



APPROVED 8-10-16

MINUTES
City of Tacoma
Public Utility Board Study Session
July 27, 2016
3:00 p.m.

Mr. Patterson called the Public Utility Board study session to order at 3:03 p.m. at the Public Utilities Administration Building.

Present: Bryan Flint, Woodrow Jones (arrived 3:09), Mark Patterson, Karen Larkin, Monique Trudnowski (arrived 4:05)

Excused: Bryan Flint

Tacoma Water: Water System Plan and Water Integrated Resource Plan and Water Integrated Resource Plan

Heather Pennington, Deputy Water Superintendent, provided the regulatory background requiring the 2017 water system plan update. These regulations are driven by WAC 246-290-100, RCW 70.116, and 43.20.260. Tacoma Water's current water system plan was approved in 2008 and extended in 2013 and must be updated on or before January 23, 2018. Major plan elements are to demonstrate the system's operational, technical, managerial, and financial capability to achieve and maintain compliance with relevant local, state, and federal plans and regulations; to demonstrate how the system will address present and future needs; and to establish eligibility for funding. The planning will include outreach and coordination with the Board, Department of Health, City Council, customers, cities and counties we serve, wholesale customers, and adjacent purveyors. Ms. Pennington then reviewed the schedule. In the third quarter of 2016, there will be a review of Department of Health and Pierce County required elements and project delivery milestones will be established. In the fourth quarter of 2016, preparation to engage a consultant will begin.

Chris McMeen, Deputy Water Superintendent, provided historical context on resource planning. Demands have declined 30-35 percent (since the 80's); there has been new resource development (Second Supply Project); and regional data, analytics, and source modeling capabilities have developed significantly. Activities to date include a thorough evaluation of the current analytical state (including a water rights re-evaluation), the development of a comprehensive question list; and the exploration of the scope with a consultant in detail. The Water Integrated Resource Plan (IRP) scope will include model development, completion of water rights, development of future planning scenarios, description of demand forecast and supply availability, and stakeholder input. Goals for stakeholder engagement include the awareness of water supply and demand dynamics, increase awareness of management strategies, solicit informed perspectives, and inform policy with respect to sources and alternatives. There will be a public advisory committee and existing community outlets such as

neighborhood and community Councils and Council study sessions will be utilized. February 18 is the target date for the final report.

TPU Quarterly Financial Outlook and Performance Metrics

Bill Zimmerman, Utilities Economist, provided an overview of the Pierce County and greater Puget Sound economic forecast and indices.

Tacoma Water: Linda McCrea, Water Superintendent, provided an overview of the budget forecast assumptions, summary of outlook, water retail sales and revenues, and revenue and expense summary. In summary, water sales are projected to be \$10M higher than budget for the biennium and total expenditures are projected to be \$4.5M under budget. Projection for total revenue has increased primarily due to increased actual residential and commercial retail sales. Expenditures are projected to be lower than projected primarily due to lower than anticipated personnel and supplies expense and higher than projected tax expense. Superintendent McCrea concluded by reviewing the current fund cash projection.

Tacoma Power: Chris Robinson, Power Superintendent, provided an overview of the budget forecast assumptions, electric retail revenues, wholesale revenues, revenue and expense details, current outlook versus previous quarter, and projected liquidity balance. In summary, revenues are under budget due to lower retail load forecasting and warmer than anticipated weather for the first and second quarter reduced expected heating loads. Wholesale revenues are under budget due to lower market prices. Expenses are under budget as there are lower market price forecasts in wholesale purchases and the Bonneville Power Administration rates are less than forecast. Capital expenses are under budget due to underspending on current funded capital projects.

Tacoma Rail: Dale King, Rail Superintendent, provided an overview of the summary of budget assumptions, summary of finances/traffic analysis, intermodal/commercial volumes, and quarter-to-quarter forecast comparisons. In summary, there is increased demurrage actuals due to railcar dwell, locomotive servicing revenue is above budget forecast. Switching revenue decreased as US Oil unit trains have decreased. There has been a reduction in overtime due to Belmore Line divestiture and there is an increase in intermodal volumes from previous projection resulting in increased volume incentive. Superintendent King concluded by reviewing the current fund cash projection.

Performance Metrics Update: Jim Sant, Deputy Director for Administration, reviewed the performance metrics for each of the operating divisions in the areas of finance performance, operational excellence, and commitment to customers and employees. Mr. Sant will continue to meet with the operating division superintendents to evaluate data points and plan to provide this information quarterly.

Tacoma Power: Community Solar Update and Conservation Resources Management Update

Steve Bicker, Conservation Resources Management Manager, began by providing an update on Tacoma Power's Community Solar pilot. The solar units are fully subscribed and there are a total of 1,004 participants/10,447 solar units, which is an average of 10 units per participant. This was the fastest community solar system to sell out in Washington. Production to date is 165,400 kWh which is equivalent to annual power for 13 average homes in three mostly sunny

months of production. The first annual incentive payment of \$17.74 will be processed; annual payments will be issued each July. A community celebration of this project is scheduled for Saturday, August 13 at 10:00 at Tacoma Public Utilities.

Clay Norris, Power Manager, made introductory remarks on Power's conservation program and provided an overview of Power's conservation program by sharing a graphs illustrating the levelized acquisition cost of conservation from 2011 to what is projected in 2018 and customer satisfaction index by program offerings. Mr. Bicker shared that Tacoma Power has surpassed I-937 conservation targets for the past 9 years. Residential weatherization and commercial/industrial program targets/savings and customer outreach were detailed. Mr. Bicker concluded by reviewing the budget. The budget projections have improved despite volatile market demand and response.

Adjournment

The study session was adjourned at 5:34 p.m. until the next regularly scheduled study session on Wednesday, August 10, 2016 at 3:00 p.m.

Approved:

Approved:

Mark Patterson, Chair

Woodrow E. Jones, Jr., Secretary