

APPROVED 10-12-16

MINUTES  
 City of Tacoma  
 Public Utility Board Study Session  
 September 28, 2016  
 3:00 p.m.

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

Present: Mark Patterson, Bryan Flint, Monique Trudnowski (arrived 4:27), Karen Larkin, Woody Jones (arrived 3:09)

**Tacoma Power: Energy Management System Replacement**

Joe Wilson, Assistant Power Section Manager, provided background on the Energy Management System (EMS). The EMS provides awareness and control of Tacoma Power's generation, transmission, and distribution electrical network. It collects data from nearly 28,000 points across the network, ensures a real-time load generation balance, and interfaces to regional transmission entities. The current EMS is approximately 15 years old and built on 1990's technology. Most system components are beyond end of life and obsolescence is causing increasing maintenance costs. There are also increasing regulatory requirements that must be met. The project objective is to implement a new EMS which positions Tacoma Power to reliably operate the power system for a minimum of 10 years. Joe Tellez, Assistant Power Section Manager, then detailed the competitive RFP process utilized to recommend a vendor. This project is included in Tacoma Power's 2017/2018 preliminary budget and this contract will be brought to the Board for consideration at a future meeting.

**Tacoma Power; Customer Service Privacy Policy**

Lisa Rennie, Government Relations Analyst, provided background on Tacoma Power's Customer Privacy Policy, which will be considered at the regular meeting under Resolution U-10877. In 2015, the state legislature unanimously passed House Bill 2264 which established a statewide minimum privacy policy for electric customers. The purpose of the law is to prevent the sale or unauthorized disclosure of private customer information, particularly for marketing products and services and identifies what personal information Tacoma Power collects and how that information is used. Tacoma Power's policy affirms the commitment to secure the personal information of our customers with strong safeguards to prevent unauthorized disclosure. This policy will help our customers better understand how Tacoma Power manages and protects their

personal information. The policy enhances and formalizes best practices already in place and does not entail major changes to current business practices. Community and Media Services will manage communication to customers and employees.

### **Tacoma Power: Review of 2017/2018 Preliminary Budget**

Chris Robinson, Power Superintendent, began by sharing a chart illustrating Tacoma Power's revenue requirement and reviewed the budget drivers. Revenues in the form of retail and wholesale sales and telecommunication revenue are down and expenses in the form of gross earnings tax, assessments, personnel costs, license implementation, and purchased power are up. Each of these drivers was detailed. Debt service and rate drivers were summarized. Superintendent Robinson then shared expenses that can be managed in the near-term. These include other O&M, revenue funded capital, and personnel. Graphical representations of the proposed 2017/2018 budget before and after reductions were reviewed. Budget assumptions include: adverse water planning for wholesale sales; wholesale power prices based on forward market price as of September 2016; retail revenue based on June 2016 load forecast; Bonneville Power Administration (BPA) rate increase of 5.5 percent in October 2017; issuance of bonds in 2017; retail rate increase of approximately seven percent. Graphical illustrations of biennium-to-biennium budget, revenue, expense, capital budget, assessments, and tax comparisons were reviewed. Budget risks include a BPA rate increase, wholesale market power prices, weather, and regulatory mandates. Mitigation steps include adverse water planning, monitoring and reporting of revenue and expenses, use of reserves, additional financing, and rate adjustments. The history of Tacoma Power rate adjustments and bill comparisons with peer utilities were summarized. In summary, the proposed 2017/2018 budget supports long-term strategic business needs by maintaining system reliability and safe operations; improving community value through better products and services; maintaining an engaged and prepared workforce; maintaining financial strength and current AA-level credit ratings. There is a proposed monthly rate increase to have a projected impact to the average residential bill of \$9.78 per month after the rate adjustment in 2018.

### **Tacoma Power: Contract Power Agreements**

Clay Norris, Power Manager, provided background on contract power (CP) agreements. Per TMC 12.06.260A, schedule CP agreements for large industrial customers are required. Without contracts, this municipal code deems these contract customers ineligible for contract service and they would need to convert to either G or HVG services. These agreements have existed for decades and during the late 1990s, CP customers were able to serve a portion of their facility load through market purchases made as part of a non-portfolio power service program. The five-year agreements provide for the full electrical requirements of the customers' facilities; only two customers, WestRock and Praxair, are currently served under this rate schedule. CP customers are interconnected at transmission voltages so they have the ability to draw significantly on Tacoma Power's resources. Tacoma Power sets rates for CP customers using the same cost of service analysis that it uses to determine rates for

other customers; contract customers do not receive discounts or subsidies. Discussions about this contract renewal with Praxair and WestRock began in the spring. Modest changes were made with respect to flexibility, event of termination, and ability to self-generate.

### Miscellaneous

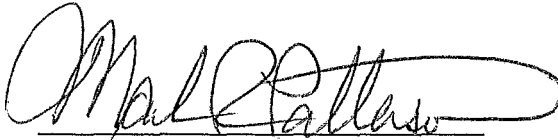
The Board discussed the pros and cons of postponing the regular meeting vote on Click! Resolutions U-10878 and U-10879 in an effort to obtain additional information and allow for additional Board discussion with stakeholders.

### Adjournment

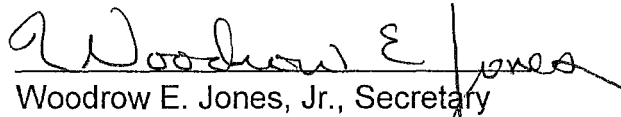
The study session was adjourned at 5:53 p.m. until the next regularly scheduled study session on Wednesday, October 12, 2016 at 3:00 p.m.

Approved:

Approved:



Mark Patterson, Chair



Woodrow E. Jones, Jr., Secretary