



APPROVED 8-8-18

MINUTES
City of Tacoma
Public Utility Board Study Session
July 25, 2018
3:00 p.m.

Mr. Jones called the Public Utility Board study session to order at 3:02 p.m. at the Public Utilities Administration Building.

Present: Mark Patterson, Karen Larkin, Bryan Flint, Woodrow E. Jones, Jr., Christine Cooley

Tacoma Power: Carbon Pricing Initiative

Chris Robinson, Power Superintendent, made introductory remarks. Clay Norris, Power Manager provided background and reviewed key findings from the January 10, 2018 Board presentation on carbon reduction policies. The key take-aways from that presentation were that among the policy options available (RPS, no new gas, tax), a price on carbon in the electric sector is by far the least-cost and most effective for achieving carbon emission reduction goals; and a carbon tax, a market-based carbon regulation approach, is a win for the environment, Tacoma Power, its customers, and the City of Tacoma. Lisa Rennie, Sr. Power Analyst, reviewed WA ballot initiative 1631/carbon fee, which would create an economy-wide escalating Washington carbon fee beginning January 1, 2020 on most fossil fuel emissions. This will be on the November ballot this year. Chris Weber, Power Analyst, then detailed the estimated cost obligation and power supply benefits of this ballot initiative. Ms. Rennie then provided an overview of the 2018 legislative session. For the 2019 session, the Governor has begun convening stakeholders to find a single path forward for the 2019 legislative session. TPU is actively engaged in multiple interim discussions. In summary, the carbon policy is complex and the details and implementation are crucial to success. Tacoma Power is committed to ongoing discussions to find workable, effective, and efficient approaches to achieving deep, economy-wide de-carbonization and does not believe 100 percent clean electricity proposals we have seen meet this standard. A direct price on carbon is the most efficient, effective way to reduce carbon emissions across all sectors of the economy, and does so in a way that benefits TPU customers. Next steps include a joint presentation to the Council and Board at the August 21 joint study session and continued work with Legal, other utilities, environment

community, and policy-makers. The general election is scheduled for November 6, 2018.

Tacoma Power: Fiber to the Home

Tenzin Gyaltsen, Click! General Manager, provided an update on Click!'s Fiber to the Home (FTTH) project. On August 23, 2017, the business unit goals, including FTTH and data centers, were presented to the Board. At that presentation, the Board was informed that staff was pursuing a change in contract terms with the Internet Service Providers (ISPs). Since that presentation, Click! has transitioned to FTTH. A pilot project was complete and Click! is fully constructed. The pilot had both FTTH and HFC infrastructure. New apartment complexes in Tacoma have FTTH; Click! doesn't provide direct internet access and with FTTH no modem is needed. The modem was a cost to the ISPs. In the past, the ISPs provided cable modem services and troubleshooting. With FTTH, Click! can provide these services, so this necessitates a change in the cost mechanisms. Click! staff met with the ISPs and presented the FTTH products and buildout information. One of the ISPs is amenable to looking at a new revenue splits; one ISP requested additional time to respond; one proposal was received. With the future of Click! in flux an interim solution to serve customers is needed because Click! can't provide services directly, requiring a change to the relationship with ISPs. Ideas that came back were very thoughtful; however more in line with what would happen in the future not the present. Additional ideas on how to reconstruct the revenue split would be due on Friday, July 27, 2018. Staff is also working with Legal on possible contract addendums.

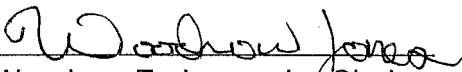
Tacoma Water: Water Revenue Requirement and Cost of Service Assessment Update

Scott Dewhirst, Water Superintendent, reviewed the budget and rate timeline. The revenue requirement and budget were detailed. Mr. Dewhirst walked through graphical representations of: rate increases and debt service coverage; total fund balance; revenue requirement analysis; O&M budget (detailing personnel requests); capital budget; non-rate revenue; rate revenue forecast; demand; and concluded with a forecast of projected rate increases. Sean Senescall, Rates and Financial Planning Manager, reviewed the Cost of Service Analysis (COSA). The COSA calculate the total revenue that should be collected from each rate class. Mr. Senescall walked through customer class overall revenue requirement and proposed rate increases by customer class. Principles of rate design were then summarized. The three principles are that rates are legal, industry-standard, and encompass the TPU principles of being affordable, consider the environment, and have public involvement. Two scenarios for rate recommendations were discussed with the Board. This was followed by a summary of: residential fixed/variable rate recovery; sample monthly bill for each scenario; irrigation timeline; and public fire protection (for inside and outside the City).

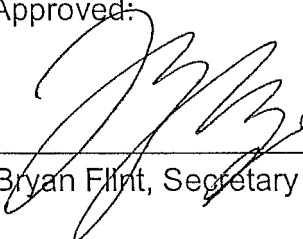
Adjournment

The study session was adjourned at 5:59 p.m. until the next regularly scheduled study session on Wednesday, August 8, 2018 at 3:00 p.m.

Approved:


Woodrow E. Jones, Jr., Chair

Approved:


Bryan Flint, Secretary