



APPROVED 5/25/22

MINUTES
City of Tacoma
Public Utility Board Study Session
May 11, 2022
3:00 p.m.

Chair Patterson called the Public Utility Board study session to order at 3:00 p.m. at the auditorium of the Public Utilities Administration Building.

Present: Mark Patterson, Christine Cooley, Carlos Watson, John O'Loughlin

Excused: Holland Cohen

Tacoma Power Budget Overview

Michelle Rhubright, Power Supervisor, began by providing an overview of the sources of Power's retail rates by customer classes and the top ten customers by revenue were reviewed. Graphical representations of declining power loads, increasing expenses, non-discretionary expenses, purchased power, taxes, assessments for support services, personnel and other O&M costs, and the capital portfolio were then walked through and detailed. Capital expenses were reviewed; these include fleet replacements, regulatory requirements, facilities improvements, technology, aging infrastructure, and reliability upgrades. The proposed 2023/24 capital budget was summarized. In summary, the majority of Power's expenses are non-discretionary and costs continue to increase along with inflation. It is still early in the budget development process; staff will keep focus on keeping rates reasonable by closely managing expenses and continuing to explore new sources of revenue.

Tacoma Power Long-Range Financial Plan/Revenue Requirement

Michelle Brown, Power Analyst, reviewed the rates and budget timeline for the next biennium and reminded the Board that the projections in this presentation are preliminary as the amount of revenue that will be received and the amount of power consumed by customers each year is uncertain. In review, 2019 was challenging financially due to near-critical water conditions and lower wholesale revenues. In 2020, the pandemic reduced power consumption, retail sales, and increased unpaid accounts. In 2021, the utility experienced financial relief due to above average water and higher wholesale market prices. This year Power has already experienced inflation and supply chain delays. The electric rate and financial policy outlines objectives and policies when setting rates including financial targets and rate stabilization fund usage. These elements form the foundation of the Long-Range Financial Plan (LRFP) and are used to inform the base case and budget. Ms. Brown reviewed expense and revenue assumptions, credit, debt, and risk concerns, and then outlined risks and opportunities for planning for uncertainties. Forecast sensitivities: recession in 2023 through 2024; loss of large load in 2023; critical water in 2023 and 2024; adverse water in 2023 and 2024;

wholesale price collapse; and high inflation in 2023 and 2024. Ms. Brown then shared graphical illustrations of anticipated load decline, wholesale revenues and purchase power costs; inflation and supply chain delays; and spikes in the debt repayment schedule. The staff recommendation is for a 3.5 percent annual rate adjustment in the next biennium. Ms. Brown concluded by outlining revenue and expense assumptions affecting the next biennium financial and average rate forecast; managing the debt profile to minimize long-term rates; and future debt service impacts on short-term rates.

Christina Leineweber, Sr. Utilities Economist, outlined the suggested changes to the Bill Credit Assistance Program (BCAP) for the next biennium. The program base is the same, but additional credits have been added to incentivize good payment behavior by keeping customer on track to prevent disconnection and increases the possible discount to 40 percent of the 2021 average bill. Lis Saunders, Conservation Manager then spoke to Power's conservation assistance program for income-restrained customers. Staff recommendation is for incentives to include rebates, grants, deferred loans, zero-interest loans, and external contracts.

Residential Utility Assistance Program Changes

Francine Artis, Interim Customer Services Manager, reviewed the history of TPU utility assistance programs from 1983 to the current BCAP Plus recommendation. In January 2021, income eligibility changed from the federal poverty level to area median income, which resulted in a BCAP annual credits from \$564 to \$672 and increased senior/disabled discount from 30 percent to 35 percent. Proposed BCAP Plus changes has both monthly and achievable credits. Households would receive a monthly credit regardless of payment. Additional BCAP Plus credits could be achieved with full, on-time payments. Achieving the additional BCAP Plus credit means households are reducing the amount of their income being paid towards utility expenses and not experiencing the negative impacts of service disruptions.

Adjournment

The study session was adjourned at 5:38 p.m. until the May 11, 2022 for a study session beginning at 3:00 p.m.

Approved:



Mark Patterson, Chair



Carlos Watson, Secretary