



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Jackie Flowers, Director of Utilities, Tacoma Public Utilities  
**COPY:** City Council and City Clerk  
**SUBJECT:** Proposed Rate Ordinance – Amend and revise TMC Chapters 12.06; First Reading 11/13/18  
**DATE:** October 2, 2018

**SUMMARY:**

Tacoma Power requests approval by the Public Utility Board and the City Council for two rate adjustments that would become effective on April 1, 2019, and April 1, 2020.

**BACKGROUND:**

Tacoma Power’s revenue requirements analysis for the twenty-four month Rate Period (April 1, 2019, through March 31, 2021) indicates a revenue shortfall of approximately \$21.9 million at current rates. The main drivers for this shortfall are general inflationary increases in operating and capital expenses such as technology upgrades, regulatory compliance, and cybersecurity enhancements. The proposed rate increases are designed to generate additional revenue required to pay budgeted expenses and meet financial metrics (debt service coverage and liquidity).

In preparation for this request, Tacoma Power has sought public input through public presentations at Neighborhood Council and City Council meetings in communities served by Tacoma Power. A public hearing by the Public Utility Board is scheduled for October 10, 2018, and the first reading by the City Council is scheduled for November 13, 2018.

**ISSUE:**

Tacoma Power looks to recover through the proposed rate adjustments approximately \$21.9 million in additional revenues over the April 1, 2019, to March 31, 2021, Rate Period. A public hearing by the Public Utility Board is scheduled for October 10, 2018, and the first reading by the City Council is scheduled for November 13, 2018.

<b>Proposed Increase in Revenue Requirement by Class</b>			
<b>Rate Class</b>		<b>Rate Increase (two-step, levelized)</b>	
Residential	A	0.9%	
Small General	B	0.7%	
General	G	4.0%	
High Voltage General	HVG	3.1%	
Contract Industrial	CP	2.2%	
Street Lighting	H-1	4.0%	
Traffic Signals	H-1	0.0%	
Private Off-Street Lighting	H-2	4.0%	

**ALTERNATIVES:**

These rate adjustments are included in the proposed 2019/2020 Budget for Tacoma Power, as under review by the Public Utility Board and City Council.

**RECOMMENDATION:**

Tacoma Power requests approval by the Public Utility Board and the City Council for two rate adjustments effective April 1, 2019, and April 1, 2020.



**FISCAL IMPACT:**

At current rates, Tacoma Power’s revenue requirements analysis indicates a revenue shortfall of approximately \$16.5 million for the 2019/2020 Budget period (January 1, 2019 to December 31, 2020), and \$21.9 million for the Rate Period (April 1, 2019 through March 31, 2021). If the ordinance is not adopted, Tacoma Power will be unable to achieve its adopted financial policy objectives.

**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
<b>TOTAL</b>			

\* General Fund: Include Department

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Residential			\$3,658,497
Commercial/Industrial			\$12,742,938
Other			\$140,110
<b>TOTAL</b>			<b>\$16,541,545</b>

**POTENTIAL POSITION IMPACT:**

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
<b>TOTAL</b>			

*This section should only be completed if a subsequent request will be made to increase or decrease the current position count.*

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$16.5 million**

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes**

**IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.**

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