



APPROVED 7-26-17

MINUTES
City of Tacoma
Public Utility Board Meeting
July 12, 2017
6:30 p.m.

Mr. Patterson called the Public Utility Board meeting to order at 6:30 p.m. at the Public Utilities Administration Building.

Present: Mark Patterson, Monique Trudnowski, Bryan Flint, Karen Larkin
Excused: Woodrow E. Jones, Jr.

The meeting was quorate.

Minutes of the Previous Meetings

Ms. Trudnowski moved that the minutes of the previous meetings be adopted; seconded by Mr. Flint. Voice vote was taken and carried. The minutes were declared adopted and made part of the record.

Recognitions

Greg Rudi, Telecom Broadband Services Manager, informed the Board of Click!'s participation in the 2017 Cable Games held on June 14. Competitors representing six cable television and broadband providers competed in events and tests of cable skills and overall network knowledge. Jason Schulz won the silver medal for meter reading; Dan Browitt won the bronze medal for fiber splicing; and Team Click! Network won the bronze medal for team performance. The Board made positive remarks about staff participation.

Comments from the Public

Mike Fredrickson addressed the Board with concerns about service disconnection for power at his mother's residence in Puyallup. Steve Hatcher, Customer Services Manager, and Mr. Fredrickson then met to work together to resolve issues.

Consent Agenda

There were no items on the consent agenda.

Regular Agenda

D-1 Motion 17-05 – In accordance with Rule 2, Election of Officers, of the Public Utility Board Rules for Order of Business, that Monique Trudnowski, Woodrow E. Jones, Jr., and Karen Larkin be nominated as elected Chair, Vice-Chair, and Secretary respectively.

Ms. Trudnowski moved to approve the motion; seconded by Mr. Flint.

Board Members thanked Mr. Patterson for his service and hard work as Board Chair.

Voice vote was taken and carried. The motion was approved.

D-2 Resolution U-10935 – Award contracts and approve purchases:

1. Award three-year contract to General Pacific, Inc., for the purchase of 115kV unitized transmission switches on an as-needed basis (\$306,890.58 plus sales tax, with the option for two, one-year renewal periods. No additional funding is requested for the optional renewal periods);
2. Award three-year contract to General Pacific, Inc., for the purchase of 15kV pad-mounted switchgear on an as needed basis (\$403,544.04 plus sales tax, with the option for two, one-year renewal periods. No additional funding is requested for the optional renewal periods);
3. Award contract to AZZ Inc., for the purchase of 15kV metal-clad generator switchgear (\$597,038 plus sales tax);
4. Award five-year contract to Puget Sound Energy (PSE), for annual sockeye egg transfers from Baker Hatchery to Saltwater Park Hatchery (\$385,000);
5. Award contract to Unify, Inc., for upgrades and technical support to TPU's telephony systems (\$1,300,000 plus sales tax);
6. Award contract to CH2M Hill Engineers, Inc., for the seismic evaluation of Hood Street Facilities, South Tacoma Pump Station, and Water Operations Building (\$550,000).

Mr. Flint moved to adopt the resolution; seconded by Ms. Larkin

In response to a Board inquiry regarding item number five and the direct negotiation memo, Aaron Anderson, Power Communications Engineer, answered that the recommended vendor has satisfactorily provided service and the same supplier has been providing maintenance and upgrades. In response to a Board inquiry regarding upgrading the system versus replacement, Mr. Anderson answered that it is not cost effective to replace the system. A large disruption would come from system replacement and this product will be continued until at least 2024. Total replacement would be in the \$4 to \$7 million dollar range.

In response to a Board inquiry on item number six regarding the genesis of the analysis on the specific infrastructure, Michael Peloquin, Professional Engineer, answered that the genesis was the 2016 seismic vulnerability assessment that identified which structures were essential for emergency response, emergency communication hubs, and which provide water flow in the event of an earthquake. If deficiencies are found, a follow-on contract would be brought before the board. Chris McMeen, Deputy Water Superintendent, added that the scope of the contract identifies conditions. It is about scoping the work and verifying assumptions. The budget has already identified funds for the event if major seismic updates and replacements are needed. This contract will also assist with FEMA funding applications.

Voice vote was taken and carried. The resolution was declared adopted.

D-3 Motion 17-06 – Authorize approval for payment of \$200,000 together with the tender of the claim for damages by U.S. Oil & Refining Company to Tacoma Power's insurance carriers as further explained in the confidential memorandum from Deputy City Attorney M. Joseph Sloan to William A. Gaines, Director of Utilities, dated June 28, 2017.

Mr. Flint moved to approve the motion; seconded by Ms. Larkin.

Bill Fosbre, City Attorney, summarized the motion. In April 2016, there was a power outage in the tide flats that resulted in loss of power to U. S. Oil for approximately three hours. U. S. Oil submitted a claim greater than the self-insurance amount. This motion allows the insurance carrier to begin its work on the claim. Mr. Patterson added that this matter was studied in a Board executive session.

Voice vote was taken and carried. The motion was approved.

D-4 Resolution U-10936 – Authorize repeal and recodification of Tacoma Municipal Code Chapter 2.04 Electrical Code to a new Chapter entitled 12.06A Electrical Code.

Mr. Flint moved to adopt the resolution; seconded by Ms. Larkin.

James Hellman, Chief Electrical Inspector, summarized the resolution. Tacoma Municipal Code (TMC) Chapter 2.04 was last modified in June of 2015 to reflect regulatory electrical provision changes and to make other organizational and accuracy improvements. Repealing Chapter 2.04 and adopting Chapter 12.06A as part of Title 12 ensures similar subject matter is grouped together in the TMC. The subject matter of Chapter 12.06 of Title 12 pertains to electrical service and related requirements. The electrical code pertains to requirements for electrical service plan reviews, service and metering equipment installations, and electrical permits so it is logical to locate the electrical code in Title 12 identified as Chapter 12.06A. The proposed amendments will provide customers with one location within the TMC where they can acquire a greater understanding of Tacoma Power's requirements and customer responsibilities when applying for and receiving electrical service, purchasing electrical permits, and when performing electrical work in Tacoma Power's jurisdiction. In response to a Board inquiry relating to the application of these changes to single family homes and multi-family dwellings, Mr. Hellman answered that the size and service of a dwelling is utilized in the code. Anything over 4,000 square feet falls into the commercial rate. A duplex is not considered a multi-family facility; triplexes and larger are.

Voice vote was taken and carried. The resolution was adopted.

D-5 Resolution U-10937 – Authorize the delegated sale of City of Tacoma, Washington, Department of Public Utilities, Light Division, Electric System Revenue bonds.

Mr. Flint moved to adopt the resolution; seconded by Ms. Larkin.

Bill Berry, Rates, Planning, and Analysis Manager, summarized the resolution. The Board approved Motion 16-11 on October 26, 2016 to accept and approve 2017/2018 budget. The budget provided for the issuance of Light Division revenue bonds for capital improvements and the bond ordinance is scheduled for Council consideration on July 25, 2017. The bond proceeds will be used to reimburse funds for capital improvements during the 2015/2016 biennium and the 2017/2018 biennium. This motion authorizes the issuance of up to \$90M of new electric system revenue bonds, including confirming the acceptance of proposals for the purchase of Light Division Bonds (Series 2017), fixing the maturities and interest rates of such bonds, and directing the disposition of the proceeds thereof. Goldman Sachs will be in the role of senior manager and Citigroup Global Markets as Co-Manager.

Board Members made positive remarks about this resolution. Under public comment, Kit Burns spoke in opposition of this motion citing derivatives as his concern. In response to a Board inquiry, Mr. Berry confirmed that the use of derivatives is standard bond language that

allows TPU to use the product in the future in case of refinancing and that we're fixed-rate bonds. Any refinancing involving derivatives would be brought under a separate Board action.

Voice vote was taken and carried. The resolution was adopted.

D-6 Resolution U-10938 – Authorize Tacoma Power to defease up to \$28,000,000 of outstanding Tacoma Power 2013A Bonds with cash.

Mr. Flint moved to adopt the resolution; seconded by Ms. Larkin.

Board Member Flint moved to amend Resolution U-10938 as follows: On page one, line 17, before the word 'available' insert 'up to \$28 million of cash to defease'. On page two, in the 'be it resolved section', line 6 after the words 'redemption of', add 'up to \$28 million of'; seconded by Ms. Larkin.

A voice vote to amend the resolution was taken and carried.

Bill Berry, Rates, Planning, and Analysis Manager, summarized the resolution. Tacoma Power has a large principal payment due on January 1, 2020 for the existing 2013A Bonds. Issuing up to \$28 million in cash Tacoma Power will defease this large principal payment and levelize the debt service payments in the surrounding years. This will allow for more stable rate increases in the future. This transaction will take place after closing the 2017 Electric System Revenue Bond issuance so that the final principal and interest payments in future years will be known at the time of defeasance.

Board Members made positive remarks about the effect this will have on future rates, recognized the complexity of the transactions, and noted that this topic was studied at the Board study session.

Voice vote was taken and carried. The resolution as amended was adopted.

D-7 Resolution U-10939 – Authorize establishment of a special project of limited duration in the Utility Technology Services Section of Tacoma Power for the implementation of Advanced Metering Infrastructure across Tacoma Power and Tacoma Water.

Mr. Flint moved to adopt the resolution; seconded by Ms. Larkin.

Joe Tellez, Assistant Power Section Manager, summarized the resolution. The Advanced Metering Infrastructure (AMI) project will upgrade power and water meters across TPU's service territory at all homes and businesses. This is required to address an aging meter population, meet customer needs with time access to consumption data, and align TPU with the metering technology common to other utilities in the region. This resolution will enable the planning and design phases of the project with technology and business process subject matter experts. Funding has been included in Tacoma Power and Water 2017/2018 budgets. This resolution allows for a special project under TMC 1.24.187 which will provide for the hiring of four employees to work on the planning and design phases of the project. Mr. Tellez shared a PowerPoint presentation summarizing the project overview, reasons for and key benefits of the upgrade, and project timeline. Additional information can be found at www.mytpu.org/meterupgrade or by emailing mytpu@cityoftacoma.org. Board Members made positive remarks on the project and its ability to provide better service to ratepayers

and assist with emergency response. In response to a Board inquiry, Mr. Tellez reaffirmed that this resolution only provides staff to start the project and that a communication plan will be put in place.

Voice vote was taken and carried. The resolution was adopted.

D-8 Resolution U-10940 – Authorize Tacoma Water’s ‘Water Conservation Incentives for Commercial, Institutional, and Industrial Customers’ program.

Mr. Flint moved to adopt the resolution; seconded by Ms. Larkin.

Natalie Jones, Water Program Specialist, summarized the resolution. Pursuant to RCW 70.119A.180, the state requires public water systems to have a water use efficiency program. Tacoma Water has implemented a conservation program, most recently the offering of water conservation incentives for customers outside of the residential sector per Resolution U-10447 in 2011. This resolution would reauthorize and update the current conservation incentives for commercial institutional and industrial customers program designed to promote water efficiency improvements in the non-residential sector. Authorization of this program offering will provide eligible customers the opportunity to apply for and receive a rebate based on the installation of water-efficient hardware, fixtures, and systems. In response to a Board inquiry, Ms. Jones addressed the \$20,000 budget and said that without additional marketing the current use of the program is low. There is a big market for used commercial kitchen fixtures and the rebate is for new equipment only. A way to calculate rebates is to look at the lifetime of fixtures. There is less confidence in the life span of used fixtures and warranty issues exist. In response to a Board inquiry, Ms. Jones described stakeholder outreach. The account executive handling small and medium sized business and is working with business owners and trade groups. There will also be information on the web site and community events.

Voice vote was taken and carried. The resolution was adopted.

D-9 Resolution U-10941 – Authorize an easement of approximately 3.58 acres of Tacoma Water Property to the Tacoma School District for \$150,000.

Chair Trudnowski moved to postpone this resolution to a date uncertain; seconded by Ms. Larkin.

A voice vote to postpone the resolution was taken and carried.

D-10 Motion 17-07- Approve settlement of the lawsuit of Wendler v. Tacoma Public Utilities (Tacoma Rail), Thurston County Superior Court, Cause number 15-2-01942-0.

Mr. Flint moved to approve the motion; seconded by Ms. Larkin

Bill Fosbre, City Attorney, stated that this settlement stems from a pedestrian tripping on rail lines and that details have been provided to the Board in a confidential memorandum and this was discussed in a Board executive session.

Voice vote was taken and carried. The motion was approved.

Board Member Flint moved to suspend the rules to walk-on resolution U-10942 waiving power and water utility connection inspection fees for cities in Tacoma Power and Water service territories in response to the City's emergency declaration on homelessness; seconded by Ms. Larkin.

A voice vote to suspend the rules was taken and carried.

Bill Fosbre, City Attorney, summarized the resolution. On May 9, 2017 the Council passed a resolution declaring an emergency for the homeless crisis effective through October 9, 2017. A temporary emergency shelter has been established by the city near Portland Avenue and there has been a request for utilities to waive power and water utility connection and inspection fees and provide the Board with a report outlining the cost. This also requires Council concurrence.

Voice vote. The resolution is adopted (or rejected)

H. Reports of the Director

- H-1 March 2017 cash projections for Power, Water, Rail
- H-2 April 2017 cash projections for Power, Water, Rail
- H-3 May 2017 cash projections for Power, Water, Rail
- H-4 March 2017 financials for Power, Water, Rail, Fleet, Self- Insurance Fund
- H-5 April 2017 financials for Power, Water, Rail, Fleet, Self-Insurance Fund
- H-6 May 2017 financials for Power, Water, Rail, Fleet, Self-Insurance Fund

I. Comments by the Board

There were no additional Board comments.

J. Adjournment

There being no further business or comments, the Public Utility Board was adjourned at 7:20 p.m. until Wednesday, July 26, 2017 for a study session beginning at 3:00 p.m., followed by the regular meeting at 6:30 p.m.

Approved:

Monique Trudnowski, Chair

Karen Larkin, Secretary