

APPROVED 12-4-19

Minutes
 City of Tacoma
 Public Utility Board - Special Meetings
 Thursday, November 7, 2019; 8:30 a.m. – 4:30 p.m.
 Friday, November 8, 2019; 8:30 a.m. – 4:30 p.m.
 Environmental Services Building (West Room)
 9850 64th St W, University Place WA 98467

Day One, November 7, 2019

Chair Larkin called the special meeting of the Public Utility Board to order at 8:33 a.m. in the West Room of the Environmental Services Building in University Place, Washington.

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

The meeting was quorate.

Chair Larkin made opening remarks. Meeting guidelines were reviewed and it was agreed that decisions would be made by consensus, not a vote. Each Board Member then spoke about why they choose to volunteer for the Public Utility Board and their desired outcomes for the two-day workshop.

Chair Larkin: Expressed love for working in local government where things get done. The desired outcome is full participation by everyone.

Board Member Watson: As a realtor, I work with people and love to work with people. I can have an impact on the community and ratepayers; that is the reason I volunteer. The desired outcome is to continue to learn.

Board Member Cooley: I have a lot of Tacoma pride and like to give back and volunteer. By volunteering, I can make a big impact and set a model. Would like the outcome to be the same as the last retreat.

Board Member Patterson: I was born and raised in Tacoma and want to help. The Board is a good place to fit in and apply both my experience as a business attorney and my service on other boards. My expectation is for it to feel like the last retreat and feel happy after the two days are over.

Board Member Flint: I have a legacy of giving back to community from my parents. Solar energy has always fascinated me. Those two things drew me to the Board. For the retreat, I want a deeper understanding of issues TPU is facing.

Customer Satisfaction

Dan Drennan, Marketing and Communications Manager, and Holly Lucht, Marketing Development and Research Analyst, were introduced. Mr. Drennan presented on residential customers satisfaction, with an emphasis on affordability.

Chair Larkin asked the team to think about soliciting information as TPU moves to Advanced Meters. This is because one area of negative feedback is that some customers are not looking to the benefits of Advanced Meters in the same way as TPU. Think of how TPU will modify the customer survey to get to this kind of feedback. Keep in mind affordability perceptions linked to having five services on one bill. Discussion ensued on the flexibility the new Advanced Meter tools will offer and how staff can be sensitive to customer hesitation to them. Discussion also focused around how the new capabilities will also provide data for the utilities needs and technologies that can better serve low-income customers.

Mr. Drennan walked through part of the presentation on Tacoma Power. Overall satisfaction, controlling costs, affordability, value, and reasonable of rates were reviewed.

Chair Larkin stated that when TPU discusses what is driving rates, the communication usually focus on major things outside TPU's control. TPU does not do a good job of communicating the small things that cause incremental rate increases. TPU needs to do a better job of explaining what it is doing to control rates and mitigate costs. Staff needs to pick some incremental changes to highlight as examples and communicate with a 'we saved this much' approach. Keep this in mind when communicating rate proposals.

Chair Larkin asked staff to please change slide 8 as it will be easier to see the five services in one set of bars and TPU services were in another set of bars.

Board Members inquired if the Advanced Meters need to be deployed before TPU goes to monthly billing. Staff will research and provide an answer to the Board.

There was then discussion of whether or not monthly billing is going to benefit the customer and if there is data that it leads to higher satisfaction. This is a marketing and communication challenge.

Chair Larkin stated that TPU needs to pay attention and enhance the information that is put on the web site. Information is not found as easily as it should. For example, there was once a tool for calculating energy conservation.

Employee Satisfaction/Engagement

Mr. Drennan provided an overview of the latest employee satisfaction survey results. The results show opportunities to improve communications, provide feedback to managers, and accountability. Sheryl Brown, Power Supervisor, provided an overview of the Leadership Engagement And Development (LEAD) program. The LEAD promise is that at TPU, all leaders

model behaviors that contribute to a positive, supportive culture where employees are inspired to do their best work. Key LEAD behaviors: We will focus on a culture of feedback; We will effectively hold ourselves and employees accountable for professional behaviors and work product; We will communicate effectively and transparently with our employees; We will treat employees fairly and equitably; We will improve our decision-making practices and find ways to give employees ownership and autonomy. Discussion ensued on program acceptance by employees, being aware of power differentials between Board Members, supervisors, and staff, and the importance of continuing communication with unions. Ms. Brown stated she would provide the first year condensed LEAD training handout to the Board.

Water Strategic Plan

Scott Dewhirst, Water Superintendent, introduced Kaylyne Newell, Management Analyst, Jennifer Airey, Assistant Water Division Manager, and Rochelle Gandour-Rood, Water Program Specialist. Mr. Dewhirst shared that Water's strategic planning has been an organization-wide effort and provided a summary of the planning elements, process, and team structure. Mmes. Airey and Gandour-Rood summarized the planning experience, which was an inclusive and collaborative process.

Mr. Dewhirst then addressed the Water reorganization. In summary, Water is going from six sections to five in an effort to better implement strategy. Ms. Newell summarized how the new plan aligns with employee skill sets. It also increases performance measurements and communications. In response to a Board inquiry about how the strategic plan and the reorganization is linked, Mr. Dewhirst stated that they are linked, as it was clear that internal rearrangement is a way to implement strategy. One did not drive the other, but they complement one another.

Chair Larkin stated that in the 'values' section, cost effectiveness and cost control aren't mentioned; our customers want us looking at cost controls. This needs to stand out explicitly in the strategic plan. In addition, perhaps the word 'affordable' needs to be added to the mission. Chair Larkin also suggested that employee feedback be included in performance metrics and include how their particular job influence that.

Board Member Flint stated that water is a resource from the environment and impacts the environment. There needs to be something in the 'objectives' or 'initiatives' section that speak to environmental stewardship or to provide resources in a sustainable way. Board Member Flint stated that we do not want to make assumptions that we are doing it; we need to call it out. We need direction with the 'values' and need a performance metric there, too. Board Member Cooley echoed this. Board Member Cooley requested a bullet relating to improving water systems; perhaps like, collect and manage data to make decisions and protect water sources.

Board Member Cooley stated that TPU has strength in each of the three utilities and each one can reinforce the value of each other by way of outreach and strengthening the brand. TPU should make the values consistent with the three utilities; would like to find unifying force in the values.

Board Member Patterson stated that affordability, environment and safety are listed in the strategic plan, but it does not go further than that. He would like to see it used in appropriate places in 'objectives'.

Board Member Flint stated he does not think initiatives are not exclusive of cost. As you develop those, be explicit about how the stated values are operationalized. Board Member Flint asked that the Board receive follow up on this.

Ms. Airey then talked about the work force. Water has had a large number of retirements and the trend is continuing. Mitigations include an internal leadership program, TPU mentorship programs, working internally on an onboarding program to help new employees know their role in the larger organization, apprenticeship programs, and education programs. Chair Larkin asked that in outreach to partners, to make sure under-represented communities have outreach so they can envision themselves as part of retirement pressure-reducing valves. Focus on a diverse and equitable workforce.

Chair Larkin asked to have a study session presentation on the Water reorganization.

Director Flowers concluded the conversation by stating that there will be discussion on what the values are in the other operating divisions. The Chair and Director will discuss where there is commonality.

Power Strategic Plan

Power Superintendent, Chris Robinson, summarized the importance of strategy by stating that strategy is the vehicle for the vision and provides the system and rigor to take the organization forward. Accomplishments (Safety Office, Point Defiance Zoo renewable grant, LEAD, Energy Imbalance Market, Long-Range Financial Plan, Click! Transition, Advanced Metering, Tacoma LED street lights) were summarized. Updates to the plan include a new Power senior leadership team, new Director, new Board directives and policies. Power's evolving business environment include the four D's: Decarbonization, Digitalization, Democratization, and Decentralization. Power's draft strategic objectives will be focused on five top priorities: Maintaining affordability; Leveraging resources to benefit communities; Being the energy provider customers would choose; Making Tacoma Power a place where people are inspired to do their best work and live their best lives; Achieving equity in the workforce, service delivery, policymaking, and stakeholder/community engagement.

Discussion ensued. Board Member Flint asked if Tacoma Power is a leader, there should be a value statement on the 4 D's? Board Member Flint wants to have the 'quadrant' conversation as a Board (Landlord, Survivalist, Explorer, Pioneer). Board Chair Larkin added that given the transformational time industry is in and thinking back to other transformational times, Tacoma was a pioneer and a risk taker. It is hard to look at individual projects rather than overall strategy to see where the philosophy is going. Understanding we want to do it with measured risk and thoughtfulness, the Innovation Strategic Directive (SD) says we want to be in the explorer category. The challenge is to not leave any category in the basement and to challenge ourselves for tomorrow. Superintendent Robinson answered that Power will work with the strategy group and bring this back to the Board. Board Member Patterson added that

affordability is the challenge. In the long run, everything we do costs a lot now, but is more affordable later. Innovation is great, but keep affordability in mind.

Board Members chose their priorities on a chart. Priorities receiving the most Board votes: Customer engagement; Transparency/Trust; Low, Affordable Rates; Low carbon energy sources; Awareness of low-income needs; Environmental Leadership; Diversity, Equity, and Inclusion; Economic Development; Supporting the community and customers; Clear processes; Good communication; Continuation of safety leadership training; Having people with good people skills; Communication and collaboration; Workforce development; Continuing to collaborate with city divisions and work together to update laws and charters.

Board Members requested a study session presentation on the Power strategy communication plan.

Rail Strategic Plan

Dale King, Rail Superintendent, outlined the Rail strategic initiatives: 1) TPU-wide program development (LEAD, Safety, Employee Satisfaction, Equity 101, Outward mindset); 2) Tacoma Rail Mountain Division rationalization; 3) Capital division recovery; 4) Port/Northwest Seaport Alliance relationship development; 5) Oil spill contingency plan and spill drills; 6) Expand third party service offerings; and 7) Continue infrastructure upgrades.

Discussion ensued with Board Members asking Superintendent King to engage Rail employees in the strategy work going forward so that all have a sense of buy-in and ownership.

Discussion ensued on the topic of transitioning rail lines to abandoning them for trails. There are liabilities associated with abandoning rail lines. If Tacoma Rail chose to do that, there would be a subsidy to the company who wants to use the line. There are also costs to pulling the rail lines to turn them into trails. If there is still rail service required and the lines are abandoned, Tacoma Rail may have to pay for the workarounds like truck service.

Chair Larkin requested a presentation on the Northwest Seaport Alliance plan and Panamax shipping terminal.

Board Member Watson requested Rail's diversity numbers.

Board Member Cooley requested to hear more about Rail more frequently and regularly.

Strategic Directives

Board Members reviewed and prioritized SDs developed at the January 2019 retreat.

Discussion on Board Member Watson's request to include community outreach into SD4 ensued. Chair Larkin asked Board Member Watson to review SD4, and if desired, propose a new title and provide any modifications to language to include community and bring back to the Board with recommendations. Geoff Smyth, Environmental Services Assistant Director, suggested that the existing language might be contained within the Neighborhood and Community Services vision. The Board office will extract that language for Board Member Watson.

The Board Office will schedule a meeting for Board Member Watson and the subject matter experts on SD4.

The Board agreed on the final SDs to adopt.

Strategic Directive	Responsible Board Member	Due Date
Reliability and Resiliency	Patterson	January 2020
Telecom	Larkin	February 2020
Economic Development / Undergrounding	Cooley	February 2020
Government Relations	Flint	March 2020
De-carbonization / Electric Vehicles	Flint	April 2020
Employee Relations	Larkin	May 2020
Customer Service	Watson	May 2020
Resource Planning	Patterson	June 2020

The Board Office will schedule meetings accordingly for Board Members and the appropriate subject matter experts. Board Member Cooley suggested that external partners be invited.

Day one of the Board workshop was adjourned at 4:10 p.m.

Day Two, November 8, 2019

Chair Larkin called the special meeting of the Public Utility Board to order at 8:37 a.m. in the West Room of the Environmental Services Building in University Place, Washington.

Present: Bryan Flint, Christine Cooley (arrived at 8:40 a.m.; left at 2:30 p.m.), Carlos Watson (left at 12:30 p.m.), Karen Larkin, Mark Patterson

The meeting was quorate.

Director Flowers summarized the three different sets of Board policies. General Process (GP) policies are principles for how the Board will govern itself. The Board-Director (BL) policies clarify how the Board expects the Director to carry out the work of TPU. The Strategic Directives (SD) capture the performance for which the Board will hold TPU accountable on behalf of its ratepayers.

The Board Members revised the GPs, BLs, and SDs, which were captured by the Clerk with edits coming before the Board at its meeting of December 4, 2019.

Budgets

The Board office will schedule follow up budget meetings for Board Members Cooley and Watson.

There was then discussion on how to manage budget inquiries by the Board. It was agreed that staff should seek clarification as to the scope and priority of the inquiries and advise the Board Member if the request will result in much work. If so, there should be dialogue before moving forward with the request. There was agreement that staff could follow up with Board Members directly to provide answers or get clarity. For tracking purposes and to ensure all Board Members get the same information, the Board office should be kept informed.

Sean Senescall, Water Division Manager, then addressed Water rates, trends, observations, policy considerations and reserves.

Chair Larkin requested that on wholesale rate changes, staff communicate on impacts on individual wholesale customers and what communication Water has with those customers and capture their feedback. Make sure policy makers understand these changes. Make sure that the other jurisdictions Water staff meets with understands that their staff should pass along our information to their policy makers. Board Members stated they would want details on these meetings with other jurisdictions and want to be aware of any controversial items with other jurisdictions.

Board Members Watson and Cooley stated they would like to have more information on wholesale versus franchise. The Board office will schedule.

Board Member Flint stated that fixed rate and variable rates will be an important discussion during budgeting and would like to have a robust conversation on the pros and cons with options. Staff should consider bringing in third parties for these discussions.

Erin Erben, Assistant Power Section Manager, then walked through Power rates, trends, observations, policy considerations, and reserves. Board Member Patterson requested to have more information on how to integrate demand response and understand impacts. Chair Larkin requested to revisit rate policies. Board Member Flint requested to know how Power is positioning itself to be nimble and balanced. Chair Larkin requested to see the general class issue breakdown and if we have to wait for Advanced Meters before doing so. Chair Larkin added we need to think of demand side pricing through all customer classes and look at policy on how to implement large rate structure changes.

The Board asked that a one-day Board workshop specific to budget and rates be scheduled for February 2020 and that follow-up discussions from that workshop be scheduled for study session. The Board Office will schedule.

Jim Sant, Deputy Director for Administration, reviewed the budget timeline. Chair Larkin stated that having the public hearing on 10/14/20 and vote on 10/28/20 does not provide enough time and suggested that a special meeting to hear from the public on the final draft budget be scheduled between September 23, 2020 and October 14, 2020.

Chair Larkin stated that there was talk previously about changing the level at which TPU provides low-income assistance. Board Member Patterson stated that staff was going to analyze a different measure for that and if we move to that level, how many more customers would be eligible and how many would sign up. We would then need to do a rate on that. The Board wants to see a timeline on this low-income topic as part of the February discussion and to make sure that Environmental Services is part of that.

The Board office will redistribute the February 2018 retreat materials for Board members to review.

Mr. Sant then provided a recap of last budget cycle's communication outreach. Board Member Patterson stated that with the increased contact with Customer Solutions, ask that office to share their outreach list and include it with the rates outreach, as staff may be able to add some of Customer Solutions' contacts.

Staff will look into billing inserts, and explore ways of communicating with customers who receive electronic bills only. Staff will also look into the message windows on the actual invoice to add specific budget and rate messaging. Staff will follow-up to see whether the bill insert information on rate increases can be put online.

Chair Larkin asked staff to be sure to include messaging about what TPU is doing to decrease costs during outreach presentations. She also asked Environmental Services to include messages on recycling costs so that those costs do not cause confusion for TPU customers.

Joint Base Lewis McChord (JBLM)

Christina Leineweber, Sr. Utilities Economist, summarized the contract with JBLM. Staff's plan is to have all Cost-Of-Service-Analysis (COSA) and rate discussions with the Board before sending the information to JBLM and making rate recommendations. JBLM would like to begin that communication earlier, but that would mean providing access before Board reviews.

Ms. Leineweber reminded the Board that staff provided the JBLM rate analysis white paper to them. Chair Larkin asked Tom Morrill, Chief Deputy City Attorney, to look at protocol about an official statement from the Board on what they're going to do with the staff recommendation on JBLM rates, any appeal process JBLM can take, and reassure JBLM that they will have a chance to review the rates.

Chair Larkin requested to see a timeline specific to JBLM protocols.

Jodi Collins, Assistant Water Division Manager, walked the Board through detailed graphical illustrations of different long-range financial plan scenarios.

Erin Erben, Power Assistant Section Manager, walked the Board through detailed graphical illustrations of different long-range financial plan scenarios.

Chair Larkin stated that during budget presentations, the Board wants more background detail (like bullet points of what assumptions are) so that the Board can understand the background behind the models.

Discussion then ensued on Power providing an alternative to financial hedging. There was skepticism on taking on financial risks, working with General Government/gross earnings tax issue. Power will include this topic at the February budget workshop.

Dan McCabe, Rail Chief Information/Financial Officer reviewed the zero percent loan summary slide and shared statistics on business and impacts of trade wars and tariffs affecting Tacoma Rail.

Power budget/rates staff then provided an overview of value initiatives, budget efficiencies, current variance reporting, and preview of items for upcoming biennium. Chair Larkin stated that a periodic review on this information would be good. Board Member Patterson added that when reporting is done, staff should try to put some real numbers and dollar impact on the initiatives; estimates are fine. In addition, being able to estimate the value of savings over a long period is helpful.

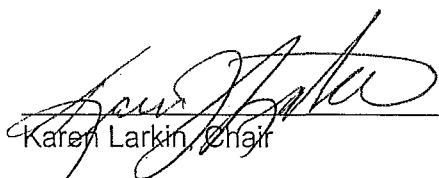
Chair Larkin stated that it is helpful to Board Members to have concrete examples that tell a story when they talk to customers. Perhaps provide a highlight piece that can show what each utility has done to save money. Board Member Flint added that when telling those stories, remember that people stories are the most compelling; so, try to have a personal story with money saved by people.

Water budget/rates staff then provided an overview of value initiatives, budget efficiencies, current variance reporting, project management office, and a preview of items for upcoming biennium. Ms. Collins provided examples of how value is added through the asset management program. Discussion ensued with Board Members agreeing to reinstate the practice of reviewing the quarterly financial outlook and performance metrics in Board study sessions.

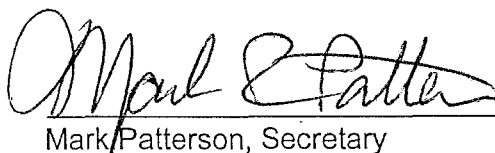
Mr. McCabe then provided a budget and asset management summary for Rail.

Assignments from the workshop were reviewed and Board Members provided their input on the retreat.

There being no further business, the Public Utility Board special meeting was adjourned at 3:32 p.m. until Wednesday, November 13, 2019 for a study session beginning at 3:00 p.m. at Tacoma Public Utilities, followed by the regular meeting at 6:30 p.m. at Tacoma Public Utilities.



Karen Larkin, Chair



Mark Patterson, Secretary