



APPROVED 11-15-23

MINUTES
City of Tacoma
Public Utility Board Meeting
October 25, 2023
6:30 p.m.

Chair Watson called the Public Utility Board meeting to order at 6:30 p.m.

Present: Carlos Watson; Elly Claus-McGahan; John O'Loughlin

Excused: Anita Gallagher; William Bridges

Minutes of the Previous Meetings

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

Comments by the Public

John Miles commented on Tacoma Water land near the South Tacoma wellheads and the structure at 62nd and Clement and inquired if it could be re-purposed (park, housing, etc.), or aesthetics improved.

Danika made comments in support of providing employees with disabilities or dealing with illness with their reasonable accommodation requests.

Regular Agenda

C-1 Resolution U-11411– Award contracts and approve purchases:

1. Award three-year citywide contract to AA Asphaltting, LLC for on-call asphalt and concrete paving and associated services (\$5,783,216, plus 15 percent contingency, plus applicable taxes. Includes option to renew for one additional one-year term for a projected contracted amount of \$6,650,698.40) [Patsy Best, Procurement and Payables Division Manager];
2. Award contract to Reivax North America, Inc., for LaGrande and Mossyrock excitation system supply (\$550,000, plus applicable taxes) [Bizhan Hooman, Power Systems Engineer].

Mr. O'Loughlin moved to adopt the resolution; seconded by Ms. Claus-McGahan.

In response to a Board inquiry regarding sustainability considerations for item number one, Tad Carlson, Purchasing Manager, explained that this was a Request for Bids and the award given to the lowest responsive, responsible bidder. The City has a preference for sustainability incorporated in the RFB language, but it isn't part of this particular award as preferred bidders were pulled from the state's lists using their commodity codes and minority/women enterprise standards.

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

C-2 Resolution U-11412 – Authorize Tacoma Power to adopt a ten-year achievable economic conservation potential of 208,768 MWh for the period of 2024 through 2033 and a two-year conservation target of 55,992 MWh for 2024 and 2025.

Mr. O'Loughlin moved to adopt the resolution; seconded by Ms. Claus-McGahan.

In response to previously provided Board inquiries about this resolution, Rich Arneson, Sr. Conservation Planner, addressed the future of electrification, load growth assumptions, electric vehicles, and solar panels and conservation.

Prior to voting on this matter, a public comment period was opened per Washington Administrative Code 194-37-070(4). There was no public comment.

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

C-3 Resolution U-11413 – A resolution related to amending Chapter 12.06 of the Tacoma Municipal Code to add a new Section 12.06.266, entitled 'very large load service of 10 aMW or more; Schedule VLL' to allow for confirming revisions to Sections 12.06.215 – 265 of the TMC in order to align with the new Schedule VLL.

Mr. O'Loughlin moved to adopt the resolution; seconded by Ms. Claus-McGahan.

Jing Liu, Rates & Data Analyst, summarized the resolution. Tacoma Power is requesting the creation of a new rate class Schedule Very Large Load (VLL) for customers requesting power service of 10 average megawatts (aMW) or more during any consecutive 12-month period effective on January 1, 2024. Tacoma Power has limited surplus capacity to serve new very large load customers, especially during peak power usage hours by current customers and in order to serve these prospective customers, Tacoma Power would need to procure costly additional power or build new resources at costs that greatly exceed our existing rates. Tacoma Power will not be able to obtain additional power supply from Bonneville Power Administration (BPA) at the Preference Rate if the new load is 10 aMW or more during any consecutive 12-month period (defined as "New Large Single Load" by the Pacific Northwest Electric Power Planning and Conservation Act of 1980), and New Large Single Load exclusion also applies to any existing customer whose load grows by 10 aMW or more over a consecutive 12-month period. Tacoma Power intends for customers that require 10 aMW or more during any 12-month period to pay for the actual incremental power costs from acquiring new resources to serve their load, together with any necessary or convenient ancillary services and administration costs and the requested changes and additions in Chapter 12.06 to the TMC will protect existing customers from subsidizing the costs of power for any customers who require 10aMW or more over any 12-month period. In conjunction with the addition of the new Schedule VLL, Tacoma Power requests other necessary modifications to TMC to ensure the alignment of all rate schedules that include: (1) revising the upper threshold for the qualifying load on the existing Schedule New Large Load (NLL) from 20 MW to 10 aMW over any consecutive 12-month period; (2) revising Schedule Contract Industrial (also called Contract Power,

or CP) to clarify that it will only be available to existing customers as of December 31, 2023; (3) providing a local distribution credit for Schedule General (G) customers who receive power from the high-voltage transmission and no longer need Tacoma Power's local distribution service but who is not served under Schedule CP; and (4) limiting the growth for all existing customers to less than 10 total aMW during any consecutive 12-month period in order to remain on their existing rate schedule. In response to a Board inquiry, Ms. Liu explained that several peer utilities have similar provisions and rate classes.

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

C-4 Resolution U-11414 – A resolution relating to Tacoma Power approving changes to Power's Electric Rates and Financial Policy

Mr. O'Loughlin moved to adopt the resolution; seconded by Ms. Claus-McGahan.

Jing Liu, Rates & Data Analyst, summarized the resolution. Tacoma Power is requesting changes to Tacoma Power's Electric Rate & Financial Policy (Policy) that are designed to protect existing customers from subsidizing the costs of power for any new very large customers who require 10 average megawatts (aMW) or more over any 12-month period. Tacoma Power has limited surplus capacity to serve new very large load customers, especially during peak power usage hours by current customers and in order to serve these prospective customers, Tacoma Power would need to procure costly additional power or build new resources at costs that greatly exceed our existing rates. Tacoma Power will not be able to obtain additional power supply from Bonneville Power Administration (BPA) at the Preference Rate if the new load is 10 aMW or more during any consecutive 12-month period (defined as "New Large Single Load" by the Pacific Northwest Electric Power Planning and Conservation Act of 1980), and BPA's New Large Single Load exclusion also applies to any existing customer whose load grows by 10 aMW or more over a consecutive 12-month period. Tacoma Power intends for customers that need more than 10aMW during any 12-month period to pay for the actual incremental power costs from acquiring new resources to serve their load, together with any necessary or convenient ancillary services and administration costs and the existing Policy requires the traditional retail electric service rates to be based on an embedded cost-of-service study and serving any very large load customers based on embedded costs would create a significant net revenue deficit because of the gap between the energy acquisition costs and the existing rates and without the proposed changes to the Policy, the financial burden of the under-recovery of our costs to serve the new very large load customers would likely lead to rate increases for all existing customers. Tacoma Power is requesting a modification to the Policy to exclude the rate consideration for new very large loads of 10 aMW or more over any consecutive 12-month period from the embedded cost basis enabling Tacoma Power to determine the power costs recovery for these new very large loads separately. The revision to the Policy also contains other necessary and convenient changes to conform the Policy to the proposed ratemaking principle and removes certain terms and definitions no longer referenced in the Policy.

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

- C-5 Resolution U-11415 – Authorize execution of a 20-year franchise agreement with Tacoma Power and the City of Fife for continued electric service to customers within the City of Fife boundaries

Chair Watson moved to remove this item from the agenda for consideration at a future meeting in order to allow staff additional prep time and for the City of Fife to have its second reading of their legislation; seconded by Mr. O'Loughlin. There was no public comment on this motion. Voice vote was taken and carried.

Tacoma Water

- C-6 Resolution U-11416 – Amend and revise Tacoma Municipal Code Chapter 12.10 regarding Tacoma Water rate adjustment for gradual WestRock reset effective January 1, 2024

Mr. O'Loughlin moved to adopt the resolution; seconded by Ms. Claus-McGahan.

Jodi Collins, Financial Stewardship Mgr, summarized the resolution. Tacoma Water is requesting prompt action in response to WestRock's announcement to permanently cease operating its paper mill effective September 30, 2023, which has operated in Tacoma for more than 90 years, and most recently employed around 400 people. WestRock was Tacoma Water's largest customer, and their operations provided a significant source of income for Tacoma Water; specifically, in 2022, WestRock paid approximately \$7.5 million for water, consumed about 1/3 of Tacoma Water's overall water use which is the equivalent of the amount used by 100,000 homes in Tacoma, and was about 7.3 percent of our sales revenue. The pipes and water system used to provide that amount of water are a part of our overall system which must be maintained in order to continue providing the same supply of clean and reliable drinking water. Tacoma Water is currently using cash reserves to mitigate the loss of revenue in the near term, we must make up for this on-going loss of income to maintain our system and service. Tacoma Water proposes an annual system average rate adjustment of 5.0 percent effective January 1, 2024, in order to make up for part of the cash reserves and revenue loss from the WestRock closure, which will be implemented across all rate classes and distributed to fixed and variable rate elements where applicable or consistent with policy and contractual provisions and this rate increase is in addition to the planned rate increase for 2024 that was approved by the Board Council in 2022. An updated revenue requirement, long-range financial plan, and Cost of Service Analysis will be used to develop the rate proposal for 2025 - 2026 and will include adjustments to mitigate any remaining revenue losses from the closure of WestRock. This proposal also includes an increase to the amount available through our Bill Credit Assistance Program ("BCAP") for income-eligible households to mitigate the impacts of the proposed rate increase for our most vulnerable customers and the proposed rate increase will increase the average monthly bill for a residential customer inside the City of Tacoma by about \$2.28 each month and we will increase the BCAP credit available by \$3.00 per month to offset the impact of the rate increase. Tacoma Water and the TPU Public Affairs and Communication team conducted extensive outreach and engagement with customers and stakeholders including with the Puyallup Tribe, neighborhood councils, franchise cities, large commercial customers, and various community groups.

Mr. O'Loughlin commented that he realizes the initial staff recommendation for an 8 percent increase came from professional judgment and the best interests of Tacoma Water and to vote on a resolution contrary to staff recommendation is not something taken lightly. Mr. O'Loughlin reiterated his confidence in staff for prudence and responsibility for managing financing and thanked staff for their hard work. Ms. Claus-McGahan echoed these remarks and thanked the Public Affairs staff for their stakeholder outreach on this issue.

John Miles made public comment in support of Tacoma Water and the long view that must be taken when setting rates. Mr. Miles expressed appreciation for Tacoma's clean, safe water, low rates, and the fact that TPU is mitigating impacts of increases to those most in need.

Chair Watson moved to hold this item over to the Board meeting of November 15, 2023 for a second reading and final consideration; seconded by Mr. O'Loughlin.

Voice vote was taken and carried. The resolution held over to November 15, 2023 for a second reading.

H. Reports of the Director

There were Director reports.

I. Final Comments by the Board

Chair Watson made positive remarks about Customer Solutions staff and their recent on-site BCAP enrollment at a low-income apartment complex.

J. Adjournment

Chair Watson announced that per Board Rules of Procedure Section One, the Board holds one meeting in the months of November and December. November's meetings scheduled for November 15 and December's meetings for December 13.

There being no further business or comments, the Public Utility Board meeting was adjourned at 7:34 p.m. until Wednesday, November 15, 2023, for a study session at 3:00 p.m., followed by a regular meeting at 6:30 p.m.

Approved:



Carlos Watson, Chair



William Bridges