



Approved 12/14/22

MINUTES
City of Tacoma
Public Utility Board Study Session
November 16, 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: John O’Loughlin, William Bridges, Elly Claus-McGahan; Holland Cohen

Excused: Carlos Watson

Tacoma Power: Dam Safety Program Update

Paul Lennemann, Chief Dam Safety Engineer, began with an overview of the four Tacoma Power Federal Energy Regulatory Commission (FERC) projects, which includes 7 hydroelectric developments and 11 individual structures. The Board’s role in dam safety is defined in the FERC-required owner’s dam safety program – “Support the dam safety program by providing budgetary and personnel resources required ensuring regulatory compliance and public safety”. The Washington State Department of Ecology (DOE) and the Federal Energy Regulatory Commission (FERC) regulates dam safety. Mr. Lennemann then outlined compliance activities, some of which include spill gate/penstock inspection, emergency action plan exercises, annual safety inspection, surveillance and monitoring, public safety plans, and cyber/physical security plan updates. Graphical representations of consultant inspections, FERC risk identification, risk plotting, short-term risk mitigation, and seismic remediation were detailed. Program deliverables and budgets were then summarized.

Financial Outlook and Performance Metrics Update for Q3 2022

Tacoma Water. Jodi Collins, Asst. Water Div. Mgr., provided a summary, which incorporated actual revenues and expenditures through September with projections for the remainder of the biennium. Forecast for total revenue is \$4.3M or two percent over budget. Forecast for expenditures is \$3.4M or two percent under budget. Graphical representations of billed revenue and billed demand were then shared. Ms. Collins then detailed biennium forecast versus budget for total revenue, personnel, supplies/services, taxes, revenue less expenditures, capital outlay, and projected cash ending cash balance. Ms. Collins concluded the presentation by detailing graphical representations of aging account receivable and projected liquidity and cash balance.

Tacoma Power. Michelle Brown, Lead Power Financial Planning Analyst, outlined forecasting practices: September 22 actuals; adverse water conditions; 2022 load forecast; budgeted personnel and O&M expenditures with forecasted adjustments; and project estimates of capital spending. The forecast for total revenue is \$112.5M more than budget and the forecast for total expenditures is \$8M more than budget. Graphical representations of electric retail revenues and gross wholesale revenues were reviewed. Ms. Brown then detailed biennium forecast versus budget for retail revenues, gross wholesale revenues, rate stabilization fund, purchased power expense forecast, personnel expenses, supplies, capital expenses, debt service, taxes, and net revenue forecast. Ms. Brown concluded the presentation by detailing graphical representations of aging of accounts receivable, and projected liquidity balance.

Tacoma Rail. Dan McCabe, Rail CIO/CFO, shared that this information incorporates actual revenues and expenditures through September 2022 with projections for the remainder of the biennium. The forecast for total revenues is \$9.9M or 13 percent under budget. The forecast for total expenditures is \$7M or 9 percent under budget. Mr. McCabe outlined the biennium summary of rail volumes. Intermodal budget volumes are down 39 percent and commercial budgeted volumes are down 18 percent. Mr. McCabe then detailed graphical representations of intermodal and commercial volumes. Railcar volumes are below budget. Railcar dwell is increasing demurrage revenue. Locomotive fueling is above budgeted volumes. Operating expenses are lower due to cost saving initiatives and deferment of operating expenditure activities. Capital outlay is increasing due to cost increases to projects and projects from prior biennium. Lower taxes expenses are due to decrease in revenues. Tacoma Rail was more successful with zero percent financing for projects than grant funding as compare to budget.

Performance Metrics Update: Ebony Peebles, Sr. Financial Manager, highlighted performance metrics for the third quarter and highlighted three areas: 1) Financial and operational metrics. Debt service coverage and cash metrics are above policy minimums across all divisions. Rail's projected budget variance shows a slight improvement; 2) Operational excellence. O&M costs per customer are to be reviewed. Power outage durations results affected by singular events; 3) Commitment to customers and employees. Safety metrics are maintaining a positive trend. Call center response times are well below target due to increase in call volumes and complexity of support required. Water technical service complaints are not adjusted for outside factors.

Overview of City Purchasing Processes

Patsy Best, Procurement and Payables Division Manager, began with an overview of procurement governance. It cascades from Federal, to State, to City Charter, to Tacoma Municipal Code, to the Purchasing Policy. Competitive solicitation is required (TMC 1.06.254). Exceptions are sole source, emergency waivers, non-practicable, and direct negotiation. Competitive solicitation can be satisfied with use of other competitively solicited contracts; i.e. inter-local. Competitive solicitation thresholds were then outlined.

Contracts less than \$10,000 are department delegated. Contracts less than \$50,000 are delegated to the assistant section/division manager level. Contracts \$50,000 to \$200,000 are delegated to the Section/Division Manager level. Contracts \$200,000 to \$500,000 are delegated to the Director of Utilities. Contracts more than \$500,000 are approved by the Public Utility Board or City Council. The Board of Contracts and Awards (C&A Board) recommends award or rejection of purchases and contracts over \$500,000 prior to City Council or Board action. Citywide contracts are for multiple departments with common contracting needs and are coordinated by Purchasing. These contracts save time and can save money by reducing administrative costs, leveraging buying power. As-needed contracts have no guarantee of specific spending; contract values are based on estimates or past usage. Citywide contracts resulting from a competitive solicitation and valued over \$500,000 are submitted to both the Board and Council for approval.

Tacoma Power: Cushman Powerhouse Rebuild of Units 31 and 32

Ozan Ferrin, Generating Engineering Manager, and David Wagner, Generation Electrical Engineering Manager, conducted the presentation. Tacoma Power's generation supply is 100 percent clean energy; 46 percent Tacoma Power owned, and consists of 22 hydro units, which generate 833 MW. The Cushman 2 powerhouse was built in 1930 has three 27,000-kilowatt hydro units, which equals 233 million kilowatt hours, which powers approximately 18,500 homes. The last major generator work was in 1975 and the turbine runners were replaced in 1995. In 2017, the condition assessment was completed and the business case for the project approved in 2019. The design-build contracting was approved in 2020 and Board consideration of the contract is now requested. A summary of the project scope was provided; items include a new stator frame, stator core, stator windings, and refurbishment of rotor poles, new wicket gates, head cover, bottom ring, and refurbishing worn parts. The presentation concluded with an overview of the annual benefit per unit, capital spend plan, and project schedule. Completion and closeout is scheduled for December 2026.

Adjournment

The study session was adjourned at 5:30 p.m.

Approved:



Carlos Watson, Chair



Holland Cohen, Secretary