Ms. Trudnowski called the Public Utility Board meeting to order at 8:15 a.m. in the auditorium at Tacoma Public Utilities.

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

The meeting was quorate.

Board Chair Trudnowski and Interim Director McCrea made welcoming and introductory remarks.

Bill Berry, Power Rates and Financial Planning Manager, and Sean Senescall, Water Division Manager, conducted an overview of the day’s agenda and of the proposed budget and rates timeline. This included public outreach, communications, and JBLM participation and protocol. Messrs. Berry and Senescall continued with an overview of rate principles, legislative policies, rate and financial policies, low-income customer assistance programs, and rate making process overview.

Board Members then outlined their areas of interest and desired outcomes of the rate workshop and rate making process, which are captured below under Board requests/action items.

Mr. Berry then reviewed Power’s draft long-range financial plan, which the Board previously reviewed at a study session.

Mr. Senescall and Jodi Collins, Assistant Water Division Manager, then conducted a review of Water’s long-range financial plan and revenue requirement analysis.
Mr. Senescall and Ms. Collins continued by providing an overview of Tacoma Water’s rate design, including rate design alternatives, fixed versus variable cost recovery, and legal authority. The Water rates roadmap was then reviewed. It included a discussion of advanced metering infrastructure (AMI), demand charges, market-based wholesale rates, irrigation rate design, and public fire protection.

Christina Leinneweber, Senior Utilities Economist for Power, and Black and Veatch consultant, Ron Amen, conducted an overview of Power rate design which included cost-of-service (COSA) to rates process, and traditional rate design (non-AMI). Rachel Clark, Senior Utilities Economist for Power, then presented the carbon impacts of rate design. Ms. Leinneweber and Mr. Amen continued with a discussion of distributed energy resource considerations and an open access transmission tariff update.

Mr. Berry and Ray Johnson, Assistant Power Section Manager, continued with an overview of current rates, fixed versus variable cost recovery, 2019/2020 rate case/policy choices, and future projects. Ms. Leinneweber and Ms. Amen concluded by discussing revenue decoupling and advanced rate design that is AMI dependent.

Director McCrea recapped the day’s progress and Shannon Rauch, Assistant Power Section Manager, reviewed the action items as below.

**Board Requests/ Action Items:**

1. Review revenue requirements with the Board;
2. Ensure the Board understands cash reserves and the significant policy decisions the Board will have to make;
3. Review rate and financial policies for Power and Water with the Board. The Board desires to include financial policy discussions earlier into the rate and budget process and ensure changes are captured in the policy document (this will be a future Board study session item);
4. Review specific cash minimums with the Board and include why Power and Water have two different reserve minimums;
5. Discussion on how policy can be set for success for upcoming changes not in our control (customer behavior, climate change, disruptive technology) and how TPU is creating intellectual capacity to adapt and respond;
6. Further discuss how TPU policies affect low-income, disabled, and senior customers and why the disabled and senior customer low income program is called out in Water’s Rate and Financial policies, but not Power’s;
7. Discussion on why uncollected costs related to the low income credits for Power and Water are allocated differently;
8. What are revenue requirements so that there is no subsidization for different classes;
9. What surrounding and peer jurisdictions do for their low income programs;
10. How does the utility analyze conservation load management costs;
11. Hold a study session on liquidity and cash on hand; for Water need to better understand differences between various funds.
12. With respect to power bill comparisons, don’t include taxes those customers are not paying. Provide a comparison for what TPU and peer customers are paying by way of utility taxes;
13. Board Members indicated a desire to understand more about fixed costs so that the issue of under-recovered fixed costs doesn’t resurface;
14. Sensitivities to Water declining demands/fixed versus variable/price elasticity of demand; share various sensitivities in assumptions related to revenue forecast (weather, customer growth, etc.) and rate design.
15. Request for the residential class what the average summer and winter consumptions are. For Water, what is average usage by season inside city versus outside city;
16. Future study session item on the topic of distributed generation, rate structure, analysis of market, rates, and resources;
17. Further understanding of the customer charge and how far into the distribution it goes;
18. Request for better linkage between TPU and city websites;
19. Joint study session page 9 of the long range financial plan (financial metrics, debt service coverage ratio, liquidity);
20. Moody’s top 10 list from Senescall;
21. Deconstruction of the $26 customer charge total;
22. Schedule joint Board/Council study session to provide better understanding of $ in reserves and value to customers;
23. Describe quantification of risk of lower credit rating;
24. When doing another extension of line of credit for Tacoma Power; consider RFP?

Adjournment
There being no further business or comments, the Public Utility Board was adjourned at 3:52 p.m. until Wednesday, February 14, 2018 for a study session beginning at 3:00 p.m. at Tacoma Public Utilities, followed by the regular meeting at 6:30 p.m. at Tacoma Public Utilities.

Approved:

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Monique Trudnowski, Chair                Karen Larkin, Secretary