



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
DATE: March 31, 2020

SUMMARY:

Tacoma Power is requesting that the City Council revise Chapter 12.06 of the Tacoma Municipal Code (“TMC”) by declaring an emergency and amend Ordinance No. 28551 to delay a scheduled increase to electric rates due to COVID-19 related state of emergency.

BACKGROUND:

On October 24, 2018, the Public Utility Board passed Resolution No. U-11033 amending and revising Chapter 12.06 of the Tacoma Municipal Code regarding electric regulations and rates effective April 1, 2019 and April 1, 2020. At that time, Tacoma Power’s official revenue requirement analysis for the twenty-four month Rate Period (April 1, 2019 through March 31, 2021) projected a revenue shortfall of approximately \$21.9 million at current rates. The Resolution addressed this shortfall by implementing two system-average 2.0% electric rate increases to become effective April 1, 2019 and April 1, 2020. On November 20, 2018, the City Council passed Ordinance No. 28551 implementing these rate increases.

ISSUE:

On March 12, 2020, the Mayor of Tacoma issued a proclamation of emergency due to novel coronavirus COVID-19. This state of emergency was confirmed by the City Council on March 17, 2020. In response to this emergency, Tacoma Power requests that the electric rate increase scheduled to become effective April 1, 2020 be delayed until July 1, 2020. This rate increase was designed to recover approximately \$7.5 million of additional revenue in the twelve months remaining in the Rate Period (April 1, 2020 through March 31, 2021). Tacoma Power now forecasts to collect only \$5.7 million of additional revenue during the remaining Rate Period. No changes to rate design or apportionment of the rate increase among the classes is proposed.

In order to implement this rate increase delay in a timely fashion, Tacoma Power requests that the City Council use its emergency powers to dispense with the second reading and ten-day waiting period for this Ordinance change. Instead, the utility requests the City Council approval of the proposed rate adjustments in TMC 12.06 to become effective immediately.

ALTERNATIVES:

If no action is taken, the rate increase will become effective on April 1, 2020 as outlined in Ordinance No. 28551, Exhibit B.

RECOMMENDATION:

Tacoma Power requests approval by the City Council for two rate adjustments effective April 1, 2020, and July 1, 2020.

FISCAL IMPACT:

With the rates outlined in Ordinance No. 28551, Exhibit B, Tacoma Power planned to recover approximately \$7.5 million of additional revenue between April 1, 2020 and March 31, 2021. Tacoma Power now forecasts to collect \$5.7 million of additional revenue during the same period. Therefore, the estimated revenue loss is \$1.8 million.



EXPENDITURES:

| FUND NUMBER & FUND NAME * | COST OBJECT (CC/WBS/ORDER) | COST ELEMENT | TOTAL AMOUNT |
|---------------------------|----------------------------|--------------|--------------|
| | | | |
| | | | |
| | | | |
| TOTAL | | | |

* General Fund: Include Department

REVENUES:

| FUNDING SOURCE | COST OBJECT (CC/WBS/ORDER) | COST ELEMENT | TOTAL AMOUNT |
|-----------------------|----------------------------|--------------|---------------------|
| Residential | | | -\$382,882 |
| Commercial/Industrial | | | -\$1,382,637 |
| Other | | | -\$25,345 |
| TOTAL | | | -\$1,790,864 |

POTENTIAL POSITION IMPACT:

| POSITION TITLE | PERMANENT/ PROJECT TEMPORARY POSITION | FTE IMPACT | POSITION END DATE |
|----------------|--|------------|-------------------|
| | | | |
| | | | |
| | | | |
| TOTAL | | | |

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: \$-1.8 million

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No

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

Tacoma Power plans to use existing reserves and cost management to mitigate the impact the rate increase delay.