



TO: Elizabeth Pauli, Interim City Manager
FROM: William A. Gaines, Director of Utilities, Tacoma Public Utilities
COPY: City Council and City Clerk
SUBJECT: Proposed Rate Ordinance – Amend and revise TMC Chapters 12.06
DATE: March 15, 2017

SUMMARY:

Tacoma Power requests approval by the Public Utility Board and the City Council for two rate adjustments that would become effective on April 16, 2017, and April 1, 2018.

BACKGROUND:

Tacoma Power’s revenue requirements analysis for the twenty-four month Rate Period (April 1, 2017, through March 31, 2019) indicates a revenue shortfall of approximately \$58.7 million at current rates. The main drivers for this shortfall are lower wholesale and retail revenues. To a lesser extent, increases in the Gross Earnings Tax, assessments, and personnel costs also contributed to the shortfall. The proposed rate increases are designed to generate additional revenue required to pay budgeted expenses and meet financial metrics (debt service coverage and liquidity).

In preparation for this request, Tacoma Power has sought public input through public presentations at Neighborhood Council and City Council meetings in communities served by Tacoma Power. A public hearing was held by the Public Utility Board on February 8, 2017 and the first reading by the City Council is scheduled for March 28, 2017. Based on feedback received, Tacoma Power has modified the following request from City Council Ordinance No. 28414 by putting approximately 50 percent of the residential increase into the customer charge and approximately 50 percent into the variable charge.

ISSUE:

Tacoma Power

Tacoma Power looks to recover through the proposed rate adjustments approximately \$58.7 million in additional revenues over the April 1, 2017, to March 31, 2019, Rate Period. The approved 2017/2018 Budget included the adjustments to rates so Tacoma Power can meet its debt service coverage requirements. The approximate overall adjustment in rates is two increases of 5.9 percent in both 2017 and 2018 for the system as a whole. The rate increases are distributed to different customer classes based on a Cost-of-Service Analysis.

Proposed Increase in Revenue Requirement by Class		
Rate Class		Rate Increase (two-step, levelized)
Residential	A	6.7%
Small General	B	2.4%
General	G	5.0%
High Voltage General	HVG	8.5%
Contract Industrial	CP	5.4%
Street Lighting and Traffic Signals	H1	11.0%
Private Off-Street Lighting	H2	9.3%



This ordinance also adds two new rate schedules: H-3 Street Lighting Service is a new tariff for Utility-Owned, Municipally-Maintained street lighting service; and Evergreen Options is a voluntary rate tariff for customers who want to buy qualified alternative energy resources. Additionally, the ordinance updates Tacoma Power's Electric Rate and Financial Policy to include an updated new large load policy.

Finally, the recommendation amends TMC 12.06.140 to clarify who is responsible for paying the cost of any energy, investigation, and meter resealing charges related to tampering.

ALTERNATIVES:

These rate adjustments were included in the 2017/2018 Budgets for Tacoma Power, as approved by the Public Utility Board and City Council.

RECOMMENDATION:

Tacoma Power requests approval by the Public Utility Board and the City Council for two rate adjustments effective April 16, 2017, and April 1, 2018.

FISCAL IMPACT:

Tacoma Power's revenue requirements analysis for the twenty-four month Rate period (April 1, 2017 through March 31, 2019) indicates a revenue shortfall of approximately \$58.7 million at current rates. If the ordinance is not adopted, Tacoma Power will be unable to achieve its adopted financial policy objectives regarding debt service coverage.



EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
TOTAL			

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Residential			32,484,349
Commercial/Industrial			25,434,698
Other			773,881
TOTAL			58,692,928

POTENTIAL POSITION IMPACT:

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
TOTAL			

This section should only be completed if a subsequent request will be made to increase or decrease the current position count.

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$43.2 million

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.