



TPU Board Workshop

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What we're going to cover today

- Ground rules and desired outcome
- Equity Training
- Summary of Interviews
- 5 Habits of high performing public boards
- Review of TPU's Policy Framework
 - Government Process
 - Board-Director Linkage

What we're going to cover tomorrow

- Purpose (Mission) and Vision Exercise
- Review of Strategic Directives
- Discussion of Director's 2023 Work Plan
- Discussion of Board Work Plan
- Next Steps



Equity Training

Summary of interviews

- Everyone is of the opinion that TPU has an excellent management team led by Jackie
- A general feeling among some board members that they are not sure of their role
- There is not a lot of communication among board members or with the public.
- There is some feeling of hesitancy to ask questions.
- Board members want to be more engaged but not sure what is the right way.

Five Habits of High Performing Public Boards: Habit 1

- **Board Members cultivate the Board as a distinct entity.**
 - Board members recognize the Board as a distinct entity that governs the organization.
 - The Board is different from Board members.
 - The Board directs the organization via the chief executive.
 - Individual Board members do not direct the chief executive or other staff, except when authorized to do so by the Board.
 - Board members offer suggestions or ask for information from the chief executive.

Five Habits of High Performing Public Boards: Habit 2

- **The Board focuses on results – and on monitoring results.**
 - The Board’s job is to define the results that the organization is to achieve.
 - The Board expresses its goals to the chief executive through a written strategic plan and/or policies.
 - The Board regularly monitors the goals and policies, via measures of success.
 - The Board uses the monitoring process to identify ways to improve the organization’s performance.

Five Habits of High Performing Public Boards: Habit 3

- **The Board ensures sufficient resources are on hand and that those resources are managed effectively.**
 - The Board regularly reviews the finances of the organization.
 - The Board helps develop and approves the organization's budget.
 - The Board assures resources are sufficient to meet the organization's goals.
 - The Board assures an audit is conducted of the organization's finances.

Five Habits of High Performing Public Boards: Habit 4

The Board develops itself so that it can effectively serve the organization's needs.

- The Board operates with integrity, modeling open, trust-building communication.
 - The Board keeps information confidential unless it has been approved for broader circulation.
 - The Board engages in productive, trust-building questioning and communication.
 - The Board recognizes the potential for conflicts of interest and is open and transparent about those conflicts
- The Board regularly monitors and discusses its effectiveness and structure.
- The Board clarifies the roles of the Board, Board members, Board chair, and chief executive.
- The Board assures an orderly succession of Board leadership.
- The Board orients new Board members to be effective as Board members.

Five Habits of High Performing Public Boards: Habit 5

- **The Board provides feedback and support to the chief executive.**
 - The Board regularly evaluates the chief executive on the basis of the organization's success in achieving the goals.
 - The Board assures the chief executive receives the coaching, mentoring, and training support that he or she needs.
 - When a vacancy occurs, the Board selects a new chief executive based on his or her ability to achieve the Board's goals.

How do you as a Board want to organize your work?

- Board Agendas
- Board Meetings
- Study Sessions
- Community events
- Industry conferences
- Communication guidelines with staff
- Communication among Board Members

Governance Policy Framework

GOVERNANCE PROCESS

Responsibilities of
the board of
directors and board
members

(10-20 policies)

BOARD-STAFF LINKAGE

Delegations to the
chief executive

(10-15 policies)

STRATEGIC DIRECTION

Results the board
wants the
organization to
achieve

(10-20 policies)

TPU Policy Framework

- Government Process
- Board-Director Linkage
- Strategic Directives (tomorrow)

TPU Government Process

The Public Utility Board, subject only to the limitations imposed by this charter and the laws of this state, shall have full power to construct, condemn and purchase, acquire, add to, maintain, and operate the electric, water, and belt line railway utility systems.

Section 4.10, Tacoma City Charter

Government Process (cont)

Developing and adopting high-level Strategic Directive policies that define the results the Board wants TPU to achieve and related performance measures.

Monitoring the Strategic Directives regularly, on the timetable specified in each policy...

#6 of Duties and Expectations of Board Members

Governing example

The Board will govern with an emphasis on: (i) outward vision rather than an internal preoccupation; (ii) encouragement of diversity in viewpoints; (iii) strategic leadership more than administrative detail; (iv) clear distinction of Board and CEO/General Manager roles; (v) collaborative rather than individual decisions; (vi) the future rather than past or present; and (vii) proactive thinking.

The Board will cultivate a sense of group responsibility. It will be responsible for excellence in governing. The Board will be an initiator of policy and use the expertise of individual members to enhance the ability of the Board as a body.

SMUD GP-2 Governance

Focus

Code of Conduct Example

- Board members should conduct themselves with civility and respect at all times with one another, with staff, and with members of the public.
- Board members are expected to demonstrate loyalty to the interests of our owners and ratepayers. This supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other Boards or staffs. It also supersedes the personal interest of any Board member acting as a consumer of the organization's activities.
- Board members may not attempt to exercise individual authority over the organization except as explicitly set forth in Board policies.
- Board members should recognize the lack of authority vested in them as individuals in their interactions with the CEO/General Manager or with staff, except where explicitly Board authorized.
- In their interactions with the public, press or other entities, Board members should recognize the same limitation and the inability of any Board member to speak for the Board or for other Board members except to repeat explicitly stated Board decisions.

Code of Conduct (cont)

- Board members shall at all times endeavor to express their individual opinions in a responsible manner, without causing harm to the utility, to its owners and customers, or to other Board members and staff.
 - i) Each member of the Board is expected to support the Board's decision-making authority, irrespective of the member's personal position.
 - ii) Board members retain the right to criticize the decisions of the utility, but in doing so should make it clear that it is their opinion, and not the opinion of the Board or other Board members, and so long as it complies with the limitations set forth in these policies. Board members are encouraged to notify the CEO/General Manager in advance when they plan to speak publicly in opposition to utility decisions and policies.
- Members should prepare themselves for Board deliberations.

SMUD GP-7 Guidelines for Board Member

Board-Director Linkage

1. The Board shall approve the vision and mission of Tacoma Public Utilities (TPU) and establish the strategic directives of TPU, communicating them in the form of policies that are consistent with the delegations the Board has made to the Director with regard to the Director's authority.

TPU BL-2 Delegations to the Director 1/8/20

Board-Director Linkage (cont)

3.If the Director reasonably determines that an activity related to a delegation presents an operational risk to TPU in any way, the Director shall inform the Board and may request that the Board take appropriate actions.

TPU BL-2 Delegations to the Director

1/8/20

Board-Director Linkage (cont)

4. The Board may change its delegations to the Director at any time, subject to the conditions of the employment contract, thereby expanding or limiting the authority of the Director.

6. The Board will review the Board delegations that have been made to the Director as necessary.

TPU BL-2 Delegations to the Director

1/8/20

Board-Director Delegations

- Authorizing the Director to execute acceptance of easements and quit claim deeds. (1954)
- Authorizing the Director to execute acceptance of the terms and conditions of various limited property rights granted to TPU such as licenses, permits and easements. (1962)
- Authorizing the Director to enter into and approve transactions for the purchase and sale of wholesale electric power and energy-related products and services. (2009)
- Authorizing the Director to approve amendments to the Agreement with the Water Supply Forum. (2010)
- Authorizing the Director to approve the purchase of real property required for Tacoma Public Utility operations up to \$200,000 that do not result in a system expansion or an addition or betterment. (2013)

Board-Director Delegations

- Authorizing the Director of Utilities to adopt a policy describing acceptable secondary uses of TPU property and to approve permits for the use of Tacoma Public Utility real property pursuant to the policy. (2013)
- Authorizing the Director of Utilities and the Superintendents the authority to acknowledge and accept municipal advisor disclosures. (2014)
- Providing policy guidance and authorizing the Director to approve fee schedules for land use permits for utility-owned real property (2015)
- Authorizing the Director to modify contract demand and contract energy values provided to contract industrial customers (2015)
- Authorizing the Director to increase the Puget Sound Energy build to interconnect their large load to Tacoma by ten percent before it has to come back to the Board. (2016)
- Authorizing the Director to revise and update Tacoma Power's Energy Risk Management Policy (2019)



Questions, reflections, preview of tomorrow

Purpose and Vision Exercise

“Tacoma Public Utilities provides services that are vital to our quality of life”

site

First page of TPU web

Other examples of mission statements

SMUD's purpose is to enhance the quality of life for our customers and community by providing reliable and affordable electricity, and leading the transition to a clean energy future.

OPPD's mission is to provide affordable, reliable and environmentally sensitive energy services to our customer-owners.

Other examples of vision statements

SMUD's vision is to be a trusted and powerful partner in achieving an inclusive, zero carbon economy. SMUD will leverage its relationships to accelerate innovation, ensure energy affordability and reliability, protect the environment, eliminate greenhouse gas emissions, catalyze economic and workforce development, promote environmental justice, and enhance community vitality for all.

OPPD's vision is “Leading the Way We Power the Future.”

Review of Strategic Directives

- SD1 Equity and Inclusion
- SD2 Financial Sustainability
- SD3 Rates
- SD4 Stakeholder Engagement
- SD5 Environmental Leadership
- SD6 Innovation
- SD7 Reliability and Resiliency

Review of Strategic Directives

- SD8 Telecom
- SD9 Economic Development
- SD10 Government Relations
- SD11 Decarbonization
- SD12 Employee Relations
- SD13 Customer Service
- SD 14 Resource Planning

TPU SD1 Equity and Inclusion

Tacoma Public Utilities (TPU) is committed to achieving equity and inclusion in its workforce, service delivery, policy decision making, and community/stakeholder engagement.

Measurement

TPU will track the ethnic, racial and gender makeup of potential and actual employees for recruitment, workforce, and retention relative to the population in its service territory.

TPU will track the number of projects, actions, and initiatives including an equity lens in its analysis, planning, and implementation.

TPU will track the diversity of outreach efforts including diversity of participation or audiences reached.

Reporting

Frequency: Annually for #1 and #3 and a pilot for #2

TPU SD2 Financial Sustainability

TPU will secure its commitment to provide safe and reliable power, water, and rail services over the long term by maintaining sustainable budget, financial, and asset management practices.

- AA-level bond rating, or better, to facilitate access to lower-cost financing and produce sustainable debt service expenses.

Measurements

1. Budget Performance and Forecasts
2. Debt Service Coverage Ratio (The debt-service coverage ratio (DSCR) is a measure of the cash flow available to pay current debt obligations)
3. Days Cash on Hand

SMUD SD3 Access to Credit Markets

Maintaining access to credit is a core value of SMUD.

Therefore:

- a) For SMUD's annual budgets, the Board establishes a minimum target of cash coverage of all debt service payments (fixed charge ratio) of 1.5 times.
- b) When making resource decisions, SMUD shall weigh the impacts on long- term revenue requirements, debt, financial risk and flexibility.
- c) SMUD's goal is to maintain at least an "A" rating with credit rating agencies.



Break

TPU SD 3 Rates

Tacoma Public Utilities rates for power, water, and rail services play an important role in securing a strong economy, establishing equity among customers, and producing revenue sufficient to provide safe, reliable, and environmentally-sensitive utilities services. TPU strives to ensure rates will be adequate, fair, just, and reasonable.

Outcomes

Utilities rates at the lowest levels reasonably sufficient to sustain safe and reliable utility operations, the goals in TPU strategic plans, and debt service over the near and long term.

Rate Policy Statements that detail and expand on the Strategic Directives for Tacoma Power, Water, and Rail.

Proactive customer/community outreach accompanies rate adjustments.

Measurements

1. Rate Impact Benchmarks
2. Coordinated customer/community outreach plans/schedules

SMUD SD-2 Competitive Rates

Maintaining competitive rates is a core value of SMUD.

- a) The Board establishes a rate target of 18 percent below Pacific Gas & Electric Company's published rates on a system average basis. In addition, the Board establishes a rate target of at least 10 percent below PG&E's published rates for each customer class.
- b) SMUD's rates shall be competitive with other local utilities on a system average basis. In addition, our rates shall be designed to balance and achieve the following goals:
 - i) Reflect the cost of energy when it is used or exported to the utility's grid;
 - ii) Reduce consumption during periods of high system demand;
 - iii) Encourage energy efficiency, conservation and carbon reduction;
 - iv) Encourage cost effective and environmentally beneficial Distributed Energy Resources (DERs)
 - v) Minimize the rate of change in the transition from one rate design to another;
 - vi) Provide customers flexibility and choices;
 - vii) Be as simple and easy to understand as possible;
 - viii) Address the needs of people with low incomes and severe medical conditions;
 - ix) Equitably allocate costs across and within customer classes.

TPU SD 11 Decarbonization

Tacoma Public Utilities seeks to be a leader in decarbonization of the electric utility system and transportation electrification and to promote Tacoma Power's renewable and nearly carbon free generation portfolio as a driver of economic development and a competitive advantage for existing customers.

The Public Utility Board and senior management encourage measured risk taking while balancing opportunity and benefits to ensure that decarbonization and transportation electrification is pursued with strict discipline through analysis, sound technical data and good management oversight.

TPU SD 11 Decarbonization (cont)

Track progress on related Tacoma Environmental Action Plan and participate in City's Greenhouse Gas Inventory.

Adhere to the Transportation Electrification Strategic Plan.

Decarbonization goals will be reflected in long term planning such as the Power Integrated Resource Plan.

TPU will promote and support decarbonization efforts which benefit our customers, reducing their costs as well as reducing rate pressure. TPU will seek opportunities to make pro-active capital investments to accommodate anticipated customer electrification and decarbonization efforts.

Measurements:

Track community outreach and communication activities related to decarbonization and transportation electrification.

Report to the Utility Board on organizational work groups who are focused on innovation, research and development, and modernization projects.

Individual work groups track and report progress.

Agree on simple metrics that can be tracked and reported. These metrics should map directly to an established value profile.

SMUD SD9 Resource Planning

It is a core value of SMUD to provide its customers and community with a sustainable power supply using an integrated resource planning process.

- a) Pursue energy efficiency and electrification to reduce carbon emissions by 365,000 metric tons from buildings and 1,000,000 metric tons from transportation in 2030 (the equivalent of 112,000 single family homes and 288,000 passenger vehicles electrified).
- b) Procure renewable resources to meet or exceed the state's mandate of 33% of SMUD's retail sales by 2020, 44% by 2024, 52% by 2027, and 60% of its retail sales by 2030 and thereafter, excluding additional renewable energy acquired for certain customer programs.

SMUD SD9 Resource Planning

- c) In meeting GHG reduction goals, SMUD shall:
 - Emphasize local and regional benefits.
 - Improve equity for under-served communities.
- d) Explore, develop, and demonstrate emerging GHG-free technologies and business models.
- e) Promote cost effective, clean distributed generation through SMUD programs.

TPU SD 13 Customer Service

As a municipal utility, TPU is committed to providing the highest levels of customer services. The Public Utility Board has established this directive to ensure positive customer experiences in their interactions with TPU staff, Board Members, consultants, and sub-contractors.

Measurements

TPU's Public Utility Board will receive an annual benchmark of customer satisfaction. TPU's goal is to achieve first or second quartile performance in customer satisfaction.

TPU's Public Utility Board will receive updates on key operational performance metrics with high customer value. These metrics include:

- Total dollars and number of customers served through utility assistance programs.

- Phone service levels and average speed to answer calls.

- Billing timeliness and accuracy.

SMUD SD-5 Customer Relations

The Board sets a customer satisfaction target of 95 percent with no individual component measured falling below 85 percent. In addition, the Board establishes an overall customer experience “value for what you pay” target of 70 percent by the end of 2025 and 80 percent by the end of 2030, with neither the average commercial customer score falling below 69 percent nor the average residential customer score falling below 65 percent in any year.



Lunch Break



Discussion of Director's 2023 work plan



Discussion of Board work plan and next steps



Thank you!