aspx>.

Commissioner Waddell did not share Commissioner Paschall's opinion of the article. He attended WPAG's provider of choice meeting.

Commissioner Purser attended a Public Power Council (PPC) meeting at which the topic was fish returns at the lower Snake River dams. He also attended Energy Northwest (EN) meetings and provided updates on the Columbia Generating Station, which is now back online after significant maintenance updates, and EN's search for a new CEO.

The regular meeting recessed at 2:43 PM for a break and reconvened at 2:48 PM.

STAFF REPORTS 1:19:17

Utility Services Supervisor Mattias Jarvegren presented on the District's history of solar projects, net-metering laws, energy efficiency, demand response, the implications of the Clean Energy Transformation Act (CETA), the effectiveness of existing weatherization and conservation projects, energy storage, the District's current solar-related project endeavors, and solar challenges such as a lack of sunlight and the costs involved to bring solar energy here from further away. Even though Clallam County has half the sunlight as other solar-generating areas of the country, Clallam PUD has the 4th highest number of solar installments of the PUD's in Washington. While the Clean Energy Transformation Act (CETA) will provide challenges, it will make the power system less reliant on carbon resources. The District is currently working and planning under the assumption that solar will play an important part in meeting our CETA Section 12 requirements. Solar and other renewable and non-emitting sources, as well as energy storage systems will be part of a lower carbon and eventual non-carbon supply. Currently, the District's existing energy-efficiency and conservation programs produce significantly more savings than solar does. However, the District plans to invest in a 5MW distribution battery within the next five years which is expected to reduce BPA demand costs, lower power supply costs, will be an investment in CETA, and which has the potential to shape intermittent generation. As part of this storage project, the District will provide customers with an opportunity to integrate customer-owned battery systems, including EVs, under an interconnection net meter arrangement that will be based on the reduction in District power supply cost for the interconnect. The demand response element will require a contractual commitment regarding battery availability when needed.

COMMENTS FROM THE PUBLIC 2:12:35

A customer inquired if he could receive a rebate for a consumer-owned battery. Public comment was heard regarding the District's plan to hire an intern and a request to design community solar and a request from a rate-payer to be part of any test projects with battery storage of solar energy.

ADJOURN 2:15:55

There being no further business to come before the Commission, the meeting adjourned at 3:45 PM. *A detailed transcript of this meeting via audio recording is available to the public on the Commission Meetings page of the PUD website here: <https://clallampud.net/commission-meetings/>.*

June 28, 2021