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SUBJECT: Tacoma Public Utilities Cost of Service Analysis and Rate Design Results
DATE: September 17, 2024

PRESENTATION TYPE:
Informational Briefing

SUMMARY:
This informational briefing will provide an overview of the Cost of Service Analysis and 2025-2026 Rate Proposals for Tacoma Public Utilities: Tacoma Power, Tacoma Water, and Tacoma Rail.

BACKGROUND:
Each biennium, Tacoma Power, Tacoma Water, and Tacoma Rail undergo clearly defined budget and ratemaking processes to determine sufficiency of current rate levels. As cost of service utilities, rates are set by each division to cover the cost of future operating and capital expenditures consistent with long-range financial planning. The cost of service analysis allocates the additional revenues needed to cover costs in a way that reflects the costs of providing service to each customer class.

The utility has experienced significant inflationary increases in both operating and capital costs. Increases related to salaries and benefits, materials and supplies, construction costs, and technology projects, including the SAP project, are contributing to revenue gaps that require adjustments to rates. In addition, Tacoma Water is experiencing ongoing operational, financial, and infrastructure impacts related to the Tacoma pulp mill closure. The proposed rate increases for Tacoma Power, Tacoma Water, and Tacoma Rail are designed to generate revenue needed to meet financial metrics, avoid rate spikes, and maintain service levels.

ISSUE:
The purpose of this informational briefing is to provide the GPFC with the preliminary results of the Cost of Service Analysis and Rate Design components of the ratemaking process. Each division is seeking feedback prior to Public Utility Board review in October.



ALTERNATIVES:

This is an informational briefing only. There are no alternatives presented.

FISCAL IMPACT:

This is an informational briefing only. There is no fiscal impact.

RECOMMENDATION:

There is an informational briefing only. There is no recommendation.