



APPROVED 5-27-20

MINUTES
City of Tacoma
Public Utility Special Board Meeting
May 13, 2020
3:00 p.m.

Chair Larkin called the Public Utility Board meeting to order at 3:07 p.m. in the auditorium at Tacoma Public Utilities.

Present: Karen Larkin. Via Zoom: Bryan Flint, Christine Cooley, Carlos Watson (arrived 3:27), Mark Patterson

The meeting was quorate.

D-1 Resolution U-11161– Award contracts and approve purchases:

1. Award contract to H. D. Fowlers Co., for the purchase of 91,800 water meter box lids to accommodate Sensus meter radio probes in conjunction with the Advanced Meter Program (\$2,190,976.56, plus applicable taxes) [Corey Bedient, Water Assistant Division Manager].

Mr. Flint moved to adopt the resolution; seconded by Ms. Cooley.

Corey Bedient, Water Assistant Division Manager, summarized the resolution. In 2019 and 2020 Tacoma Water, in preparation for the Advanced Meter Project, instigated a field survey program of over 105,000 water meters, boxes and lids. It was determined that the vast majority of water meter boxes were in good condition and did not need to be replaced. The meter box lids however, do need to be replaced to accommodate the new Sensus meter transmitter. Drilling the existing lids to accommodate the transmitters' functionality is not an option as the structural integrity of the lids would be compromised. Due to the results of the meter survey, staff was able to determine what types of meter box lids would need to be replaced. Without these meter lid the Advanced Meter Program for the water system cannot be realized. This contract will last for the duration of the Advanced Meter Project, estimated at 18 months, these meter box lids will be installed along with new water meters and transmitters in existing water meter boxes by Tacoma's installers.

In response to a Board request for clarification, Mr. Bedient confirmed that even without the Advanced Meter Project, many of these would need to be replaced. Mr. Bedient also confirmed that the concrete box housing the meter will not be replaced, just the lid. Board Member Cooley outlined the benefits that the Advance Meter Project will bring and that the vendor is local and the price is thirty percent under the pre-bid estimate.

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

D-2 Resolution U-11162 – Authorize execution of a new Memorandum of Agreement between Tacoma Water and the Information Technology Department to replace and supersede the existing agreement [Greg Volkhardt, Water Division Manager].

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

Greg Volkhardt, Water Division Manager, Tacoma Water and Tacoma General Government executed a Memorandum of Agreement (MOA) dated January 14, 2002, for General Government to occupy a portion of the Tacoma Water Indian Hill reservoir property for use as a radio communications building and tower site for the General Government 800 MHz radio system. At the request of the Information Technology Department (ITD) on behalf of General Government, the ITD and Tacoma Water desire to replace and supersede the current MOA with a new and updated MOA. This MOA is submitted for Board consideration. The new MOA provides for continued use of the building and tower premises for the General Government radio system together with provisions for additional occupancies by other governmental or quasi-governmental agencies and non-governmental entities. The new MOA provides for continuation of the existing General Government annual fee schedule, annual increases based on the regional CPI and a revenue sharing formula with Tacoma Water for any occupancy fees collected by ITD. Provisions are also included for a new single revenue sharing Water and ITD agreement with Sprint to replace and supersede currently separate Water and ITD agreements for Sprint's use of the tower. King County has requested use of the building and tower premises for their new Public Safety Emergency Radio Network (PSERN) currently under construction and crucial for interoperability between King County and Pierce County first responders. A separate Site License Agreement between Tacoma Water, ITD and King County is included as an attachment to the MOA. The MOA term is 30 years with provisions for three additional thirty year renewal terms. Tacoma Water cancellation provisions are included in the event use of the premises is reasonably necessary for Tacoma Water facilities.

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

D-3 Resolution U-11163 – Authorize execution of a Site License Agreement between Tacoma Water, the Information Technology Department, and King County for new King County radio equipment at the Indian Hills Reservoir [Greg Volkhardt, Water Division Manager].

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

Greg Volkhardt, Water Division Manager, summarized the resolution. A General Government 800 MHz public safety radio system building and tower currently occupies a portion of the Indian Hill reservoir under a 2002 Memorandum of Agreement (MOA). Terms and conditions of this occupancy have been updated in a new MOA that is currently under consideration for Utility Board approval. The new MOA includes provisions for other governmental and quasi-governmental agencies to occupy the building, tower and same portion of the property. King County is managing implementation of a new Public Safety Emergency Radio Network (PSERN) in King County and has requested occupancy of the building, tower and property as a site for

this radio system. The Site License Agreement (SLA) under consideration for Utility Board approval governs the terms and conditions of this occupancy. Terms of the SLA provide for existing building and tower space for PSERN radio equipment, space for a new diesel fuel tank adjacent to the building and a 30 feet tower height increase. The SLA term is thirty years with two automatic five year renewals. Tacoma Water cancellation provisions are included in the event use of the property is reasonably necessary by Tacoma Water. ITD will collect rent in the amount of \$20,000 per year, plus annual increases based on the current CPI. ITD will share 50 percent of rent collected with Water. Water will be reimbursed for any Water administrative costs incurred during the term of the agreement. Planning, procurement, financing and implementation of the PSERN system is being managed by King County under an interlocal agreement between King County and the cities of Auburn, Bellevue, Federal Way, Issaquah, Kent, Kirkland, Mercer Island, Redmond, Renton, Seattle and Tukwila. These parties anticipate formation of a PSERN Operator, a quasi-governmental public agency that will assume ownership and control of the PSERN system following its full acceptance. Under specific terms of the SLA, King County may assign the SLA to the PSERN Operator which will be fully responsible for fulfilling SLA terms.

In response to a Board request, Mr. Volkhardt indicated he would obtain information about any public input received at King County's conditional use permit hearing in March.

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

Reports of the Director

Covid-19/Emergency declaration update)

Director Flowers provided an update on the Covid-19 emergency declaration. TPU remains active in the City of Tacoma emergency response related to COVID-19. As essential service providers, work has continued throughout the pandemic emergency response period although in some cases that work has been accomplished through what was previously non-traditional means, namely telework. Staff is carefully monitoring Governor Inslee's phased business reopening in part to anticipate when adjustments need to be made to our work methodologies and to better understand what measures may be instituted with business reconstitution. Staff is also carefully coordinating with the Governor's phased business reopening directions, the Department of Health guidelines, and our union partners as we anticipate future adjustments in demands for services and our work environment. Business reconstitution will be based on this coordination, cautious and phased. TPU and GG held another virtual town hall meeting on May 11 on Zoom with approximately 650 employees logged in to that meeting.

A Customer Transition Team has been launched whose primary focus will be on transitioning customers from this emergency response phase, wherein customer disconnects are postponed, toward a recovery period that will involve establishing payment plans and assisting customers as they work to become current with their utility bills. Staff will also continue to work to identify resources to alleviate bill payment concerns particularly for low income, such as the expanded availability to LIHEAP funds as well as Washington's Disaster Cash Assistance Program. As of May 6, 10,361 applications for Emergency Assistance Program funding were received with 7,873 applications approved; 60 percent of the applications were from customers inside the City of Tacoma with the other 40 percent in our service territories outside the City of Tacoma. Of those funded, \$1,413,874 in rebate towards their utility bills has been provided.

All City Departments and TPU divisions/sections are developing their business reconstitution plans which will guide transitioning employees from telework and returning the public to TPU facilities. These will eventually become part of the Departmental Continuity of Operations Plans. The plans will consider social distancing and personal protective equipment requirements for both employees and the public as different elements of work are restored within the building. It is anticipated that telework will have a prominent place in our work culture going forward.

Board Members made positive remarks to staff and expressed appreciation for their work during this trying season. In response to a Board inquiry, Director Flowers clarified that when an application for assistance is denied, that information is provided to the applicant. Currently, less than 100 applications per day are received and \$1.4M out of the \$2.4M has been spent.

Rail Rate Policy

Dale King, Rail Superintendent, made introductory remarks. Dan McCabe, Rail CIO/CFO provided an overview of the Rail rate policy objectives: 1) Rail rates should be cost-based and adequate to recover Tacoma Rail's costs; 2) Rates should be stable; 3) Rates should ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible; 4) Rates should have a customer involvement and review process. Rail rates are based on best estimates of rail volumes at the time of budget and adjusted annually as necessary. Rail utilizes temporary or unanticipated upswings in business volumes to balance temporary or unanticipated downswings in business and to support railroad infrastructure and asset investment opportunities. Mr. McCabe then provided an overview of the proposed changes. One change is to apply operating surpluses due to unanticipated rail volume growth into the volume investment fund. Tacoma Rail would maintain a volume investment fund that provides revenue requirement flexibility during times of unanticipated economic downturns or capital spending that may be used to offset the necessity of rate increases. Discussion on the use and goals of the volume investment fund ensued with the Board. As a result, staff will work to see if parameters/structure around the purpose of the investment fund and a goal for fund level tracking can be implemented.

Water Financial Update and Rate Policy

Scott Dewhirst, Water Superintendent, shared that implementation of Water's strategic plan is underway and it's serving as a guide in these uncertain times. The customer and internal focus have been reinforced by recent event. Superintendent Dewhirst summarized the Covid-19 impacts. Delivery of total water to the system continues to track with 2019. Water is continuing to project increased residential demand and decreased commercial demand during the stay home mandate. Total billed demand and revenue for March and April are above budget and staff continues to monitor billed demand and revenue. Superintendent Dewhirst detailed graphical representations of operating costs, capital spending, and rate pressures/relief. Jodi Collins, Assistant Water Division Manager outlined Water's rate and financial policy: revenue requirement; cost-based rates; stable rates; financial metrics; rate adjustment; low-income considerations; and environmental stewardship. Ms. Collins reviewed budget drivers, base case rate scenarios, alternate rate scenarios, and budget and rate impacts. Discussion with the Board on the presentation ensued. As a result, staff will work to refine Information on slide 8 pertaining to long-term view and future cost savings;

providing a cumulative/holistic slide that supplements the information on slide 19 and applies the information to other utilities; and to follow-up with a report on the impact of the emergency declaration on large and small customers.

Power Financial Update

Chris Robinson, Power Superintendent, described current challenges. Covid-19 has resulted in a decline in retail loads of approximately 5-7 percent. Excess supply from retail load reduction can be sold in the wholesale market; however, for every MWh of retail load decline, Tacoma Power loses \$27-\$47 compared to the system-average retail rate of about \$81. O&M for 2019 was overspent, largely due to a critical water year, which resulted in additional power market purchases. Superintendent Robinson continued by detailing historical recessions and current recession impacts. Superintendent Robinson then outlined three goals: Minimize rate impacts today without creating new ones tomorrow; maintain healthy financials; reduce expenses while minimizing workforce impact until the length and depth of the recession is clearer. A detailed breakdown of O&M expenses was reviewed illustrating that 66 percent of those expenses are non-discretionary and of the discretionary, 34 percent is mostly for provision of the core mission. Mitigation plans for the current and next biennium were outlined. These include expense reductions, capital reductions and rebalancing, liquidity, and rate increases. Preliminary expense reductions come from capital deferrals, unfilled employee vacancies, contracts and other services, training and travel, natural resources studies, licenses and permits, materials and supplies, and memberships. Currently, there is a hiring freeze, capital planning reprioritization, new lines of credit, increased debt-funding, and planned rate increases. Superintendent Robinson then outlined the reasons to proceed with the Advanced Meter Project, and Energy Imbalance Market Project. Discussion with the Board on the presentation ensued. As a result, staff will work to provide information on how much of the Advanced Meter Project is debt financed; provide more information on the 60/40 funding ratio and what increasing that ratio looks like; provide all budget cuts in percentages, not numbers, and show what it would do in terms of rate adjustments if these cuts weren't made; revisit the positive ROIs and emphasize that short-term savings would lead to long-term costs and showing the funds that have already been spent/committed; and to provide information on the Energy Imbalance Market ROI.

Advanced Meter Project Policies

Matt Hubbard, Power Engineer, began by providing an overview of the policies, procedures, and practices of policy development. The Advanced Meter Project policy discussion will continue at the next two Board meetings with Board consideration of the first policy package at the second meeting of June. Mr. Hubbard reviewed each policy package. Package one: Customer Services policy; Water Customer Service Policy; Power Customer Service Policy; Tacoma Municipal Code/Chapter 12; TPU Customer Privacy Policy; Advanced Meter Customer-Side Repairs; Tacoma Power Staff Procedure A7. Package two: Tacoma Municipal Code/Chapter 12 (Opt-out fee; prepay rate; electric meter/disconnect fees); Customer Service Policy (non-Advanced Meter Updates); Water Customer Service Policy (non-Advanced Meter Updates); Power Customer Service Policy (non-Advanced Meter Updates); Package three: Tacoma Municipal Code/Chapter 12 (comprehensive review of fees and charges related to new Advanced Meter services; Water Customer Service Policy (leak adjustment policy changes; General Customer Service Policy standardization and formatting. Board Member Flint expressed interest in knowing more about the opt-out and customer-side repair policies and if involving interested public is possible during the emergency

declaration. As a result, follow-up meetings with staff and Board Member Flint will be scheduled. Board Members also requested very sufficient lead time in reviewing policies before consideration.

Adjournment

There being no further business or comments, the Public Utility Board open session was adjourned at 6:10 pm. until Wednesday, May 27, 2020 for a meeting at a time to be determined.

Executive Session

Board Member Flint moved to convene an executive session at 6:20 p.m. for 60 minutes for the purpose of discussing potential litigation per RCW 42.30.110(1)(i); seconded by Board Member Patterson and approved by the Board. Chair Larkin announced that after the conclusion of the executive session, the Board would not take any further action and the meeting would be adjourned. Chair Larkin moved that at the conclusion of the executive session, the Clerk of the Board is authorized to adjourn the meeting; seconded by Mr. Patterson and approved by the Board. The executive session was adjourned at 7:15 p.m. Attorney present was Tom Morrill, Chief Deputy City Attorney.

Approved:



Karen Larkin, Chair



Mark Patterson, Secretary