



TO: Elizabeth Pauli, City Manager
FROM: Chris Robinson, Acting Director, Tacoma Public Utilities (TPU)
Heather Pennington, Superintendent, Tacoma Water

COPY: Government Performance and Finance Committee
Andy Cherullo, Director, Finance
D'Angelo Baker, Senior Management Fellow, City Manager's Office

PRESENTER: Heather Pennington, Superintendent, Tacoma Water
Ryan Cox, Assistant Division Manager, Water Utility
Chad Edinger, Assistant Section Manager, Power Utility

SUBJECT: Tacoma Public Utilities Utility Fees and Charges Update
DATE: March 4, 2025

PRESENTATION TYPE:
Request for Ordinance

SUMMARY:

Tacoma Water requests Government Performance & Finance Committee (GPFC) move to City Council for approval the proposed amendments to Tacoma Municipal Code (TMC) Title 12 (Utilities) Sections 12.10.020, 12.10.170, 12.10.200, 12.10.250, 12.10.300, 12.10.310, and 12.10.315, which will revise the water service fees and charges with a proposed effective date of April 7, 2025.

Tacoma Power requests that Government Performance & Finance Committee (GPFC) move to City Council for approval the proposed amendments to Tacoma Municipal Code (TMC) Chapter 12.01 and 12.06A, which will revise the inspection, permitting, and disconnection/reconnection fees with a proposed effective date of April 7, 2025.

BACKGROUND:

In late 2024, certain changes were made to TMC 6A.100.040. Tacoma Public Utilities investigated the impacts of the changes, and the necessary rates adjustments necessary to collect the additional operating expenses to prevent cost shifting among customers, based on cost-causation principles. Tacoma Water and Tacoma Power propose the following rate adjustments to recover the increased costs of service associated with the changes to TMC 6A.100.040 and other costs, such as labor and supplies.

ISSUE:

Tacoma Water is proposing an update to water service fees and charges to recover additional operating costs incurred by Water related to Contributions in Aid of Construction (CIAC) – assets and/or cash provided to City owned Utilities for customer-initiated utility projects.

Tacoma Power is proposing an update to the inspection and permitting fees to recover increases in labor costs and additional tax amounts incurred by Power, including City of Tacoma's GET and Washington



State Business & Occupation Tax (B&O). Separate fee increases related to general inflation, vehicle costs and an additional FTE were previously approved by the Tacoma City Council on December 3, 2024, in Ordinance 28995. This second update will supersede the fees approved in December 2024. The labor costs to provide these services increased significantly with market volatility since the fee update last year. Tacoma Power needs to increase fees to cover increases in operating and labor costs associated with disconnection, reconnection, inspection, and permitting services.

ALTERNATIVES:

If these fees are not updated, other retail customers will pay the increased costs associated with providing these services. This is inconsistent with the cost causation principle and industry ratemaking standards that those who are responsible for costs pay for the costs. The additional operating costs are generated by those who use these services, and it would not be in alignment with financial policies for other customers to pay those additional costs.

FISCAL IMPACT:

Tacoma Water will receive approximately \$1.4 million annually from this revision to water service fees and charges, which will cover the additional operating costs associated with taxes incurred by Tacoma Water relating to these charges.

Tacoma Power will receive approximately \$650,000 annually from this revision to fees, which will recover the additional operating costs incurred by Tacoma Power relating to these fees as well as increased labor costs.

RECOMMENDATION:

Tacoma Water recommends an update to water service fees and charges to recover additional operating costs incurred by Water for services provided in TMC Title 12 (Utilities) Sections 12.10.020, 12.10.170, 12.10.200, 12.10.250, 12.10.300, 12.10.310, and 12.10.315. This increase will cover additional operating costs of providing these services.

Tacoma Power recommends an update to the inspection, permitting, and disconnection/reconnection fees in TMC Chapter 12.06A and 12.01. This increase will cover additional operating costs of providing these services.