



APPROVED 12/13/23

MINUTES
City of Tacoma
Public Utility Board Meeting
November 15, 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; 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

Chris Gleason encouraged the Board to look into gender discrimination at TPU.

Regular Agenda

C-1 Resolution U-11417– Award contracts and approve purchases:

1. Award contracts to Newco, Inc., dba Cascade Columbia Distribution Co.; Univar Solutions USA, Inc.; JCI Jones Chemicals, Inc.; Hasa, Inc.; Chemtrade Chemicals Corp; and Kemira Water Solutions, Inc. for the supply of water treatment chemicals (\$284,600; \$823,600; \$531,000; \$112,500; \$234,900; \$194,400, respectively. Cumulative total \$2,181,000, plus applicable taxes) [Kim DeFolo, Principal Engineer];
2. Award three-year contract to Cedar A.I. for a railroad operations and inventory management system (Includes option for annual renewals for a projected contract amount of \$3,500,000, plus applicable taxes) [Dan McCabe, Rail CIO/CFO].

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

In response to a Board inquiry regarding shipping of chemicals, Kim DeFolo, Principal Engineer, shared that the chemicals are delivered in bulk by tanker truck. Sodium hypochlorite needs to be shipped right after manufacturing. Tacoma Water pays when the load is delivered. A full truck is 24 tons and unit pricing includes shipping costs. Aluminum sulfate is delivered from Vancouver WA, not from New Jersey where the company headquarters are located.

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

C-2 Resolution U-11418 – Approve and adopt TPU’s state and federal legislative policies

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

Board Member Bridges recused himself from this Resolution due to a conflict of interest with his employer.

Clark Mather, Community and Government Relations Mgr, summarized the resolution which formalizes the Board’s approval. This policy document provides broad foundational policy direction. The specific legislative policies, which summarize TPU’s positions on certain federal and state issues, were presented and discussed in the Board’s study session on October 11, 2023. No changes have been made to the policy document since the study session presentation. Staff recommendation is that the proposed state and federal legislative policies for Tacoma Public Utilities in 2024 be approved, as set forth in the 2024 TPU Legislative Policies on file with the Clerk of the Board.

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

C-3 Resolution U-11419 – Approve and adopt TPU’s state and federal legislative agenda

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

Board Member Bridges recused himself from this Resolution due to a conflict of interest with his employer.

Clark Mather, Community and Government Relations Mgr, summarized the resolution. TPU’s legislative agenda includes some of the proactive policy objectives that staff will advocate towards at the state and federal levels. The staff-recommended legislative agenda covers positions on policies related to supporting programs for limited-income customers, carbon reduction policies, seeking infrastructure funding, and other items, as presented and discussed at the Board’s study session on October 11, 2023, and at a joint study session with the Board and City Council on November 7, 2023. No changes were made to this document since the study session presentations. TPU’s 2024 Legislative Agenda will be presented to the City Council for approval and incorporation into the City’s Legislative Agenda for 2024.

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

C-4 Resolution U-11420 – Authorize Tacoma Water to execute a wholesale water supply agreement with the Mountain Terrace Homeowners Association

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

Marc Powell, Business Services Analyst, summarized the resolution. Tacoma Water desires authorization to execute a new wholesale water supply agreement with the Mountain Terrace Homeowners Association (MTHOA). Tacoma Water currently

supplies wholesale water service to 15 neighboring water utilities in the Puget Sound area. The MTHOA serves 11 homes on 97th Ave East of 128th Street East in south Pierce County. This proposed wholesale water supply agreement will formally document the rights and obligations related to Tacoma Water's provision of wholesale water service to MTHOA that is like other wholesale water supply agreements that Tacoma has with other, larger water utilities and MTHOA will be charged for its wholesale water supply in accordance with the rates set forth Section 12.10.400 of the Tacoma Municipal Code as they may be changed and amended as necessary.

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

C-5 Resolution U-11421 – A resolution authorizing Tacoma Power to issue one or more series of Electric System Revenue and Refunding Bonds, Series 2024, in the aggregate principal amount of not to exceed \$225,000,000 and approving other matters related thereto

Michelle Brown, Financial Planning Supervisor, summarized the resolution. Tacoma Power requests approval by the Board to issue up to \$225 million in 2024 Electric System Revenue Bonds (Series 2024) under the delegated authority of the Director of Utilities and the Superintendent of Tacoma Power. This financing transaction includes approximately \$100 million in new money Bonds and up to \$112 million in Refunding Bonds to refund future 2013A and 2013B Bond principal payments. In order to conduct this bond sale in the most efficient manner, Tacoma Power requests approval for the delegation of authority to conduct this sale in accordance with the delegation parameters summarized: Bonds may be issued in one or more series between now and December 31, 2024; All Bonds issued under the Ordinance cannot exceed a total of \$225 million; The final maturity date of all Bonds cannot be later than January 1, 2054; The True Interest Cost for all Bonds cannot exceed 6 percent; If Bonds are issued to refund the 2013 Bonds, an aggregate savings of 3 percent must be met; Bonds may be sold as "Green Bonds". As background, Tacoma Power regularly issues bonds to finance construction and renovation on long-lived capital assets. Debt financing such assets is an equitable practice because it transfers the cost of long-lived assets across current and future ratepayers who are the beneficiaries of those assets. In 2021, Tacoma Power executed a \$150 million interim funding Note Purchase Agreement with Wells Fargo to fund capital improvements. The Wells Fargo Agreement allows Tacoma Power to fund capital improvements during the biennium, utilizing variable short-term interest rates. As of November 7, 2023, Tacoma Power has funded \$80 million in capital expenditures with the Wells Fargo Agreement and anticipates funding an additional \$20 million before year-end 2023. The purpose of the new money issuance is to repay the Wells Fargo Agreement used to fund a portion of the capital projects included in the adopted 2021/2022 and 2023/2024 capital budgets. Tacoma Power plans to issue all, or a portion, of the 2024 new money Bonds as "Green Bonds" using Kestrel Verifiers, a third-party verification company. Tacoma Power also regularly restructures its outstanding debt service, when possible, to reduce those expenses and ensure that rates remain as low as possible for current and future ratepayers. Tacoma Power has two outstanding 2013 series of bonds (2013A and 2013B), callable as of July 1, 2023, that are being evaluated for refunding in 2024 concurrent with the new money bond issuance. Current market conditions are favorable for refunding the 2013 series of bonds to achieve debt

service savings for the utility and its ratepayers. The final refunding amount will be based on market conditions and interest rates when the bonds are priced.

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

Unfinished Business

D-1 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

John Merrell, Asst. Power Section Mgr, summarized the resolution. Tacoma Power desires authorization to accept a new twenty-year franchise from the City of Fife to use certain street rights-of-way in Fife. For Tacoma Power to use street rights-of-way for utility purposes outside the City of Tacoma it is necessary to obtain a franchise from the local governing authority. Effective October 23, 2003, Tacoma Power and Fife entered a twenty-year franchise and in exchange for waiver of permit fees, an agreement not to compete around the City of Fife presently served by Tacoma Power, and other favorable terms Tacoma Power was assessed an administrative fee of 3 percent of the electric system gross revenues Tacoma Power received from customers within Fife. The 3 percent administrative fee negotiated in the 2003 franchise was based on the amount of the gross earnings tax the City of Fife imposed on other utilities and the 2003 agreement specified that Fife could require adjustment to the administrative fee percentage. In alignment with Fife's 2012 increase of its gross earnings tax to 6 percent the administrative fee charged to Tacoma Power was adjusted upward to the current percent and the existing franchise agreement expired October 23, 2023 but remains effective on its current terms until the effective date of a new franchise agreement. Tacoma Power and the City of Fife have completed negotiations to establish a new franchise agreement for Tacoma Power and the proposed franchise is substantially like the existing franchise, except for minor updates including confirming the administrative fee of 6 percent and the addition of a clarifying statement of Fife's legal authority to levy a utility tax upon electrical utility businesses operating within the City of Fife. The proposed franchise is substantially like the franchises granted by the cities of Lakewood, University Place, Steilacoom and Fircrest and the new agreement will allow Tacoma Power to continue to serve electric customers within the City of Fife boundaries as of the expiration date of the existing franchise. In response to a Board inquiry, Mr. Merrell shared that his understanding is that the six percent fee is not a line item on the customer bill.

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

D-2 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

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 sales revenue. The pipes and water system used to provide that amount of water are a part of the overall system which must be maintained to continue providing the same supply of clean and reliable drinking water and Tacoma Water is currently using cash reserves to mitigate the loss of revenue in the near term and 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, 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. This rate increase is in addition to the planned rate increase for 2024 that was approved by the Board and City Council in 2022 and 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. Tacoma Water has presented the impacts of the WestRock closure to the Board at several study sessions and Board meetings, as well as to the Government Performance Finance Committee since the announcement on August 1, 2023.

Board Member Claus-McGahan made positive remarks about Ms. Collins' hard work during this process and expressed appreciation to her and all staff who worked on this. Board Member Gallagher echoed the positive remarks. Ms. Gallagher made statements in recognition that this resolution doesn't fully address the issue but is a good policy. Board Member O'Loughlin made positive remarks about staff's work and reiterated that he doesn't take lightly the fact that this resolution doesn't align with staff recommendation, but it is a prudent resolution. Board Member Watson stated he previously supported this but has had time to re-think his position. He shared that, even with the offsetting BCAP increase, he is unable to support this resolution because it is on top of existing rate adjustments previously approved and stated he would like staff to seek other ways to mitigate revenue loss.

Voice vote was taken and carried with four ayes and Board Member Watson in dissent.

H. Reports of the Director

Director Flowers called on Alex Yoon, Deputy Director for Administration, to provide a report on the third quarter 2023 budget performance reports for Power, Water, and Rail. Ms. Yoon presented the key budget information, covering revenues and expenditures, for each of the operating divisions.

I. Final Comments by the Board

Mr. O’Loughlin shared that a final report on the TPU 10-year management review is being developed and will be discussed at the joint study session with the Council on December 5, 2023.

Ms. Claus-McGahan shared public comments are heard by the Board, even though there is no response or dialogue at the time of comment.

Mr. Watson made comments in favor of increasing advertising for BCAP.

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. December’s meetings are scheduled for December 13.

There being no further business or comments, the Public Utility Board meeting was adjourned at 7:34 p.m. until Wednesday, December 13, 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