



TO: Elizabeth Pauli, City Manager
FROM: Jackie Flowers, Director of Utilities, Tacoma Public Utilities
COPY: City Council and City Clerk
SUBJECT: Proposed Rate Ordinance – Amend and revise TMC Chapters 12.06 regarding Prepaid Residential Service
DATE: October 28, 2020

SUMMARY AND PURPOSE:

Tacoma Power requests approval by the City Council for a new rate category—Prepaid Residential Service (Schedule PR).

BACKGROUND:

This Department’s Recommendation is Based On: Tacoma Power frequently receives inquiries about prepayment options, particularly from vulnerable customer groups. One of the anticipated benefits of the Advanced Metering Infrastructure program currently underway is to allow the provision of this type of rate option.

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. This service type was formerly piloted as the PAYGO program. It will be a voluntary rate option. Many electric utility customers prefer to pay for electricity before they use it, as is the model for most other consumer purchases. This allows for greater control over electricity costs and understanding of electricity use.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

The PAYGO pilot was very popular with customers; Tacoma Power frequently receives requests for restoration of this service offering.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: (Mandatory)

Tacoma Power regularly receives requests for prepayment service offerings from low-income customers, customers who are unbanked, or customers with irregular income sources. The prepayment model allows customers to better understand their electricity usage, giving them more agency to control their bills and budgets. Customers with low and/or unstable incomes, or who do not have access to banking services particularly benefit from the cash flow flexibility provided by prepayment services. Customers are able to “save” some income in their utility account when they receive it, instead of being required to pay a large sum every two months.

Livability: Equity Index Score: Moderate Opportunity

Improve access and proximity by residents to diverse income levels and race/ethnicity to community facilities, services, infrastructure, and employment.

Explain how your legislation will affect the selected indicator(s).

The proposed rate schedule facilitates additional bill payment options. A wide selection of payment options allows all diverse segments of customers to choose the method they find easiest to pay their electric bills and retain electric service.



ALTERNATIVES:

Presumably, your recommendation is not the only potential course of action; please discuss other alternatives or actions that City Council or staff could take. Please use table below.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Continue to offer only post-payment residential service.	No action needed.	Negation of one of the anticipated benefits of the Advanced Metering Infrastructure program. Failure to respond to customer requests.

EVALUATION AND FOLLOW UP:

Customer satisfaction with this rate offering will be illustrated by the proportion of customers who elect to take service under this schedule.

STAFF/SPONSOR RECOMMENDATION:

Tacoma Power requests approval by the City Council of a Prepaid Residential tariff.



FISCAL IMPACT:

Please provide a short summary of the fiscal impacts associated with the grant, agreement, policy action, or other action.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1.4700-Power			
2.			
TOTAL			

What Funding is being used to support the expense?

Are the expenditures and revenues planned and budgeted in this biennium’s current budget?

YES
Service under the Prepaid Residential tariff is provided at the same effective rates as regular Residential service. The tariffs only differ in the timing of customer payment for the electric service. Therefore, no fiscal impact is anticipated.

Are there financial costs or other impacts of not implementing the legislation?

YES
Adoption of prepayment is anticipated to reduce customer service and uncollectables expense, although the size of such reduction is difficult to quantify or forecast.

Will the legislation have an ongoing/recurring fiscal impact?

YES
The legislation will establish a new category of retail rate.

Will the legislation change the City’s FTE/personnel counts?

No
No additional personnel needed.

ATTACHMENTS:

- Proposed Amendments to Chapters 12.06 TMC