



APPROVED 9-23-20

MINUTES
City of Tacoma
Public Utility Special Board Meeting
September 9, 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.

There were no public comments.

Regular Agenda

D-1 Resolution U-11192 – Authorize adoption of Public Utility Board Strategic Directive Ten (SD10) on Government Relations.

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

Chair Flint remarked that many utilities have staff engaged in government relations, but it is rare to have it identified as a strategic directive from policy makers and outline values for purposes of government relations. This strategic directive indicates that having good relations with other governments is a benefit to ratepayers and communities TPU serves. The Board wants to have solid relationships with all governments, including Tribal governments, the City of Tacoma, franchise cities, and state and federal agencies. When there is agreement, it works best for the communities serve. The directive also indicates that legal action should be a last resort. Chair Flint thanked staff for their work on this resolution.

Board Member Patterson remarked on the importance of this directive and complimented TPU's government relations staff. It is useful to have a statement of the Board's purpose and objectives in having a strong government relations policy.

Board Member Cooley thanked Chair Flint and staff on this resolution and agreed TPU has a good government relations staff and this resolution codifies the work that is already being done and sets desired outcomes.

Board Member Larkin also commented on the good government relations taking place now, as illustrated in the coordinated Covid response. Board Member Larkin reiterated that this benefits employees and customers.

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

D-2 Resolution U-11193 – Authorize adoption of Public Utility Board Strategic Directive Eleven (SD11) on Decarbonization.

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

Chair Flint commented that it is rare for utilities to have such a strategic directive as this. Decarbonization basically is moving energy utilization from carbon sources to use electricity. Tacoma Power has surplus power and if that can be used to move transportation and not to contribute to climate change, that's an advantage to the climate and also keeps rates down. Tacoma Power would sell power at a retail rate, not a wholesale rate; thereby, keeping rates low.

Mr. Patterson remarked that this directive reflects a good balance between environmental goals and solid economic reasons why moving in this direction is good economics for ratepayers. Mr. Patterson expressed appreciation to all who worked on this resolution.

Ms. Cooley added that this strategic directive supports City Council Resolution 40509 that declared a climate emergency in Tacoma.

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

D-3 Resolution U-11194 – Authorize the designation of the Alder Unit 11 Rebuild Project as a Special Project of Limited Duration allowing for the addition of staff to support key phases as well as other capital work planned for the Nisqually River Project.

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

Ozan Ferrin, Assistant Power Section Manager, summarized the resolution. The Nisqually Hydro Project has been providing affordable, clean, renewable hydropower for over 100 years. The Alder Unit 11 Rebuild Project will renew the generator equipment that was last overhauled in 1973. On July 8, 2020 the Public Utility Board approved a contract with Andritz Hydro Corp. for refurbishment of the generator. Generator overhauls are significant projects that require support from local hydro project staff

during the design, fabrication, construction and commissioning phases. These projects also provide unique opportunities for local hydro project staff to learn from the manufacturer about the equipment they maintain. The Nisqually Hydro Project operates with a lean crew and does not have the resources to support this project and several additional capital projects. The designation of a “Special Project of Limited Duration” will allow Tacoma Power to hire a project status Hydro Project Electrician and others as determined necessary for the duration of the Alder Unit 11 Rebuild. This project will continue through December 31, 2023.

In response to a Board inquiries, Mr. Ferrin offered the following clarifications and insights. Commissioning of the unit is expected by the end of October 2022. This resolution enables more flexibility in hiring for the project. TPU will have the ability to train internal staff on parts of generators that aren’t often seen and staff will learn and grow and it will feed maintenance knowledge. It has been approximately 40 years since this unit has been last refurbished. TPU seeks to hire a hydro electrician. Staff investigated hiring an in-house hydro electrician. This is a unique capital project that will consume a lot of time. TPU has a permanent hydro electrician to do the actual rebuild and have that person day-to-day. Staff evaluated the amount of time and it surpasses what can be done with in-house electricians.

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

D-4 Resolution U-11195 – Authorize the sale and declare surplus approximately 31.5 acres of industrial-zoned Tacoma Power property known as the Frederickson Industrial Site located at 16515 – 16525 Canyon Road East to Exeter Canyon Land for \$10,600,000 [Greg Muller, Real Estate Officer].

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

Greg Muller, Real Estate Officer, summarized the resolution. This vacant tract was originally transferred from Tacoma Water in 2007 with the intention to build a new South Service Center, but that project was subsequently cancelled. Upon approval by the Director of the surplus declaration in November 2018, a RFP was initiated to market the property for sale and a listing agreement was executed. At the conclusion of the marketing efforts, a purchase and sale agreement with Exeter was entered into on February 2020. Consistent with the May 7, 2020 Addendum No. 1 to the purchase and sale agreement, the buyer’s feasibility study period expires August 25, 2020 and the sale is scheduled to close within four months. As this property is located in unincorporated Pierce County and outside the Tacoma Power service territory, Tacoma Power does not see a need to retain ownership of the property as ownership entails additional management time and expense. The sale price is believed to reflect fair market value as it resulted from a competitive process with significant professional third-party real estate brokerage marketing efforts to the general public and real property development community. Exeter has extensive nationwide experience in developing industrial properties; however, they have confidentiality agreements in place; we do not know the specific future use. The project is expected to adhere to all Pierce County development regulations, including environmental mitigation and be consistent with the economic development goals of the County executive, including job creation. The City Attorney’s Office has previously reviewed and approved the form of the agreement. Tacoma Power

staff have reviewed the documents and support this request with no negative impacts to Tacoma Power operations. This item will go before the City Council to hold a public hearing. Closing of the sale is expected on or before mid-February 2021. In response to a Board request for additional information on the easements, boundaries, and trails, Mr. Muller stated that the access easement with the Tacoma Sportsmen's Club is at the northern edge of the property and that represents historical use over decades. In order to solidify their access rights, TPU entered into an access agreement and the buyer agreed to grant that access. All parties are aware of the easement; that is permanent property right to the benefit of the Club. There are no property rights associated with other trails; they've been used over time. The Bonneville Power Administration has access to their transmission line in the southeast corner of the property, but the trails are dealt with by the development of the property by the buyer and is not a TPU issue.

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

D-5 Motion 20-06 – Authorize settlement of a property damage claim of GAF Corporation against Tacoma Rail in the amount of \$47,975.59.

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

Tom Morrill, Chief Deputy City Attorney, stated that this motion allows for settlement of the claim by GAF Corporation in the amount of \$47,975.59 and will next go to the City Council for final approval.

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

Covid-19 Update

Director Flowers stated that we are in day 194 of the emergency response. Telework continues and those who must report to work do so with provisions to mitigate risk in place. In addition, an emergency was declared to fight the wildfires. There was minimal impact to TPU services or infrastructure related to the fires. Transmission lines are not under threat at this time. Other lines of the Bonneville Power Administration and Puget Sound Energy are being threatened and there have been some trips that staff is monitoring for grid stability. There are no fires at TPU outlying facilities. There was some power loss at water pump stations served by Puget Sound Energy, but generators are in place and there was no service lost. There was a wind storm on Monday resulting in approximately 14,000 customers impacted. Extra crews were dispatched to help with the outages. Once Advanced Meters are deployed, customers can be confident that TPU will know about the outage as the meter will report that to the outage management system. Currently, customers still need to notify TPU. Advanced Meters will also make dispatch efficient. Director Flowers then reviewed this week's emergency assistance statistics, reviewed a presentation on the Covid response energy savings kit promotion, and shared a video highlighting participation of TPU employees in giving programs during the Covid-19 emergency.

Board Member Larkin remarked on information received earlier by the Board on Covid-related bad debt. Director Flowers and Customer Services Manager Hatcher responded that staff is proactively reaching out to customers to make them aware of assistance programs and the team is working on policies and procedures on actions for a customer recovery plan.

Board Member Flint made positive remarks about the video and employee generosity.

Products and Services Survey Results

Dan Drennan, Marketing and Development Manager, and Holly Lucht, Marketing and Development Research Analyst, reviewed the latest residential products and services survey. The survey was conducted to gauge Covid-19 concerns, desired level of engagement with TPU, interest in energy profile program, generation profile awareness and priorities, attitudes and preferences regarding electric vehicles, and payment and customer service channel preferences. Each of these categories were detailed using graphical illustrations.

Tacoma Rail Proposed Budget and Rate Review

Dale King, Rail Superintendent, began by restating Tacoma Rail's mission which is to provide services that are vital to the economic well-being of customers. Budget goals are safety, cost control, right-size staff, railroad infrastructure investment, locomotive repower, and financial health and stability. Budget drivers and assumptions include railcar traffic and personnel costs; budget risks and mitigation were then reviewed. Superintendent King then detailed graphical representations of budget comparisons, budget expenditures, staffing levels, debt service, and revenues. Changes to the rail rate policy, line haul rate analysis, line haul volumes, expected rate impacts, rates over time and short line tariff rates were then reviewed. Superintendent King then reviewed the rates outreach and communications schedule. In summary, full-time employees are requested to go from 126 to 127 and recommended rates are below the benchmark of other short line railroads with a three percent adjustment in both 2021 and 2022.

Tacoma Water Proposed Budget and Rate Review

Scott Dewhirst, Water Superintendent, made introductory remarks. The Tacoma Water strategic plan was shared with the Board in January 2020; it aligns with the Board's strategic directives; the strategic plan is embedded in the budget. In its budget development, Tacoma Water continues to partner with departments across the city; provides for water service for micro shelter village; provides for Advanced Meter and long-term loan/grant program; includes a commercial conservation rebate program; and has a racial equity action plan. Jodi Collins, Water Assistant Division Manager, shared a graph illustrating budget comparisons. Ms. Collins reviewed budget assumptions, which include an updated short-term demand forecast; capital funded with reserves (no remaining bond funds); commodity rates remain at assumed levels; staffing to support the plan; and additional support for low-income assistance programs. Budget risks and mitigation were then detailed. Mitigation includes managed expenditures of \$17.8 reduction or deferred capital expenses and \$2.8m in reduced controllable O&M. Ms. Collins reviewed the preliminary revenues, expenditures, personnel, O&M, capital, budgets. Graphical representations of long-range financial planning were then detailed. Staff's preliminary rate proposal (system average) is two percent annually to all rate classes with the adjustment applying proportionately to both fixed and variable rates. There are two exceptions, parks and irrigation (continue with phasing out the fixed charge) and wholesale (continues phasing in a higher fixed charge). Board discussion on applying the rate adjustment to fixed charges, variable charges, or a hybrid ensued with further discussion expected. Outreach and communication efforts were then reviewed. In summary: The Tacoma Water strategic plan is embedded in the budget; it continues to implement operational efficiencies and actively manage expenditures; supports the development of Advanced Meters and monthly billing; applies gradualism to

minimize rate impact while preserving strong financial performance; has a projected rate impact for an average residential bill (inside Tacoma) of \$0.81 per month in 2021 and \$0.83 per month in 2022.

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 the discussion with final versions to be brought back to the next Board meeting for Board consideration.

Comments by the Board

Chair Flint announced that at the meeting of September 23, 2020, there will be a public hearing on the TPU 2021/2022 biennium budget and rates at 6:00 p.m.

Executive Session

Mr. Patterson moved to convene an executive session to begin at 6:50 p.m. for 60 minutes to consider the minimum price at which real estate will be offered for sale or lease per RCW 42.30.110(1)(c); seconded by Ms. Cooley. Voice vote taken and carried. Chair Flint announced that at the conclusion of the executive session, the Board will not take any further action and the meeting will be adjourned. Chair Flint moved that at the conclusion of the executive session, the Clerk of the Board is authorized to adjourn the meeting; seconded by Ms. Cooley. Voice vote taken and carried. The executive session was adjourned at 7:47 p.m.


Adjournment

There being no further business or comments, the Public Utility Board meeting was adjourned at 7:47 pm. until Wednesday, September 23, 2020 at 3:00 p.m.

Approved:



Bryan Flint, Chair



Christine Cooley, Secretary