

APPROVED 1-11-17

MINUTES
 City of Tacoma
 Public Utility Board Meeting
 December 14, 2016
 6:30 p.m.

Mr. Patterson called the Public Utility Board meeting to order at 6:30 p.m. at the Public Utilities Administration Building.

Present: Mark Patterson, Monique Trudnowski, Woodrow Jones, Karen Larkin, Bryan Flint

The meeting was quorate.

Minutes of the Previous Meetings

Ms. Trudnowski moved that the minutes of the previous meetings be adopted; seconded by Mr. Jones. Voice vote was taken and carried. The minutes were declared adopted and made part of the record.

Recognitions

Patrick Yomes, telecom Technical Administrator, provided background on the service of Doug Goodspeed and Mr. Goodspeed's induction into the Society of Cable Telecommunication Engineers Mt. Rainier Chapter Hall of Fame.

Clay Norris, Power Manager, shared that Tacoma Power has been awarded the Energy Efficiency Award for Innovation from the Northwest Energy Efficiency Alliance in recognition of work done by Sarah Bowles and Jordan Whiteley in the Conservation Resources Management group for the development of video chat inspection program.

Comments from the Public

There were no comments from the public.

Consent Agenda

There were no items on the consent agenda.

Regular Agenda

Departmental

- D-1 Resolution U-10891 – Award contracts and approve purchases:
1. Extend contract to Arris Solutions, Inc., for three additional years of technical support, software upgrades, headend video processing equipment, and set top boxes for Click!'s Video on Demand platform (\$400,000; cumulative contract total \$800,000, plus applicable sales tax);

2. Increase and extend contract with ABB, Inc., for software support and maintenance for the primary and backup Energy Management System (\$433,680; cumulative total \$2,630,096, plus sales tax);
3. Award five-year contract to Long Live the Kings for the rearing of North Fork Skokomish steelhead (\$590,497, sales tax not applicable);
4. Award three-year contract to General Pacific, Inc., for the purchase of LED luminaires and accessories on an as-needed basis (\$362,119.50, plus the option for two additional one-year renewal periods for a cumulative total of \$610,823, plus sales tax);
5. Increase contract to HDR Engineering for the Water Supply Forum Resiliency Assessment Project (\$359,936.90, sales tax not applicable; cumulative total \$704,936.90, sales tax not applicable).

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

In response to a request to clarify the purpose of item number four, John Martinson, Power Supervisor, stated that the H2 lighting program is for customers wanting to light an alley or something of that nature. In response to a Board inquiry regarding possible complaints about LED lighting, Mr. Martinson stated that pilots have been done and only positive feedback was received. In the event of customer complains about LED lighting being too bright, shields that can steer lights away from customers are available and staff will work with customers on that during and after installation.

In response to a Board inquiry on item number one regarding whether or not this three-year contract will provide a platform on which to grow as new innovations are sought, Rick Peterson, Telecom Engineer, answered that this technology will be in place and critical to Click! as long as this video format remains. Instead of paying by the year, staff has negotiated payment by quarter allowing for changes in technologies and solutions.

In response to a Board request for more information about cost sharing on item number five, Chris McMeen, Deputy Water Superintendent, answered that Tacoma Water acts as the financial steward of the Water Supply Forum that serves King, Pierce, and Snohomish Counties, including the Cascade Water Alliance. Tacoma Water is only responsible for 22 percent of the cost.

Voice vote was taken and carried. The resolution was declared adopted.

- D-2 Resolution U-10892 – Confirm and approve the updated legislative policy document that summarizes Tacoma Public Utilities' positions on certain federal and state issues.

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

Mr. Mack, Deputy Director for Administration, stated that the policy document has been provided to the Board and the only change from the previous version is in the greenhouse gas emissions portion in Tacoma Power's comprehensive policy.

In response to a Board inquiry regarding policy language changes regarding conservation, Mr. Mack, answered that references to Senator Cantwell's language on carbon reduction have been removed. The policy is the same, but that particular legislation has not been put forward in congress, so it was time to remove the language.

Voice vote was taken and carried. The resolution was declared adopted.

- D-3 Resolution U-10893 – Authorize execution of a contract with Tacoma Power and Energy Exemplar, LLC to purchase software for power supply planning.

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

Cam LeHouillier, Assistant Power Section Manager, summarized the resolution. This is a one-year contract for four licenses of Plexos Power Systems and related software at a cost of \$118,762 and includes two annual options for a three year total cost of \$340,505. The software simulates power supply operations and is essential for long-term power portfolio planning, wholesale price forecasting, and assists with the evaluation of changing policies and technology. Plexos Power Systems is the primary analytic tool used to support Tacoma Power's 2015 Integrated Resource Plan. The successful use of the software and its versatility has raised interest from other areas of Tacoma Power who are currently evaluating it to support trading operations and energy risk management.

In response to a Board inquiry regarding maintenance fees, Mr. LeHouillier answered that maintenance is included and new versions of the software will automatically be made available to customers.

Voice vote was taken and carried. The resolution was declared adopted.

- D-4 Resolution U-10894 - Approve Declaration of Surplus Utility Specific Equipment of 317 overhead and pad-mount transformers no longer needed for Tacoma Power's current or future needs and authorize the sale of equipment to the highest responsive bidder.

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

Dale Loveland, Power Supervisor, summarized the resolution. The utility has determined the equipment is surplus to its needs and no longer necessary for continued normal operations due to age, reliability, or damage.

In response to a Board inquiry regarding the typical life span of transformers, Mr. Loveland answered that transformers have no moving parts so there is no active wear and tear. It is the environment and loading conditions that cause aging. Beauty bark and fertilizer around pad-mount transformers can affect the life span so Tacoma Power now has corrosion proofing to expand the life span. This equipment failed the refurbishment program so will likely become scrap. Part of the refurbishment process is to try to replace seals to make them leak proof. Mr. Loveland further explained that this amount of transformers is typical of what may be made surplus twice a year.

Voice vote was taken and carried. The resolution was declared adopted.

- D-5 Motion 16-13 – Amend Utility Board Resolution U-10811 for additional fully reimbursable work for services related to the Sound Transit Tacoma Trestle Project.

Ms. Trudnowski moved to approve the motion; seconded by Mr. Jones.

Joe Rempe, Principal Engineer, summarized the motion. Sound Transit entered into a work order agreement with the City in 2015 for City-provided services related to the Tacoma Trestle Project of which TPU is a signatory. The Board approved Resolution U-10811 authorizing TPU to execute the work order agreement for a total reimbursable sum of \$280,890. During the project, additional engineering and construction methods needed to be revisited so Sound Transit has authorized the additional scope of reimbursable work.

In response to a Board inquiry, Mr. Rempe confirmed that this is a permanent installation. Also in response to a Board request for additional information, Mr. Rempe stated that the Milwaukee substation serves part of south downtown and the Tacoma Dome area and reaches into some parts of Fife by the Puyallup River. In response to a Board request on the timing of this approval, Mr. Rempe stated that this agreement is unique as Sound Transit doesn't bill TPU directly, but rather the City first. Also, Sound Transit had to work through procurement issues.

Voice vote was taken and carried. The motion was approved.

D-6 Resolution U-10895 – Authorize establishment of a special project of limited duration in the Utility Technology Services Section of Tacoma Power for the technology replacement of the Energy Management System.

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

Tyler Swartz, Power Supervisor, summarized the resolution. The Utility Technology Services (UTS) section of Tacoma Power recommends approval under TMC Section 1.24.187 which will provide for hiring of two current employees with business knowledge and expertise from UTS to work with the Emergency Management System (EMS) replacement project. The EMS project is part of Power's critical infrastructure. These two project employees will create a vacancy for the duration of the project. This resolution will enable UTS to backfill these vacancies through the end of the 2018 with project staff. Funding has been included in the 2017/2018 budget.

In response to a Board inquiry, Mr. Swartz confirmed that there was a study session on this item and the temporary employees will do the routine day-to-day work while the regular employees work on the EMS project in order to come up to speed on the new system that will come on line in 2018.

Voice vote was taken and carried. The resolution was declared adopted.

D-7 Resolution U-10896 – Authorize payment of the Peak final funding amount of \$265,209 for Tacoma Power's portion of the 2017 reliability coordination services costs.

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

Byron Williamson, Reliability and Compliance Manager, summarized the resolution which is for Tacoma Power to pay its share of the 2017 Peak Reliability

Coordinator funding agreement costs in the amount of \$265,209. Tacoma Power's share of the \$44,487,426 assessed to signatories of the Peak Reliability funding agreement for Peak Reliability's 2017 costs to provide reliability coordination services was calculated in accordance with section 4.3 of the executed funding agreement.

Voice vote was taken and carried. The resolution was declared adopted.

D-8 Resolution U-10897 – Authorize payment of the Western Electricity Coordinating Council, North American Electric Reliability Corporation, and Western Interconnection Regional Advisory Board statutory costs for 2017 in the amount of \$215,370 for Tacoma Power.

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

Byron Williamson, Reliability and Compliance Manager, summarized the resolution which is for payment of the Western Electricity Coordinating Council (WECC), North American Electric Reliability Corporation (NERC), and the Western Interconnection Regional Advisory Board (WIRAB) statutory costs for 2017. Tacoma Power's portion of the 2015 annual net energy for load and associated 2017 assessments are broken down as \$144,688 for WECC, \$65,690 for NERC, and \$4,992 for WIRAB.

In response to a Board inquiry regarding funding amount drivers and how future costs are projected, Mr. Williamson answered that costs are determined by these agencies' operating costs and they project a slight increase as they bring on additional services.

Voice vote was taken and carried. The resolution was declared adopted.

D-9 Resolution U-10898 – Authorize execution of contracts between Tacoma Power and Puget Sound Energy to build facilities necessary to interconnect Puget Sound Energy's large load.

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

Joe Wilson, Power Assistant Section Manager, summarized the resolution which will authorize Tacoma Power to execute contracts totaling \$5,500,000 between Tacoma Power and Puget Sound Energy (PSE) for Tacoma Power to build facilities necessary to interconnect PSE's large load. The phase one contract for \$1,700,000 will provide preliminary engineering design services and procurement of long lead-time equipment. The future phase two contract for up to \$3,800,000 will cover final engineering, additional procurement, and construction of the new substation. PSE intends to construct a facility which will require a new substation to provide electrical power. This project is one hundred percent customer funded in advance.

In response to a Board inquiry relating to construction activities and the Board's role, Mr. Wilson stated that the ground infrastructure work will be contracted out to a civil contractor. This contract will exceed \$1M and staff will come before the Board to execute that civil construction bid before commencing other activities on the site. In response to a Board request to provide information on reimbursement of costs, Mr. Wilson explained that some pieces of equipment take a long time to arrive, typically a year for transformers, so the order needs to be placed soon. If something happens in

the interim, ratepayers are not at risk financially as PSE will pay for the ordered equipment. In response to a Board inquiry regarding load resources, Mr. Wilson stated that no new resources are required for Tacoma Power to serve this load. In response to a Board inquiry regarding rate structure, Chris Robinson, Power Superintendent, stated that the rate structure proposed for the PSE project benefits existing customers because the rate is based on the contract pricing tariff and also includes a 15 percent premium over that rate. We're asking this customer to pay that 15 percent for a term of ten years. In response to a Board inquiry regarding the ground work, Mr. Wilson answered that there are no ground stability issues known. It is typical for contingencies to be in the contract but staff does not have any facts at this time why a contingency fund may be necessary.

Board Member Flint then summarized a Legal memo regarding the utility's duty to serve. TPU is bound by state law to serve all customers who have a legal proposal.

Board Member Flint then made a motion to enter a substitute resolution; seconded by Ms. Larkin.

Mr. Flint then summarized the substitution language. The original resolution has the Board approving both project phases. Phase one is design and scoping and phase two is not yet finalized. The substitute resolution language postpones Board approval of the second phase of the project until the contract language is finalized. Also, it provides the Director delegated authority to increase the project amount by ten percent before it has to come back to the Board.

In response to a Board inquiry regarding if whether or not the language in the substitute language assists staff complete the project quicker, Mr. Wilson stated he can't see how it would and that the entire scope was brought before the Board in an effort to be fully transparent. It was thought better to bring a full picture of the project to the Board and not just part of the picture. In response to another Board inquiry, Mr. Wilson stated that the plan could be made to work given the additional consent requirements and that he has not yet had the opportunity to brief PSE on the substitute language.

A voice vote on whether or not to enter the substitute resolution was taken and carried with Board Member Trudnowski casting a nay vote.

There was no public comment.

Voice vote was taken and carried on the substitute resolution with Board Members Trudnowski and Jones casting nay votes. The resolution was declared adopted.

D-10 Resolution U-10899 – Authorize execution of a utility installation agreement between Tacoma Power and the Metropolitan Parks District of Tacoma.

Ms. Trudnowski moved to adopt the resolution; seconded by Mr. Jones.

Board Member Flint recused himself from this item and left the dais.

John Martinson, Power Supervisor, summarized the resolution which provides approval to accept a utilities installation agreement between Tacoma Power and Metropolitan Parks District of Tacoma for removal of existing overhead facilities, installation of new

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underground distribution, and secondary facilities for new services within the Metro Parks East and West projects at Point Defiance Park. Metro Parks Point Defiance projects are customer funded projects that will be pre-paid by the Parks District to provide labor, materials, and equipment for this new underground installation. The pay-in-advance face value of the contract is an estimated total of cost of \$421,216. Construction is expected to begin in January 2017.

In response to a Board inquiry, Mr. Martinson confirmed that this is a customer-funded project that is pre-paid by Metro Parks and there is no budgetary impact to TPU.

Voice vote was taken and carried. The resolution was declared adopted.

H. Reports of the Director

- H-1 September cash projections for Power, Water, Rail
- H-2 September financials for Power, Water, Rail, Fleet, Self-Insurance Fund
- H-3 October cash projections for Power, Water, Rail
- H-4 October cash projections for Power, Water, Rail, Fleet, Self-Insurance Fund

Director Gaines congratulated City Manager, TC Broadnax, on his appointment as the next City Manager of Dallas, made positive remarks about Mr. Broadnax's partnership with TPU and his respect for TPU's governance and management structure, and extended well wishes for his future success.


I. Comments by the Board

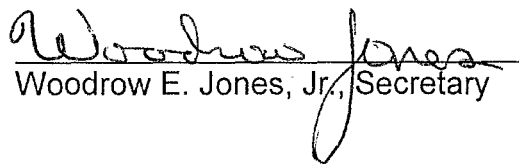
Board Members expressed best wishes for a happy holiday season to all. Board Members also thanked staff for their work in 2016 and for their charitable donations to the community during this time of year.

J. Adjournment

There being no further business or comments, the Public Utility Board was adjourned at 7:42 p.m. until Wednesday, January 11, 2017 for a study session beginning at 3:00 p.m., followed by the regular meeting at 6:30 p.m.

Approved:


Mark Patterson, Chair


Woodrow E. Jones, Jr., Secretary