



APPROVED 12/13/23

MINUTES
City of Tacoma
Public Utility Board Study Session
November 15, 2023
3:00 p.m.

Chair Watson called the Public Utility Board study session to order at 3:00 p.m. in the third-floor conference room (LT1) of the Public Utilities Administration Building.

Present: Carlos Watson, Elly Claus-McGahan, John O’Loughlin, Anita Gallagher, William Bridges

Director Flowers introduced the executive interns: Director’s Office, Robert Asagai; Tacoma Water, Gary McGuire; and Tacoma Power, Ahlmahz Negash.

T&D Manager, Joe Wilson, provided an update on the afternoon’s power outage. The incident is still undergoing investigation; however, it is known that substation testing was being conducted near the Cushman Hydroelectric Project per Federal Energy Regulatory Commission mandates. Unfortunately, the testing was supposed to be isolated and wasn’t and tripped back to the Pearl Substation and other transmission lines. Approximately 20,000 TPU customers and some Pen Light customers experienced outages. Tacoma’s customers were restored in approximately 40 minutes and Pen Light customers will be back on late afternoon.

Financial Outlook and Performance Metrics Q3 2023

Tacoma Water: Jodi Collins, Financial Stewardship Manager, provided a biennium summary of financial outlook covering forecast total revenue and operating expenditures. Graphical representations of billed water sales and reduction in water demand were detailed. The biennium forecast vs budget for residential water sales, pulp mill water sales, non-operating revenue, personnel expenses, supplies, taxes, revenues less expenditures, capital outlay, and projected ending cash balance were summarized. Ms. Collins concluded by reviewing forecast vs. budget and projected liquidity and projected cash balance.

Tacoma Power: Michelle Brown, Financial Planning Supervisor, provided a biennium summary of financial outlook covering total revenue and operating expenditures. Graphical representations of electric retail revenues and gross wholesale revenues

were detailed. The biennium forecast vs. budget for retail revenues, gross wholesale revenues, purchased power, personnel expenses, revenue funded capital expenses, taxes, and net revenues were summarized. Ms. Brown concluded by reviewing forecast vs. budget and projected liquidity balances.

Tacoma Rail: Dan McCabe, Rail CIO/CFO, summarized the biennium budget assumptions and covered total revenues and expenditures. Mr. McCabe provided an overview of rail volumes, intermodal volumes, and commercial volumes. Mr. McCabe concluded with a review of biennium forecast vs. budget and projected liquidity balances.

Performance Metrics: Ebony Peebles, Business Services Manager, provided an overview of Q3 performance metrics for each of the operating divisions. Q3 performance is favorable across all financial performance metrics. Under operational excellence, Power's distribution O&M per customer ratio will measure distribution expense associated with delivering power to each retail customer. Rail's storm water testing results comply in all 18 tests. For TPU's commitment to customers and employees, employee safety incident rates continue its downward trend. Call center response times were impacted by staffing shortages during July and August. Water customer relations metric requires additional review before finalizing.

Power metrics: Chris Robinson, Power Superintendent, provided additional details on Power metrics, including non-production O&M cost per customer, O&M per customer categories, and how Tacoma Power compares to the American Public Power Association benchmarks for total O&M expense (excluding power supply) admin and general expenses, customer accounting, distribution O&M expenses, and transmission O&M expenses - all per retail customer. Recommended metrics were reviewed. Given components of non-production O&M per customer, Tacoma Power believes the metric should be replaced with metrics that measure costs that power can influence, and costs directly associated with serving power to customers. Fifty-five percent of Power's total costs for 2021 is related to power supply and distribution. Historically power supply costs have been low, but increases are expected in the near-term due to cost pressures from BPA contract post 2028, upcoming hydro relicensing and other projects. Power suggests replacing the current metric with distribution O&M cost per customer and total power supply expense per kWh sold and the continuation of benchmarking customer service expense and assessments through another metric than for the power utility.

Guiding Principle Eight (Telecom) Review

This Guiding Principle will be discussed at a future study session.

Guiding Principles Two and Three (GP2 Financial Sustainability; GP3, Rates)

Rating agency language in item number four in the 'Outcomes' portion of GP2 was discussed. Staff will work on edits to language in preparation for Board consideration at the December 13 meeting. GP3 will proceed to the December 13 meeting.

Guiding Principles Five (Environmental Leadership)

Board Member Claus-McGahan’s re-write of the former Strategic Directives five and eleven were discussed. This item will move forward for Board consideration at the December 13 meeting.

General Board Comments/Discussion and Director’s Reports

There were no general comments.

Executive Session

Chair Watson moved to enter into an executive session at 4:50 p.m. for up to 100 minutes to discuss pending/potential litigation (RCW 42.30.110(1)(i) and the performance of a public employee (RCW 42.30.110(1)(g); seconded by Mr. O’Loughlin. Voice vote taken and carried. Chair Watson moved that at the end of the executive session the Clerk of the Board is authorized to adjourn the meeting; seconded by Mr. O’Loughlin. Voice vote taken and carried.

Engel Lee was the attorney present during the pending/potential litigation portion of the executive session.

Adjournment

The study session was adjourned at 6:00 p.m.

Approved:



Carlos Watson, Chair



William Bridges