



APPROVED 11/18/20

MINUTES
City of Tacoma
Public Utility Special Board Meeting
October 28, 2020
3:00 p.m.

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

Present via Zoom: Bryan Flint, Christine Cooley, Mark Patterson, Carlos Watson, Joe Bushnell

The meeting was quorate.

Minutes of the Previous Meetings

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

Recognition

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.

David White, of Columbia Hyfuel, spoke in support of Resolution U-11206/electrofuel service pilot.

Regular Agenda

D-1 Resolution U-11203 – Authorize changes to the eligibility criteria for the Bill Credit Assistance Program from 150 percent of federal poverty level to 60 percent of the median family income as adjusted for Section 8 income limit calculations established by the Department of Housing & Urban Development (HUD) for the Tacoma, WA HUD fair market rent area for the number of individuals in the household and to authorize the Director of Utilities, in collaboration with the Director of Environmental Services, to make adjustments to the median family income percentage during the biennium budget review.

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

Steve Hatcher, Customer Services Manager, summarized the resolution. Effective December 22, 1982, by Resolution U-6645, TPU created the Project Need Program which would encourage Tacoma Power customers to donate to a special fund to be used and applied for the benefit of assisting eligible low-income customers with power bill payments. The City Council appropriated funding for the administration of the Project Need Program, and the Project Need Program was renamed the Family Need Program and, ultimately, renamed the Bill Credit Assistance Program (BCAP). In addition to the funding appropriated by the City Council and the ongoing donations from customers, TPU budgets have consistently funded the BCAP program. The BCAP program funds are currently used to assist eligible low-income Power, Water and Environmental Services customers by providing a credit to the customer's utility account. The current eligibility criteria for BCAP assistance is based on income percentage of the Federal Poverty Level (FPL). The recommendation to change the eligibility criteria from a percentage of the FPL to a percentage of the Median Family Income (MFI) offers the opportunity to reach more households known as ALICE (Asset Limited, Income Constrained, Employed). This recommended change also aligns the utility assistance programs with other income-based programs offered by City of Tacoma. In addition, giving the Director the ability to make adjustments to the eligibility percentage in conjunction with the biennium budget review allows for timely response to changing economic conditions in order to maximize the assistance available to customers. The Director will collaborate with the Director of Environmental Services in order to ensure that the appropriate assistance funds will apply to eligible customers' bills for electricity, drinking water, wastewater, solid waste and surface water.

Chair Flint shared that the Board had a budget workshop in November of 2019 and there have been numerous conversations, staff work, research, and collaboration on the budget since, lately against the backdrop of a pandemic. All items dealing with budget and rates on the agenda have been worked together as a package in collaboration with the Council, Board, staff, and the public. Chair Flint thanked staff for their hard work on the budget, and the strategic directives adopted by the Board. Tough decisions were considered and the Board is being responsive with what is going on with the Covid-19 emergency. For these reasons, Chair Flint expressed support for all budget/rate items on the agenda.

Board Member Patterson shared that all of the items on the agenda have had a lot of staff work, meetings, and discussions. If the Board doesn't discuss at length each item on the agenda, it is because there have been many previous conversations in public meetings; they're an outcome of a very long process.

Board Member Cooley shared that it is exciting to see the Board's strategic directives take life through actions and recognizes it was a lot of hard work. In response to an inquiry from Ms. Cooley, Mr. Hatcher stated that the eligibility criteria is the FPL, which is proposed to be moved to MFI, will expand eligible households. For the senior discount rate, customers will need to be 62 or older or be receiving disability income at the federal or state level. This resolution will result in approximately an additional 5,000 eligible households.

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

D-2 Motion 20-07 – That upon concurrence by the City Council, the Director of Utilities is authorized to approve a cost sharing arrangement and resolve issues regarding prior expenditures of the Port of Tacoma in the amount of \$661,263, through a Settlement and Cost Sharing Agreement in substantially the form as set forth in the document on file with the Clerk of the Board.

Mr. Patterson moved to approve the motion; seconded by Ms. Cooley.

Tom Morrill, Chief Deputy City Attorney, summarized the motion. This motion will authorize settlement of past claims at the former steam plant two, which was sold to the Port of Tacoma in 2007. The motion also authorizes the Director of Utilities to enter into cost sharing for future remediation costs of the site. This is all contingent on Council approval.

Voice vote was taken and carried. The motion was approved.

D-3 Resolution U-11204 – Authorize execution of an Energy Imbalance Market entity agreement with the California Independent System Operator and Tacoma Power.

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

Todd Lloyd, Assistant Power Section Manager, summarized the resolution. Through Resolution U-11083, the Board authorized Tacoma Power to execute an Energy Imbalance Market (EIM) Implementation Agreement. This Agreement was an initial step towards Tacoma Power's entrance into the California Independent System Operator (CAISO) EIM. Tacoma Power is requesting authorization to enter into an EIM Entity Agreement, as well as related agreements, with the CAISO to enable Tacoma Power to participate in the EIM. In June 2019, Tacoma Power staff sought Board approval of the EIM Implementation Agreement. At that time, staff provided the Board with background information on the CAISO EIM, including a detailed EIM Business Case. To summarize briefly, the CAISO EIM is an extension of CAISO's real-time bulk power trading market to balancing authorities (BAs) outside of CAISO's operational footprint. The EIM offers financial and operational benefits from being part of a centralized market that dispatches least cost resources to serve load and help reliably and economically integrate new variable renewable energy resources into the electrical grid. The broad geographical diversity from the EIM's relatively large market footprint reduces the amount of fossil fuel generation needed to incorporate larger amounts of variable renewable resources on the grid. This allows customer energy needs to be met with clean power. Once an entity formally decides to join the EIM, it must sign an EIM Implementation Agreement. The Implementation Agreement governs the activities that occur during the implementation and integration phase leading to EIM participation and terminates upon project completion. Through Resolution No. U-11083, the Board authorized the Director to execute the EIM Implementation Agreement, which was Tacoma Power's initial step towards participation in the EIM. Earlier this year, the Board also authorized Tacoma Power to enter into two contracts for the purchase and implementation of software necessary to join the EIM. The Board approved these two contracts in March 2020, which totaled \$9,290,000.00. Recent developments in the west coast power system and Tacoma Power's experiences in purchasing and implementing the software have confirmed that the business case for entering the EIM was valid and that joining the EIM will create both financial and operational benefits to Tacoma Power as well as promote

the environmental benefits of integrated renewal energy. Tacoma Power, as a Balancing Authority, has the ability to become an EIM entity. To do so, Tacoma Power must sign an EIM Entity Agreement. This Agreement enables Tacoma Power to participate in the EIM and allows the Energy Imbalance Market to be expanded to Tacoma Power's Balancing Authority Area. The EIM Entity Agreement defines the responsibilities of the EIM entity and requires the entity to meet all obligations expected under Section 29 of the CAISO Tariff. The EIM Entity Agreement also incorporates and requires compliance with large sections of the CAISO tariff and mandates compliance with various operational documents promulgated by CAISO. CAISO has two versions of the *pro forma* EIM Entity Agreement: one that is intended for FERC jurisdictional entities, and another that contains changes to accommodate public power entities. It is the latter version that Tacoma Power is seeking authorization to execute. The changes to the public power entity version includes language that specifically describes that the EIM Entity is not FERC jurisdictional; and to the indemnity and liability provisions that are necessary for public power entities to participate.

Chair Flint stated that this is part of the effort to reduce climate change impacts to the electrical system. In response to the Chair's inquiry about benefits to this, Mr. Lloyd shared that since the original business case was conducted, staff has taken a closer look at the cost of joining and has been able to reduce costs by 25 percent lower than anticipated. Tacoma Power is currently on scope and within budget; it is early in the project with an expected go-live date of March of 2022.

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

D-4 Resolution U-11205 - Authorize the new Tacoma Power rate category of Prepaid Residential Service.

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

Erin Erben, Assistant Power Section Manager, summarized the resolution. This service type was formerly piloted as the PAYGO program. This tariff will allow residential customers to elect to pay for electric service in advance of usage as soon as Advanced Metering Infrastructure (AMI) is installed. It will be a voluntary rate option. Many electric utility customers prefer to pay for electricity before they use it, as is the model for most other consumer purchases. This allows for greater control over electricity costs and understanding of electricity use. The PAYGO pilot was very popular with customers; Tacoma Power frequently receives requests for restoration of this service offering. Service under the Prepaid Residential tariff is provided at the same effective rates as regular residential service. The tariffs only differ in the timing of customer payment for the electric service. Therefore, no fiscal impact is anticipated.

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

D-5 Resolution U-11206 – Authorize new Tacoma Power rate category of Electrofuel Service Pilot.

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

Erin Erben, Assistant Power Section Manager, summarized the resolution. The new tariff will provide service for the electrochemical production of fuels usable for transportation or electrical energy storage with low carbon content. Electrofuels are carbon-neutral replacement fuels for applications that would usually require use of fossil fuels. Production processes for these types of fuels are very flexible. Under the proposed rate construct, Tacoma Power would have the option of requesting curtailment of electric consumption during time of high market prices or other electrical system need, up to 15 percent of the year. In return, the customer pays a rate lower than the standard industrial rate. If the proposed rate is not passed, electrofuel facilities would fall under the existing industrial rates (Schedule NLL). Existing rates structures do not take advantage of the opportunity for flexibility provided by electrofuel loads. Without this rate, it would most likely be uneconomic for these nascent industries to locate in Tacoma Power's service territory. The Electrofuel rate is designed to provide benefit to the utility through increased retail sales during the 85 percent of lowest-price market hours. Therefore, there is no anticipated cost to this rate offering. If the rate is successful in attracting new load, the utility would benefit from incremental retail revenue.

Board Member Cooley made positive remarks about the benefits of this resolution on climate change and thanked Mr. White, who made public comments on this resolution earlier in the meeting.

Board Member Patterson made positive remarks about the economic opportunities created by this resolution.

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

D-6 Resolution U-11207 – Authorize new Tacoma Power rate category of New Large Load Service.

Board Member Patterson moved to enter Amended Resolution U-11207 that clarifies the effective dates are both April 1, 2021 and April 1, 2022; seconded by Board Member Cooley. Voice vote was taken and carried.

Erin Erben, Assistant Power Section Manager, summarized the resolution. This new tariff codifies the rate to be charged to new large loads between 8 and 20 MW. Currently, the pricing for these loads is specified in Tacoma Power's Electric Rate & Financial Policy. Restating this rate as a formal tariff in the municipal code is consistent with the practice for all other rates. Tacoma Power is committed to supporting economic development in the City of Tacoma. Stating the rate for new large electric loads in the Tacoma Municipal Code increases transparency for industrial operations considering locating in the area and improves consistency with the practice for all other rate schedules. This proposal does not change existing revenue structures. In the 2021/2022 budget period, Tacoma Power expects customers on Schedule NLL to provide \$10.8 million in retail revenue.

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

D-7 Resolution U-11208 – Authorize new Tacoma Power rate category of Shore Power.

Board Member Patterson moved to enter Amended Resolution U-11208 that clarifies the effective dates are both April 1, 2021 and April 1, 2022; seconded by Board Member Cooley. Voice vote was taken and carried.

Erin Erben, Assistant Power Section Manager, summarized the resolution. The new tariff will provide service for ships at the Port of Tacoma to use electric power instead of burning bunker fuel while in port. Increasing numbers of marine vessels have systems that can accept power from shore in lieu of burning fossil fuels while in port. In California, China, and the United Kingdom, certain ports are mandated to use shore power infrastructure. Under Tacoma Power's current rate structure, this kind of power usage would be charged under Schedule G, which includes a demand charge. Under Schedule G, it would be difficult for terminal operators to allocate demand charges incurred by ships that dock at their terminals. Therefore, the proposed rate schedule recovers these revenues from an increased energy charge. The Shore Power rate is designed to recover the same revenue that would be received by the utility under the otherwise-applicable rate (Schedule G). If customers respond to the institution of the rate by increasing load for shore power service, the utility will benefit from increased retail sales. Tacoma Power has conducted extensive stakeholder engagement with the Port of Tacoma in constructing this rate.

Chair Flint and Board Member Cooley made positive remarks on this resolution.

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

D-8 Resolution U-11209 – Authorize new Tacoma Power rate provisions under General Service regarding customer-owned electric generation that feeds into Tacoma Power's grid.

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

Erin Erben, Assistant Power Section Manager, summarized the resolution. The rate treatment of customer-owned generation facilities with a capacity less than 100 kW are subject to Tacoma Power's net metering requirements under RCW 80.60.030. No rate provisions currently cover larger customer-owned generation facilities. Tacoma Power has recently received notice that several commercial customers may intend to install such facilities. If the proposed rate is not passed, Tacoma Power will have no provisions to compensate large customer-owned generation facilities for their excess generation. Large customer-owned generation facilities can sometimes produce energy in excess of that required by the facility at which they are located. This energy is transmitted onto Tacoma Power's electric grid. Under current law, there are no provisions for compensation for this excess customer generation, and there is no obligation for the utility to purchase it. These additional provisions provide a clear pricing option for energy transmitted to Tacoma Power's system, and clarify the ownership of non-power attributes under such circumstances. The total number and size of large customer-owned generators that may locate in Tacoma Power's service territory is unknown. The goal of the proposed compensation plan is to compensate customer generators for the value of their energy, so that Tacoma Power's other ratepayers do not bear additional expense or burden and the net cost to the utility is negligible, while still providing fair compensation

to customers choosing to invest in their own renewable solar, or other distributed generation, energy.

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

Director Flowers provided an update on outreach efforts on the budget and rates conducted by staff. The Board received a comprehensive report at the meeting of October 28. Since the last update, staff presented at the New Tacoma neighborhood council. In addition, the team continues to provide social media and newsletter content to local organizations for use in their materials, including the Urban League and neighborhood groups. A rate engagement event is planned for November 2 with the Urban League and the Metropolitan Development Council.

D-9 Resolution U-11210 – Amend and revise Tacoma Municipal Code Chapter 12.06 regarding electric rates for two rate adjustments effective April 1, 2021 and April 1, 2022, except for the low-income senior and/or low-income disabled discount residential service rates which will be effective January 1, 2021.

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

Erin Erben, Assistant Power Section Manager, summarized the resolution. Tacoma Power's revenue requirement analysis for the twenty-four month rate period (April 1, 2021 through March 31, 2023) requires a revenue increase of approximately \$22.9 million. The utility has experienced general inflationary increases in operating and capital expenses such as personnel, assessments, and technology upgrades. The proposed rate increases are designed to generate additional revenue to meet financial metrics (debt service coverage and liquidity) and avoid future rate shocks. This proposal is in alignment with industry ratemaking standards and best practices, as well as the Public Utility Board's Strategic Directives of Financial Sustainability (SD-2) and Rates (SD-3), and supports Tacoma Power's Long-Range Financial Plan. Board Directive SD-3 notes that the utility "values planning gradual and consistent utility rate changes that are stable and predictable over the long term". Board Directive SD-2 directs the utility to produce rate and financial plans that support an "AA-level bond rating, or better, to facilitate access to lower-cost financing and produce sustainable debt service expenses. Tacoma Power needs to recover additional rate revenues of approximately \$22.9 million over the April 1, 2021 to March 31, 2023 rate period through the proposed rate adjustments. System-wide average adjustments to Power rates are two increases of two percent in both 2021 and 2022. The class rate increases will not differ from the system-average increase; all classes are proposed to receive the same two percent rate increase. In preparation for this request, Tacoma Power is seeking public input through virtual public presentations at Neighborhood Council and City Council meetings in communities served by Tacoma Power, as well as interested community organizations. Adoption of the rate proposal is scheduled for October 28, 2020. The first reading by the City Council is scheduled for November 17, 2020.

Board Member Patterson remarked that no one likes rate increases. All have worked very hard to be sure the increases are necessary. This year, in particular, the Board emphasized to staff to keep rates low. The Board is aware of Covid impacts and any increase will seem like piling on during this time, but the dollars associated with the

increase for Power are not in effect until April of next year. The Board and staff have worked hard to mitigate impacts for low-income customers by changing how the assistance programs work. If the rates aren't adjusted now, it'll create a bow wave in the future years. Keeping low and steady rates is something I support. It isn't easy and I don't like it, but it is appropriate this year, even considering the Covid situation.

Board Member Watson stated that when he was appointed to the Board, one of the main things he was passionate about was being a voice for the rate payers. When looking at the resolution, it looks like it does make some low-income individuals exempt, but some are not and are affected. Even though I know the increase is small and economic growth is necessary and we are a business, in good conscience, any rate increase now with the Covid situation and those struggling, any increase at this time would not be a good idea and I'll have a problem supporting any increase.

Board Member Cooley thanked employees. The rate making process is a very long one and a lot of modeling goes into it. At first, that modeling showed a four percent increase. I empathize and sympathize with rate payers. Staff has cut costs as much as possible; Power cut \$22M and Water cut \$6M and pushed back some capital expenditures. We were the first in the nation to offer bill assistance for Covid and changed eligibility for low-income programs. No one likes raising rates. We're a municipal utility and are not making a profit. This is needed to maintain safety and service what customers want. I think we should give customers a choice, so I support putting the increase on the variable rate so customers aren't forced to pay the increase on the fixed rate.

Board Member Bushnell shared that having a rate increase is not something I wanted to do immediately when joining the Board. When joining the Board, the rate process was already well under way. I wasn't sure I was going to vote, but am confident now. I want to ensure the public that TPU did their due diligence and I've asked the questions coming into this. I'm supportive, but in the midst of a pandemic, it fazes me. It impacts most vulnerable in our community. I appreciate Customer Solutions team who helps the most vulnerable. We still have to keep up with inflation and think of capital expenditures for the future; or, rate payers will pay more in the future.

Chair Flint stated that he understands anyone who won't vote for a rate increase during a pandemic. A lot of work has been done to ease the pain of those impacted by the pandemic. In my day job, I help people navigate the financial crisis; parts of the population are more able to take a rate increase because of the way the economy is working now. The changes made in item D1 on the agenda in terms of changing the BCAP program to make people more eligible is estimated to cover those who are impacted by the rate increase by a greater degree. That gives me confidence that we'll be able to provide assistance to those hard hit by the pandemic. Also, with the increase moved into the variable rate, that gives the ratepayer a little more control. We've been responsive to the City Council and tried to address that concern.

Voice vote was taken and carried. The resolution was adopted. (See note at bottom of minutes regarding Board reconsideration of this resolution).

D-10 Resolution U-11211 – Authorize additional funding in the amount of \$80,000 for the East 64th Street Project administered by the City of Tacoma Department of

Public Works to cover increased costs due to several unanticipated field conditions.

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

Ali Polda, Principal Engineer, summarized the resolution. New water main provides improvement to the existing customer's water pressures by adjusting and extending the higher pressure zone boundaries to the area. Due to unanticipated field conditions, such as sanitary sewers in need of rehabilitation, contaminated soil, manholes requiring safety upgrades, and unmarked abandoned utilities, the original funding is insufficient. In order to complete the project construction, an additional \$80,000 is requested with funding from unused Tacoma Water funds from other previous projects.

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

D-11 Resolution U-11212 – Authorize Tacoma Water to participate in the City of Tacoma, Department of Environmental Services, South West Regions Project to replace approximately 2,300 feet of 6-inch to 16-inch water main.

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

Ali Polda, Principal Engineer, summarized the resolution. Tacoma Water is requesting authorization to partner with the Environmental Services Department (ES) on a project to reconstruct certain existing roadways and replace certain underground utilities. As a part of this project, which will be administered by ES, is to replace approximately 2,300 feet of 6-inch to 16-inch existing water main, constructed circa 1905 to 1955, along South Wright Avenue, from Tacoma Avenue South to South "D" Street, along South 9th Street, from South Sprague Avenue to South Grant Avenue, and along North Karl Johan Avenue, from 6th Avenue to 600 feet northerly. Portions of the existing water main is over 100 years old and beyond the end of its operational life. Tacoma Water's total cost of the project is \$972,134.48, including a 15-percent contingency, plus partner contract administration of \$25,367.75, for a cumulative total of \$997,502.23, plus applicable taxes. Tacoma Water believes it is in the best interest of the utility and its customers to include the water main work in the ES project and project partnership will improve project delivery, reduce project costs, improve system reliability, and consolidate construction disturbance to residents.

In response to a Board inquiry, Mr. Polda stated that there will be improvements and restoration of the roads, including curb ramp upgrades, as part of this project.

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

D-12 Resolution U-11213 – Amend and revise Tacoma Municipal Code Chapter 12.10 regarding water regulations and rates for two rate adjustments effective January 1, 2021 and January 1, 2022 [Jodi Collins, Assistant Water Division Manager].

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

Jodi Collins, Assistant Water Division Manager, summarized the resolution. Tacoma Water serves over 300,000 customers in the greater Tacoma metropolitan area. In 2019,

we delivered approximately 50 million gallons a day and generated about \$90 million in water sales. While overall water consumption has remained steady, ongoing costs to maintain our utility have increased. Tacoma Water is proposing annual rate adjustments of two percent in order to meet these ongoing needs. In the development of this proposal, Tacoma Water conducted a revenue requirement and rate-design that incorporates the 2021-2022 budget request. This proposal is in alignment with industry ratemaking standards and best practices, as well as the PUB's Strategic Directives of Financial Sustainability (SD-2) and Rates (SD-3), and supports Tacoma Water's Long-Range Financial Plan. In preparation for this request, Tacoma Water sought input from customers and members of the public through various meetings such as: franchise city council meetings, neighborhood council meetings, PUB study sessions, Government Performance & Finance Committee meeting, City Council and PUB joint study session, and a public hearing. Communication has also been distributed through bill inserts, mailings, website, and social media. Based on customer research on affordability, many of Tacoma Water's customers are able to afford low, stable rate adjustments. However, there are customers that are more negatively impacted by rate increases. Therefore, this proposal also includes increases to Tacoma Water's assistance programs, providing larger bill credits and discounts to customers currently in the program, as well as expanding eligibility.

Discussion ensued on what exactly moving the increase to variable versus fixed fees for the Water division would do for the residential customers. The Board wants to know with absolute certainty the impacts of making this change would be. Board Member Cooley moved to postpone this item to a date uncertain for more discussion with the intention of scheduling a special meeting; seconded by Board Member Bushnell. Voice vote taken and carried.

D-13 Resolution U-11214 – Authorize an update to Tacoma Rail's Rate Policy to include a Volume Incentive Fund.

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

Dan McCabe, Rail CIO/CFO, summarized the resolution. The Rail Rate Policy was last updated January 1, 2016. Due to the variability of the economy and shipping lanes, railcar volumes have the potential to deviate significantly from the budgeted volumes. The proposed amendment to the Rail Rate Policy creates a Volume Investment Fund, which would be a sub fund in SAP, to provide a repository for operating revenue surpluses due to unanticipated rail volume growth above budget. The Volume Investment Fund will provide revenue requirement flexibility during times of unanticipated economic downturns or capital spending that may be used to offset the necessity of rate increases. Use of the fund will be limited to workforce stability during unanticipated economic downturns, locomotive upgrades, rail infrastructure, and grant or debt matching opportunities.

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

D-14 Resolution U-11215 – Authorize Tacoma Rail to reissue the Tacoma Municipal Belt Line 8807 series freight switching tariff for an effective date of January 1, 2021 and a tariff supplement with an effective date of January 1, 2022.

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

Dan McCabe, Rail CIO/CFO, summarized the resolution. Tacoma Rail's customers consist of local industries and other railroads. The switching tariffs define the line haul and miscellaneous switching charges allocated to the movement of railcars. Tacoma Rail's Tacoma Municipal Belt Line ("TMBL") tariff rates associated with unit train and other Tacoma interchanged line haul traffic were last updated in 2019. Miscellaneous switching tariffs were last updated in 2010. Tacoma Rail's rates encapsulate cost of service practices. Line haul rates are charged to BNSF or Union Pacific railroads unless the industry served or shipper elects to pay the fees themselves. The switching tariff rate adjustments for 2021 include a 3 percent increase over current rates. The 2022 tariff supplement increases line haul traffic rates and the intermodal intra-terminal switching fee by three percent. Such rate increases and changes to the switching tariff will ensure reliable rail service at cost of service rates.

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

D-15 Resolution U-11216 – Authorize Tacoma Rail to amend its South Intermodal Yard lease agreement and operating agreement with the Port of Tacoma.

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

Dale King, Rail Superintendent, summarized the resolution. In 1984, Tacoma Rail and the Port of Tacoma (Port) entered into a 31-year lease agreement for property located at 1123 Milwaukee Way, which the Port uses for the handling of domestic intermodal shipments. The lease agreement provides for two optional five-year extensions, subject to rent review, with the final five-year extension starting in 2020. Tacoma Rail entered into a 20-year Operating Agreement with the Port in 2013, granting Tacoma Rail rights as the sole operator of Port-owned rail infrastructure in the Tideflats area. The operating agreement also established an annual volume incentive allowance paid to the Port for the first nine years to attract the Grand Alliance shipping lines to Tacoma. The volume incentive allowance ends in 2021 and is anticipated to be valued at zero, due to declines in intermodal traffic volumes. Although the Grand Alliance has been replaced and has changed over time, the Port continues to rely on the volume incentive allowance to attract new intermodal business and invest in rail infrastructure. Rather than extend the volume incentive allowance program, Tacoma Rail and the Port propose to amend both the South Intermodal Yard Lease Agreement and the Operating Agreement to allow for the option of a lower lease payment in exchange for extending the Operating Agreement. If the Port selects the option of extending the Operating Agreement and making lower lease payments, then an amount equal to the difference between the lower lease payments and the higher lease payments due under the alternative option will be used by the Port to attract new intermodal business and invest in rail infrastructure. The Port will report on how the money used to attract new intermodal business and invest in rail infrastructure is spent. The proposed amendments will allow the Port to make additional investments to its intermodal incentive programs while providing stability to future Tacoma Rail operations. Intermodal traffic incited by the Port also adds to Tacoma Rail's revenue base.

Board Member Cooley thanked staff for their hard work on this. TPU strives to keep a good relationship with the Port and is looking forward to seeing new businesses they're able to attract.

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

D-16 Motion 20-08 – The Department of Public Utilities 2021/2022 Budget, as submitted and filed with the Clerk of the Board, be accepted and approved and the City Council is requested to approve the same as provided by Section 4.12 of the Charter of the City of Tacoma [Jackie Flowers, Director of Utilities].

Chair Flint remarked that there are still open questions about the rates and budget. Board Member Bushnell moved to postpone this motion to a date uncertain; seconded by Board Member Cooley. Voice vote taken and carried.

Covid-19 Update

Steve Hatcher, Customer Services Manager, reviewed the latest figures for the discount rate and BCAP programs. Mr. Hatcher then announced that on October 22, TPU launched a business CARES assistance program targeted to small and mid-size business customers. There is a budget of \$750,000 for this and the maximum a business can receive is \$750.00, depending on the number of utilities. The application is online and the program is scheduled to continue until November 15, which is when TPU has to have the funds committed. To date, over 153 applications have been received and the Board will continue to receive reports on this. In response to a Board inquiry, Mr. Hatcher stated that TPU has been working with other jurisdictions and are in the process of preparing a contingency plan as there may be more funds available in Pierce County. Board Member Bushnell expressed appreciation for the creativity to help small businesses as they're struggling.

Financials

Director Flowers informed the Board that the August 2020 financials for Power, Water, Rail, Fleet, and Self-Insurance Fund have been provided to the Board in advance of the meeting. There was no verbal report.

Racial Equity Action Plan and Budget

Ahlmahz Negash, Sr. Power Analyst, provided an overview of the Racial Equity Action Plan (REAP) assessment. The REAP was designed to assist organizations improve their ability to service communities of color and provides a snapshot of policies and practices related to racial equity. The assessment consists of 109 pieces of evidence that support an organization to assert its capacity to well-serve communities of color and it includes suggested actions for improvement. The nine assessment domains are: commitment, governance, leadership; racial equity policy and implementation practices; organizational climate, culture, and communication; service-based equity; service user voice and influence; workforce composition and quality; community collaboration; resource allocation and contracting practices; data, metrics, and quality improvement. Dr. Negash then provided an overview of the scores, strengths, and weaknesses for each. Mia Navarro, Office of Equity and Human Rights Program Manager, spoke to the action plan, which takes the scoring, feedback from listening sessions, and knowledge and expertise of TPU equity committee members. The plan prioritizes actions with potential for highest impact and one-year returns. Ms. Navarro reviewed the indicators and outcomes/actions for the plan structure, workforce, community and stakeholder engagement, service delivery, and policy decision making. Board Members made positive remarks about staff work and expressed appreciation for this body of work.

Customer Engagement Portal Contract

Treena Colby, Market Development Program Manager, provided an overview of the customer engagement portal. Benefits will include greater customer convenience and control to meet rising customer expectations in a digital world. It will enable the utility to share products, services, and rebates with customers. All device types will be supported and it will empower customers to set communication preferences, including language. Benefits to the utility include the ability to automate/streamline common utility customer processes and lessen environmental impacts through paperless enrollment. TPU will be able to communicate products and services to customers most likely to need and use them. It will improve customer data quality and supports flexibility to add new customer programs, products, and services. Ms. Colby then outlined the competitive solicitation process to select a vendor. Six firms responded to the RFP and four were interviewed. Bids were evaluated and scored by a selection advisory committee. The committee's recommendation to the Board is to select Milestone Utility Services; the contract will come before the Board at a future meeting. The primary scope of work includes billing and payment, self-service requests, outage and leak alerts, efficiency and conservation programs, usage comparisons, and usage history. In response to Board inquiries, Ms. Colby made the following clarifications. There will be an education/education campaign for customers. There will be the capacity for business customers. There is flexibility to incorporate a third party vendor in the future if additional capabilities/new technologies are needed.

Legislative Policies and Legislative Agenda

Clark Mather, Community and Government Relations Manager, provided an overview of TPU's legislative policies, which provides direction on a variety of utility-related issues and TPU's legislative agenda, which includes some of the specific policy outcomes that TPU staff will be seeking. Proposed changes to TPU general issues are that TPU supports net neutrality and TPU opposes proposals to prohibit or inhibit the provision of telecommunications by municipalities. For Tacoma Power, language to support clean transportation fuels program has been added. On the federal side, TPU will be collaborating on federal pandemic legislation; work toward progress on Howard Hanson Dam fish passage, and will be seeking funding from the Bureau of Reclamation. Mr. Mather then reviewed the proposed federal agenda for TPU and each operating division. Marian Dacca, State Relations Manager, provided an overview of the upcoming session. The state legislature convenes on January 11, 2021 for a 105-day regular session. The session will likely be virtual with discussions on Covid-19 and impacts to the state budgets. Proclamation 20-23, which placed a moratorium on utility disconnection and late fees is currently in place until December 31, 2020 for all utilities. Ms. Dacca then reviewed the proposed state agenda for TPU and each operating division. The policies and agenda will be coming to the Board for consideration at a future meeting.

Board Reconsideration of Resolution U-11210

Board Member Watson moved that the Board reconsider its decision on Resolution U-11210 on Power rates and that the Board not decide on the matter at this time and table the resolution to a time uncertain to be brought at the same time as Resolution U-11213; seconded by Mr. Patterson. Voice vote taken and carried.

Comments by the Board

In response to a Board inquiry, Director Flowers stated that General Government is taking the lead on any review of the classification and compensation project.

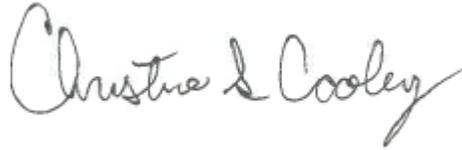
Adjournment

There being no further business or comments, the Public Utility Board meeting was adjourned at 6:11 pm. until Wednesday, November 18, 2020 at 3:00 p.m.

Approved:



Bryan Flint, Chair



Christine Cooley, Secretary