



Approved 5-24-23

MINUTES
City of Tacoma
Public Utility Board Study Session
May 10, 2023
3:00 p.m.

Chair Watson called the Public Utility Board study session to order at 3:00 p.m. in the third-floor conference room (LT1) of the Public Utilities Administration Building.

Present: John O'Loughlin, William Bridges, Elly Claus-McGahan, Carlos Watson,
Excused: Holland Cohen

Strategic Directive Ten (SD10, Government Affairs) Legislative Update

Clark Mather, Community and Government Relations Manager, provided an overview of the agenda, made introductory remarks, and reviewed background about legislative reporting required by both the Council and Board. Logan Bahr, State Relations Manager, provided an overview of the 2023 state legislative session. It was a budget-writing year that lasted 105 days and was the first in-person session since the pandemic. Major policies passed into law include climate/decarbonization policy, housing policy, and criminal justice policy. Top legislative priorities for each operating division and TPU were highlighted. Unresolved issues include Puget Sound Energy's decarbonization bill, solar net-metering policy, state energy navigator program, dig law, and support for low-income utility customers. Mr. Mather then provided a federal legislative update by highlighting items for each operating division and TPU. TPU-wide includes supporting bill assistance programs and monitoring funding opportunities. Rail includes pursuing funding for electric locomotives. Water includes PFAS issues and downstream fish passage at the Howard Hanson Dam. Power includes pursuing hydrogen tax credits, supply chain crisis, hydro relicensing reform, and reclaiming U.S. hydro from Canada in treaty.

Climate Commitment Act Update

Todd Lloyd, Asst. Power Section Manager, made introductory remarks. The information was presented by Kyle Frankiewicz, Principal Data Analyst, and Joy Liechty, Power Energy Portfolio Services Manager. In 2021, the Washington legislature passed the Climate Commitment Act (CCA) which established a market-based program to reduce carbon pollution and achieve the greenhouse gas limits set in state law. Even though Power has zero-carbon generation more than load, CCA driven costs are incurred every

time unspecified purchases are made. Examples include Energy Imbalance Market (EIM) and bilateral purchases. Power will be allocated no-cost allowances annually. These allowances are intended to mitigate the cost burden created by the CCA. If Power does not receive sufficient no-cost allowances to cover emissions, Power may need to buy additional allowances. If Power has surplus allowances, Power may be able to sell them at auction or bank them for future use. Power must progressively cover emissions over a four-year compliance period. Failure to procure sufficient allowances results in a penalty of four times the allowance price. Graphical representations of compliance milestones, four-year compliance window, and allowance allocations were shared. The initial allocation of allowances will be adjusted as necessary to account for any differential between the applicable reported greenhouse gas emissions for the prior years for which reporting data are available and verified in accordance with chapter 173-441 WAC and the number of allowances that were allocated for the prior year through this process. Power is limiting long-term power sales intended to hedge risk to ensure avoidance of purchasing under low hydrological conditions. Staff is still assessing if the initial allocation is sufficient to cover need. Ecology is bound by law to consider a regulator-or-Board approved forecast and adjust the allowance allocation. The forecast must be ratified by the Board before it is sent to Ecology. If it is determined that the no-cost allowances Ecology has allocated will be insufficient, staff will likely develop and present an updated forecast at a future Board meeting.

TPU Market Research Vendor and Contract Update

Dan Drennan, Market Research and Development Manager, made introductory remarks. The information was presented by Holly Lucht, Market Research and Development Analyst. As background, TPU established a market research program in 2013 to help inform decision-making impacting customers. The objective is to assess customer experience and evaluations of the performance of TPU to determine priorities, provide actionable guidance that will be effective in strengthening customer relationships, and to give TPU employees easy access to direct feedback that can be used to identify customer preferences and concerns. TPU conducted an RFP for research vendors in 2013 and since 2014 Escalent Inc., has provided research services. After the five-year term ended in 2019, Public Affairs was granted a waiver to directly negotiate a continuation of services with Escalent to continue research studies. Advantages of remaining with this vendor were summarized. The contract will be brought forward to the Board for consideration at its meeting of May 24.

General Board Comments/Discussion and Director's Reports

The Board expressed its preference to receive Strategic Directive reporting at the afternoon study sessions rather than the evening Reports of the Director.

Board Member Bridges shared his perspective that the knowledge and skillsets exhibited in study session presentations are specialized and should be reflected in the class and comp efforts.

Board Member Claus-McGahan expressed a preference for previews of upcoming Board decisions when appropriate.

Board Member O'Loughlin shared that he attended the GPFC meeting and participated in the SAP discussion.

Director Flowers informed the Board that the initial consultant observations on the ten-year management review were received and will be transmitted to the full Board.

Adjournment

The study session was adjourned at 5:34 p.m.

Approved:

A handwritten signature in blue ink that reads "Carlos Watson". The signature is written in a cursive style with a large, prominent "C" at the beginning.

Carlos Watson, Chair

A handwritten signature in blue ink that reads "Holland Cohen". The signature is written in a cursive style with a large, prominent "H" at the beginning.

Holland Cohen, Secretary