



**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 19, 2024

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**SUMMARY AND PURPOSE:**

Tacoma Power requests the City Council's approval for proposed updates to the Electric Rate and Financial Policy to reflect resource planning to meet customer needs, update load forecasting language to incorporate anticipated electrification, clarify minimum and targeted financial ratios, and establish a core balance target in the Rate Stabilization Fund (RSF).

**BACKGROUND:**

**This Department's Recommendation is Based On:**

The Electric Rate and Financial Policy gives direction to short-term and long-term financial 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 2023.

Power rates and financial planning 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 the clarification and expansion of policy language as follows:

- Propose minor changes to subsections IV.A.1 and IV.A.3 regarding minimum financial ratios and projected cash balances to ensure the Policy is consistent with business practices;
- Update load forecasting language to include assumptions around electrification in subsections IV.B.1.a and IV.B.1.c;
- Add a new subsection, IV.B.1.d, to better align the Policy with updated Board Guiding Principle 14 regarding Resource Planning in meeting customer needs with sufficient and reliable power supply and transmission; and
- Propose revisions to Subsection V.B.1 to establish a core balance target in Power's Rate Stabilization Fund.

The Government Performance and Finance Committee was briefed on June 4, 2024 and October 1, 2024 on the proposed updates to Tacoma Power's Electric Rate and Financial Policy which aim to minimize drastic fluctuations in rate increases while ensuring sufficient power supply and transmission are reflected to meet anticipated increases in electrification demand and evolving customer needs. The changes to the policy also establish a RSF core balance target to mitigate hydro supply and wholesale market price variability in order to help stabilize rates into the future.



**COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:**

The updated Electric Rate and Financial Policy will improve community engagement and customer research through its emphasis on maintaining financial stability and minimizing drastic fluctuations in rate increases to customers. The communities Tacoma Power serve will benefit from the utility’s updated forecasting goals and requirements as Tacoma Power aims to minimize drastic fluctuations in rate increases.

**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 not reflect resource planning for customer needs, a RSF core balance target, nor an update of financial targets.
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 the 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 reflect resource planning to meet customer needs and anticipated electrification, clarify minimum and target financial ratios, and establish a Rate Stabilization Fund core balance target.

**FISCAL IMPACT:**

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

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1.N/A			
2.			
<b>TOTAL</b>			



City of Tacoma

City Council Action Memorandum

**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?**

**NO, PLEASE EXPLAIN BELOW**

No additional expenditures proposed.

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

No

**Will the legislation have an ongoing/recurring fiscal impact?**

No

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

No

No additional personnel is required.

**ATTACHMENTS:**

- The Tacoma Power Electric Rate and Financial Policy redlined with proposed amendments.