



APPROVED 4-13-22

MINUTES
City of Tacoma
Public Utility Board Meeting
Special Meeting; Budget/Rates Workshop
March 30, 2022
8:00 a.m.

Chair Patterson called the Public Utility Board special meeting to order at 8:00 a.m.

Present: Chrissy Cooley, Carlos Watson, John O'Loughlin, Mark Patterson, Holland Cohen

The meeting was quorate.

Chair Patterson and Director Flowers made opening and welcoming remarks, provided an overview of the day's agenda, and introduced Travis Metcalfe, the acting facilitator for the workshop.

Jim Sant, Deputy Director for Administration provided an overview of the budget and rates timeline, City Council engagement, and public outreach. Ebony Peebles, Sr. Financial Manager, then addressed equity in budgeting, an effort lead by the Office of Equity and Human Rights with collaborative participation across all TPU divisions.

Rate and Financial Policies

The Rate and Financial Policies for Power, Water, and Rail, were summarized by Ying Hall, Assistant Power Section Manager; Jodi Collins, Water Division Manager; and Dan McCabe, Rail Section Manager, respectively.

Tacoma Water: The Water Rate and Financial Policy gives direction to planning decisions and helps ensure Tacoma Water provides an adequate supply of safe, clean water to all customers efficiently, reliably, and at the lowest possible cost consistent with prudent utility management. Guiding objectives: Rates should ensure adequate supply; rates should be as low as is responsible; rates shall be fair; rates should be stable and understandable; rates should be the product of consumer involvement. Ms. Collins detailed the reviewing and testing of the policy and outlined recommended changes to modernize existing language and highlight important areas of focus.

Tacoma Power: Tacoma Power's Electric Rate and Financial Policy gives direction to future short-term and long-term planning decisions and helps ensure that reliable service is provided to all customers at the lowest possible cost consistent with prudent utility management. Elements: Rate setting objectives; rate review process; rate setting policies; financial targets and rate setting practices, rate stabilization fund. Ms. Leinneweber summarized the policy, detailed reviewing and testing of the policy, and

outlined recommended changes to modernize existing language and highlight important areas of focus.

Tacoma Rail: The Tacoma Rail Rate Policy provides for rates adequate to ensure the operation, maintenance, and construction of the Department's railway system while providing safe, cost effective, and reliable service to customers within Tacoma Rail's service area. Guiding objectives: Cost-based and adequate to recover costs; stable; ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible; have a customer involvement and review process. Mr. McCabe summarized the policy and recommended changes to modernize existing language and highlight important areas of focus.

Cost of Service Analysis and Ratemaking Principles

Cost of Service Analysis and Ratemaking Principles for Power, Water, and Rail were summarized Christina Leinneweber, Utilities Economist, Andrew Zaremba, Utilities Economist, and Dan McCabe, Rail Section Manager, respectively.

Mr. Zaremba reviewed policies and principles (legal, industry standard, TPU principles of affordability, environment, and public involvement). The legislative policy for the environment and an overview of the ratemaking process were summarized. Mr. Zaremba continued by summarizing the ratemaking process, revenue requirement takeaways, and Long-Range Financial Plan (LRFP). Ms. Leinneweber walked the Board through an example of revenue requirement decision making. Mr. Zaremba then did the same for Water.

Mr. Zaremba then detailed Cost of Service Analysis (COSA) overview; which proportion of utility cost is caused by the class, and walked through a COSA data flow diagram and examples of COSA decisions.

Dan McCabe then provided an overview of Rail ratemaking, which include tariff rates (switching and demurrage tariff), line haul rate analysis, and demurrage analysis.

Fixed and Variable Rate Design Principles/Special Power Rates Considerations

Mr. Zaremba walked through a ratemaking process example: Revenue requirement (how much money is needed); COSA (who pays what); and Rate design (How do customers pay). Mr. Zaremba then detailed rate design primary takeaways, consumption trends, costs and revenues structures, ready-to-serve charge, wholesale ready-to-serve charge, uniform rate design, seasonal rate design, inclining block rate design, outside customer rate design, and fixed vs. variable cost recovery.

Ms. Leinneweber walked through a rate making process example for Power. Ms. Leinneweber then detailed key takeaways, peak vs. total usage; low variable power cost, typical resource stack; Tacoma resource stack, theory of electric rate structures, practice of rate design, fixed and variable costs and revenues, power residential ratemaking, rate design takeaways, distributed energy resource basics, distributed generation net metering, equity in distributed generation, rate design for decarbonization, variable charges/fuel charges, conservation benefits, income/usage trends, and electric vehicle charging fees and methodology,

Income Constrained Services/Affordability

Lyna Vo, Utilities Economist, provided an overview of Power and Water service area demographic orientation trends, Pierce County growth data, poverty and income trends, and disparate impacts. Ms. Vo then summarized TPU's discount rate program, which provides for a 35 percent discount on all utilities for those who are 62 plus or disabled, and meet income thresholds. The Bill Credit Assistance Plan (BCAP) was reviewed. This provides for a monthly credit on the bill if certain thresholds are met.

Tacoma Water: Ms. Vo reviewed special considerations for income-constrained customers in Water by detailing how outside resources and conservation programs could be leveraged.

Tacoma Power: Ms. Leinneuber provided an overview of Power's current assistance portfolio and trends for renters with electric heat. Inequities in renting and heating type and current conservation programs were then reviewed. Chris Robinson, Power Superintendent then reviewed a proposed new conservation program for renters and regional benchmarking data for peer utilities. Mr. Robinson shared that current assistance programs are good; however, there are challenges for income-constrained customers that have gotten worse. Other regional power utilities are currently providing or planning to provide more assistance for income-constrained customers and Tacoma Power recommends broadening its portfolio of programs. Francine Artis, Customer Solutions Manager, then highlighted items of importance to support this, which include: Enhancements to BCAP (higher participation, marketing, and funding); customer education; more efficient dwellings, and additional rate discounts for income-qualified customers.

Final Comments

Director Flowers shared that staff will walk the Board through a series of conversations at each study session to highlight topical areas through the budget. These discussions will be categorized as either policy decisions and/or policy actions/prioritization. This will be done to increase transparency into the budget/rates decision process and will include topics such as staffing, budget vs. actual variances, capital planning/asset management, supply chain, inflation, fuel costs, growth, and pole attachments.

Chair Patterson thanked all for their engagement and participation in the day's workshop.

Adjournment

There being no further business or comments, the Public Utility Board meeting was adjourned at 3:30 p.m. until Wednesday, April 13, 2022 for a study session at 3:00 p.m. followed by a regular meeting at 6:30 p.m.

Approved:



Mark Patterson, Chair



Carlos Watson, Secretary