

Minutes of the Regular Commission Meeting of Public Utility District No. 1 of Chelan County, Washington August 5, 2024

The regular meeting of the Commission, of Public Utility District No. 1 of Chelan County, Washington, was held in the office of the District, 203 Olds Station Road, Wenatchee, Washington, on August 5, 2024, at the hour of 10:00 am, pursuant to proper notice.

Commissioners present: Garry Arseneault, Vice President
Randy Smith
Kelly Allen

Staff present: Kirk Hudson, General Manager
Erik Wahlquist, General Counsel
Rebekah Neumann, Clerk of the Board
Various staff

Others: Anna Shepard, Lisa Karstetter, Emily Watt, Will Niles, Steve Keene

Call to Order

- Vice President Arseneault called the meeting to order at 10:01am

Pledge of Allegiance and Safety/H&OP Minute

- Tim Scheumann, Senior Project Manager, led the pledge and provided information on string trimmer safety

Agenda

- Resolutions 13 and 14 were moved to the consent agenda; the agenda was approved as revised

Quarterly District Performance Plan Status Update

- Senior leaders reviewed the 2024 second quarter status update report
- 80.85% of the items are complete or on track

Quarterly Financial Review and Investment Report

- Dave Nelson, Manager Strategic Financial Planning, reviewed second quarter results
- Bottom-line results through Q2 better than budget
 - Higher long-term contract and other operating revenues and lower operating costs more than offset lower revenues due to low streamflow conditions for strong year-to-date results
- Forecasted bottom-line results for the year better than budget
 - Revenues are expected to be slightly below budget for the year
 - Operating expense forecasted below budget, more than offsetting lower revenues, and includes significant project work for 2024
 - Schedule delays and inflation are driving long-term project costs higher
- Financial metrics for the 5-year forecast meeting targets
 - District financial metrics are being met for the 5-year planning horizon
 - Low debt leverage and high debt service coverage provides financial flexibility

Quarterly Energy Resources Update

- Mike Bradshaw, Director Energy Structuring & Trading, provided an update on wholesale and energy-related revenue, Western power markets and overall operations and planning
- Revenue forecast above budget, water forecast below average
 - Net wholesale revenue and other energy-related revenue is forecasted to be \$183M (~\$3M above budget)
 - Columbia River water supply forecast is 76% of normal for January-July
- Climate Commitment Act (CCA)
 - Washington allowance prices dropped drastically in past 6 months – WA Initiative 2117
- Day-Ahead Market Initiatives
 - Southwest Power Pool (SPP) Markets+; planning to fund Phase 2 if Board approves
 - California Independent System Operator (CAISO) Extended Day Ahead Market (EDAM)
 - Pathways Initiative

Large Load Framework Outreach Update

- Mike Bradshaw and Charles von Reis, Staff Attorney, reviewed public comment received on the proposed large load framework
- Reviewed summary of public comments, themes, and next steps; comments align with the guiding principles
- Expect to return to the Commission with information in September and a request for approval in October

Design-Build Application for Project Approval

- Sam Dilly, Principal Project Manager, reviewed the plan to use a progressive design-build process on several upcoming projects
- Reviewed benefits of alternative procurement and projects anticipated to be completed under this design-build package
- Commissioners expressed their concurrence with this approach

Financial Policy Metrics and Rate Planning Outreach Plan

- Dave Nelson, Manager Strategic Financial Planning, confirmed Board guidance for business line financial policies for water, wastewater, and fiber
 - Keep existing target metrics to measure progress towards more self-sustainability
 - Explore options to achieve current 2029 targets
 - Board may re-evaluate business line financial policy metrics following Strategic Visioning process
- Cathy Melton, Customer Service Program Analyst, reviewed rate planning proposals and proposed outreach schedule
 - July 1 summary
 - Staff recommended continuing current 5-year rate plan to keep pace with rising operating costs
 - Resolution 20-14424 established annual rate adjustments
 - 4% Water
 - 4% Wastewater
 - 3% Electric (incremental revenues held in Electric Rate Support Fund)
 - Board favored a 2-year extension while Strategic Visioning progresses
 - Fiber on track to meet 2029 metrics based on current forecasts
 - Rate and product review planned in separate effort
 - Commissioner expressed their concurrence with the proposed next steps for financial policy metrics and rate planning

Manager Items

- Brett Bickford, Managing Director Generation & Transmission, provided an update on the Rock Island parapet wall

- We've reached ~30% design on parapet wall repair/replacement
- The Federal Energy Regulatory Commission (FERC) has requested we convene a board of consultants for ongoing monitoring of the alkali aggregate reactivity (AAR) issue at Rock Island
- The District has sent recommendations to FERC and once approved, will proceed with the plan
- AAR at Rock Island has been known and monitored for about 3 decades and are now seeing results of that through concrete cracking
- John Stoll, Managing Director Customer Utilities, provided a billing update
 - Good news - 2 weeks ago finally got back to our normal bills
 - Has been a journey since February
 - Staff is still working on past history, and can provide that information upon request
- Rachel Hansen, Senior Communications Strategist, gave an update on the Pioneer Fire
 - Reviewed current status and prep work done at Stehekin including sprinkler lines and fire protection around wooden penstock supports
 - Key takeaways:
 - Chelan PUD will try to keep the power plant running as long as possible; we recognize that the hydro facility is an important asset for fire suppression efforts
 - Our primary hydro operator understands that he can evacuate at any time, and he will notify the PUD when he is no longer able to maintain the hydro facility
 - If distribution lines are damaged, Chelan PUD has the capability to isolate outages if there are personnel still on site; if not, crews will not attempt to repair until level 3 evacuation order is lifted

Consent Agenda

Vice President Arseneault presented the consent agenda, which included the following items:

- Minutes of the July 15, 2024 Regular Meeting
- Vouchers: Accounts Payable Summary Report dated July 30, 2024:
 - Vouchers totaling \$33,019,705.03;
 - Approval of Customer Deposit Returns and Conservation Incentive payments for the period July 09, 2024 through July 29, 2024 in the amount of \$44,174.61.
 - Approval of the net Payroll, Warrant Nos. 238521 through 238532 and Advice Nos. 781536 through 782395 for the pay period ending July 14, 2024 in the amount of \$2,732,850.30.
 - Approval of Warrant Nos. 31717 through 31819 totaling \$70,882.32 for claim payments from the workers' compensation self-insurance fund for the period ending July 29, 2024.
 - Approval of Parks Reservation System customer refunds for the period July 09, 2024 through July 29, 2024 in the amount of \$8,085.00.
- Resolution 13. A RESOLUTION AUTHORIZING AMENDMENT NO. 1 TO SERVICES AGREEMENT (SA NO. 21-11664) WITH DARKTRACE HOLDINGS LIMITED OF THE UNITED KINGDOM TO PROVIDE DARKTRACE CYBER DEFENSE PLATFORM AS A SERVICE
- Resolution 14. A RESOLUTION APPROVING A REQUEST FOR QUALIFICATIONS (NO. 24-13454) FOR POWER TRANSMISSION LINES AND SUBSTATIONS PHASE 1, PLAIN-LAKE WENATCHEE TRANSMISSION LINE AND SWITCHYARD PROJECT AND AUTHORIZING THE GENERAL MANAGER OF THE DISTRICT TO PUBLISH NOTICE INVITING SEALED PROPOSALS FOR SAID PROJECT USING THE ALTERNATIVE PROGRESSIVE DESIGN-BUILD PROCEDURE AUTHORIZED BY RCW 39.10.300 ET SEQ

MOTION

Moved by: Commissioner Smith

Seconded by: Commissioner Allen

To approve the consent agenda as revised to include Resolutions 13 and 14

Approved: Unanimously

Resolution 12

- John Sagerser, Engineering and Project Management Manager, presented Resolution 12

- Resolution 12. A RESOLUTION AUTHORIZING THE ISSUANCE OF GUARANTEED MAXIMUM PRICE (GMP) AMENDMENT NO. 4 TO GE RENEWABLES US LLC OF GREENWOOD VILLAGE, CO TO PROVIDE A GMP AND SCHEDULE FOR THE REHABILITATION OF THE SECOND UNIT UNDER CONTRACT NO. 18-10 FOR THE ROCK ISLAND DAM POWERHOUSE NO. 2 – GENERATING UNIT REHABILITATION PROJECT

MOTION

Moved by: Commissioner Allen

Seconded by: Commissioner Smith

To approve Resolution 12 as presented

Approved: Unanimously

Capital Budget Revision: Network Transmission System

- Brett Bickford, Managing Director Generation & Transmission, reviewed a requested budget revision for several transmission system projects that are progressing on schedule, resulting in an increase in spending
- \$10M of the revision is for the advancement of work at Jumpoff Ridge substation

MOTION

Moved by: Commissioner Smith

Seconded by: Commissioner Allen

To increase the overall 2024 Network Transmission System capital budget in the amount of \$12,500,000 for a revised total amount of \$30,779,501

Approved: Unanimously

Commissioner Travel

- Rebekah Neumann, Executive Team & Board Administrator, reviewed upcoming Commissioner travel

Follow up on Delegation of Action Items from 7/15/24 Board meeting

- Kirk Hudson will follow up with Ann Congdon to clarify satisfaction scores related to District values – completed 7/15/24

Follow up on Delegation of Action Items from Previous Meetings

- Staff will add information on WRAP planning reserve margin to the Quarterly Energy Resources reports – included in today's report

Delegation of Action Items

- None

Recess @ 11:42am; Reconvene @ 1:00pm

Executive Session

Vice President Arseneault convened an executive session at approximately 1:00pm to discuss with legal counsel agency enforcement actions, litigation, potential litigation to which the District or its board is, or is likely to become, a party, and/or legal risks, as authorized by RCW 42.30.110(1)(i) and to plan the strategy or position to be taken during the course of collective bargaining, as authorized by RCW 42.30.140(4)(b) for approximately 2 hours.

Vice President Arseneault confirmed no votes were taken and no decisions were made during Executive Session

There being no other business, the meeting was adjourned at 3:08pm



Vice President



Commissioner



President

Secretary

Commissioner

