MINUTES
UTILITY ADVISORY COMMITTEE REGULAR MEETING
Zoom ~ Meeting ID: 97987121275
November 10, 2020 ~ 3:00 p.m.

CALL TO ORDER:

Chair Sanders called the meeting to order at 3:00 p.m.

ATTENDANCE:

Chair James Sanders, Committee Members Amy Anderson, Charlton Campbell, Larry Felton, Don Gregoire, Charles LoPresti, and Dan Porter were present. Also present were Council Member Phil Lemley, Staff Liaison and Energy Services Director Whitney, Public Works Director Rogalsky, Fire & Emergency Services Director and Chief Tom Huntington, Business Services Manager Edgemon, Power Analyst Manzo, and Support Specialist Steagall.

APPROVAL OF THE AGENDA:

MEMBER ANDERSON MOVED AND MEMBER LOPRESTI SECONDED THE <u>MOTION TO APPROVE THE AGENDA AS PUBLISHED</u>. THE MOTION CARRIED 7-0.

APPROVAL OF MINUTES:

MEMBER PORTER MOVED AND MEMBER LOPRESTI SECONDED THE <u>MOTION TO APPROVE THE JULY 14, 2020 MEETING MINUTES AS AMENDED</u>. THE MOTION CARRIED 7-0.

Mr. Sanders introduced new UAC members Campbell and Felton. Each provided a summary of his background and interest in serving on the UAC.

PUBLIC COMMENTS:

There were no public comments.

ITEMS OF BUSINESS:

1. Status – Each City Utility

Staff Report: Each director presented information.

Public Works
Director Rogalsky reported City Council will consider adopting Public Works' 2021 budget when it considers the City's 2021 budget in a few weeks.

Solid Waste Utility
Director Rogalsky reported on a multiyear capital program that will enable waste handling at the Richland landfill for up to 75 years. The constructed improvements include a new landfill cell and a new scale house that began operating this week. The new landfill cell has been receiving waste since September. The current phase of the new cell is expected to have capacity sufficient for the next eight to ten years, after which additional capacity will be added on in phases for many decades.

The City will begin providing solid waste services for about 600 new customers in the Badger Mountain South and adjacent property annexed in 2010. By comparison, Solid Waste adds approximately 250 customers in a normal year.

No rate increases are needed in 2021. The revenue analysis will be updated by mid-2021, and staff will present the results and rate recommendations at a future UAC meeting. The last solid waste rate increase was in 2015.

Earlier in 2020 the UAC supported staff recommendations for rate adjustments at the landfill that were revenue neutral overall. The City Manager and City Council decided to defer all revenue neutral rate actions due to the COVID-19 response.

Water Utility
Director Rogalsky reported staff is positioning the Water Utility fund to retire debt in 2022-24 making a rate increase unlikely for the next five years. He will seek UAC's input on capital financing and a debt refinancing strategy in mid-2021.

Staff has completed the first two-thirds of its multi-year capital improvement plan, which includes the new pipelines at the Duportail Bridge, replacing screens at the Snyder Street water intake, and AMI deployment. These projects are in addition to a small program of renewal and replacement investments in existing facilities.

Director Rogalsky anticipates bringing to the UAC a cost of service analysis (COSA) and rate recommendation for irrigation services in 2021. Irrigation services revenue is a small portion of the Water Utility fund. It has been a number of years since the last COSA and the City's irrigation rates are substantially lower than other area irrigation rates.

Wastewater Utility
Director Rogalsky reported staff is conducting several system updates and equipment replacements at the 35 year-old waste treatment plant. Staff will retire debt 2022-24 and free up revenue for other work needed. No wastewater rate increase is expected for the next five years.

Stormwater Utility
Director Rogalsky reported that no storm water rate increase is expected for the next couple of years.

The UAC Members asked several clarifying questions and stated their views including how the Public Works utilities plan for future growth and plant upgrades. Director Rogalsky explained how staff projects growth and analyzes capacity improvements needed.

Fire and Emergency Services
Chief Huntington reported on the Emergency Medical Services (EMS) Utility Strategic Plan, which is five-year projection considering the business model, expenses, and revenue. In 2019 UAC requested staff develop a strategy to guide and enable effective planning for future years.

Chief Huntington will present the draft strategic plan to the UAC at its January 2021 meeting and looks forward to discussing expected Strategic Plan outcomes at the January meeting.

No rate increase is expected in 2021.

Chief Huntington said staff will discuss with Council in 2021 the next Public Service Station 76 in Badger Mountain South where there is a critical need for decreased response times. He expressed a need for the new station to be operating in 2024. Based on the discussion’s outcome, he will provide results from a 2022-25 COSA to the UAC, which will include staffing expenses and revenue requirements for Stations 75 and 76.

The UAC members asked several clarifying questions and stated their views.

Chief Huntington reported a vendor is conducting a COSA to optimize revenue from Ground Emergency Medical Transport (GEMT) funding, which reimburses the utility for a portion of the Medicare/Medicaid gap. The gap is the difference between the amount the utility bills for service and the amount Medicare or Medicaid pays. Without GEMT funding, the utility would have to write off the amount of the gap. The increase in GEMT funds has contributed to deferring a 2021 rate increase. Staff will use the results from the COSA to set rates for GEMT funding.

Chief Huntington reported the EMS utility received $50,000 of Coronavirus Aid, Relief, and Economic Security Act (CARES) funding for expendables such as COVID-19 PPE that first responders wear. He discussed that crews will wear COVID-19 PPE on all calls and monitor themselves for COVID-19 symptoms which is critical for operational continuity.

Chief Huntington expressed appreciation to FES and Finance staff assisting with the strategic plan. He said developing the plan has been a very positive learning experience for the FES senior leadership team.

Energy Services
Director Whitney presented draft revenue and energy consumption information and discussed how COVID-19 has affected energy use and revenue. Total 2020 consumption is down 2.4% compared to the utility's five-year average. When normalized for weather, consumption is up 0.6%, so the consumption is essentially unchanged.

Director Whitney presented data about disconnects and customers with outstanding account balances. Over 1200, or 4.5%, of the utility's accounts are on the disconnect list. Eighty percent are residential accounts. The outstanding balances total over $950,000.

Director Whitney reported the City Council approved $750,000 in CARES funding to be used for customers with outstanding balances due to COVID-19-related issues. Customers have been slow to apply for the one-time funding up to $1,000 per account. Staff is using all communication media to make affected customers aware of the funding. The CARES funding will be available until December 15.

Director Whitney said given the projected financial forecast and cost control measures, he anticipates no rate increase until 2022.

Director Whitney reported FCS Group is conducting a COSA to determine revenue required for streetlights and if a rate design change is needed. The City is transitioning from high pressure sodium to LED lamps. Director Whitney expects that the decreased energy, longer lamp life, and decreased maintenance for LEDs will result in a streetlight rate decrease.

2. FY22 Wholesale Power Market Transfer Agreement

Director Whitney discussed how staff monitors wholesale power prices for future year purchases. He reported the City purchased through Northwest Energy Management Services (NEMS) 2 aMW from Columbia REA. The purchase price was $29.30/MWh, which was less than FY22 market rates at that time. The total cost including shaping is $30.00/MWh.

The UAC Members asked several clarifying questions and stated their views on the topic. Members expressed the purchase is a good deal for RES customers given market variability.

3. Horn Rapids Solar, Storage and Training Project (HRSST) Update

Director Whitney reported Councilmember Lemley participated in the HRSST ribbon cutting ceremony on November 10, 2020, as well as a celebration earlier in the day. The 4 MW solar and 1 MW battery storage project is located north of Richland and began generating October 21. The City is purchasing the solar generation for $53.50/MWh, which includes $38.50/MWh for energy and $16.00/MWh for shaping. RES will use the renewable energy to meet its Energy Independence Act renewable energy requirement.

Energy Northwest developed HRSST, and project partners include Tucci Energy Services, the City of Richland, Potelco Inc., the Department of Commerce, and Pacific Northwest National Laboratory.

The project includes a training center for solar and battery technicians to learn and gain experience with project construction, operations, maintenance, and safety and hazard prevention. Hundreds of workers from throughout the United States are expected to train annually at the center.

PNNL's analysis indicated the HRSST training activities will generate an estimated $3 million in annual revenue for the City and provides a positive net present value over the 20-year term of the power purchase agreement.

The UAC Members stated their views on the topic.

UNFINISHED BUSINESS:
None

OTHER INFORMATION:

Director Whitney provided an update on the RES Capital Work Plan. He expects staff will complete $9 million in capital work by the end of 2020. The 2021 $11 million CIP includes $3.5 million for AMI deployment and $3.7 million for constructing the Gateway Substation in north Richland.

Director Whitney reported the US Department of Energy selected Terra Power-GE Hitachi and XEnergy for its Advanced Reactor Demonstration Program. Energy Northwest is a utility partner with both companies. Terra Power-GE Hitachi and XEnergy were awarded $160 million each to test, license, and build advanced reactors.

Committee members discussed the advanced reactor technologies, funding, positive economic impact, and potential opportunity for the Tri-Cities to be the site of an advanced nuclear reactor in the future.

Director Whitney said there is a need for carbon-free base generation such as nuclear to replace the generation from coal plants that are being decommissioned. Baseload generation is critical to and ensure there is adequate capacity to prevent blackouts in the Northwest.

FORWARD PLANNING AGENDA:
The FES Strategic Plan, Electric Utility Reserves Analysis, and Election of Officers will be business items for the January 12, 2021, UAC meeting.

ADJOURNMENT:

Chair Sanders adjourned the meeting at 4:44 p.m.

Respectfully submitted: Sandi Edgemon

Sandi Edgemon, Business Services Manager

Reviewed by: Clinton R. Whitney

Clinton R. Whitney, Energy Services Director

Date Approved: March 9, 2021

Date Published: October 28, 2021