



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: Scott Dewhirst, Tacoma Water Superintendent
MEETING DATE: January 27, 2021
DATE: January 15, 2021

STRATEGIC DIRECTIVE ALIGNMENT (select as many that apply):

Please indicate which of the Public Utility Board's Strategic Directives is supported by this action.

- | | |
|--|---|
| <input type="checkbox"/> SD1 – Equity & Inclusion | <input type="checkbox"/> SD8 – Telecom |
| <input type="checkbox"/> SD2 – Financial Sustainability | <input type="checkbox"/> SD9 – Economic Development |
| <input checked="" type="checkbox"/> SD3 – Rates | <input checked="" type="checkbox"/> SD10 – Government Relations |
| <input checked="" type="checkbox"/> SD4 – Stakeholder Engagement | <input type="checkbox"/> SD11 – Decarbonization/Electric Vehicles |
| <input type="checkbox"/> SD5 – Environmental Leadership | <input type="checkbox"/> SD12 – Employee Relations |
| <input type="checkbox"/> SD6 – Innovation | <input checked="" type="checkbox"/> SD13 – Customer Service |
| <input type="checkbox"/> SD7 – Reliability & Resiliency | <input type="checkbox"/> SD14 – Resource Planning |

SUMMARY:

Tacoma Water requests approval by the Public Utility Board (PUB) to amend and revise sections of Chapter 10 (Water Regulations and Rates) in Title 12 (Utilities) of the Tacoma Municipal Code (TMC).

The requested changes are for University Place water rate adjustments effective April 1, 2021, January 1, 2022, and April 1, 2022, by amending sections of previously passed Amended Resolution No. U-11213, Attachment A (City Council Ordinance No. 28711), related to water rates for University Place customers.

BACKGROUND:

Tacoma Water serves roughly 9,500 University Place customers. In 2020, we delivered approximately 3 million gallons a day, generated about \$9 million in water sales, and provided approximately \$16,000 in assistance to 109 customers, as well as about \$9,920 in COVID assistance.

On November 2020, the City of University Place approved a utility tax on gross revenue from Tacoma Water customers in that jurisdiction. The tax is 3% effective April 1, 2021 to March 31, 2022, and 6% effective April 1, 2022 and thereafter. Tacoma Water will remit the value of this tax to the City of University Place. To ensure that the additional tax is passed through to University Place customers as a cost of service, Tacoma Water is requesting an increase in water rates for University Place customers. The requested increase in rates for University Place customers is calculated to cover the increase in the taxes resulting from the new tax imposed by the City of University Place.

In order to effectively recover our cost to serve this area and align with core rate-making principles, we are proposing rate adjustments to University Place customers to coincide with our annual system average rate adjustments and utility tax implementation dates.

In preparation for this request, Tacoma Water conducted an audit of University Place accounts to ensure correct rate categorizations. Communication to University Place customers concerning the utility tax increase and rate increase is being distributed through bill inserts, targeted mailings, TPU website, and social media.



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Resolution No. U-11213 was adopted on November 6, 2020 for a system average rate adjustment of 1.5% effective January 1, 2021, and system average rate adjustment of 2.0% effective January 1, 2022. These scheduled rate adjustments were then adopted by the Tacoma City Council in Ordinance No. 28711, Exhibit A. However, these rates were set prior to the City of University Place's approved utility tax. This request amends the previously passed Amended Resolution No. U-11213, Attachment A, by changing rates applicable within the City of University Place.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? **No.** The approval of University Place utility tax was approved after our 2021-2022 budget was passed.

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

The additional tax expense will be passed through to the University Place ratepayers and the additional revenue will offset the expense.

IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? Choose an item.

ATTACHMENTS:

- Request for Resolution
- Council Action Memorandum
- Proposed Rate Ordinance (Amended Attachment A)

CONTACT:

- Primary Contact: Lyna Vo, Utilities Economist
- Supervisor: Jodi Collins, Financial Stewardship Manager
- Presenter: Lyna Vo, Utilities Economist