



APPROVED 10-23-19

MINUTES
City of Tacoma
Public Utility Board Meeting
October 9, 2019
6:30 p.m.

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

Present: Bryan Flint, Christine Cooley, Carlos Watson, Karen Larkin, Mark Patterson

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

There were no recognitions.

Public comment

Mitchell Shook reviewed the August 2019 Click! financials and spoke in opposition of agreement for Click! with private parties.

Consent Agenda

There were no items on the consent agenda.

Regular Agenda

D-1 Resolution U-11103 – Award contracts and approve purchases:

1. Award city-wide contract to Bridgestone Americas Tire Operations, LLC for tires, tubes, and services (\$3,900,000, plus applicable taxes) [Patsy Best, Payment and Procurement Manager];
2. Increase contract with Stantec Consulting Services, Inc., for remaining Phase 1 and subsequent Phase II Owner's Engineer services for Alder Unit 11 Rebuild Design Build Project (\$398,000, plus applicable taxes. Cumulative total \$558,540, plus applicable taxes) [David Wagner, Generation Project Manager];
3. Award contract to CE Power Engineered Services, LLC, for the Mayfield Unit 42-44 Generator Breaker Replacement Project (\$518,640, plus applicable taxes) [Eric Hoffman, Power Engineer];
4. Increase contract with Potelco, Inc., and Wilson Construction Company for Transmission and Distribution augmented crew services (\$1,200,000 and

\$300,000, plus applicable taxes, respectively. Cumulative totals \$3,220,547 and \$600,000, respectively. Cumulative contract total \$4,120,547.50, plus applicable taxes) (The cumulative total includes Michels Corporation, which will remain at the previously approved amount of \$300,000) [Joe Parris, T&D Contract Program Manager];

5. Award contract to Cerium Networks, Inc., for the purchase of hardware, software, maintenance support, and professional services to replace existing virtual machine environments (\$719,546.82, plus applicable taxes, for a term of one year plus five years of support) [Terry Gifford, Assistant Power Section Manager];
6. Increase contract with CCS Washington Janitorial, Inc., dba Commercial Cleaning Systems, Inc., for janitorial services and supplies for the Tacoma Rail facility (\$90,000, plus sales tax. Cumulative total \$590,000, plus sales tax) [Dan Knouff, Management Analyst].

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

In response to a Board inquiry on item number one regarding how the yearly numbers are determined, Patsy Best, Procurement and Payables Manager, stated that the spending is determined by looking at past expenditures and the needs anticipated by fleet managers. In response to a Board inquiry about specific TPU expenditures in this citywide contract, Ms. Best explained that TPU has used a different vendor through the state contract for its portion and will provide TPU's expenditure information on the current contract. In response to a Board inquiry, Ms. Best shared that the largest use of the contract is by General Government utilities, Fire, and Police and that the contract total includes disposal of the old tires.

In response to a Board request for clarification on contract number two, David Wagner, Generation Project Manager, clarified that the contract is for the design phases. The construction contracts for future phases will be brought forward to the Board at a later time.

In response to a Board inquiry on item four regarding the percentage of contract use going to Potelco, Joe Parris, T&D Contract Program Manager, shared that Potelco is used primarily because their line item pricing is consistently lower.

In response to a Board request for clarification on item number 5, Terry Gifford, Assistant Power Section Manager, described a virtual machine environment as a way of consolidating multiple computing systems onto a single platform for better efficiency and utilization of resources. It isn't a simulation, but rather represents actual systems being used like the outage, services, and security management systems being run on the platform.

In response to a Board inquiry on item number six about environmentally friendly cleaning projects in the contract for janitorial services at Rail, Kari Halliday, Operations Manager, stated that environmentally-friendly products are listed in the RFP and the contractor is compliant.

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

D-2 Resolution U-11104 – Authorize execution of a letter of agreement negotiated between the City of Tacoma and the International Brotherhood of Electrical Workers, Local 483, Tacoma Power Unit.

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

Cecily Hutton, Labor Negotiator, summarized the resolution. Effective August 26, 2019, an application rate of 110 percent of the line electrician rate of pay shall be applied to individuals on the trouble crews. The application of rate is increasing from 107 percent to 110 percent. The application of rate is applied after the cost of living adjustment is calculated for each period. Effective April 1, 2020, wages shall increase by an amount equal to 100 percent of the increase of the Consumer Price Index for urban wage earners and clerical workers measured from June 2018 to June 2019, with a minimum 2.25 percent and a maximum increase of 3.5 percent. The agreement covers approximately six budgeted, full-time equivalent positions and is anticipated to be scheduled for Council consideration on October 22, 2019.

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

D-3 Resolution U-11105 – Approve declaration of surplus of the Stadium, Pearl, and Cowlitz Substations oil circuit breakers, and 438 overhead and pad-mounted transformers no longer needed for Tacoma Power's current or future needs and authorize the sale of equipment to the highest responsive bidder. [Sean Veley, Power Supervisor].

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

Sean Veley, Substation Maintenance Supervisor, summarized the resolution. The listed equipment are considered surplus to Tacoma Power's needs due to their age or condition and are no longer required for providing continued public utility service. These surplus items should be advertised and sold to the highest responsive bidder in accordance with the applicable state and city laws and in accordance with the Finance Department's surplus policies.

Prior to voting, a public hearing was held in accordance with RCW 35.94.040.

Mitchell Shook made public comment in support of public votes of the people before the surplus of any pertinent utility asset and in opposition of any surplus action for Click! network.

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

D-4 Resolution U-11106 – Authorize execution of a contract between Tacoma Power and Bradken, Inc., for a customer-funded project that provides power to the customer's new manufacturing facility and provides power feed improvements for backup capacity [Rich Barrutia, Power T&D Supervisor].

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

Rich Barrutia, T&D Supervisor, summarized the resolution. Bradken, Inc., is constructing a new manufacturing building. A power line extension is required to serve the building's

estimated 2 MW electrical load. A second portion of the contract is to upgrade an existing power line crossing over the I-5 freeway. This work will increase the line's capacity to provide backup power to the facility. The project estimates are \$116,000 for the line extension and \$241,500 for the line upgrade for a total of \$357,500. The customer will pay the total sum to offset the costs of the project.

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

D-5 Resolution U-11107 – Adopt Tacoma Power's ten-year, 2020/2029 achievable economic conservation potential of 233,660 MWh and a two-year 2020/2021 conservation target of 46,732 MWh. [Rich Arneson, Senior Conservation Planner].

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

Rich Arneson, Senior Conservation Planner, summarized the resolution. The Washington State Energy Independence Act requires Tacoma Power to pursue all cost-effective conservation. Department of Commerce regulations implementing the Energy Independence Act requires that utilities adopt a ten-year conservation potential and a two-year conservation target by action of the utility's governing board in a public meeting that provides an opportunity for public comment. Adoption of the two-year target sets the standard by which the utility will be judged on compliance with the Act. If Tacoma Power were to fail to achieve the two-year conservation target, the utility would face penalties of \$50/MWh for every MWh short of the target. To identify the ten-year potential and two-year target, Tacoma Power used information from the 2018 Conservation Potential Assessment (CPA). The CPA was conducted consistent with WAC 194-37-70 requirements. This study found a ten-year achievable economic conservation potential of 233,660 MWh. To determine the two-year target, Tacoma power calculated a pro-rata share or 20 percent or 46,732 MWh of the potential.

In response to a Board inquiry, Mr. Arneson shared that 233,660 MWh is enough to power approximately 20,000 average dwellings in the Tacoma area. Mr. Flint and Ms. Cooley made positive remarks about TPU's energy conservation focus.

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

D-6 Resolution U-11108 – Authorize Tacoma Power to amend and extend the Note Purchase Agreement with Wells Fargo to provide interim financing for capital projects in Tacoma Power's approved capital budget. [Bill Berry, Power Section Manager].

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

Bill Berry, Power Section Manager, summarized the resolution. Pursuant to Ordinance 28295 adopted on April 21, 2015 (Master Subordinate Ordinance) and Ordinance 28296 Adopted April 2015 (First Subordinate Ordinance), Tacoma Power issued its Electric System Subordinate Revenue Note, Series 2015 A, to evidence a revolving line of credit in the principal amount of not to exceed \$100,000,000 outstanding at any time. The 2015A Note was sold to and purchased by Wells Fargo by private sale pursuant to the terms of the Note Purchase Agreement (NPA) between Wells Fargo and the City. Tacoma Power has successfully utilized the 2015 Note and the original NPA to finance various capital projects, and implementation of the 2015 A Note and the original NPA

has allowed a more cost-effective and efficient management of capital construction compared to issuing long-term bonds. Pursuant to a first amendment to the NPA dated May 11, 2018 the City agreed to extend the term of the 2015A Note to August 8, 2020 and to amend provisions of the original NPA. Staff requests approval as it would be beneficial for Tacoma Power to extend the expiration date of the 2015 Note and to increase the principal amount available under the 2015A Note of not to exceed \$100,000,000 to not to exceed \$150,000,000 to provide financing Tacoma Power capital projects. To accomplish this, Wells Fargo has requested that Tacoma Power enter into an amendment to the amended NPA.

Chair Larkin stated that the Board has had several study session and there have been Council presentations on this information and made positive remarks as the resolution is a positive way to invest in capital infrastructure and reduce interest rates paid.

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

D-7 Resolution U-11109 – Authorize Tacoma Power to i) extend the bond reserve surety policy with Assured Guaranty Municipal, and ii) enact a springing amendment to include the interest subsidy payments received from the federal government in the debt service requirement calculation . [Bill Berry, Power Section Manager].

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

Bill Berry, Power Section Manager, summarized the resolution. Pursuant to Ordinance 23514 passed on November 1985, Tacoma Power issued and has currently outstanding five electric system revenue bonds. The city reserved the right to issue additional parity bonds upon satisfaction of certain requirements and has established a debt service account and subaccounts within the reserve account to secure the payment of principal of and interest in the bonds. Such reserve subaccounts created in the reserve account secure only the payment of principal of and interest on the reserve account secured bonds and any future parity bonds that the city elects to have secured by such subaccounts and not secure the payment of the principal of or interest on the 2017 bonds. With the consent of the appropriate percentage of parity bond owners, the outstanding parity bond ordinances permit the Council to pass an ordinance amending or supplementing the applicable parity bond ordinances for the purpose of providing that in calculating the reserve account requirement. By purchase of the bonds, Tacoma Power has received the consent of the requisite amount of owners of the outstanding parity bonds and find it would be beneficial to deduct the direct payment the city is expected to receive from its calculation of the annual debt service. Staff recommends that an authorizing ordinance be approved by the Board and passed to the Council to revise the calculation of annual debt service for purposes of the reserve account requirement and to extend the term of the surety policy.

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

H. Reports of the Director

The study session presentations on for the Cafeteria Services Contract, Resource Adequacy, Real Property Disposition Policy for Affordable Housing and Board policies were summarized.

Director Flowers shared that the August 2019 cash projections and financials have been provided to the Board in advance.

Corey Bedient, Water Division Manager, provided an Advanced Meter Project update relating to Smart Water. Smart water uses sensor technology, automation, and real-time control to improve the efficiency and reliability of water operations. It enhances resiliency, improves service quality, and delivers cost savings. Emerging smart water industry examples include leak detection, pressure regulation, and asset management. In response to Board inquiries regarding the deployment of turn off/on technology, Scott Dewhirst, Water Superintendent stated that information will be provided to the Board.

Director Flowers provided a recap of this year's TPU United Way giving campaign. To date, employees have given a total of \$171,189 with some pledge forms still being received. Chair Larkin made positive remarks about the generosity of TPU employees.

I. Comments by the Board

Mr. Flint made positive remarks about TPU's view shift toward climate change and considering carbon reduction in the power business.

Chair Larkin announced that Click! issues will be considered at future Board and Council meetings and encouraged the public to pay attention to agendas and encouraged the public to share thoughts. There will be an information letter sent to Click! customers.

J. Adjournment

There being no further business or comments, the Public Utility Board was adjourned at 7:37 p.m. until Wednesday, October 23, 2019 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:

Karen Larkin, Chair

Mark Patterson, Secretary