TACOMA POWER
TACOMA PUBLIC UTILITIES

Tacoma Power Rates
2023/2024 Biennium

Christina Leinneweber| Senior Utilities Economist

27 July 2022

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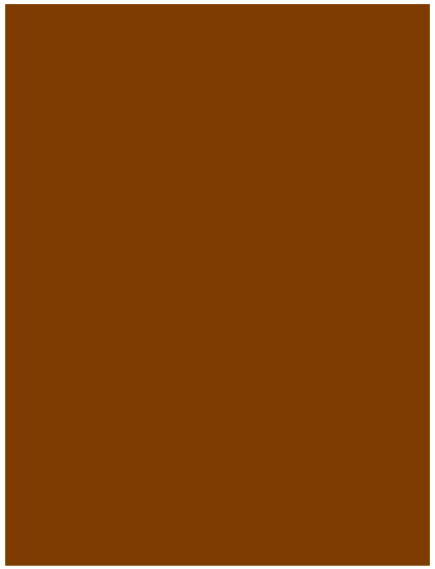
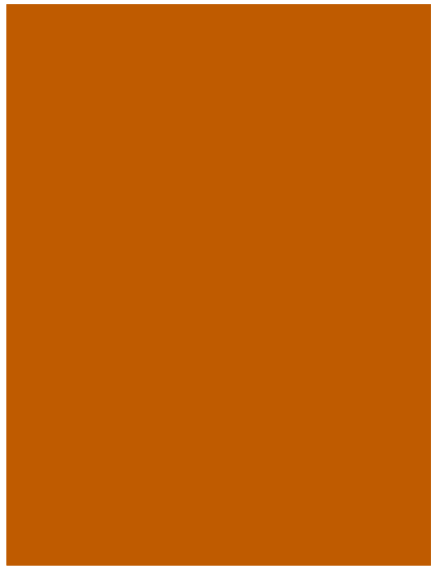
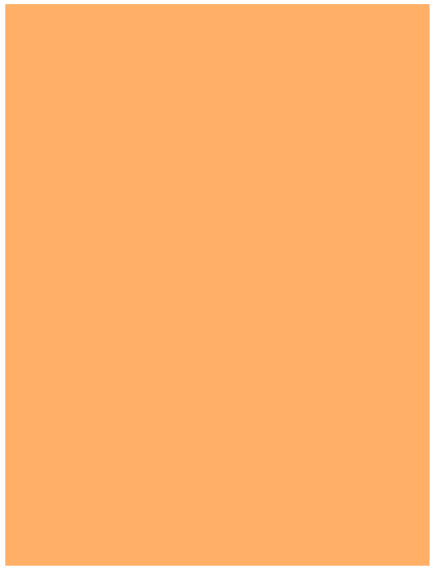


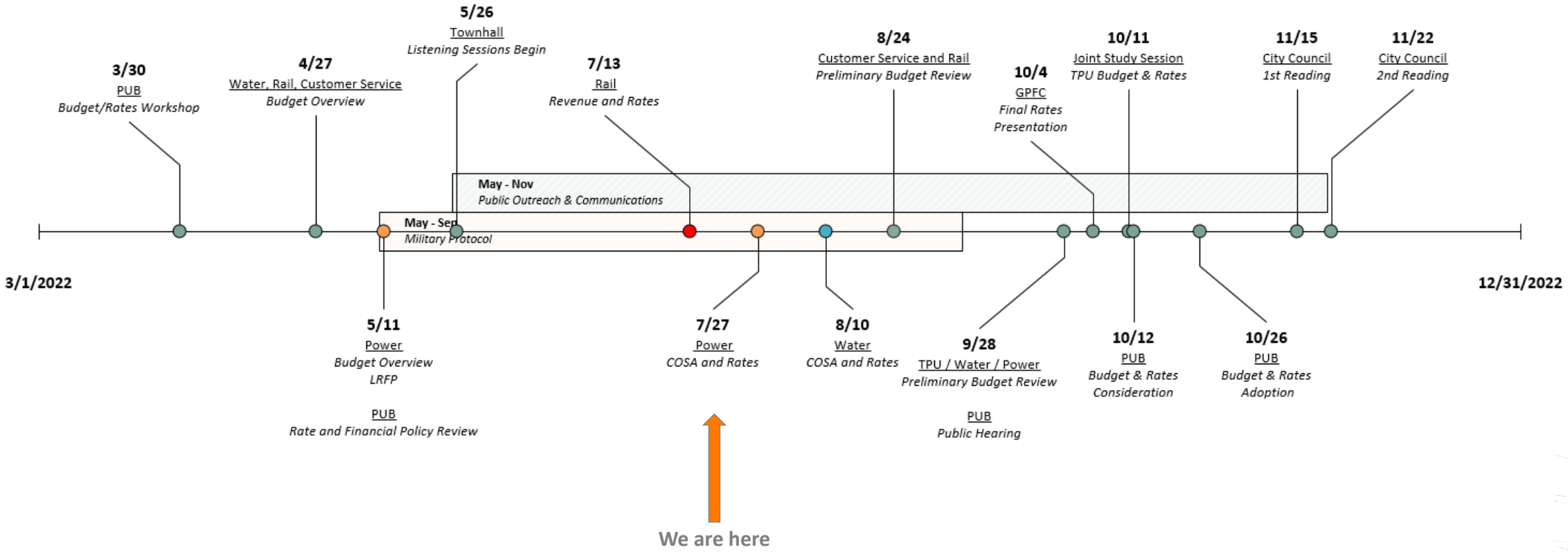




01 Introduction

+ *Timeline*
+ *Ratemaking Process*
+ *Retail Class Summary*

Budget and Rate Timeline



Ratemaking Process

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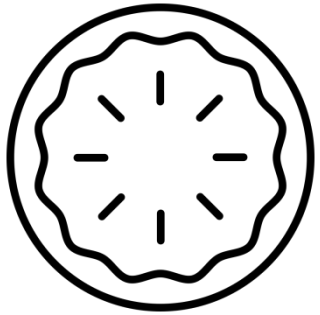
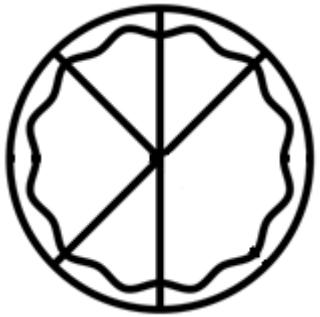
How Big is the Pie?



Revenue Requirement

Identifies revenue needed to sustain operations, **according to financial plan**

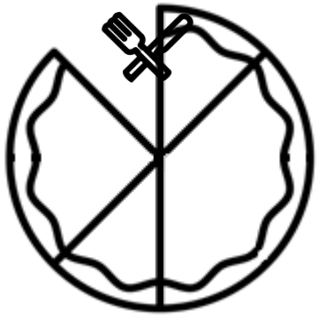
How to Slice the Pie?



Cost-of-Service Analysis (COSA)

Divides revenue requirement into **total amount** to be paid **by each customer class**

How to Eat the Pie?



Rate Design

Sets rate structure to bill each customer (*e.g.* customer **charge per month**, energy **charge per kWh**, *etc.*)

Retail Customer Class Overview

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- single-family and multifamily residences
- 164,000 accounts
- $190.0 million annual revenue

Residential

- small businesses, such as flower shops, nail salons, small offices
- 17,000 accounts
- $29.9 million annual revenue

Small General Service

- large businesses such as schools, restaurants, hospitals
- 2,500 accounts
- $110.0 million annual revenue

General Service

- 8 large customers directly on the transmission system
- $26.7 million annual revenue

High Voltage General

- 2 large manufacturers directly on the transmission system
- $24.0 million annual revenue

Contract Power

- Streetlights and traffic signals
- 900 accounts
- $500,000 annual revenue

Streetlights & Signals

- Rental street and area lighting
- 3,100 accounts
- $1.5 million annual revenue

Private Off-Street Lighting

2021 Annual Figures

02

Cost-of-Service Results

+ 2023/2024 Cost-of-Service Recommendation

Tacoma is a Cost-of-Service Utility.

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- Rates set based on **cost to serve customers**.
- Customer classes are groups of customers with similar **usage characteristics** that influence cost, such as **infrastructure** requirements and **consumption** patterns.
- A **cost-of-service analysis (COSA)** determines the cost of serving each Customer Class:
  - Standard utility practice
  - Conducted every budget cycle
  - Reviewed by third-party consultant
- The last COSA was conducted in **2018** due to the pandemic.

Proposed Rate Adjustments

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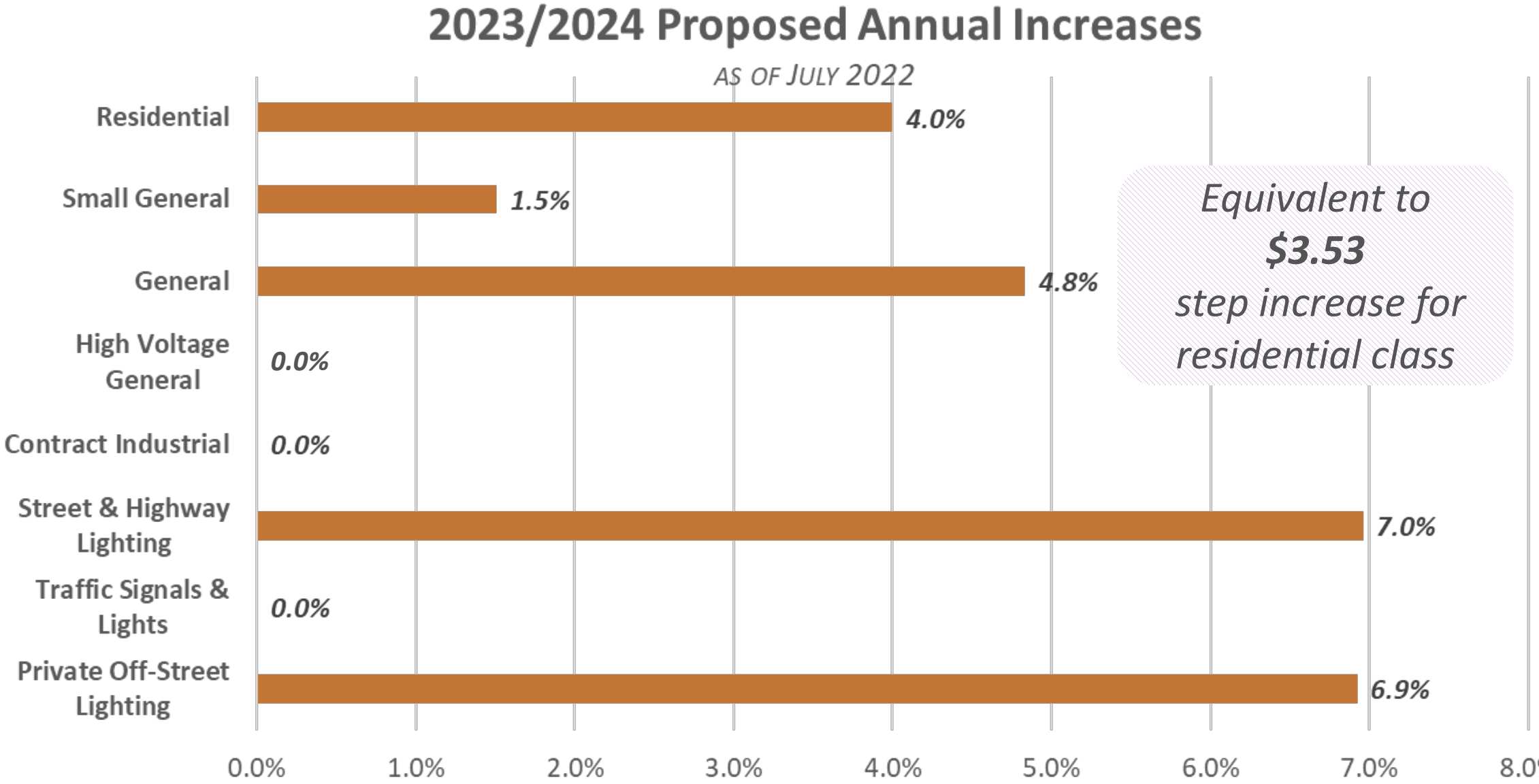
SD2 Financial Stability

SD3 Rates



Equivalent to ***$3.53*** *step increase for residential class*

Preliminary, subject to change.

03

Rate Design

+ *Residential Rate Design*
+ *Bill Credit Assistance Program Interactions*
+ *Commercial & Industrial Rate Design*
+ *Electric Vehicle Charging*
+ *Miscellaneous Rate Items*

Ratemaking Process

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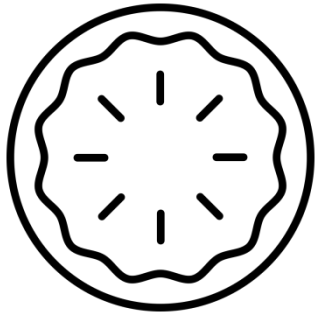
How Big is the Pie?



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Identifies revenue needed to sustain operations, **according to financial plan**

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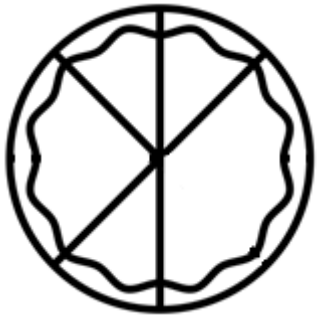

Cost-of-Service Analysis (COSA)

Divides revenue requirement into **total amount** to be paid **by each customer class**

How to Eat the Pie?

Rate Design

Sets rate structure to bill each customer (*e.g.* customer **charge per month**, energy **charge per kWh**, *etc.*)

Proposed Residential Rate Design

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SD2 Financial Stability

SD3 Rates

	Current	2023	2024
 **Customer Charge** ($ per Month)	$17.90 *current*	$21.40 *+$3.50*	$24.90 *+$3.50*
 **Energy Charge** ($/kWh)	4.5351¢ *current*	4.5351¢ *no change*	4.5351¢ *no change*
 **Delivery Charge** ($/kWh)	3.8207¢ *current*	3.8207¢ *no change*	3.8207¢ *no change*

Customer charge indicated by **cost-of-service** is **$26.19**

Zero-percent variable increase protects **heating** and **electric-vehicle-charging** customers

Preliminary, subject to change.

Average Residential Bill Impact

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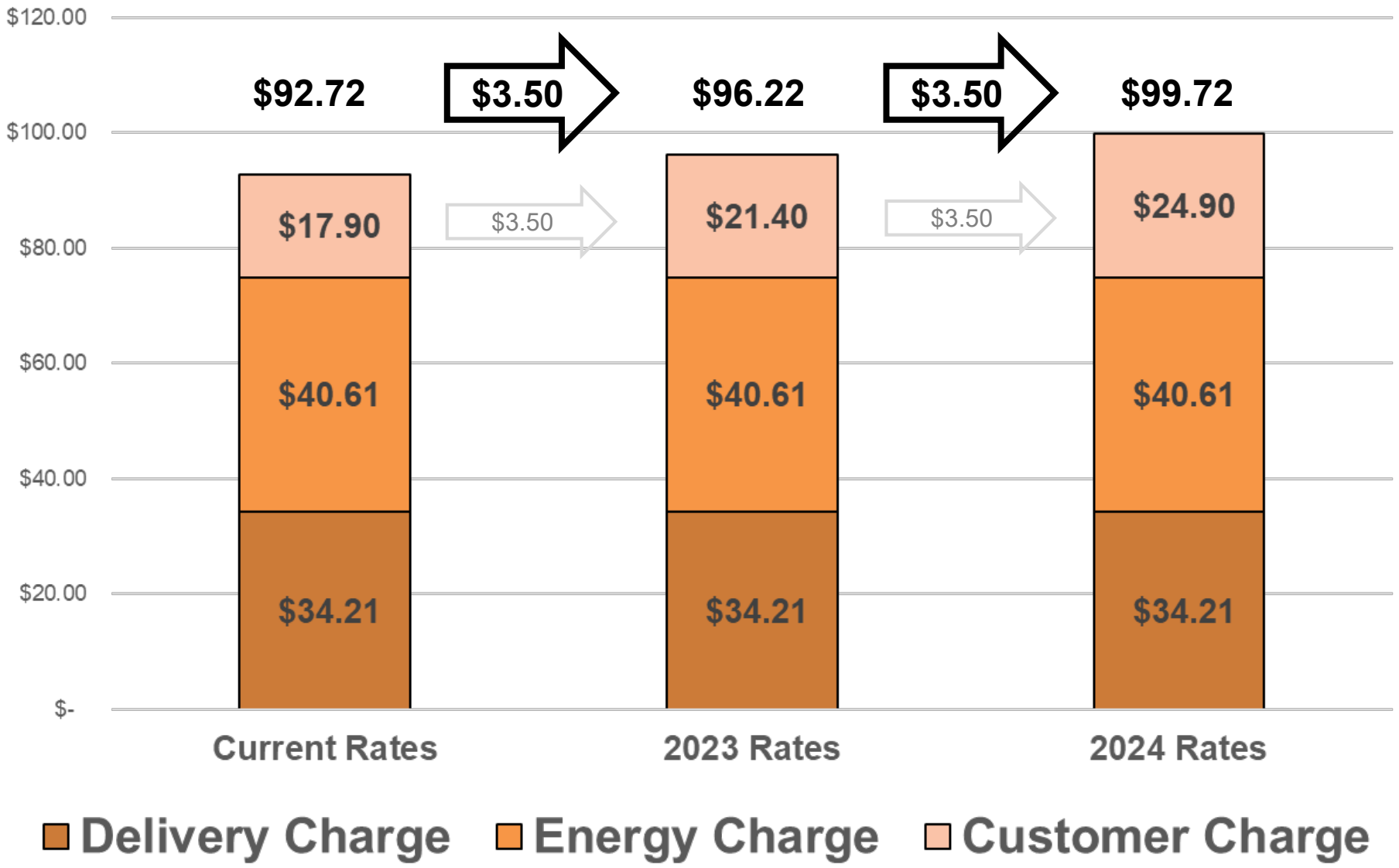
SD2 Financial Stability

SD3 Rates



- 2023/2024 bill projected based on forecasted **average usage of 895 kWh** per month
- Actual bills **vary based on usage**

Preliminary, subject to change.

Increase Mitigated by BCAP Changes
(Bill Credit Assistance Program)

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SD1 Equity and Inclusion

SD13 Customer Service

BONUS

BASIC CREDIT **automatic** credit **equal to customer charge**

+

PLUS CREDIT additional credit for **on-time, in-full** payment

=

NO IMPACT on bills ***if*** increase is put **in customer charge**

Preliminary, subject to change.

Expanded BCAP Wipes Out Increase

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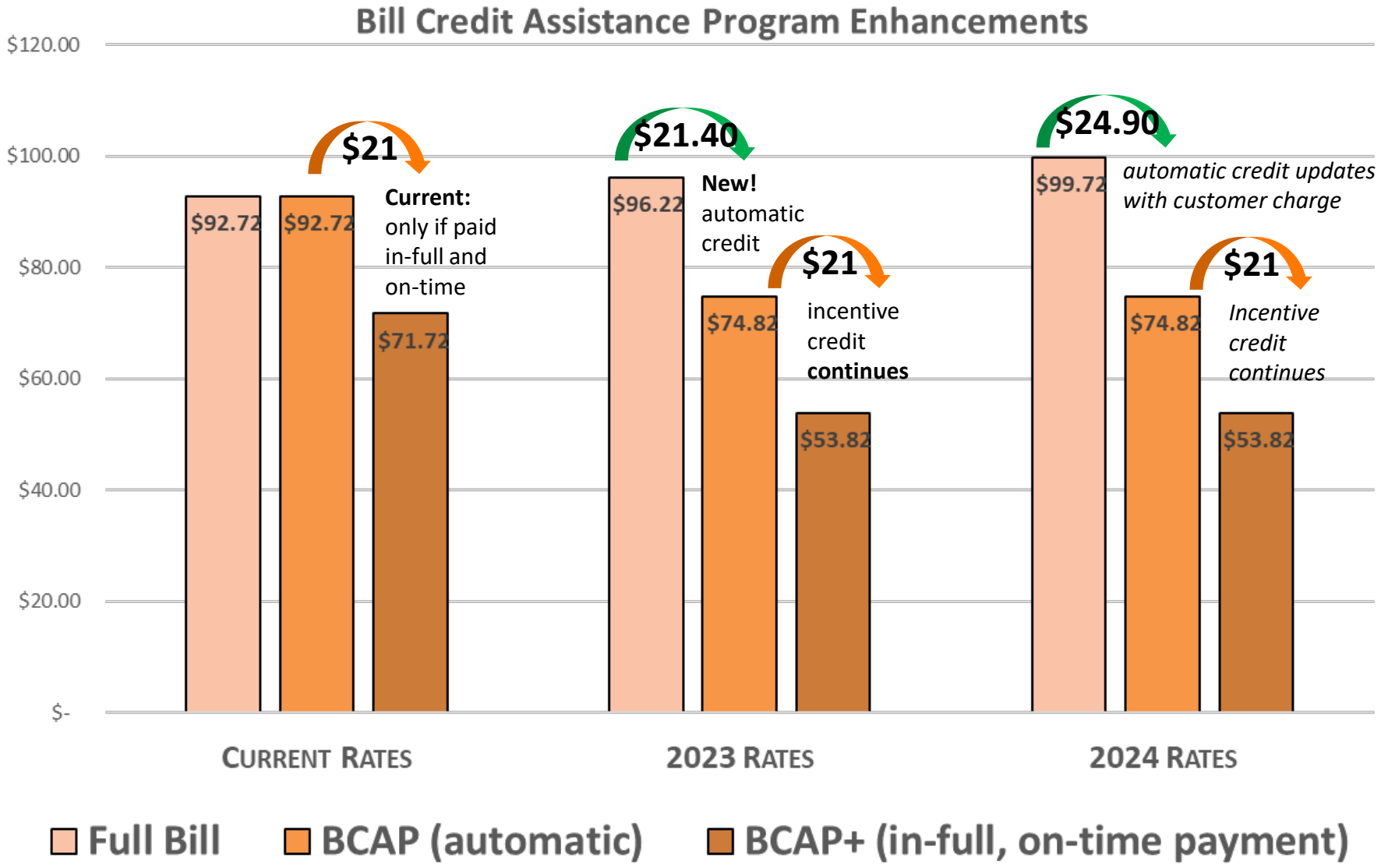
SD2 Financial Stability

SD3 Rates



- Rate increase: $3.50 per month per step
- New automatic credit is equal to customer charge
  - *$17.90 now*
  - *$21.40 proposed for 2023*
  - *$24.90 proposed for 2024*

Preliminary, subject to change.

Effective Rates for BCAP+ Customers

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SD2 Financial Stability

SD3 Rates

	Current	2023	2024
 **Customer Charge** ($ per Month)	$17.90 *current*	$0 *due to $21.40 automatic credit*	$0 *due to $24.90 automatic credit*
 **Energy Charge** ($/kWh)	4.5351¢ *current*	4.5351¢ *no change*	4.5351¢ *no change*
 **Delivery Charge** ($/kWh)	3.8207¢ *current*	3.8207¢ *no change*	3.8207¢ *no change*

Customer charge *totally negated* by automatic BCAP credit

No rate change proposed for energy & delivery charges to BCAP customers.

$21 credit based on payment behavior available to cover these charges.

Preliminary, subject to change.

Commercial & Industrial Rate Design

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SD2 Financial Stability

SD3 Rates

Schedule B	Small General		
	Current	2023	2024
Customer Charge	**$ 24.35**	**$ 26.40**	**$ 28.45**
Energy Charge	4.4616¢	4.4616¢	4.4616¢
Delivery Charge	3.8014¢	3.8014¢	3.8014¢
Total per-kWh Charges	**8.2630¢**	**8.2630¢**	**8.2630¢**

Schedule G	General		
	Current	2021	2022
Customer Charge	$82.80	$82.80	$82.80
Energy Charge	5.1726¢	5.4634¢	5.7707¢
Delivery Charge	$8.81	$9.12	$9.44

Industrial classes (HVG and CP) maintain current rates

Preliminary, subject to change.

SPECIAL ITEM: EV Charging Rate

Current fee is outdated: The current charging fee was set in 2014 when Tacoma Power operated 20 charging ports. Tacoma Power will have 93 charging ports in service by end of 2023.

State law has changed: SB5192 requires public charging to use a dollar-per-kWh fee structure. The current $2-per-5-hour fee does not comply.

Stakeholders are requesting a new rate: The City of Tacoma and others look to Tacoma Power for rate-setting guidance.

EV Rate: Basic Principles

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1. **Affordable** rate that aligns with **cost-of-service**
   - Public charging costs vary widely
   - Need to recover the cost of energy and network fees
2. **Encourage** charger use
   - A core group of regular users is key to making chargers financially viable
   - A high rate that limits use will never recover costs and inhibit EV adoption
3. Provide **equitable** access
   - Serve multifamily households and garage orphans without home charging
   - Affordable charging options in neighborhoods without access to public charging

EV Rate: Cost-Based & Affordable

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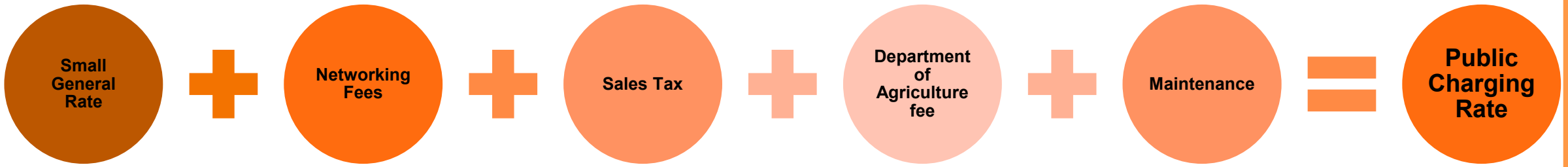

8.263¢ per kWh

7.343¢ per kWh

0.851¢ per kWh

1.286¢ per kWh

3.257¢ per kWh

21¢ per kWh

Local Comparisons	
Tacoma Power Proposed (Level 2 and DCFC)	$0.21
Level 2 sites in Tacoma (various; 2019 data)	$0.25 - $0.33
Seattle City Light (Level 2)	$0.20 - $0.21
Seattle City Light (Level 3)	$0.20 - $0.36
Electrify America (DCFC)	$0.31 - $0.43

Proposed rate is competitive with other local charging options.

Maintenance based on ~20% estimated maintenance cost.

Other Special Items

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SD13 Customer Service

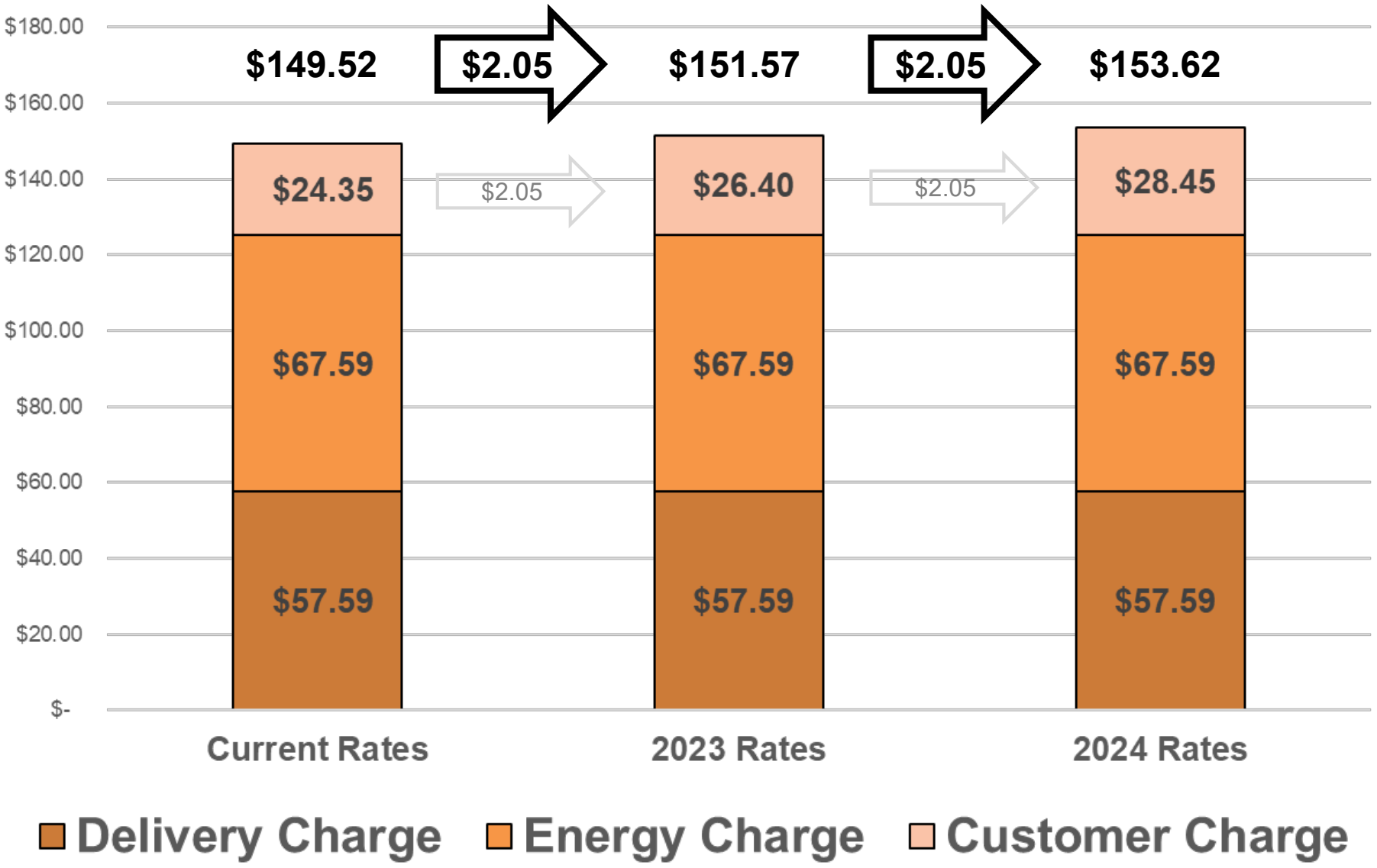
Small Commercial Prepay

- Response to **customer requests**
- Illustrates value of **conservation** steps
- **Inform** business customers of the cost of performing specific activities
- Ability to **pay anytime** allows business owners to conduct business on their schedule

HVG Rate Language Cleanup

04 Appendix

Average Small Commercial Bill



- 2023/2024 bill projected based on forecasted **average usage of 1,515 kWh** per month
- Actual bills **vary based on usage**

Preliminary, subject to change.

Tension In Strategic Directives

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	Higher Fixed	Higher Variable
Equity & Inclusion	+ low-income, high users benefit + caps dollar impact of rate increase + reduces subsidy to customers that can afford to invest in DER and conservation	+ low-income, low users benefit
Financial Sustainability	+ better aligns prices with cost-to-serve + reduces financial risk of declining loads causing rate increases + increases bill predictability	
Rates	- difficult for some customers to understand/accept	+ easier to understand - low elasticity of demand for electricity requires very high price signals to significantly impact consumption
Environmental Leadership	+ encourages electrification	+ encourages solar and other DER + encourages conservation

COSA Data-Flow Diagram

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