



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: Scott Dewhirst, Tacoma Water Superintendent
MEETING DATE: October 12, 2022
DATE: October 07, 2022

STRATEGIC DIRECTIVE ALIGNMENT (select as many that apply):

Please indicate which of the Public Utility Board's Strategic Directives is supported by this action.

- | | |
|--|---|
| <input type="checkbox"/> SD1 – Equity & Inclusion | <input type="checkbox"/> SD8 – Telecom |
| <input checked="" type="checkbox"/> SD2 – Financial Sustainability | <input type="checkbox"/> SD9 – Economic Development |
| <input checked="" type="checkbox"/> SD3 – Rates | <input type="checkbox"/> SD10 – Government Relations |
| <input type="checkbox"/> SD4 – Stakeholder Engagement | <input type="checkbox"/> SD11 – Decarbonization/Electric Vehicles |
| <input type="checkbox"/> SD5 – Environmental Leadership | <input type="checkbox"/> SD12 – Employee Relations |
| <input type="checkbox"/> SD6 – Innovation | <input type="checkbox"/> SD13 – Customer Service |
| <input type="checkbox"/> SD7 – Reliability & Resiliency | <input type="checkbox"/> SD14 – Resource Planning |

SUMMARY:

Tacoma Water requests approval by the Public Utility Board (PUB) to amend and revise sections of Chapter 10 (Water Regulations and Rates) in Title 12 (Utilities) of the Tacoma Municipal Code (TMC) sections 12.10.301 and 12.10.400.

The requested changes are for water rate adjustments effective January 1, 2023 and January 1, 2024.

BACKGROUND:

Tacoma Water directly serves a population of over 350,000 in the greater Tacoma metropolitan area. In 2021, the utility delivered approximately 54 million gallons a day and generated about \$99 million in water sales. While overall water consumption has remained steady, ongoing costs to maintain the utility have increased. Tacoma Water is proposing annual system average rate adjustments of 4.0% effective January 1, 2023 and 4.0% effective January 1, 2024 in order to meet these ongoing needs. The rate adjustments will be implemented across the various rate classes dependent on the result of each class' cost-of-service analysis and are scheduled to be phased in over the planning period. The rate adjustment will be distributed to fixed and variable rate elements where applicable or consistent with policy and contractual provisions.

In the development of this proposal, Tacoma Water conducted a revenue requirement, cost-of-service analysis and performed rate-design that incorporates the 2023-2024 budget request. This proposal is in alignment with industry ratemaking standards and best practices, Tacoma Water's Rate and Financial Policy, as well as the PUB's Strategic Directives of Financial Sustainability (SD-2) and Rates (SD-3). This proposal maintains long-term financial stability for the utility and gradual rate adjustments for customers.

In preparation for this request, Tacoma Water sought input from customers, policymakers, and members of the public through various meetings such as: franchise city council meetings, neighborhood council meetings, PUB study sessions and meetings, and Government Performance & Finance Committee (GPFC) meetings. Future meetings include a scheduled City Council and PUB joint study session, and public



Board Action Memorandum

hearings. Communication has also been distributed through bill inserts, mailings, website, and social media.

Based on customer research on affordability, many of Tacoma Water's customers are able to afford low, stable rate adjustments. However, there are customers that are more negatively impacted by rate increases. Therefore, this proposal also includes adjustments to Tacoma Water's Bill Credit Assistance Program, providing a portion of the available credit to all income-qualified customers who apply. The remainder of the credit is provided to those who are able to maintain their account in a current status. The automatic credit alone is enough to offset both rate adjustments for the average residential customer.

In addition to rate proposals, Tacoma Water is recommending the following minor modifications:

- Update the language in TMC 12.10.400.E from *RockTenn CP, LLC* to *Westrock CP, LLC*.
- Remove Hyada Mutual Service Company from TMC 12.10.400.I due to the payoff of balances associated with the acquisition.

Tacoma Water has presented overviews and proposals on revenue, budget and rates to the Board at different stages of the budget and rates development since early 2022. Adoption of the rate proposal by the PUB is scheduled for October 26, 2022. The first reading by the City Council is scheduled for November 15, 2022.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes.

IF THE EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED. N/A

IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? N/A

ATTACHMENTS:

- Request for Resolution
- Council Action Memorandum
- Proposed Rate Ordinance Redlined
- Proposed Rate Ordinance Clean

CONTACT:

- Primary Contact: Andrew Zaremba, Utilities Economist
- Supervisor: Jodi Collins, Financial Stewardship Manager
- Presenter: Scott Dewhirst, Tacoma Water Superintendent