



APPROVED 11/13/24

MINUTES
City of Tacoma
Public Utility Board Meeting
October 23, 2024
6:30 p.m.

Chair O'Loughlin called the Public Utility Board meeting to order at 6:30 p.m.

Present: John O'Loughlin; William Bridges; Elly Claus-McGahan; Anita Gallagher

Excused: Carlos Watson

Minutes of the Previous Meetings

Mr. O'Loughlin moved that the minutes of the previous meetings be adopted; seconded by Ms. Claus-McGahan. Voice vote was taken and carried. The minutes were declared adopted.

Comments by the Public

There were no comments by the public.

Regular Agenda

C-1 Resolution U-11477 - A resolution to award certain contracts and approve certain purchases:

1. Increase contract to Moss Adams, LLP, for 2024 and 2025 annual audit services (\$602,000, plus applicable taxes. Cumulative total \$1,838,895, plus applicable taxes) [Patsy Best, Procurement and Payables Mgr].

Ms. Claus-McGahan moved to adopt the resolution; seconded by Ms. Gallagher.

Voice vote taken and carried. The resolution was adopted.

C-2 Resolution U-11478 – Authorize execution of a letter of agreement as negotiated with the International Brotherhood of Electrical Workers, Local 483, Power Unit, regarding the classifications of Telecommunications Engineer and Senior Telecommunications Engineer

Ms. Claus-McGahan moved to adopt the resolution; seconded by Ms. Gallagher.

Dylan Carlson, Labor Relations Div. Mgr, summarized the resolution. Tacoma Power and the International Brotherhood of Electrical Workers (IBEW) Local 483, Tacoma Power Unit, has proposed a Letter of Agreement (LOA) that covers approximately 11 full-time equivalent positions, with 7 positions located within TPU. Employees in the classifications of Telecommunications Engineer and Senior Telecommunications

Engineer selected IBEW Local 483 as their exclusive bargaining representative for purposes of collective bargaining, and the Public Employment Relations Commission (PERC) certified this decision on December 28, 2023. The classifications will be amended to be part of the classified service, designated as overtime category “E” and will not be eligible for overtime or compensatory time off. The LOA provides for the classifications to be recognized and incorporated into and covered by the terms of the IBEW, Local 483, Power Unit retroactive to September 16, 2024. The covered classifications will receive a general wage increase of 2.75 percent, and the wage scale will be adjusted from 9 steps to 5 steps. Each employee will be placed at Step 5 of the pay range and will be eligible for longevity pay and Telecommunications Engineers and Senior Telecommunications Engineers employed on the date of City Council approval will also receive a one-time, lump sum payment of \$1,500.00.

Voice vote taken and carried. The resolution was adopted.

C-3 Resolution U-11479 – Authorize execution of a collective bargaining agreement as negotiated with the International Brotherhood of Electrical Workers, Local 483, Clerical Unit, effective January 1, 2024 through December 31, 2026

Ms. Claus-McGahan moved to adopt the resolution; seconded by Ms. Gallagher.

Dylan Carlson, Labor Relations Div. Mgr, summarized the resolution. The International Brotherhood of Electrical Workers, Local 483, Clerical Unit and representatives of the administration of the City, have engaged in collective bargaining and have reached an agreement relating to wages, hours, and working conditions. The proposed Collective Bargaining Agreement (CBA) covers approximately 186 budgeted full-time positions, with 66 positions assigned within TPU. The CBA is for three years retroactive to January 1, 2024, and effective through December 31, 2026, and provides for a general wage increase in each year of the agreement. Retroactive to January 1, 2024, a general wage increase of 2.75 percent will be provided; effective January 1, 2025, a general wage increase of 2.75 percent will be provided; and effective January 1, 2026, a general wage increase of 3.00 percent will be provided; and, in addition to the general wage increases, market-based increases will be provided by classification. Other changes to the agreement include: adding contract language that a complaint alleging discrimination by the employee’s immediate supervisor, may be initiated at Step 2 of the grievance procedure; adding language regarding requests for a shift adjustment or to make up missed time will be at the discretion of the supervisor/manager, and in compliance with the Fair Labor Standards Act; and agreement to meet in a Labor Management Committee format to discuss issues of mutual concern regarding the Financial Assistants assigned to the Tacoma Police Department.

Voice vote taken and carried. The resolution was adopted.

C-4 Resolution U-11480 – Authorize Tacoma Power to update the Electric Rate and Financial Policy to reflect resource planning to meet customer needs, update load forecasting language to incorporate anticipated electrification, clarify minimum and targeted financial ratios, and establish a core balance target in the Rate Stabilization Fund

Ms. Claus-McGahan moved to adopt the resolution; seconded by Ms. Gallagher.

Ying Hall, Power Section Mgr, summarized the resolution. Tacoma Power is requesting changes to Tacoma Power's Electric Rate & Financial Policy to reflect resource planning to meet customer needs, update load forecasting language to incorporate anticipated electrification, clarify minimum and target financial ratios, and establish a core balance target in the Rate Stabilization Fund (RSF). The policy gives direction to short-term financial planning decisions and helps ensure that reliable service is provided to all customers at the lowest possible cost consistent with prudent utility management; the policy was last updated in November 2023. Power rates and financial planning staff conducts regular qualitative reviews of the policy to ensure that the policy is sound and is reflective of management and Board directives and priorities. During the review of the policy, staff found that although the current policy is functional, there is an opportunity to modernize existing language and highlight important areas of focus that includes clarifying and expanding the policy language as follows: Propose minor changes to subsections IV.A.1 and IV.A.3 regarding our minimum financial ratios and projected cash balances to ensure the policy is consistent with business practices; Update load forecasting language to include assumptions around electrification in subsection IV.B.1 and IV.B.1.c; Add a new subsection, IV.B.1.d to better align the policy with updated Board Guiding Principle 14 regarding Resource Planning in meeting customer needs with sufficient and reliable power supply and transmission; and Propose revision to Subsection V.B.1 to establish a core balance target in Power's RSF. The proposed updates to policy aim to minimize drastic fluctuations in rate increases while ensuring sufficient power supply and transmission are reflected to meet anticipated increases in electrification demand and evolving customer needs. The changes to the policy also establish a RSF core balance target to mitigate hydro power supply and wholesale market price variability to help stabilize rates into the future.

Board Members O'Loughlin and Claus-McGahan recognized the hard work by all budget and rates staff.

Voice vote taken and carried. The resolution was adopted.

C-5 Resolution U-11481 – Amend and revise Tacoma Municipal Code Chapter 12.06 regarding electric rates for two Tacoma Power rate adjustments effective April 1, 2025 and April 1, 2026

Ms. Claus-McGahan moved to adopt the resolution; seconded by Ms. Gallagher.

Ying Hall, Power Section Mgr, summarized the resolution. Tacoma Power has proposed new rate adjustments under Chapter 12.06 in Title 12 of the Tacoma Municipal Code. Power's revenue requirement analysis indicates that the utility needs to increase retail revenue by approximately \$66.7 million for the twenty-four-month rate period starting April 1, 2025, and is equivalent to system average rate increase of 5.3 percent in rate year 2025 and 2026. The utility has experienced substantial inflationary increases in operating and capital expenses such as materials and supplies, salaries and benefits, construction costs, and technology upgrades that includes the SAP Project. Tacoma Power anticipates over \$300 million in expenses related to debt service spike, power cost increases, hydro facilities' relicensing, hydro project seismic safety mitigation, and

grid modernization within the next ten years. The proposed rate increase is designed to generate the additional revenue necessary to meet financial metrics, operational needs, and avoid future rate shocks. Tacoma Power has made efforts to keep the rate increase at a level that is as low as is responsible and consistent with the Board's Guiding Principle GP-2, regarding financial sustainability and GP-3, regarding rate stability. Those efforts have been made by prioritizing new budget additions and significantly reduced initial Operation & Maintenance and Capital planned spending to mitigate increases in 2025-2026 biennial budget. Efforts are being made to utilize Power's current cash reserves to limit the requested annual system-average increase of 5.3 percent in 2025 and 2026. Tacoma Power will increase automatic credits, equal to the monthly customer fixed charge, in the Bill Credit Assistance Plan (BCAP) program to offer more financial assistance to income-constrained customers; the increased BCAP credits will reduce bills and partially offset the proposed rate increases for participating customers. Tacoma Power conducted a Cost-of-Service Analysis (COSA) for the 2025-2026 biennium to determine how to raise the \$66.7 million in additional revenue among different rate classes. The cost of providing services to each rate class will vary because rate classes have different usage characteristics, therefore, the rate increases allocated to each class will differ. As part of the COSA process, Tacoma Power adjusts the detailed rates for each rate class based on the proposed rate increase percentage, i.e., the COSA indicates that Tacoma Power will need to raise residential rates by 6.5 percent for the residential revenue to cover its allocated cost. The COSA also indicates that the fixed customer charge is below the fixed costs associated with providing grid connection, meters, customer care, and billing services, therefore, Tacoma Power proposes increasing the residential monthly fixed charge to the COSA level of customer-related fixed costs. As a result, the total variable charge will be increased from 8.4 cents per kWh to 8.7 cents per kWh in 2025, and 9.2 cents per kWh in 2026, for Tacoma Power residential customers; a similar analysis was conducted for each rate class to develop their specific rate structures. This proposal is in alignment with industry ratemaking standards and best practices, as well as the Board's Guiding Principles.

Board Member Claus-McGahan shared that affordability is important to both her and the utilities. Ms. Claus-McGahan shared how Power's rate ratios fall below the state definition of affordability ratios.

Voice vote taken and carried. The resolution was adopted.

C-6 Resolution U-11482 – Amend and revise Tacoma Municipal Code 12.06.373 concerning Schedule Electrofuel Service Pilot to align with Schedule Very Large Load to adequately reflect the costs of serving large new customers effective January 1, 2025.

Ms. Claus-McGahan moved to adopt the resolution; seconded by Ms. Gallagher.

Ying Hall, Power Section Mgr, summarized the resolution. Tacoma Power implemented TMC12.06.373 Electrofuel Service Pilot (Schedule EF), by Resolution No. U-11206, effective on April 1, 2021. EF is a pilot program limited to 65 MW of total load to serve customers who use a large quantity of electricity to produce hydrogen fuels. Currently, there are not any customers using Schedule EF and the power market dynamic has changed since the implementation of the pilot program in 2021. The current incremental

costs of serving a new large electric load, especially the cost of supplying them with a large amount of carbon-free power, is exceedingly high and if Tacoma Power continues to offer Schedule EF under the existing rate structure, the large incremental cost caused by customers under Schedule EF will lead to substantial rate increases for all existing customers and the addition of such a large load can potentially cause system-wide capacity shortages in some months, jeopardizing Tacoma Power's resource adequacy. To avoid cost shifting and ensure resource adequacy, Tacoma Power proposes to modify Schedule EF to align it with Schedule Very Large Load (VLL) which is designed for customers with a load requirement of 10 average megawatt or more over any consecutive 12-month period. Under Schedule VLL and the modified Schedule EF, large load customers will pay for the costs of new resources dedicated to their use and the power supply rate will be based on the incremental cost of serving these customers. For the power delivery and customer-related rates, Tacoma Power will charge the same delivery charge and customer charge as the otherwise applicable rate schedules based on the system average cost. This modification is consistent with the cost-causation principle in rate making. In addition, under the Schedule EF, demand response programs will be offered to EF customers that can be better tailored to their operation and the interrupt-ability requirement under the current Schedule EF is too stringent for most, if not all, potential customers.

Voice vote taken and carried. The resolution was adopted.

C-7 Resolution U-11483 – Amend and revise inspection, permit, disconnection, and reconnection fees in Tacoma Municipal Code Chapters 12.01 Utility Charges and 12.06A Electrical Code, effective April 1, 2025

Ms. Claus-McGahan moved to adopt the resolution; seconded by Ms. Gallagher.

Ying Hall, Power Section Mgr, summarized the resolution. Tacoma Power is requesting to amend and revise TMC 12.01 and 12.06A. TMC 12.01.010 covers disconnection/reconnection of utility service and fees and Chapter 12.06A of the TMC covers Tacoma Power's rates, terms, and conditions on electric installation, inspection, and permits. TMC 12.06A.250 specifies fees for inspections and permits under various circumstances for different types of customers. Tacoma Power proposes revisions to the reconnection fees and the inspection and permit fees to reflect the increased cost of providing these services. Permit and inspection fees address costs associated with permit processing, plan review, and physical inspection of customer work and these fees were last revised in 2022. Since then, the cost to provide this service has increased due to general wage inflation, vehicle costs, and the addition of one full-time inspection employee to enable a timelier response to inspection requests. Tacoma Power proposes an \$8 base increase for residential fees and a 5 percent increase for commercial fees. The residential fee structure is currently \$55 per inspection and will increase to \$63 per inspection, i.e., a new service for a typical single-family home or mobile home, service changes or service upgrades with overhead service will increase from \$110 to \$126 for up to two inspections. Inspection fees for low voltage control panels and devices like alarm systems or HVAC systems, which require a single inspection, will increase from \$55 to \$63. Commercial inspections are based on the value of the electrical portion of construction costs, i.e., the permit fees for electrical construction valued between \$5,001 and \$50,000 currently start at \$273 for the first

\$5,001 in construction value and \$2.10 for each additional \$100 or fraction thereof above \$5,001. With the proposed fee updates, the commercial inspection fee will start at \$286 and \$2.20 for each \$100 in construction value, i.e., the inspection fee for a \$10,000 construction project will increase from \$378 to \$396. Disconnect fees address costs for crew time and equipment expense to perform work related to disconnection and reconnection of electrical services and Power proposes a 13 percent increase in disconnection/reconnection fees to recover increased costs and is harmonizing different sections of Chapter 12.01 of the TMC, which have different fees for the same service. In addition, Tacoma Power is changing the fee structure to reflect disconnection or reconnection, as opposed to lumping the fees together and under-recovery of disconnection/reconnection fees can lead to cross-subsidization by other retail customers.

Voice vote taken and carried. The resolution was adopted.

C-8 Resolution U-11484 – Amend and revise electric vehicle public charging fees in Tacoma Municipal Code 12.06.374, effective January 1, 2025

Ms. Claus-McGahan moved to adopt the resolution; seconded by Ms. Gallagher.

Ying Hall, Power Section Mgr, summarized the resolution. Tacoma Power is requesting an update to Section 12.06.374 Electric Vehicle Public Charging (Schedule EVPC) of the TMC to reflect increased costs of vehicle charging and create a separate rate for Direct Current (DC) Fast Charging, effective January 1, 2025. Tacoma Power has provided electric service to utility-owned electric vehicle (EV) charging stations since 2012 and anticipates having 67 public charging ports in service by the end of 2026 (85 if counting all of Tacoma Power charging ports), including 4 new DC Fast Charging stations in downtown Tacoma. Schedule EVPC was effective January 1, 2023, with a rate of \$0.21 per kWh per kWh of charging and is applicable to all public charging stations served. The schedule was adopted because state law, RCW 19.94.560, mandates the use of dollar per kWh or megajoule pricing and this update will set the Level 2 charging rate at \$0.25 per kWh and introduce a DC fast charging rate at \$0.40 per kWh. These rates are based on the Small General rate (Schedule B) and include network fees, maintenance costs, including costs related to vandalism and cut cords at electric charging stations.

Voice vote taken and carried. The resolution was adopted.

Tacoma Water

C-9 Resolution U-11485 – Authorize Tacoma Water to update the Water Rate and Financial Policy to include water quality and other minor language edits

Ms. Claus-McGahan moved to adopt the resolution; seconded by Ms. Gallagher.

Jodi Collins, Financial Stewardship Mgr, summarized the resolution. Tacoma Water has proposed changes to its Water Rate and Financial Policy to expand one of the objectives to include water quality and make minor language edits. The policy gives direction to planning decisions and helps ensure that Tacoma Water provides an adequate supply of safe, clean water to all customers efficiently. Revisions to the policy requires approval by the Board and Council, pursuant to Tacoma City Charter section 4.11.

Voice vote taken and carried. The resolution was adopted.

C-10 Resolution U-11486 – Amend and revise Tacoma Municipal Code Chapter 12.10 regarding water rates for two Tacoma Water rate adjustments effective January 1, 2025 and January 1, 2026

Ms. Claus-McGahan moved to adopt the resolution; seconded by Ms. Gallagher.

Jodi Collins, Financial Stewardship Mgr, summarized the resolution. Tacoma Water has requested proposed changes to Chapter 10 (Water Regulations and Rates) in Title 12 of the TMC, for water rate adjustments effective January 1, 2025. Tacoma Water directly serves a population of over 350,000 in the greater Tacoma metropolitan area and in 2023, the utility delivered approximately 49 million gallons a day and generated approximately \$109 million in water sales. Although overall water consumption has remained steady, absent the loss of the WestRock Paper Mill, ongoing costs to maintain the utility have increased. Tacoma Water is proposing annual system average rate adjustments of 6.5 percent effective January 1, 2025, and 6.5 percent effective January 1, 2026, to meet these ongoing needs. Tacoma Water developed a revenue requirement, conducted a cost-of-service analysis, and performed rate-design that incorporates the 2025-2026 budget request. This proposal is in alignment with the industry ratemaking standards and best practices, Tacoma Water's Rate and Financial Policy, as well as the Board's Guiding Principles. This proposal maintains long-term financial stability for the utility and gradual rate adjustments for customers and in preparation of this request, Tacoma Water sought input from customers, policymakers, and members of the public through various meeting such as: franchise city council meetings, neighborhood council meetings, study sessions and meetings, public hearings, PUB and City Council joint study sessions, and Government Performance & Finance Committee (GPFC) meetings. Communication has also been distributed through bill inserts, mailings, website, and social media. Based on customer research and national benchmarks, Tacoma Water's average monthly bills are well within the threshold of affordability, however, there are customers that are more negatively impacted by rate increases. This proposal also includes increases to Tacoma Water's Bill Credit Assistance Program (BCAP), automatically providing additional credits to customers who are income qualified and enrolled in the program.

Board Member Claus-McGahan shared that affordability is important to both her and the utilities. Ms. Claus-McGahan shared how Water's rate ratios fall below the state definition of affordability ratios.

Voice vote taken and carried. The resolution was adopted.

C-11 Resolution U-11487 – Amend and revise Tacoma Municipal Code Section 12.10.250 and 12.10.315 relating to Water regulations and rates for water service construction charges effective January 1, 2025 and ending December 31, 2029

Ms. Claus-McGahan moved to adopt the resolution; seconded by Ms. Gallagher.

Jodi Collins, Financial Stewardship Mgr, summarized the resolution. Tacoma Water has proposed changes to Chapter 12.10 (Water Regulations and Rates) in Title 12 (Utilities) of the TMC sections 12.10.250 and 12.10.315, for water service construction charge adjustments. Tacoma Water engages with the Master Builders Association of Pierce County on an ongoing basis and through discussions with developers and staff, Tacoma Water has identified several new water service construction charges that, if adopted, would provide price certainty for developers, reduce administrative burden on utility staff, and minimize the time of quote delivery to customers. Tacoma Water also regularly reviews its water service construction charge schedule, also referred to as 'fixed fees', to ensure that fees charged to customers remain in line with actual utility costs. The last update to this fee schedule was approved in 2019 and included annual escalations through 2024. In addition to revising charges, the proposed changes to the fee schedule include an annual escalator of 3 percent through 2029, to align with the long-run average of the Engineering News Record (ENR) Construction Cost Index (CCI) to keep fees in line with costs. Along with the proposed fee schedule, Tacoma Water is recommending the following modifications: Increase the number of services available via the fixed fee schedule; Remove embedded flagging and paving costs from fixed fees to ensure only those that need those services will pay for them; Reduce the minimum width of the residential service main charge defined in TMC 12.10.315.A to align with the Home in Tacoma minimum lot width.

Voice vote taken and carried. The resolution was adopted.

Tacoma Rail

C-12 Resolution U-11488 – Authorize Tacoma Rail to update the Tacoma Rail Rate Policy to include a ceiling on the working cash balance

Ms. Claus-McGahan moved to adopt the resolution; seconded by Ms. Gallagher.

Dan McCabe, Chief Information/Finance Officer, summarized the resolution. Tacoma Rail is proposing an update to its Rail rate to include a ceiling on its working cash balance. The policy was last updated January 1, 2023, and historically the policy has had a minimum cash balance of 60 days of current budgeted expenditures as initiated in Public Utility Board Policy 3.3, dated August 1992. A minimum cash balance has been established to protect against the loss or delay in the receipt of revenues and a healthy cash balance allows for the timely payment of obligations incurred, flexibility when actual revenues are less than budgeted revenues, and provides a buffer to alleviate cash flow patterns inherent in operating a railroad. While a minimum cash balance has been established, a maximum has not, and to recognize the responsibility Tacoma Rail has in its policy to be cost-effective and rates should ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible, a working cash balance to not exceed 180 days of current budgeted expenditures is recommended.

Voice vote taken and carried. The resolution was adopted.

C-13 Resolution U-11489 – Authorize Tacoma Rail to reissue the Tacoma Municipal Belt Line 8807 series freight switching and Tacoma Municipal Belt Line 6004 series demurrage tariffs for an effective date of January 1, 2025; and a switching tariff supplement with an effective date of January 1, 2026

Ms. Claus-McGahan moved to adopt the resolution; seconded by Ms. Gallagher.

Dan McCabe, Chief Information/Finance Officer, summarized the resolution. Tacoma Rail recommends Board authorization to reissue the TMBL 8807 series freight switching and TMBL 6004 series demurrage tariffs for an effective date of January 1, 2025; and a switching tariff supplement with an effective date of January 1, 2026. Tacoma Rail's customers consist of local industries and other railroads and the switching tariffs define the line haul and miscellaneous switching charges allocated to the movement of railcars. Tacoma Rail's TMBL tariff rates associated with unit train and other Tacoma interchanged line haul traffic were last updated in 2024 miscellaneous switching rates were last updated in 2023. Tacoma Rail's rates encapsulate cost of service practices and line haul rates are charged to the BNSF Railway Co. or the Union Pacific Railroad, unless the industry served, or shipper elects to pay the fees themselves. The switching tariff rate adjustments for 2025 include a system average rate increase of 2.3 percent over current rates and a 3 percent increase to all miscellaneous switching rates. The 2026 tariff supplement increases line haul traffic rates by a system average of 2.3 percent. Tacoma Rail's demurrage tariff was last updated in 2023. Demurrage is a federal requirement for railroads to charge for the undo detention of railcars. The proposed tariff increases the rate by \$5 per day, for a total of \$70.

Voice vote taken and carried. The resolution was adopted.

Departmental

C-14 Motion 24-12 – A motion to approve the Department of Public Utilities 2025/2026 budget, as submitted and filed with the Clerk of the Board, be accepted and approved and the City Council is requested to approve the same as provided by Section 4.12 of the Charter of the City of Tacoma [Jackie Flowers, Director of Utilities].

Ms. Claus-McGahan moved to approve the motion; seconded by Ms. Gallagher.

Jackie Flowers, Director of Utilities, summarized the motion. The budget process began in March 2024. A public hearing was held on October 9. There was extensive community outreach and engagement. Information was widely available on the website, social media, special budget web portal, bill inserts, and in multi-lingual translations. The budget reflects the cost of providing vital services and was developed without compromising the mission and values of TPU. Everything was examined and projects prioritized for deferral. The focus was on the things customers care about – reliability and safety. The rates were set to cover these essential services. The budget for the biennium is \$1.65 billion total. Director Flowers then summarized the budgets for the operating and service divisions.

Chair O'Loughlin recognized and thanked all budget and rates staff for their hard work during this process. Nobody likes recommending rate increases, but it was done by staff committed to providing services and watching costs. Frustration by the public is understood. TPU provides services vital to life and does not do so for profit. There was a lot of conversation and debate about the budget; the funds are used only for the purpose of providing essential services. If any more is collected, it is used to offset future

expenses – not for profit. TPU’s goal is to run a cost-effective utility and guiding over the public’s interest.

Voice vote taken and carried. The motion was approved.

D. Reports of the Director

There were no reports of the Director.

E. Board Comments

Chair O’Loughlin announced that in accordance with Board Rule of Procedure Section One and as published in the Tacoma Daily Index, the Board holds one meeting in the months of November and December. The meetings for the remainder of the year are scheduled for November 13 and December 11, 2024.

Board Member Claus-McGahan recognized all budget and rates staff for doing their job with a caring heart for the community and thinking about stewardship.

F. Adjournment

There being no further business or comments, the Public Utility Board meeting was adjourned at 7:25 p.m. until Wednesday, November 13, 2024, for a study session at 3:00 p.m. followed by a regular meeting at 6:30 p.m.

Approved:



John O’Loughlin
Chair



Elly Claus-McGahan
Secretary