



APPROVED 10-25-17

MINUTES
City of Tacoma
Public Utility Board Study Session
October 11, 2017
3:00 p.m.

Chair Trudnowski called the Public Utility Board study session to order at 3:04 p.m. at the Public Utilities Administration Building.

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

Tacoma Power: Telecom Rates

Pam Burgess, Click! Business Manager, opened by stating that the proposed rate adjustments focus only on cable TV service. The 2017/2018 biennium budget includes rate increases for each year. The overall cost of programming is expected to increase by nine percent in 2018. Cable TV costs exceed cable TV revenue in 2017/2018 and rate adjustments are needed to close the gap. Staff recommendation is to implement the planned 11.3 percent cable TV rate increase effective January 2018 to address cost recovery and the market. Increasing certain equipment and premium rates and one-time charges are also recommended. Rates will be under the market's a la carte rate. Ms. Burgess then provided an overview of market rate comparison. The next steps in the process are Board consideration on October 25, 2017, Government Performance and Finance Committee on November 1, Council first reading on November 7, and second reading on November 14, 2017. There will be a 30-day notification sent to customers on November 30 via mail with an increase effective date of January 2, 2018.

Tacoma Power: Energy Risk Management Upgrade

Ray Johnson, Assistant Power Section Manager, reviewed graphical representations of the cumulative net wholesale revenue versus budget net revenue, biennial net revenues, and cumulative net wholesale revenue variance.

Hedging program: The objective of the hedging program is to stabilize net revenues from wholesale operations and protect against very low wholesale revenue outcomes. The hedging policy enforces dollar cost averaging of surplus sales and prohibits holding deficit positions. The program has a two-year horizon, and utilizes physical forward contracts. Mr. Johnson then reviewed a graphical representation of the 2017/2018 hedging program performance.

Credit Risk Management: Tacoma Power frequently sells electricity to wholesale trading partners or counterparties. Tacoma Power incurs credit exposure money that the utility could lose in the event of a counterparty default. The credit risk management program manages credit by extending credit to investment grade counterparties only, setting exposure limits based on creditworthiness, daily monitoring of credit quality and exposure, and actions include

stopping trading with a specific counterparty, requesting collateralization. Mr. Johnson concluded by reviewing a list of Tacoma power's top 15 credit exposures.

Tacoma Power: Long-Range Financial Plan

Bill Berry, Rates, Planning, and Analysis Manager, described Power's long range financial plan (LRFP) as a new document, but Tacoma Power has always been conducting long range planning with the objective of maintaining financial strength and keeping rates low. There are new challenges like wholesale market prices, retail loads, and costs, that need to be managed. The vision is to bring together the planning typically done in a comprehensive way and in one place to make it understandable to stakeholders. The LRFP will be used as a kick-off/backgrounder to the budget and rate process. Board feedback on the draft document is requested by November 1 for a follow-up discussion at the November 15 study session.

Travis Metcalfe, Power Assistant Section Manager, summarized the contents of the document. Section one is a high-level executive summary; Section two contains the basics of long range financial planning; Section three contains information on policies, projected revenues, and expenses; Section four contains the base case model analysis and scenarios; Section five addresses various internal and external risk factors; Section six covers the impact analysis of said scenarios; Section seven addresses the financial plan to fund likely scenarios; Section eight focuses on implementation of objectives over a three-five year period; Sections nine and ten are the glossary and appendix, respectively.

Mr. Berry then concluded the presentation by reviewing a list of stakeholders and schedule of rate workshops with the Board.

Leadership Training RFP

Chris Robinson, Power Superintendent, stated that leadership training is an initiative in Power's strategic plan, but is being implemented TPU-wide. Currently, supervisory training is conducted, but it is piecemeal and not consistent throughout TPU. A consistent approach with common leadership philosophies, language, and culture is the goal. An RFP was conducted with twelve responses and three firms were interviewed. The staff recommendation is for Nash Consulting and the contract will be brought forward for Board consideration at a future meeting.

Miscellaneous

In response to a Board request for information on the combination of GG and TPU public disclosure offices, Bill Fosbre, City Attorney, summarized the changes. Services are being combined into one office for consistency and ease of coordination. This will help with the mandatory reporting requirements implemented in the latest legislative session.

Executive Session

Board Member Flint moved to convene an executive session at 4:50 for 15 minutes for the purpose of discussing pending litigation per 42.30.110(1)(i); seconded by Mr. Jones. The executive session was adjourned at 5:01.

Adjournment

The study session was adjourned at 5:01 p.m. until the next regularly scheduled study session on Wednesday, October 25, 2017 at 3:00 p.m.

Approved:

Approved:

Monique Trudnowski, Chair

Karen Larkin, Secretary