



APPROVED 10/26/22

MINUTES
City of Tacoma
Public Utility Board Study Session
October 12, 2022
3:00 p.m.

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

Present: Carlos Watson, John O’Loughlin, Holland Cohen, William Bridges, Elly Claus-McGahan

Tacoma Power: Western Resource Adequacy Program (WRAP) Cost/Benefit Analysis

Ray Johnson, Assistant Power Manager, remarked that this presentation is a follow-up to the June 2022 presentation wherein the resource adequacy challenge faced by utilities across the west were outlined. In August 2022, Mr. Johnson provided the Board with a detailed overview of the design on the Western Resource Adequacy Program (WRAP), a program designed to address the West’s resource adequacy challenges. The current presentation is to provide the Board a recommendation and business case analysis on the decision to join WRAP. Benefits of joining were summarized: 1) Increased reliability – WRAP establishes a capacity backstop. Tacoma Power can access pooled capacity when loads are high and/or if Tacoma unexpectedly loses a generating unit for a long duration; 2) Investment savings – Tacoma Power needs less capacity by being in the program versus operating outside of it; 3) Decarbonization – the program will support investment in emerging generation and storage technologies needed to meet environmental objectives; 4) Self versus outside regulation – WRAP represents a unique west-wide collaborative effort. Mr. Johnson then detailed graphical representations of costs and benefits: 1) Capacity investment savings; 2) Depressed day-ahead prices; 3) Capacity sale incremental opportunity; 4) BPA rate impacts; 5) Program costs; and 6) Systems cost. In summary, joining WRAP is recommended based on several qualitative factors: Increased reliability; resource investment savings; decarbonization; and coordinated vs. uncoordinated regulation. The program likely provides direct net benefits with a direct net cost/benefit that is small relative to the qualitative benefits. Staff will prepare a resolution for Board consideration at its meeting of November 16. The resolution will ratify support for the Director to execute the WRAP agreement and commit the utility to the provisions of the WRAP tariff that was filed with the Federal Energy

Regulatory Commission (FERC) at the end of August. The authority to execute the WRAP agreement is conditional on FERC accepting the tariff with no modifications. If FERC rejects the tariff and asks for modifications, it will delay tariff approval to 2023 and staff would then provide an overview of the revised tariff and bring a new resolution at that time.

Tacoma Water: Pipeline One Pressurization Program

Ali Polda, Principal Engineer, provided background. In 2018 a Washington Department of Health (DOH) sanitary survey identified significant deficiency creating a public risk in Pipeline No. 1 (P1). P1 doesn't meet WAC requirement of five pounds per square inch (PSI) at ground surface. An approach to meeting pressurization is needed; no water quality violations are due to operational pressure. A consultant to evaluate alternatives for P1 was hired and preferred alternatives were identified. This consists of pipeline replacement, flow control, and pumping facilities upgrades on a 30-year schedule. The base case for a financial plan is \$114M; estimated cost of \$60 to \$225M for pressurization. A 30-year bilateral compliance agreement to pressurize P1 by 2051 will be submitted to the Board; it includes annual progress and monitoring reports. Next steps include Board consideration of the owner's advisor contract (program management framework, additional analysis, peer review of alternatives, capital project sequencing, pipe condition assessment plan). The conceptual engineering plan (pipe condition assessment execution, engineering design for pipeline replacement and capital facilities, right-of-way study) in 2023/2024. Design and construction of the new pump station is scheduled for 2023 – 2025.

Tacoma Water: Howard Hanson Dam Forecast Informed Reservoir Operations (FIRO) Project

Greg Volkhardt, Water Division Manager, began by summarizing the spring reservoir-filling period, which is from February 15 to July 14. Graphical representations of the spring water storage allocation, typical storage at Howard Hanson Dam and refill performance. Forecast Informed Reservoir Operations (FIRO) is a reservoir-operations strategy that better informs decisions to retain or release water by integrating additional flexibility in operation policies and rules with enhanced monitoring and improved weather and water forecasts from the American Meteorological Society. Phases of FIRO research and development, pilot programs, and FIRO viability assessment process were outlined. Mr. Volkhardt also summarized atmospheric river reconnaissance. Project benefits include improved probability of reaching full storage. There are fisheries benefits as it will leave more water in the river and creates opportunity for flow enhancements. It will help mitigate the impacts of climate change on water supply and increases the opportunity for achieving phase two storage. Mr. Volkhardt concluded by outlining the project schedule. The contract will come to the Board for consideration at its next meeting. Planned 2022-2024 contract activities include the formation of a steering committee, development of a work plan, and the initiation of studies and technical analysis to support the viability assessment.

Overview of Review/Evaluation Process for Director of Utilities

Cheryl Bidleman, Asst. HR Manager, provided an overview of the process for next year's performance review for the Director of Utilities. In October – November 2022, the timeline, process, and documents will be confirmed with the Board Chair and details then shared with the Board and Mayor. In December 2022 – January 2023, the Director will complete and deliver her self-evaluation to the Board. The Board will then evaluate the performance and the Chair finalizes it and shares it with the Mayor. In January – February 2023, the Board delivers its review to the Director and votes on whether or not to confirm the Director. The Board Chair directs the review process. The Director's performance is discussed amongst the Board in executive session. All written feedback is public.

2023/2024 Proposed Budget and Rates

Jackie Flowers, Director of Utilities, conducted a check with the Board for any questions or input on the 2023 budget and rates. Board Member O'Loughlin complimented the Director on her budget and rates presentation at the joint study session of the Council and Board and expressed appreciation for all the work put into this process.

Adjournment

The study session was adjourned at 4:44 p.m. until the October 26, 2022 for a study session beginning at 3:00 p.m.

Approved:



Carlos Watson, Chair



Holland Cohen, Secretary