PUBLIC UTILITY DISTRICT NO. 1 OF COWLITZ COUNTY, WASHINGTON

MINUTES OF BOARD MEETING OF COMMISSIONERS
May 14, 2019
John Searing Auditorium

Present:

COMMISSIONERS:
Dave Quinn, President
Dena Diamond-Ott, Vice-President
Duane Dalgleish, Secretary

STAFF:
Deanna Carlson, Energy Policy Analyst
Alice Dietz, Communication & Public Relations Manager
Bob Essex, Interim Director of Power Development
Amanda Froberg, Environmental Compliance Manager
Rick Hughes, General Counsel
Gary Huhta, Assistant General Manager
Ray Johnson, Director of Engineering & Technology
Steve Kern, General Manager
Trent Martin, Director of Accounting & Finance
Stacie Pederson, Contract Manager
Barbara Taylor, Executive Assistant/Clerk of the Board
Travis Walling, Safety Superintendent

GUEST:
Diana Carlen, Senior Governmental Affairs Consultant, Gordon Thomas Honeywell
Matt Doumit, Government Affairs Consultant, Gordon Thomas Honeywell

MEDIA:
Shawn Luhn, KLT

PUBLIC:
Diane Dick
Penny Kern
Steve Taylor

1. CALL TO ORDER

Pursuant to published Notice, Commissioner Dave Quinn called the Regular Board meeting of the Commissioners of Public Utility District No. 1 of Cowlitz County, Washington to order at 2:00 p.m.

2. ANY CHANGES TO 5/14/19 BOARD AGENDA?

Commissioner Diamond-Ott noted that the only change to this meeting’s agenda is Item #12 which notes that the next meeting is scheduled for April 23, 2019 but it’s actually May 28, 2019.
3. APPROVAL OF AGENDA

MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to approve the May 14, 2019 agenda as amended.

The MOTION CARRIED on a 3 to 0 margin.

4. APPROVAL OF BOARD MINUTES

MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to approve the Regular Board Minutes of April 23, 2019.

The MOTION CARRIED on a 3 to 0 margin.

5. RATIFICATION/APPROVAL OF VOUCHERS/PAYROLL

Approval of Vouchers in the amount of $35,350,758.68. The Board reviewed expenditures of the District as required by RCW 42.24.080 and RCW 42.24.090 for which checks were issued on May 14, 2019 under the provisions of Resolution No. 1421.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Check Nos.</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable</td>
<td>64872 to 65212</td>
<td>$34,975,792.08</td>
</tr>
<tr>
<td>Payroll</td>
<td>May 3, 2019</td>
<td>$374,966.60</td>
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</tbody>
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MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to approve the ratification of the vouchers/payroll for May 14, 2019.

Stacie Pederson, Contract Manager, provided a high-level overview of expenditures and answered questions.

The MOTION CARRIED on a 3 to 0 margin.

6. PUBLIC COMMENT ON NON-AGENDA ITEMS

There was no public comment on non-agenda items.

7. GENERAL MANAGER REPORT

7.1 Calendar of Community/Legislative Events

Steve Kern reviewed the May and June 2019 Community Events/Legislative Calendar at this meeting and asked the Commissioners to let Barbara Taylor know if there's any additional meetings that they would like to have added to the calendar.

Mr. Kern mentioned that there was a Cost of Service Analysis (COSA) Board Workshop this afternoon, right before this board meeting, and that there is another one scheduled for Tuesday, May 28, 2019 from 12:00 p.m. to 2:00 p.m., right before the regular board meeting.

This year's first Electric Rates Advisory Committee (ERAC) meeting has been scheduled for Wednesday, May 29, 2019 from 4:00 p.m. to 6:00 p.m. in the PUD Board Room.

Commissioner Quinn pointed out that this is Steve Kern's last PUD Board Meeting and thanked him for a job well done over these past three and a half years.
7.2 Legislative Update

Diana Carlen attended this meeting to provide the Commissioners a final update from this year’s legislative session, which started on January 14, 2019 and adjourned on time on April 28, 2019; she noted that it was the first time in 10 years during a budget year that they were able to finish on time.

Ms. Carlen expressed her appreciation to Cowlitz PUD Staff for always getting back to her in such a timely way as that really helped her do her job well.

- 473 bills passed the legislature and were sent to the governor for signature
- Political Climate: Democrats controlled the agenda in Olympia
- Major issues that dominated the session included budgets, taxes and environment
- PUD priorities included:
  - 100% Clean (E2SSB 5118)
  - Netmetering (E2SSB 5223)
  - EV Authority (SHB 1512)
  - Bid Limits (ESSB 5418)
  - Broadband Deployment (2SSB 5511)

Expected interim issues were reviewed as follows:

- Continued discussion of cap & trade legislation
- Rulemaking on 100% Clean legislation, Clean Buildings legislation and by Ecology on changing dam spill standards for salmon
- Continued work on Orca/Salmon Recovery – including Snake River Dams Stakeholder Process
- Wildland Fire Protection Task Force
- Environmental Justice Task Force
- Public Works Contracting Study
- Continued discussion of a new Transportation Revenue Package
- UTC Work Group on the Oregon Dig Laws
- Natural Disaster Mitigation and Resiliency Work Group
- Green Economy Work Group

Notable issues that did not pass included:

- Hydro Tax Parity
- Low Carbon Fuel Standard
- Carbon Tax
- Greenhouse Gas Mitigation under SEPA
- Dedicated Wildfire Prevention Funding
- Capital Gains Tax

The Commissioners thanked Diana Carlen for her hard work in the legislature this year. Ms. Carlen stated that she is happy to represent Cowlitz PUD.

8. ACTION ITEMS & COMMENTS FROM THE PUBLIC

8.1 Public Hearing Regarding Surplus Items

Commissioner Quinn stated that the Commission has set the Regular meeting of May 14, 2019 at 2:00 p.m. in the PUD Auditorium as the time and place to hold a Public Hearing to surplus the items listed below, at which time any Taxpayer may appear and be heard regarding the whole or any part thereof:

- Vehicles/Equipment
- Business Network Servers
- SCADA Network Servers
- Devils Backbone Saw Logs and Pulpwood
Commissioner Quinn opened the Public Hearing at 2:28 p.m.

Commissioner Quinn asked if there was anyone in attendance that would like to testify. There were no public comments.

Commissioner Quinn closed the Public Hearing at 2:29 p.m.

**MOTION:** It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to approve Staff Recommendation No. 11/5/14 regarding surplus items at Cowlitz PUD.

The MOTION CARRIED on a 3 to 0 margin.

### 8.2 Motion to Approve Resolution No. 2755 RE: Transfer of Funds to Rate Stabilization Account

**MOTION:** It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to approve Resolution No. 2755 regarding transfer of funds to the rate stabilization account.

Director of Accounting & Finance, Trent Martin, noted that in 2008, the District established a Rate Stabilization Fund that was to be used in years in which the District experiences shortfalls in revenue or unanticipated changes in budgeted costs. The Board of Commissioners maintains control over amounts added to or used from the Rate Stabilization Fund as provided by its rate making authority as it applies to financial oversight including annual budget review and approval.

Staff have reviewed the financial statements as of and for the year ended December 31, 2018 and net margins and resulting debt service coverage are in excess of budgeted amounts. The excess is due largely to less than expected power costs resulting from higher than expected volume run-off, market conditions and proactive management of the District’s power supply portfolio. As the District’s bond documents provide for the use of a Rate Stabilization fund in any fiscal year for the purpose of complying with bond covenants, staff has determined and recommend that $13,000,000 be added to the Rate Stabilization Fund in order to provide for future margins to comply with bond covenants.

Mr. Martin recommended that the Board of Commissioners authorize the addition of $13,000,000 to the Rate Stabilization Fund and direct staff to add this amount to the 2018 power costs while maintaining compliance with bond covenants for the year ended December 31, 2018.

Commissioner Diamond-Ott expressed to the other Commissioners that it would be wise for the Board, considering we are going through the Cost of Service Analysis process, to approve Resolution No. 2755 at this time and then revise it as needed when we go through the budgeting process.

The MOTION CARRIED on a 3 to 0 margin.

### 9. STAFF REPORTS AND PRESENTATIONS

#### 9.1 BPA Update

Energy Policy Analyst, Deanna Carlson, provided an update for the Commissioners on the following:

- BPA Rate Case
- BPA 2nd Quarter Business Review
- Agency Net Revenues
- BPA Financial Reserves
- Financial Policy Impacts
- Power Surcharge
- Decommissioning Study
Proposed BPA rates are looking more like 1% vs the originally proposed 2.9%. The proposed BPA surcharge may happen in October with Cowlitz PUD's surcharge ending up at 4%.

In talking about BPA, General Manager, Steve Kern stated that you cannot have a federal agency so poorly managed with this level of risk. Mr. Kern asked the Board to keep pushing BPA and suggested they invite Elliot Mainzer, BPA's Administrator and CEO, back to a Cowlitz PUD Board meeting to ask him why and how this keeps happening. Commissioner Diamond-Ott asked Mr. Kern if they should insist that something happen when the District renews our contract. Steve noted that, in his personal view, BPA could have drafted more water out of Grand Coulee Dam and avoided the additional costs but the administrator chose not to do so. Incoming General Manager, Gary Huhta, will be making arrangements to have BPA meet with District Staff to explain BPA's approach to risk management.

9.2 Safety Program Changes & Recent Safety Award

Safety Superintendent, Travis Walling, attended this meeting and provided the Commissioners with a quarterly Safety Program Update around safety projects, training, and safety incentives.

Mr. Walling noted that a new safety trailer was purchased in February 2019 and that the fleet department has completed fabrication and major construction on the trailer already. The Operations crews will finish the electrical equipment construction, then safety and marketing messages will be added and then the Use and Marketing Policy will be finalized. The new safety trailer will debut on September 21, 2019 at the local Extreme Machines Event.

Cowlitz PUD received a 3rd Place Safety Award of Excellence from the American Public Power Association (APPA) for meritorious achievement in attaining a low incidence rate during the year of 2018. More than 320 utilities participate; there were over 100 awards. Commissioner Quinn stated that to get this award is very valuable; our guys are professional, they come to work ready to go, and they pay attention. Mr. Walling added that our guys are very safety conscious.

9.3 New Single Phone Number/Cloud Attendant

Director of Engineering & Technology, Ray Johnson, provided a brief update on the new single phone number/cloud attendant which went live in mid-April; we have not had any challenges with the system at this time. A customer should never receive a busy signal. Cloud Auto Attendance Service with unlimited lines and no busy signal programming: 360-423-2210.

10. COMMISSIONER REPORTS & UPCOMING EVENTS

Commissioner Diamond-Ott stated that she will be attending the Woodland Chamber Meeting on Tuesday, May 21, 2019, from 12:00 p.m. to 1:00 p.m. at the Oak Tree.

11. FINAL COMMENTS: FROM THE PUBLIC, GENERAL MANAGER, COMMISSIONERS

There were no final comments from the public, the General Manager or the Commissioners.

12. NEXT MEETING

The next Regular meeting of the PUD Board of Commissioners will be held on Tuesday, May 28, 2019 at 2:00 p.m. in the John Searing PUD Auditorium.

13. EXECUTIVE SESSION

Commissioner Quinn noted than an Executive Session was not needed after this meeting.

14. COMMISSIONERS TO EXECUTE AGREEMENTS BEFORE ADJOURNING THE MEETING

The Commissioners signed off on necessary paperwork.
15. ADJOURNMENT

MOTION: It was MOVED by COMMISSIONER DIAMOND-OTT and SECONDED by COMMISSIONER DALGLEISH to adjourn this Board meeting at 3:16 p.m.

The MOTION CARRIED on a 3 to 0 margin.

Attest: ________________________________

President

Vice-President

______________________________

Secretary

Prepared by: Barbara A. Taylor
Executive Assistant/Clerk of the Board