



APPROVED 9-9-20

MINUTES
City of Tacoma
Public Utility Special Board Meeting
August 26, 2020
3:00 p.m.

Chair Flint called the Public Utility Board meeting to order at 3:00 p.m.

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

The meeting was quorate.

Minutes of the Previous Meetings

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

Comments by the Public

Board Member Patterson moved to suspend the rules of Public Utility Board Government Process Eight (GP8) to allow all public comment for all topics, whether on or off the agenda, at one time; seconded by Board Member Cooley. Voice vote was taken and carried.

Kit Burns made public comments in opposition to proceeding with the Advanced Metering Infrastructure Project.

Regular Agenda

D-1 Resolution U-11187– Award contracts and approve purchases:

1. Award three-year contract to Stella-Jones Corporation for the purchase of treated wood poles on an as-needed basis (\$2,476,823.88, plus applicable taxes, with the option to renew for two one-year periods for a projected contract amount of \$4,285,000) [Joe Parris, T&D Contract Program Manager];
2. Award two-year contract to Tribus Services, Inc., for Advanced Metering Infrastructure electric and water meter installations and associated work (\$14,883,573, plus applicable taxes, with the option to renew for one additional year) [Pat Bacon, Sr. Project Mgr];
3. Increase contract to Open Systems International, Inc., for implementation of the Energy Management System software components required to participate in the Western Energy Imbalance Market as an additional scope of the system software upgrade (\$172,200. Cumulative total \$666,140, plus applicable taxes) [Terry Gifford, Assistant Power Section Manager];

4. Award ten-year contract to Zayo Group, LLC, for dark fiber infeasible rights of use and monthly maintenance to meet increased demand for bandwidth and data connectivity at Tacoma Power's Cushman and Cowlitz generation sites (\$727,918 plus applicable taxes) [John Zwosta, Power Engineer].

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

In response to a Board inquiry on item number two, Pat Bacon, Sr. Project Mgr, clarified that this contract provides labor for installation of power and water meters for approximately 300,000 residential meters. Board Member Larkin reiterated that there was a cost-benefit analysis done for the Advanced Metering Project (AMI) and that there is a net present value in real dollars and a reduction in emissions. Staff conducted a thorough analysis for net cost benefit in addition to the soft benefits customers will see. This will be a fundamental shift of how the utility will interact with customers and will bring TPU into the modern age of utility responsiveness. Board Member Cooley added her support to Board Member Larkin's positive remarks about the soft benefits to customers. Chair Flint added that the Board has received many presentations on the vendor selection and were walked through that process in detail. Mr. Bacon added that this vendor was chosen for the local work they're currently doing for the PSE gas program. The company is well respected in the utility space and it has been a good working relationship. There has been one change in that Tribus has been bought by Olameter, a Canadian company, in July and that staff has been assured that nothing is changing operationally. Chair Flint encouraged a leadership-to-leadership discussion with the vendor to convey the importance of this project and to make sure that the quality built into the contract will be upheld.

In response to a Board request for additional information on item number three, Terry Gifford, Assistant Power Section Manager, provided an update. This is one of three software packages to be deployed. The first is the energy risk management platform; second is the outage management solution, and this contract is the third and it brings the market alive. This is the component of the Energy Management System (EMS) to regulate generation per the market's instruction. The ERM software has been approved, the design phase complete, and this is for the build phase of software development prior to communication testing with California Independent System Operator (CAISO), which will begin in April of 2021.

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

- D-2 Resolution U-11188 – Authorize execution of a letter of agreement as negotiated with the Washington State Council of County and City Employees, Local 120, regarding the pay range for the classification of Senior Buyer, effective January 1, 2020.

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

Dylan Carlson, Sr. Labor Relations Manager, summarized the resolution. This resolution corrects the rates of pay for the classification of Senior Buyer. The parties erred in the calculation of the general wage increase for this classification effective January 1, 2020, which was included in City Council Ordinance 28680 passed on July 14, 2020. This item will be brought forward to the City Council for consideration on September 15, 2020.

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

D-3 Resolution U-11189 – Authorize execution of a letter of agreement as negotiated with the Professional & Technical Employees Union, Local 17, regarding the voluntary recognition of a classification to be titled Engineering Instrumentation Technician, Senior.

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

Dylan Carlson, Sr. Labor Relations Manager, summarized the resolution. This resolution provides for the voluntary recognition of a classification to be titled Engineering Instrumentation Technician, Sr. for the purposes of collective bargaining, and establishes the rates of pay for the classification. This classification will be designated as hourly, and eligible for overtime pay. This item will be brought forward to the City Council for consideration on September 15, 2020.

In response to a Board inquiry about what characteristics lead to voluntary recognition, Mr. Carlson stated that when compared with other similar workers in work groups, work was done to identify which of the city's 28 bargaining units aligned. To ensure it was equitable, Local 17 was the one with most similarities to this work.

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

D-4 Resolution U-11190 – Adopt the proposed Advanced Metering Infrastructure Customer-Side Repair Policy to make specific customer-owned infrastructure repairs in support of the Advanced Metering Project.

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

TPU plans to deploy Advanced Metering Infrastructure (AMI) across its entire water and electric service territories, replacing or upgrading all non-communicating power and water meters with advanced two-way communicating technology. AMI will capture interval data, enable two-way communications, include remote capabilities, and provide advanced outage/issue detection, and verification. The meter deployment phase of the AMI project will exchange nearly 180,000 electric meters and 107,000 water meters over the course of 18-24 months. During this period, there is the potential for a small percentage of customer impacts. Customer Impacts result from (1) disruption or damage to infrastructure or customer equipment during the meter exchange or (2) customer equipment being identified as unsafe or to have preexisting damage by the meter installer. The anticipated number of Customer Impacts is relatively low, estimated to affect approximately 0.5-1.0 percent of all customers based on advanced meter deployments at similar utilities. Nevertheless, it is essential that these customer impacts be handled promptly so that a customer's service is restored as quickly as possible. To ensure both TPU customers' wellbeing and the success of this critical project, TPU has researched and identified solutions to potential customer impacts that may arise throughout the project. To address these impacts, this policy has been developed. This policy outlines Power and Water customer owned infrastructure repairs to be completed by TPU during the Advanced Meter Project. This includes Power Repair criteria to replace customer owned equipment required to facilitate the meter exchange and safely

provide the customer with electrical service and water repair criteria to replace up to approximately 3 feet of customer owned pipe or other minor, related repairs. In addition, TPU intends to develop grant and loan programs specific to customer-owned water infrastructure repairs and/or replacement. Since this water specific customer grant and loan resource extends beyond the breadth of the Advanced Metering Infrastructure Project and has a unique nexus with water conservation, it will be addressed separately. Lastly, the existing TPU claims process is also available to all customers if damage or claimed Customer Impact is disputed or exceeds the repair criteria listed in this policy.

All Board Members made positive remarks on the work that lead up to this resolution.

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

D-5 Resolution U-11191 – Authorize Tacoma Water to execute a 20-year franchise agreement with the City of Black Diamond for the operation of water facilities within the City of Black Diamond right of way [Jesse Angel, Utility Service Specialist].

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

Tacoma Water operates approximately 2.5 miles of transmission pipeline running through the City of Black Diamond, 60 inches in diameter. The original 50-year franchise agreement was granted to the City of Tacoma in 1970, as part of the construction of the Second Supply Pipeline. The new franchise agreement has a duration of 20-years, with an optional 3-year extension. The new franchise agreement details the terms and conditions under which Tacoma Water will install, construct, erect, operate, maintain, repair, relocate its facilities in, on, over, under, along or across City of Black Diamond right of way. Further, the agreement provides modernized language pertaining to topics such as utility relocation, insurance, and notification, similar to that found in more recent franchise agreements with other jurisdictions. Since the fall of 2018, staff from Tacoma Water and the City of Black Diamond have been negotiating a new franchise agreement for Tacoma Water facilities within City of Black Diamond right of way. The City of Black Diamond staff took the franchise agreement before their City Council on July 2, 2020 and the agreement was approved. Tacoma Water is requesting Public Utility Board authorization to execute the new franchise agreement. As there is no element of financial compensation contained within the new franchise agreement, approval by the City of Tacoma City Council is not necessary. Tacoma Water operates one wholesale connections within the City of Black Diamond and one wholesale connection in development, which can provide wholesale water to the City of Black Diamond on an as needed basis. Tacoma Water does not provide retail water service to individual customers within the City of Black Diamond. The existing agreement expired on January 15, 2020.

In response to Board inquiries about wholesale terms and conditions, Scott Dewhirst, Water Superintendent, clarified that this specific resolution is for a franchise to operate within the City of Black Diamond. Black Diamond, however, also happens to be a wholesale customer as well. Tacoma Water is still in negotiations with them about their wholesale agreement. There is additional demand and staff is negotiating future water sales. In response to another Board inquiry about going from a 50-year to 20-year contract, Mr. Angel explained that the 20-year agreement is the industry standard now.

It allows for flexibility for technology, laws, and regulations. The old 50-year agreements provide certainty, but are not flexible.

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

Covid-19 Update

Director Flowers announced that it has been 180 days since the emergency declaration. Staff is working on gathering PayBox statistics per the Board's request. Staff is also waiting for the phase three opening announcement before the lobby can be reopened. In response to a Board request, the Director stated that staff will also report out on any expanded use of MyAccount during Covid when they report on PayBox use. Director Flowers then shared the latest emergency assistance statistics; there has not been a significant uptick in applications. The team is starting to reach out proactively to customers to ensure they know about their accumulating balances and to advise of any assistance that may be available to them. Staff is also continuing to work on a customer transition/recovery plan.

Miscellaneous

Chris Robinson, Power Superintendent, provided the Board with an update on the August 2020 heat event in California, which resulted in rolling blackouts. High temperatures across the entire west coast between August 14 and 19. There was inadequate flexible power supply, particularly in California, but also generally across the west. As the industry is decarbonizing it has been forced to move away from more traditional power supply options that are flexible and dispatchable and replaced it with non-dispatchable, intermittent resources. This presents a great challenge for reliability. The first black outs started on the August 14. It was hot that day, a 475 MW gas unit experienced an unplanned outage, and about 500MW less wind generation was available than was forecast. As a result, CAISO was (organization responsible for balancing the load for most of California) had to shed about 1,000MW of load for a couple of hours. This happened again the next day, Saturday, August 15, again in the evening. According to CAISO this was related to wind ramping down unexpectedly in the afternoon. Last year that California did have had planned blackouts for wildfire prevention but this was the first round of rolling blackouts related to power supply since 2001 when we had the west coast energy crisis. On August 17, there was a concern the system might be 4,400 MW short of power that day but the CAISO did not have to shed load because of cooler than expected weather and respond to requests by CAISO for people to use less electricity. According to CAISO CEO, Steve Berberich, this situation could have been avoided. He criticized the California Resource Adequacy (RA) program and said the program is broken and needs to be fixed. During this time it was also hot in the Pacific Northwest. On August 17, Puget Sound Energy, Grant County PUD, and Avangrid (all balancing authorities like Tacoma) all declared an Energy Emergency Alert (EEA) 1. EEA 1 means that all available resources are in use and the BA is concerned about sustaining its required operating reserves. Wholesale market prices rose dramatically with prices reaching \$900/MWh in the Pacific Northwest and \$1000/MWh in California. By way of comparison, prices were about \$20/MWh prior to the heat wave. Staff managed the situation well; they had carefully positioned storage reservoirs in anticipation of possible summer heat waves. As a result of this careful planning, Tacoma

Power was able to both meet system load requirements, maintain adequate reserves and sell surplus energy into the wholesale energy market, which helped the situation. In the 5-day period from August 15 to 19, Tacoma Power was able to sell over \$2.5M of wholesale energy in the daily markets. This included about 1,800 MWh of sales to the CAISO.

Written Reports

Director Flowers called attention to the written reports that were provided to the Board in advance of the meeting:

- May 2020 Financials for Power, Water, Rail, Fleet, Self-Insurance Fund
- Energy Risk Management Quarterly Report

Budget and Rates Outreach and Communications

Clark Mather, Community and Government Relations Manager, described the current outreach environment. Due to Covid-19, organizations have shifted to virtual meetings, if they do meet. Virtual outreach provides a safe, new way to engage. We do recognize that some customers still have technology barriers and many in our community have other priorities during this unprecedented time. Budget and Rates outreach has been done in coordination with Environmental Services. From September to November, there will be virtual engagement with business districts, key accounts, franchise, cities, neighborhood councils, block groups, and other organizations. There will be a public hearing with the Board on September 23 and at least one other broad, virtual community meeting to provide customers with diverse times to participate. Staff will keep the Board updated on feedback and with any changes to the engagement schedule. Rebekah Anderson, Communications Manager, summarized the approach to communications. The budget and rates communication strategies from the last budget season will be repeated. The strategy will continue to inform customers of milestones in ratemaking process and how they can stay informed. Also, to reinforce the value of TPU services. Considerations include non-English speaking customers; low-income customers; and quarantine restrictions on public meetings and ways communication tools could provide new opportunities for the outreach team. Ms. Anderson concluded her presentation by reviewing ongoing communication methods (social media, newsletters, web, etc.) and the timeline.

Customer Service Proposed Budget Review

Steve Hatcher, Customer Services Manager, outlined his department's strategic goals: introduce easy-to-use customer self-service tools; route customers to the most knowledgeable employees; empower staff with authority to accomplish first-contact resolution; develop strategies that meet the needs of all customers; support and participate in operating division strategic initiatives. Budget drivers were then detailed. These include: increased staffing cuts due to general wage increase and benefit assumptions; increased outreach costs and staffing to support expanded enrollment of customers into low-income assistance programs; AMI deployment activities; implementation of monthly billing and pre-pay option in support of AMI; Covid mitigation tactics; preparations to permanently operate in a virtual environment (home agents); no new capital projects (capital expenses are limited to extending the life of existing equipment). Mr. Hatcher then detailed expenses and staffing and enhancements to the low-income assistance program.

Tacoma Power 2021-2022 Revenue Requirement and Update to Rate Proposals

Bill Berry, Power Section Manager, reviewed with the Board the 2021-2022 pricing proposals they've been presented with earlier this year. These include shore power, distributed generation, new large load rate, residential pre-payment rate, and non-firm rate. The current presentation will touch on the Open Access Transmission Tariff (OATT) update, new business service fees update, and rate component attribution of increases. Long-Range financial plan forecast sensitivity scenarios were reviewed. These include: second wave of pandemic shut downs in 2021; loss of large load, critical water, adverse water, economic rebound, and low wholesale prices. Mr. Berry then detailed graphical illustrations of actual-to-date load variances, base case forecast (two percent rate increase proposed for 2021/2022); Long-range financial plan scenario rate forecasts; base case debt service coverage and liquidity metrics; debt profile management to minimize long-term rates; and Tacoma Power credit ratings. Christina Leinneweber, Sr. Utilities Economist, then reviewed 2021/2022 pricing proposals. These include an update on the OATT, new business service fees, and rate competent attrition of increase. Tacoma Power has chosen to provide transmission service to third parties under a standard, OATT. This rate is based on the cost of providing transmission service. Because the rate has not been updated in many years, some percent increases are approximately three percent. Tacoma Power charges standardized fees for common new services work. These fees were last updated in 2009. Costs have increased such that fee revenue no longer covers cost. Ms. Leinneweber reviewed the proposed fee schedule. Board discussion on the proposed fee schedule ensued with staff asked to provide alternative scenarios for timing, gradualism, and cost mitigation for developers. Ms. Leinneweber then concluded her presentation by detailing graphical representations of rate components and design for each customer class.

Board Discussion on Strategic Directive 13 (Customer Service) and Strategic Directive 14 (Resource Planning)

Board Members discussed SD 13 and SD 14 and agreed to make edits based on suggestions and second drafts will be brought back to the next Board meeting for further discussion.

Comments by the Board

There were no additional Board comments.

Adjournment

There being no further business or comments, the Public Utility Board meeting was adjourned at 7:00 pm. until Wednesday, September 9, 2020 at 3:00 p.m.

Approved:



Bryan Flint, Chair



Christine Cooley, Secretary