

APPROVED 9-26-18

MINUTES
 City of Tacoma
 Public Utility Board Study Session
 September 12, 2018
 3:00 p.m.

Mr. Jones called the Public Utility Board study session to order at 3:00 p.m. at the Public Utilities Administration Building.

Present: Mark Patterson, Karen Larkin, Bryan Flint (participated via phone), Woodrow E. Jones, Jr., Christine Cooley

Tacoma Water: Budget and Rate Review

Scott Dewhirst, Water Superintendent, began by providing a review of Tacoma Water's rate drivers. Budget assumptions were then reviewed: updated short term demand forecast; increased wholesale and large volume revenues; capital funded with existing bond funds and reserves; commodity rates remain at assumed levels; staffing to support plans; additional support for low-income assistance programs. Superintendent Dewhirst then discussed budget risks which are weather and assumptions around projects of opportunity and followed with outlining mitigation plans. Revenue, expenses, personnel, taxes, assessments, capital budget, and debt service, were all summarized. Rate communications and outreach was then reviewed. Communications completed include newsletters, web banners/pages, bill messaging, and handouts. Upcoming communications include press releases, attendance at public meetings, videos, additional newsletters, emails to customers, and translated versions of materials. In summary, Tacoma Water's budget supports the development of the new 2019 strategic plan. It minimizes rate impacts while preserving strong financial performance. The projected 2019/2020 rate impact for an average residential bill inside the city is approximately \$1.02 per month in 2019 and \$1.08 per month in 2020. Next steps in the budget and rates process include a presentation to GPFC on October 2, budget presentation to the Board on October 10, Joint study session with the Council on October 16, final Board consideration on October 24 and Council first and second readings on November 13 and November 20.

Tacoma Rail: Budget and Rate Review

Dale King, Rail Superintendent, shared the mission of Tacoma Rail is to provide services that are vital to the economic well-being of customers. Budget goals are made with safety, cost control, right-sized staff, railroad infrastructure investment, locomotive

reports, and financial health and stability in mind. Budget drivers and assumptions include flat-line haul growth from actuals, personnel costs, and regulatory requirements. Superintendent King then walked through graphical representations of budget comparisons, revenues, expenses, and staffing levels. Prominent O&M changes, assessments, taxes, capital budget, and budget reductions and savings were then summarized. Debt service and coverage ratio, line haul rate for commercial and intermodal were detailed. Expected rate impacts to line haul rates were last changed in 2017. There will be a rate evaluation in 2019/2010 followed by a mid-biennium budget adjustment if needed. Line haul volumes, rate driver comparisons, shortline tariff rates, were summarized. Superintendent King then shared the outreach and communication plan to Rail customers, which includes tariffs being published on the website in December. In summary, Rail FTEs for the next biennium plans to go to 126 from 118; line haul volumes are assumed to hold flat. Regulations, like positive train control and Washington Ecology spill response plan, will have an impact. Tacoma Rail rates are below the benchmark of short lines. Next steps in the budget and rates process include a presentation to GPFC on October 2, budget presentation to the Board on October 10, Joint study session with the Council on October 16, final Board consideration on October 24 and Council first and second readings on November 13 and November 20.

Tacoma Power: Demand Response Pilot Rate

Clay Norris, Power Manager, shared that demand response could be an important tool in Tacoma Power's long-term supply strategy. Tacoma Power plans to implement a variety of demand response programs and needs the ability to test and pilot programs before a major Bonneville Power Administration contract decision in 2024-2025.

Demand response is described as changes in electric usage by demand-side resources from their normal consumption patterns in response to changes in the price of electricity over time, or to incentive payments designed to induce lower electricity use at times of high wholesale market prices or when system reliability is jeopardized. Mr. Norris reviewed a graphical representation of demand response and renewable integration.

Demand response is a win/win for participating customers and Tacoma Power.

Demand response programs would provide customers with an economic benefit for their participation and would reduce power supply expenses. Rick Applegate, Power Analyst, then walked the Board through a contract power load shifting pilot. In summary, Demand Response increases the ability of the grid to integrate variable renewable energy resources; decreases the amount of resources Tacoma Power would need to procure; avoids the purchase of high-priced energy taking better advantage of market opportunities; provides greater reliability to the grid which helps prevent blackouts; and displaces carbon-emitting peak resources. Mr. Norris shared that the legal framework for a pilot and subsequent approval processes are being studied. Board Members made positive remarks about the issue.

Executive Session

Board Member Larkin moved to convene an executive session at 5:10 for 30 minutes for the purpose of discussing pending and potential litigation per RCW 42.30.110(1)(i)

seconded by Board Member Patterson. Voice vote was taken and carried. The executive session was extended at 5:40 p.m. by five minutes and adjourned at 5:45 p.m.

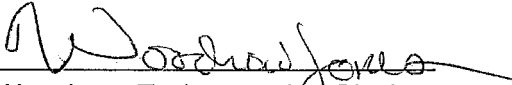
Board Member Patterson moved to convene a closed session at 5:45 p.m. for 15 minutes for the purpose of discussing labor negotiations per RCW 42.30.140(4)(b); seconded by Ms. Larkin. The closed session was adjourned at 6:00 p.m.

Adjournment

The study session was adjourned at 6:00 p.m. until the next regularly scheduled study session on Wednesday, September 26, 2018 at 3:00 p.m.

Approved:

Approved:



Woodrow E. Jones, Jr., Chair



Bryan Flint, Secretary