

CLALLAM COUNTY PUBLIC UTILITY DISTRICT #1
Minutes of the Regular Meeting of the Board of Commissioners
Main Office | 104 Hooker Road | Sequim, WA 98382
September 13, 2021 – This meeting was held remotely via ZOOM

Commissioners Present

Will Purser, President
Rick Paschall, Vice President
Jim Waddell, Secretary

Staff Present

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| Doug Nass, General Manager | Chelsey Jung, Payroll Specialist |
| John Purvis, Assistant General Manager | Julie Metzger, Power Systems Project Coordinator |
| Sean Worthington, Finance Manager/Treasurer | Tyler King, Power Analyst |
| Tom Martin, WWW Manager | Charlie McCaughan, Procurement and Facilities Manager |
| Nicole Hartman, Communications Manager | |
| Ruth Kuch, Financial Analyst | |
| Rebecca Turner, Sr. Accountant | |

Others Present as Identified

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| Paula Barnes | Patti Morris |
| Janet Marx | Richard DeBusman |

The meeting commenced at 1:30 PM.

CONSENT AGENDA .47

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

- a. Minutes of the August 23, 2021 regular meeting;
- b. Claim vouchers for August 17 through September 7, 2021 for a total of \$2,977,185.31;
- c. Payroll vouchers for the period of August 1 through August 31, 2021; and
- d. Removal of delinquent accounts from the September 2021 active accounts receivable totaling \$15,858.61 including a 30% collection fee.

AGENDA REVISIONS 1:13

Finance Manager/Treasurer Sean Worthington will present Resolution 2212-21 Establishing Titles and Monthly Salary Ranges for Staff Employees, instead of HR Manager Jamie Spence, who is not present. GM Doug Nass will provide an update on COVID-19's impact on the PUD.

COMMENTS FROM THE PUBLIC 1:50

There was no public comment.

BUSINESS ITEMS STARTING AT 2:12

- a. **2:32:** Upon recommendation of staff, and upon motion of Commissioner Paschall, seconded by Commissioner Waddell and carried, the Board adopted RESOLUTION 2210-21 Authorizing the Defeasance of Certain of the Outstanding Electric System Revenue Bonds, 2014. The object of this Resolution is move forward with paying off our 2014 revenue bonds with a 4.238% interest rate in order to enable the District to proceed with a new bond issuance at a 2% interest rate within a month's time. The Resolution was prepared by Nancy Neraas, the District's attorney.
- b. **8:10:** Upon recommendation of staff, and upon motion of Commissioner Paschall, seconded by Commissioner Waddell and carried, the Board adopted RESOLUTION 2211-21 Adopting the District's Investment Policy and Rescinding Resolutions 1520-96, 2146-19, 2190-21 and their addendums, which included items that are no longer relevant or applicable. The Resolution was developed by our Financial Analyst, Ruth Kuch, who worked with the District's Financial Advisor and with the WA Public Treasurers Association (WPTA) to have them vet, approve, and certify the new Investment Policy. This updated policy is part of a larger project that staff has been working on to update all existing policies to insure they are relevant and current.
- c. **11:12:** Upon recommendation of staff, and upon motion of Commissioner Paschall, seconded by Commissioner Waddell and carried, the Board adopted RESOLUTION 2212-21 Establishing Titles and Monthly Salary Ranges for Staff Employees and rescinding Resolution 2188-21. Staff proposed that three accounting positions be removed from the Collective Bargaining Agreement (CBA) via a signed Letter of Understanding (LOU) with the union. These positions would then become staff salary positions in order to streamline processes in accounting that will facilitate cross-training and position coverages due to PTO, which is not feasible in a CBA environment. The fourth position, a Business Systems Analyst, derives from the desire to maintain and fully optimize our new NISC system and to support utility staff. This individual will report to the IT manager as well as a senior management task force that will help him prioritize strategic initiatives and projects. All four positions are not an increase in staff positions, and the current incumbents will stay in the positions and maintain their current salaries.
- d. **14:56:** At the request of Commissioner Paschall, Finance Manager Sean Worthington and Assistant General Manager John Purvis provided the Board with an evaluation and risk analysis of the viability of the District's utilization of an operating reserve Line of Credit (LOC). Their in-depth analysis revealed that an LOC is powerful tool that can be used to restore an operating reserve deficit due to an foreseen emergency, and it is often the lowest cost option to increase days cash on hand. However, using a LOC to supplant existing Days Cash on Hand (DCOH) is not consistent with the District's Strategic Plan objective to Provide Stable Rates, for the following reasons: there is uncertainty in risk assumptions, speculative rates increase tolerance and unclear Net Present Value (NPV), positive or negative; risk increases if interest rates rise from current historic lows; and, from an equity standpoint, the District's unencumbered DCOH has been consistent over

the last 15 years. Staff does recommend that a Line of Credit option should be referenced for consideration (as needs dictate) in the next revision to the Financial Reserve Policy.

- e. **1:00:20:** Regarding The Bonneville Power Administration's (BPA)'s post-2028 contract: There were no meetings and thus no updates or discussion ensued.

1:01:01: CORRESPONDENCE/COMMUNICATIONS

General Manager Doug Nass reported on the impact that COVID-19 has had on staff. The District continues to stress social distancing, masking, and sanitizing in order to mitigate the spread of infection. Commissioner Paschall asked and Finance Manager Sean Worthington gave an update on what percentage of employees have notified HR that they have been vaccinated. Commissioner Paschall then asked if the District should offer some kind of incentive to encourage employees to get vaccinated. General Manager Nass advised that the District has not considered it.

General Manager Nass shared Energy Northwest's (EN's) recent press release announcing the election of PUD Commissioner Will Purser to the Chair position of EN's Executive Board as of August 31st and relayed the positive impact that EN has on northwest public utilities. Commissioner Purser elaborated on EN's focus, guidance, and involvement in the Columbia Generation System (CGS), solar farms, wind farms, and small nuclear going in to the future, all of which are Clean Energy Transformation Act (CETA) compliant.

1:10:15: COMMISSIONER REPORTS

Commissioner Waddell attended a North Olympic Development Council (NODC) workshop focusing on the development of a five-year economic development plan for the Olympic Peninsula. One of the largest challenges to our economy is that many young people are leave the area by the time they are 25-30 years old because they cannot afford to live here, thus the base of Clallam County's economy is primarily made up of retirees and those with government salaries. He also attended Northwest Power Pool and Western Public Agencies Group (WPAG) meetings.

Commissioner Paschall attended a WPUDA meeting that focused on battery storage. The WPUDA presentation closely reflected and confirmed the research that Assistant Manager Purvis had previously presented to the Board. He was surprised and disappointed that, considering the pandemic, the Northwest Public Power Association (NWPPA) did not provide a virtual option for their in-person only September meeting.

Commissioner Purser attended EN annual retreat, which focused on setting expectations for the future.

1:24:00: STAFF REPORTS

Assistant Manager John Purvis provided the Board with an update on staff's August 30th informational meeting with representatives from Myno Carbon Corporation (MCC), who are evaluating the feasibility of a biochar plant in the Port Angeles area. The plant would convert unstable organic material, including forestry waste products, into a stable carbon sequestered biochar product. The process includes pyrolysis in which the organic material is heated to a high

temperature in an electric furnace in the absence of oxygen. Biochar has a variety of economic uses as a syngas byproduct for electric generation.

1:33:10 BOARD ACTION ITEMS FOR STAFF

There were no board action items.

1:30:22 COMMENTS FROM THE PUBLIC

There was no public comment.

The meeting convened and recessed at 3:03 PM for Executive Session. The meeting briefly reconvened at 3:04 PM so that Commissioner Purser could announce that the Executive Session is expected to last 40 minutes. The meeting then recessed into Executive Session at 3:05 PM.

1:35:03 EXECUTIVE SESSION

The Commissioners held an Executive Session to review the performance of a public employee and evaluate the qualifications of an applicant for public employment, pursuant to RCW 42.30.110(1)(g). No decisions will be made during the Executive Session, however there will be some open discussion after the Executive Session that may or may not result in some action. Present were Commissioners Purser, Waddell, and Paschall, and General Manager Doug Nass.

The meeting reconvened at 4:00 PM.

1:35:25 DISCUSSION OF CANDIDATES

Coming out of Executive Session, a discussion regarding candidate selection for the upcoming General Manager position (upon General Manager Doug Nass's departure on January 15, 2022) ensued. Commissioner Purser advised that Assistant General Manager John Purvis has withdrawn his interest in the position due to medical issues.

Commissioner Purser explained his preference to select an internal candidate rather than conduct an external search for the following reasons: there is a desire to have some overlap with Doug; based on previous experience, the cost of an external search would cost up to \$150,000; the search and recruiting window is extremely short, and the selection of an internal candidate would result in a truncated learning curve due to the knowledgebase required for current District-specific electric and water service regulations, policies, finances, management, key personnel, enterprise software, and other systems. In addition, with an external candidate you're going to have moving costs and external candidates now are expecting housing assistance, especially in this area.

By selecting an internal candidate we will preserve internal employee morale, and have the support of the employees. An internal candidate will have established and solid relationships with employees, including the Commissioners, the International Brotherhood of Electrical Workers (IBEW), local business, the County, municipalities, Tribes, and so on. Familiarity with Washington State RCWs, the Clean Air Transformation Act (CETA) and its compliance regulations, and existing District projects, programs, policies, finances, departments, union negotiations, and systems already exist. Familiarity from the candidate and from organizations already exist as well with regional utility organizations, with the Washington Public Utility

District Association, (WPUDA), the Northwest Public Power Association (NWPPA), the Bonneville Power Association (BPA), the Western Public Agencies Group (WPAG), and with the current Provider of Choice contract negotiations. An internal candidate would have participated in union negotiations, and would have successfully carried that out. Based on all the above, Commissioner Purser put Finance Manager/Treasurer Sean Worthington forward as a candidate.

Commissioner Waddell agreed with everything that Commissioner Purser said and he recognizes “the work and dedication of Doug in developing an internal employee training and development for employees such as John and Sean. That effort has paid off.” Commissioner Waddell’s experience with Sean has been very professional, stating “He’s been very responsive to my questions as a Commissioner and I’ve seen him in discussions with other regional groups and he’s very well-qualified for this job. I also appreciate the letters of recommendations from organizations that he’s worked with. I agree with you and think Sean should be the General Manager.”

Commissioner Purser said that Assistant Manager John Purvis would be staying in place so “we’ll have a good team. Sean and John have been understudying Doug for the past few years and have been participating in management decisions in a succession-type plan.” General Manager Nass complimented both John and Sean as “great individuals and leaders here.” Commissioner Purser thinks we are very lucky to have internal candidates of this quality. Commissioner Paschall agreed that “Sean would be a very good candidate, a very good General Manager.”

Upon unanimous approval by the Commissioners, and upon motion of Commissioner Paschall, seconded by Commissioner Waddell and carried, the Board voted to hire current Finance Manager/Treasurer Sean Worthington as the new District General Manager, effective January 16, 2021.

Mr. Worthington thanked the Commissioners for their vote of confidence. He is looking forward to working with them and to making Clallam PUD one of the best utilities for our employees as well as our customers.

ADJOURN

There being no further business to come before the Commission, the meeting adjourned at 4:04 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/>.

September 13, 2021