



Tacoma Public Utilities

2023-2024 Cost Savings

April 10, 2024

Purpose

- Provide transparent look into budget and rate-making process
- Staff identified over 150 measures taken to proactively create efficiencies, as well as defer, reduce, or avoid costs.
 - *One-third have impacts beyond the current planning period*



Common Measures



Operational Efficiencies

- Refinancing bonds
- Innovation (e.g., Advanced Meter Implementation)
- Modifying infrastructure plans
- Creative solutions to mitigate resource constraints and supply chain issues
 - (rebuild, recycle, salvage)
- Climate and environmental efforts
- Labor vacancy assumptions

Funding Opportunities

- Grants
- Low-interest loans
- Revenue expansion

Efficiencies, Reductions, and Deferrals

Description	Category	Type	Duration	2023 Actual	2024 Estimate	Total Est. Savings
Energy Imbalance Market Participation	Revenue Expansion	Increase	Ongoing	\$1,000,000	\$1,000,000	\$1,000,000/year
Refinancing of 2013 Bonds	Refinancing	Reduction	15 years	\$0	\$1,351,000	\$16,200,000
Earned Revenue from Recycling and Surplus Scrap Sales	Recycling & Salvage Efforts	Efficiency	Ongoing	\$400,000	\$400,000	\$400,000/year
Grants and Clean Fuels Program Participation	Funding Opportunities	Reduction	Ongoing	\$398,000	\$1,364,000	\$500,000/year
Optimization of Hydro-Maintenance Schedules	Operational Efficiency	Efficiency	Ongoing	\$208,000	\$266,000	\$110,000/year
Supply Chain and Cost Mitigation Strategies	Innovation	Reduction Cost Avoidance	Ongoing	\$155,000	\$437,000	\$160,000/year
Fleet Optimization	Environmental Op Efficiency	Deferral Efficiency	Ongoing	\$258,000	\$318,000	\$318,000/year
Transformer and Circuit Breaker Rebuilds	Rebuilds	Deferral Reduction	Ongoing	\$1,002,000	Variable	Variable
Pole Rehabilitations	Refurbishment	Deferral Efficiency	Ongoing	\$800,000	\$800,000	\$800,000/year
Reduced Federal Agency Costs	Innovation	Reduction	Ongoing	\$237,000	\$95,000	\$95,000/year

*These are select examples of the cost-saving measures

Efficiencies, Reductions, and Deferrals

Description	Category	Type	Duration	2023 Actual	2024 Estimate	Total Est Savings
Refinanced 2013 Water & Regional Bonds	Refinancing	Reduction	20 years	0	\$710,000	\$7.83M NPV
Earned Revenue from Recycling and Surplus Scrap Sales	Recycling & Salvage Efforts	Increase	Ongoing	460,000	160,000	\$100,000/year
Reduced and Deferred Investments in Infrastructure after the WestRock Mill Closure	WestRock Reset	Deferral Reduction	Ongoing	0	9,000,000	Additional \$10M cancelled on CIP
Offsets to Capital Infrastructure Costs	Funding Opportunities	Reduction	20 years	46,000	2,400,000	\$150,000/year
Cost Avoidance/Savings for Water AMI Project Expenses	Innovation Op Efficiency	Reduction	5 years	100,000	100,000	Over \$10M avoided
New Material for GRFF Chemical Feed Lines Replacement	Innovation	Reduction	Ongoing	0	200,000	\$200,000 also saved in 2034
Credit for Steel Pricing for Pinnacle Ridge Tank	Operational Efficiency	Reduction	One-time	150,000	0	
Watershed Stakeholder Engagement and Cost Sharing	Revenue Expansion	Increase	Ongoing	15,000	15,000	At least \$30,000 each biennium
Consolidated Cellular Devices	Operational Efficiency	Reduction	Ongoing	0	27,000	\$27,000/year

*These are select examples of the cost-saving measures

Efficiencies, Reductions, and Deferrals

Description	Category	Type	Duration	2023 Actual	2024 Estimate
Railroad Management System	Innovation	Reduction	Ongoing	\$ 0	\$ 240,000
Locomotive Fleet Rationalization	Railroad Operations Optimization	Reduction	Ongoing	\$ 80,616	\$ 161,232
Locomotive Lease Cancellation	Railroad Operations Optimization	Reduction	Ongoing	\$ 273,750	\$ 547,500
Battery Electric Locomotives Grant	Grants	Reduction	One-time	\$ 0	\$ 2,000,000
Finance Fees Savings Through WSDOT Rail Loans	Low-interest loans	Reduction	Ongoing	\$ 45,376	\$ 44,849

*These are select examples of the cost-saving measures

“Customer Focus” is intrinsic to the culture at Tacoma Public Utilities

*TPU is laser-focused on affordability and keeping rates as low as they can responsibly be.

How is this done?

- Through long-range planning and gradual increases
 - This consistent focus has enabled staff to sustain safe, reliable, and environmentally-sensitive utility operations, create effective long-range strategies to strengthen resilience, mitigate risks, and avoid costs when possible.
 - *Examples: MLK weekend, Power vs. Peers, WestRock closure response*