



APPROVED 11-14-18

MINUTES
City of Tacoma
Public Utility Board Meeting
October 24, 2018
6:30 p.m.

Chair Jones called the Public Utility Board meeting to order at 6:30 p.m. in the auditorium at Tacoma Public Utilities.

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

The meeting was quorate.

Minutes of the Previous Meetings

Mr. Flint moved that the minutes of the previous meetings be adopted; seconded by Mr. Patterson. Voice vote was taken and carried. The minutes were declared adopted.

Recognitions

Joe Wilson, T&D Manager, shared that Tacoma Power sent teams to the Governor's safety conference in Spokane and to Kansas City for the International Linemen's Rodeo. Linemen Dan Wonderly, Justin Hamilton, Landon Byman, and Zach Lane were recognized for their impressive performances. Board Members and the Director all made very positive remarks about how well the gentlemen represented their disciplines and TPU.

Comments from the Public

Mitch Shook shared his perspective of the upcoming stakeholder meetings on Click! and spoke in opposition of public/private partnerships for Click! Network.

Lucia Earl Mitchell spoke in opposition of rate increases. Customer Service Manager Hatcher spoke with Ms. Mitchell off line to discuss her concerns.

Consent Agenda

There were no items on the consent agenda.

Regular Agenda

- D-1 Resolution U-11032 – Award contracts and approve purchases:
1. Award contract to Presidio Networked Solutions Group, LLC for the purchase of hardware, software, software licensing, and support to

- implement data network infrastructure for the TPU main campus (\$430,483,70, plus applicable tax);
2. Increase contract to Caterpillar, Inc., for consulting services in support of the creation of a TPU safety culture program (\$394,973.75. Cumulative contract total \$495,074.75, plus applicable taxes).

Mr. Flint moved to adopt the resolution; seconded by Mr. Patterson.

In response to a Board request for background on item number two, Jim Boyd, Safety Manager, stated that this contract is related to TPU's commitment to safety excellence. The strategic safety initiative has been undertaken to improve safety across TPU. A safety culture baseline was necessary and that was conducted by Caterpillar. This contract is for the next step in that engagement. The vendor will develop safety training unique to TPU as defined by the safety survey and provide knowledge and skills to improve TPU's safety culture. The vendor will also assist in developing a train-the-trainer program so that training can be done in house. Board Members made comments stressing the importance of employee safety and in support of the contract.

Voice vote was taken and carried. The resolution was declared adopted.

- D-2 Motion 18-12 - The Department of Public Utilities 2019/2020 budget, as submitted and filed with the Clerk of the Board, be accepted and approved and the City Council is requested to approve the same as provided by Section 4.12 of the Charter of the City of Tacoma.

Mr. Flint moved to approve the motion; seconded by Mr. Patterson.

Director Flowers summarized the budget process, which started in February 2018 with a Board retreat. The budget process included a new level of public/stakeholder outreach and coordination with General Government. This is also the first time budget and rates were prepared together. TPU strove to be transparent with all information. The budget increases low-income program offerings and there will be robust outreach for the low-income program going forward. Board Members made positive remarks about the budget and rates preparation for the biennium with an emphasis on the public outreach. Board Members also stressed that affordability is always in consideration.

Kit Burns made public comment and expressed concern about the cost of Automated Meter Infrastructure (AMI), what benefit it carries, and the impact on the budget.

Mitch Shook made public comment offering that Internet Service Partners (ISPs) can partner in advertising low-income assistance programs.

Voice vote was taken and carried. The motion was approved.

- D-3 Resolution U-11033 – Amend and revise Chapter 12.06 of the Tacoma Municipal Code regarding electric regulations and rates effective April 1, 2019 and April 1, 2020.

Mr. Flint moved to adopt the resolution; seconded by Mr. Patterson.

Bill Berry, Rates, Planning, and Analysis Manager, summarized the resolution. Tacoma Power requests approval for two system average, two percent rate adjustments that would become effective on April 1, 2019 and April 1, 2020. The rate adjustments are distributed to different customer classes based on a Cost-of-Service Analysis (COSA). Tacoma Power's revenue requirements analysis for the next biennium indicates a revenue shortfall at current rates. The main drivers for the shortfall are general inflationary increases in operating and capital expenses such as technology upgrades, regulatory compliance, and cybersecurity enhancements. The proposed rate adjustments are designed to generate additional revenue required to pay budgeted expenses and meet financial metrics. In preparation, staff conducted extensive public and stakeholder outreach. In response to a Board inquiry about rate increase causation, Mr. Berry responded that inflation, technology projects, regulatory compliance costs for fish, seismic activity upgrades, and cybersecurity enhancements are all factors. Board Members made positive remarks about staff work on budget and rates.

In response to a Board request, Director Flowers summarized AMI implementation. Director Flowers shared that she has been involved with AMI deployment in the past. Digitalization of technology is a complex process. The meter itself isn't complicated, but the communication and backbone that allows communication is complex. There must be a managed strategic approach to implement technology, especially integration with other systems like billing, electric vehicles, and distributed generation. It also provides the opportunity for demand response and load shedding for large customers. AMI is a foundational element to overall grid modernization. TPU staff will look to provide more detailed, robust conversations with the Board, Council, and the community with an equitable lens of service offerings for customers.

Voice vote was taken and carried. The resolution was adopted.

D-4 Resolution U-11034 – Amend and revise Tacoma Power's Electric Rate and Financial Policy.

Mr. Flint moved to adopt the resolution; seconded by Mr. Patterson.

Bill Berry, Rates, Planning, and Analysis Manager, summarized the resolution. Tacoma Power's electric rate and financial policy gives direction to future rate and financial planning decisions and helps ensure that reliable service is provided to all customers at the lowest possible cost consistent with prudent utility management. The proposed policy changes provide better alignment between the respective rate and financial policies of Tacoma Power and Tacoma Water. Board Member Cooley made positive remarks about the low-income program elements in the rates and dividing the increase in the fixed and variable charges 50/50. Board Member Cooley also commented that she's looking forward to continuing the conversation regarding AMI and the low income programs. Board Members made positive remarks about the budget and rate work done.

Voice vote was taken and carried. The resolution was adopted.

D-5 Resolution U-11035 – Amend and revise Chapter 12.06 of the Tacoma Municipal Code for the addition of Rate Schedule FC for an Electric Vehicle Fast Charge pilot rate.

Mr. Flint moved to adopt the resolution; seconded by Mr. Patterson.

Bill Berry, Rates, Planning, and Analysis Manager, summarized the resolution. Tacoma Power proposes a new temporary rate schedule to test appropriate rates that would

facilitate economic sales of energy to electric vehicle charging stations. Selling additional energy to owners of electric vehicle charging sites is an economically desirable opportunity. At any retail rate schedule, Tacoma Power would currently realize more revenue per unit of energy than disposing of that energy into the wholesale market. Expanding the availability of electric vehicle charging infrastructure is recognized as one mechanism to improve the convenience of electric vehicle ownership. Because of this, Tacoma Power anticipates the demand for DC fast charging stations will grow over time. This schedule will improve Tacoma Power's understanding of fast charging infrastructure and help prepare to meet the anticipated increase in customer demands. The electricity demands of DC fast charging infrastructure are relatively high. Traditional utility rates charge customers according to these high demands. A charging station's viability is impacted by demand charges. Under the proposed schedule, electric vehicle charging sites transition energy and delivery services from small general service rates to general service rates over a period of 13 years. This allows electric vehicle charging sites to transition into charges that are based on peak monthly demand. Through this schedule, Tacoma Power might alleviate a barrier to DC fast charging network expansion.

Board Members enthusiastically made positive remarks about the benefits of this resolution.

Public comment was taken from Kit Burns. Mr. Burns made positive remarks about the resolution and in favor of the Board considering a policy to keep fleet vehicles until 200,000 miles and having them all be either electric or hybrid vehicles.

Voice vote was taken and carried. The resolution was declared adopted.

D-6 Resolution U-11036 – Amend Section 12.13 of the Tacoma Municipal Code which sets forth rates for Click! Network Cable TV products and services.

Mr. Flint moved to adopt the resolution; seconded by Mr. Patterson.

Mr. Flint moved to enter Substitute Resolution U-11036 containing the following date corrections: In the third Whereas, lines 2 and 3, change 'effective December 1, 2018' to 'effective January 1, 2019', and, in line 4, change 'effective January 1, 2019' to 'effective January 1, 2020'. In the fourth Whereas, lines 2 and 3, change 'effective December 1, 2018' to 'effective January 1, 2019'. In Section 2, line 2, change 'per year effective January 1 of each year of the 2019/2020 biennium' to 'effective January 1, 2019'; seconded by Mr. Patterson.

Tom Morrill, Chief Deputy City Attorney, summarized the substitute language by stating that the Board is considering 2019 adjustments only; the substitute language provides that clarification.

A voice vote to enter the Substitute Resolution was taken and carried.

Tenzin Gyaltsen, Click! General Manager, summarized the resolution. This resolution would amend the code which sets forth Click! Network cable TV products and services effective January 1, 2019 such that the funding gap to produce a fully, self-funded 2019/2020 average of 9.8 percent with commensurate increases in bulk rates for residential and commercial complexes and increases in set top box and other ancillary fees. Click! Network. Click! Network is expected to post a financial deficit of

approximately \$6.5M for the 2017/2018 biennium. A preliminary draft budget for the 2019/2020 biennium projected a deficit of approximately \$9.9M. Click! network's financial deficits have historically been funded by Tacoma Power. The use of Tacoma Power funds for Click! network is under legal challenge, and the City's general fund is also not in a position to support Click! Network deficits. The city made a decision to pursue the public/private collaboration model for the future of the Click! Network. The Click! Network must continue to be managed and maintained until such transition occurs and cover business transition costs. These legal and funding constraints have made it necessary for Click! Network to develop a fully, self-funded budget for the 2019/2020 biennium.

Board Members made comments in support of this transitional budget that is for 2019 only and self-funded dependent upon the development of another business model.

Mitchell Shook made public comments informing that internet speeds are increasing and in opposition of a public/private partnership for the future of Click!.

Kit Burns made public comment in favor of simplifying Click! rates by decreasing the number of tier options available. Mr. Burns also made comments in support of more advertising for Click! on the web pages of the City, Chamber of Commerce, and Economic Development Board.

Voice vote was taken and carried. The Substitute Resolution U-11036 was declared adopted.

D-7 Resolution U-11037 – Amend and revise Chapter 12.10 of the Tacoma Municipal Code regarding water regulations and rates effective January 1, 2019 and January 1, 2020.

Mr. Flint moved to adopt the resolution; seconded by Mr. Patterson.

Jodi Collins, Assistant Water Division Manager, summarized the resolution. Tacoma Water's adopted 2019/2020 biennial budget indicates a revenue shortfall of approximately \$6.5M if rates are left at current levels. This rate increase is necessary to generate revenue to address that shortfall in support of the adopted budget. Expense increases driving this shortfall are related to cost escalation. In the development of this proposal, Tacoma Water has conducted a COSA and received expert review of that analysis in order to ensure that the proposal is in alignment with industry ratemaking standards and best practices. There has been extensive stakeholder and public outreach and a public hearing was held on October 10, 2018. Board Members made positive remarks about staff work done on budget and rates.

Voice vote was taken and carried. The resolution was declared adopted.

D-8 Resolution U-11038 – Amend and revise Tacoma Water's Rate and Financial Policy.

Mr. Flint moved to adopt the resolution; seconded by Mr. Patterson.

Jodi Collins, Assistant Water Division Manager, summarized the resolution. Tacoma Water's rate and financial policy gives direction to future short-term and long-term

planning decisions and helps ensure that reliable service is provided to all customers at the lowest possible cost consistent with prudent utility management. The proposed policy changes provide better alignment between the respective rate and financial policies of Tacoma Power and Tacoma Water. Board Members made positive remarks about the use of the reserve fund to minimize the rate increase.

Voice vote was taken and carried. The resolution was declared adopted.

D-9 Resolution U-11039 – Authorize Tacoma Rail to reissue Tacoma Municipal Belt Line 8807 series freight switching tariff.

Mr. Flint moved to adopt the resolution; seconded by Mr. Patterson.

Dan McCabe, Rail Section Manager, summarized the resolution. Tacoma Rail's customers consist of local industries and other railroads. The switching tariffs define the line haul and miscellaneous switching charges allocated to the movement of railcars. Tacoma Rail's tariff rates associated with unit train and other Tacoma interchanged line haul traffic were last updated in 2018 and 2017. Line haul rates are charged to BNSF or Union Pacific railroads unless the industry served or shipper elects to pay the fees themselves. Mr. McCabe reviewed the intermodal, unit train single spot, unit train multiple spot, and commercial increases. Approval is requested as required by City Charter, Section 4.11, which stipulates the Public Utility Board and Council approvals are necessary for the fixing of rates and charges for utility services.

Voice vote was taken and carried. The resolution was declared adopted.

H. Reports of the Director

Director Flowers called on Peter Meyer, Commercial/Industrial Conservation Manager, for an update on the LED streetlight program. Tacoma's Environmental Action Plan recommended upgrading all streetlights to LED where feasible. Tacoma's 21,000 streetlights were inefficient HID fixtures substantially past their useful life. Public Works faced a substantial backlog of maintenance issues and service delays and the General Government was looking for ways to manage power costs. Tacoma Power funded replacement of approximately 16,000 fixtures, 77 percent of Tacoma's street lighting. The utility developed the H3 rate that will recover the capital and energy costs. Tacoma Power and Public Works shared the duties to bring the project to completion three months early and \$2M under budget. The energy savings for the project are 71 percent; annual energy use dropped by 10,615,216 kWh (1.2 aMWH). The City of Tacoma will save \$560,000 in energy costs per year. The public was notified through public meetings and provided with resources and online contact forms. Today, 85 percent of Tacoma's streetlights are LED; at the end of 2019, 95 percent will be LED. Mr. Meyer introduced Tacoma Power's project manager on this project, Roger Peery. Leigh Starr, Public Works Division Assistant Manager, was also introduced. The Board made positive remarks about this project.

I. Comments by the Board

Board Members Flint and Jones made positive remarks about the opening of the new Eastside Community Center.

J. Adjournment

There being no further business or comments, the Public Utility Board was adjourned at 8:12 p.m. until Wednesday, November 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:

Woodrow E. Jones, Jr. Chair

Bryan Flint, Secretary