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**SUBJECT:** Tacoma Public Utilities Preliminary Budget and Rates Update  
**DATE:** October 1, 2024

**PRESENTATION TYPE:**  
Informational Briefing

**SUMMARY:**

This informational presentation will provide an overview of the 2025-2026 biennium proposed budgets and revenue increases for the TPU utilities: Tacoma Water, Tacoma Power, and Tacoma Rail. The information presented will be based on the preliminary proposed budgets and provide more detail regarding utility rates and long-range financial planning.

**BACKGROUND:**

In 2024, TPU provided a number of informational presentations to the GPFC in support of a foundational understanding of the utility budget and rate development processes. These presentations have included Tacoma Water and Tacoma Power Long-Range Financial plan updates, rate-making principles, cost of service analysis and rate design, and Tacoma Power's reserve policies.

Every two years, as part of the biennial budget process, each utility develops rates guided by legal, industry-standard, and TPU principles and policies. The two-year budget and revenue requirement, including projected operating and capital costs, debt service, and taxes, offset by non-retail revenue and sales revenue at existing rates, is used to inform the long-range financial plan. The long-range plan includes financial forecasting, rate modeling and financial strategy to develop financing plans in support of gradual rate adjustments for customers while maintaining financial metrics in alignment with policies to provide financial flexibility and sustainability for the utilities.



The TPU utilities have been actively engaged with Director Flowers and the Public Utility Board to provide additional insight during the budget and rate-making development as well as a transparent view of the specific challenges the utilities are facing. The final rate proposals for the utility rates will be approved by the Public Utility Board and recommended for approval by the Tacoma City Council.

**ISSUE:**

All of the utilities are experiencing significant inflationary increases in both operating and capital costs related to salaries and benefits, materials and supplies, construction costs, and technology projects including the SAP project.

All of these factors have been incorporated into the proposals for the 2025-2026 biennium.

**ALTERNATIVES:**

This is an informational briefing only. There are no alternatives presented.

**FISCAL IMPACT:**

This is an informational briefing only. There is no fiscal impact.

**RECOMMENDATION:**

There is an informational briefing only. There is no recommendation.