



APPROVED 5-11-22

MINUTES
City of Tacoma
Public Utility Board Study Session
April 27, 2022
3:00 p.m.

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

Present: Mark Patterson, Christine Cooley, Carlos Watson, Holland Cohen, John O'Loughlin

Budget Overview for Rail, Water, Customer Service

Director Flowers, made opening remarks and first reviewed the timeline for Board engagement for this budget and rates season. Director Flowers listed TPU's underlying budget principles: long-term planning approach; financial sustainability; customer focus; fair, reasonable, adequate, stable rates; rate gradualism; cost efficiency; and to operationalize equity. Director Flowers concluded by outlining risks and challenges that may affect resources, investments, costs, and strategies. There are labor challenges, which include job market, wage pressure, benefit costs, staffing needs, recruitment, and retention. External challenges include economic cycles, inflation, supply chain disruptions, regulations, cyber risks, weather/climate, and environmental stewardship.

Tacoma Rail: Dale King, Rail Superintendent, reviewed graphical representations of demand for intermodal and rail cars, and rail car revenue. Superintendent King reviewed rates for Rail's primary customers, the BNSF, Union Pacific, and U.S. Oil Refining. Elements in Rail's strategic plan include: equity; inclusion; diversity; employee relations; stakeholder engagement; customer service; resource planning; reliability/resiliency; innovation; financial stability; growth/economic opportunities; and environmental leadership. Primary budget drivers: railcar volumes; labor costs; inflation; assessments; insurance; Mountain Division direction; and the 2024 worst-case scenario oil spill contingency plan drills. Superintendent King concluded by outlining challenges for the next biennium, which include supply chain interruptions, low railcar volumes, car hire costs, mandates, rising insurance rates, lower than anticipated cash balance, and an unknown gross earnings tax determination on grants. Opportunities include grants and

zero interest loans, line haul volume growth, demurrage tariff adjustments, and active participation in legislation.

Tacoma Water: Scott Dewhirst, Water Superintendent, reviewed a graphical representation of demand and costs, showing that operating costs continue to rise despite stable demand. Superintendent Dewhirst shared Tacoma Water's top customers by revenue and usage for 2021 illustrating that Tacoma Water has a broad, diverse customer base with opportunities for growth. This year, Standard & Poors upgraded Tacoma Water's rating to AA+. Increased expenses include reconstitution, equipping conference rooms with technology for hybrid staff, customer assistance programs, suspension of fees and shut offs, supplies and services, transportation/fuel prices, fleet replacement and staff turnover. Tacoma Water is using its strategic plan to help inform the budget. There will be focus on providing customers with increased value, preparing the workforce for the future, and improving systems, processes, and the use of resources. Budget drivers where staff has least control include assessments, taxes, personnel expenses, cost of commodities, safety, new regulatory requirements, and investments in technology. Budget drivers where staff have limited control include debt service, wholesale water sales, fleet investments, emergency management, purchasing regulations and contract constrains. Budget drivers where staff has the most control include strategic initiatives, workforce development, reorganization impacts, and full-time employee count. Superintendent Dewhirst concluded by outlining investments in data and technology, project and process management improvements, and how asset management informs the budget.

Customer Service: Steve Hatcher, Customer Services Manager, began by addressing revenue recovery and how to support and foster customer success while balancing the needs of the utility. There is a high-touch point process to help customers succeed as long-term payment plans have significantly higher default rates. Customer Service is experiencing increased customer contacts and has provided proactive outreach prior to the shut-off moratorium end date to provide customers guidance and a plan to keep services connected. There are also enhanced efforts to assist limited income households. Advanced metering and the conversion of the customer base to monthly billing over the next biennium, implementation of the new MyAccount customer website, and reintroducing pre-pay for residential power customers is in play. Lastly, Customer Services is also working on the recruitment, hiring, and transition of the new Customer Services Manager as Mr. Hatcher is retiring. Challenges to successful customer support include past-due utility accounts and managing the 24 month payment agreements and resumption of disconnections; employee recruitment and retention as recruiting staff and hiring pools are reduced; and technology expectations and staffing to support transition to different technologies. Primary budget drivers include labor, increased staffing, and increasing customer contacts. Uncontrollable O&M has increased by 25.2 percent and controllable O&M by 28.5, a majority of this increase can be attributed to postage fees and increased mailings with monthly billing. There will be no capital requests for the 2023-2024 biennium. An opportunity for the next biennium is to develop a future state

customer experience strategy and operating model that moves beyond traditional customer service functions.

Tacoma Power: Energy Risk Management/Power Supply Update

Leah Marquez-Glynn, Sr. Power Analyst, began the power supply update by reviewing a map of Tacoma Power’s hydroelectric resources. Ms. Marquez-Glynn, then walked the Board through graphs illustrating system inflows for Tacoma and the federal system. Ying Hall, Power Section Manager, stated the objective of the energy risk management program is to manage the variability from the power supply portfolio. Program components include identify and quantify risks; risk tolerance and policies; hedging program and metrics; trade controls and processes; and monitoring and reporting risks. Ms. Hall detailed graphical representations of variability in wholesale power revenues, wholesale net revenues showing that the actual net revenue is above budget due to strong prices and inflows.

Adjournment

The study session was adjourned at 5:49 p.m. until the May 11, 2022 for a study session beginning at 3:00 p.m.

Approved:



Mark Patterson, Chair

Carlos Watson, Secretary