



APPROVED 5-23-18

MINUTES
City of Tacoma
Public Utility Board Study Session
May 9, 2018
1:30 p.m.

Chair Trudnowski called the Public Utility Board study session to order at 1:35 p.m. at the Public Utilities Administration Building.

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

Tacoma Power: Long Range Financial Plan

Bill Berry, Power Rates, Planning, and Analysis Manager, began by providing a history of Tacoma Power rate increases and reviewed scenario results that addressed potential future conditions which result in an estimated two percent rate adjustment in each year of the next biennium. Mr. Berry then reviewed Power's liquidity ratio, comparison of applicable indices, and wholesale price trends. Debt management and capital funding was then addressed. Mr. Berry detailed capital spending assumptions, budgeted versus actual capital spending, using cash to reduce debt service, base case debt service with future bonds, and a note purchase agreement for short-term debt. Managing risk was then addressed. Bill Berry reviewed unpredictable factors that affect revenue and expenses like weather, wholesale price volatility, economic turndowns, regulatory changes, environmental regulations and energy efficient load impacts. Options to preserve financial flexibility were then detailed. Mr. Berry addressed the electric rate and financial policy, which provides guidance for managing the financial performance of the utility in five areas: rate setting objectives; rate review process; rate setting policies; financial targets and rate setting practices; and the rate stabilization fund.

Tacoma Power and Water Financial Policies

Jodi Collins, Water Division Managers, began by outlining the differences between Water and Power financial policies and how the two operating divisions' differing fluctuations affect the cash reserve fund policies. Staff recommendation is for Water to stay at 60 day reserves and Power at 90 days reserves due to higher volatility. Mr. Berry and Ms. Collins then walked through sections that address the operating fund balance; debt coverage ratios; rate stabilization fund; and low-income/senior/disabled policies for Power and Water. Discussion on policy flexibility, use of the rate stabilization fund, and class impacts on rate differences. Further discussion on these three items will be conducted during the budget and rate process.

Safety Program Update

John Lawrence, Power Section Manager, began by identifying the four objectives in TPU's safety strategy: 1) employee safety is the number one priority; 2) establishment of a TPU safety governance and steering committee; 3) increase safety awareness; 4) identify what peers in the industry are doing; 5) determine if TPU's safety program is organized effectively. The six criteria of safety excellence: 1) top management is visibly committed; 2) middle management is actively involved; 3) front-line supervision is performance-focused; 4) employees are actively participating; 5) the system is flexible to accommodate culture; and 6) safety system is positively perceived by the workforce. TPU contracted with Caterpillar Safety Services (CAT) and CAT implemented a safety perception survey TPU-wide and interviewed TPU employees to establish a safety culture baseline. Jim Boyd, Safety Manager, then provided an overview of the CAT survey by summarizing the safety strengths and opportunities for improvement. The next steps include continued employee communication, joint labor engagement, creation of a safety strategy roadmap, organizational alignment, education and training, and to establish a mechanism for leading indicators tracking. Staff will come back to the Board with specific areas of future focus and if there will be budgetary impacts. There will also be routine updates to the Board on this topic.

Customer Service Budget Preview

Steve Hatcher, Customer Service Manager, outlined Customer Service's strategic strategy, which is to empowering customers with easy to use self-service tools that fit their individual needs; routing customers to the most knowledgeable employees to answer inquiries; maintain and enhance customer service by empowering staff with robust and modern utility tools; developing strategies that meet the needs and requirements of all customer segments; and position ourselves to support Tacoma Power, Tacoma Water, and Environmental Services strategic initiatives. Mr. Hatcher then summarized the primary budget drivers: maintain operational performance; continue to develop and implement a comprehensive strategy to meet the needs of the low-income customer segment; and to continue to support the implementation of the advanced meter infrastructure (AMI) program. Discussion ensued and Mr. Hatcher will provide the Board with budget billing information and targets. The Board will receive the budget numbers for Customer Service at its study session scheduled for August 22, 2018.

Miscellaneous

The Board reviewed the schedule of activities concerning the recruitment for the Director of Utilities. This includes a tour of the TPU campus and a public reception on May 14, and interviews with the City Council and a community panel on May 15. A Board vote on the final candidate is scheduled for May 23 with Council consideration scheduled for June 12.

Executive Session

Board Member Jones moved to convene an executive session at 5:10 p.m. to discuss pending and potential litigation per RCW 42.30.110(1)(i) until 5:45; seconded by Ms. Larkin. Voice vote was taken and carried. The executive session was adjourned at 5:45 p.m. Chief Deputy City Attorney, Tom Morrill, was present.

Adjournment

The study session was adjourned at 5:45 p.m. until the next regularly scheduled study session on Wednesday, May 23, 2018 at 3:00 p.m.

Approved:

Approved:

Monique Trudnowski, Chair

Karen Larkin, Secretary