



TO: Elizabeth Pauli, City Manager
FROM: Jackie Flowers, Director, Tacoma Public Utilities;
Chris Robinson, Superintendent, Tacoma Power
COPY: Government Performance and Finance Committee (GPFC);
Andy Cherullo, Director, Finance;
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PRESENTER: Michelle Brown, Financial Planning Manager, Tacoma Power
SUBJECT: Tacoma Power's Reserve Policies
DATE: June 4, 2024

PRESENTATION TYPE:
Informational Briefing

SUMMARY:

Staff would like to brief the Government Performance & Finance Committee (GPFC) on the purpose and function of Tacoma Power's reserve funds and propose revisions to the current Rate Stabilization Fund language in Tacoma Power's Electric Rate and Financial Policy (Policy). The proposed Rate Stabilization Fund language changes are based on analysis of financial risks and counsel from financial and bank partners. Staff will also be proposing minor corrections to Power rate-setting practice language, and the inclusion of language to reflect resource planning based on long-term customer needs in the Electric Rate and Financial Policy. Tacoma Power will be requesting GPFC to move revisions to the Policy to City Council for approval in November during the 2025/2026 Budget and Rate process.

BACKGROUND:

Tacoma Power's 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 2023.

Power rates and financial planning staff conducts regular quantitative and qualitative reviews of the Electric Rate and Financial Policy to ensure that it is sound and reflective of management and Public Utility Board directives and priorities. During a recent Policy review, staff found that although the current Policy is valid, there is opportunity to clarify existing language around the Rate Stabilization Fund, make minor corrections to Power rate-setting practice language, and add language to reflect resource planning based on long-term customer needs.

This briefing will focus on Section V of Tacoma Power's Electric Rate and Financial Policy which provides a general description of the purpose of the Rate Stabilization Fund (RSF) and general guidelines for utilization. There is currently no limitation on the RSF balance or required timeframe for re-evaluation of the RSF balance. Establishing a RSF core balance target threshold and re-evaluation timing in the Policy will help to ensure that the RSF balance is sufficient to reduce rate volatility and mitigate large financial impacts in the future.



ISSUE:

Staff recommends language revisions in the Electric Rate and Financial Policy to guide Tacoma Power in maintaining a target core balance in the Rate Stabilization Fund that can help provide gradual and consistent rate adjustments through long-term planning. Language revisions to the Electric Rate and Financial Policy regarding the Rate Stabilization Fund, rate-setting practices, and the inclusion of resource planning to meet customer needs will be proposed to the Public Utility Board and City Council for approval during the 2025/2026 Budget and Rate process at the end of this year.

ALTERNATIVES:

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

FISCAL IMPACT:

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

RECOMMENDATION:

This is an information briefing only. There is no recommendation.