



RESOLUTION NO. 38876

1 A RESOLUTION relating to the Department of Public Utilities, Water Division
2 (d.b.a. "Tacoma Water"); amending the Water Rate and Financial Policy
3 to facilitate the development of term-limited, market-based wholesale
water rates.

4 WHEREAS, in 1993, pursuant to Public Utility Board ("Board") Resolution
5 No. U-8906 and City Council Resolution No. 32375, the Board and the City
6 Council approved the Water Rate Policy ("Policy") to provide future direction to
7 the Department of Public Utilities, Water Division (d.b.a. "Tacoma Water"), for
8 short- and long-term planning decisions and to ensure that reliable service is
9 provided to all customers at the lowest possible cost, consistent with prudent
10 utility management; and subsequent Policy amendments were also approved,
11 and
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13 WHEREAS Tacoma Water desires to revise the Policy to facilitate the
14 development of term-limited, market-based wholesale water rates, and
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16 WHEREAS, in its April 2012 Strategic Plan, Tacoma Water identified the
17 marketing of currently available excess water supply as a key initiative to
18 optimally deploy developed resources and infrastructure, and
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20 WHEREAS multiple water utilities in the King and Pierce County regions
21 have purchased wholesale water supply capacity from Tacoma Water, but
22 many are not utilizing that capacity; instead, they are choosing to use their own
23 supplies to avoid the higher commodity cost associated with the Tacoma Water
24 supply, and
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1 WHEREAS, in some cases, currently connected wholesale water
2 customers are opting to make investments in regionally unnecessary additional
3 water supplies to avoid what they determine to be more expensive Tacoma
4 Water supply, and

5 WHEREAS this has resulted in stranded investment for Tacoma Water
6 at least for the near term future (next 20 years), and

7 WHEREAS most wholesale customers have alternative water resource
8 choices for some or all of their water supply needs, and

9 WHEREAS, while Tacoma Water is not supply-constrained, it is in the
10 City's and the ratepayers' best interest to increase sales to wholesale
11 customers, and

12 WHEREAS the proposed amendment incorporates language into
13 Sections III.B.8 and III.C.8 of the Policy which will provide latitude to Tacoma
14 Water staff to negotiate market-based pricing agreements with customers in
15 Tacoma Water's wholesale market, and

16 WHEREAS the increased revenue generated from wholesale water
17 sales will offset overall utility expenses and, to the extent this is successful,
18 reduce rate impacts to retail customers, and

19 WHEREAS all negotiated agreements are subject to approval by the
20 Tacoma Public Utility Board and the Tacoma City Council, and

21 WHEREAS Tacoma Water and the Board believe it is in the best interest
22 of the public to approve said amendments to the Policy; Now, Therefore,
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BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

That the proposed revisions to the Department of Public Utilities, Water Division (d.b.a. "Tacoma Water"), Water Rate and Financial Policy, as on file in the office of the City Clerk, are hereby approved.

Adopted _____

Mayor

Attest:

City Clerk

Approved as to form:

Chief Deputy City Attorney

Requested by Public Utility Board
Resolution No. U-10682