



APPROVED 6/26/24

MINUTES
City of Tacoma
Public Utility Board Study Session
May 22, 2024
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: Carlos Watson, Anita Gallagher, John O'Loughlin, William Bridges, Elly Claus-McGahan

Tacoma Power: Energy Risk Management / Power Supply Update

Saul Villareal, Resource Operations Manager Lead, detailed graphical representations of Power's hydroelectric resource system and regional snowpack that is below average. The bulk of the federal system inflows driven by upper Columbia snowpack is below normal and Tacoma-owned resources are at or below average. Runoff is expected to be below average for spring inflows and system inflows are close to adverse water. A drier summer is expected. The Cowlitz project reflects conservative operations. Cushman reflects low snowpack, running conservatively to assure refill. Nikki Bufford, Energy Risk Manager, stated that the objective of the energy risk management program is to manage the variability from the power supply portfolio. Ms. Bufford detailed graphical representations that illustrate the volatility of historical wholesale revenues; actual wholesale net revenues projections exceeding budget for biennium; actual net revenues/poor hydro conditions; and the high probability of exceeding the budget.

Tacoma Water: Budget Overview, Strategy, and Long-Range Financial Plan

Scott Dewhirst, Water Superintendent, provided the budget overview. Operating costs continue to rise despite stable demand. Tacoma Water has a broad, diverse customer base with opportunities for growth. Sound financial stewardship is reflected in strong credit ratings. Staff is meeting increased expenses with balancing efforts and managing expenses and is using the strategic plan to help inform the budget. Budget drivers were reviewed; water will not request additional FTEs in the next biennium, but rather is asking to repurpose existing project positions. Water's capital projects were then reviewed. Superintendent Dewhirst then summarized system growth, project and process management, cost-saving stories, and AMI/smart water. Heather Pennington, Deputy Water Superintendent, then provided an overview of Water's customer focus and spoke about discount programs, the water grant/loan program, and new services-related improvements.

Lyna Vo, Sr. Utilities Economist, provided an overview of the current biennium base case, pre and post WestRock closure and what's changed for the new draft base case. The 10-year capital improvement plan was reviewed. The base case is built on the expected revenue requirement and then develop scenarios based on possible risks and opportunities. This analysis provides the bookends for the rate projections.

Tacoma Power: Budget Overview, Long-Range Financial Plan (LRFP), and Revenue Requirement

Chris Robinson, Power Superintendent, began by summarizing Power's cost pressures, budget drivers, FTE priorities/requests, and personnel costs. Keely Mauro, Business Services Manager, detailed graphical representations of material costs, purchased power, taxes, shared service assessments, and capital projects. Michelle Brown, Financial Planning Manager, reviewed the LRFP. Ms. Brown summarized policy guidance, residential bill comparisons, LRFP foundational elements, retail revenue actuals/forecast, volatile wholesale revenues, risks, forecast sensitivities, current and future rate adjustments, debt management, and the rate stabilization fund.

Climate Commitment Act (CCA) Funding

Logan Bahr, State Relations Manager, summarized current, pending, and future CCA funding. Next steps include implementation of the energy bill credit program, discussion of projects to pursue for the current and next biennium; monitoring the general election in November and holding necessary discussions on internal policies and procedures.

General Board Comments/Discussion and Director's Reports

There were no Board/Director comments or discussion.

Executive Session

Chair Watson moved to convene an executive session at 5:40 p.m. for up to 20 minutes to evaluate the qualifications of an applicant for public employment (RCW 42.30.110(1)(g); seconded by Mr. O'Loughlin. Voice vote taken and carried. Chair Watson announced after the conclusion of the executive session, the Board will not take further action and the study session would be adjourned. Chair Watson moved that the Clerk of the Board is authorized to adjourn the meeting; seconded by Mr. O'Loughlin. Voice vote taken and carried. The executive session was adjourned at 6:00 p.m.

Adjournment

The study session was adjourned at 6:00 p.m.

Approved:



Carlos Watson, Chair



William Bridges