Rail Rate Policy

May 13th, 2020
Dan McCabe
dmccabe@cityoftacoma.org
Policy Objectives

A. Rail rates should be cost based and adequate to recover Tacoma Rail’s costs.

B. Rail rates should be stable.

C. Rail rates should ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible.

D. Rail rates should have a customer involvement and review process.
Goals of Proposed Changes

• Rail rates are based on best estimates of rail volumes at the time of budget
  • Adjusted annually as necessary

• Utilize temporary or unanticipated upswings in business volumes
  • To balance temporary or unanticipated downswings in business
  • To support railroad infrastructure and asset investment opportunities
Proposed Changes

B. Rail rates should be stable.

1. Rates will be based on best estimates of rail volume. Operating surpluses due to unanticipated rail volume growth may be applied to the Volume Investment Fund.
C. Rail rates should ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible.

4. Tacoma Rail maintains a Volume Investment Fund that provides revenue requirement flexibility during times of unanticipated economic downturns or capital spending that may be used to offset the necessity of rate increases. Use of the fund will be limited to:
   a. Workforce stability to ensure adequate staffing for rail volume rebound after a downturn.
   b. Locomotive upgrades to sustain Tacoma Rail’s environmental leadership goals.
   c. Timely acquisition, replacement and upgrade of infrastructure and capital assets.
   d. Grant or debt matching opportunities.
Questions & comments

Dan McCabe
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RAIL RATE POLICY
AMENDED
January 2021
Tacoma Public Utilities
Tacoma Rail

I. Purpose
The Tacoma Rail Rate Policy provides for rates adequate to ensure the operation, maintenance, and construction of the Department’s railway system within Tacoma Rail’s service area.

II. Objective for Rail Rate Policy
A. Rail rates should be cost based and adequate to recover Tacoma Rail’s costs.
B. Rail rates should be stable.
C. Rail rates should ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible.
D. Rail rates should have a customer involvement and review process.

III. Policies
A. Rail rates should be cost based and adequate to recover Tacoma Rail’s costs.

1. Revenue requirements will be developed utilizing an average embedded cost-based service methodology.

2. Rates charged for each blended class of service will be set to reflect the cost of supplying that service. Any exceptions to cost-of-service principles will be explicitly noted in this policy.

3. The limit of debt to total assets shall be set up to a maximum of 40%.

4. The debt service coverage ratio shall be at least 1.5, or the ratio established by the Public Utility Board.

5. The minimum working cash balance shall be sufficient enough to cover 60 days of current budgeted expenditures as outlined in Public Utility Board Policy 3.6, dated August 1992.

6. Major capital projects will be financed primarily with debt or grant opportunities. The term of the debt financing will not be longer than the useful life of the capital project.

7. Switch tariff fuel surcharges shall be based on actual costs over a threshold rather than an industry index.
B. Rail rates should be stable.

1. Rates will be based on best estimates of rail volume. Operating surpluses due to unanticipated rail volume growth may be applied to the Volume Investment Fund.

2. To the extent possible, rate adjustments will not exceed general inflationary trends. Phased-in adjustments over a limited time may be used for projects requiring a considerable change in rate levels.

3. Rate classes may be established by blending customers, similar use and service characteristics.

4. A rate surcharge may be proposed under unusual conditions such as an unanticipated slowdown in rail activity.

C. Rail rates should ensure sufficient resource planning and acquisition for reliable service while being as competitive as possible.

1. Rail rates will be designed to meet the changing needs of the customer.

2. The character and volume of service will be factors in apportioning costs, developing rates, and tariff revisions.

3. A standard, currently one to one, will be used to determine the amount of staging rail relative to operating rail. The cost associated with providing that staging rail will be apportioned based upon class use.

4. Tacoma Rail maintains a Volume Investment Fund that provides revenue requirement flexibility during times of unanticipated economic downturns or capital spending that may be used to offset the necessity of rate increases. Use of the fund will be limited to:
   a. Workforce stability to ensure adequate staffing for rail volume rebound after a downturn.
   b. Timely acquisition, replacement, and upgrade of infrastructure and capital assets.
   d. Grant or debt matching opportunities.

D. Rail rates should have a customer involvement and review process.

1. At a minimum, rates will be reviewed every two years with a full revenue requirement study performed.

2. Rate presentations will be given to the Class I Carriers and customers of Tacoma Rail, including the Port of Tacoma as needed.

3. Tariff revision recommendations will be communicated to Tacoma Rail rate paying customers whose rates are affected.
3. Customers shall be informed of the rate changes at least 20 days ahead of the proposed effective day and before City Council approval.

4. Meetings of the Tacoma Public Utility Board and City Council are open to the public and all interested parties.

5. Written public comment or inquiries from all customer classes concerning rail rate proposals and policies will be encouraged and will be responded to in a timely manner.

6. The timing and amount of any upcoming rate adjustment will be well publicized in advance of the implementation date.
Tacoma Water
Rate & Financial Policy and
Financial Outlook Update

Scott Dewhirst (sdewhirst@cityoftacoma.org), Water Superintendent
Jodi Collins (jcollins@cityoftacoma.org), Financial Stewardship Manager
May 13, 2020
Today’s Discussion

1. Strategy
2. State of the Utility
3. Rate & Financial Policy
4. Budget Drivers
5. Base Case Rate Scenario
6. Budget & Rate Impacts
7. Next Steps
Strategy

- **Implementation is Underway**
- **Guiding Light in Uncertain Times**
- **Customer and Internal Focus**
- **Reinforced by Recent Events**
State of the Utility: COVID-19 Impacts

- **Delivery of Water**: Delivery of total water to the system continues to track with 2019.

- **Projections**: We are continuing to project increased residential demand and decreased commercial demand during the Stay Home, Stay Healthy mandate followed by a recession.

- **Monitoring**: Total billed demand and revenue for March and April above budget and we continue to monitor billed demand and revenue.
## State of the Utility: COVID-19 Impacts

### Increased Expenses

- Initial teleworking expenses
- Social distancing implementation
- Customer assistance program
- Suspension of late fees and shut offs
- Financial management
- Expense prioritization
- Operational efficiencies
- Strategic alignment
- Hiring
- Meetings, travel & trainings
- Suspension of intern program
- Delaying projects

### Balancing Efforts

- Initial teleworking expenses
- Social distancing implementation
- Customer assistance program
- Suspension of late fees and shut offs
- Financial management
- Expense prioritization
- Operational efficiencies
- Strategic alignment
- Hiring
- Meetings, travel & trainings
- Suspension of intern program
- Delaying projects

### Decreased Expenses

- Initial teleworking expenses
- Social distancing implementation
- Customer assistance program
- Suspension of late fees and shut offs
- Financial management
- Expense prioritization
- Operational efficiencies
- Strategic alignment
- Hiring
- Meetings, travel & trainings
- Suspension of intern program
- Delaying projects
State of the Utility: Demand & Costs

- Operating costs continue to rise despite stable demand

The blue line represents average day demand for water in million gallons per day from 1985 - 2019. The grey line represents annual operating expense in millions from 1985 - 2019.

Source: Tacoma Water Annual Financial Reports
State of the Utility: Capital Spending

Capital Improvement Plan (CIP)

- Advanced Metering (Phase 1 and 2)
- Seismic Improvements
- Pipeline 1 Pressurization
- Fleet
- Renewal & Replacement & Other

Capital Expenditures:
- $40M
- $35M
- $30M
- $25M
- $20M
- $15M
- $10M
- $5M
- $0M

Years:
- 2019
- 2020
- 2021
- 2022
- 2023
- 2024
- 2025
- 2026
- 2027
- 2028
- 2029
- 2030
State of the Utility: Rate Pressure & Relief

Pipeline 1 Pressurization
- Advanced Metering
  - Large Customer Loss
    - All Hazards (primarily seismic)
      - Investment in Technology
        - Water System Acquisitions
          - Reserves
            - Customer Account Growth
              - Pandemic (with local impact)
                - Increased Wholesale Demand
                  - Decreased Demand (per account)
                    - Pandemic (with local impact)
                      - Greater Demand (with local impact)

Employee Retention & Engagement
- Asset Management
- Project Management
- Process Documentation

Higher Rate Pressure -->

Higher Rate Relief <--
## Rate & Financial Policy

| Rate Requirement | • Regular reviews with full study every two years  
|                  | • Study includes projected revenue, expenses and capital improvements |
| Cost-Based Rates | • An embedded cost-of-service study will determine the cost of serving each customer class and allocation to recover projected expenses |
| Stable Rates     | • Water rates should be as low as is responsible  
|                  | • Water rates should be stable and understandable  
|                  | • To the extent possible, apply gradualism in rate adjustments |
| Financial Metrics | • 60 days of current budgeted expenditures  
|                  | • Capital: $2M minimum in SDC Fund and 1% of original plant in Capital Reserve  
|                  | • Debt Service Coverage: Senior above 1.5x and All In above 1.25x |
| Rate Adjustments | • Sufficient to meet Tacoma Water budgets and maintain financial sufficiency  
|                  | • Minimize long-run costs to rate-payer  
|                  | • Short and long-run rate impacts presented |
| Low-Income       | • Special consideration for low-income senior and/or disabled customers |
| Environmental Stewardship | • Maintain the quality of the environment and preserve sensitive ecosystems at the source of supply |
## Rate & Financial Policy

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Requirement</td>
<td>• In development and based on budget</td>
</tr>
<tr>
<td>Cost-Based Rates</td>
<td>• Based on the previous Cost of Service Analysis</td>
</tr>
<tr>
<td>Stable Rates</td>
<td>• Preserve gradualism and long-term rate stability</td>
</tr>
</tbody>
</table>
| Financial Metrics      | • Apply risk model analysis to support recommendation for reserve level requirements  
                          | • Rating agency response for water utility: essential business with rate-setting ability and relatively inelastic demand  |
| Rate Adjustments       | • Preserve long-term financial sustainability                                                                                                 |
| Low-Income             | • Increase support for low-income senior and/or disabled customers                                                                          |
| Environmental Stewardship | • Continue commitment to the health of our environment                                                                                       |
Budget Drivers

Least Control

- Assessments
- Taxes
- Personnel benefits
- Cost of commodities

Limited Control

- Debt service
- Capital Investment Plan (CIP)
- Wholesale Water Sales
- Strategic initiatives
- FTE count
- Workforce Development

Most Control

- Equity & Inclusion
- Financial Sustainability
- Rates
- Stakeholder Engagement
- Innovation

[Images of speedometers indicating levels of control]
<table>
<thead>
<tr>
<th>Scenario</th>
<th>Description</th>
<th>Positive or Negative Impact on Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021/22 Base Case</td>
<td>Expected customer growth, base CIP (with low-case Pipeline 1 Project), base O&amp;M</td>
<td></td>
</tr>
<tr>
<td>2021/22 Alternate Base Case</td>
<td>Assumes no rate adjustment in 2021</td>
<td></td>
</tr>
<tr>
<td>New Large Volume Customer</td>
<td>Assumes additional 2 million gallons per day beginning in 2022, doubling Large Volume revenue assumptions</td>
<td></td>
</tr>
<tr>
<td>High Customer Growth</td>
<td>Assumes account growth with historical modeling</td>
<td></td>
</tr>
<tr>
<td>Increased Wholesale Revenue</td>
<td>Expanded wholesale sales through market-based and traditional wholesale agreements, assumes additional $1.2 million per year additional revenue</td>
<td></td>
</tr>
<tr>
<td>Pulp MillShutdown with High Case CIP</td>
<td>Assumes 5-extension is executed in 2020 and Mill shuts down in July 2021 and high case Pipeline 1 project</td>
<td></td>
</tr>
<tr>
<td>Pulp Mill Shutdown</td>
<td>Assumes 5-extension is executed in 2020 and Mill shuts down in July 2021</td>
<td></td>
</tr>
<tr>
<td>High Case CIP</td>
<td>Assumes Pipeline 1 project at high end of projection with $150 million over 20 years</td>
<td></td>
</tr>
<tr>
<td>Prolonged Recession after Pandemic</td>
<td>We are continuing to monitor the environment and will be model additional scenarios as needed</td>
<td></td>
</tr>
</tbody>
</table>
Base Case Rate Scenario (Recommended)

Rate Increases & Coverage Tests
Base Case 2021/2022

- Environmental Leadership
- Innovation
- Stakeholder Engagement
- Rates
- Financial Sustainability
- Equity & Inclusion
Tacoma Water Operating Fund
Base Case 2021/2022

Operating Reserve (Current Fund Ending Balance)  60 Day Minimum Target

Base Case Rate Scenario (Recommended)
Alternate Rate Scenario

Rate Increases & Coverage Tests
Alternate Base Case 2021/2022

- Rate Adjustment - Projected
- Sr. Debt Coverage - Requirement
- Sr. Debt Coverage - Projected
- All-In Debt Coverage - Requirement
- All-In Debt Coverage - Projected
Alternate Rate Scenario

Tacoma Water Operating Fund
Alternate Base Case 2021/2022

- Environmental Leadership
- Innovation
- Stakeholder Engagement
- Rates
- Financial Sustainability
- Equity & Inclusion
Budget & Rate Impacts

Range of System Average Rate Adjustments

- **2020**: 2.0%
- **2021**: 0.0%
- **2022**: 2.0%
- **2023-2025**: 2.5%
- **2026-2029**: 2.5%
- **2030-2034**: 3.0%

Bar chart showing rate adjustments from 2020 to 2034.

- **Base Case (Recommended)**
- **Alternate Base Case**
Budget & Rate Impact: Affordability

Comparing Tacoma Water’s Annual Rate Adjustments with the CPI for Water, Sewer, and Trash (CPI-WST)

A Plan for Equity and Inclusion: Monitoring the Income Burden of an Average Water Bill

In 2018, the median household income (MHI) for the Tacoma Water service area was $71,543 and the average water bill was 0.7% of MHI.


In 2019, the % of Burden on Income was 2.0% for a Family of Four and 2.4% for a Two Person Household Age 65 and Older. The % of Burden on Income is projected to increase to 2.6% for a Family of Four and 3.0% for a Two Person Household Age 65 and Older by 2030.
Budget & Rate Impact: Monthly Bill

Average Monthly Bill for a Residential Single Family Customer Inside the City of Tacoma

An average monthly bill for a residential single family customer inside the City of Tacoma is calculated using an assumption of 6 CCF in winter months and 9 CCF in summer months.
Next Steps

- **APR 22**: Water Budget Preview PUB Meeting
- **MAY 13**: Water Rate & Financial Policy PUB Meeting
- **JUL 22**: Water LRFP & Rate Recommendation PUB Study Session
- **SEP 23**: TPU Budget Presentation PUB Study Session
- **OCT 13**: Review of Preliminary Biennial Budget & Rates PUB/City Council Joint Study Session
- **OCT 28**: Consideration of Preliminary Biennial Budget & Rates PUB Meeting
## State of the Utility: COVID-19

### Rating Agency Responses to COVID-19: Public Utilities

<table>
<thead>
<tr>
<th>Agency</th>
<th>Response</th>
</tr>
</thead>
</table>
| **Moody's** | No action taken on the sector associated with COVID-19  
- Public power, and water and sewer sectors: less affected, at least in the short run  
- The essentiality of their service and rate-setting ability help to mitigate coronavirus-related risks, although parent governments could expose them to credit deterioration  
- The regulated utility sector is well positioned to withstand the crisis due to supportive cost recovery tools, stable residential customer demand and resilient financial profile. The only financial risk is associated with financial volatility due to dependence on external capital for liquidity |
| **S&P** | No action taken on the sector associated with COVID-19  
- Public power and electric co-ops require persistent operations. The greatest risk is that virus contagion interrupts operations due to sick or furloughed employees. Increased residential electricity usage could potentially mitigate declines in industrial customer demand  
- Water and wastewater are essential services with fairly inelastic demand. Operational risks due to sick employees is offset by increased automation.  
- Wastewater treatment technology and methods are effective against all known pathogens |
| **Fitch** | On March 27<sup>th</sup> Fitch affirmed its stable outlook on the sector  
- Enterprises are protected given their quasi-monopolistic characteristics, long useful lives, both restricted and unrestricted reserves, balance sheet flexibility and discretion over capital expenditures  
- Contracted assets especially in the energy space have counterparty risk. Historically there has been stability of utility counterparties |
Tacoma Power
COVID-19-Response
Scenario Planning

13 MAY 2020
The Problem Statement

- COVID-19 has resulted in a decline in retail loads of about 5-7%.
- Excess supply from retail load reduction can be sold in the wholesale market. However, for every MWh of retail load decline, Tacoma Power loses $29-$47 compared to the system-average retail rate of about $81.
- O&M for 2019 was overspent, largely due to a critical water year, resulting in additional power market purchases.
- A recession is undoubtedly underway, which could potentially get even worse.
- Net impact – a severe rate spike without mitigation.
Non-Industrial Recession Impacts

Official American recession beginning and end dates as defined by the National Bureau of Economic Research (NBER).

Every recession is different!
Industrial Recession Impacts

Industrial shifts are large and difficult to predict. Official American recession beginning and end dates as defined by the National Bureau of Economic Research (NBER).

70% decline in electric sales

3% increase in electric sales
Planning, not Prediction.

“Moderate” and “Severe” recessions scenarios are not designed to predict the course of this recession, but to provide a range of potential futures for which the utility should have a proactive plan.

Official American recession beginning and end dates as defined by the National Bureau of Economic Research (NBER).
Overarching Objectives

Public Utility Board Strategic Directives

• Rates at the lowest levels reasonably sufficient to sustain safe and reliable utility operations over the near and long term (SD-3: Rates Outcome 1).

• AA-level bond rating to facilitate access to lower-cost financing and produce sustainable debt service expenses (SD-2: Financial Sustainability Outcome 4).

• Gradual and consistent rate changes that are stable and predictable over the long term and avoid sudden or large changes within customer classes (SD-3: Rates Value 4).

In accordance with Board values and strategic outcomes are the following goals:

• Minimize rate impacts

• Maintain healthy financials

• Reduce expenses
What opportunities we actually have are limited.
Mitigation Plan

2019 / 2020 Biennium

Expense Reductions
• Reduce current spending by $8 million
• Forego planned work (approximately $20 million)
• Target year-end financials to be even with 19/20

Capital Reductions & Rebalancing
• Shift $10 million in 19/20 capital from revenue-funded to debt-funded
• Move to 60%/40% debt/revenue-funded capital portfolio (originally 50%/50%).
• Doable because the utility has paid off so much debt in recent years.

Liquidity
• $100 million line of credit for next 2-5 years

Rate Increases
• Planned 2-4% annually
• Rate level depends on success of above actions

2021 / 2022 Biennium

Expense Reductions
• $10-$40 million in additional reductions to planned spending.
• Target now: $20 million

Capital Reductions & Rebalancing
• $25 million capital plan reduction (from $150 million)
• Move to 60%/40% debt/revenue-funded capital portfolio

Liquidity
• $50 to $100 million line of credit for next 2-5 years

Rate Increases
• Planned 2-4% annually
• Rate level depends on success of above actions
2020 Expense Reductions

Reductions from Projected Spending

Approximately $10 million of the $18 million current spending reduction target can be met by additional debt financing. Therefore, $8 million remains to be met from expense reductions.

**Preliminary Expense Reductions**

<table>
<thead>
<tr>
<th>Category</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Deferrals (revenue-funded)</td>
<td>$2,800,000</td>
</tr>
<tr>
<td>Unfilled Employee Vacancies</td>
<td>$2,400,000</td>
</tr>
<tr>
<td>Contracts &amp; Other Services</td>
<td>$1,050,000</td>
</tr>
<tr>
<td>Training &amp; Travel</td>
<td>$935,000</td>
</tr>
<tr>
<td>Natural Resources Studies</td>
<td>$657,000</td>
</tr>
<tr>
<td>Licenses &amp; Permits</td>
<td>$155,000</td>
</tr>
<tr>
<td>Materials &amp; Supplies</td>
<td>$31,000</td>
</tr>
<tr>
<td>Memberships</td>
<td>$23,000</td>
</tr>
</tbody>
</table>

*Subject to Change*
Acting quickly…
…to put together all pieces of the puzzle.

1. Expense Reduction
   Minimizes burden to customers and community.

2. Hiring Freeze
   Pauses prior plans. Allows SLT time to rethink strategic priorities.

3. Capital Planning Reprioritization
   Aligns budget with financial projections. Creates more realistic, achievable plan.

4. New Line of Credit
   Improves near-term liquidity outlook. Eases into the future with minimal impact to financial strength.

5. Increased Debt-Funding
   Available due to low overall debt ratio. Minimizes near-term rate impacts.

6. Planned Rate Increase
   Keeps on a sustainable long-term trajectory. Minimizes impact to customers now and in the future.

We will need all pieces of the puzzle to make this work!
Advanced Metering Infrastructure (AMI)

Reasons to Proceed

1. Customer Benefits: monthly billing, remote electric service reconnection, more options to control costs, improved reliability through faster outage and leak detection, prepayment functionality, and custom bill due dates.

2. Utility Benefits: modernized aging/obsolete meter infrastructure and utility systems, improved operational efficiency and employee safety, informed decision-making for cost-effective infrastructure investments, additional savings opportunity identification through more data, and enhanced revenue forecasting and rates modeling capability.

3. Investments: TPU has made significant monetary and staff investments in AMI to date. From December 2017 through April 2020, this amounts to approximately $11 million and 46,000 hours. The Advanced Meter Network is over 50% constructed. A majority of Advanced Meter System Integration has been completed. Advanced Meters are already being manufactured, purchased, received, and warehoused.

4. The cost for advanced meters are already factored into current rates. The additional cost each year for the next ten years is about 8 cents per month for the average residential power customer.

5. It would require significant time and cost to start over or delay. If TPU cancels the contract, it must pay up to current invoices & hardware orders (approximately $5 million), select termination fees and prepaid costs, and obligated transitional expenses.

Projected Expenses (Power Only)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>O&amp;M</td>
<td>$1,676,539</td>
<td>$1,985,906</td>
<td>$2,052,281</td>
</tr>
<tr>
<td>Monthly Billing Expense</td>
<td>$1,556,360</td>
<td>$1,272,215</td>
<td></td>
</tr>
<tr>
<td>Estimated Debt Service</td>
<td>$2,989,299</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected Expenses (Power Only)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Energy Imbalance Market (EIM)

Reasons to Proceed

1. The project reduces risk and improves revenue with a budget that reflects Tacoma Power’s current financial situation.
2. Tacoma Power has an obligation to balance generation and load (electric demand). Most utilities have joined EIM, leaving few market options to meet reliability compliance obligations.
3. Tacoma Power risks not getting most value for surplus energy due to lack of a robust bilateral market unless it joins the EIM.
4. Joining the EIM is expected to provide significant incremental revenues, averaging about $6 million per year.
5. The EIM will enable Tacoma Power hydro projects to support greater use of renewable energy in the West.
6. As an ancillary benefit, the negotiated software contracts include replacing obsolete Energy Trading and Risk Management (ETRM) software.
7. Project costs have been reduced significantly by deferring hiring for new EIM positions, filling certain roles with internal resources rather than consultants, reducing meter costs through detailed assessment, and reducing contingency due to better scope definition and tighter vendor negotiated costs.

<table>
<thead>
<tr>
<th>Projected Expenses</th>
<th>Business Case Budget</th>
<th>Implementation Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation Budget</td>
<td>$15,000,000</td>
<td>$11,752,500</td>
</tr>
<tr>
<td>Contingency</td>
<td>$3,000,000</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>EIM Budget*</td>
<td>$18,000,000</td>
<td>$13,252,500</td>
</tr>
</tbody>
</table>

*Does not include internal resources.

Does include $2,200,000 ETRM software budget.
Questions?

5.9% 5.9%

2.0% 2.0%

2.0% 2.0%

4% rate increases for ten years
Advanced Metering Infrastructure (AMI) Program Policies Overview

Public Utility Board
Reports of the Director
May 13th, 2020
1. Policies, Procedures, & Practices
2. Framework of Policy Packages
   • Package 1 – Spring 2020
   • Package 2 – Fall 2020
   • Package 3 – Fall 2022
3. Timeline
4. Policy Impacts & Process Review
5. Proposed Policies
Policies, Procedures, & Practices

- **Policies**: Principles that guide actions to achieve desired outcomes.
- **Procedures**: Detailed, written, step-by-step instructions to achieve uniformity in a specified task.
- **Practices**: How a task is achieved day-to-day, with or without written procedures.
# Framework of Policy Packages

## Package 1

### Spring 2020

- Prior to Initial Meter Deployment Area & Testing

- AMI Essential Policy Changes – Initial Deployment Area Required
  - TMC changes anticipated to be effective 9/1/2020

- Non-AMI, Essential Policy Changes

- Non-AMI, Non-Essential Policy Changes (where applicable)

## Package 2

### Fall 2020

- Prior to Mass Meter Deployment

- AMI Essential Policy Changes – Mass Deployment Required
  - TMC changes anticipated to be effective 1/1/2021

- Non-AMI, Non-Essential Policy Changes (where applicable)

## Package 3

### Fall 2022

- Following Mass Meter Deployment

- AMI Policy Refinements & Potential Fee/Rate Changes
  - TMC changes anticipated to be effective 1/1/2023

- TPU Policy Standardization & Formatting

### AMI Essential Policy Changes – Initial Deployment Area Required

TMC changes anticipated to be effective 9/1/2020

### AMI Essential Policy Changes – Mass Deployment Required

TMC changes anticipated to be effective 1/1/2021

### AMI Policy Refinements & Potential Fee/Rate Changes

TMC changes anticipated to be effective 1/1/2023

### TPU Policy Standardization & Formatting
**Timeline**

- **PKG 1**
  - System Integration & Testing
  - Initial Meter Deployment Area & Testing

- **PKG 2**
  - Communication Network Deployment
  - Communications & Training

- **PKG 3**
  - Mass Meter Deployment

- **Q3 2019**
- **Q4 2019**
- **Q3 2020**
- **Q4 2020**
- **Q3 2022**
<table>
<thead>
<tr>
<th>Date</th>
<th>Meeting/Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 13th PUB Meeting</td>
<td>Policies Overview</td>
<td></td>
</tr>
<tr>
<td>May 27th PUB Meeting</td>
<td>Detailed Policies Discussion</td>
<td>- Opt-Out Review and Fee Recommendation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Advanced Meter Customer Side Repairs</td>
</tr>
<tr>
<td>June 10th PUB Meeting</td>
<td>Detailed Policies Discussion</td>
<td>- PrePay Overview</td>
</tr>
<tr>
<td>June 24th PUB Meeting</td>
<td>Adoption of Package 1 Policies</td>
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<tr>
<td>July 21st &amp; July 28th</td>
<td>City Council Adoption</td>
<td>- Adoption of Package 1 TMC Changes</td>
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<td>- First and Second Council Readings</td>
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AMI Program identifies required policy changes

Operating Divisions review identified policy changes and provide feedback, providing preferred new policy language where able

AMI Program coordinates drafting of policy language

- AMI Program reviewed AMI Business Process Documents (BPD’s) and identified policy impacts
- Reviewed, researched, and made recommendations and comments for:
  - Division Policies
  - Tacoma Municipal Code (TMC)
  - TPU Customer Privacy Policy
  - Customer Side Repair Policy
- Operating Division subject matter experts reviewed AMI Program comments/suggestions
  - Provided language changes
  - Identified which AMI Policy Package updates should be included in
  - Provided non-AMI policy changes
- AMI Program compiled all recommendations and language changes for each policy
- Created clean policy documents with all recommended policy updates
- Identified which AMI Policy Package each update will be proposed in and coordinated legal reviews
1. **Customer Services** Customer Service Policy
2. **Water** Customer Service Policy
3. **Power** Customer Service Policy
4. **Tacoma Municipal Code (TMC), Ch. 12 – Utilities**
5. **TPU** Customer Privacy Policy
6. ***Advanced Meter** Customer Side Repairs
7. **Tacoma Power** Staff Procedure A-7

*New policy or procedure*
1. **Customer Services** Customer Service Policy
   a. AMI Opt-Out Policy Language
   b. PrePay Program Policy Language
   c. Non-AMI Updates

2. **Water** Customer Service Policy
   a. Virtual Disconnect/Reconnect Definition
   b. Clarification of Customer Owned Pipe and Utility Owned Asset
   c. Non-AMI Updates

3. **Power** Customer Service Policy
   a. Non-AMI Updates

4. **Tacoma Municipal Code (TMC), Ch. 12 – Utilities**
   a. Electric Daily Demand Reset (changed from monthly)
   b. Unauthorized Usage Clarification for Water Virtual Disconnect/Reconnect
   c. Non-AMI, National Electric Code (NEC) 2020 Updates

5. **TPU** Customer Privacy Policy

6. **Advanced Meter** Customer Side Repairs

7. **Tacoma Power** Staff Procedure A-7
   a. Allow for separately metered residential, domestic use, garages to be eligible for the Residential Service electric rate.
1. **Tacoma Municipal Code (TMC), Ch. 12 – Utilities**
   a. AMI Opt-Out Fee
   b. PrePay Rate
   c. AMI Electric Meter Disconnect/Reconnect Fees (pending review)

2. **Customer Services** Customer Service Policy
   a. Non-AMI Updates

3. **Water** Customer Service Policy
   a. Non-AMI Updates

4. **Power** Customer Service Policy
   a. Non-AMI Updates
Package 3 Policies - Summary

1. **Tacoma Municipal Code (TMC), Ch. 12 – Utilities**
   a. Comprehensive Review of Fees and Charges Related to New AMI Services

2. **Water** Customer Service Policy
   a. Leak Adjustment Policy Changes (pending review)

3. **General Customer Service Policy** Standardization & Formatting
Non-AMI Example Policy Updates, include:

**Customer Services**
- Adding language that billing schedules are available to all, in addition to meter reading schedules.
- Clarifying that a “written” request is needed to transfer a credit balance to other non-utility City accounts.
- Clarification of the billing dispute informal conference process and specifying timelines of ten (10) calendar days each for customers to request and complete a “Statement of Disputed Bill Form”.

**Power**
- Adding examples of an underground point of service for varying electrical configurations.
- Clarifying responsibilities for notification of load additions.

**Water**
- Adding a definition for Critical Medical Condition and revising Kidney Dialysis Treatment sections to state Critical Medical Condition.
- Clarifying that the standard for residential domestic service is a 3/4” service with a 5/8” meter.