



APPROVED 9/13/23

MINUTES
City of Tacoma
Public Utility Board Study Session
August 23, 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, William Bridges (arrived 4:30 p.m.), Elly Claus-McGahan, John O’Loughlin, Anita Gallagher

Moss Adams Audit Exit Conference

Olga Darlington, Partner at Moss Adams, reported that audits and reports on each division’s internal control and compliance over financial reporting are done in accordance with Government Auditing Standards. No material weaknesses in internal controls were found and there were no compliance findings. Ms. Darlington described the areas of audit emphasis; these include internal control environment, treasury, capital assets, debt activity, leases, and revenues and expenditures. Accounting policies, transactions, and risks were summarized. No significant difficulties with staff were encountered during the audit and there were no disagreements with management. Ms. Darlington concluded by summarizing audit adjustments for Power and Water.

Cybersecurity Update

Tyler Swartz, Cybersecurity Operations Manager, provided an overview of typical cybersecurity threats and how TPU responds via threat hunting and summarized mitigation strategies and methods. The TPU cybersecurity team consumes threat feeds from a variety of industry-leading sources. Several are general purpose, covering a wide array of threats while others are targeted towards threats to critical infrastructure. These sources, combined with open-source intelligence, paint an accurate picture of threat landscape facing TPU. Mr. Swartz provided an overview of daily operations, vulnerability management, and incident response.

Tacoma Power: Rate Structure Modifications

Chris Robinson, Power Superintendent, made introductory remarks. Ying Hall, Power Rates, Planning, and Analysis Manager, and Jing Liu, Rates and Data Analyst, conducted this presentation. An overview of the challenges in serving new large loads

was summarized. There is recent high interest from prospective industrial customers for large quantities of low-carbon, low-cost energy. Tacoma Power has limited surplus capacity, especially during peak seasons. Current new resource costs are very high and new resource costs far outweigh existing rates. If new large loads are served at current system average rates, it will create substantial rate pressure and cost shifting to existing customers. Guiding rate principles were then reviewed: 1) minimize the impact from new customers; 2) customers who incur the cost should pay for the costs; 3) cost-based rates for each rate class with gradual changes; 4) consistent with industry standard; 5) no undue burden on Tacoma Power's financial sustainability and grid reliability. Graphical representations of existing customer classes and rates, energy cost to supply new large loads, and current challenges were reviewed. Staff proposals were then presented: 1) create individual contract requirement for new large load 10aMW or above; 2) modify the qualification threshold for schedule new large load; 3) clarify upper threshold for and pathways to schedule contact power; 4) clarify schedule G upper threshold; provide distribution credit for schedule G customers who do not require local distribution; 5) specific maximum growth limit of 10aMW on all existing rate schedules. Staff proposals adhere to guiding rate principles and addresses challenges: address the need from new large industrial customers; minimize cost shifting to existing customers; customer who incurs the cost pays for the cost; properly align rate classes with cost levels; avoid confusion for customers; consistent with peer utilities. The draft timeline was then provided. This will go to the Government Performance and Finance Committee on October 3, 2023, and Board consideration is scheduled for October 11, followed by Council consideration.

WestRock Mill Closure Impacts to Tacoma Water

Scott Dewhirst, Water Superintendent, and Jodi Collins, Water Division Assistant Manager, presented this information. In 2021, a team was formed to analyze the impacts of a potential mill closure. The team prioritized the most immediate, impactful aspects (financial and rate impacts, water quality, hydraulics). Water has prepared and planned for how to address this risk by modeling financial and rate impacts and critical financial and rate impacts. Assumptions and considerations were then reviewed. These include timing of the shut-down period of WestRock, system changes, and marketing opportunities. Scenarios for rate adjustments because of this mill closure were then detailed: closure before rate adjustments; one-time rate adjustment in 2024; gradual rate increases; and rate increases starting in 2025.

General Board Comments/Discussion and Director's Reports

Director Flowers provided an update on the Strategic Directives (SD). Updates to SD7 (Reliability and Resiliency) will be brought to the September 13 Board meeting. Updates to SD1 (Equity and Inclusion) and SD 14 (Resource Adequacy) will be brought to the next Board study session.

Chair Watson welcomed newest Board Member, Anita Gallagher.

Adjournment

The study session was adjourned at 5:48 p.m.

Approved:



Carlos Watson, Chair



William Bridges