



APPROVED 8-22-18

MINUTES
City of Tacoma
Public Utility Board Study Session
August 8, 2018
3:00 p.m.

Mr. Jones called the Public Utility Board study session to order at 3:00 p.m. at the Public Utilities Administration Building.

Present: Mark Patterson, Karen Larkin, Bryan Flint, Woodrow E. Jones, Jr., Christine Cooley

Tacoma Power: Electric Vehicle Public Charging Pilot Rate

Ray Johnson, Assistant Power Manager, and Melissa Buchler, Power Analyst, made the presentation. Mr. Johnson provided background. The City Council passed a resolution in support of electric vehicle initiatives. The proposed pilot rate is one of the Tacoma Power initiatives aligned with the Council request. Electrification of Transportation benefits the community by reducing transportation fuel costs, lowering Tacoma's carbon footprint, and improving air quality. It also benefits Tacoma Power customers as it helps counter load and retail revenue decline, which keeps rates lower for Tacoma Power customers. Through tariffs, utilities play an important role in electric vehicle adoption. Under standard utility rate tariffs, Direct Current Fast Chargers (DCFC) are subject to a demand charge. The impact of demand charges is highly dependent on charging station utilization. Tacoma Power proposes a pilot rate for electric vehicle DCFC stations. Ms. Buchler then walked the Board through rate design. DCFC increase annual electric vehicle utilization by more than 25 percent. DCFC have very high electricity demands and higher charging demands require more utility resources. Utility rates are designed to collect the cost of high demands through demand charges. The proposed pilot transitions DCFC stations into demand charges. Ms. Buchler then shared graphical representations of rates over a 13-year transition period, rates comparisons, and competitive pilot rates. Information collected through the pilot will inform Tacoma Power's future rate offerings. With Board support, the proposed pilot will be part of Tacoma Power's general rate case and will become effective on January 1, 2019.

Tacoma Power and Water: Rate and Financial Policy Updates

Jodi Collins, Water Division Manager, began by reviewing the 2019/2020 TPU rates budget timeline. Ms. Collins then reviewed policy decisions required from the Board.

Proposed Low-Income/Senior/Disabled language for Power/Water: The needs of low-income, senior, and disabled electric customers will be considered when establishing rate levels, providing bill assistance, and offering financial education. Proposed debt coverage ratios for Water: Senior debt service coverage will be maintained above 1.50, exceeding Tacoma Water's bond covenant requirement of net revenue at least 1.25 times annual senior debt service. All-in debt service coverage will be maintained above 1.25 except when cash reserves are budgeted to meet the annual revenue requirement, when it will be maintained above 1.00. Proposed rate stability policy language for Power: To the extent possible, rate adjustments should be a level across years and not exceed general inflationary trends. Proposed class rate increase cap policy language for Power: Rate adjustments may be phased-in over a limited time period and may be used if a disproportionate change in rate levels is expected for certain classes. Inter-class revenue requirements adjustments significantly in excess of the system average may be allocated proportionately to the remaining customer classes. A gradual approach may be used for the subsidized class to set subsequent rate increases until cost-of-service rates are reestablished. The Board approved all of the above proposed policy language.

Tacoma Power: Customer Charge Policy Considerations

Christina Leinneweber, Sr. Utilities Economist, began by reviewing load, cost, and revenue patterns. Graphical representations of declining loads, new load patterns, seasonal volatility in retail load, customer benefits from bill stability, cost structure, retail and wholesale spreads, and patterns in residential revenue were detailed. Ms. Leinneweber then addressed carbon policies. Graphical representations of electrification for carbon reduction, increasing popularity of gas heat, fixed charges for incentivizing electrification, and carbon impacts of rate design were detailed. Conservation was detailed next. Tacoma Power is required to acquire a certain amount of conservation each year. The target is set using a societal test of cost-effectiveness. This formula does not include the level of retail rates. Therefore, Tacoma Power will seek to acquire the same amount of conservation regardless of rate design or level. Graphical representations on the effects of fixed and variable charges on the bills of low-income ratepayers were then reviewed. After discussion, the Board made a policy decision to split any rate adjustments in Power to 50 percent fixed charges and 50 percent variable charges. Staff then introduced new policy language concerning financial targets and rate setting practices saying that 'each rate schedule will contain a monthly customer charge which will reflect, at a minimum, the administrative and billing costs in addition to minimum-system costs, consistent with industry practice'. The Board did not approve this new language and indicated it would be good topic for future budget and rate discussions.

Automated Meter Infrastructure (AMI) RFP Results

Andre Peddeferri, AMI Project Manager, began with an AMI overview. The meter still measures and reports consumption and demand the way that it always has. The AMI network delivers information which represents consumption and demand. The Meter

Data Management System (MDMS) processes the values into valid and complete information. Customer Service still bills from reads provided when needed by MDMS. The AMI vendor selection approach was then discussed. Staff engaged a consultant to facilitate the vendor selection process and developed a selection advisory committee comprised of key divisions within TPU and GG. All vendors were equally evaluated through a competitive RFP process. The goal was to expose the differences between solutions, the challenges of each technology, and the value each adds so that staff could select the technology best for TPU. Initial scoring criteria and pricing information was shared. The selected vendor is Sensus. Sensus provides better network coverage and reliability, has the lowest price, provides the greatest combined functionality for both Power and Water, and has a robust platform to ensure future smart utility capabilities. Sensus has over 220 AMI electric/water accounts and has the largest smart water portfolio. Sensus has 37 million deployed smart points and 80 million meters deployed. It has the strongest research and development investment in the industry (10 percent of revenue), 804 AMI customers, and 4.7 billion in revenues. Mr. Pedefferri then discussed the vendor selection process for MDMS. MDMS is the system of record for all meter data. It collects, processes, and sends billing determinants. It synchronizes with Customer Service and maintains synchronization of AMI while it frames, aggregates, and prepares data for other systems. It also collects and analyzes meter events and alarms, and identifies meter problems and initiates work requests. The initial RFP scoring of MDMS vendors was reviewed. Omnetric is the selected vendor. Omnetric has significant SAP integration experience with both power and water utilities, has the lowest price, is extremely knowledgeable, highly secured environment, and has an intuitive user interface. Omnetric is owned by Siemens and has 13,000 SAP partners. It has more implementations globally than any other MDMS and is rated number one by Gartner. Omnetric currently processes 220 million interval read per day and has a significant municipality implementation experience in America. Mr. Pedefferri concluded his presentation reviewing the overall program schedule.

Adjournment

The study session was adjourned at 5:48 p.m. until the next regularly scheduled study session on Wednesday, August 22, 2018 at 3:00 p.m.

Approved:

Approved:

Woodrow E. Jones, Jr., Chair

Bryan Flint, Secretary