

**TACOMA PUBLIC UTILITIES
TACOMA RAIL**

**RAIL RATE POLICY
AMENDED
January 2016**

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 while providing safe, reliable, cost effective, and reliable service to customers 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-of-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 an established threshold rather than an industry index.

 - B. Rail rates should be stable.
 1. Rates will be based on best estimates of rail volume.
 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.

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 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.