

Tacoma Public Utilities 2027-2028 Proposed Budget & Rates

October 14, 2026



Agenda



- Department Overview
- Budget and Rates Approach
- Proposed Budget & Rates
- Outreach Efforts
- Looking Ahead

Department Overview



Tacoma Public Utilities deliver clean, reliable services essential to quality of life.



2025-2026 Accomplishments



- BPA Contract Renewal
- Commitment to Join Day-Ahead Market with Southwest Power Pool
- Non-Federal Howard Hanson Dam Construction Start
- Cascade Water Alliance Wholesale Agreement Executed
- Locomotive Modernization Grants
- Rail Conductor Trainee Program
- Electrical Pre-apprentice Program
- Advanced Meter Project Close-Out
- SAP ERP System Upgrade and Fiori User Interface for Customer Interactions

Common Expense Drivers



Inflation (e.g., fuel, supplies, services, construction costs)



Labor Market Adjustments and Benefit Increases



Policy and Regulatory Changes (e.g., financial, legal, environmental)



Utility Modernization



Aging Infrastructure

Utility Specific Challenges & Risks



- Wholesale Power Market Volatility
- Hydro Relicensing and Modernization Costs



- Regulatory Mandates
 - PFAS Regulations
 - Pipeline 1



- Fast-Paced Locomotive Modernization
- Line Haul Transportation Volumes

“Bend the Curve”



Start, Stop, Continue Initiative

- Alignment with strategic plan
- Utility-wide business unit goal



70+ Submittals

↓ Net \$23.0M in reductions



Target Net Zero FTE

Division	Reductions	Adds
CXEA	(14.0)	-
MSO	-	3.0
Power	-	2.0
Water	-	1.5
Rail	-	-
	(14.0)	6.5

↓ Net Reduction of 7.5 FTE

Major Projects/Initiatives



- Day-Ahead Market Implementation
- Long-term Power Hydro Modernization
- Initiate Hydro Relicensing Planning
- TPU Admin Complex Storage & Parking Facility

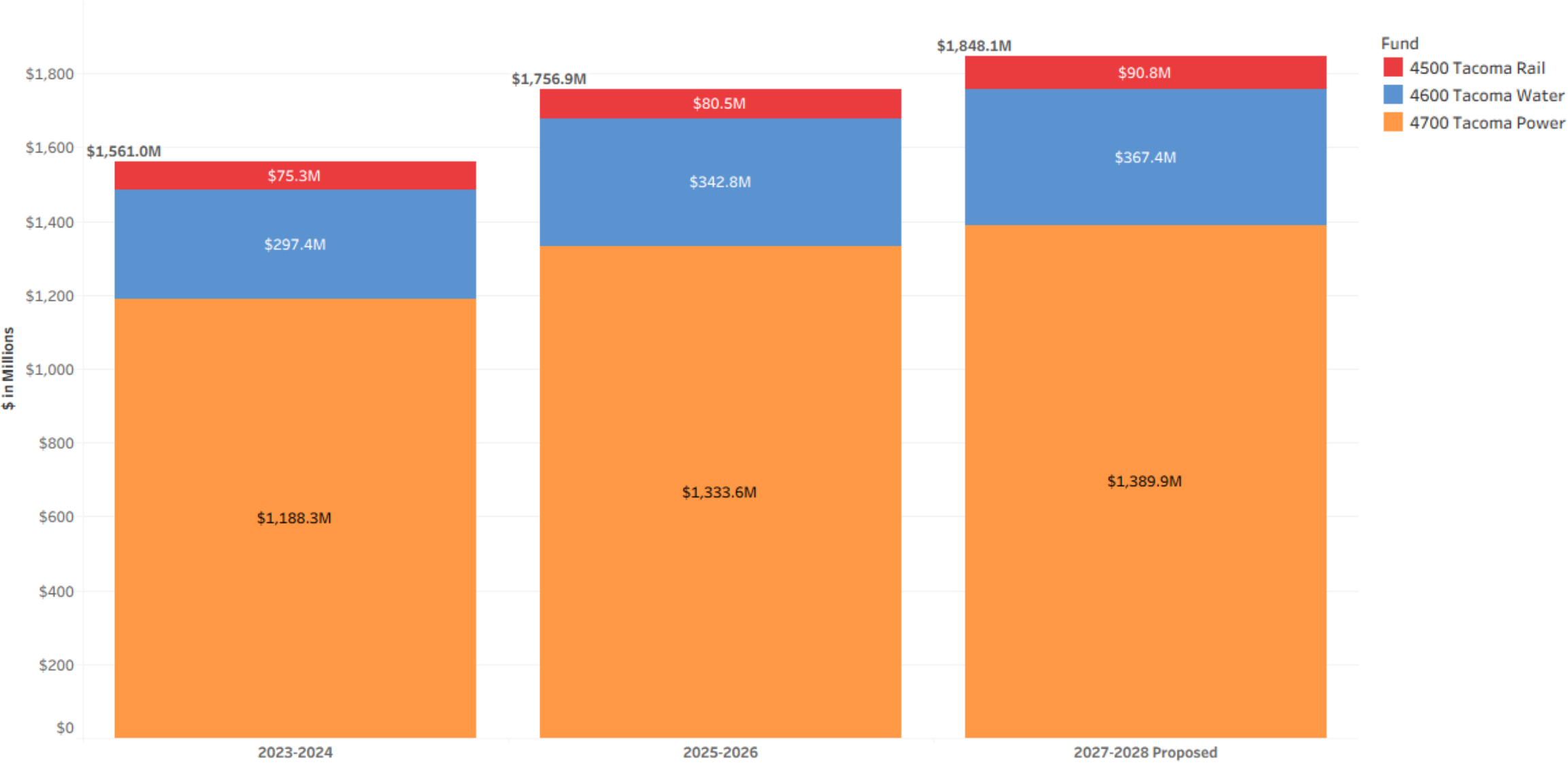


- P1 Pipeline Pressurization – Canyonfalls Creek Pump Station
- Howard Hanson Additional Water Storage Project
- Cascade Water Alliance
- Water Operations Building



- Apprenticeship Program
- Locomotive Modernization
- Track Infrastructure Improvements

Proposed Biennial Budget



Proposed Rate Adjustments



	Tacoma Power		Tacoma Water		Tacoma Rail	
	2027	2028	2027	2028	2027	2028
System average	7.8%	7.8%	5.5%	5.5%	2.0%	2.0%
Residential	6.3%	6.3%	5.6%	5.6%	NA	NA
Average monthly increase	\$7.76	\$8.35	\$2.99	\$3.17	NA	NA

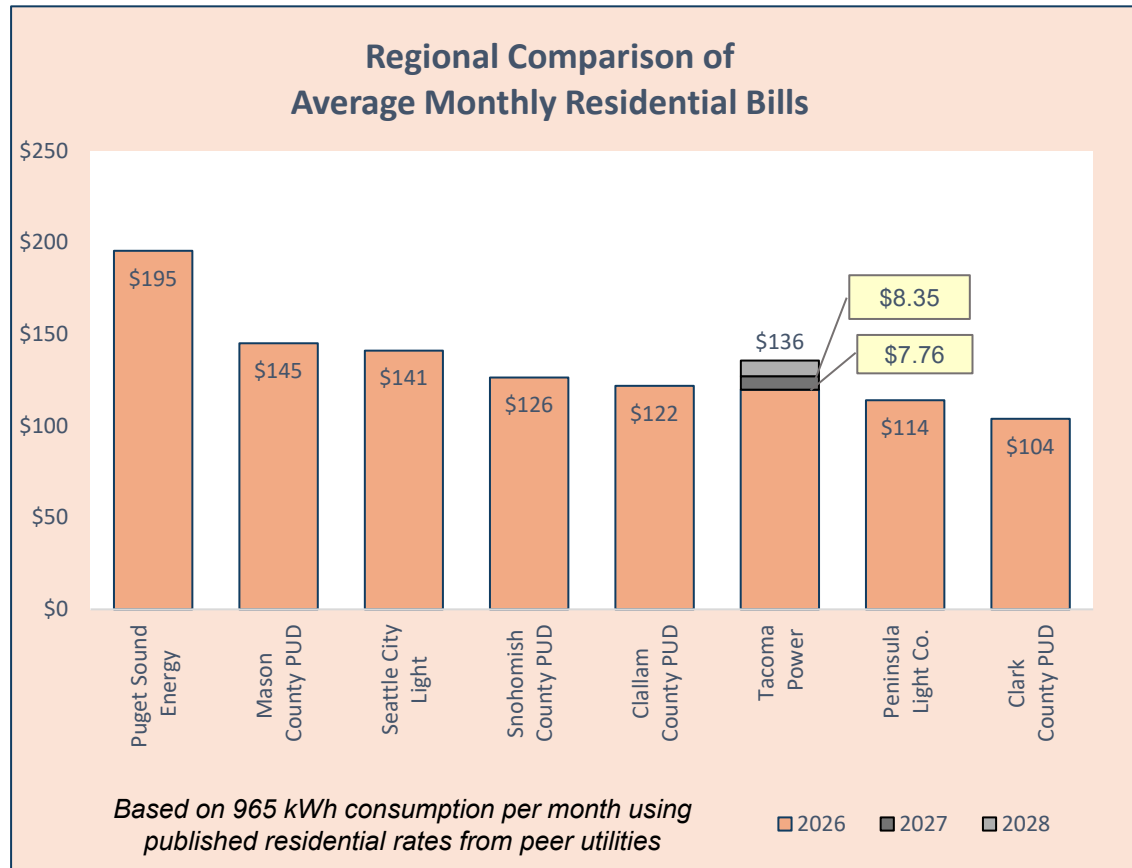
Proposed Bill Credit Assistance Program (BCAP) Modifications Power and Water Residential

- Expand eligibility from 60% to 80% of Area Median Income (AMI)
 - Implement tiered (income-based) allocation system

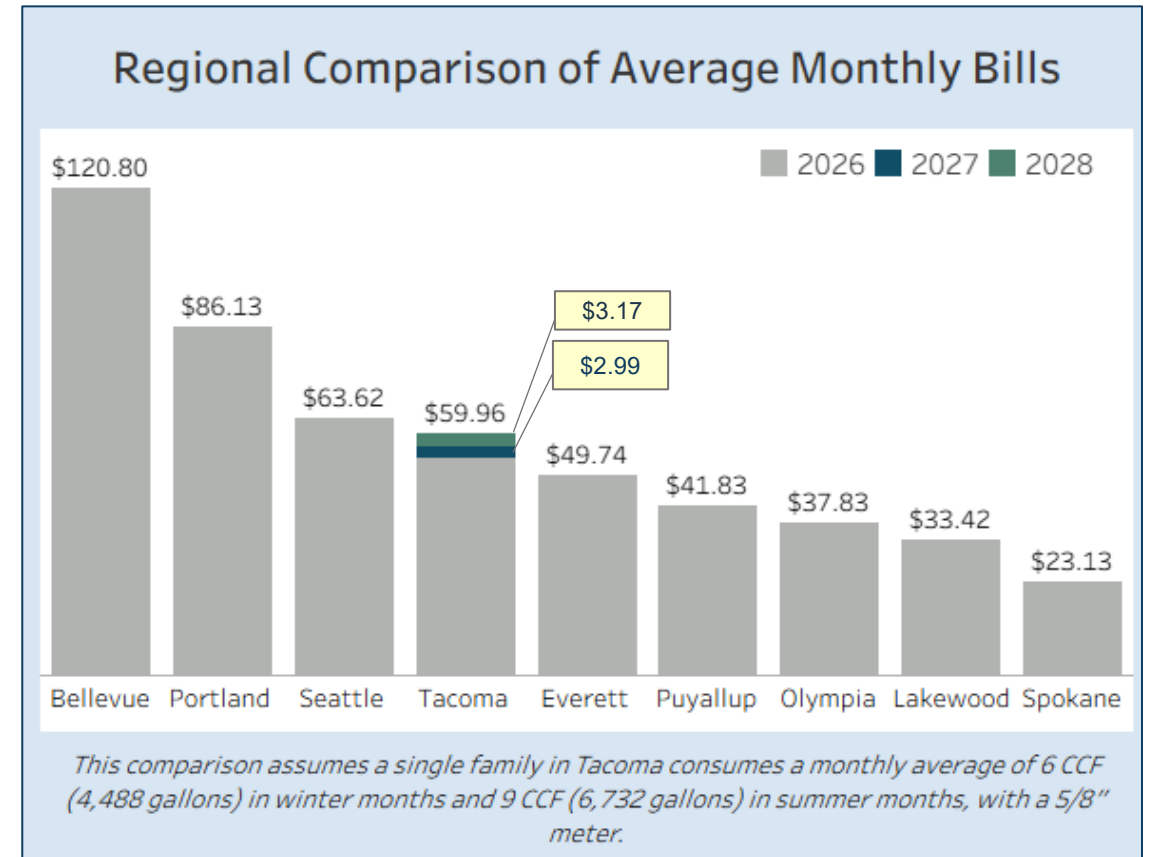
Average Residential Bill Comparisons



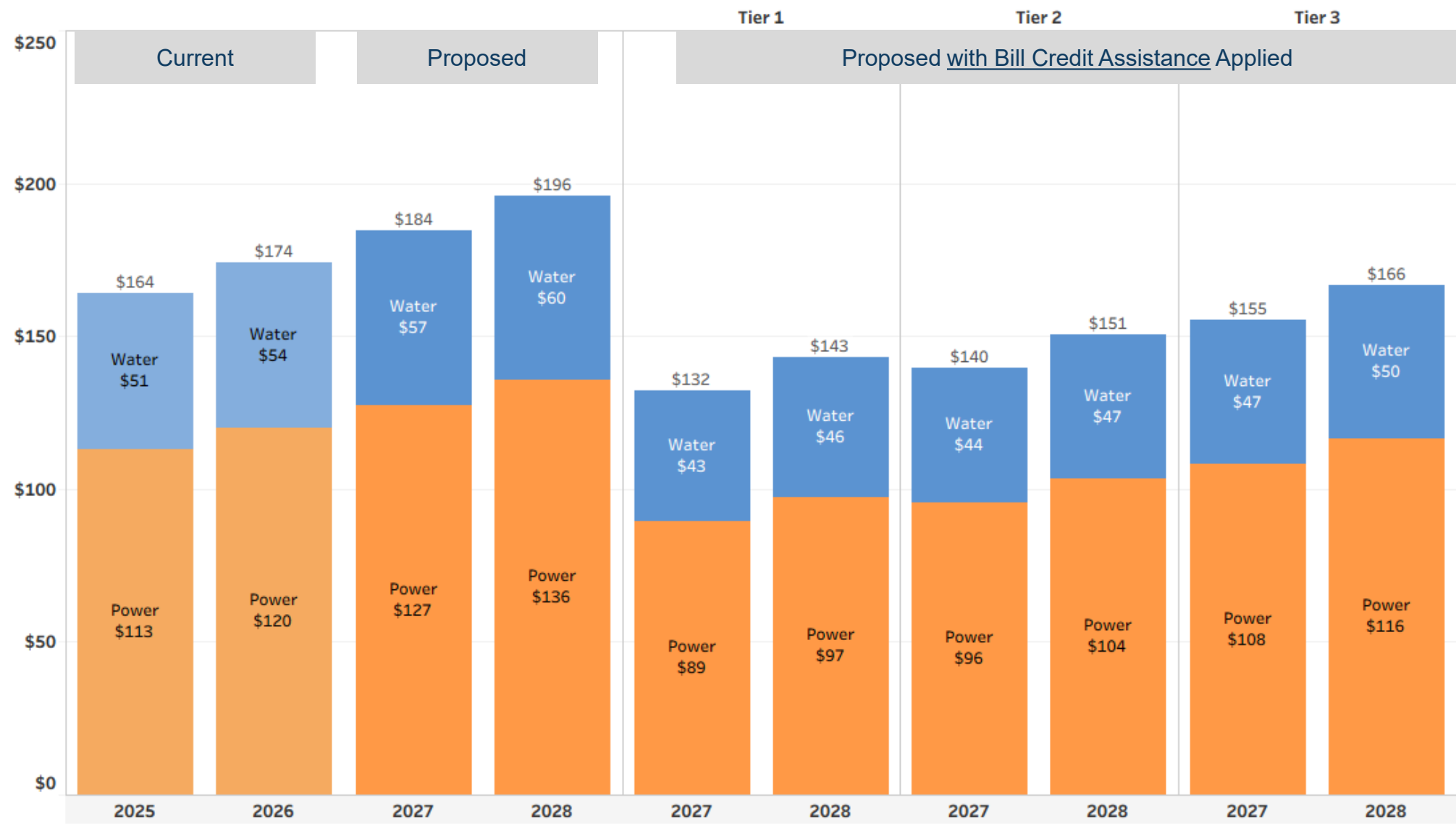
Tacoma Power



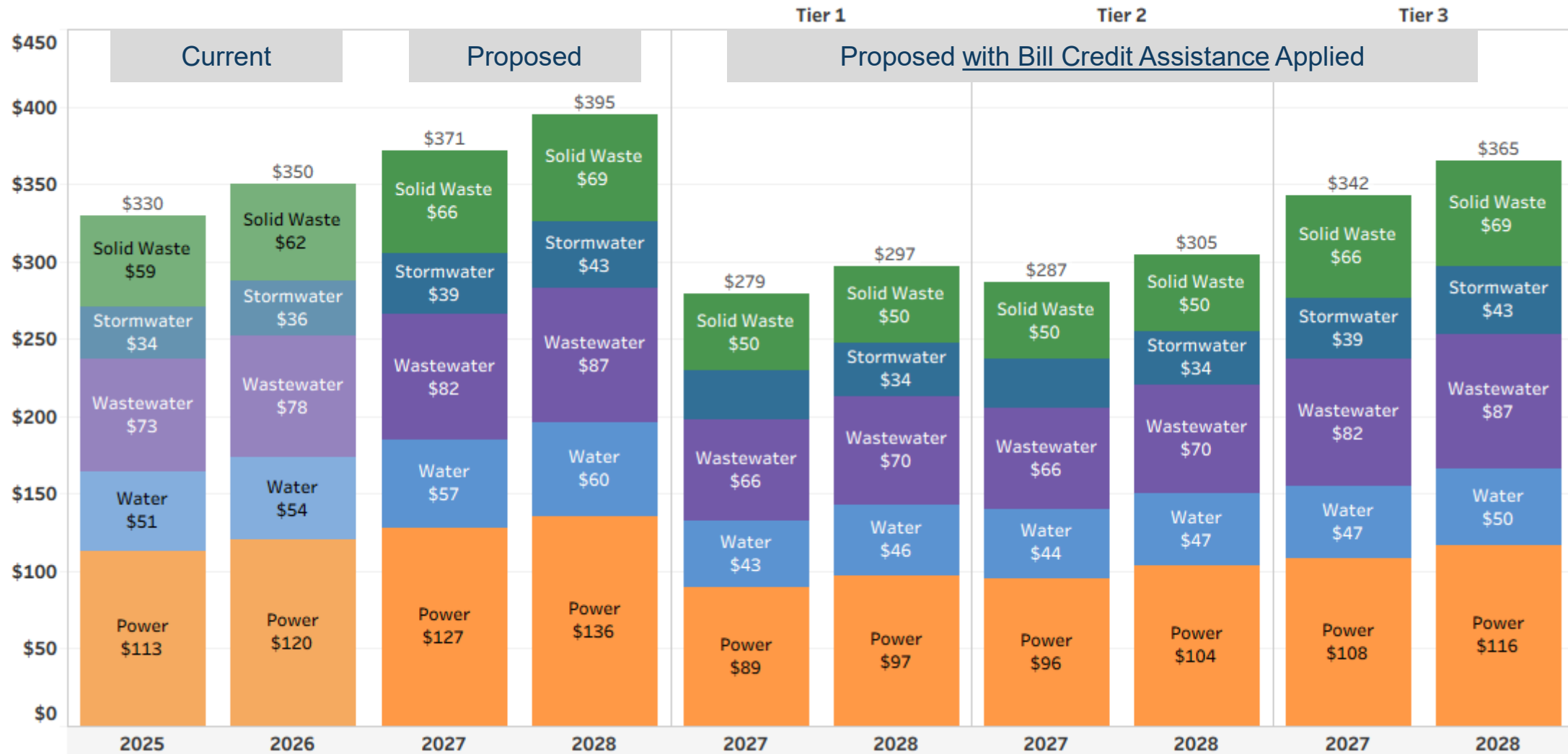
Tacoma Water



Average Monthly Utility Bill (TPU)



Average Monthly Utility Bill (5-Services)



Additional Customer Assistance Opportunities



TPU Discount Rate Program

- Low Income Elderly or Disability Income (LIE)

Federal Assistance for Renters and Homeowners

- Low Income Home Energy Assistance Program (LIHEAP)

Budget Billing

- Consistent and predictable utility bills

TPU Conservation, Savings & Incentives

mytpu.org/ways-to-save

Other Proposed Updates



Tacoma Water Financial Policy Updates

Operating Reserves

- Revise to 90–150 Days ([Target 120 Days](#))
- Plan required if reserves are out of policy range

Capital Reserve

- Maintain 1%

SDC Fund

- Sunset Rate Stabilization Account (RSA)
- Increase Minimum Balance to [\\$4M](#)

Align Financial Policy Approval with Power

Customer Services & Tacoma Power Fee Updates

- No longer reflect current cost of service

Outreach Efforts



Budget & Rates

- Neighborhood Councils, Block Groups, Metro Parks
(*in partnership with Environmental Services*)
- Chamber of Commerce and Economic Development and Trade Organizations
- Franchise Cities and local government partners
- Key Account Customers (JBLM, hospitals, school districts, etc.)
- Business Districts

Join existing community events or meetings when possible

Ongoing

- Website (mytpu.org) contains links to meetings, presentations, and recordings
- Social Media posts
- Online customer feedback form
- Utility bill inserts and messaging
- Multilingual fact sheets and newsletters

Looking Ahead



Public Utility Board

Oct 14

- Public Hearing
- 1st Reading and Consideration of TPU Proposed Budget and Rates

Oct 28

- 2nd Reading and Approval of TPU Proposed Budget and Rates

City Council

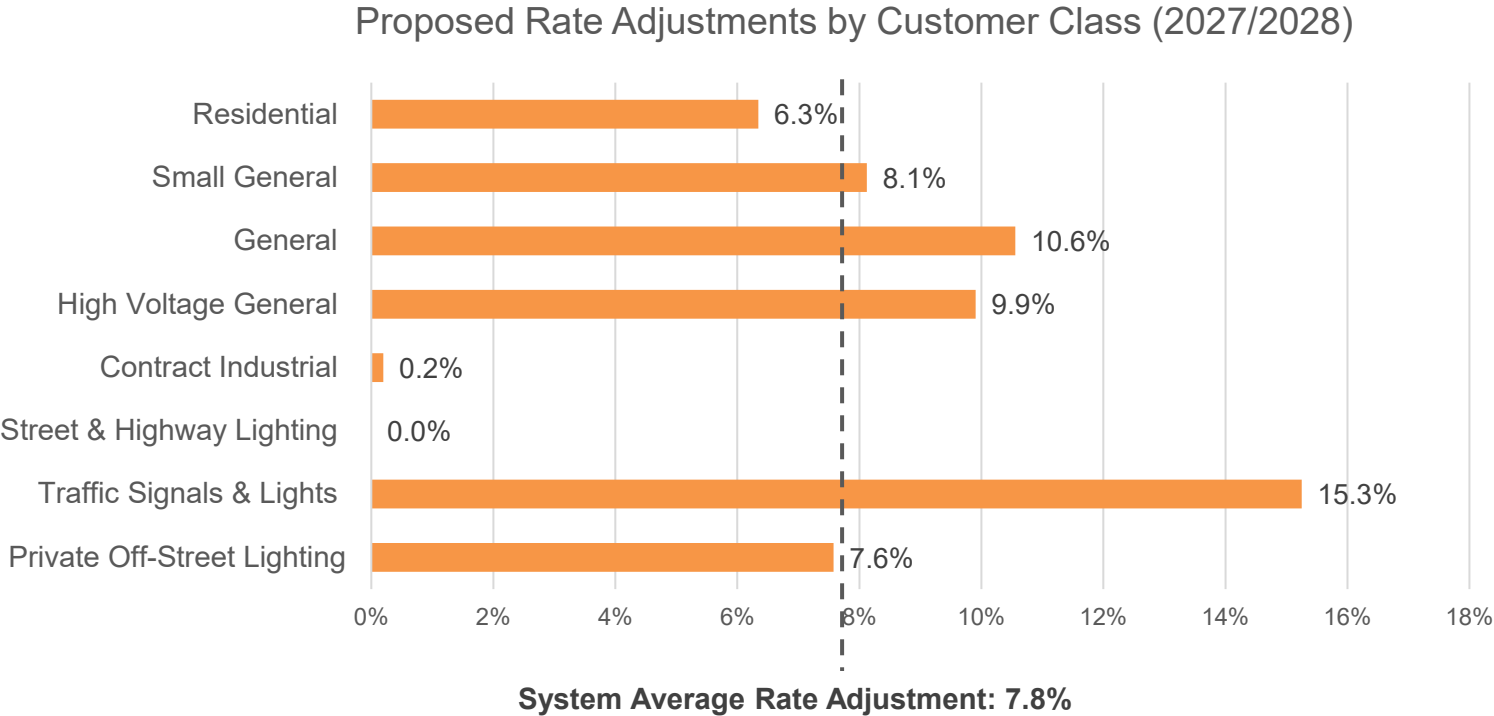
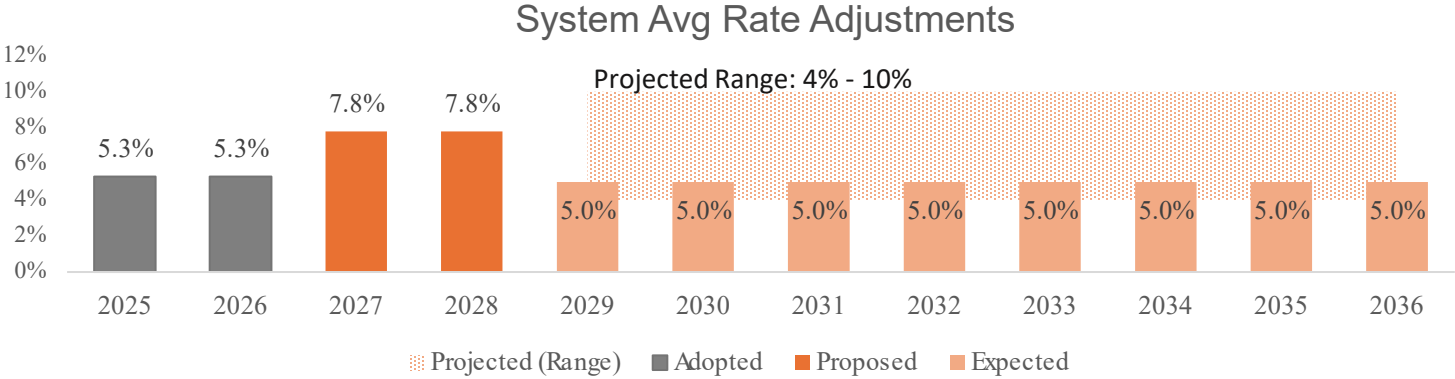
- Nov 10: 1st Reading of City Budget and Rate Ordinances
- Nov 17: 2nd Reading of City Budget and Rate Ordinances

Feedback from the Public remains open through final budget adoption



Appendix

Tacoma Power Rate Projections & Preliminary Rates



Tacoma Power Rate Design for G Class



- After further review, rates staff decided to split the increase among the customer, energy, and delivery charges
- Departure from COSA delivery charge in support of rate gradualism
- Splitting the charge allows for rate gradualism but also shifts the delivery charge towards COSA

Schedule G	General			
	Current	2027	2028	COSA
Customer Charge	\$82.80	\$103.30	\$123.80	\$84.43
Energy Charge	5.8014¢	6.2968¢	6.8346¢	3.9030¢
Delivery Charge	\$11.39	\$12.89	\$14.59	\$22.86

Tacoma Power

Rate Modifications/Special Rates



- **Remove Power Service Agreement requirement on Shore Power Rate Schedule**
- **Modify Schedule G Section E Customer-Owned Generation**
 - Replace the basis for export energy compensation from Energy Imbalance Market (EIM) price with Tacoma Power's avoided cost;
 - Remove system integration charge and standby capacity charge
- **Update Inspection & Permitting, Disconnection/Reconnection, and Lighting Pole Fees**
- **Remove Electrofuel Rate Schedule**

Tacoma Power Proposed Residential Permit Fees



	Current	Proposed	Change
TMC 12.0A.250 A.1			
Overhead Service (up to two trips)			
1-200A and up to 2500 sq. ft.	\$153	\$179	\$26
Up to 400A or up to 4000 sq. ft.	\$230	\$268	\$38
Underground Service (up to four trips)			
1-200A and up to 2500 sq. ft.	\$306	\$357	\$51
Up to 400A or up to 4000 sq. ft.	\$382	\$446	\$64
Feeder-Only Work (up to two trips)			
1-200A and up to 2500 sq. ft.	\$125	\$143	\$18
Up to 400A or up to 4000 sq. ft.	\$140	\$179	\$39
TMC 12.0A.250 A.2			
Branch Circuit alteration and repairs	\$89	\$107	\$18
Each additional circuit	\$10	\$12	\$2
TMC 12.0A.250 A.3			
Minor alterations or repairs to service (1 component)	\$77	\$90	\$13
(2 or more components)	\$153	\$179	\$26
TMC 12.0A.250 A.4			
Hardwired low voltage control panels and devices	\$77	\$90	\$13
TMC 12.0A.250 A.5			
Temporary services 1-200 amps single phase	\$77	\$90	\$13
TMC 12.0A.250 A.6			
Residential swimming pool	\$230	\$268	\$38
TMC 12.0A.250 A.7			
Generator transfer panel and equipment	\$105	\$107	\$2
TMC 12.0A.250 A.8			
PV systems	\$153	\$179	\$26

Tacoma Power Proposed Commercial Permit Fees



TMC 12.0A.250 B.1 Table B						
Value of Electrical Construction		Commercial Permit Fees		Current	Proposed	Change
\$0 to \$1,000	base			\$133.00	\$154.00	\$21.00
\$1,001 to \$5,000	base			\$133.00	\$154.00	\$21.00
	increment for each add'l \$100 electric work value			\$5.35	\$6.20	\$0.85
\$5,001 to \$50,000	base			\$347.00	\$402.00	\$55.00
	increment for each add'l \$100 electric work value			\$2.70	\$3.15	\$0.45
\$50,001 to \$100,000	base			\$1,562.00	\$1,819.00	\$257.00
	increment for each add'l \$100 electric work value			\$2.00	\$2.30	\$0.30
\$100,001 to \$250,000	base			\$2,562.00	\$2,969.00	\$407.00
	increment for each add'l \$1,000 electric work value			\$12.00	\$13.90	\$1.90
\$250,001 to \$500,000	base			\$4,362.00	\$5,054.00	\$692.00
	increment for each add'l \$1,000 electric work value			\$10.70	\$12.40	\$1.70
\$500,001 to \$750,000						\$1,117.00
	base			\$7,037.00	\$8,154.00	
	increment for each add'l \$1,000 electric work value			\$9.40	\$10.90	\$1.50
\$750,001 to \$1,000,000					\$10,879.00	\$1,492.00
	base			\$9,387.00		
	increment for each add'l \$1,000 electric work value			\$8.00	\$9.30	\$1.30
...						

Tacoma Power Proposed Pole Fee Increases



- 2026 Actual Cost \$4,639.00, TMC Published \$2,608.00
- Pole and Labor costs have increased
- Include administrative fee recovery
- Include Utility Price Index

Effective Date	Cost for Each Additional Pole
April 1, 2027	\$3,104.00
April 1, 2028	\$3,846.00
April 1, 2029	\$4,587.00
April 1, 2030	\$5,329.00

Update to TMC 12.01.010.B(4), B(6) & C(2) Field Call Disconnect/Reconnect Fee & Tamper Fee

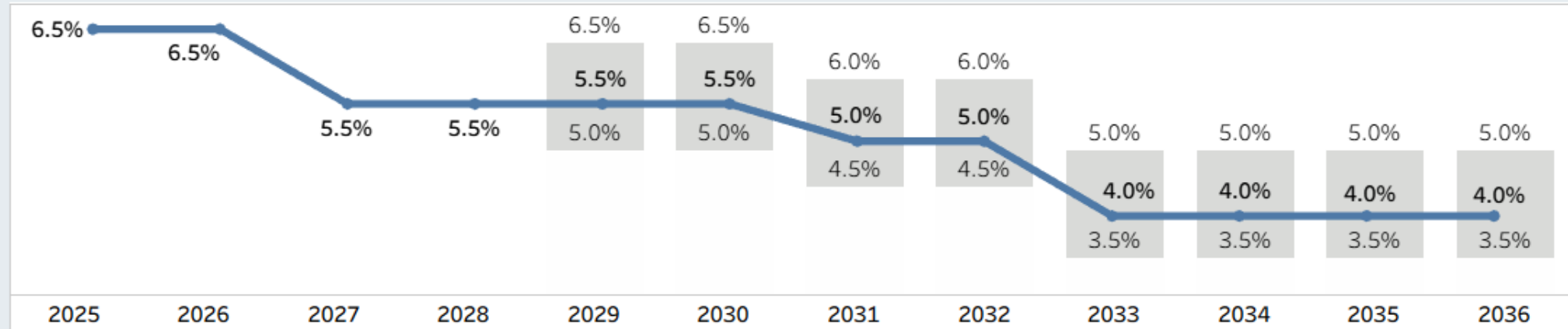
- B(4) Plus an additional ~~\$194.50~~ \$638.00 for a pole or underground **disconnection and** reconnection during normal City business hours and ~~\$264.00~~ \$847.00 for a pole or underground **disconnection and** reconnection during all other hours.
- C(2) ~~\$194.50~~ \$638.00 for a pole or underground **disconnection and** reconnection during normal City business hours and ~~\$264.00~~ \$847.00 for a pole or underground **disconnection and** reconnection during all other hours.
- B(6) ~~\$137.50~~ \$168.00 for self cut-in (**investigation only, other charges may apply**).

	Current	Proposed
Disconnect and Reconnect <u>During</u> Business Hours	\$194.50	\$638.00
Disconnect and Reconnect <u>After</u> Business Hours	\$264.00	\$847.00
Tamper Investigation	\$137.50	\$168.00

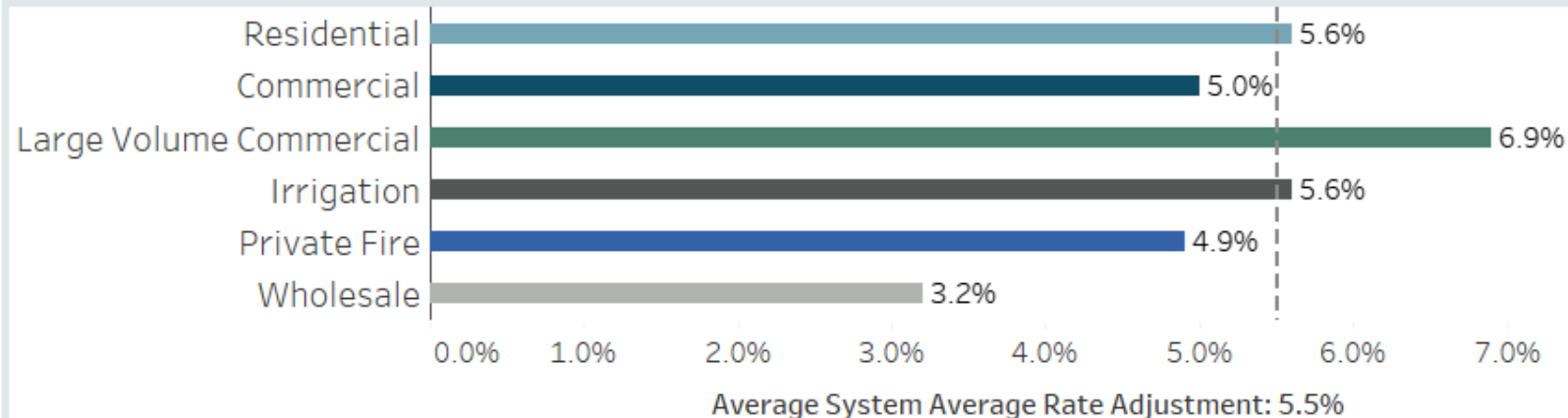
Tacoma Water Rate Projections & Proposed Rates



Projected Range of System Average Rate Adjustments



Proposed Annual Rate Adjustments by Customer Class



Tacoma Rail

Proposed 2027-2028 Rates



Demurrage tariff

Last adjusted in 2025
No proposed changes

Line haul rates

Last adjusted in 2026
3% Rate adjustments per year
(see chart)
Intermodal
Tidelands commercial
Single spot unit trains
Multiple spot unit trains
2% average system rate adjustment

Miscellaneous switching tariff rates

Last adjusted in 2025
Inter-terminal, intra-terminal,
intra-plant, special switches
Rate adjustment of 3% for 2027

Line Haul Rates

	2026	Proposed Rates	
		2027	2028
Intermodal	\$ 67.00	\$ 69.00	\$ 71.00
Commercial			
Tidelands Division	367.00	378.00	388.00
Tidelands Division Hazardous	428.00	439.00	449.00
Lakewood Subdivision	669.00	670.00	670.00
Unit Train			
Single Spot	278.00	286.00	294.00
Multiple Spot	367.00	378.00	388.00

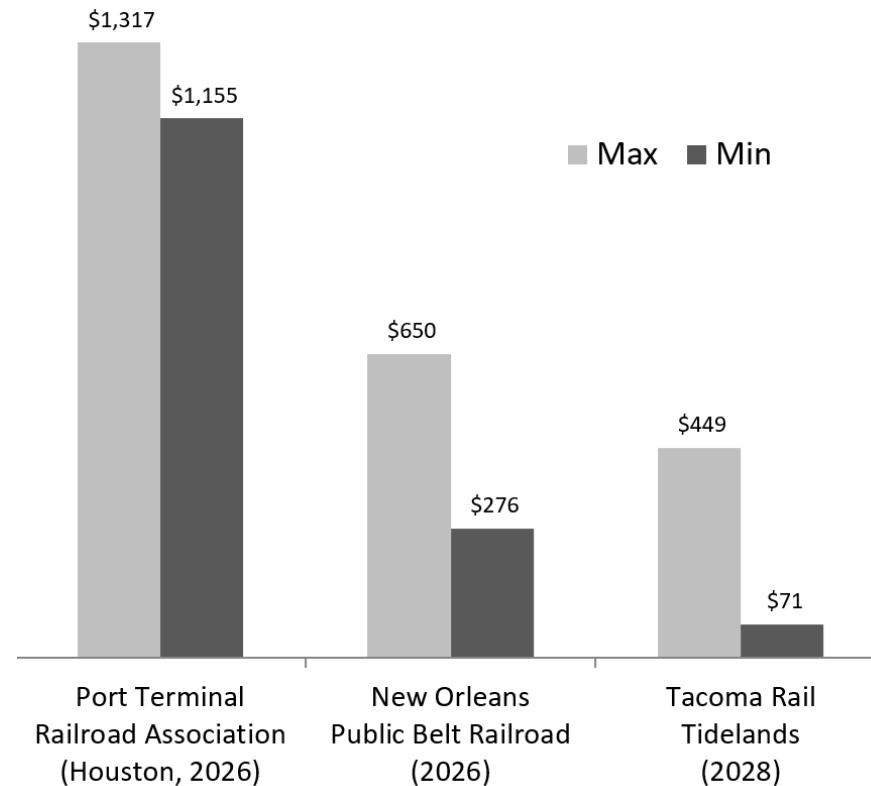
Tacoma Rail Tariff Rate Comparison



Northwest Seaport Alliance (NWSA)

- July 2026
- Rate increases of 3% - 3.9%

Other tariff based short lines:



Tacoma Water Proposed Financial Policy Updates



Proposed Revised Subsection B.4.

Rates shall be set at levels such that projected current fund (fund 4600) cash balances will ~~be more than~~ *maintain 60 days a minimum of 90 days, a target of 120 days, and a maximum of 150 days* of current budgeted expenditures ~~in each year of the planning period~~ *throughout each year of the planning period*. It is recognized, however, that seasonal fluctuations may cause balances to be below recommended levels, but rates should be set such that the minimum cash balance in any month does not drop more than 40 percent below the recommended level. Operating surpluses may be applied to the Operating Reserve, capital construction, or the Capital Reserve Fund.

If reserves exceed 150 days, a spend-down plan shall be developed and implemented to bring reserves back within the target range. If reserves fall below 90 days, a cost-reduction plan shall be initiated to restore reserves to the minimum threshold.

Proposed Revised Subsection B.6.

The System Development Charge Fund is intended to provide capital funding for source development, transmission, storage, and related facilities. A minimum balance of ~~\$4,000,000~~ *\$2,000,000* will be maintained in the Fund to deal with unforeseen emergencies and contingencies., ~~which would be authorized by separate Public Utilities Board approval.~~

The minimum balance may only be used for emergency situations, severe revenue shortfalls, or critical compliance and safety requirements, and any use must include a replenishment plan approved by the Public Utilities Board. A replenishment plan should include delay or phase of non-critical projects and focus on projects with the highest regulatory or operational priority.

Tacoma Water Proposed Financial Policy Updates



Proposed Revised Subsection B.1.

Rate revenue together with other revenue sources, will cover current costs and meet or exceed all bond and other requirements necessary to maintain financial sufficiency. *While this policy includes minimum requirements for liquidity and debt service coverage, it is the goal of Tacoma Water to maintain or improve current debt ratings, and the utility will maintain higher levels of coverage and liquidity as required to achieve this goal.*

Proposed Revised Subsection E.2.

The Public Utility Board must review the existing rate policy well in advance of consideration of each rate adjustment. Any proposed changes require formal Board and ~~City Council~~ resolutions.

Customer Services Proposed Fee Schedule



Service	Current	Proposed
AMI opt-out monthly	\$15	\$40 / \$75 Ketron Island
Bankruptcy preparation	\$10	\$25
Service establishment	\$21.60	\$15 Power, \$15 Water, \$5 per ES utility, \$45 maximum
Field charge	\$10	\$40
Power AMI reconnect	\$0	\$20
Daytime reconnect	\$12	\$40
After-hours reconnect	\$60	\$200
Failure to appear	\$6	\$40
Meter reading verification	\$5	\$40
Lockout / no access	\$5	\$40
Skip tracing	\$5	\$25
Late fee	\$3 or 1%	Greater of \$5 or 1%