



APPROVED 4-12-17

MINUTES
City of Tacoma
Public Utility Board Meeting
March 22, 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, Woodrow Jones, Karen Larkin, Bryan Flint

The meeting was quorate.

Minutes of the Previous Meetings

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

Recognitions

There were no recognitions.

Comments from the Public

Ms. Trudnowski moved to suspend the rules to move Comments by the Public on items NOT on the agenda to after item D-7; seconded by Mr. Jones.

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

Consent Agenda

There were no items on the consent agenda.

Regular Agenda

Departmental

- D-1 Resolution U-10915 – Award contracts and approve purchases:
1. Increase contract to Nationwide CLEC, LLC dba CCG Consulting for professional consultant services related to the development of strategic plans and financial models for Click! Network (\$25,000, plus sales tax. Cumulative total \$205,000, plus sales tax);
 2. Increase and extend contract to Business Inc., (formerly Cash Cycle Solutions, Inc.) for Click! customer bill statement and insert printing and mailing, including postage (\$105,000, plus sales tax. Cumulative total \$707,000, plus sales tax);

3. Increase contract to Great Lakes Data Systems, Inc., for Click! Network wholesale and retail customer management and billing services (\$452,000. Cumulative total \$1,277,000, plus sales tax);
4. Award contract to Secoma Fence, Inc., for fence installation, maintenance, and repair for all of Tacoma Power's facilities (\$273,836.50, plus applicable sales tax);
5. Award contract to Coast Rail, Inc., for the upgrade of approximately 1,400 lineal feet of railroad track (\$437,264.50, plus applicable sales tax).

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

In response to a Board inquiry on item number one, Tenzin Gyaltzen, Click! General Manager, explained this contract expired in December 2016 and this extension is to ensure we have sufficient time and funding to complete the work.

Ms. Trudnowski moved to suspend the rules to allow for individual votes on the five items on Resolution U-10915; seconded by Mr. Jones.

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

Voice vote for item number D1 -1 was taken and carried.

Public comment was taken.

Michael Lafreniere: Requested confirmation that this contract covers work that has already been completed.

Kit Burns: Made comments regarding the profitability of Click!.

After public comments were made, Chair Patterson allowed another voice vote for item number D1-1.

Voice vote for item number D1-1 was taken and carried.

Voice vote for item number D1-2 was taken and carried.

Voice vote for item number D1-3 was taken and carried.

Voice vote for item number D1-4 was taken and carried.

Voice vote for item number D1-5 was taken and carried.

The resolution was declared adopted.

D-2 Resolution U-10916 – Authorize execution of a city services agreement and funding agreement relating to the joint City and Sound Transit Tacoma Link expansion project for light rail.

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

Bill Fosbre, Acting City Attorney, summarized the resolution. Mr. Fosbre stated the voters in 2008 approved Sound Transit Two to provide funding for the Tacoma Link Expansion project in partnership with the City of Tacoma. The Tacoma Link Expansion project consists of six new stations and one relocated station of the existing Tacoma Link. In August 2014, the City and Sound Transit established principles and framework by which the City would fulfill its funding obligation related to the project. As part of fulfilling those funding obligations, the City has elected to offer to relocate its Municipal utilities at the expense of the Utility. The four agreements describe the funding and how it interacts with the Sound Transit, how the city services will communicate with Sound Transit as well as document and record how the relocations took place. There are two additional agreements that are called work orders that show what is going to be moved, when it is going to be moved, and how it will be paid.

Mr. Flint made positive comments on the expansion of the Tacoma Link expansion and the partnership with Sound Transit.

Ms. Trudnowski made positive comments on the cooperation with the City and Sound Transit. Ms. Trudnowski raised concerns over potential cost overruns and conflict resolution.

Mr. Gaines stated we are hoping to have a side agreement with the City to address the contract administration concerns.

Mr. Fosbre stated the second agreement; (City Services Agreement) describes how the utility relocation services will take place and how we are going to document and pay for them. This agreement has its own separate dispute resolution process which includes the Sound Transit Executive Director, the City Public Works Director and the Superintendents of TPU.

Ms. Larkin echoed the comments of the other Board members. This project is important to the City and the quality of life in our city, as well as an important economic development project. Ms. Larkin feels comfortable with the controls in place and management of the costs.

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

D-3 Resolution U-10917 – Amend and revise Chapters 12.06 of the Tacoma Municipal Code regarding electric regulations and rates, and approving changes to the Tacoma Power electric rates and financial policy.

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

Mr. Flint moved to amend Exhibit A-1, page 5 under TMC 12.06.225.A, by correcting the effective date of the 2017 HVG rate increase from April 1 to April 16 in two places, and correct the customer one step rate selection notification date from April 11 to April 21; seconded by Ms. Larkin.

A voice vote on the first amendment to the resolution to correct the dates was taken and approved.

Mr. Flint moved to replace Exhibit A-2 of Resolution U-10917 with the corrected version of Exhibit A-2; seconded by Ms. Larkin.

Mr. Flint explained the original version of Exhibit A-2 that was published on the website was incorrect so we are just putting the corrected copy in.

A voice vote on the second amendment to the resolution to correct Exhibit A-2 was taken and approved.

Mr. Flint moved to amend Resolution U-10917, page two, line 3 after the word “residential” insert the words “and small general service” and replace exhibits A-1 and exhibit A-2 with revised exhibits that distributes the 2017 and 2018 residential and small general service rate increase across the customer and variable energy charge; seconded by Ms. Larkin.

Mr. Flint stated he offered this amendment because the proposal that was put forth for this meeting, based on input from the City Council and the community, changed the residential rate. Instead of putting all of the increase in the customer charge, it splits it approximately fifty/fifty between the customer charge and the variable rate. ~~It also included the small general service rate class.~~ Mr. Flint’s amendment makes a similar change to the small general service rate class.

In response Ms. Trudnowski’s request for process clarification, Director Gaines stated the revised amendment is based off feedback from the community and the Council. Ms. Trudnowski voiced further concern over the impact on the rate increase due to Click! funding.

Public comment on the third amendment was taken.

Sherry Bockwinkel: Voiced concerns regarding the rate increase process.

Lynette Shureb: Voiced concerns regarding the rate increase and the rate increase process.

Ryan Jeffries: Voiced his concerns regarding the rate increase process.

Chair Patterson stated although he understands and respects Mr. Flint’s amendment, he cannot support it. The Board has not had an opportunity to discuss the impact on the small general services rate.

In response to Ms. Larkin’s request for clarification on Mr. Flint’s amendment and how it will impact the different rate classes, Power Superintendent Chris Robinson stated Mr. Flint’s amendment changes the increase in the small general service customer charge from the original proposal of \$3.25 per month in 2017/2018 to \$1.75 per month in both years. It puts the remainder in the variable energy charge. The result of that change results in larger customers essentially subsidizing smaller customers.

A voice vote on the third amendment to the resolution was taken and approved.

Public comment on the amended resolution was taken:

Michael Lafreniere stated his concerns regarding the rate increase as a whole. Mr. Lafreniere voiced concerns regarding the HVG rates.

Chris Robinson, Power Superintendent, explained the HVG class was given a choice to take one rate increase or two rate increases. If they chose one rate increase, the increase would be higher and would cover the rate increase they would have received in 2018. The rate increase would take effect in April 2017 and be effective through 2018.

Sherry Bockwinkel encouraged the Board to get an independent audit.

Lynnette Shureb stated she was under the impression tonight would be a brainstorming session and feels the public is being misled.

Ryan Jeffries feels the residential customers are being charged at a higher rate than the other classes.

Judt Shrode encouraged the Board to have an independent audit.

Power Superintendent Robinson summarized the resolution. The revised resolution is in response to Council recommendation. This resolution changes the increase in the residential fixed customer charge from the original \$5.75 in both 2017 and 2018 to \$3.00 in both of those years and puts the remainder in the variable energy charge. It also changes the effective date of the first increase from April 1, 2017 to April 16, 2017. These are the only two changes from the original resolution that was passed by the Board on March 8.

Ms. Larkin discussed the process steps for the rate increase. The Board and staff have had discussions about the timing issues on when we consider rates and when we consider our budget. We did pass the budget which included a revenue increase that the Board and Council supported. The rate increase associated with the revenue drivers is what came before the Board after the first of the year. Considering revenue increases and the reserves and the cash we need happens as part of the budget process. We are now discussing how to implement that. We use a cost of service model. The class of customer that has the largest increase is the large industrial users and their increase is significantly higher than the residential rates. Tacoma Power has not had frequent rate increases. Tacoma Power has the lowest rates in our surrounding area and Tacoma Power has done a great job keeping the rates under control. The rates are driven by market conditions that we have no control over internally.

In response to a Board inquiry, Director Gaines stated we have a financial audit every year by Moss Adams and the State Auditor's office. In addition to that TPU has a broader management audit done every ten years aimed at the overall management of the Utility. Director Gaines stated TPU has had clean, unqualified audits every year for the last eight years. The reports are available to the public.

Chair Patterson noted if the independent auditor sees anything that causes any level of concern, they are required to report it to the Board.

Mr. Jones commented that we are required to run in a positive cash flow. We are required to make sure we have the equipment for our employees to operate safely and with any necessary special equipment required. We have money so when things break

or go wrong; we have money to pay for them. We have to remain solvent. The money is there to keep the organization in business.

Ms. Trudnowski stated she will continue to push for transparency.

Mr. Flint stated there two drivers to the rate increase that we do not have control over. At the request of Mr. Flint, Power Superintendent Robinson explained the wholesale market process, our contract with Bonneville Power Administration, adverse water conditions and debt defeasance.

Mr. Flint stated the resolution isn't about the amount of the rate increase; rather the structure. There was concern about how we raised the rates and the impacts on putting all the rate increase for residential and small commercial customers in the fixed rate. The Council asked the Board to take an action they are calling a hybrid model to split the difference and put half of the increase in the fixed charge and half in the variable charge. We can't pass a rate without Council approval. This amendment allows us to pass a revised resolution to offer to the Council next week. This would only put us a week behind the original rate increase date.

Chair Patterson acknowledged the impact of rate increases on the public and we do it with great consideration and reluctance. Mr. Patterson stated he thinks the amended resolution is a fair division with the Council and it is important to get the rates passed.

Voice vote was taken on the amended resolution. The amended resolution was declared adopted.

D-4 Resolution U-10918 – Approve conveyance of an easement to Elbe Water and Sewer District over approximately 4.2 acres of Tacoma Power property within the Nisqually River Hydroelectric Project for \$5,000.

Ms. Trudnowski moved to postpone the Resolution to the meeting of April 12, 2017; seconded by Mr. Jones.

Voice vote was taken. The motion is adopted.

D-5 Resolution U-10919 – Authorize execution of a utility installation agreement between Tacoma Power and NewCold Seattle, LLC.

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

Thad Glassy, Power Supervisor, summarized the resolution. New Cold has purchased a former industrial site. In order to redevelop the site, NewCold has requested Tacoma Power relocate a powerline currently routed through the center of the property to a location near the edge of the property. NewCold will be responsible for all costs associated with the cost of relocation with a pre-payment for the total estimated cost.

Mr. Lafrenier requested information be made available to the public before the meeting.

At the request of a Board Member, Director Gaines stated we are working on modifying the TPU website so we can post the Board materials on the website and anticipate completion before the next meeting of April 12.

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

D-6 Resolution U-10920 – Authorize transfer of approximately 1.95 acres of Tacoma Water property to the Department of Public Works for \$50,000 for the Puyallup Avenue Bridge replacement project.

Ms. Trudnowski moved to postpone the Resolution to the meeting of April 12, 2017; seconded by Mr. Jones.

A voice vote was taken. The motion is adopted.

D-7 Resolution U-10921 – Amend Section 12.10.400 of the Tacoma Municipal Code regarding temporary water service contracts.

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

Chris McMeen, Deputy Water Superintendent, summarized the resolution. This resolution removes language from the Tacoma Municipal Code, related to the ability of the Superintendent with Public Utility Board approval to enter into up to twenty year special contracts where extraordinary service conditions exist.

Sherry Bockwinkel thanked the Board for bringing the resolution forward.

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

Comments from the Public

Kit Burns: Thanked the Board for passing the previous motion and for posting the Board materials prior to the meetings. He also thanked the Board for their hard work on the rate proposal.

Lynette Shureb: Stated it isn't fair about the money, it's about how we get the money.

Michael Lafrenier: expressed his hopes that the Cushman substation becomes a historical landmark.

Judte Shrode: Thanked the Board for their respect towards the public.

H. Reports of the Director

There were no reports from the Director.

I. Comments by the Board

Mr. Flint made positive comments on improving the public input process.

Ms. Trudnowski voiced her concerns regarding City Council and Board communications.

Chair Patterson asked the staff to take a look at the marketing efforts to remind the public about the programs to assist with their utility bills.

J. Adjournment

There being no further business or comments, the Public Utility Board was adjourned at 8:31 p.m. until Wednesday, April 12, 2017 for a study session beginning at 3:00 p.m., followed by the regular meeting at 6:30 p.m.

Approved:

Mark Patterson, Chair

Woodrow E. Jones, Jr., Secretary