



APPROVED 6-10-10

MINUTES
City of Tacoma
Public Utility Special Board Meeting
May 27, 2020
3:00 p.m.

Chair Larkin called the Public Utility Board meeting to order at 3:00 p.m. in the auditorium at Tacoma Public Utilities.

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

The meeting was quorate.

- D-1 Resolution U-11164– Award contracts and approve purchases:
1. Award three-year contract to CCS Washington Janitorial, Inc., dba Commercial Cleaning Systems for janitorial services and supplies (\$473,800 plus the option to renew for two additional one-year renewal terms for a projected contract amount of \$806,600. [Kari Halliday, Operations Manager].
 2. Increase contract to Clevest Solutions, Inc., for the continued implementation of the mobile replacement solution (\$191,400. Cumulative total \$1,685,056, plus applicable taxes) [Tony Landrith, Assistant Section Manager].

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

In response to a Board inquiry on item number one, Kari Halliday, Rail Operations Manager, confirmed that this is the same vendor from the previous contract. In response to a Board inquiry regarding any exemptions Rail may have with collective bargaining, Ms. Halliday explained that if Rail were to bring this janitorial service in house, those employees couldn't be part of Local 483 because of the Railway Act. Those employees would fall under a separate labor agreement or rail employee contract.

In response to a Board inquiry on item number two, Tony Landrith, Power Assistant Section Manager, stated that the contract amount does not include a contingency and the contractor is held tight to the pricing. This funding is a result of project delays.

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

- D-2 Resolution U-11165 – Amend Resolution U-11057 which established a special project of limited duration in support of the WorkForce Connect project for both TPU and General Government allowing for the addition of staff to support key

project phases and deliverables by extending it through June 30, 2020. [Tony Landrith, assistant Section Manager].

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

Tony Landrith, Assistant Section Manager, summarized the resolution. TPU and General Government currently provide laptops to field technicians with software installed that allows capturing of information gathered on requests e.g. customer service requests, maintenance inspections, etc. This information is integrated with back-office systems such as SAP. The current system, 15 years into the original implementation and no longer supported by the vendor, provided the opportunity to move away from paper-based processes of collecting work details to electronic based tools. The Workforce Connect (WFC) project will replace the existing legacy field solution. This is required to address a system that has reached end of life and extended vendor support, increase the number of end users and extend and improve system functionality. This project experienced schedule pushes including a delay from the contracted schedule start date and actual project kickoff; and impacts from holiday schedules and other projects. The decision was made to move the go-live date to March 2021 with final project close out is expected to complete in June 2021. This resolution will enable the participating organizations to staff and fully participate in appropriate phases of the project with technology and business subject matter experts. Funding has been included in the designation organization's 2019/2020 O&M and Capital budgets and has been requested for 2021/2022 O&M and capital budgets.

In response to a Board inquiry concerning the increase in staffing and costs during a time of budget cuts, Mr. Landrith shared that staffing in this request was originally six, now it is three. This is a key strategic project and is nearing the end; it would be more costly to stop and restart the project. Staff has been conscious about costs by working with the staffing agency to reduce rates and explore other cost savings. The purpose of this project is to create efficiencies with field crews so that in the long run there will be cost savings. This replaces the mobile system currently in place. The alternative is going back to paper. This will save the organization time and effort in managing work. The current system being replaced is 15 years old. This optimizes scheduling and resource management capabilities. Tom Morrill, Chief Deputy City Attorney, added that the extension is requested through June of 2021, not 2020.

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

D-3 Resolution U-11166 – Authorize a recurring adjustment to the WestRock monthly invoice for power factor correction and delegation of authority to suspend or terminate adjustment if conditions merit and amend the WestRock power service agreement to reduce monthly contract energy by 5MW for the remainder of the agreement [Rick Applegate, Sr. Power Analyst].

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

Rick Applegate, Sr. Power Analyst, summarized the resolution. Power factor correction mechanisms exist in Tacoma Power's rate schedules to compensate Tacoma Power for actions Tacoma Power may need to take to maintain a safe and reliable power system. Central to these actions are investments to maintain voltage levels within acceptable tolerances. WestRock, a large industrial customer of Tacoma Power, uses electricity

pursuant to the agreement and is charged a power factor correction in its monthly invoice. The financial implication of this correction is an additional charge to WestRock of about \$50,000 per month. However, WestRock is unique in that it operates a large generator on its premises that helps support appropriate voltage levels on Tacoma Power's system. Accordingly, Tacoma Power has determined that it is required to take little or no corrective action with respect to WestRock's reduced power factor load and the charge for a power factor correction is not necessary. WestRock presents irregular circumstances and conditions which warrant that it should not be subject to Power Factor correction provisions under its applicable rate schedule. Because of the financial magnitude of the ongoing adjustment, Tacoma Power requests the Public Utility Board concur with the Director of Utilities' determination that the power factor correction is not warranted. The Director of Utilities has authority to terminate this adjustment if WestRock fails to operate its facility in a manner that supports safe and reliable system voltages, or if other circumstances warrant. Implementation of this adjustment also requires modification of the WestRock Power Service Agreement to reduce monthly Contract Energy values by 5 MW. Without this change, the values currently appearing in WestRock's agreement as a minimum billing determinant would not allow the removal of the power factor correction to provide any benefit to WestRock. Accordingly, Tacoma Power requests the Public Utility Board approve a reduction to contract energy of 5 MW in the WestRock Power Service Agreement for its remaining term.

In response to a Board request, Mr. Applegate, provided additional information. The WestRock generator uses biomass waste product to produce energy; there's an intermediate purchase of transmission over our system. In order to meet its reliability obligations of operating the generator, it must maintain a safe and reliable voltage level for Power's system and that compensates for any actions TPU would have to take on systems to correct for power factor issues. They work through the generator to maintain stability on our system. The contract reduces the amount of energy they can consume over a 24-hour period and lowers the minimum billing quantity for the customer each month. The contract is for five years; it was signed in late 2016 and is set to expire September 30, 2021. This is being done now because staff is working with WestRock to figure out what happens after the current power sales agreement expires, assist them to self-supply their energy requirements at the mill, and the Covid-19 emergency declaration also had a role; WestRock is a globally competitive enterprise and are impacted. We're looking at fair opportunities in response.

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

D-4 Resolution U-11167 – Authorize Tacoma Water to participate in the City of Tacoma, Department of Environmental Services, North Ruby, North Orchard, and North 48th Streets Project by replacing approximately 3,200 feet of 6-inch to 12-inch water main (\$745,767, plus a partner contribution of \$254,737 and a 15 percent contingency for a cumulative total of \$1,150,580) [Troy Saghafi, Professional Engineer].

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

Troy Saghafi, Professional Engineer, summarized the resolution. Tacoma Water is partnering with the Environmental Services Department to reconstruct the existing roadway and replace approximately 3,200 feet of existing water main, constructed circa 1948 and 1958, along N. Ruby St. (between N. Baltimore St. and N. Orchard St.), N.

Orchard St. (between N. 46th St. and N. 49th St.), and N. 48th St. (between N. Baltimore St. and N. Orchard St). Tacoma Water believes it is in the best interest of the utility and its customers to include the water main work in the Environmental Services project. Project partnership will improve project delivery, reduce project costs, improve system reliability, and consolidate construction disturbance to businesses. The overall project will minimize long-term road maintenance by improving roadway surface with asphalt, upgrade underground utilities, and construct new sidewalks with ADA improvements. Project partner contributions are summarized in the Tacoma Water-Environmental Services Joint Agreement. The existing water main is upwards of 70 years old; sections of the water main are near the end of its operational life. Rehabilitating the existing water main is cost prohibitive. It is more cost effective to mitigate the risk of future water main breaks under a new roadway by replacing the water main.

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

Reports of the Director

Covid-19/Emergency declaration update)

TPU remains active in the emergency response related to COVID-19, including staffing the City's EEC and alternating coverage. The leadership team turned in their reconstitution documents to the emergency management team by May 15. The emergency management team is reviewing those documents against the Governor's four phases and the team is working to identify additional PPE needs and physical enhancements necessary to support business reconstitution. Efforts will focus on those employees who cannot telework as our county advances through the Governor's phased plan. TPU continues to carefully coordinate with the Governor's phased approach, the Department of Health, and union partners. Current work from home status is anticipated to remain into the next phase and maybe longer, if the work can be accomplished remotely. Building occupancy will be reviewed in the context of the social distancing requirements to determine what percent can be occupied when appropriate. There is a city-wide effort under way to evaluate our telework status, determine what procedures need to be developed and identify the desired future state of telework. Staff does anticipate telework will be part of our work culture in the future. Telework instantly alleviates space constraint pressures.

The City is offering a voluntary retirement incentive for employees who separate from the City no later than June 30, 2020. It was modeled off of the Click! early retirement incentive with a \$15,000 one-time non-taxable contribution into HRA VEBA. Some TPU staff have joined the executive team in voluntary furloughs. As previously described, TPU has implemented hiring "exception" processes, vacancies are peer reviewed to confirm priorities before vacancies are advanced to HR for recruiting. Continuity of operations positions are prioritized for recruiting. TPU took this approach versus a hiring freeze for a number of reasons surrounding continuity of operations need. For example, there are a number of positions for Tacoma Water being advertised. Coming into this year, Tacoma Water has a 15 percent vacancy rate. Given the amount of time it takes to onboard staff and get them familiar with our system, it is easy to see why a straight "hiring freeze" does not work. This illustrates the importance of being able to continue to fill critical need positions.

The Customer Transition Team has started meeting. This team's primary focus will be on transitioning customers from this emergency response phase, wherein customer disconnects are postponed, toward a recovery period that will involve extending payment

plans and assisting customers as they work to become current with their utility bills. We will also continue to work to identify resources to alleviate bill payment concerns particularly for low income. As of May 19, TPU has received 10,912 applications of which 8,617 have been approved and have awarded \$1,553,710 in emergency assistance. Staff has also taken steps to make the application available in Spanish and Vietnamese, the two non-English languages most frequently spoken by TPU customers. Additionally, staff continues to work with community organizations who serve the non-English speaking population as well as low income customers to promote the program.

At the federal level, Congress continues to consider another financially large legislative proposal relating to COVID-19. On Friday, May 15th the House passed legislation, known as the “Heroes Act” by a narrow vote, almost entirely along party lines. Among the provisions in the \$3 trillion legislation...the “Heroes Act” would send \$375 billion to counties and cities, add \$3 billion in bill assistance to electric, drinking water, and waste water customers, allow state and local governments to receive payroll tax credits relating to paid sick and family leave required in earlier legislation, and extends unemployment benefit enhancements through January 2021. The Heroes Act also endorses a national moratorium on water service disconnections, and requires states and utilities receiving federal emergency funds to adopt or maintain policies to prevent shutoffs and continuity of energy and water services. The United States Senate will not pass the “Heroes” Act as it is written. The Senate Majority Leader has said that the Senate will craft its own legislation and has demanded liability protection for businesses while expressing concern over additional funding for local governments and continuing unemployment benefit increases. Staff is following these negotiations. It’s also important to note that there have been conversations on whether a significant infrastructure proposal could be enacted as part of an economic recovery effort this year. On the regulatory front, Most of the Federal Energy Regulatory Commission’s (FERC) earlier notices extending filing deadlines and granting blanket extensions/waivers of FERC compliance activity expired on May 1, with the exception of the blanket extension for the need to notarize/obtain sworn declarations for filings made with FERC, which were pushed out to September 1), and the deadline for filing a few forms & Q1 electronic quarterly reports to June 1. FERC indicated that if an individual entity is in need of an extension or waiver under the circumstances, staff will work with that entity to provide any regulatory relief it might need, particularly as it relates to business continuity of energy infrastructure.

Discussion ensued with Board Members requesting: 1) staff to conduct research on the possibility of adding an element of public comment during the emergency declaration while the campus is closed to the public by mandate; 2) staff to provide information/metrics on telework; 3) staff to examine what modifications could be made to the eligibility level for low-income programs for customers as there will be new data because of the temporary eligibility level changes during the emergency declaration.

Advanced Meter Program Policies

Matt Hubbard, Power Engineer, provided the Board with an updated framework of the Advanced Meter Project policy packages and timelines. Policies in package one include Customer Service policy, Water customer service policy, TMC 12, TPU customer privacy policy, Customer-side repair policy, and staff policy A-7. Francine Artis, Assistant Customer Services Manager, then provided a history of the PayGo program. PayGo was a pay as you go electric service from 2005 to 2019. TPU was one of the first utilities to offer remote pay programs, had over 1,400 customers, and customers could set alert levels for notification of funds. PayGo had in-home display with hourly updates, web site

view of usage/balance, and automated phone support 24/7. The benefits of PayGo was there was no security deposit, automatic debt repayment, assisted to manage energy and bills, benefited from pledge assistance, and provided energy education. Mr. Hubbard then described PayGo's potential successor, PrePay. PrePay would be a new program similar to PayGo that utilizes features of advanced metering. PrePay would be for residential electric service customers and would provide daily updates of energy usage. It would also provide low balance reminders and usage alerts. PrePay customers would receive statements itemizing account activity instead of invoices. TPU would be able to implement global holds to prevent disconnects during emergencies or inclement weather. No households on life support would be eligible for this program. Mr. Hubbard concluded by sharing there would be a customer communication strategy and potential pre-registration for PrePay. There would also be web portal enhancements for online signup and online and mobile access. Discussion ensued with the Board requesting staff to research whether or not customers previously on PayGo could get Advanced Meters sooner so that they could be put on PrePay.

Power Rate Policy

Erin Erben, Assistant Power Section Manager, mentioned that the Board has received background memos on the overview of the biennium management recommendations, new rates for electrification and low-income support (shore power and prepay rate options), new rate for renewable energy (qualifying facility [QF] avoided cost and net metering rate for loads greater than 100kW), and new rate for economic development and demand response (non-firm service option for demand response) in advance of this meeting. Ms. Erben provided a high-level review of each and concluded by summarizing the policy questions before the Board: 1) Is the Board amenable to the utility requests to forego the Cost of Service Analysis (COSA) for this rate process due to the unique Covid-related circumstances; 2) Is the Board supportive of a roll-out of the PrePay rate option as soon as Advanced Meters become available?; 3) Are there any questions regarding the process of publishing avoided costs for prospective QF power producers seeking to sell their output to Tacoma Power?; 4) Is the Board supportive of offering a special tariff provision for distributed generation (DG) that offsets onsite load for retail customers between 100kW and 2MW?; 5) Is the Board supportive of introducing a non-firm (demand-response) rate for flexible new large loads. Discussion ensued with Board Members requesting examples of facilities that exist in other jurisdictions in order to see what QF and DG look like for other utilities and to be informed of how stakeholder outreach went for non-firm/demand-response rates. Board Members had favorable views of policy questions one and two with more discussion and information for policy questions three through five to occur.

Director Flowers mentioned to the Board that presentations on the Quarterly Financial Update for Power, Water, Rail and Fourth quarter 2019 and first quarter 2020 budget performance report for Power, Water, and Rail were provided to the Board for their review, but no verbal reports would be given.

Energy Risk Management and Power Supply

Todd Lloyd, Assistant Power Section Manager, reviewed graphical representations of system inflows for Tacoma Power hydro plants, the federal system, and sales and volumes purchases. Ying Hall, Energy Risk Manager, reviewed wholesale net revenues and shared graphical representations of the budget, expected loads (lower due to stay-at-home order/recession), and revenue projections. Due to poor hydro conditions in

2019 and volatility in 2020, actual revenues are down \$26M below budget biennium to date.

Board Comments

Board Member Cooley thanked Chair Larkin for extending her term until September 30, 2020 to provide continuity of leadership during this time of budget preparations and emergency declaration.

Chair Larkin expressed appreciation to staff for their hard work and dedication during this trying season.

Executive Session

Board Member Flint moved to convene an executive session at 6:48 p.m. for 90 minutes for the purpose of reviewing the performance of a public employee per RCW 42.30.110(1)(g); 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 8:03 p.m.

Adjournment

There being no further business or comments, the Public Utility Board meeting was adjourned at 8:03 pm. until Wednesday, June 10, 2020 for a meeting at a time to be determined.

Approved:



Karen Larkin, Chair



Mark Patterson, Secretary