



APPROVED 8/12/26

MINUTES
City of Tacoma
Public Utility Board Study Session
July 22, 2026
3:00 p.m.

Acting Chair Gallagher called the Public Utility Board study session to order at 3:00 p.m. in the third-floor conference room (LT1) of the Public Utilities Administration Building.

Present: John O'Loughlin; Devin Hampton; Anita Gallagher

Excused: William Bridges; Elly Claus-McGahan

Tacoma Water: Customer Service Policy Updates for Leak Adjustments and Wholesale/Interties

Tyler Cummings, Sustainability Analyst, reported that the leak adjustment policy provides financial relief to water customers with high water bills due to property-side leaks. It promotes conservation by incentivizing timely repair of property-side leaks. The current policy has been in place for over 12 years. The policy was reviewed and was found to have outdated or non-equitable language, needed clarification of leak definition, and leak adjustment factors were designed for non-AMI usage data. Proposed policy updates include: extension of the eligibility window from 60 to 90 days; define requirements for additional billing period requests; define non-zero read baseline; require consecutive periods for multi-month adjustments; and update the leak adjustment limit. Mr. Cummings then shared graphical representations of leak adjustment trends.

Marc Powell, Sr. Business Services Analyst, reported that the wholesale intertie policy provides guidance for implementing Tacoma's wholesale water program. The proposed changes will enable increased flexibility for negotiating future water supply contracts. Types of wholesale agreements are permanent, short-term, and emergency. Graphical representations of contracted wholesale capacity were detailed. Proposed policy updates: adjust take-or-pay language for new permanent wholesale customers; increase maximum term for short-term contracts from 10 to 20 years; adjust language requiring capacity charge to make it optional; adjust language requiring emergency interties be bi-directional.

Staff will bring the proposed policy updates at a future Board meeting for consideration.

Tacoma Water Long Range Financial Plan and Draft Rates for Tacoma Water, Tacoma Rail, and Tacoma Power

Water Long Range Financial Plan: Hayley Falk, Water Financial Services Mgr, detailed graphical representations of inflation and construction cost growth. Tacoma Water rates have grown slower than cost benchmarks. Water utility construction costs surged far above general inflation. Rate increases have been conservative relative to actual cost pressures. Ways to mitigate these impacts were reviewed. Balancing efforts include revenue expansion, strategic alignment, long-term planning, financial management, and project/process management. Expense management includes hiring, debt management, travel/training, and cost savings through things such as grants and loans. Ms. Falk then detailed 2027/2028 reserve policy targets and the long-range supply and demand. Ms. Falk summarized efficiencies, reductions, and deferrals used as cost-saving measures. Graphical representations of expenses/revenues, capital improvement projects, and projected range of system average rates were detailed.

Tacoma Water Rates: Ms. Falk provided an overview of the ratemaking process, Water's customer classes, and top 20 customers. The preliminary staff recommendation for system average rate adjustments is 5.5 percent; rate adjustments would apply to both fixed and variable components for most classes. The recommended changes result in an increase of \$3.10 per month in 2027 and \$3.25 per month in 2028 for the average inside-city residential customer. Ms. Falk concluded by sharing a rate comparisons with peer water utilities.

Tacoma Rail Rates: Dan McCabe, Rail Assistant Superintendent, reviewed Rail's expenditure summary. There are net zero FTEs; Benefits increases beyond COLA's; Assessments increases; debt services decreases; and large capital outlay increase due to locomotive projects. Mr. McCabe detailed graphical representations of primary rate payers, line haul rail cars, cost of service, rate risks and mitigation, predicted volumes, expected rate impacts, historical rate comparison, and draft revenue summary.

Tacoma Power Rates: Ying Hall, Rates, Planning & Analysis Mgr, and Jing Liu, Power Rates and Forecasting Mgr, provided the information in this presentation. The retail customer class for Power were reviewed (residential, small general service, general service, high voltage general, contract industrial/new large load, streetlights/signals, private off-street lighting). Two options for expense recovery are B (partially recover expense increases 6.6% proposed rate increase) and C (fully recover expense increases 7.8% system average rate increase). The Cost-of-Service Analysis (COSA) for each option was detailed. Rate increases for the past biennium and drivers for rate class differences were reviewed. Rate design for residential, commercial/industrial, lighting, and BCAP impacts were detailed for options B and C.

General Reports

Board Member O'Loughlin reported on the Equity in Contracting Committee interviews he attended on July 14 and the GPFC meeting held on July 21.

Board Member O'Loughlin indicated his interest in being re-appointed to the Audit Advisory Board and that motion will be brought forth at the August 12 Board meeting.

Closed Session

Acting Chair Gallagher moved to enter into a closed session to discuss labor [RCW 42.30.140(4)(b)] at 5:30 p.m. for 45 minutes; seconded by Board Member Hampton. Voice vote taken and carried. Acting Chair Gallagher stated that after the conclusion of the closed session, the Board would not take further action, and the study session would be adjourned. Acting Chair Gallagher moved that at the conclusion of the closed session, the Clerk of the Board is authorized to adjourn the meeting; seconded by Board Member Hampton. Voice vote taken and carried. Engel Lee, Chief Deputy City Attorney, was the attorney present. The executive session was adjourned at 5:58 p.m.

Adjournment

The study session was adjourned at 5:58 p.m.

Approved:



Elly Claus, Chair



Devin Hampton, Secretary