

APPROVED 3-11-20

MINUTES
 City of Tacoma
 Public Utility Board Study Session
 February 26, 2020
 3:00 p.m.

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

Present: Bryan Flint, Chrissy Cooley, Carlos Watson, Karen Larkin (left 5:15), Mark Patterson

Executive Session

Board Member Cooley moved to convene an executive session at 3:01 p.m. for 15 minutes for the purpose of discussing pending and potential litigation per RCW 42.30.110(1)(i); seconded by Board Member Patterson and approved by the Board. The executive session was extended at 3:16 for five minutes. The executive session was adjourned at 3:21 p.m. Attorney present was Tom Morrill, Chief Deputy City Attorney.

Discussion of Board Policies

The Board discussed board Strategic Directive 8 (SD) on Telecom. Staff members are to make edits relating to critical infrastructure owned and operated for Tacoma Power's use, and add Rainier Connect's customer service measures, then finalize the document for Board approval when scheduled. SD9 on Economic Development was also discussed and Board member Cooley requested additional meeting time with the topic subject matter experts with the expectation that the SD would be finalized at the next meeting for Board approval when scheduled.

Miscellaneous

Bill Berry, Rates, Planning, and Analysis Manager, provided the Board with an update on use of the rate stabilization fund for Power. Due to critical water conditions, lower wholesale revenues, and higher purchased power expenses in 2019 than originally budgeted, the Power Division has requested the Finance Department to transfer \$10M from the rate stabilization fund to be applied to 2019 revenues pursuant to Ordinance 28064. This money will increase the debt service coverage ratio and mitigate rate pressure attributable to 2019 financial results, consistent with Tacoma Power Electric Rate and Financial Policy goals. In response to a Board inquiry, Mr. Berry explained that in addition to the aforementioned weather-related reason, additional expenses are also due to accrual for pension-related issues and oil seepage mitigation.

Advanced Meters: Program Update, Deployment Readiness, and Customer Benefits

Andre Pedefferri, Advanced Meter Program Manager, provided an overview of the advanced Meter infrastructure (power and water meters, communications network, and utility data management systems). The program scope is to install approximately 180 electric meters and 107,000 water meters and modules. Approximately 65 base stations (radio communication units) will be needed for the installation of the communications network. Mr. Pedefferri outlined the major milestones accomplished to date, which include: executing four major vendor contracts; completing AMI sandbox implementation; developed 11 business process documents; and building out the AMI program team. The program timeline and current priorities were reviewed. Full deployment is scheduled to end in 2022. Current priorities are system integration, network deployment, meter deployment planning and communications, and policy updates. Customer benefits over time include were reviewed: more usage data; monthly billing; remote turn on/off; faster outage and leak detection; improved operational efficiency; automated meter reading; enhanced personal privacy; expanded ways to save; flexible payment options; reduced environmental impact.

Dan Drennan, Market Development Manager, and Emily Privett, Community Relations Officer, provided an overview of paperless billing for both TPU and the industry. The average utility industry paperless billing adoption rate is 26 percent and the industry average for electronic bill payment is 69 percent. Approximately 16.9 percent of TPU customers are enrolled in auto-pay and 14.7 percent of TPU customers are enrolled in paperless billing. There is a three-phased plan for increasing paperless billing: 1) short term – communication plan to all customers; 2) mid-term customers service direct-to-customer sign up; 3) long term – Advanced Meter customer engagement portal. Each of these stages was detailed.

Matt Hubbard, Power Engineer, spoke to the Advanced Meter budget and 2020 business case recalibration and shared graphical illustrations of the budget as of February 2020 and reviewed internal support costs. The forecasted total cost with contingency is \$81,765,443 (internal support costs \$11,965,413). The total with contingency is the cost forecasted in the February 2019 business case for the AMI deployment period of 2018-2022. Budget tracking ties directly to the February 2019 business case forecast for the 2018-2022 AMI deployment period. The AMI business case financial analysis only considers incremental costs to TPU. Internal support costs do not incrementally affect customer rates due to AMI and include capitalized administrative and general overhead costs. The draft 2020 business case recalibration was then addressed. The updated AMI return on investment (NPV) costs are based on incremental costs to TPU, contracted vendor pricing, detailed projected program costs, transition to monthly billing, recalibrated business case benefits, and carbon as a soft benefit.

Pat Bacon, Assistant Manager, addressed meter deployment readiness. Mr. Bacon shared that TPU has learned from the industry and neighboring utility experiences and understands areas of strength and risk before beginning deployment. Mr. Bacon reviewed the readiness scorecard, which includes TPU readiness, program readiness, technical readiness, and communications readiness. At full speed, the team will install up to approximately 1,000 electric meters and 300 water meters per day. Primary installation for residential meters will be by the vendor. Primary installment for commercial and industrial meters will be the TPU meter shop. Primarily contractors will install the communications network. Tribus Services has been named the selected meter installation vendor through a competitive RFP process.

Carrie Mantle, Assistant Manager, reviewed customer communications before, during, and after meter installation for general awareness, initial deployment, residential deployment and commercial deployment. Employee communications were also reviewed.

Mr. Hubbard reviewed employee training in preparation of deployment and policies. Significant policy impact areas: prepay, monthly billing, opt-out, virtual water disconnects, fees, service disconnect and credit reconnects, leak adjustments, summer/winter water proration, mass deployment customer side repairs, and customer privacy policy.

Mr. Pedferri concluded the presentation by sharing future deep-dive topic presentations the Board will receive pertaining to Advanced Meters: customer experience, customer communications, policies, opt-out review, initial meter deployment area, mass meter deployment, and AMI operations.

Fleet Ordinance Update

Travis Metcalfe, Assistant Power Section Manager, summarized staff's recommended changes to the current Fleet Ordinance. The current ordinance was established in 1984. The revised ordinance will address changes that have been made in the TPU organizational structure, provide flexibility in each division's funding model, and transfer fleet assets to the divisions. Currently, divisions pay fleet services using their operating budget. Fleet services capitalizes equipment making it an asset of the fleet services funds. This restricts divisions from using other funding methods. With the recommended future structure, divisions will pay for equipment directly using capital funds, operating funds, or grants. Equipment is an asset of the divisions. Fleet is still responsible for determining life cycle, determining the best equipment for operations in collaboration with customers, and purchasing and maintaining all equipment. This allows divisions to spread the cost of purchasing equipment over several years or use other funding models that support the goal of affordability. This ordinance will be brought forth at a future Board meeting for consideration.

Tacoma Power: UTS Supplemental Staffing

Tenzin Gyaltzen, Power UTS Section Manager, provided a review of UTS's technology portfolio and roadmap. Mr. Gyaltzen then summarized UTS workforce strategy and shared that in-house resources accomplish the majority of work. Additional resources

backfill while subject matter experts are assigned to projects. The addition of resources are to bridge skillset gaps and documentation of post operationalization of a project. Graphical representations of portfolio resource demand, demand and resource mix, and resource benchmarks were detailed. The contracts budget, augmented resource drivers, and utility modernization benefits were summarized. Consideration of this request is on the evening Board agenda for consideration. Staff recommendation is to apply the approximate mix of employees, project employees, and augmented staff resources in the contracts to carryout projects and programs through 2020.

Adjournment

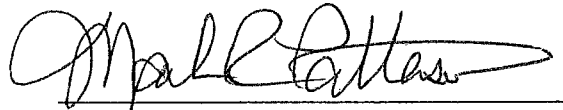
The study session was adjourned at 6:05 p.m. until the next regularly scheduled study session on Wednesday, March 11, 2020 at 3:00 p.m. followed by a regular meeting at 6:30 p.m.

Approved:



Karen Larkin, Chair

Approved:



Mark Patterson, Secretary