

APPROVED 11-15-17

MINUTES
City of Tacoma
Public Utility Board Study Session
October 25, 2017
2:00 p.m.

Chair Trudnowski called the Public Utility Board study session to order at 2:00 p.m. at the Public Utilities Administration Building.

Present: Monique Trudnowski; Woodrow E. Jones, Jr., Bryan Flint, Karen Larkin, Mark Patterson

Tacoma Power: Integrated Resource Plan Update

Ahlmahz Negash, Power Analyst, stated that Tacoma Power's last full Integrated Resource Plan (IRP) was conducted in 2015 per statutory requirements and was updated this year. Stakeholder outreach and public meetings were summarized by Dr. Negash. Key takeaways for the 2017 update are that Tacoma is not projected to need a new generation resource to meet future demand or to meet Renewable Portfolio Standard (RPS) obligations; conservation continues to be Tacoma's preferred resource; Tacoma has met or is on track to meet all 2015 IRP action items. Dr. Negash concluded her presentation by outlining the 2017 action plan which includes acquiring a target of 6.4 aMW of conservation as directed by the Conservation Potential Assessment; investigating the value of flexible capacity; exploring distributed energy resource planning; and improving resource planning analytical methodologies.

Tacoma Power: Conservation Potential Assessment/I-937 Targets

Rich Arneson, Power Analyst, reviewed the Energy Independence Act (I-937) which is codified in Washington Administrative Code (WAC) 194-37 which outlines how utilities are to comply with the law. I-937 requires qualifying utilities to determine their conservation potential using methodologies consistent with those used by the Pacific Northwest Electric Power and Conservation Planning Council. The WAC requires qualifying utilities to establish a 10-year achievable economic conservation resource potential and a two-year conservation target that is no less than it's pro rata share of its ten year potential. These metrics must be developed every two years. Analyses that fed development of the I-937 targets were detailed. Staff recommendation is adoption of both metrics which sets the 2018/2019 conservation acquisition baseline against which Tacoma power will be judged for compliance purposes. Metric One is a 10 year achievable economic potential of 31.7 aMW and Metric Two is a two-year conservation target of 6.4 aMW.

Tacoma Power: 2018-2019 Conservation Plan

Jeremy Stewart, Power Analyst, outlined the key principles of Tacoma Power's conservation plan, which are analysis-driven conservation, and customer-focused and equitable programs. The 2018/2019 conservation portfolios were previewed. Commercial/Industrial programs will still include Bright Rebates and new construction, add an expansion of custom retrofit and strategic energy management programs, and contain equipment rebates as a new measure. Residential programs will still include retail product promotion and multi-family areas. Weatherization and heating will be a new measure, and a heat pump water heater pilot program is planned. Low-income programs will have a new program for manufactured homes and pilot programs for rental housing and apartment. External energy conservation will still include coordination with the Northwest Energy Efficiency Alliance, T&D voltage optimization, and the City of Tacoma street lighting program.

Tacoma Rail: Rail Tariff

Dan McCabe, Rail Chief Information Officer, began with providing background on Tacoma Rail's 2017/2018 budget revenue. Primary rate payers of Tacoma Rail are the BNSF, Union Pacific, and US Oil. Line haul rate methods are tariffs and contracts. Line haul rates are 80 percent of total revenue. Conditions contributing to staff recommendation for updating the tariffs were then detailed. These include the mandate for Positive Train Control's estimated project cost of \$4M, increased insurance requirements, oil spill contingency plan, and changes in demurrage service scheduled. The schedule was then reviewed with Board Action in November, Council Action in December, and a January 1, 2018 effective date.

Rate Workshop

Ron Amen, consultant with Black & Veatch, Christina Leineweber, Sr. Utilities Economist, and Sean Senescall, Water Rates and Financial Planning Manager, conducted the presentation. Mr. Senescall made introductory remarks and reviewed the timeline for the rate workshops. Mr. Amen detailed the following:

Utility Ratemaking Process and Principles: The utility ratemaking process consists of three principles: 1) Revenue requirement (identifies revenues needed to sustain operations; ensures achievement of key policy objectives namely fund balance and debt service coverage minimums); 2) Cost of Service Analysis (COSA) (determines total to be paid by each customer class); 3) Rate design (design rate structure to collect revenue from customers in class). The legal threshold for utility rates requires that rates be fair, non-discriminatory, just, and reasonable. Principles of public utility rates are revenue stability, cost causation, economic efficiency, equity, and bill stability. Additional principles added by Tacoma Public Utilities are affordability and public involvement.

Cost of Service Overview: The purpose of COSA exists because different customer groups use TPU systems in different ways. Each customer class is assigned its share of the utility's total cost of service. The question "Which customer or group of customers causes the utility to incur a particular cost" is addressed. Conceptual consideration and data requirements for conducting COSA were detailed. The three COSA phases are: 1) functionalization (arranging costs and plant values according to function such as production distribution, administrative, and customer service); 2) classification (classifying functionalized costs to cost components such as demand, energy, and customer cost components; and 3) allocation (the assignment of classified cost to customer classes (residential, commercial, industrial)).

Cost Allocations: Examining cost allocation and establishing customer classes are COSA phases. Grouping similar customers together isolates the specific cost of serving a unique customer or customer group. Methods include end-use based (irrigation); consumption based (load factor, seasonality); distributed generation (rooftop solar customers); and special contract customers.

Miscellaneous

Chris Gleason, Communications and Media Services Manager, shared that there is a free electric vehicle ride and drive event scheduled for November 4 at Point Defiance Zoo and Aquarium. All are invited to stop by the front entrance of the zoo between 10:00 and 3:00 to test drive or ride in a variety of electric and hybrid cars and electric bicycles.

Dale King, Rail Superintendent, shared that two grade crossings on Marine View Drive will be signalized with crossing arms due to a grant received from the Washington State Department of Transportation.

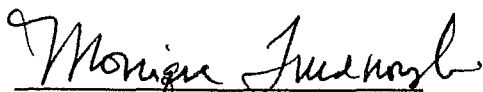
Executive Session

Board Member Flint moved to convene an executive session at 4:45 for 45 minutes for the purpose of evaluating the qualifications of applicants for public employment (RCW 42.30.110(1)(g) and to discuss pending litigation (RCW 42.30.110(1)(i); seconded by Mr. Jones. The executive session was extended at 5:30 for 30 minutes. The executive session was adjourned at 6:00 p.m. Bill Fosbre, City Attorney, was present for the litigation discussion.

Adjournment

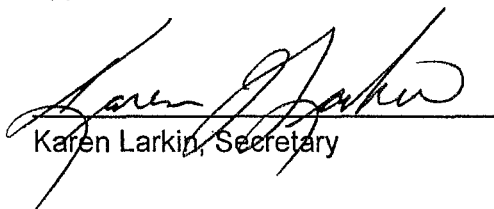
The study session was adjourned at 6:00 p.m. until the next regularly scheduled study session on Wednesday, November 15, 2017 at 3:00 p.m.

Approved:



Monique Trudnowski, Chair

Approved:



Karen Larkin, Secretary