Chair Trudnowski called the Public Utility Board study session to order at 3:02 p.m. at the Public Utilities Administration Building.

Present: Monique Trudnowski; Woodrow E. Jones, Jr., (via phone at 3:20 p.m.), Mark Patterson (via phone), Karen Larkin, Bryan Flint

Chair Trudnowski moved to allow telephonic participation by Board Members Jones and Patterson; seconded by Ms. Larkin. Voice vote was taken and carried.

**Moss Adams Audit Exit Report**
Olga Darlington, Auditor for Moss Adams, stated that TPU operating division audit reports were issued on April 18 and 20, 2018. No material weaknesses in internal controls were found. Areas of audit emphasis were: internal control environment; treasury; management estimates; capital assets, net pension liability, and debt activity. No current audit adjustments are required. Ms. Darlington concluded by reviewing the new GASB reporting standards that will be effective in 2018 – 2020.

**Executive Session**
Chair Trudnowski moved to convene an executive session at 3:20 until 4:00 to evaluate the qualifications of an applicant for public employment per RCW 42.30.110(1)(g); seconded by Ms. Larkin. Voice vote was taken and carried. The executive session was adjourned at 3:35 p.m.

Chair Trudnowski moved to convene an executive session at 3:40 until 4:00 to discuss pending litigation per RCW 42.30.110(1)(i); seconded by Ms. Larkin. Voice vote was taken and carried. The executive session was adjourned at 4:00.

**Tacoma Water: Budget Preview**
Scott Dewhirst, Water Superintendent, provided an overview of the current state of the utility by sharing graphical representations of average daily demand, increasing costs, capital spending, and rate pressure and relief. Superintendent Dewhirst then addressed strategy. The vision is ‘growing trust through extraordinary service’ and the mission is ‘providing clean, reliable water now and in the future’. Strategic themes for 2018, effective utility
management principles, community understanding and support, workforce development, operational innovation, and operational optimization were summarized. Budget drivers, base case rate scenario, and budget/rate impacts were detailed. Next steps for Tacoma Water in the budget and rate process include a briefing to the Board on June 13 to discuss public outreach followed by a presentation on July 25 on revenue requirements and rate design. The full budget presentation will be given to the Board on September 12, followed by a joint presentation to the Council and Board on October 16 with final Board consideration of the budget on October 24, 2018.

**Tacoma Power: Budget preview**

Chris Robinson, Power Superintendent, began by addressing increasing expenses, both operating and power supply. Graphical representations of total expenses, purchased power and transmission, owned generation, taxes, personnel, capital expenses, revenue, wholesale prices declining, wholesale total revenue, market drivers, retail demand, fixed costs, and costs per MWh were detailed. Assistant Power Section Manager, Travis Metcalfe, and Management Analyst, Haley Saul, then summarized Power’s strategic initiatives that inform the development of the budget by aligning budget with strategy. Superintendent Robinson shared that the projected rate increase for 2019 and 2020 is approximately two to four percent. Next steps for Tacoma Power in the budget and rate process include further development of the capital and O&M budgets a cost of service review to the Board at the June 27 study session. The full budget presentation will be provided to the Board on September 26, followed by a joint Council and Board study session on October 9. Final Board consideration of the budget is scheduled for October 24, 2018.

**Adjournment**

The study session was adjourned at 5:50 p.m. until the next regularly scheduled study session on Wednesday, June 13, 2018 at 3:00 p.m.

Approved:     Approved:

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Monique Trudnowski, Chair   Karen Larkin, Secretary