

# TACOMA PUBLIC UTILITIES

**Tacoma Power & Water Rate Proposal**  
**Joint Public Utility Board & City Council Study Session**

**Chris Robinson - Tacoma Power Superintendent**  
**Sean Senescall - Tacoma Water Rates & Financial Manager**



## Tacoma Public Utilities Approval Process

# Policymaker Review Steps

### Public Meetings

- April 27, 2016 – PUB Study Session – Budget Strategic Plan Overview (Water)
- May, 2016 – PUB Study Session – Budget Strategic Plan Overview (Power)
- September 4, 2016 – PUB Study Session – Budget Presentation
- October 18, 2016 – Joint PUB/CC Study Session – Budget presentation
- October 26, 2016 – Budget passed by Public Utility Board
- November 22, 2016 – Budget Passed by City Council
- December 14, 2016 – PUB Study Session – Rate Presentation
- January 11, 2016 – PUB Study Session – Rate Presentation
- February 8, 2017 – PUB Meeting – Public Hearing on Rate Proposal
- February 22, 2017 – PUB Meeting – Board Approved Rate Proposal
- March 1, 2017 – Council GPFC Presentation
- March 7, 2017 – Joint PUB / City Council Study Session
- March 7, 2017 – City Council – First Reading
- March 21, 2017 – City Council – Second Reading
- April 1, 2017 – Rates Effective

## Tacoma Public Utilities Approval Process

# 2017 Public Outreach

### Community Meetings

- January 17 – City of Fircrest
- January 17 – Eastside Tacoma Neighborhood Council
- January 18 – South Tacoma Neighborhood Council
- January 18 – West Tacoma Neighborhood Council
- January 23 – South End Tacoma Neighborhood Council
- January 24 – City of Fife
- February 2 – Central Tacoma Neighborhood Council
- February 6 – North End Neighborhood Council
- February 6 – Pierce County Council
- February 16 – Northeast Tacoma Neighborhood Council
- February 21 – City of Lakewood
- March 4 – Black Collective
- March 8 – New Tacoma Neighborhood Council

## Tacoma Public Utilities Approval Process

# 2017 Customer Outreach

### Customer Forums

- January 18 - Annual Executive Forum
- February 9 – South Tacoma Business District
- March 21 – Cross-District Association

### Specific 1:1 Key Account Discussions

- WestRock
- JBLM
- Bradken Atlas
- Tacoma Public Schools
- Multicare Hospital
- Franciscan Hospital
- Washington United Terminals
- Port of Tacoma
- James Hardie
- Metro Parks
- Boeing

# **Tacoma Power**

## **2017-18 Rate Recommendations**

**Chris Robinson - Tacoma Power Superintendent**



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**Mitigations & Offsets**

## Introduction

# What is causing rates to increase?

### **Declining Revenues are Responsible for 82% of the Rate Increase**

- ✓ Wholesale Revenues
- ✓ Retail Revenues

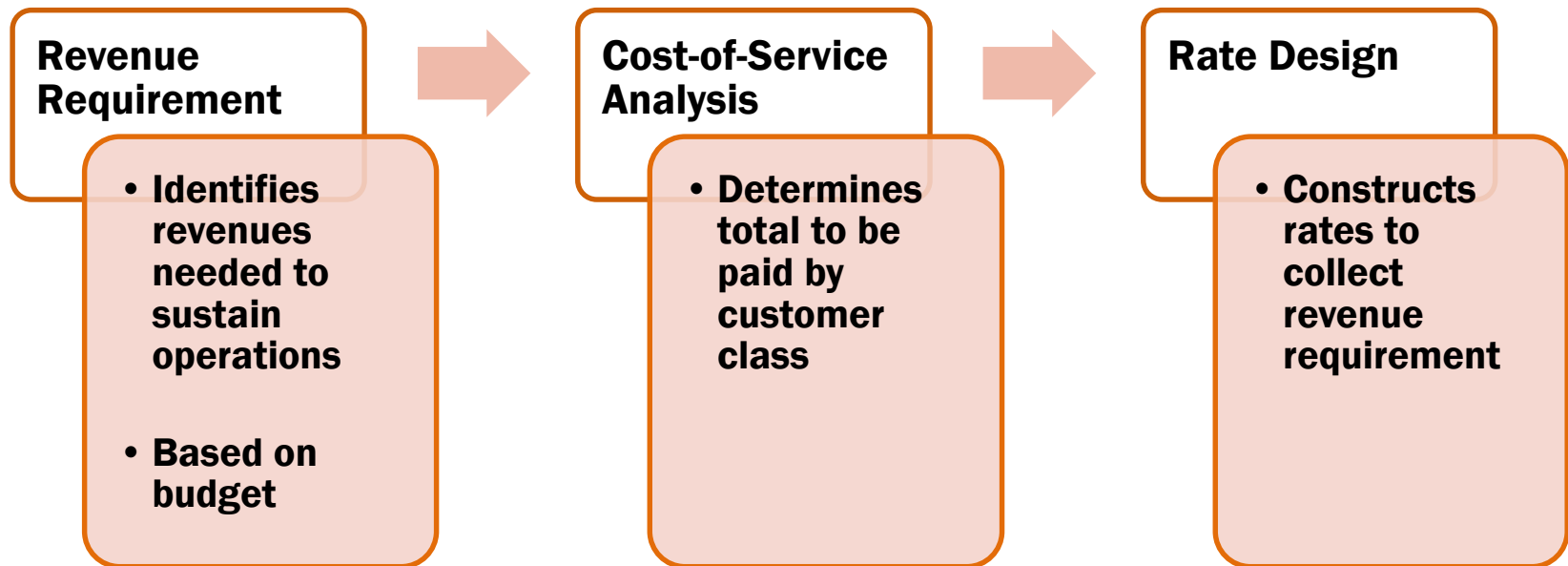
### **Small Increases in Costs**

- ✓ Increases in municipal gross earnings tax
- ✓ Tacoma Power minimized expense increases in budget

### **Budget Approved by Board & Council Included two 5.9% System Average Rate Increases**

**As a non-profit, Tacoma Power generates revenues to recover costs (no more, no less) and sets retail rates accordingly**

# Ratemaking Process





## Introduction

# Ratemaking Principles

### Revenue Stability

- Effectiveness in recovering the revenue requirement.

### Cost Causation

- Fairness in apportioning total costs between customer classes

### Economic Efficiency

- Prices that reflect true cost to serve

### Equity

- All customers pay their fair share

### Bill Stability

- Stable and predictable customers bills

## Introduction

# Tacoma Power Customer Classes

- 150,000 Single-family and multifamily residences

**Residential**  
**\$170 Million**



- 15,000 small businesses and other non-residential users with less than 50 kW of load.
- Examples: flower shops, nail salons, small offices.

**Small General Service**  
**\$28 Million**



- 2,500 businesses with more than 50 kW of peak load.
- Examples: social service agencies, schools, restaurants, manufacturing, hospitals.

**General Service**  
**\$104 Million**



- 6 large business and military customers who take power directly from the transmission system.

**High Voltage General**  
**\$20 Million**



- 2 large manufacturing customers who take power directly from the transmission system.

**Contract Power**  
**\$23 Million**



- H1: Lights & Signals
- H2: Private Off-Street Service
- H3: Utility-Owned, Municipally Maintained

**Streetlights & Signals**  
**\$3 Million**



## Introduction

# Differences in Rate Classes

### **Residential**

1. Heavy usage of distribution system

### **Small General Service**

1. Heavy usage of distribution system
2. Different load shape than residential class

### **Large General Service**

1. Commercial usage from the distribution system with more than 50 kVA connected load
2. Most diverse class

### **High Voltage General (HVG)**

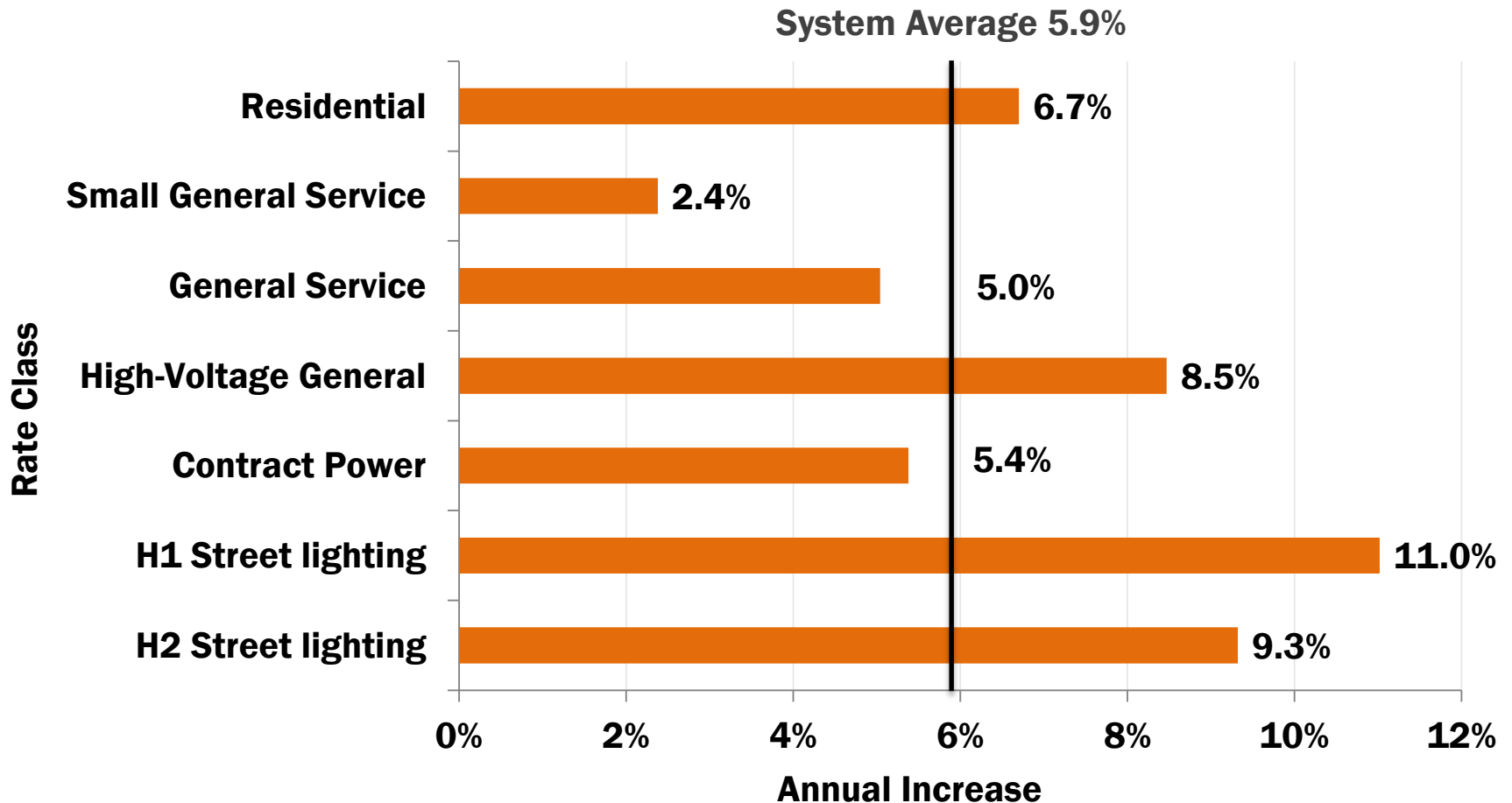
1. Industrial customers taking power from the transmission system (no distribution usage)
2. Various load shapes

### **Contract Industrial (CP)**

1. Industrial customers taking power from the transmission system (no distribution usage)
2. Flat load shapes

## Introduction

# Rate Increases by Customer Class



# Residential Rate Design

## Section 2

## Residential Rate Proposal

# How are residential customers charged?

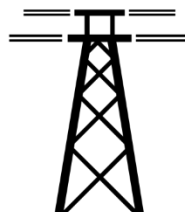


### **Customer Charge\*** *Fixed*

**Current Charge:**  
**\$10.50**

**Proposed:**  
**\$22**

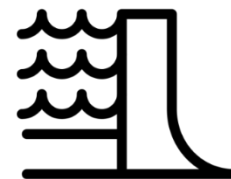
**Cost of Service:**  
**\$25**



### **Delivery** *Per kWh*

**Current Charge:**  
**\$0.034/kWh**

**Proposed:**  
**No Change**



### **Energy** *Per kWh*

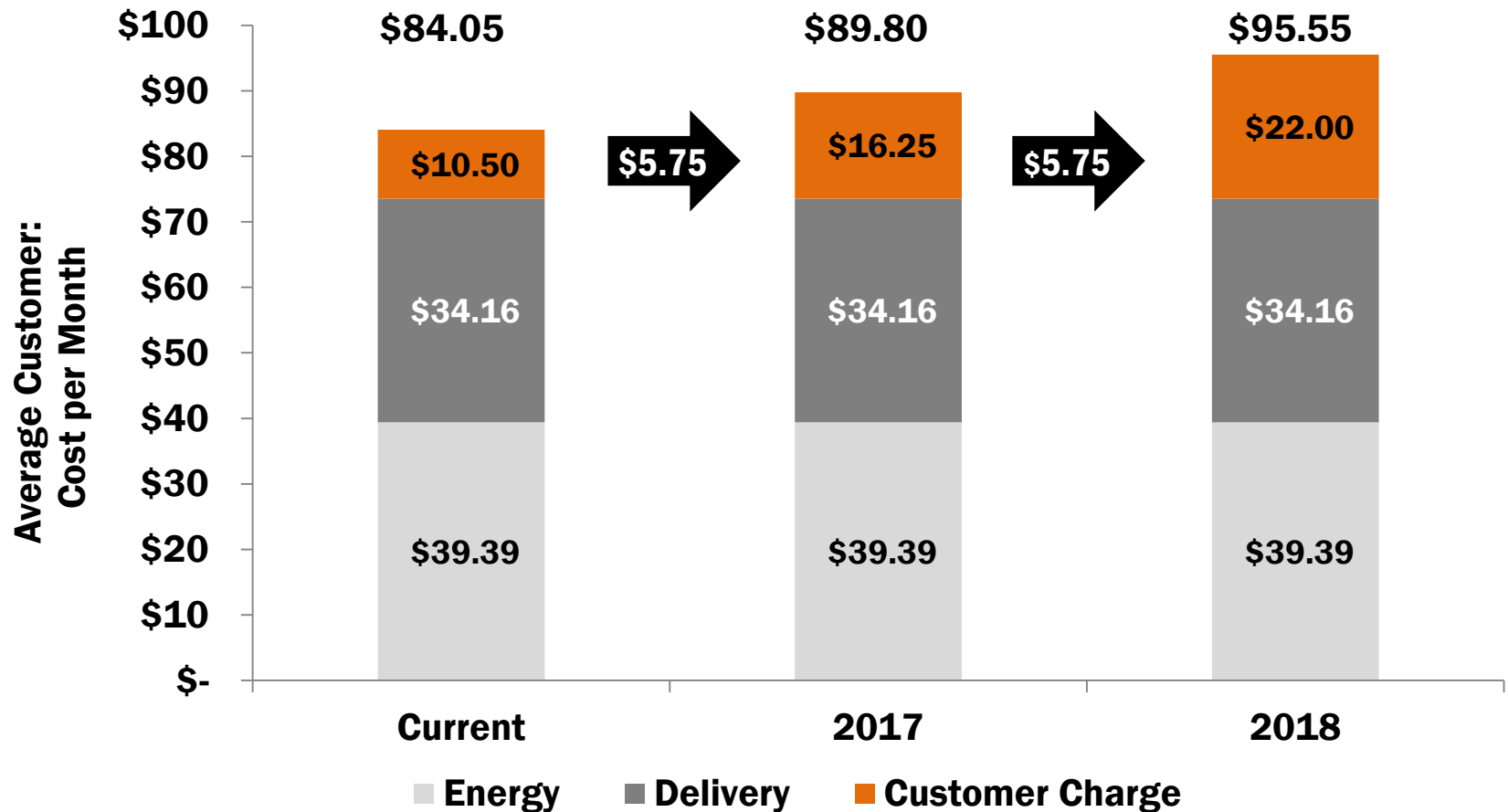
**Current Charge:**  
**\$0.039/kWh**

**Proposed:**  
**No Change**

**\*Reflects the minimum cost of serving a customer. Includes: metering, service drop (wires, poles, transformers), customer service costs, meter reading, billing, other**

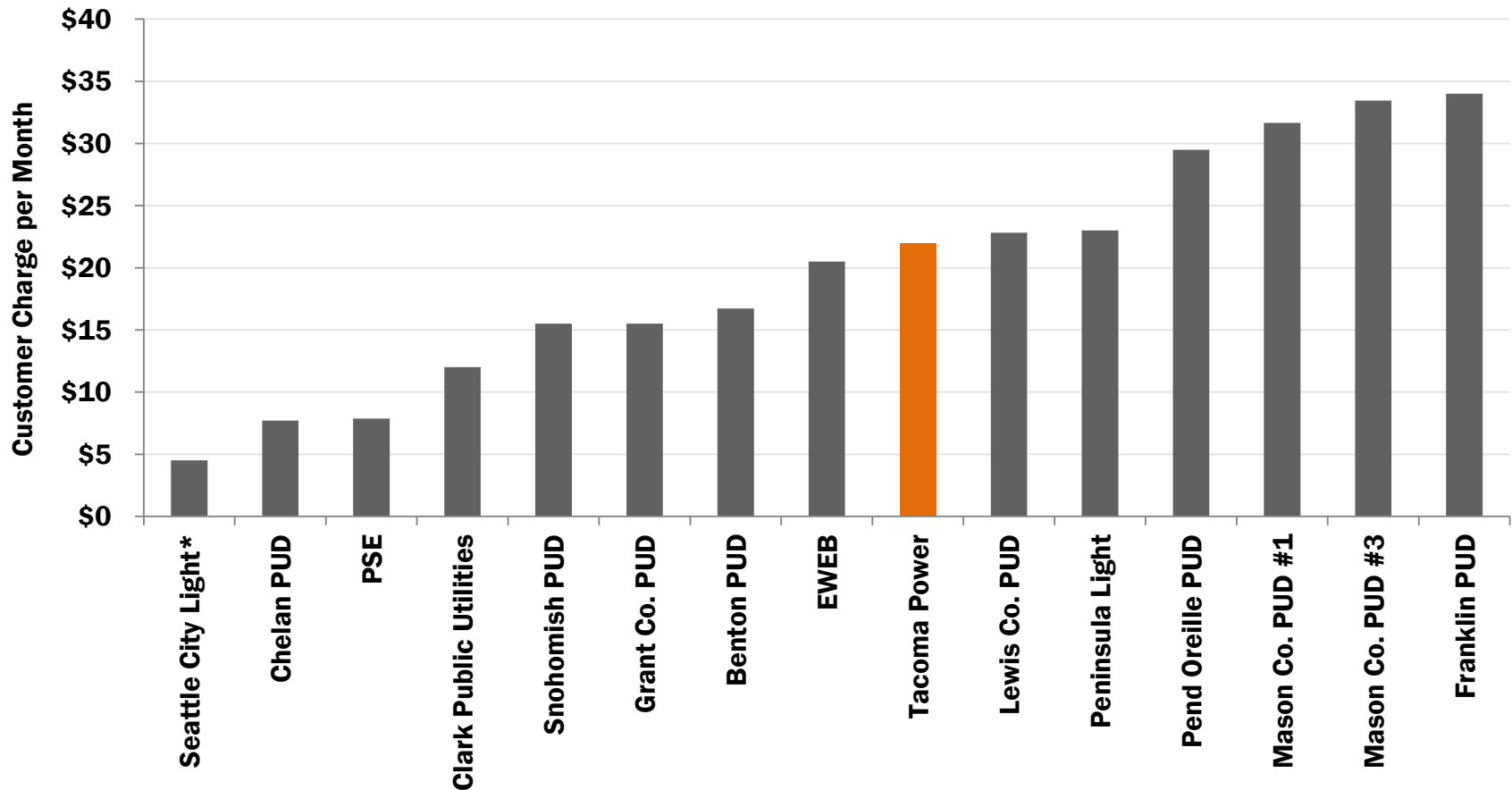
## Residential Rate Proposal

# Put Increase into Customer Charge



## Residential Rate Proposal

# Proposed Customer Charge vs. Other Utilities





## Residential Rate Proposal

# Rationale #1 for Increasing Customer Charge

### Equity

1. The cost-of-service study shows that the cost of connecting to the grid is approximately \$25; no plan to go beyond
2. Mismatch with cost-to-serve results in high users subsidizing low users (some low-income, some high-income)



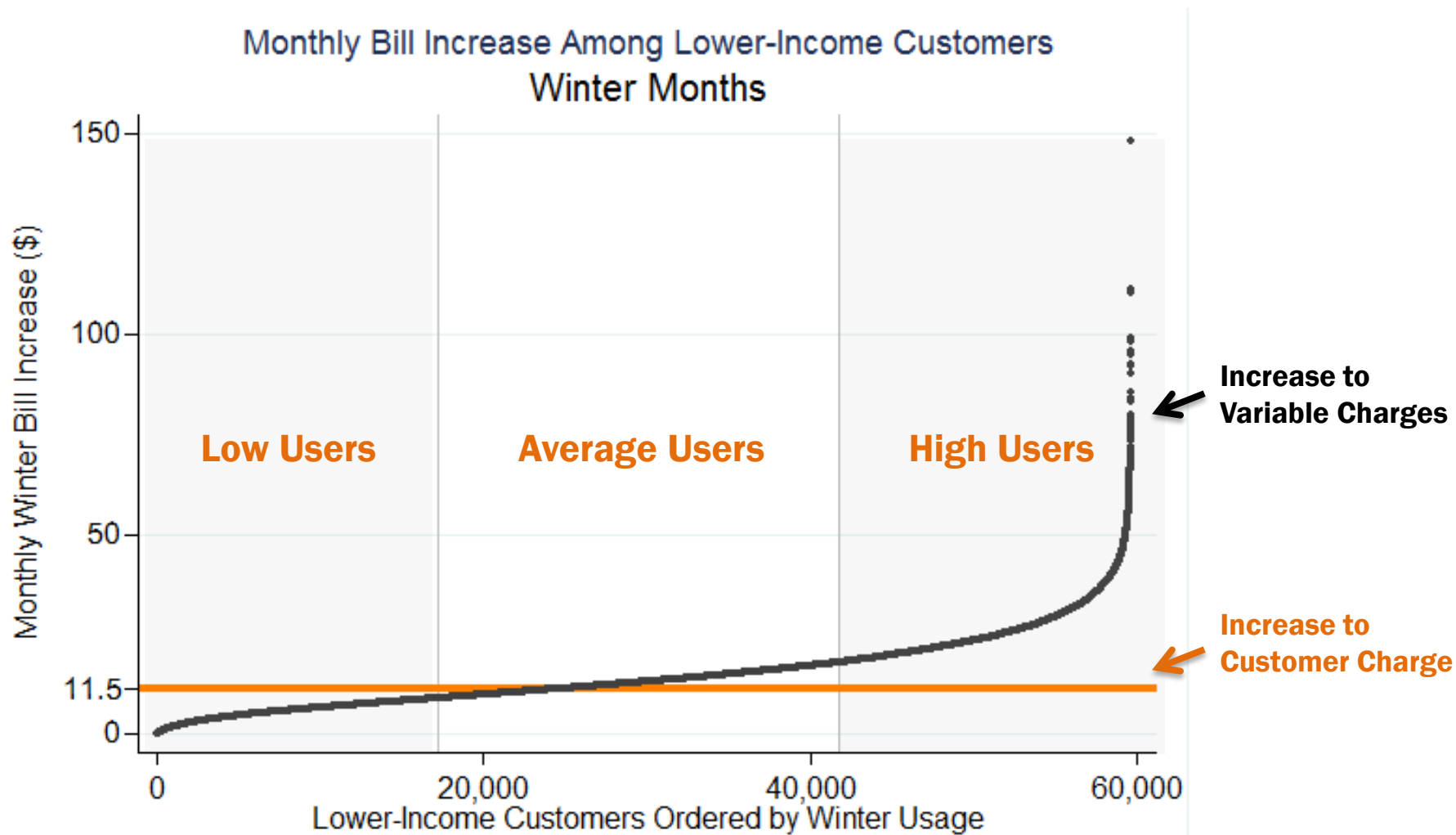
## Residential Rate Proposal

# Rationale #2 for Increasing Customer Charge

### **The proposed rate design protects many low-income customers**

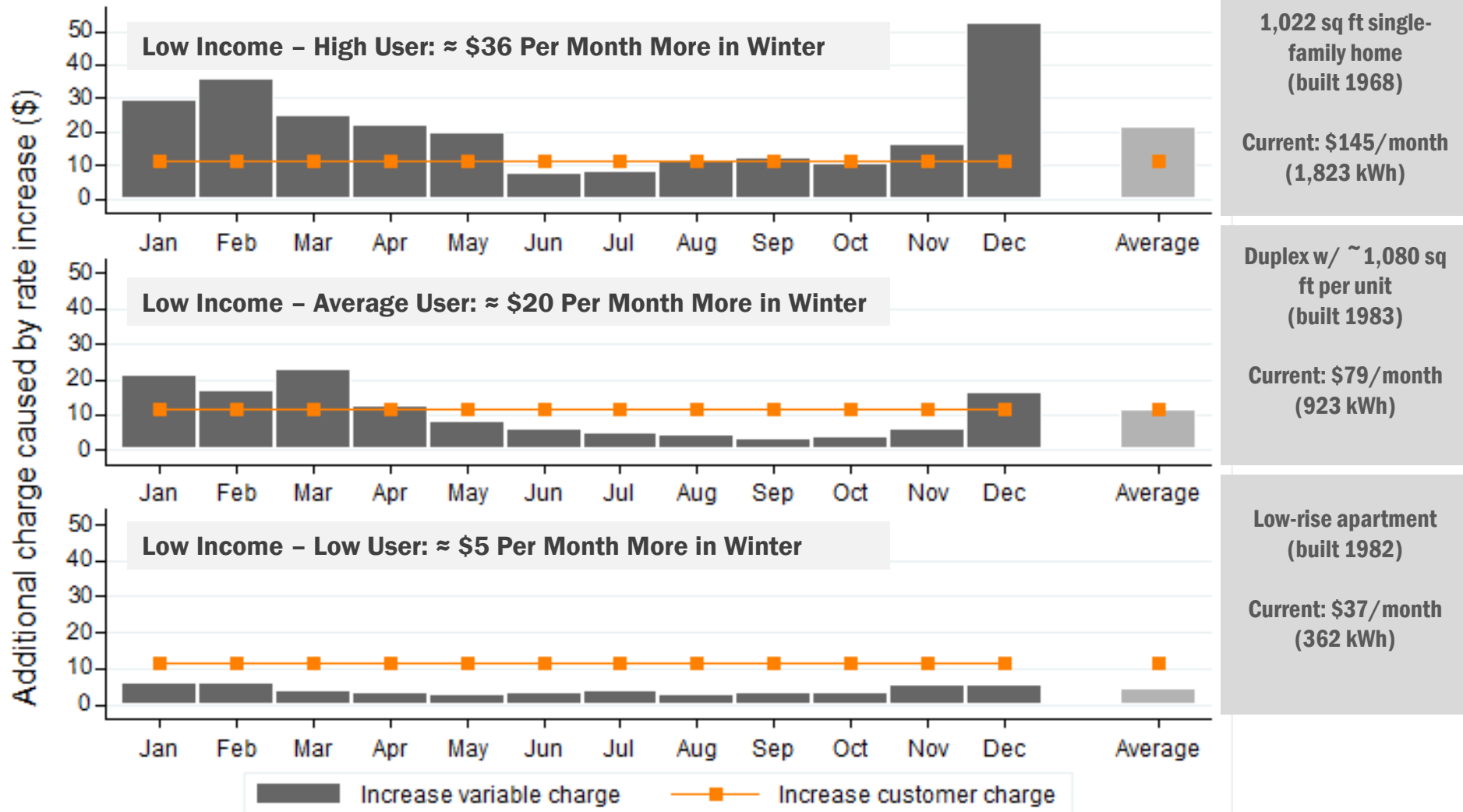
1. Many low-income customers are high users: many live in poorly insulated single-family homes with electric heat
2. If the increase is applied to the variable portion of rate it will result in significant bill increases for many low income customers
3. Applying the increase to the customer charge effectively caps the increase for everyone

## Residential Rate Proposal



If Rate Increase is applied to Fixed Charge everyone pays \$11.50 more per month;

If Rate Increase is applied to Variable (per kWh) Charge:

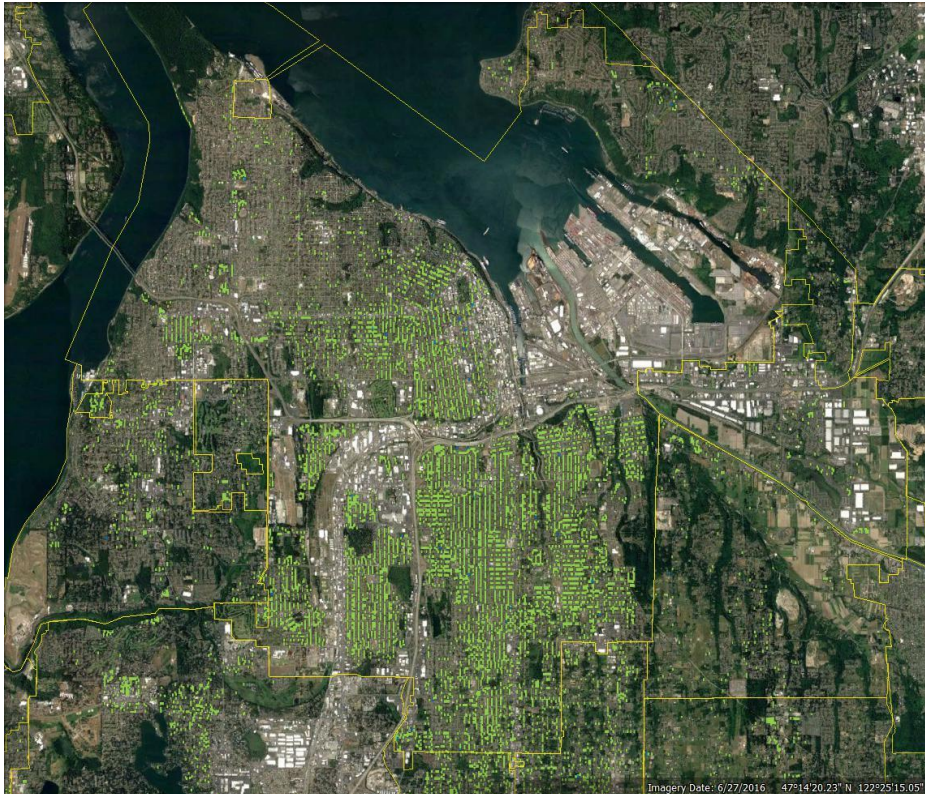




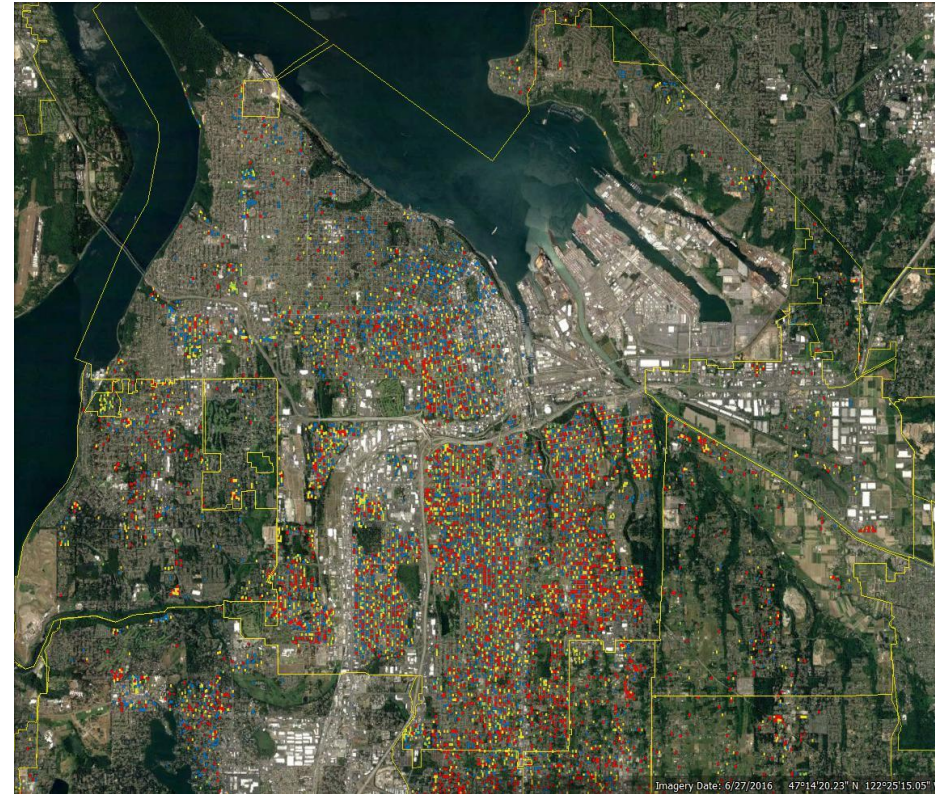
## Residential Rate Proposal

# Geographic Impact to Low-Income Customers

### Winter Bill Impact: Customer Charge



### Winter Bill Impact: Variable Charge



Scale: Dollar per month increase

Blue \$0 to \$10

Green \$10 to \$13

Yellow \$13 to \$20

Red \$20 +

# Mitigations & Offsets

## Section 3

## Mitigations & Offsets

# Bill Assistance

### **Bill Credit Assistance Plan (BCAP)\***

- ✓ Tacoma Power is increasing the annual benefit from \$180 to \$252, an increase of \$72.
- ✓ Changing from a one-time annual distribution to a monthly distribution.
- ✓ Designed to stabilize service; aligns with community partner initiative to help families to become financially stable
- ✓ For those who participate in the program, the increase will lessen the impact of the rate increase (assuming the increase is applied to the customer charge)

### **Financial Education Credit**

- ✓ Developing a program that provides a one-time financial credit (up to \$120) for successful completion of financial education training conducted with our community partners.

### **Low-Income Elderly / Disabled Discount**

- ✓ A 30% bill discount for elderly and disabled low-income customers.

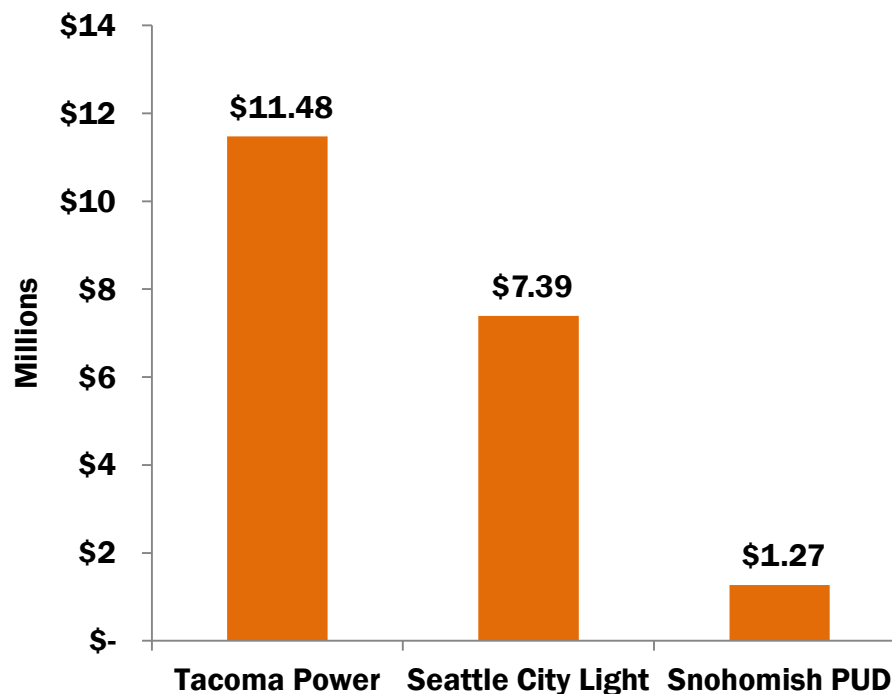
## Mitigations & Offsets

# Low-Income Conservation Program

### From 2012 to 2015 Tacoma Power:

- ✓ Spent \$11.48 Million in low-income energy efficiency, which represents 29% of total conservation spending
- ✓ Completed 963 low-income single-family weatherization projects
- ✓ Completed 798 low-income ductless heat pump installations
- ✓ Completed 242 multifamily conservation projects

### Low-Income Energy Efficiency Expenditures vs. Peers (2012-2015):





## Summary

# Closing Points

**At its current level, the customer charge results in many low-income customers subsidizing low users across the income spectrum.**

**If increase is applied to per-kWh portion of rate it will result in significant bill increases for many low-income customers.**

**If the proposal is accepted, no customer will pay more than \$11.50 per month by 2018.**

# **Tacoma Water**

## **2017-18 Rate Recommendations**

**Sean Senescall - Rates & Financial Manager**



## Tacoma Water Rate Proposal

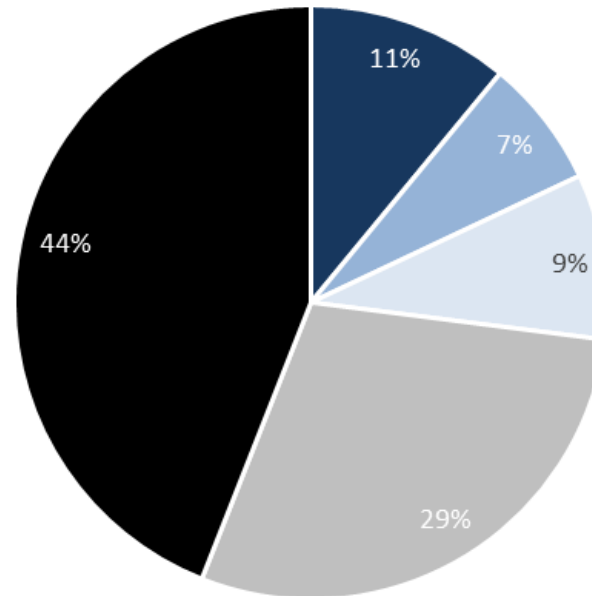
# What is causing rates to increase?

**Filtration “mortgage” payments**

**Declining customer demands (wholesale and retail)**

**Standard cost escalation**

**Building → Maintaining and Planning**



■ Increasing Assessments and Taxes

■ Decreasing Wholesale Demands

■ Increasing Debt Service Payments

■ Decreasing Retail Demands

■ Increasing Personnel, Supplies & Other

## Tacoma Water Rate Proposal

# Tacoma Water Customer Classes

- Single-family and multifamily residences

**Residential**  
**\$47m**



- Small & medium sized businesses

- Examples: hospitals, restaurants, offices, etc.

**Commercial General Service**  
**\$10m**



- Large industries which use more than 65,000 CCF per year

- Example: U.S. Oil, GP Gypsum, Boeing, etc.

**Large Volume Commercial**  
**\$1.6m**



- Any customer with a dedicated irrigation meter for primarily outdoor use,

- Example: Point Defiance Park

**Irrigation**  
**\$3m**



- Any Residential or Commercial customer inside the City of Tacoma

**Public Fire Tacoma**  
**\$1.5m**



- WestRock Pulp and Paper Mill in the Tacoma Tideflats

**Pulp Mill**  
**\$6m**



- Warehouses with large fire sprinkling systems

**Private Fire Protection**  
**\$2.6m**



- Other utilities

- Examples: City of Fife, Firgrove Mutual Water Company

**Wholesale**  
**\$2m**



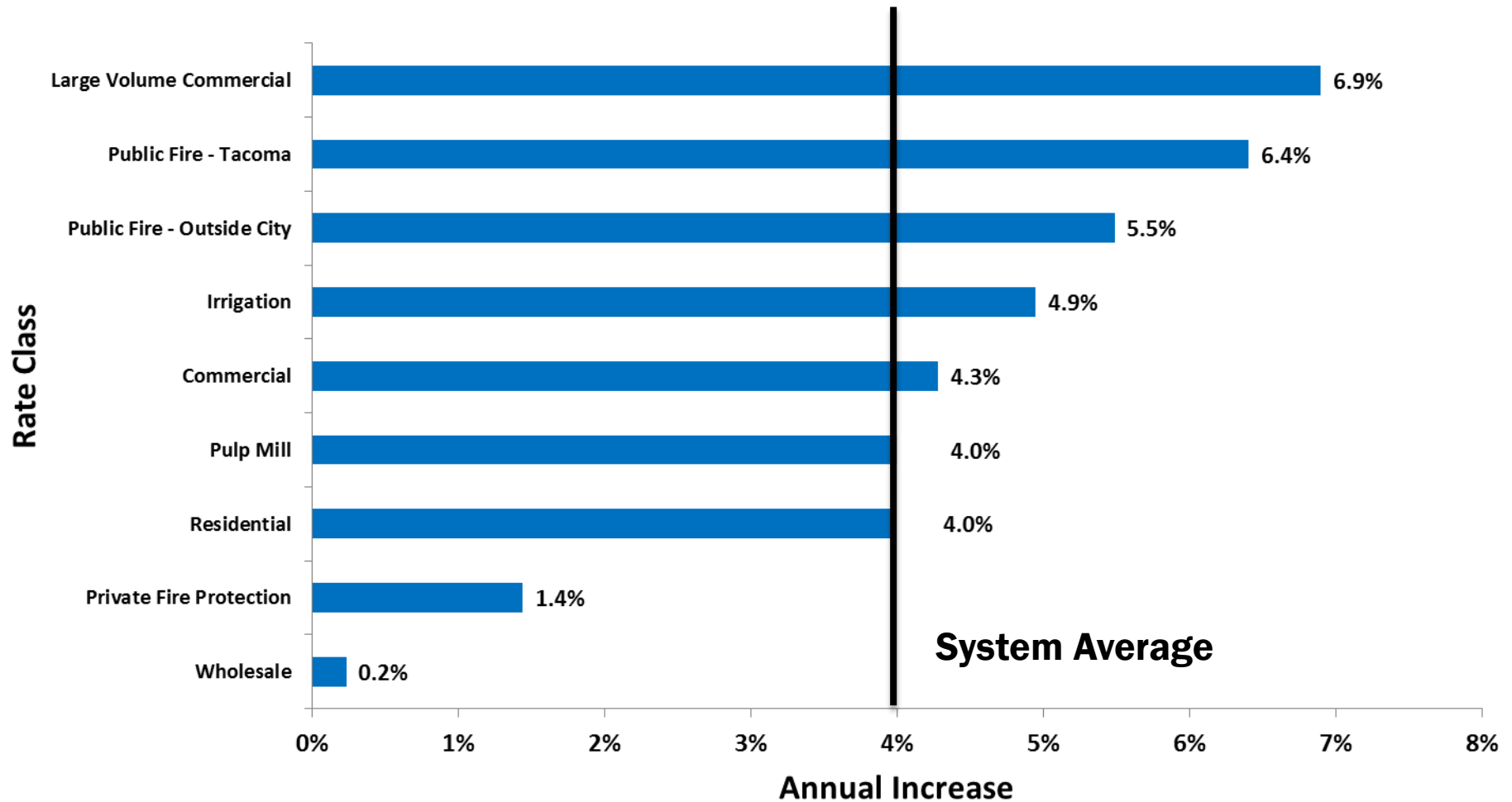
- Any Residential or Commercial customer outside the City of Tacoma

**Public Fire Outside City**  
**\$1.25m**



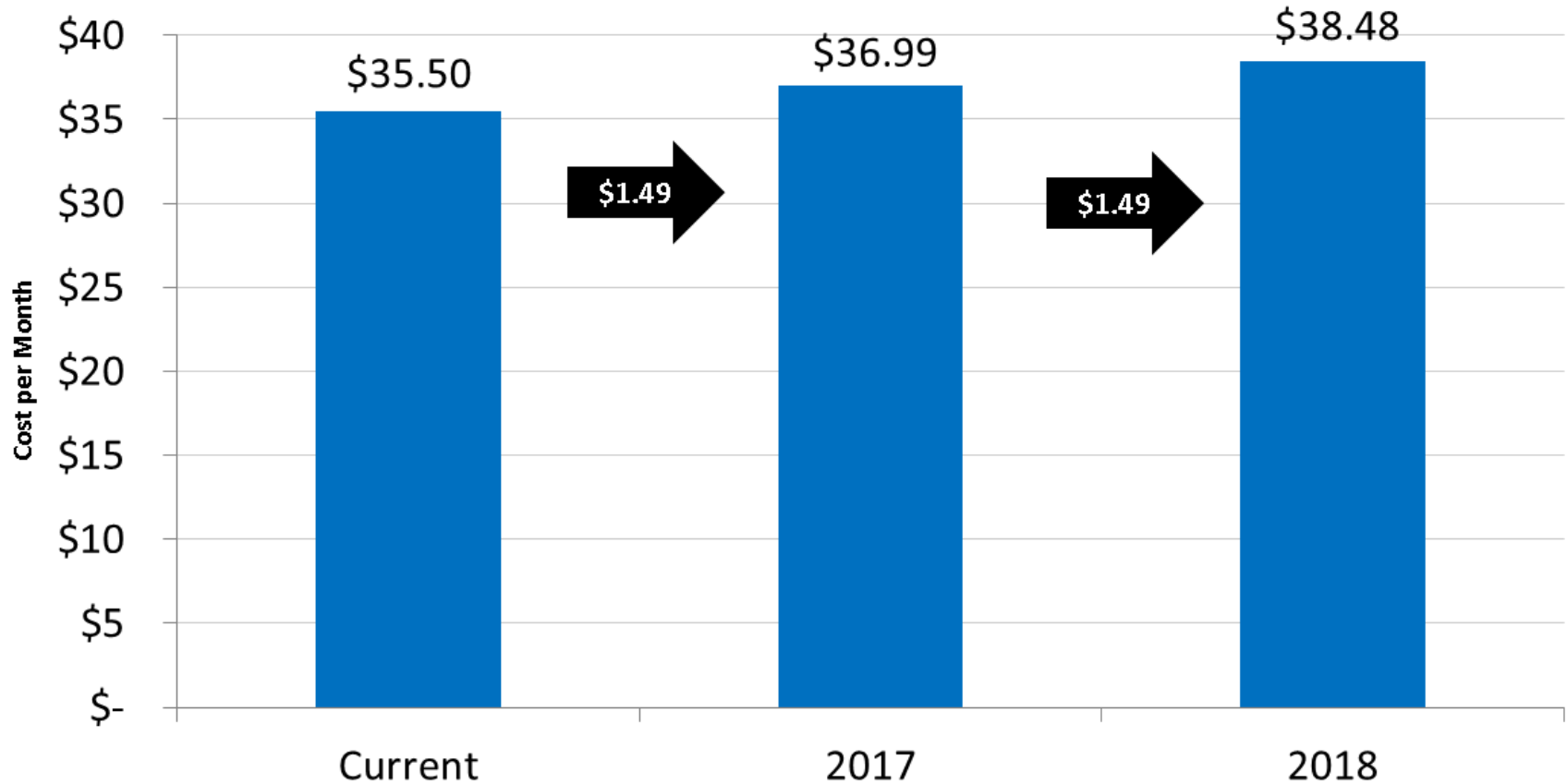
## Tacoma Water Rate Proposal

# Rate Increases by Customer Class



## Tacoma Water Rate Proposal

# Single Family Residential Average Bill



## Mitigations & Offsets

# Bill Assistance

### **Bill Credit Assistance Plan (BCAP)\***

- ✓ Tacoma Water is increasing the annual benefit from \$65 to \$85, an increase of \$19.
- ✓ Changing from a one-time annual distribution to a monthly distribution.
- ✓ Designed to stabilize service; aligns with community partner initiative to help families to become financially stable
- ✓ For those who participate in the program, the increase will lessen the impact of the rate increase

### **Financial Education Credit**

- ✓ Developing a program that provides a one-time financial credit (up to \$120) for successful completion of financial education training conducted with our community partners.

### **Low-Income Elderly / Disabled Discount**

- ✓ A 30% bill discount for elderly and disabled low-income customers.

## Summary

# Closing Points

**Proposed rate increase in alignment with long-term financial plan**

**Rate adjustments apply to both fixed and variable rate components**

**Low-income program enhancements partially offset the adjustments**

**Average single family customer will pay \$1.49/month more each year**