



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: Chris Robinson, Tacoma Power Superintendent/COO
MEETING DATE: November 6, 2020
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SUMMARY: Tacoma Power requests approval by the Public Utility Board for two rate adjustments that would become effective on April 1, 2021, and April 1, 2022.

BACKGROUND: Tacoma Power's revenue requirement analysis for the twenty-four month rate period requires a revenue increase of approximately \$19 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.

This proposal is in alignment with industry ratemaking standards and best practices, as well as the Public Utility Board's Strategic Directives of Financial Sustainability (SD-2) and Rates (SD-3), and supports Tacoma Power's Long-Range Financial Plan. Board Directive SD-3 notes that the utility "values planning gradual and consistent utility rate changes that are stable and predictable over the long term". Board Directive SD-2 directs the utility to produce rate and financial plans that support an "AA-level bond rating, or better, to facilitate access to lower-cost financing and produce sustainable debt service expenses

Tacoma Power needs to recover additional rate revenues of approximately \$19 million over the rate period through the proposed rate adjustments. System-wide average adjustments to Power rates are an increase of 1.5 percent in 2021 and another increase of 2.0 percent in 2022. The class rate increases will not differ from the system-average increase; all classes are proposed to receive the same 1.5 percent rate increase in 2021 and the same 2.0 percent rate increase.

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, as well as interested community organizations. Adoption of the rate proposal is scheduled for November 6, 2020. The first reading by the City Council is scheduled for November 17, 2020.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes

IF THE EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.

IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? n/a

ATTACHMENTS: Proposed Amendments to Chapter 12.06 of the Tacoma Municipal Code

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