



RESOLUTION NO. U-11481

1 A RESOLUTION related to amending Chapter 12.06 of the Tacoma Municipal
2 Code, Electric Energy – Regulations and Rates, regarding electric rate
3 adjustments, effective April 1, 2025, and April 1, 2026.

4 WHEREAS the City of Tacoma, Department of Public Utilities, Light
5 Division (“Tacoma Power”), has proposed new rate adjustments under Chapter
6 12.06 in Title 12 (“Utilities”) of the Tacoma Municipal Code (“TMC”), and

7 WHEREAS Tacoma Power’s revenue requirement analysis indicates that
8 the utility needs to increase retail revenue by approximately \$66.7 million for the
9 twenty-four-month rate period starting April 1, 2025, and is equivalent to system
10 average rate increase of 5.3 percent in rate year 2025 and 2026, respectively,
11 and

12 WHEREAS the utility has experienced substantial inflationary increases
13 in operating and capital expenses such as materials and supplies, salaries and
14 benefits, construction costs, and technology upgrades that includes the SAP
15 Project, and

16 WHEREAS Tacoma Power anticipates over \$300 million in expenses
17 related to debt service spike, power cost increases, hydro facilities’ relicensing,
18 hydro project seismic safety mitigation, and grid modernization, within the next
19 ten years, and

20 WHEREAS the proposed rate increase is designed to generate the
21 additional revenue necessary to meet financial metrics, operational needs, and
22 avoid future rate shocks, and

23 WHEREAS Tacoma Power has made efforts to keep the rate increase at
24 a level that is as low as is responsible and consistent with the Public Utility
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Board's Guiding Principle GP-2, regarding financial sustainability and GP-3,
1 regarding rate stability, and

2 WHEREAS those efforts have been made by prioritizing new budget
3 additions and significantly reduced initial Operation & Maintenance ("O&M") and
4 Capital planned spending to mitigate increases in 2025-2026 biennial budget,
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7 WHEREAS efforts are being made to utilize Tacoma Power's current
8 cash reserves to limit the requested annual system-average increase of 5.3% in
9 2025 and 2026,
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11 WHEREAS in addition, Tacoma Power will increase automatic credits,
12 equal to the monthly customer fixed charge, in the Bill Credit Assistance Plan
13 ("BCAP") program to offer more financial assistance to income-constrained
14 customers, and
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16 WHEREAS the increased BCAP credits will reduce bills and partially
17 offset the proposed rate increases for participating customers, and

18 WHEREAS Tacoma Power conducted a Cost-of-Service Analysis
19 ("COSA") for the 2025-2026 biennium to determine how to raise the \$66.7
20 million in additional revenue among different rate classes, and
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22 WHEREAS the cost of providing services to each rate class will vary
23 because rate classes have different usage characteristics, therefore, the rate
24 increases allocated to each class will differ, and
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WHEREAS the following are the proposed annual rate increases for
 1 different customer classes based on the COSA, effective on April 1, 2025, and
 2 April 1, 2026, respectively:

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4 **Proposed Increase in Revenue Requirements by Class**

| Rate Class | | Annual Rate Increase (two-step, levelized) |
|-----------------------------|------------|---|
| Residential | A | 6.5% |
| Small General | B | 6.1% |
| General | G | 3.2% |
| High Voltage General | HVG | 4.4% |
| Contract Industrial | CP | 8.7% |
| Street Lighting | H1 Street | 6.9% |
| Traffic Signals | H1 Traffic | 5.4% |
| Private Off-Street Lighting | H2 | 10.4% |

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WHEREAS as part of the COSA process, Tacoma Power adjusts the detailed rates for each rate class based on the proposed rate increase percentage, i.e., the COSA indicates that Tacoma Power will need to raise residential rates by 6.5 percent in order for the residential revenue to cover its allocated cost, and

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WHEREAS the COSA also indicates that the fixed customer charge is below the fixed costs associated with providing grid connection, meters, customer care, and billing services, therefore, Tacoma Power proposes



1 increasing the residential monthly fixed charge to the COSA level of customer-
2 related fixed costs, and

3 WHEREAS as a result, the total variable charge will be increased from
4 8.4 cents per kWh to 8.7 cents per kWh in 2025, and 9.2 cents per kWh in
5 2026, for Tacoma Power residential customers; a similar analysis was
6 conducted for each rate class to develop their specific rate structures, and

7 WHEREAS this proposal is in alignment with industry ratemaking
8 standards and best practices, as well as the Public Utility Board's Guiding
9 Principle on Financial Sustainability ("GP-2") and Rates ("GP-3") and supports
10 Tacoma Power's Long-Range Financial Plan, and

11 WHEREAS Board Directive GP-2 directs the utility to incorporate
12 conservatism and gradualism into near-term budgets and rate designs to
13 ensure long-term financial stability and adequate cash reserves to respond to
14 adverse future events, and

15 WHEREAS GP-2 also directs the utility to maintain financial metrics that
16 support the lowest-cost financing and relevant reserve level, and

17 WHEREAS GP-3 specifies that rates need to be adequate, fair, and just
18 for each customer class, and

19 WHEREAS GP-3 directs the utility to set rates at the lowest levels
20 reasonably sufficient to sustain safe, reliable, and environmentally sensitive
21 utility operations and other goals, and
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WHEREAS in addition, Tacoma Power proposes to add clarity in the description of the local distribution credit eligibility on Schedule General Services, and to remove the word "grandfather" on Schedule A-2, and

WHEREAS revisions to Tacoma Power rates require approval by the Public Utility Board and Tacoma City Council pursuant to Tacoma City Charter section 4.11, and

WHEREAS the recommended changes to the rate adjustments are just, fair, and reasonable, in the best interest of the citizens of Tacoma and the customers of Tacoma Power, and Tacoma Power requests the Board approve said adjustments; Now, Therefore,

BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

That the proposed rate adjustments for 2025 set forth in Exhibit A, and the proposed rate adjustments for 2026 set forth in Exhibit B, are approved, and the Council of the City of Tacoma is requested to pass an ordinance that incorporates the revisions of Exhibit A and Exhibit B in to Chapter 12.06 of the Tacoma Municipal Code in a final form approved by the City Attorney's Office.

Approved as to form:

/s/
Chief Deputy City Attorney

Charlene Jacobs
Clerk

[Signature]
Secretary

Adopted 10-23-24