



APPROVED 7-14-21

MINUTES
City of Tacoma
Public Utility Special Board Meeting
June 30, 2021
3:00 p.m.

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

Present via Zoom: Bryan Flint, Carlos Watson, Christine Cooley, Joe Bushnell (arrived 3:26)

Excused: Mark Patterson

The meeting was quorate.

Minutes of the Previous Meetings

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

Comments by the Public

Ms. Cooley 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 Mr. Watson. Voice vote was taken and carried.

There were no comments by the public.

Recognitions

Scott Dewhirst, Water Superintendent, reported that the Director of Human Services reached out to Tacoma Water in response to the heatwave emergency to provide water to stabilization sites for distribution to unsheltered individuals in encampments. Niagara Bottling Company stepped up and generously donated approximately 25 pallets of water and Water staff mobilized quickly to deliver the water. Superintendent Dewhirst recognized Water employees and Niagara Plant Manager, Ron Thalheimer.

Francine Artis, Customer Solutions Manager, informed the Board that her work group has received the National Energy and Utility Affordability Coalition Award. This was awarded for the excellent response to the pandemic and launching of the emergency assistance program for customers affected during an unprecedented time.

Board Members expressed made positive remarks about both of these recognitions and expressed appreciation to staff.

Regular Agenda

D-1 Resolution U-11259 - Award contracts and approve purchases:

1. Increase contract with Harbor Rail Services Company to allow for the continued, federally mandated, daily services of freight car inspections, freight car repairs, and terminal and initial intermodal air test procedures (\$110,000, plus applicable taxes. Cumulative total \$1,835,000, plus applicable taxes)

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

In response to a Board inquiry about the Federal Railroad Association requiring this work being done by third parties, Kari Halliday, Rail Operations Manager, explained that this is not required to be done out of house; however it requires certification and a large footprint to hold inventory for railcars and a lot of track for those cars. Those resources aren't in house at Tacoma Rail. In response to another inquiry regarding this vendor's work being reflected in the customer survey, Dale King, Rail Superintendent, added that they're not in the survey as Tacoma Rail reviews their performance with them on a monthly basis.

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

D-2 Motion 21-07 - That the Chair be authorized to send a letter on behalf of the Board to the Infrastructure, Planning, and Sustainability Committee concerning the proposed Tideflats non-interim ordinance as set forth in the materials on file with the Clerk of the Board.

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

Tom Morrill, Chief Deputy City Attorney, summarized the motion. At the June 9 Board meeting, staff presented a draft letter to be sent to the Council's Infrastructure, Planning, and Sustainability Committee concerning the non-interim regulations. An outcome of that discussion was the addition of language pertaining to electrofuels.

Board Members made positive remarks about this motion in that it addresses climate change and show partnership with the City to develop business and electrofuels.

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

D-3 Resolution U-11260 – Authorize execution of a new power service agreement with WestRock CP, LLC under the terms of Tacoma Power's Schedule G.

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

Rick Applegate, Sr. Power Analyst, summarized the resolution. Tacoma Power supplies electric service to its industrial customers pursuant to the requirements of State law, the Tacoma Municipal Code, Board, and City Council approved policies, and WestRock CP, LLC (WestRock), is a large industrial customer of Tacoma Power that receives Schedule CP service. As part of WestRock's operations, WestRock operates a renewable combined heat and power generator that captures energy produced through the company's paper making processes. WestRock's sale of energy from its generator to a third party will reach its scheduled termination date on August 1, 2021, accordingly,

WestRock has requested to transition from the current Schedule CP service arrangement to one under Schedule G where WestRock will be able to use the output of its generator to offset its facility's energy requirements. Schedule G is "for general power use where a demand meter is installed, for standby capacity to customers generating all or part of their electric power requirements, and for intermittent use." In order to mitigate the operational effects of the large and variable output of WestRock's generator, WestRock will purchase balancing authority area services from the Bonneville Power Administration (BPA) during the term of the self-supply agreement which will allow Tacoma Power to receive an hourly energy schedule from the generator, and net against the facility's metered load.

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

D-4 Resolution U-11261 – Authorize Tacoma Water to enter into a utility construction agreement between the Washington State Department of Transportation for design and relocation of approximately three thousand feet of 48-inch water main and appurtenances.

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

Carol Powers, Principal Engineer, summarized the resolution. Tacoma Water desires to enter an agreement with the Washington State Department of Transportation (WSDOT) for the design and relocation of approximately three thousand feet of 48-inch water main and appurtenances to State Route 509 as part of WSDOT's SR167 Completion/SR509 New Expressway Project (Project). The location of a new SR509 ramp in the Project will require the relocation of the existing main to ensure the integrity of the main and to ensure that Tacoma Water has adequate access to the main in the future. This Project was not included in the Tacoma Water 2021/22 capital budget and Tacoma Water's portion of the advanced payment of \$1,473,008, is expected to be paid in the current biennium as a shared cost with the Regional Water Supply System (RWSS) participants. Tacoma Water's responsibility for this initial payment is \$613,950, and will be funded through deferral of certain capital projects that are currently included in the approved capital budget; these deferred projects may include the Water Operations Building Seismic Upgrade Project and Land Acquisition Projects the remaining anticipated expenditures will be included in the 2023/24 capital budget request and funded with existing reserves, loans, or revenue bonds. The total Project costs are estimated to be \$9,820,058 and Tacoma Water's total financial responsibility for the anticipated expenditures for the relocation of this section of water main is estimated to be \$4,093,000 with the remaining Project costs being covered by the other RWSS participants. Tacoma Water believes it is in the best interest of the utility and its customers to include the relocation of the water main in the WSDOT Project and project partnership will improve the project delivery, reduce project costs, improve system reliability, maintain system accessibility, and consolidate construction disturbances to local businesses and residents. In response to a Board inquiry about any service disruptions, Ms. Powers explained that there will be some short term shutdowns to make the pipe connections. The partners are confident that there will be adequate supply to facilitate connections times and there will be communications sent on this.

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

D-5 Resolution U-11262 – Authorize Tacoma Rail to accept grant funding awarded by the Washington State Department of Transportation to install new grade crossing signalization equipment at multiple locations.

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

Kyle Kellem, Roadmaster, summarized the resolution. Tacoma Rail, requests approval to accept funding awarded by the Washington State Department of Transportation (WSDOT) to install new grade crossing signalization equipment at multiple locations. Tacoma Rail submitted two applications for financial assistance to install active signalization equipment at three passive highway-railroad crossings, and WSDOT Local Programs Division has notified Tacoma Rail that \$1,315,000, was awarded with the requirement that Tacoma Rail contribute \$185,000, towards the completion of the projects. The project locations are identified as Lincoln Avenue, USDOT No. 932-777T, and two grade crossings on Port of Tacoma Road, near Lincoln Avenue, numbered USDOT 852-637U and USDOT 852-638B. Grant funding for Lincoln Avenue is \$745,000, with a matching funds requirement of \$105,000, and the grant funding for the two crossings on Port of Tacoma Road is \$570,000, with a matching funds requirement of \$80,000. The projects are intended to enhance safety by installing grade crossing signal system(s) to include flashing LED lights to alert motorists when railroad equipment is occupying the highway-railroad grade crossing. Matching funds are budgeted in Tacoma Rails 2021/22 Capital Outlay Budget, and should completion of the project(s) extend beyond 2022, a new budget assumption will be proposed in the following biennium cycle.

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

Board Member Cooley moved to suspend the rules to hear walk-on Resolution U-11263 in recognition of Bryan Flint and his service to the Tacoma Public Utility Board; seconded by Mr. Watson. Voice vote taken and carried.

The Clerk read Resolution U-11263, a resolution relating to public service, expressing appreciation for the dedication of Bryan Flint to TPU and a PowerPoint of photos highlighting Mr. Flint's time on the Board was shown. Board Members made positive remarks and expressed appreciation to Mr. Flint. Mr. Flint made remarks summarizing the Board's successes during his tenure and expressed appreciation to his co-Board Members and to staff.

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

D. Reports of the Director

Covid

Director Flowers reported that Washington was re-opened on June 30. In support of reopening Washington, Governor Inslee and the Washington State Department of Labor & Industries released additional guidance yesterday. The TPU emergency management team is reviewing the guidance against internal directives that have been issued during the pandemic to determine which directives can be suspended and which directives will need to be modified and maintained. Those changes will be shared with employees and adjustments to work protocols will be implemented for field staff currently reporting to the

office and the field to complete their work. The adjusted work protocols will also inform reconstitution implementation over the coming months as TPU sunsets the mandatory telework directive. The Governor has not issued updates to proclamations for either the Open Public Meetings Act (OPMA). As updates on OPMA are received, staff will review those with the Board with respect to format and timing of meetings. The State's utility disconnect moratorium is currently set to sunset at the end of July. It is anticipated the Governor will extend the moratorium one additional time, likely until the end of September. To date, the City's disconnect suspension has mirrored the state's actions. Staff is implementing plans to reopen the lobby on August 2. This includes communicating with customers on what to expect when the lobby reopens and how to access utility bill assistance. Staff continues to proactively contact customers with past due balances to ensure they are aware of the assistance that is available now. TPU is proactively engaging with community partners working to connect customers with assistance. Staff is refining post pandemic plans to supporting customers in account recovery and anticipate providing more information on these efforts at the joint study session in August, pending any schedule changes. The City's Human Resources Department has released the new telework policy and is conducting outreach to employees about the policy and next steps. Leaders will be receiving information on telework requests from employees and integrating those plans with reconstitution plans based on work needs. Employee re-entry will be completed in accordance with updated work protocols over the September to October timeframe.

Water Supply Chemical Shortage Update

Scott Dewhirst, Water Superintendent, reported that on June 11 the Board was notified of a chlorine shortage at the Green River filtration plant as the source of the raw materials for this resource was disrupted. Staff took immediate action to reduce the use of chlorine while maintaining quality and also initiated groundwater wells. The in-town wells utilize chlorine manufactured by Tacoma Water and that allowed Tacoma Water to offset use of chlorine at the Green River. The plant that manufactures the raw materials for chlorine is functional now. Superintendent Dewhirst thanked staff for their work and quick reaction and stated that this highlights the Tacoma Water's diverse supply portfolio.

Proposed Tacoma Water Financing Transactions

Bill Berry, Power Section Manager, provided an overview of Tacoma Power's proposed financing transactions: Issuance of up to \$150M electric system revenue bonds, series 2021, to pay down current Wells Fargo note purchase agreement; Execute new three-year \$150 M note purchase agreement with Wells Fargo; Modify and extend the current KeyBank note purchase agreement. The series 2021 bonds are tax exempt and will be used to pay off the current Wells Fargo note purchase agreement and pay costs of issuance. Bonds would reduce the debt service in the spike years and the bond documents currently authorize sale at any time prior to December 31, 2021. It is estimated that the Wells Fargo note purchase agreement has saved approximately \$26M from 2015 through 2020 by postponing long-term bond issues. Tacoma Power's liquidity is stable and the market terms have approved. With the KeyBank agreement, staff estimates saving \$185,000 in fees from September 2021 through May 2022 by amending the terms. Mr. Berry then provided an overview of Power's rating agency ratings, current schedule policy-maker consideration, and shared graphical representations of debt service, rate projections, debt structure, liquidity, and rates forecast. In response to a Board inquiry concerning green bonds, Mr. Berry stated that

Power is not the first in the industry to issue green bonds, but it is a first for Tacoma Power. The City has issued green bonds and there is a market for it.

Tacoma Water Lead Gooseneck Replacement Project Update

Jonathan Schlaudraff, Sr. Utilities Economist, provided background on his project, which began five years ago and is now complete. The project objectives were to replace all lead goosenecks within five years; to complete the work in a geographically equitable manner; to provide relevant and regular communication; to tactically coordinate and plan service replacements; and to minimize disruptions to staffing levels and planned work. The estimated total project cost was \$6M. Board Members made positive remarks about the successful completion of this project and thanked staff. Board Members suggested that Tacoma Water lead and teach industry peers on how to manage a project of this magnitude, as there are still many water systems in the country dealing with this issue. In response to a Board inquiry, staff clarified that even though there are now federal dollars coming to remove lead in systems, there is no opportunity to get reimbursement for what has been spent as staff has been told that the funds are for new issues and can't be applied to utilities who managed this proactively.

General Updates

Chris Robinson reported on the impacts to Power from the weekend's heatwave. Utility demand was higher due to the air conditioning load. Normally 480 MW would be used in June, but Tacoma's peak was 57 percent higher with 673 MW Saturday, 695 on Sunday and 753 on Monday. There were no problems with serving the load with Power's resources and there was surplus to sell in the wholesale markets; Tacoma is fortunate to be a hydro generator. Board Members made positive remarks towards staff members who worked in the heat to maintain power for customers.

Director Flowers reported that staff met with community/neighborhood staff to reevaluate property listings for homeless encampments. Power identified two substation properties that were decommissioned in the 1990's and there is no planned use for the properties and they have no operational impact. Staff will continue to work as the sites are evaluated by the City and will keep the Board informed.

E. Comments by the Board

Chair Flint welcomed newly-appointed Board Member, Holland Cohen.

F. Adjournment

There being no further business or comments, the Public Utility Board meeting was adjourned at 5:25 p.m. until July 14, 2021 at 3:00 p.m.

Approved:



Mark Patterson, Chair



Carlos Watson, Secretary