Mr. Flint called the Public Utility Board study session to order at 3:06 p.m. at the Public Utilities Administration Building.

Present: Woody Jones (arrived 3:12), Dave Nelson, Mark Patterson, Bryan Flint, Monique Trudnowski

**Audit Entrance Conference with Moss Adams**
Julie Desimone, Partner with Moss Adams, introduced Moss Adams staff members Jennifer Chu, Audit Manager, and Olga Darlington, Sr. Manager, who will be on site for the audit. Ms. Desimone outlined the audit process for the Board. The risk assessment and internal control testing took place in November and no significant issues were found. The final field work will take place March 2 through March 27 and final reporting will be due on April 3, 2015. The risk assessment and areas of significant emphasis were outlined. No significant auditing or accounting standards for the December 31, 2014 audits were found.

**Tacoma Power and Tacoma Water Rate Adjustment Recommendations**
Greg Campbell, Power Utilities Economist, and Bill Zimmerman, Water Utilities Economist, summarized the budget process including the customer outreach efforts that were conducted. The three components of the rate making process; revenue requirement, cost of service analysis (COSA), and rate design were outlined. Messrs. Campbell and Zimmerman then walked through a COSA and rate design example for their respective departments. Existing and proposed low-income programs were reviewed. Bill Fosbre, Chief Deputy City Attorney, then detailed franchise fees and their effect on rates.

Tacoma Power’s rate adjustment recommendation is a system average rate increase of 3.0% assumed in the approved 2015/2016 budget with the rate adjustment taking effect on April 1, 2015. Rate driver comparisons budget details, class COSA result, the fixed customer service charge, impact on average residential bills, and potential electric rate/financial policy changes were reviewed.
Tacoma Water’s rate adjustment recommendation is a rate increase of 4.0% on April 1, 2015 and a second adjustment of 4.0% on January 1, 2016. Rate drivers, revenue requirements, COSA results, public fire protection, and bill comparisons were reviewed.

**Tacoma Power: Conservation Resources Management Update**

Steve Bicker, Conservation Resources Management Manager, began by reviewing conservation accomplishments from 2007 to 2015. Mr. Bicker summarized conservation targets and shared graphs illustrating target versus actuals for residential and commercial/industrial. Conservation targets in 2014 exceeded 25 percent. Future targets and savings were summarized by Mr. Bicker.

**Miscellaneous**

Board Member Flint described the Gigabit City Summit in Kansas City that he attended with the Mayor in January.

**Adjournment**

The study session was adjourned at 5:39 pm until the next regularly scheduled study session on Wednesday, February 11, 2015 at 3:00 p.m.

Approved:                                Approved:

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Woodrow E. Jones, Jr., Chair            Mark Patterson, Secretary