



TO: City Council
Elizabeth Pauli, City Manager
FROM: Linda McCrea, Interim Director of Utilities
Scott Dewhirst, Water Superintendent
COPY: Government Performance and Finance Committee
SUBJECT: Tacoma Water Fixed Charge Proration
DATE: December 7, 2017

MMARY:

Tacoma Water recommends amending the Tacoma Municipal Code (TMC) to support the proration of fixed charges. Under the current billing practice, Tacoma Water customers pay the following fixed rates in full, even when they receive services for only a portion of the month:

- Fire Hydrant Service Fee
- Franchise Hydrant Service Fee
- Ready to Serve Charge

BACKGROUND AND ISSUE:

For Tacoma Water customers, fixed charges (as defined in Chapter 12.10 of the TMC) are applied in full at the start of each billing month. Consider a residential Tacoma Water customer with the following rate schedule:

Rate, City, Year	5/8" Meter, Tacoma, 2017
Ready to Serve Charge	\$21.20
Fire Hydrant Service Fee	\$2.38
Fixed Charge Total	\$23.58

Currently, if this customer moves four days into a billing month they incur fixed charges in the amount of \$23.58 for only four days of service. Even further, if this customer subsequently moves into a residence within the Tacoma Water service territory, they incur a second customer charge in the amount of \$23.58 within the same billing month.

Should this recommendation be implemented, Tacoma Water customers will incur customer charges based on days of service. For example, if a customer moves four days into a billing month, that customer will incur a customer charge of \$3.14.

It should be noted that all three Environmental Services utilities (Surface Water, Solid Waste, and Wastewater) prorate fixed charges. See Exhibit 1 for an example of a five-service bill for a partial month of service. On this bill, the non-prorated Tacoma Water fixed charges and prorated Environmental Services fixed charges are observed. With board and council approval, Tacoma Power will begin prorating its Customer Charge.

ALTERNATIVES:



Tacoma Water considered alternatives to the proposed action. If this request is not approved, Tacoma Water will bring forward an alternative for consideration. One alternative is to maintain the existing billing practice. A second alternative is to impose fixed charges on a daily, rather than monthly, basis.

FISCAL IMPACT:

Tacoma Water leveraged historical service connection and disconnection events to estimate the fiscal impact of a prorated customer charge under existing rates. With this, approximately \$450,000 per year will be prorated to Tacoma Water customers. Please note, the analysis neglects to account for business efficiencies that might be gained from bill proration in IT, customer, and administrative services. In order to mitigate the financial impact, Tacoma Water may adjust other fees in the future.

RECOMMENDATION:

Tacoma Water recommends TMC be modified to support fixed charge proration, effective April 1, 2018. Proposed amendments add the statement “calculated on a monthly basis, invoiced, and collected pursuant to the applicable customer service policies,” to the following chapter sections:

- 12.10.301 Fire hydrant services fee (inside City of Tacoma)
- 12.10.303 Franchise hydrant service fee
- 12.10.400 Rates – Inside and outside City limits

It should be noted, in chapter section 12.10.301, the fire hydrant service fee (inside City of Tacoma) closes with a statement the proposed chapter 12.06 amendments are modeled after: “The inside City of Tacoma customer portion of the fire hydrant service fee shall be calculated on a monthly basis, invoiced and collected pursuant to the applicable customer service policies.” Proposed language introduces only a comma to this instance.

ATTACHMENTS:

- Redlined Tacoma Municipal Code