



APPROVE 7/28/21

MINUTES
City of Tacoma
Public Utility Special Board Meeting
July 14, 2021
3:00 p.m.

Mr. Patterson called the Public Utility Board meeting to order at 3:00 p.m.

Present: Mark Patterson, Carlos Watson, Joe Bushnell, Holland Cohen

Excused: Chrissy Cooley

The meeting was quorate.

Mr. Patterson welcomed newly-appointed Board Member, Holland Cohen. Ms. Cohen, in turn, introduced herself.

Minutes of the Previous Meetings

Mr. Watson moved that the minutes of the previous meetings be adopted; seconded by Mr. Bushnell. Voice vote was taken and carried. The minutes were declared adopted.

Comments by the Public

Mr. Bushnell moved to suspend the rules of Public Utility Board Government Process Eight (GP8) to allow all public comment for all topics, whether on or off the agenda, at one time; seconded by Mr. Watson. Voice vote was taken and carried.

Kit Burns made comments regarding AMI opt-out fees, budget billing, and water conservation.

Regular Agenda

C-1 Motion 21-08 – In accordance GP-3, Section 1, Election of Officers, of the Public Utility Board Governance Processes, that Mark Patterson, Chrissy Cooley, and Carlos Watson be nominated and elected as Chair, Vice-Chair, and Secretary respectively.

Mr. Watson moved to approve the motion; seconded by Mr. Bushnell.

Voice vote was taken and carried. The motion was approved.

- C-2 Resolution U-11264 - Award contracts and approve purchases:
1. Award three-year contract to General Pacific, Inc., for the purchase of high voltage circuit breakers (\$651,682, plus applicable taxes. Includes option to renew for two additional one-year terms. Projected contract amount \$1,086,136.67) [Mike Allen, Power Supervisor];
 2. Award contract to Anixter, Inc., for the purchase of low voltage network protectors on an as-needed basis (\$318,660, plus applicable taxes. Includes option for up to four additional one-year periods. Projected contract amount \$1,632,050) [Rich Barrutia, Power Supervisor];

Mr. Watson moved to adopt the resolution; seconded by Mr. Bushnell.

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

- C-3 Resolution U-11265 – Authorize execution of a letter of agreement for the extension of all terms and conditions of the current collective bargaining agreement with the Tacoma Joint Labor Committee for one year, January 1, 2022 through December 31, 2022.

Mr. Watson moved to adopt the resolution; seconded by Mr. Bushnell.

Dylan Carlson, Sr. Labor Relations Manager, summarized the resolution. The letter of agreement provides for the extension of all terms and conditions of the current collective bargaining agreement for one year. In response to a Board inquiry, Mr. Carlson explained that the one year extension is due to the economic impacts of the pandemic and understanding that workers dealt with challenges and lower-than-expected wage increases. Rather than negotiate health premiums and other benefits at this time, it was determined the best course of action was to hold steady and maintain the status quo.

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

- C-4 Resolution U-11266 – Authorize Tacoma Power to execute point-to-point transmission service agreements, under Tacoma Power's Open Access Transmission Service Tariff, with Powerex, Morgan Stanley, and the Power Management and T&D Sections of Tacoma Power.

Mr. Watson moved to adopt the resolution; seconded by Mr. Bushnell.

Marc Donaldson, Power Engineer, summarized the resolution. Tacoma Power provides transmission service to customers pursuant to its Open Access Transmission Tariff (OATT), which governs rates, terms and conditions of transmission service. Pursuant to the OATT, customers desiring transmission service must enter into a service agreement subject to Public Utility Board Approval. In 2015, Powerex entered into firm and non-firm point-to-point (PTP) transmission service agreements with Tacoma Power under the OATT. The execution of said agreements was authorized by the Board through Resolution U-10788, and the agreements are expiring and Powerex has requested to enter into new firm and non-firm PTP transmission service agreements under Tacoma Power's OATT. Morgan Stanley has also requested to enter into firm and non-firm PTP transmission service agreements with Tacoma Power under Tacoma Power's OATT, and Tacoma Power will also be providing firm and non-firm PTP transmission service

through agreements between Tacoma Power's Power Management and Transmission & Distribution business units. In response to a Board request for clarification, Mr. Donaldson added that this agreement allows transmission service from Tacoma Power across our system; WestRock's agreements are expiring and WestRock acquired another purchaser for their generation to sell to markets in the west; they need Tacoma Power's transmission system to do that. In response to a Board inquiry about Tacoma Power contracting with itself, Mr. Donaldson explained that it is a way to present to the outside world what we are doing and what's expected of us. There are requirements that we won't treat ourselves differently than any other transmission customer; this demonstrates we're following the rules and is a fairly common practice with other transmission tariffs. Power Superintendent, Chris Robinson, added that U.S. policy creates functional differences between merchant and transmission functions. Tacoma's merchant function is not supposed to get preferential treatment in use of our system than any other merchant function of another entity.

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

C-5 Resolution U-11267 – Authorize the revision of the transmission rate charged to Lewis County Public Utility District under the 1993 transmission service agreement between the parties.

Mr. Watson moved to adopt the resolution; seconded by Mr. Bushnell.

Marc Donaldson, Power Engineer, summarized the resolution. Tacoma Power entered into a Transmission Service Agreement (Agreement) with Lewis County Public Utility District in December 1993, pursuant to Public Utility Board Resolution No. U-8935. Under the Agreement, Tacoma Power provides transmission service to Lewis County PUD for delivery of its Cowlitz Falls generation over certain facilities owned by Tacoma Power to Bonneville Power Administration. The transmission rate under the Agreement is based on the facilities used to deliver the generation and the current transmission rate of \$198,000, which was calculated in 2018 using the methodology provided in the Agreement, was approved by the Public Utility Board in Resolution No. U-11016. The Agreement contains provisions that allow for revisions to the annual wheeling charge, which remains in effect for at least three consecutive operating years and following the annual wheeling charge methodology of the Agreement, Tacoma Power has determined that the rate should be revised to \$219,463 annually.

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

C-6 Resolution U-11268 – Authorize Tacoma Power to issue up to \$320M of electric system revenue and refunding bonds

Mr. Watson moved to adopt the resolution; seconded by Mr. Bushnell.

Bill Berry, Rates, Planning, and Analysis Manager, provided an overview of the approvals requested in Resolutions U-11268, U-11269, and U-11270 by reviewing materials presented to the Board at the June 30, 2021 meeting.

This action allows for new 2021 revenue bonds to repay the existing \$150M (of which, approximately \$140M is outstanding) Wells Fargo Note Purchase Agreement (NPA), the

potential for issuing 2021 refunding revenue bonds to refund the outstanding 2013 bonds of Tacoma Power; the option to identify some, or all of the bonds as “Green Bonds”; and the enactment of a springing amendments to the language in the master ordinance to reflect current rate-setting practices that are based on forecasts of revenues and expenses and to enact the option of amortizing debt service of future Tacoma Power bonds with principal balloons payments. Tacoma Power regularly issues bonds to finance construction and renovation on long-lived capital assets. Debt financing such assets will help maintain financial flexibility and aim to limit rate increases over the next biennium by equitably distributing capital costs of long-lived assets to future ratepayers who are the beneficiaries of those assets. Amending the master ordinance language within the 2021 bond series supplemental ordinance will improve the financial flexibility of establishing rates to meet the debt service coverage requirements of bond covenants. The amended language allows Tacoma Power to set rates based on forecasted revenues and expenses and allows for the distribution of the cost and impact of large principal balloon payments over many years.

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

C-7 Resolution U-11269 – Authorize Tacoma Power to enter into a new \$150M note purchase agreement with Wells Fargo to provide interim financing for capital projects in Tacoma Power’s approved capital budget.

Mr. Watson moved to adopt the resolution; seconded by Mr. Bushnell.

Bill Berry, Rates, Planning, and Analysis Manager, summarized the resolution. This action provides authorization to enter into a new \$150M NPA with Wells Fargo to provide interim financing for capital projects in the Tacoma Power’s approved capital budget. The short-term finance agreement with Wells Fargo improves financial flexibility by providing readily accessible, interim financing for asset maintenance and improvement costs when those costs are incurred. Implementation of the existing Wells Fargo agreement is also more cost effective by deferring the issuance of long-term bonds to fund debt-funded capital projects, saving the utility approximately \$26M in interest costs since 2015.

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

C-8 Resolution U-11270 – Authorize Tacoma Power to amend and extend the 2020 note purchase agreement with Key Bank to reduce general liquidity and costs [Bill Berry, Rates, Planning, and Analysis Manager].

Mr. Watson moved to adopt the resolution; seconded by Mr. Bushnell.

Bill Berry, Rates, Planning, and Analysis Manager, summarized the resolution. This action addresses the authorization to amend and extend Tacoma Power’s 2020 NPA with KeyBank to reduce general liquidity and costs. The 2020 NPA with KeyBank provides general liquidity for any purpose deemed necessary. Amending and extending the liquidity agreement will help maintain financial flexibility with the aim to limit rate increases over the next biennium. It is viewed by two of the three rating agencies as enhanced liquidity to meet the policy goals of maintaining financial metrics at an AA-

level. The utilization of the agreement would only be for emergency purposes, thus the 2020 NPA is a low-cost option to achieve those metrics and keep rates low.

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

D. Reports of the Director

Covid

Field crews and other continuity staff have continued to report to field or offices depending on job requirements since the start of the pandemic. Many of those teams have been operating under modified job reporting requirements throughout the pandemic. By the end of next week, continuity personnel will return to pre-pandemic reporting locations and schedules in accordance with the updated workplace protocols outlined in the "Reopen Tacoma Directive". Staff continues to make progress toward re-opening the lobby on August 2. The Customer Services team along with support teams will be testing systems in advance of the August 2 reopening. Employees impacted by the lobby reopening will be transitioning to their new work protocols which will include a hybrid work schedule retaining virtual agents while also reconstituting in-person service. On July 2, Governor Inslee extended the utility disconnect/late fee moratorium until September 30, indicating this will be the final extension. This final extension aligns with the end of the tenancy preservation bridge, noting that utilities and housing are inextricably linked. The Governor's Office continues to work with utilities on plans to support customers post disconnect moratorium. Although TPU's postponement of disconnects falls under Mayor's declaration, TPU staff is actively involved in the discussions with the Governor and other utilities and is considering all factors in post pandemic support of customers. The Governor is encouraging customers to contact utilities to learn about programs and financial resources to assist with unpaid utility bills. Customer Service staff is available to assist our customers in identifying financial support options and make arrangements for payment plans. Even if customers have already received assistance during the pandemic, they're encouraged to contact customer service to explore their eligibility for funding programs. All other workgroups are currently working to finalize their plans for reconstitution and transition to new work protocols, including hybrid work environments. Work groups will be phased to the new work protocols over beginning in September and phased in over a couple month period to balance work load of facilities and technology support staff.

Clean Energy Implementation Plan

Rachel Clark, Sr. Power Analyst, described the Clean Energy Implementation Plan (CEIP). Each utility must submit theirs by January 1, 2022 and every four years thereafter. The CEIP was introduced in the Clean Energy Transformation Act (CETA). Details on how to complete the plan is guided by the Department of Commerce. The purpose is to ensure utilities are preparing to comply with CETA requirements that start in 2030. It is expected to be consistent with other utility planning documents such as the Integrated Resource Plan (IRP) and Conservation Potential Assessment (CPA). Ms. Clark then reviewed the targets, specific actions to achieve targets, and specific actions to ensure an equitable transition. Ms. Clark then reported on forecasted distribution of energy and non-energy costs and benefits.

Evergreen Options Update

Lis Saunders, Conservation Manager, provided an overview of the Evergreen Options program. The program has been offered since 2000 and is a voluntary program for residential and business customers. Participants fund the purchase of Renewable Energy Certificates (RECs) from regional renewable energy projects. Enrollment options are for a fixed purchase of blocks of 250 kWh at \$3.00 each per month or a percentage of use plan of one to one hundred percent of the monthly electric use priced at 1.2 cents/kWh over the normal monthly electric charges. Participants can un-enroll at any time. Ms. Saunders detailed 2020 participation numbers. The grant program is offered annually, up to \$50,000. Eligible projects include solar, wind, geothermal, landfill gas, biomass, and tidal wave. Ms. Saunders reviewed past grant recipients, which include Point Defiance Zoo, Bates Technical College, Franklin Pierce School Farm, Tacoma Housing Authority, and Jason Lee Middle School. This year's grant recipient is Shiloh Baptist Church. Tacoma Power is currently accepting grant applications through August 20, 2021.

Energy Imbalance Market Contract Update

Chris Juchau, Sr. Power Analyst, stated the Energy Imbalance Market (EIM) is a real-time energy supply market that offers electricity generation and transmission services. It automatically balances demand every 15 minutes and dispatches power plants to meet demand every five minutes with the lowest cost energy. Tacoma is joining EIM as flexible hydro and support the grid as more renewables are integrated. It's forecast positive net present value over ten years. Participation provides input on future market evolution. Mr. Juchau concluded by reviewing the implementation timeline and budget. The schedule, scope, and budget are all on target.

Board Meeting Format

Chair Patterson led a discussion on how the Board and staff have adapted to different meeting practices during the pandemic and how Board meeting format should be discussed ahead of returning to in-person meetings to allow adjustments to be made as transitions occur. The Board discussed how it could return to past practices and how certain new practices could be retained. Board meeting protocols and order of business are contained in Government Process (GP) 2 and GP 8, respectively. The Board discussed study sessions, order of agenda items, public comment procedures, items to be included in Reports of the Director, hybrid meeting set up, and remote participation by Board Members. The Board will provide any input on GP2 and GP8 to the Clerk of the Board. Revisions to the GPs will be considered at a future Board meeting.

General Updates

Director Flowers provided an update on the use of TPU property for a homeless stabilization site. The Council is indicating interest in TPU property at 82nd and Pacific. Neighborhood and Community Services will be at the next Board meeting to provide update on the plans. A memorandum of understanding would be brought forth for consideration at a future Board meeting.

E. Comments by the Board

There were no final Board comments.

F. Adjournment

There being no further business or comments, the Public Utility Board meeting was adjourned at 5:57 p.m. until July 28, 2021 at 3:00 p.m.

Approved:



Mark Patterson, Chair



Carlos Watson, Secretary