

APPROVED 2-22-17

MINUTES
 City of Tacoma
 Public Utility Board Meeting
 February 8, 2017
 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

There were no recognitions.

Comments from the Public

Public comment on the proposed Tacoma Power and Water rate adjustments were taken from the following individuals.

1. Rob McNair-Huff, representing the Metropolitan Development Council, made remarks concerning the rate effects on low-income customers. Mr. McNair-Huff favors expanding low-income discounts beyond senior and disabled citizens.
2. Sherry Bockwinkel expressed a desire to have meeting notice beyond what is required and expressed a desire to see TMC 12.10.400(H) removed from the water rate policy concerning large water users.
3. Sarah Morken expressed concerns about water supply and large industrial water users.
4. Michael Lafreniere expressed a desire to have meeting notice beyond what is required and requested a postponement of increases until policies in the water rates policy book are examined.
5. Lynnette Sherub (sp?) expressed concern about Water's contract with Niagara bottling and support of increasing Niagara's rates.
6. Debbie Herbert read language from TMC section 4.11.

The public comment sign-in sheet is appended as part of the record.

At the request of Director Gaines, Linda McCrea, Water Superintendent, provided remarks on some of the public comment concerning Tacoma Water. The contracts for extraordinary circumstances define sales limited in scope and timeframe and are brought before the Board and Council in public. As for Niagara's contract, it was approved and Tacoma Water is a service provider not an agency that makes land use/zoning decisions. Tacoma Water has a duty to serve customers in its service area. Niagara has paid more than they would have under the standard rates as they pay the large volume class rate.

In response to an inquiry from Board Member Larkin regarding the rate structure for large volume customers, Superintendent McCrea answered that in the Cost of Service Assessment (COSA), staff examines what parts of the system the customer class uses and allocates costs appropriately. Generally, large volume customers don't use a lot of the expensive distribution system and are connected directly to the large transmission line so they are not allocated the distribution expense. In this rate proposal, their increase is greater because the elements driving the rate increase are treatment costs which are allocated and they get a larger portion of the filtration costs.

In response to an inquiry from Board Member Flint regarding what is driving declining revenue, Superintendent McCrea answered that past water use was 50 percent more than it is today. Major industry has shut down and the ones still operating have implemented conservation measures. General water use has been reduced due to plumbing code changes. These have caused a decline in water use. Tacoma Water's average daily use is the same as 60 years ago. The water system is designed to handle a larger volume so a lot of costs go into infrastructure. Director Gaines clarified that the reduction of use by businesses is not driving this rate increase; it is the general reduction in consumption across all classes of customers.

In response to a request from Board Member Trudnowski to speak to a ratepayer email received regarding limited water supplies, Superintendent McCrea stated that Tacoma Water has done long range planning and has the Green River water source, water rights, and groundwater rights. Tacoma Water used to serve a much larger water demand and currently has two times as much water available to current usage. Conservation is important in that it helps us meet needs for much longer and we have enough supply to serve current use for the next 50 years. Tacoma Water is currently conducting an Integrated Resource Plan (IRP) that will involve stakeholder input and will continue to revisit all assumptions and climate change to make sure of adequate resources.

In response to a request from Board Member Larkin, Chris Robinson, Power Superintendent, spoke to comments about Power's rate adjustments. Superintendent Robinson summarized that conservation has led to less electricity usage and this is causing the retail demand to decrease. Most of Power's costs are fixed and as retail demands go down, there are fewer units to spread those costs over which creates upward rate pressure. There are decreases in wholesale revenues as well. Power has decreased expenses to offset the retail rate increase.

Bill Fosbre, Chief Deputy City Attorney, spoke to the comments regarding public notice. TPU's process for ratemaking is more extensive than other agencies when it comes to ratemaking and notice was provided according to requirements. The TMC requires all issues related to rates and charges be initiated and approved by the Board and then confirmed by the City Council. There are four opportunities for public comment on rates;

two before the Public Utility Board and two before the Tacoma City Council. The Public Utility Board has to have an action in front of them, which will take place on February 22, 2017, in order to take public comment. However, the Board has extended the process at a time prior to Board consideration as to provide an opportunity for public comment.

In response to an inquiry from Board Member Flint regarding TMC 12.10.400(H) and inclusion in the rate proposal, Mr. Fosbre answered that the water code is in chapter 12.10 but it is not part of the recommendations that are being advanced.

In response to a request from Board Member Jones to speak to Power's contract with the Bonneville Power Administration (BPA), Superintendent Robinson answered that Tacoma Power acquires power from four city-owned hydro dams and the BPA. More power is received from BPA. BPA does a rate case like Tacoma Power however the timelines are not aligned. So, staff has to make an informed estimate as to what BPA costs will be. Staff attempts to be conservative in the BPA cost estimate and are usually within a few percentage points.

Board Member Trudnowski thanked staff for the hard work.

Board Member Larkin thanked those making public comments, favored outreach efforts, and encourage collaboration with MDC. Board Member Larkin encouraged Tacoma Water to engage with the public on the IRP. Board Member Larkin acknowledged that large industrial users are taking the brunt of the rate increases and their increase is several percentage points higher and made comments in support of economic development and attracting commercial users.

Board Chair Patterson commented that it is a paradox that TPU is focused on conservation but that same conservation contributes to decreased revenue. Balancing long-term conservation needs with short-term impacts because costs are fixed is challenging.

Consent Agenda

There were no items on the consent agenda.

Regular Agenda

Departmental

- D-1 Resolution U-10905 – Award contracts and approve purchases:
 1. Increase contract to Gartner, Inc., for informational technology research and advisory services (\$59,745, plus sales tax; Cumulative total \$229,803, plus sales tax).

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

In response to a Board Request, Joe Tellez, Assistant Section Manager, clarified that research is conducted through an online portal and a 'seat' is subscription access to the portal. This resolution extends the subscription services for one year. Utilization reports prior to this renewal were conducted and staff has adjusted the subscription down from four seats to three seats.

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

D-2 Resolution U-10906 – Authorize permit use and fees charged to Universal Auto Group 1 for use of vacant Tacoma Water property for automobile storage.

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

Anne Smith, Sr. Real Estate Specialist, summarized the resolution. Since 2011, Tacoma Water has for a fee permitted Universal Auto Group 1 to use vacant Tacoma Water property as an automobile storage lot. The current permit expires February 16, 2017. The annual use fee will be \$35,798.40 with three percent annual escalators. Pursuant to Resolution U-10777 adopted May 20, 2015, because the use fee exceeds \$25,000 annually, this item is being brought before the Board for approval.

In response to a Board inquiry regarding impacts on other industrial use previously approved by the Board, Ms. Smith stated that is under the purview of Community and Economic Development and that there is a 30-day revocable permit included in the agreement to activate if necessary.

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

H. Reports of the Director

There were no reports from the Director.

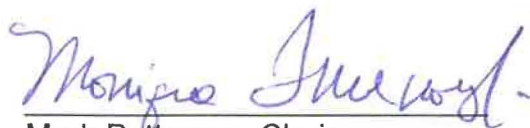
I. Comments by the Board

Board Member Larkin thanked Power rates staff member Leinneweber for extra efforts in the Power rate making work.

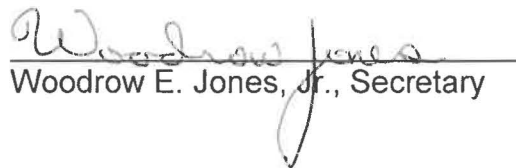
J. Adjournment

There being no further business or comments, the Public Utility Board was adjourned at 7:43 p.m. until Wednesday, February 22, 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