



TO: Elizabeth Pauli, City Manager
FROM: Jackie Flowers, Director of Utilities, Tacoma Public Utilities
COPY: Government Performance and Finance Committee
PRESENTER: Chris Robinson, Tacoma Power Superintendent
SUBJECT: TPU Power Rates Proposal 2021-2022
DATE: September 30, 2020

PRESENTATION TYPE:
Informational Briefing

SUMMARY:

Tacoma Power requests a Committee recommendation for two rate adjustments effective April 1, 2021 and April 1, 2022.

BACKGROUND:

Tacoma Power's revenue requirement analysis for the twenty-four month Rate Period (April 1, 2021 through March 31, 2022) requires a revenue increase of approximately \$22.9 million. The utility has experienced general inflationary increases in operating and capital expenses such as personnel, assessments and technology upgrades. The proposed rate increases are designed to generate additional revenue to meet financial metrics (debt service coverage and liquidity) and avoid future rate shocks.

In preparation for this request, Tacoma Power is seeking public input through virtual public presentations at Neighborhood Council and City Council meetings in communities served by Tacoma Power. A public hearing will be held by the Public Utility Board on September 23, 2020 for scheduled adoption on October 28, 2020. The first reading by the City Council is scheduled for November 17, 2020.

ISSUE:

Tacoma Power needs to recover additional rate revenues of approximately \$22.9 million over the April 1, 2021 to March 31, 2022 Rate Period through the proposed rate adjustments. System-wide average adjustments to Power rates are two increases of 2 percent in both 2021 and 2022. The class rate increases will not differ from the system-average increase; all classes are proposed to receive the same 2 percent rate increase.

This proposal adds several new rate schedules. The first is New Large Load Service (Schedule NLL). This new tariff codifies the rate to be charged to new large loads between 8 and 20 MW. Currently, the pricing for these loads is specified in Tacoma Power's Electric Rate & Financial Policy. Restating this rate as a formal tariff in the municipal code is consistent with the practice for all other rates.

The second new rate is Residential Prepay Service. This type of rate was formerly piloted as the PAYGO program. This tariff will allow residential customers to elect to pay for electric service in advance of usage as soon as Advanced Metering Infrastructure (AMI) is installed. It will be a voluntary rate option.



The third new rate is Shore Power Service (Schedule SP). This tariff will provide service for ships at the Port of Tacoma to use electric power while docked instead of burning bunker fuel while in port.

In addition to these new rates, tariff language will be added clarifying the treatment of customer-owned electric generation that feeds onto Tacoma Power's grid (Distributed Generation, or DG), and clarifying the applicability of commercial and industrial rates.

ALTERNATIVES:

The proposed rate increases are designed to generate additional revenue required as part of Tacoma Power's Long-Range Financial Plan for the next six years. If these rate adjustments are not implemented by the planned effective date of April 1, 2021, Tacoma Power will most likely experience higher projected rate increases in the future.

FISCAL IMPACT:

Tacoma Power's revenue requirement analysis for the twenty-four month Rate Period (April 1, 2021 through March 31, 2022) indicates the need for additional retail revenue of approximately \$22.9 million.

RECOMMENDATION:

Tacoma Power requests a Committee recommendation from the Government Performance & Finance Committee for two rate adjustments effective April 1, 2021, and April 1, 2022.



TO: Elizabeth Pauli, City Manager
FROM: Jackie Flowers, Director of Utilities, Tacoma Public Utilities
COPY: Government Performance and Finance Committee
PRESENTER: Scott Dewhirst, Superintendent, Tacoma Water
SUBJECT: TPU Water Rates Proposal 2021-2022
DATE: September 30, 2020

PRESENTATION TYPE:
Informational Briefing

SUMMARY:

Tacoma Water requests a recommendation from the Government Performance and Finance Committee for two rate adjustments effective January 1, 2021 and January 1, 2022.

BACKGROUND:

Tacoma Water's revenue requirement analysis for the twenty-four month budget period (January 1, 2021 through December 31, 2022) indicates a revenue shortfall of approximately \$5.7 million at current rates. The main drivers for this shortfall include general inflationary increases for expenses such as personnel, assessments, and additional support for the low-income program. The proposed rate increases are designed to generate additional revenue required to pay forecasted expenses and maintain long-term financial stability and sustainability.

In preparation for this request, Tacoma Water has sought public input through public presentations at Neighborhood Council and City Council meetings in communities served by Tacoma Water. A public hearing will be held by the Public Utility Board on September 23, 2020 and the first reading by the City Council is scheduled for November 17, 2020.

ISSUE:

Tacoma Water needs to recover additional rate revenues of approximately \$5.7 million between the January 1, 2021 and December 31, 2022 in order to support the proposed 2021-2022 biennial budget. System-wide average adjustments to water rates are two steps of 2.0% per year.

ALTERNATIVES:

These rate adjustments were assumed in the proposed 2021-2022 budget for Tacoma Water, which will be requested to be approved by the Public Utility Board and City Council. If these rate adjustments are not implemented by the planned effective date of January 1, 2021, Tacoma Water would lack sufficient projected rate revenue to support its proposed budget.

FISCAL IMPACT:

Tacoma Water's revenue requirement analysis for the proposed 2021-2022 budget indicates a revenue shortfall of approximately \$5.7 million at current rates.

RECOMMENDATION:

Tacoma Water requests a recommendation from the Government Performance and Finance Committee for two rate adjustments effective January 1, 2021 and January 1, 2022.



TO: Elizabeth Pauli, City Manager
FROM: Jackie Flowers, Director of Utilities, Tacoma Public Utilities
COPY: Government Performance and Finance Committee
PRESENTER: Dale King, Tacoma Rail Superintendent
SUBJECT: TPU Rail Rates Proposal 2021-2022
DATE: September 30, 2020

PRESENTATION TYPE:
Informational Briefing

SUMMARY:

Tacoma Rail requests a recommendation from the Government Performance and Finance Committee for two rate adjustments effective January 1, 2021 and January 1, 2022.

BACKGROUND:

Tacoma Rail's revenue requirement analysis for the 2021/2022 biennium budget indicates a revenue shortfall of approximately \$2.6 million at current rates. The main drivers for this shortfall include general increases in inflationary costs in personnel, assessments, supplies and services. The proposed rate increases are designed to generate additional revenue required to pay forecasted expenses and adhere to Rail's financial policies.

In preparation for this request, Tacoma Rail has been communicating the proposed rate adjustments with key stakeholders including BNSF, Union Pacific, Port of Tacoma and US Oil. A public hearing will be held by the Public Utility Board on September 23, 2020 and the first reading by the City Council is scheduled for November 17, 2020.

ISSUE:

Tacoma Rail needs to recover additional rate revenues of approximately \$2.6 million through proposed rate adjustments for the upcoming biennium starting January 1, 2021. Proposed adjustments to Rail rates are an adjustment of 3% in 2021 to all tariff rates and a 3% adjustment in 2022 to the line haul tariff rates for intermodal, commercial and unit trains.

ALTERNATIVES:

The proposed rate adjustments are designed to generate additional revenue required to pay forecasted expenses and adhere to Rail's financial policies. If these rate adjustments are not implemented by the planned effective date of January 1, 2021 and January 1, 2022; Tacoma Rail will most likely experience revenue shortfalls leading to deferred investment in track and locomotive assets. A delayed rate adjustment may require a higher rate adjustment in the future.

FISCAL IMPACT:

Tacoma Rail's revenue requirement analysis for the 2021/2022 biennium budget indicates a revenue shortfall of approximately \$2.6 million at current rates. The main drivers for this shortfall include general increases in inflationary costs in personnel, assessments, supplies and services.

RECOMMENDATION:

Tacoma Rail requests a recommendation from the Government Performance and Finance Committee for rate adjustments effective January 1, 2021 and January 1, 2022.