

Final Minutes
Seattle Water Supply System Operating Board
March 5, 2020
1 PM to 3:00 PM
Teleconference

<u>Board Members</u>	<u>Board Alternates</u>	<u>Utility Representatives</u>	<u>SPU Attendees</u>	<u>Other Attendees</u>
Alex Chen, Chair	Ron Speer	Abdoul Gafour	Regina Carpenter	Charlotte Haines
Diane Pottinger, Vice Chair	Shane Young	Mike Martin	Kathy Curry	Patty Hale
Mami Hara		Pam Martin	Celia Kennedy	Pamela Maloney
Paula Laschober, Alt for Rick Scott		Byron	Martha Neuman	Darcey Peterson
Scott		Murgatroyd		Steve Pfaff
Matt Everett		Al Nelson		Ron Ricker
Lynne Danielson		Patrick Sorenson		John Thompson
Ron Little, 7 th Member				Jerry Thornton
				Laurie Tish

1. Welcome and Introductions

2. Minutes/Agenda

- The **February 6, 2020 minutes** were **approved 5-0**, one member was not present during the vote.
- The **March 5, 2020 agenda** was **approved 5-0**, one member was not present during the vote.

3. New Business

a. 2021-2026 Capital Facility Plan

Alex Chen, SPU’s Water Policy and Planning Director, gave a presentation on the current Proposed 6-year Capital Facility Plan (CFP) which is updated annually. Alex asked that the Operating Board provide any comments in writing to Kathy Curry, Wholesale Contracts Manager, by close of business on Friday, March 13th.

As part of his presentation, Alex highlighted some of the new CFP projects including the Tolt Valve 15 Remote Control (for dam safety) and the Landsburg Dam Gate Recondition Project. Alex also gave an update on the Tolt Slide Improvements Project and the Lake Forest Park Reservoir Covering Project. He also noted some projects that closed in 2019 including the Tolt Ring Gate Project and the Cathodic Protection 2017 package.

- *Lynne Danielson offered to lead the caucuses to discuss the CFP. There was a discussion about the originally estimated 2019 CFP costs and what the actuals were. Regina Carpenter, SPU Principal Economist, said that we did not have final 2019 costs in yet, but once we did, we will share them.*
- *A Utility Representative asked about whether slide 14 was an exhaustive list of projects that closed in 2019 and if other project costs changed. Alex responded that the projects not mentioned on slide 14 are projects for relatively small amounts.*

b. 2021-2023 Wholesale Rate Study, Continued

Regina Carpenter, SPU Principal Economist, reviewed a timeline of the rate setting process, the roles outlined in the contracts, and the impact of the rate study inputs covered so far. She then provided a chart of how the regional assets are likely to impact rates in 2021 – 2023. These assets are those on the 2019 asset schedule plus those that would be created by the CFP projects. She explained that the Tolt Ring Gate and the Cathodic Protection Projects that Alex mentioned earlier as closed in 2019 are already in the current

rates. She noted that another item affecting rates, O&M, has not been included in the rate study yet. She noted that it appears that the rates for 2021 will decrease, based on initial data.

- *Alex added that the Operating Board members should be thinking about available tools to set rates. He noted that we have heard clearly from our wholesale customers that you don't like substantial swings up or down in rates. He said to be thinking about what guidance you want to provide us in April on the demand and facility charge elements of the rate study. An Operating Board member noted that he wanted a rate stabilization fund. Alex mentioned that we will be discussing that with the upcoming contract discussions, but that there was no language in the existing contracts to allow for that.*
- *A Utility Representative asked if asset costs are projected to go down in 2021, and Regina responded affirmatively. He added that if we reduced projected demand on the demand forecast by 1 or 2 percent, we will effectively have a rate stabilization fund. Regina explained that we have discussed that with the Board in the past, but it has not been implemented. Alex added that with the current contracts, the True-Up Procedures require that everything is brought back to a balance of zero.*
- *A Utility Representative asked if he would see the rates go down in 2021. Regina said the rates will likely go down for 2021. He also asked if SPU had any thoughts on the coronavirus, including on the potential impacts on demand. Alex responded that we would continue to track demand and then let everyone know what is occurring compared to the demand projections.*

c. Wholesale Annual True-Up Procedures

Regina Carpenter, SPU Principal Economist, gave an overview of the True-Up process and timeline. Laurie Tish from Moss Adams provided an overview of the procedures to be performed and asked if the Board had any suggested changes to these procedures.

- *A Utility Representative said that if there were significant indexed cost changes from the prior year, he would like to see those numbers. Laurie explained that on page 7 the procedures for such a case are provided. She mentioned that previously the Operating Board had determined that any costs that changed by \$10,000 or more would be noted.*
- *There was a motion to approve the procedures and it was approved 5-0 (one Operating Board member was not on the call during the vote).*

4. Executive Summaries and Other Business

Alex Chen provided summaries on the following topics:

- **Water Supply Conditions** – Alex gave an update noting that water levels in the reservoirs were at about normal and snowpack was 100 percent of the median amount.
- **Reclaimed Water Update** – Alex noted that the Operating Board Task Force would be meeting tomorrow.
- **Contract Review Update** – Martha Neuman, Sr. Policy Advisor, explained that while we were planning to present proposed changes to the contracts to our wholesale customers in May, this will now likely be in the fall. Staff will bring an updated schedule at an upcoming Operating Board meeting. The following contract review workshops will be re-scheduled:
 - Thursday, May 21st from 9:30 - 11:30 a.m.,
 - Tuesday, June 2nd 1 - 3 p.m.,
 - Tuesday, June 30th from 1 to 3 p.m.
- **Upcoming Tours** – Kathy Curry, Wholesale Contracts Manager, reminded the group about the following tours:
 - 1) April 8th Water Quality Lab Tour - to be rescheduled, and
 - 2) May 13th Operations and Control Center Tour - to be rescheduled

5. Future Meetings

Kathy noted that the next two Operating Board meetings will be held on April 2nd and May 7th. One or both could be via teleconference.

6. **Good of the Order**

- None

7. **Public Comment Period**

- None

8. **Material presented at Meeting:** Copies of information described on the agenda were either provided in advance or at the meeting.

9. **Board meeting was adjourned at approximately 3 p.m.**

Approved by:

Chair, Alex Chen
Seattle Water Supply System Operating Board

Date