

APPROVED 5-10-17

MINUTES  
 City of Tacoma  
 Public Utility Board Study Session  
 April 26, 2017  
 3:00 p.m.

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

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

**Total Quality Annual Report**

Crystal Vaarvik, Total Quality (TQ) Program Manager, outlined the vision of TPU's TQ program which is to encourage an open and collaborative environment that fosters continuous improvement for positive changes to benefit customers and employees. Ms. Vaarvik reviewed TQ program components, which are comprised of the TQ program manager, TQ council, and TPU employee teams. Gretchen Galuska, TQ council member, provided background on the first TQ TPU team recognition awards. Nominees embodied the promotion of continuous improvement and demonstrated excellence, TPU values, innovation, and teamwork. Award nominees were reviewed; first place went to the Community Solar team. Ms. Vaarvik outlined the team excellence and coordination that lead to awarding first place. TQ goals in 2017 include increasing the number of team recognition nominations, increasing division group participation, and development of peer networking.

**Tacoma Power: Interagency Agreement with Mason County PUD**

Rick Munson, Assistant Power Section Manager, provided an overview of the project and interagency agreement. Tacoma Power relies on its microwave system to transport data across the service territory and remote sites. There are approximately 24 different sites that make up the microwave system; this agreement focuses on the Cushman Hydroelectric Project. Staff has been looking at alternatives to better serve those areas with additional capacity and bandwidth to build in resiliency and add elements of security and access control. The recommended approach doesn't add new sites but leverages infrastructure to increase bandwidth and resiliency through an agreement with Mason County Public Utility District to share resources in the area to provide that connectivity.

Tim Bagwell, Power Supervisor, reviewed the scope and objectives: 1) leverage neighboring utility infrastructure to mitigate costs; 2) provide resiliency to both utilities; 3) provide backhaul services to high demand bandwidth requirements; automate network protection; and 4) reduce

operational and maintenance costs and update capital investments; segment critical network infrastructure from business operational network. The budget was then reviewed. This introduction of network diversification to each utility results in a \$2,500,000 in construction savings and increases network survivability by 400 percent because there will be more route options in existence. Four additional interagency agreements will be introduced in support of this project.

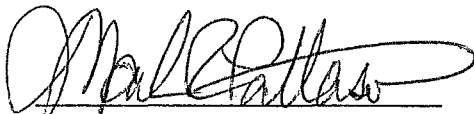
#### Tacoma Power: Energy Risk Management Update

Ray Johnson, Energy Risk Manager, provided a summary of the cumulative net wholesale revenue versus budget net revenue, a simulation of biennial net revenues, cumulative net wholesale revenue variances. An overview of the hedging program was then provided. The hedging program's objective is to stabilize net revenues from wholesale operations and protect against very low wholesale revenue outcomes. The program's design is to limit the maximum amount hedged far into the future and requires progressively more surplus to be hedged as time to delivery gets closer. Clay Norris, Power Manager, then provided a summary of solar generation's impact on prices. Mr. Johnson then provided background on the credit risk management component of energy risk management. Tacoma Power frequently sells electricity to wholesale trading partners or counterparties. Tacoma Power incurs credit exposure or money that the utility could use in the event of a counterparty default. Tacoma Power manages credit risk by extending credit to investment grade counterparties only; setting exposure limits based on creditworthiness; daily monitoring of credit quality; daily monitoring of exposure. Actions include stopping trading with a specific counterparty, requesting collateralization. The presentation concluded with Tacoma Power's top 15 credit exposures.

#### Adjournment

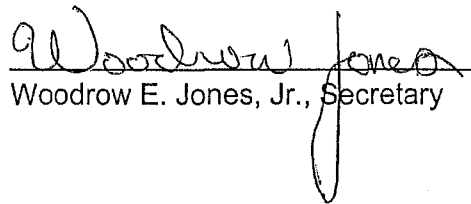
The study session was adjourned at 4:35 p.m. until the next regularly scheduled study session on Wednesday, May 10, 2017 at 3:00 p.m.

Approved:



Mark Patterson, Chair

Approved:



Woodrow E. Jones, Jr., Secretary