



TACOMA PUBLIC UTILITIES
3628 South 35th Street
Tacoma, Washington 98409-3192

March 14, 2014

To the Chair and Members of the Public Utility Board and
To the Mayor and Members of the City Council

Tacoma Water requests approval by the Public Utility Board and City Council of amendments to the existing Water Rate and Financial Policy. These proposed revisions will facilitate the development of term-limited, market-based wholesale water rates.

In its April 2012 Strategic Plan, Tacoma Water identified the marketing of currently available excess water supply as a key initiative to optimize developed resource and infrastructure. Multiple utilities in the King and Pierce County region have purchased Wholesale Water, but many of these utilities are not utilizing that purchased water, instead choosing to utilize their own supplies to avoid the higher commodity cost associated with the Tacoma supply. In some cases, currently connected customers are opting to make investments in regionally unnecessary additional water supplies to avoid what they determine to be more expensive Tacoma supply. This situation has resulted in stranded investment, at least for the near term (next 20 years) future.

Most Wholesale customers have alternative water resource choices for part or all of their water supply needs. While Tacoma is not supply constrained, it is in the ratepayers' interest to optimize sales to Wholesale customers. This increased revenue will offset overall utility expenses, and to the extent this is successful, reduce rate impacts to retail ratepayers.

Through approval of the proposed changes, Tacoma Water can proceed with detailed analysis of the financial and supply characteristics of interested wholesale customers, and proceed with negotiations that could result in term-limited, market-priced wholesale agreements.

Sincerely,

William A. Gaines
Director of Utilities/CEO

Attachment

