



TO: Elizabeth Pauli, City Manager
FROM: Jackie Flowers, Director of Utilities, Tacoma Public Utilities
COPY: City Council and City Clerk
SUBJECT: Proposed Updates to the Electric Rate and Financial Policy
DATE: November 15, 2022

SUMMARY AND PURPOSE:

Tacoma Power requests the City Council's approval of proposed updates to the Electric Rate and Financial Policy to highlight long-term financial planning, gradualism, equity, affordability and climate change as areas of focus.

BACKGROUND:

This Department's Recommendation is Based On:

The Electric Rate and Financial Policy gives direction to future short-term and long-term planning decisions and helps ensure that reliable service is provided to all customers at the lowest possible cost consistent with prudent utility management. This policy was last updated in November 2018.

Power rates staff conducts regular quantitative and qualitative reviews of the Electric Rate and Financial Policy to ensure that the policy is sound and is reflective of management and Public Utility Board directives and priorities. During this review, staff found that although the current policy is valid, there is opportunity to modernize existing language and highlight important areas of focus including long-term financial planning, gradualism, equity, affordability and climate change.

Language was added to the Electric Rate and Financial Policy in support of the areas of focus listed above. The Government Performance and Finance Committee was briefed on June 7, 2022 on the proposed updates. On June 29, 2022, the Public Utility Board adopted Resolution U-11327 approving the revised Tacoma Power's Electric Rate and Financial Policy and requesting that the City Council concur in the approval.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

The updated Electric Rate and Financial Policy will improve community engagement and customer research through its emphasis on equity. The communities Tacoma Power serves will benefit from the utility's operationalization of equity in financial planning and rate setting process.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: (Mandatory)

One of the updates to the Electric Rate and Financial Policy is the highlighted emphasis on equity and equitable access to information. With this policy guidance, Tacoma Power will endeavor to ensure community engagement, equity in customer rates, minimizing cross-subsidization, no rate discrimination among similarly situated customers, and addressing affordability issue, especially among under-represented and vulnerable communities.



Economy/Workforce: *Equity Index Score:* Moderate Opportunity

Increase the number of infrastructure projects and improvements that support existing and new business developments.

Increase positive public perception related to impact of rates on the Tacoma economy.

Civic Engagement: *Equity Index Score:* Moderate Opportunity

Increase the percentage of residents who believe they are able to have a positive impact on the community and express trust in the public institutions in Tacoma.

Representation at public meetings will reflect the diversity of the Tacoma community

Livability: *Equity Index Score:* Moderate Opportunity

Decrease the percentage of individuals who are spending more than 45% of income on housing and transportation costs.

Increase positive public perception of safety and overall quality of life.

Explain how your legislation will affect the selected indicator(s).

The updated Electric Rate and Financial Policy will guide Tacoma Power to operationalize equity and affordability in rate making and financial planning processes. Notably, under the Policy, Tacoma Power is committed to improving financial assistance programs for income-constrained customers to mitigate future rate increases, implementing gradual and consistent rate adjustments through long-term planning, mitigating the impacts of climate change on the electric system in an affordable manner, and providing equitable access to information through community engagement.

ALTERNATIVES:

Presumably, your recommendation is not the only potential course of action; please discuss other alternatives or actions that City Council or staff could take. Please use table below.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Not update the Electric Rate and Financial Policy	None	The language in the Policy will be stable and not reflect the salient issues in the contemporary time.
2.		
3.		

EVALUATION AND FOLLOW UP:

Power rates staff will continue to review the Electric Rate and Financial Policy to ensure the policy is reflective of management and Public Utility Board’s directives and priorities.

STAFF/SPONSOR RECOMMENDATION:

Tacoma Power recommends the City Council to approve the proposed updates to the Electric Rate and Financial Policy to highlight long-term financial planning, gradualism, equity, affordability and climate change as areas of focus.



FISCAL IMPACT:

There is no fiscal impact for this action. The policy provides guidance to Tacoma Power's rate making and financial planning.

What Funding is being used to support the expense?

N/A

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

N/A

Are there financial costs or other impacts of not implementing the legislation?

YES

Will the legislation have an ongoing/recurring fiscal impact?

YES

Will the legislation change the City's FTE/personnel counts?

No

No additional personnel is required.

ATTACHMENTS:

- Proposed amendment to Tacoma Power Electric Rate and Financial Policy