



TACOMA PUBLIC UTILITIES
 3628 South 35th Street
 Tacoma, Washington 98409-3192

February 13, 2017

To: Mayor Strickland and Tacoma City Council Members
 Public Utility Board

Tacoma Power requests approval by the Public Utility Board and the City Council for rate adjustments effective April 1, 2017, and April 1, 2018. The proposed rate increases are designed to generate additional revenue required to pay budgeted expenses and meet financial metrics (debt service coverage and liquidity).

In preparation for this request, Tacoma Power has sought public input through public presentations at Neighborhood Council and City Council meetings in Tacoma and other communities served by Tacoma Power. A public hearing was held by the Public Utility Board on February 8, 2017, and the first reading by the City Council is scheduled for March 7, 2017.

Tacoma Power looks to recover through the proposed rate adjustments approximately \$58.7 million in additional revenues over the Rate Period (April 1, 2017 through March 31, 2019). These adjustments to electric rates were included in the approved 2017/2018 Budget. The overall adjustment in rates is increases of 5.9 percent in both 2017 and 2018 for the system as a whole. The rate increases are distributed to different customer classes based on a Cost-of-Service Analysis.

| Proposed Increase in Revenue Requirement by Class | | |
|---|-----|--|
| Rate Class | | Rate Increase (two-step, levelized) |
| Residential | A | 6.7% |
| Small General | B | 2.4% |
| General | G | 5.0% |
| High Voltage General | HVG | 8.5% |
| Contract Industrial | CP | 5.4% |
| Street Lighting and Traffic Signals | H1 | 11.0% |
| Private Off-Street Lighting | H2 | 9.3% |

This ordinance also adds two new rate schedules: H-3 Street Lighting Service is a new tariff for Utility-Owned, Municipally-Maintained street lighting service; and Evergreen Options is a voluntary rate tariff for customers who want to buy qualified alternative energy resources. Additionally, the ordinance updates Tacoma Power's Electric Rate and Financial Policy to include an updated new large load policy.

Finally, the recommendation includes a request to amend TMC 12.01.030 to clarify the authority of the director of public utilities and the director of environmental services to grant waivers and adjust late fees and charges, and amend TMC 12.06.140 to clarify who is responsible for paying the cost of any energy, investigation, and meter resealing charges related to tampering.

We request your approval of the proposed rate adjustments, clarifications TMC 12.01.030 and TMC 12.06.140, and the proposed changes to the Electric Rate and Financial Policy.

Sincerely,

William A. Gaines
 Director of Utilities/CEO

