



APPROVED 5-27-15

MINUTES
City of Tacoma
Public Utility Board Study Session
May 20, 2015
3:00 p.m.

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

Present: Dave Nelson, Mark Patterson, Bryan Flint, Monique Trudnowski
Excused: Woody Jones

Governor's Drought Declaration Impacts on Tacoma Water

Linda McCrea, Water Superintendent, summarized the impacts of the low snow pack on Tacoma Water's supply. Tacoma Water's primary source of water is the Green River, but it is not unusual to turn to the well water system during the summer. This year Tacoma Water will plan to turn to the well water system earlier and to a larger extent due to the lack of snow pack and spring runoff. Storage at the Howard Hanson Dam is nearly full due to how storage was more aggressively managed this year to capture rain earlier in the season. Tacoma Water customers are encouraged to always use water wisely, but they should continue to use their water as normal as supply is good.

An In-Depth Look at Click! Financials

Director Gaines made introductory remarks. Over the next several weeks, TPU will be conveying information in the following four areas: 1) Deeper look into Click!'s financial situation; 2) Deeper look at alternative business models; 3) Provide the Public Utility Board and City Council feedback on the public outreach process; 4) Provide background information on Wave and their proposal. Today's presentation focuses on Click!'s financial situation.

Bob Mack, Deputy Director for Internal Affairs, provided background on the beginning of Click! and the 1997 telecommunications study, and outlined the original Click! business plan versus the current situation.

Chris Robinson, Power Superintendent, walked through the Click! management timeline from 2009 to 2015.

Joe Tellez, Chief Technology Officer, provided background on Advanced Metering Infrastructure (AMI) technology in the industry and at Tacoma Power and how the end-of-life AMI factors contributed to the overall decline in use of Click! Network to serve Tacoma Power's AMI needs.

Bill Berry, Rates, Planning, and Analysis Manager for Tacoma Power detailed Click!'s financials with a focus on cost allocations.

Julie Desimone, Partner at Moss Adams auditing firm presented their findings of Click!'s financials and cost allocations.

Mr. Berry then provided an overview of Click! revenues, debt service, and expenses.

Mr. Robinson summarized the presentation. The original vision for Click! was optimistic, placed emphasis on cable TV, and committed to an unsustainable hybrid business model. The hybrid business model has not been able to withstand business environment and consumer consumption changes. A wired network is no longer needed to support AMI as the industry shifted to wireless, as will Tacoma Power. A recent review of network use indicates that Tacoma Power should be responsible for six percent of total telecommunication costs. Moss Adams auditing firm confirms that the utility's allocation methodology is consistent with the current use of network. Under the current business model, Click! revenues do not cover the cost of Click! services whether factoring in debt service or not.

Adjournment

The study session was adjourned at 6:20 p.m. until the next regularly scheduled study session on Wednesday, May 27, 2015 at 3:00 p.m.

Approved:

Approved:

Woodrow E. Jones, Jr., Chair

Mark Patterson, Secretary