

2025-2026 Proposed Budget & Rates

City of Tacoma | Tacoma Public Utilities



Joint City Council/Public Utility Board Study Session

October 08, 2024



Agenda



- Department Overview
- 2023-2024 Accomplishments
- Challenges & Considerations
- Budget and Rates Strategy
- 2025-2026 Goals
- Capital Projects
- Biennial Budgets
- Proposed Rate Adjustments
- Rate Comparisons
- Other Rate Changes
- Public Engagement
- Bill Credit Assistance Program
- Recommended Rate & Financial Policy Updates

Overview



Tacoma Public Utilities deliver clean, reliable services essential to quality of life.



2023-2024 Accomplishments



- TPU-wide **Strategic Plan** completed
- 10-year **Management Review** conducted



- Strategy and roadmap developed to improve our “**Customer Experience**”
- Over **\$18M** in TPU funded **utility assistance** dollars
- Over 80% to goal of enrolling **10,000** households in **bill credit assistance** program



- **Advanced Meter Program** installations on track to be completed by end of year
- Completed Tacoma Power’s first **Electrification** Futures Assessment and incorporated electrification projections into the load forecast

2023-2024 Accomplishments



- Navigated the unanticipated closure of **WestRock's** Tacoma mill
- **Water & RWSS credit rating** upgrades from Moody's, affirmation of **AA+** from S&P
- Secured **grants** in support of Battery-electric locomotives (\$16M)
Howard Hanson Dam (\$500M)
- *pass thru to Army Corps of Engineers*
EV charging stations
Smart Water Meters
- New rail **locomotive fueling** facility completed
- Disposition of active operating section of the TRMW **Mountain Division** line



Challenges & Considerations



- Increased costs of Wages, Materials, and Contract Services
- Regulatory Requirements
- Capital Planning
- Technology Investments
- Impacts of removing GET exemptions

Budget & Rates Strategy



Support Strategic Plan



Align with PUB Guiding Principles



Follow Rate and Financial Policies



Mitigate Rate Impacts

2025-2026 Goals



- Continue low-income **energy efficiency** pilot program
- Continue water grant/loan programs



Strengthen pipelines and pathways to **livable wage jobs** through TPU programs and partnerships

- Internships
- Pre-apprenticeships
- Academic fellowships
- Tacoma Training and Employment Program (TTEP)



- Advance **technology**
 - SAP Now! Program in alignment with City of Tacoma
 - Power Grid Modernization
 - Smart Water Program

Capital Projects



Tacoma Power	2025-2026
Overhead Distribution & Transmissions A&R	\$ 26.6M
TPU Admin Complex Storage & Parking Facility* <i>*Priority due to the need to vacate Cushman Substation</i>	\$ 16.9M
Distribution Transformer A&R	\$ 16.6M
Automated Distribution Mgmt System (ADMS)	\$ 10.6M
Cushman #2 Units 31 and 32 Rebuild	\$ 10.0M

Cushman Substation

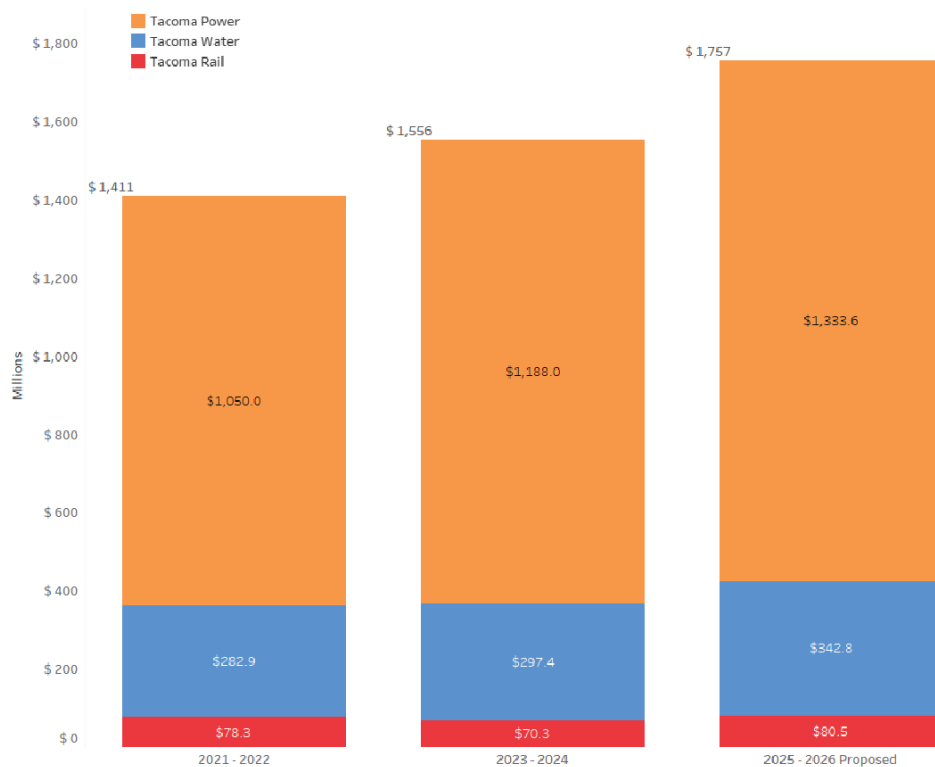


Tacoma Water	2025-2026	2027-2034
Water Operations Warehouse Building	\$ 24.7M	\$ 4.0M
Pipeline 1 Pressurization Program	\$ 12.8M	\$ 74.6M
PFAS Treatment	\$ 1.3M	\$ 46.8M
AWSP, Fish Passage & Mitigation (Water & RWSS)	\$ 7.9M	\$ 11.4M
Cascadia Reservoir & Pump Station	\$ 2.7M	\$ 10.6M



Tacoma Rail	2025-2026
Battery-Electric (zero emission) Locomotives	\$ 16.0M
US Oil Grade Crossing Signalization	\$ 2.5M
Taylor Way Yard Improvements	\$ 1.6M

Biennial Budgets



Proposed Rate Adjustments



	Tacoma Power		Tacoma Water		Tacoma Rail	
	2025	2026	2025	2026	2025	2026
System average	5.3%	5.3%	6.5%	6.5%	2.3%	2.3%
Residential	6.5%	6.5%	6.3%	6.3%	N/A	N/A
Average monthly increase	\$6.72	\$7.09	\$2.88	\$3.09	N/A	N/A

Residential rates fact sheets also made available in

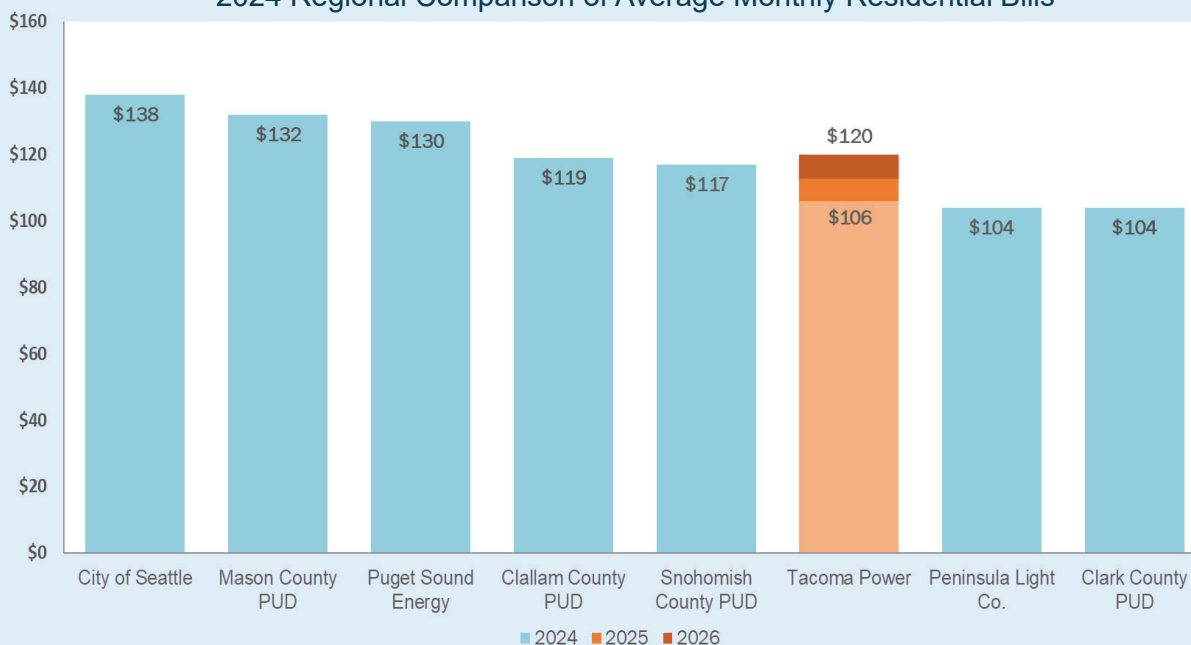
- Spanish
- Russian
- Vietnamese
- Korean
- Khmer
- Ukrainian

[MyTPU.org/rates](https://mytpu.org/rates)

Tacoma Power Residential Rate Comparisons



2024 Regional Comparison of Average Monthly Residential Bills*

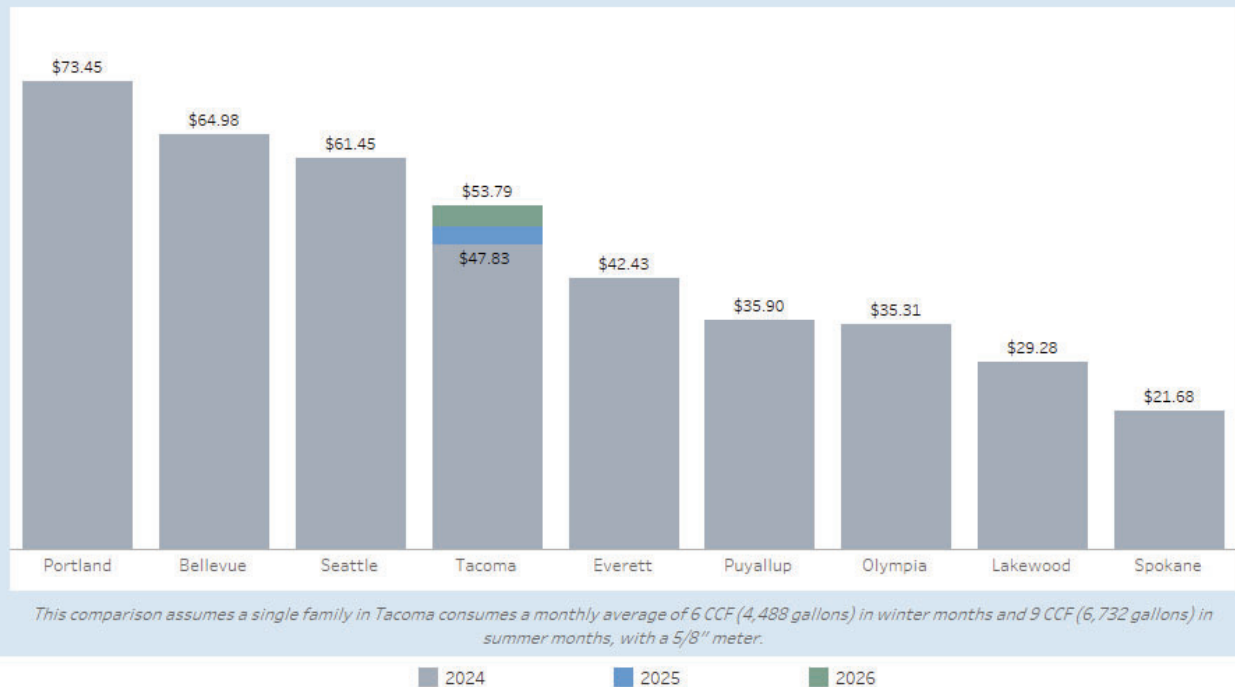


*Average bill based on utility published residential rates at 965 kWh consumption. 2025 and 2026 proposed rates for peer utilities are not represented.

Tacoma Water Residential Rate Comparisons



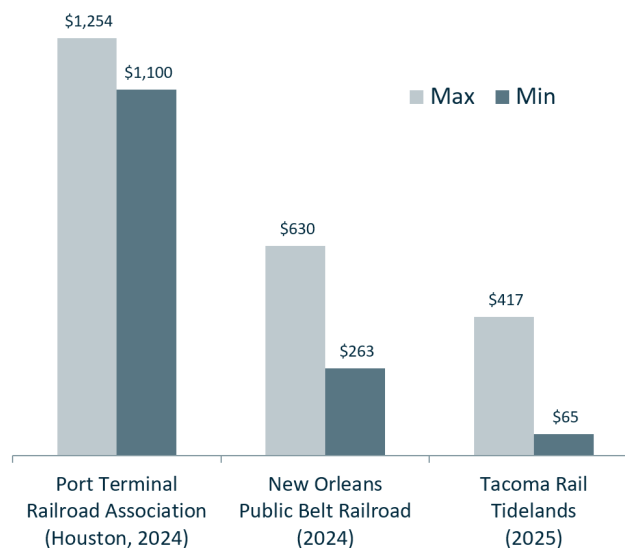
2024 Regional Comparison of Average Monthly Residential Bills



Tacoma Rail Industry Comparisons



- **Northwest Seaport Alliance (NWSA)**
 - July 10th, 2024
 - Rate increases of 5% - 12%
- **Other tariff based short lines:**



Other Rate Changes



Tacoma Power

Fee Updates to Recover Increased Costs:

- Transmission & Distribution inspection and permit fees
- Electric Vehicle public charging rate
- Electro Fuel (EF) rates

Tacoma Water

Fee Updates to Water Service Construction Charges

- Recover expenses, develop 5-year schedule with gradual step increases
- Update and add new options in response to developer and staff feedback

Tacoma Rail

- Miscellaneous switching tariff rates
- Demurrage tariff rates

See Appendix for Details

Public Engagement

Belief &
Trust



Budget & Rates

- Neighborhood Councils, Block Groups, Metro Parks
(in partnership with Environmental Services)
- Chamber of Commerce and Economic Development and Trade Organizations
- Franchise Cities and local government partners
- Key Account Customers (JBLM, hospitals, school districts, etc.)
- Business Districts
- where possible, joining existing community events or meetings

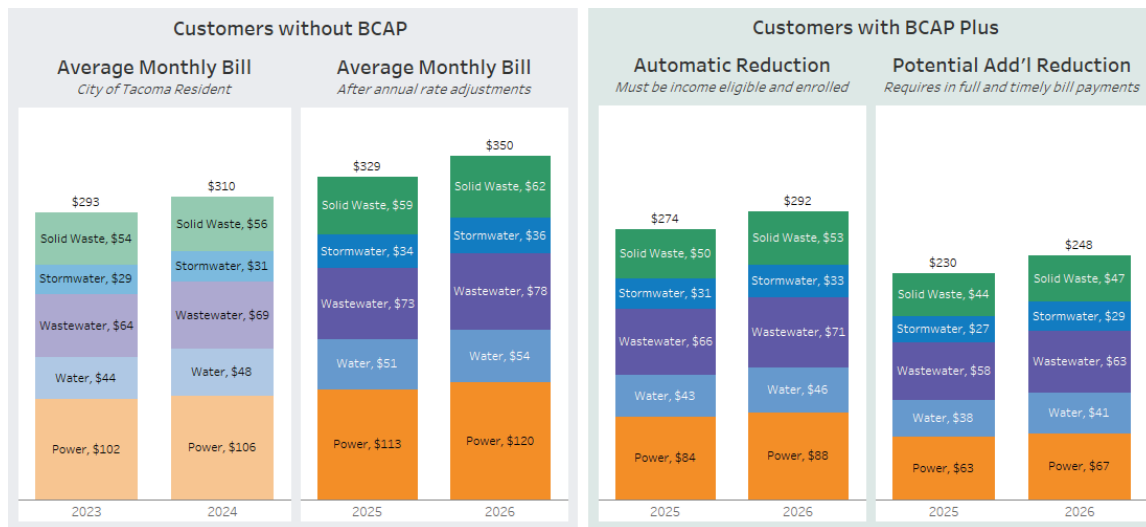
Ongoing

- Website contains links to meetings, presentations, and recordings
- Social Media posts
- Online customer feedback form
- Utility bill inserts and messaging
- Multilingual fact sheets and newsletters

Bill Credit Assistance Program



Comparing an average monthly five-service bill with and without bill credit assistance.



** For the total 5 service bill, proposed rate adjustments equate to an average of 6.4% increase per year in 2025 and 2026.*

TPU-wide goal to reach 10,000 BCAP enrollment by the end of 2024 is still in place.

Additional Customer Assistance Opportunities



TPU Discount Rate

Low Income Elderly (LIE)
Low Income Disabled (LID)

Federal Assistance for Renters and Homeowners

Low Income Home Energy Assistance Program (LIHEAP)
Low Income Water Assistance Program (LIHWAP)

TPU Financial Education Credit

A one-time credit (up to \$160) available upon completion of class

TPU Conservation, Savings & Incentives

mytpu.org/ways-to-save

Water Grant & Loan program
Energy Efficiency Program

Recommended Rate & Financial Policy Updates*



*See Appendix for Details

Tacoma Power

- Include *future consumption* assumptions in load forecasting
- Include *electrification assumptions* in financial planning
- Expand objective to include *adequate power supply and transmission planning*
- *New*: establish *core reserve* balance target related to *market and hydro volatility*
- Other minor language edits

Tacoma Water

- Expand objective to include water *quality*, in addition to existing supply language
- Updating *lower limit* language on *operating reserve* balance
- Other minor language edits

Tacoma Rail

- Updating *lower limit* language on *operating reserve* balance

A photograph of a modern, multi-story building with large glass windows, likely the Tacoma Public Utilities headquarters. The building is set against a clear blue sky. In the foreground, there are some trees and a street sign. The text 'Questions?' is overlaid in white on the building image.

Questions?



Appendix



Power Rate and Financial Policy Recommended Changes



Power rates should reflect resource planning to meet or exceed long term customer needs

Proposed: Revised Subsection IV.B.1.a

The projected load forecast for the rate review process shall include the consumption effects of price, ~~and~~ local economic and demographic conditions[, *and other projected impacts to future consumption.*] Projected retail revenues will be based on average weather assumptions.

Proposed: Revised Subsection IV.B.1.c

Both the short-term and long-term rate impacts of conservation programs[, *electrification assumptions.*] and generating resource development will be considered when establishing current funding levels.

Proposed: New Subsection IV.B.1.d.

Power rates will be designed to ensure sufficient and reliable power supply and transmission. This includes the procurement and maintenance of sources of supply, infrastructure, facilities, and personnel to meet or exceed regulatory requirements.

Power Rate Setting Practices - minor language changes

Proposed: Revised Subsection IV.A.1.

Rates will be set at levels to provide projected cash balances ~~equivalent to a minimum~~ of *[more than]* 90 days of current budgeted expenditures.

Proposed: Revised Subsection IV.A.3.

The Utility will plan to a minimum Debt Service Coverage Ratio of ~~4-8~~*[2.0]* based on net revenues including surplus sales estimated using ~~median~~ *[average]* water availability or at higher levels consistent with sound financial practice in the electric industry.

Power Rate and Financial Policy Recommended Changes



Public Utility Board Guiding Principle 2 Financial Sustainability:

“TPU planning methods should incorporate conservatism and gradualism ... to ensure long-term financial stability and anticipate unexpected future events with adequate cash reserves ...”

Proposed: Revised Subsection V.B.1

[Upon the availability of excess wholesale revenues, Tacoma Power will target a core balance of \$100 million in the Fund. Core balance is defined as the revenues set aside to mitigate the variability in hydro supply and wholesale market prices only. The Fund Total Balance can be higher to reserve revenues for other operational purposes. In addition,] at the conclusion of each fiscal year, Tacoma Power will evaluate the adequacy of the [core balance] amount in the Fund for meeting the forecast difference between critical and adverse water conditions over the next two fiscal years. [The core balance target threshold will be re-evaluated on a periodic basis, at a minimum upon significant operational or market changes that impact wholesale revenues.]

Water Rate and Financial Policy Recommended Changes



A. Water Rates Should Ensure Adequate Supply

Recommendation

Expand objective to include water quality

Proposed Updated Objective A.

Water Rates Should Ensure Adequate Supply
[Water Quality and Robust Supply]

Proposed New Subsection A.9.

Water rates will be designed to preserve and protect water quality. This includes the maintenance of sources of supply, infrastructure, facilities, and personnel to meet or exceed regulatory requirements.

B. Water Rates Should Be As Low As Is Responsible

Recommendation

Minor language changes to enhance policy

Proposed Revised Subsection B.2.

Tacoma Water will secure the least costly means of financing for capital improvement projects based on evaluation of the Utility's financial position and capital needs. Financing mechanisms may include the use of revenue funding, ~~unallocated~~ operating or capital reserves, low interest loans, revenue bond funding and other means as deemed prudent.

Proposed Revised Subsection B.4.

Rates shall be set at levels such that projected current fund (fund 4600) cash balances will be equal to *[more than]* 60 days of current budgeted expenditures.

Rail Rate Policy Recommended Changes



A. Rail rates should be cost based and adequate to recover Tacoma Rail's costs.

• Recommendation

- Minor language changes to enhance policy

• Proposed Revised Subsection A.5.

- The minimum working cash balance shall be sufficient enough to cover **[more than]** 60 days of current budgeted expenditures as outlined in Public Utility Board Policy 3.6, dated August 1992.

Other Rate Changes – Power



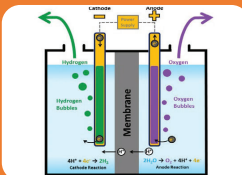
T & D Inspection and Permit Fees

- Fee update to cover increased costs.
- Propose \$8 increase on non-commercial inspection fees; 5% increase on commercial inspection fees.
- Update reconnection fees



EV Public Charging Rate

- Increase rate from \$0.21/kWh to cover higher operating costs
- Level 2: \$0.25/kWh
- DC Fast Charging: \$0.40/kWh



Electro Fuel (EF) Rates

- Market conditions have increased the cost for providing power to very large load customers
- Structure EF rate based on Schedule VLL where very large load customers pay for the incremental power supply costs
- Offer demand response option

Other Rate Changes - Water



Responding to Developer and Staff Feedback

- Added new construction charges for service sizes 1.5" and 2.0"
 - Provides pricing certainty to customers
 - Less administration than T&Ms
- Added "a la carte" options for flagging and paving
 - Removes flagging and paving costs from construction charges
 - Only customers who need paving and flagging will pay for those services
- Reduced the minimum width of Main Charge calculation for Residential zoning from 50 front feet to 20 front feet to align with Home in Tacoma minimum lot width
- Improved sequence for Fire-Domestic Combination Meters from application/installation/water quality approval

Other Rate Changes - Water



Updates to existing Water Construction Charges

**Proposed Fixed Fee Adjustment Ala Carte
1.0" and Under**

Escalation 3%

	2024 TMC Rate	2025	2026	2027	2028	2029
3/4" Service Stub	\$ 1,040	\$ 825	\$ 850	\$ 875	\$ 900	\$ 925
5/8" Meter, Yoke & Box	\$ 530	\$ 650	\$ 675	\$ 700	\$ 725	\$ 750
5/8" Meter Only	\$ 230	\$ 325	\$ 350	\$ 375	\$ 400	\$ 425
3/4" Service with 5/8" Meter	\$ 3,660	\$ 4,225	\$ 4,350	\$ 4,475	\$ 4,600	\$ 4,750
1" Service with 5/8" Meter	\$ 4,460	\$ 4,275	\$ 4,400	\$ 4,525	\$ 4,650	\$ 4,800
1" Service with 3/4" Meter	\$ 4,670	\$ 4,300	\$ 4,425	\$ 4,550	\$ 4,675	\$ 4,825
1" Service with 1" Meter	\$ 4,760	\$ 4,325	\$ 4,450	\$ 4,575	\$ 4,700	\$ 4,850
1" Service Stub	\$ 1,100	\$ 1,475	\$ 1,525	\$ 1,575	\$ 1,625	\$ 1,675
3/4" Meter, Yoke & Box	\$ 890	\$ 900	\$ 925	\$ 950	\$ 975	\$ 1,000
3/4" Meter Only	\$ 660	\$ 400	\$ 400	\$ 425	\$ 425	\$ 450
Meter Exchange from 5/8" to 3/4"	\$ 790	\$ 775	\$ 800	\$ 825	\$ 850	\$ 875
Meter Exchange from 3/4" to 5/8"	\$ 370	\$ 550	\$ 650	\$ 700	\$ 750	\$ 825
Meter Exchange from 1" to 5/8"	\$ 230	\$ 325	\$ 450	\$ 575	\$ 700	\$ 825
Meter Exchange from 5/8" to 1"	\$ 790	\$ 800	\$ 825	\$ 850	\$ 875	\$ 900
Meter Exchange from 3/4" to 1"	\$ 790	\$ 800	\$ 825	\$ 850	\$ 875	\$ 900
Meter Exchange from 1" to 3/4"	\$ 230	\$ 325	\$ 375	\$ 425	\$ 475	\$ 575
1" Meter Only	\$ 560	\$ 575	\$ 600	\$ 625	\$ 650	\$ 675
1" Meter, Yoke & Box	\$ 1,360	\$ 1,375	\$ 1,425	\$ 1,475	\$ 1,525	\$ 1,575

Paving Ala Carte
Flagging Ala Carte

\$ 2,925	\$ 3,025	\$ 3,125	\$ 3,225	\$ 3,325
\$ 900	\$ 925	\$ 950	\$ 975	\$ 1,000

**Proposed Fixed Fee Adjustment Ala Carte
1.5" and Over**

Escalation 3%

	2025	2026	2027	2028	2029
2.0" Stub	\$ 4,075	\$ 4,200	\$ 4,325	\$ 4,450	\$ 4,575
2.0" Service with 5/8" Meter	\$ 8,525	\$ 8,775	\$ 9,050	\$ 9,325	\$ 9,600
2.0" Service with 1" Meter	\$ 9,400	\$ 9,675	\$ 9,975	\$ 10,275	\$ 10,575
2.0" Service with 1.5" Meter	\$ 9,750	\$ 10,050	\$ 10,350	\$ 10,650	\$ 10,975
2.0" Service with 2.0" Meter	\$ 10,100	\$ 10,400	\$ 10,700	\$ 11,025	\$ 11,350
Meter Exchange from 2.0" to 1.5"	\$ 1,275	\$ 1,325	\$ 1,375	\$ 1,425	\$ 1,475
Meter Exchange from 1" to 2.0"	\$ 2,325	\$ 2,400	\$ 2,475	\$ 2,550	\$ 2,625
Meter Exchange from 1.5" to 1"	\$ 1,275	\$ 1,325	\$ 1,375	\$ 1,425	\$ 1,475
Meter Exchange from 1.5" to 2.0"	\$ 2,325	\$ 2,400	\$ 2,475	\$ 2,550	\$ 2,625
Meter Exchange from 2.0" to 3/4"	\$ 1,275	\$ 1,325	\$ 1,375	\$ 1,425	\$ 1,475
Meter Exchange from 2.0" to 5/8"	\$ 1,275	\$ 1,325	\$ 1,375	\$ 1,425	\$ 1,475
Meter Exchange from 5/8" to 1.5"	\$ 2,325	\$ 2,400	\$ 2,475	\$ 2,550	\$ 2,625
1.5" Meter Only	\$ 825	\$ 850	\$ 875	\$ 900	\$ 925
2.0" Meter Only	\$ 1,450	\$ 1,500	\$ 1,550	\$ 1,600	\$ 1,650

Paving Ala Carte
Flagging Ala Carte

\$ 2,925	\$ 3,025	\$ 3,125	\$ 3,225	\$ 3,325
\$ 900	\$ 925	\$ 950	\$ 975	\$ 1,000

Rail Rate Changes



- **Demurrage tariff**
 - Last adjusted in 2023
 - Rate change from \$65 to \$70 per day
- **Line haul rates**
 - Last adjusted in 2024
 - Rate adjustments per year (see chart)
 - 3% intermodal
 - 3% single spot unit trains
 - 2.5%
 - Tidelands commercial
 - Multiple spot unit trains
 - 2% Lakewood Subdivision
- **Miscellaneous switching tariff rates**
 - Last adjusted in 2023
 - Inter-terminal, intra-terminal, intra-plant
 - Rate adjustment of 3% for 2025

Proposed Line Haul Rates

	2024	Proposed Rates	
		2025	2026
Intermodal	\$ 63.00	\$ 65.00	\$ 67.00
Commercial			
Tidelands Division	350.00	358.00	367.00
Tidelands Division Hazardous	407.00	417.00	428.00
Lakewood Subdivision	647.00	660.00	669.00
Unit Train			
Single Spot	262.00	270.00	278.00
Multiple Spot	350.00	358.00	367.00