

Rate Discussion

Public Utility Board

14 October 2020

TPU Recommended Proposal



SD2
Financial
Stability



SD3
Rates



Utility	System- Average Rate Increase*	Tacoma Residential Average Monthly Bill Impact	
		2021	2022
Tacoma Power	2.0%	+\$1.84 (Apr)	+\$1.88 (Apr)
Tacoma Water	2.0%	+\$0.81 (Jan)	+\$0.83 (Jan)
Total		+\$2.65	+\$2.71

**annual steps*

TPU Alternate Proposal



Tacoma System Average Rate Increase

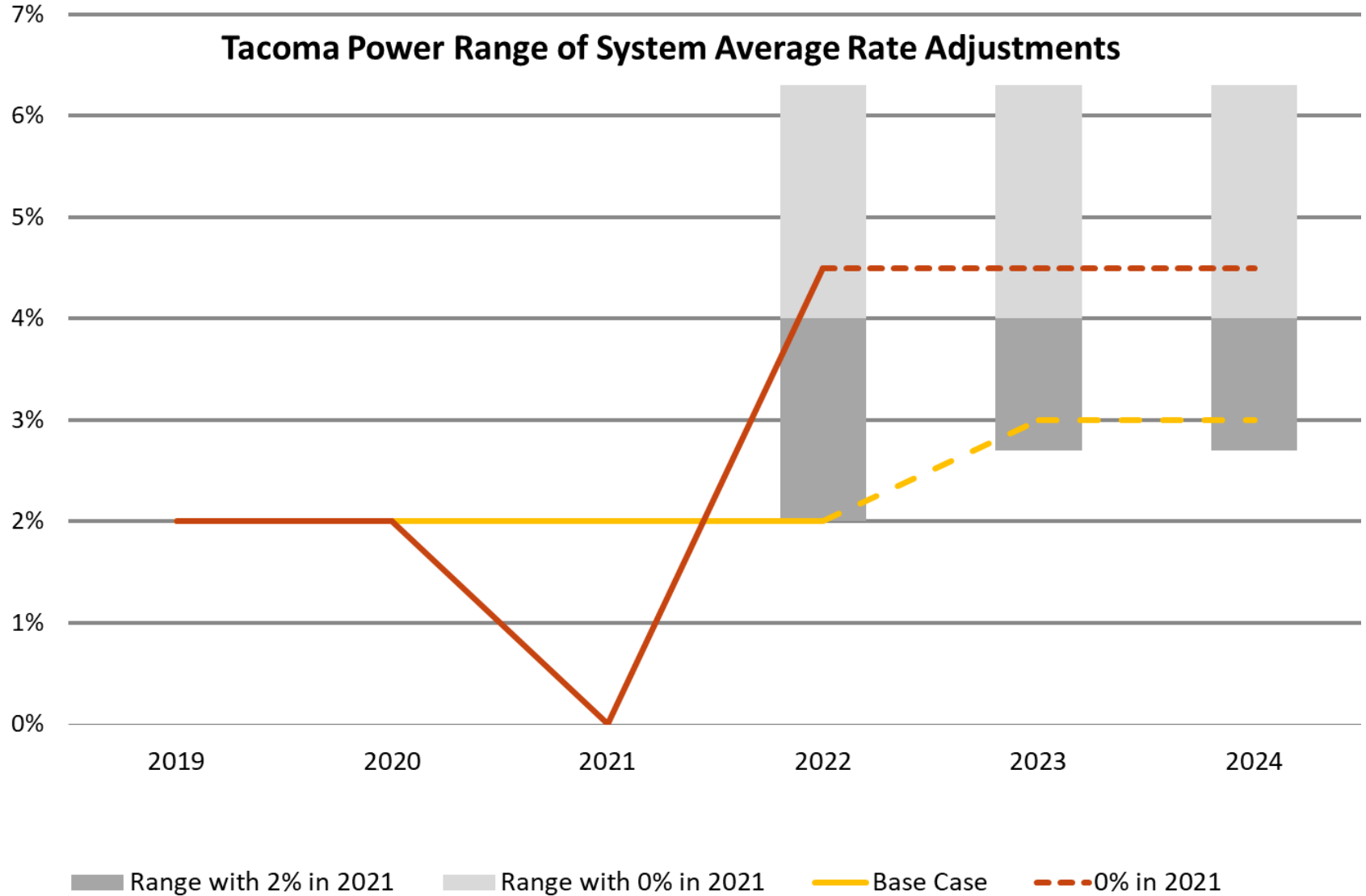
Utility	2021	2022	2023	2024
Power	0%	4.5%	4.5%	4.5%
Water	0%	3.3%	3.3%	3.3%

Residential Average Monthly Bill Impact

Utility	2021	2022	2023	2024
Power	+\$0	+\$4.15	+\$4.34	+\$4.53
Water	+\$0	+\$1.34	+\$1.38	+\$1.43
Total	+\$0	+\$5.49	+\$5.72	+\$5.96

* Power's rates are effective April 1st each year and Water's rates are effective January 1st each year.

Alternate Scenario: Power



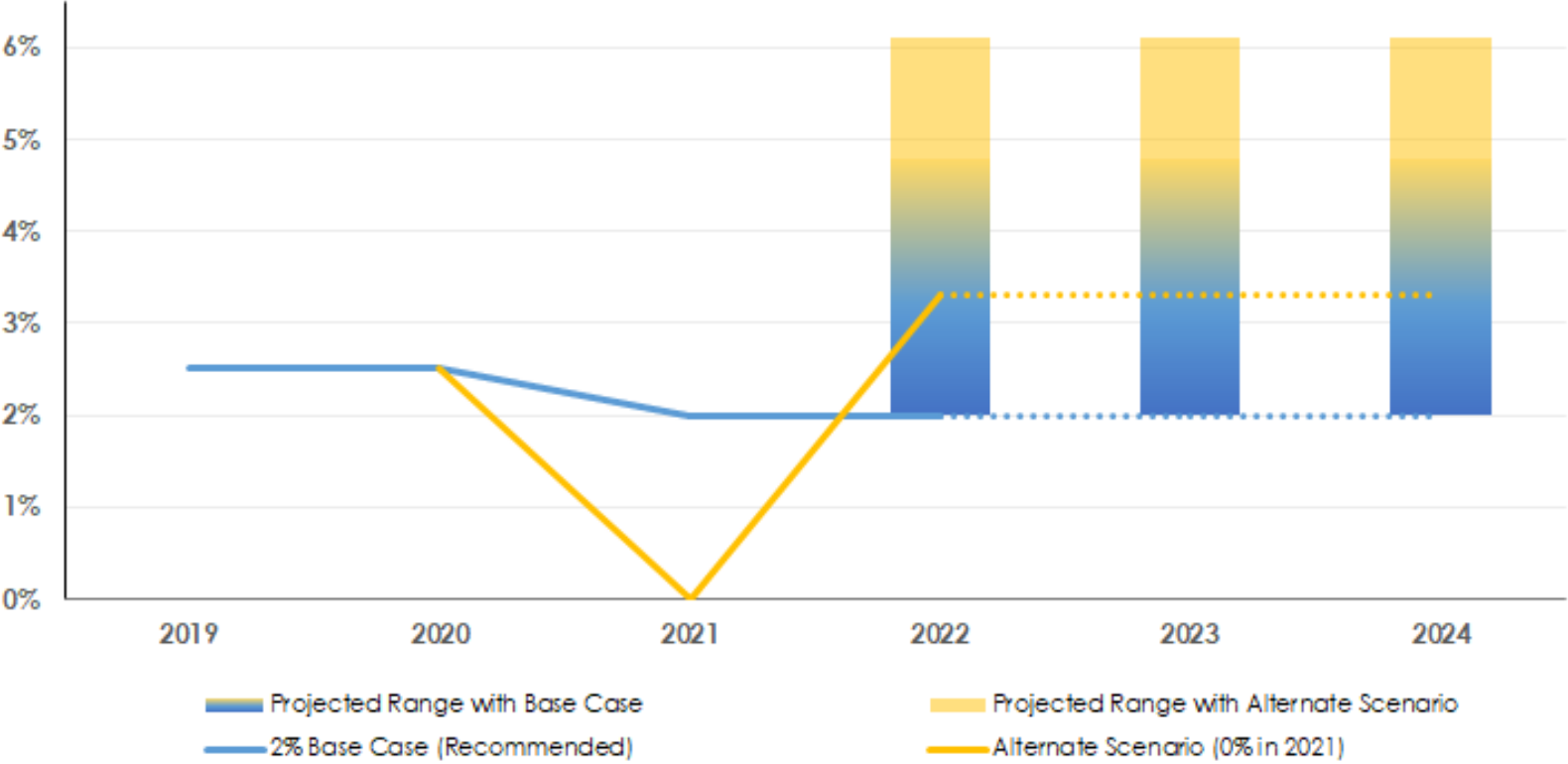
If Tacoma Power did not implement a rate increase in 2021, a **4.5%** rate increase would be required in 2022-2024 to restore the utility to the financial plan.

Increases up to **6.3%** would be required in some scenarios, such as loss of a large customer or poor wholesale market and economic conditions.

Alternate Scenario: Water



Range of System Average Rate Adjustments

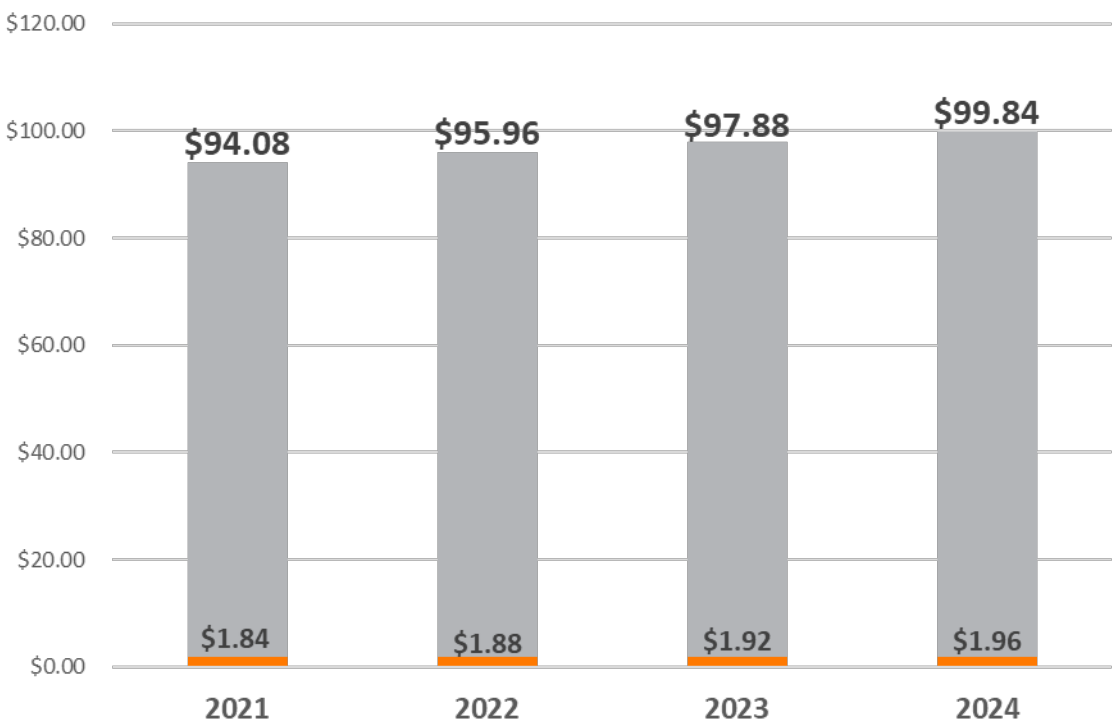


- If Tacoma Water did not implement a rate increase in 2021, a **3.3%** rate increase in each year (2022-2024) would be required if there were no variations from the base case financial plan.
- These increases are subject to impacts from financial and economic risks and could be as high as **6.1%** each year if there was a loss of revenue from a large customer.

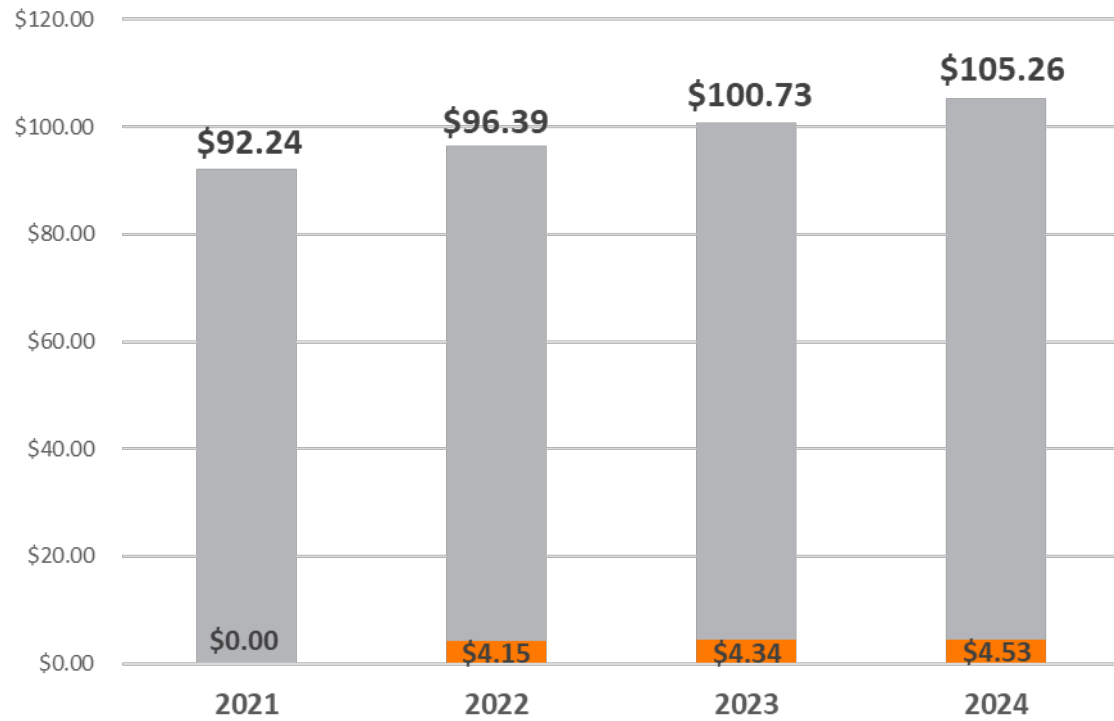
Customer Impacts: Power



Initial Proposal (2% in 2021-2024)



Alternate Case (0% in 2021, 4.5% in 2022-2024)



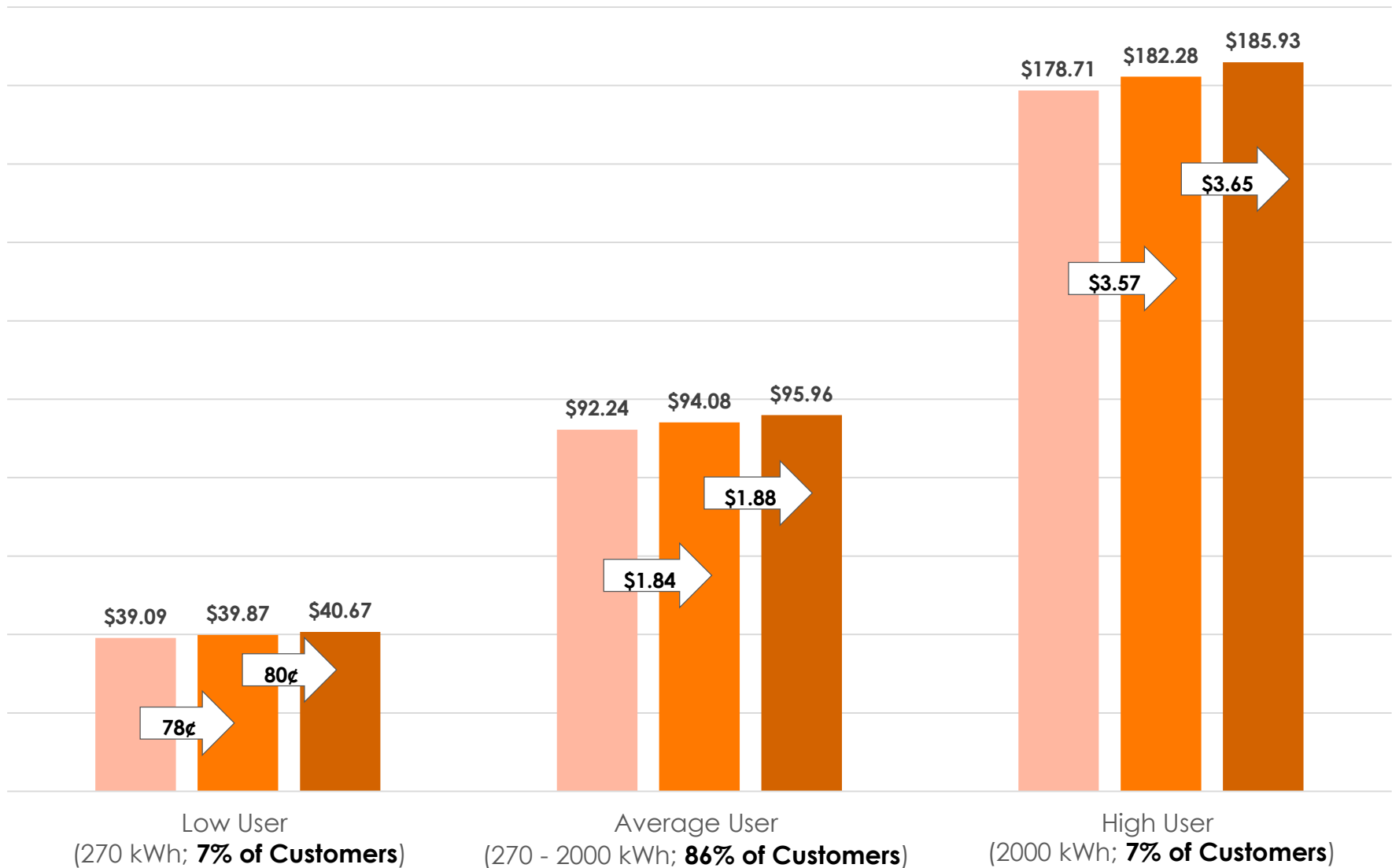
Orange shows amount of increase in monthly bill. For average use (929 kWh per month).

Customer Impacts: Power



Residential Monthly Bills: 2% Proposal

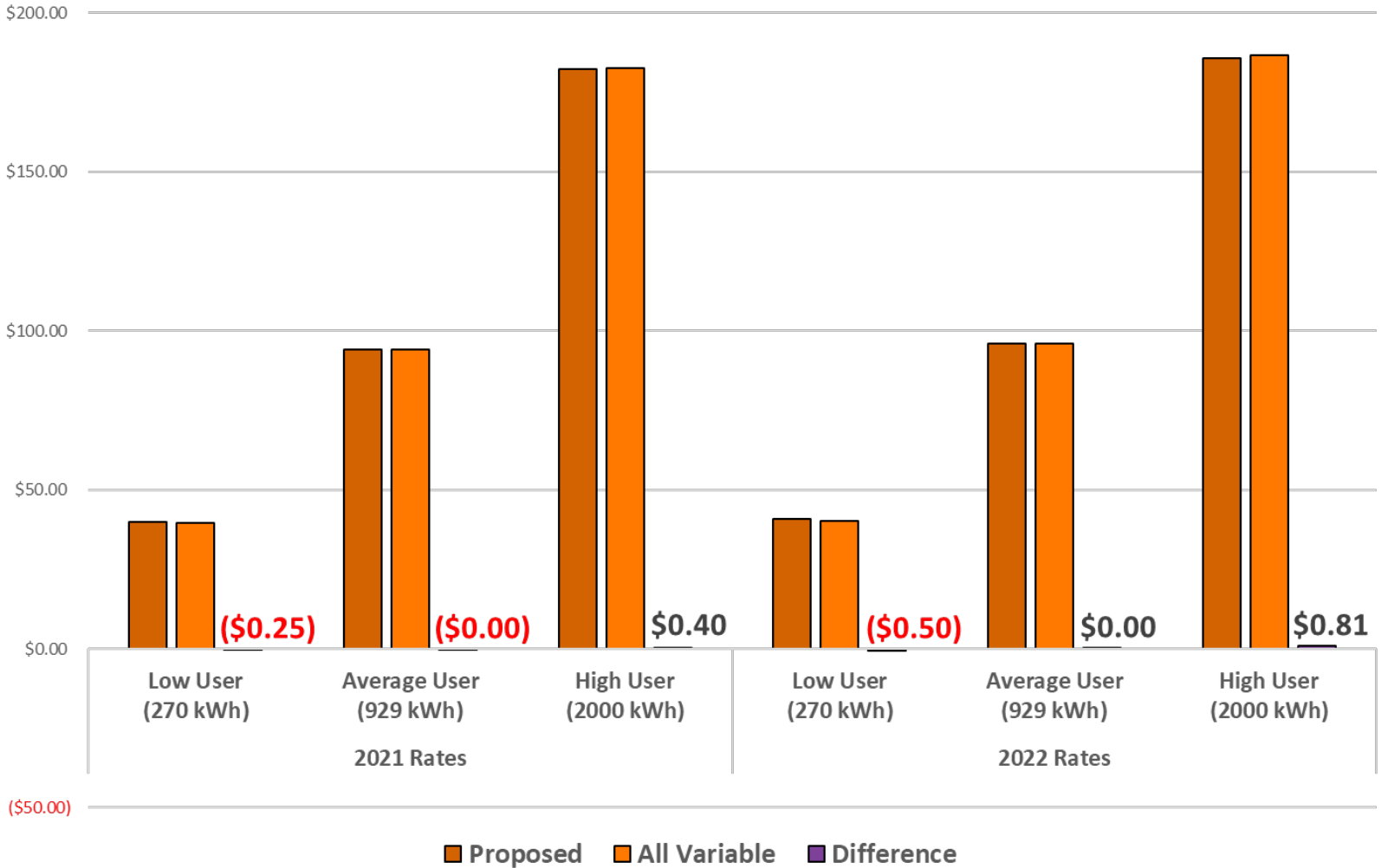
■ Current Rates ■ 2021 Rates ■ 2022 Rates



Rate Design: Power



Residential Bill Impacts
2% Residential Class Increase



All rate designs result in the same monthly bill for the average Power user (929 kWh). Differences only occur for customers using more or less than average.

Rate Design: Power



The proposed rate design results in all usage levels receiving an equal percentage rate increase.

- Tacoma Power studies find **no correlation between income and usage**. Many **low-income** customers have **electric heat** or live in **less efficient housing**. They have **limited control** over their usage and benefit from lower variable charges.
- **Electrification is encouraged** by lower variable charges, since electricity is the “fuel” for technologies such as **electric vehicles**.
- The proposed rate design better reflects the **utility cost structure**.

SMALL USER: 2% CLASS INCREASE

270 kWh	Current Rates	2021 Rates	2022 Rates
Proposed (proportional)	\$39.09	\$39.87 +\$0.78 2.0%	\$40.67 +\$0.80 2.0%
All Variable	\$39.09	\$39.63 +\$0.54 1.4%	\$40.17 +\$0.55 1.4%

LARGE USER: 2% CLASS INCREASE

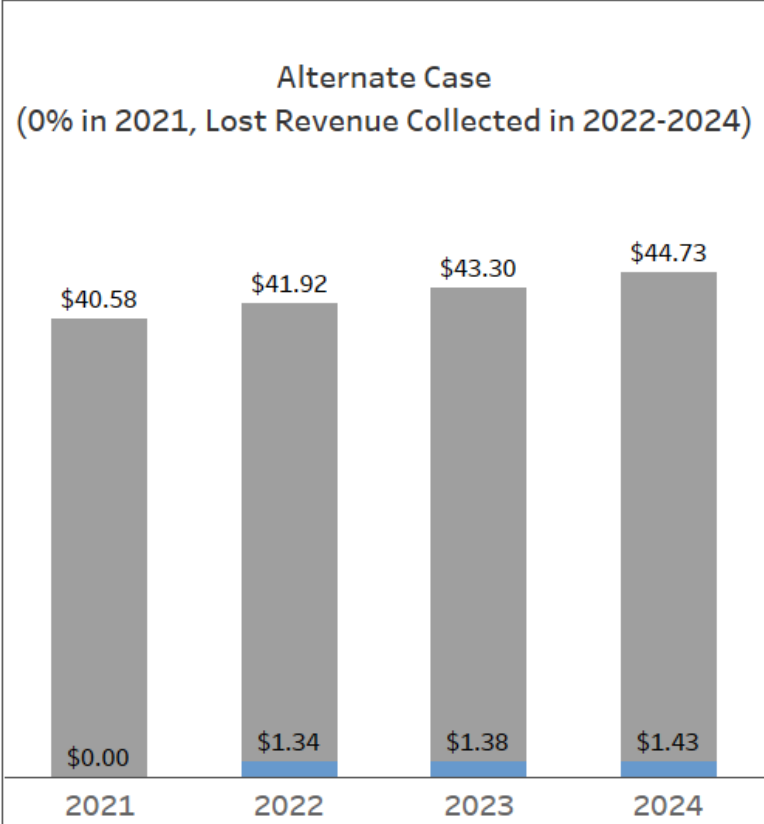
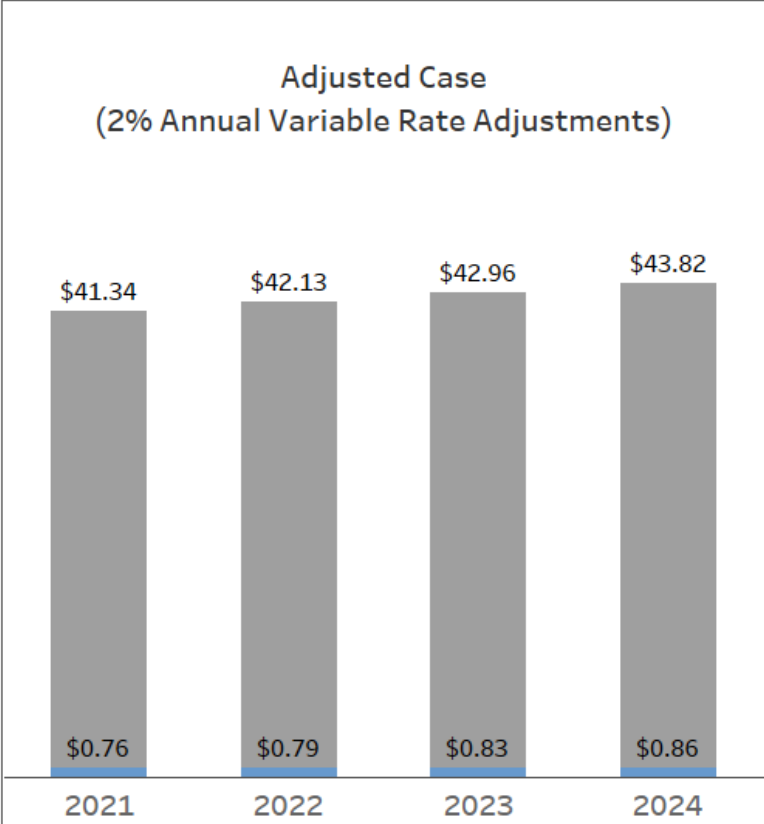
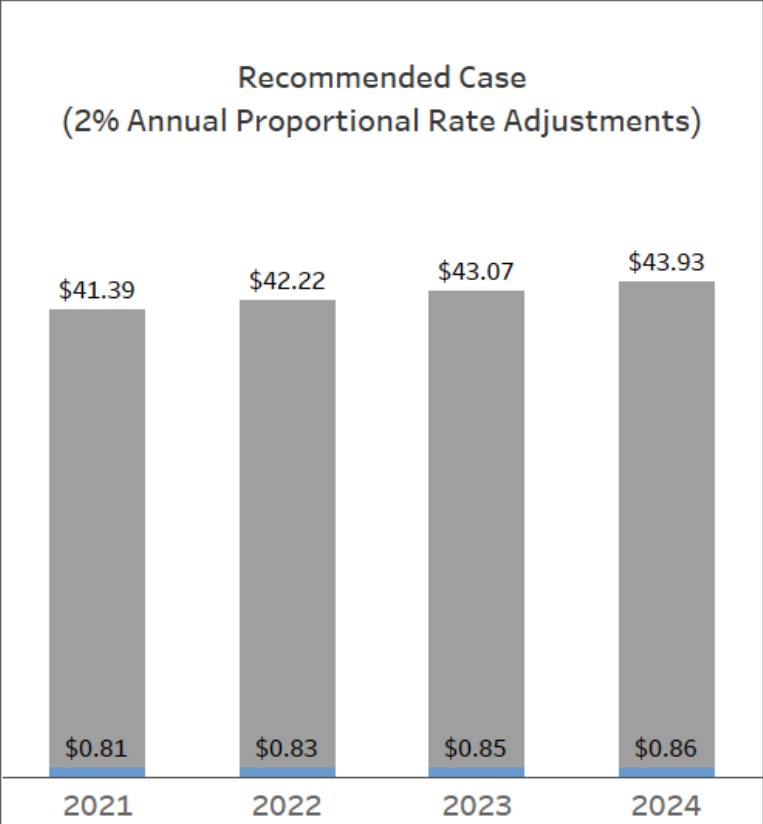
2,000 kWh	Current Rates	2021 Rates	2022 Rates
Proposed (proportional)	\$178.71	\$182.28 +\$3.57 2.0%	\$185.93 +\$3.65 2.0%
All Variable	\$178.71	\$182.68 +\$3.97 2.2%	\$186.73 +\$4.06 2.2%

Average Bill is \$92.24 under current rates, \$94.08 under 2021 rates (all designs), and \$95.96 under 2022 rates (all designs).

Customer Impacts: Water



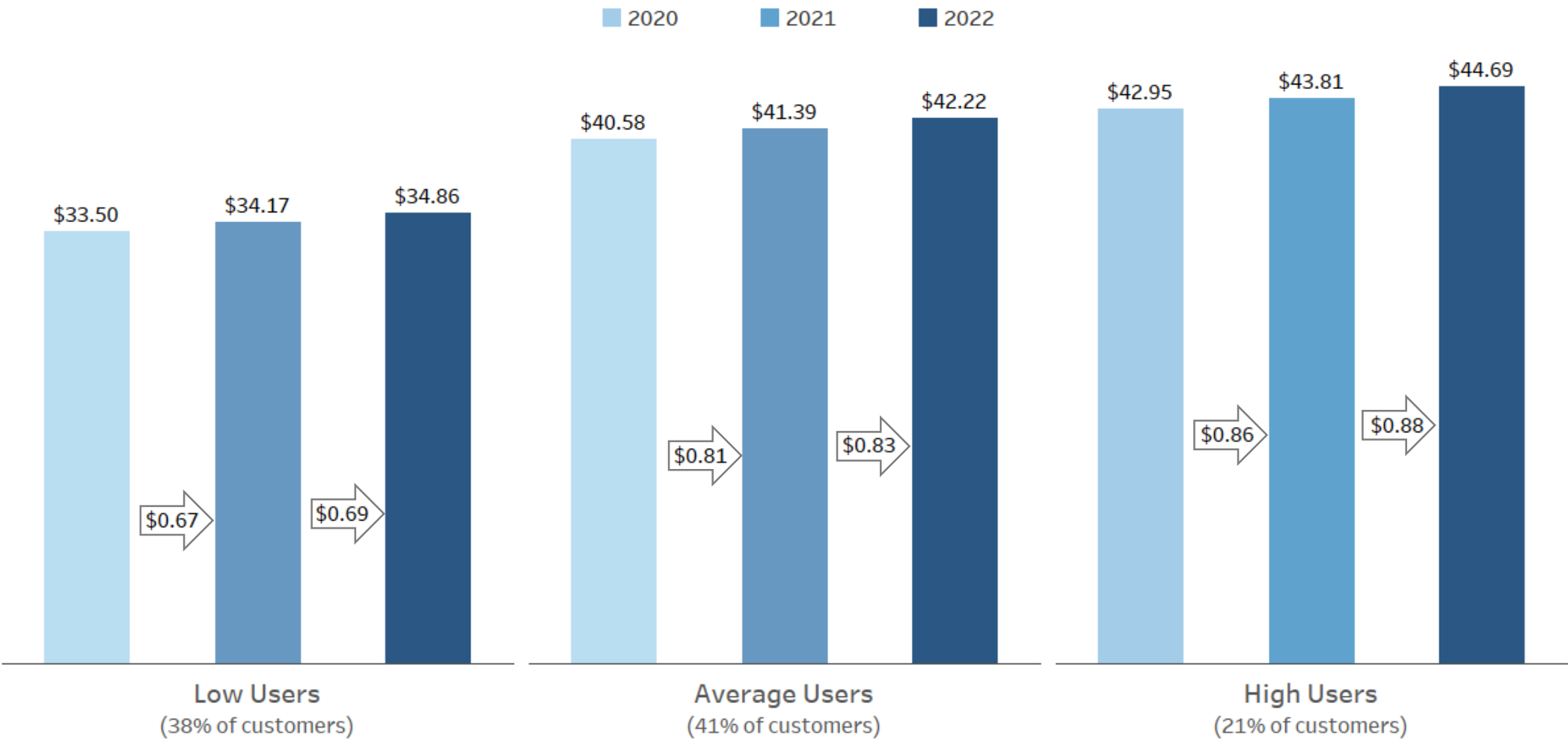
Projected Monthly Water Bills for Single Family Residential Customers Based on Rate Case Scenarios



Customer Impacts: Water



Projected Monthly Water Bills for Single Family Residential Customers Based on Consumption



Projections for an average customer assume 6 CCF in winter and 9 CCF in summer. Projections for below and above average customers assume ± 0.5 standard deviation from average usage. Includes recommended 2% proportional system average annual rate adjustments in 2021 and 2022.