



APPROVED 8-28-19

MINUTES
 City of Tacoma
 Public Utility Board Study Session
 August 14, 2019
 3:00 p.m.

Board Member Flint called the Public Utility Board study session to order at 3:08 p.m. at the Public Utilities Administration Building.

Present: Bryan Flint, Chrissy Cooley, Carlos Watson
 Excused: Mark Patterson, Karen Larkin

Security Briefing

Judd Johnson, Power Supervisor, conducted a high level review of procedures and processes for disruptions or threats during City Council meetings and recommended that the Board consider the same protocols for its Public Utility Board meetings.

Tacoma Water: Water Wholesale Pricing and Policy Revisions

Sean Senescall, Water Division Manager, and Lyna Vo, Utilities Economist made the presentation. There are 15 Water wholesale customers with an annual demand of 2.5 million of gallons a day (MGD) and annual water sales of \$3M. The contracted demand is 18 MGD. The objective of Strategic Initiative 145 is to increase net revenue in the wholesale market while responsibly managing supply risk. Goals are to establish a new pricing model, draft policy changes, ensure internal alignment, communicate the proposal, and implement revisions. Challenges include some customers are not in a position to take water, some customers are concerned with adverse changes, some customers have competing offers, and some customers have a different business model. Proposed revisions to the pricing policy include modernizing existing rates by balancing business objectives of revenue stability and equity with efficient price signal, phasing adjustments over two years, increasing fixed rate, and decreasing volumetric rate. Pricing alternatives include market pricing and reverse capacity amortization. The System Development Charge (SDC) was last updated in 2004 and includes Tacoma Water's Regional Water Supply System share and decreases overall charges. The fixed fees were last updated in 2009, they attempt to recover under collection of fixed fee revenue, provide consistency in billing for services, and increase fees in alignment with actual expenses. This information will be shared with the GPFC on August 20 and brought before the Board for consideration in September followed by a request to Council. Staff will be meeting with wholesale customers as well.

Tacoma Power: Long Range Financial Plan

Bill Berry, Rates, Planning, and Analysis Manager, updated the Board on what has changed in the Power Power Long Range Financial Plan (LRFP). The financial outlook continues to be strong and the projected base case rate impacts over the coming decade are in line with last year's projections. Mr. Berry detailed graphical representations of: comparison of 2018 and 2019 LRFPs; active debt management; historical Power debt service; historical bond issue; historical defeasances; and rate comparisons with peer utilities. Mr. Berry then reviewed the proposed financing highlights which include a Note Purchase Agreement, Debt Service Reserve Fund, and a 2021 bond issue. The presentation concluded with a review of the proposed bond schedule. In December 2020, staff plans to begin a competitive RFP process for bond issuance for a new short-term financing agreement. January through April 2021, staff will negotiate and draft financing agreements and bond documents. In May 2021, a rating agency overview of the financial plan and internal staff review. In June 2021, issue bonds, pay off Wells Note Purchase Agreement, and begin new interim short-term financing instrument. Sean Senescall, Water Division Manager, shared graphical representations of Water's LRFP update. Water's 2021-2022 LRFP document is being developed and aligned with the Tacoma Water 2020-2025 strategic plan.

Discussion of Board Policies

Jim Sant, Deputy Director for Administration, walked the Board through edits to Strategic Directive (SD) 4 on stakeholder engagement. The Board finalized the document and staff will prepare it for adoption at the next Board meeting.

Board Member Cooley walked the Board through SD5 on environmental leadership. Board Member Flint then reviewed his edits to the directive. The edits will be provided to the Board for further consideration at the next study session.

Executive Session

Board Member Cooley moved to convene an executive session at 5:00 p.m. for 30 minutes for the purpose of discussing pending and potential litigation per RCW 42.30.110(1)(i); seconded by Board Member Watson. The executive session was adjourned at 5:30 p.m.

Adjournment

The study session was adjourned at 5:30 p.m. until the next regularly scheduled study session on Wednesday, August 28, 2019 at 3:00 p.m.

Approved:



Karen Larkin, Chair

Approved:



For Mark Patterson, Secretary