

# Tacoma Power Rate Overview

## 2019/2020 Biennium

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01

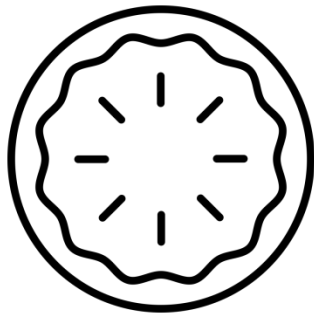
# Rates Process

- + *Revenue Requirement*
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- + *Rate & Financial Policy*

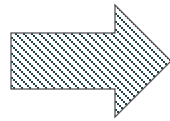
## Rates Process

# Ratemaking Process

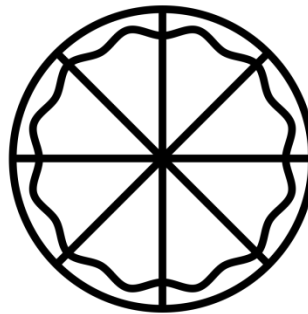
How Big is  
the Pie?



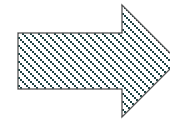
Revenue  
Requirement



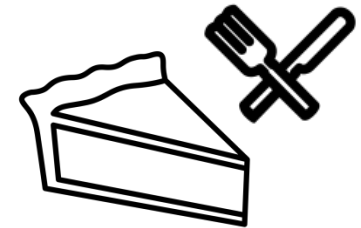
How to Slice  
the Pie?



COSA



How to Eat  
Each Slice?



Rate Design

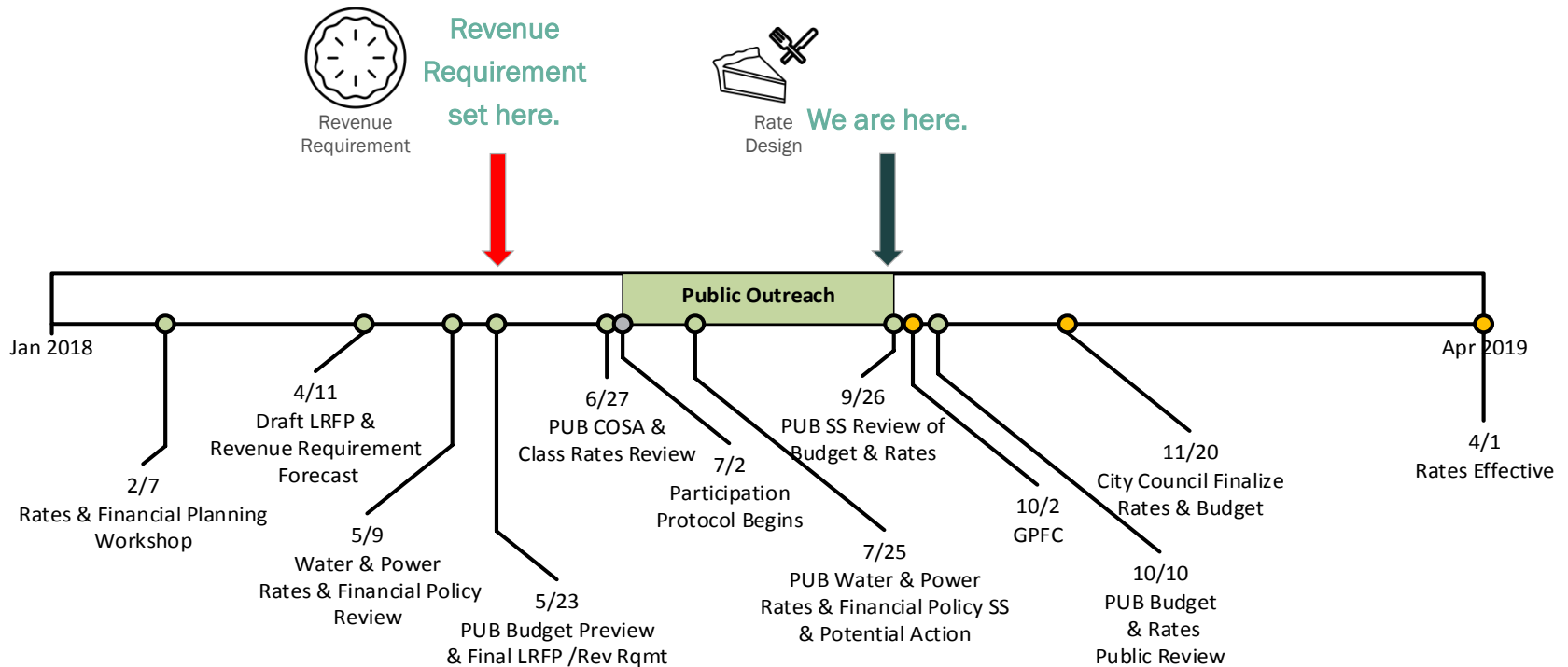


# Revenue Requirement

Rates Process  
Section 1.1

## Revenue Requirement

# Budget and Rate Timeline

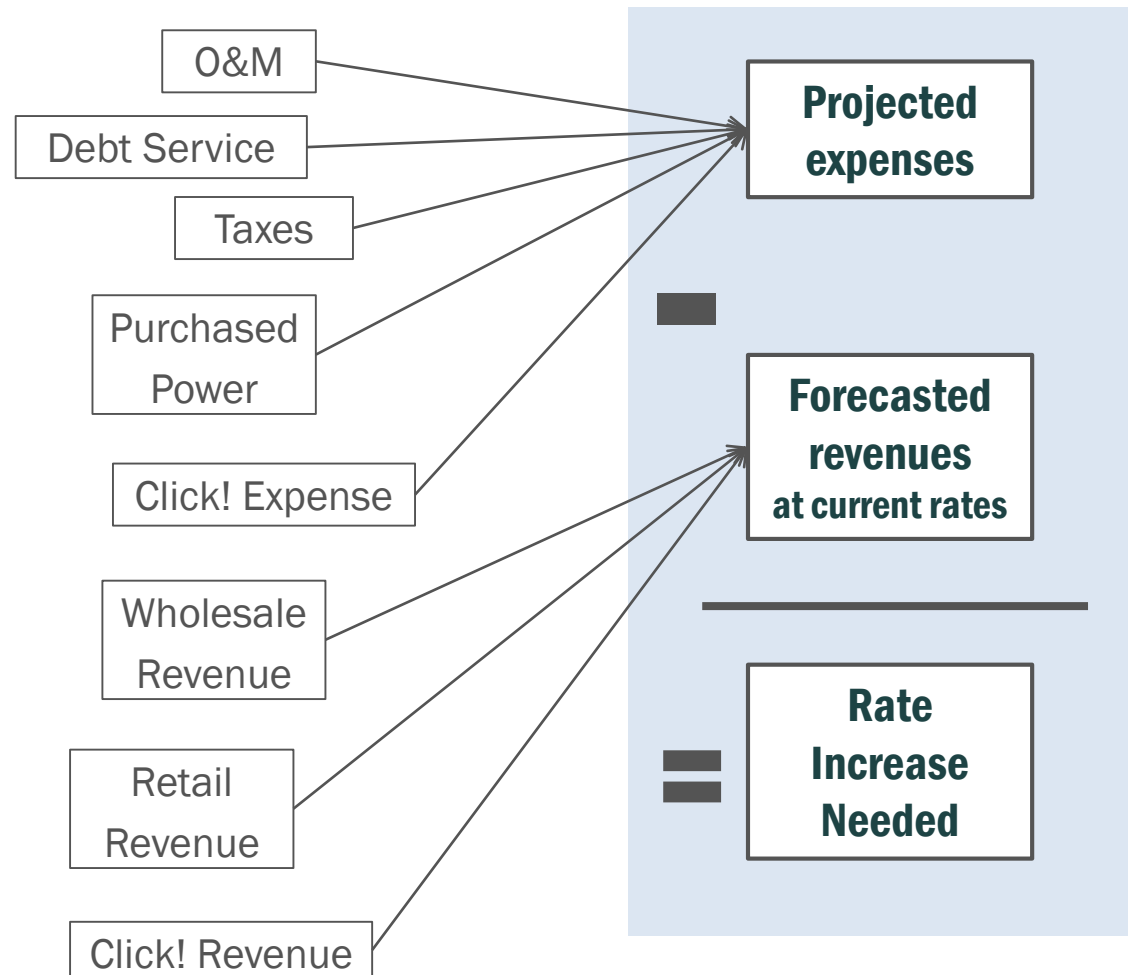


## Revenue Requirement

# Revenue Requirement Illustration

The Tacoma Power Revenue Requirement is a forecast of the amount we needed to cover all of the utility's expenses and meet financial plan goals.

Tacoma Power's 2019/2020 Revenue Requirement forecast assumptions are provided in the **June 27, 2018 Revenue Requirement** presentation.



## Revenue Requirement

# Revenue Requirement versus Budget

	Forecast for Revenue Requirement	Forecast for Budget
<b>Total Forecast Expenditures</b>	<b>\$949,791,059</b>	<b>\$958,830,957</b>
Wholesale Sales	95,403,408	95,840,208
less Click! Revenue	49,038,460	54,732,255
Other Revenue*	\$52,921,434	52,608,754
Spendedown of Cash	6,660,427	9,179,049
<b>Remaining</b>	<b>\$745,767,330</b>	<b>\$746,470,691</b>
less Retail Revenue at Existing Rates	729,438,197	729,929,146
<b>Rate Increase Needed</b>	<b>\$16,329,133</b>	<b>\$16,541,545</b>

Difference in Revenue Requirement and Budget will be managed by Tacoma Power through controlling expenses, use of the Note Purchase Agreement (\$100M), or cash balances.

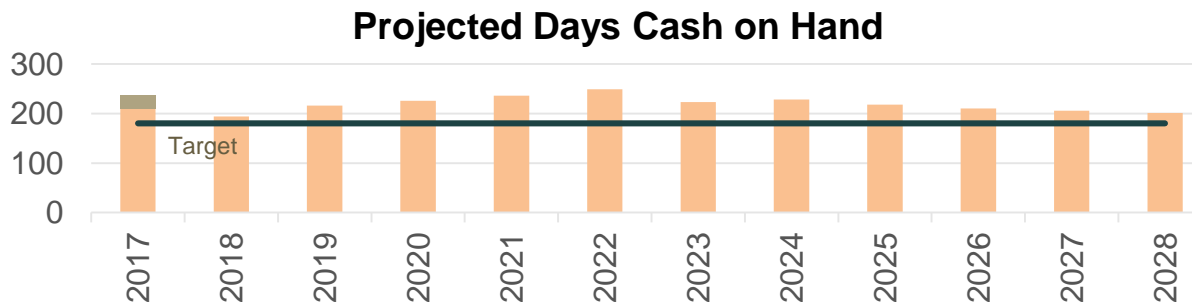
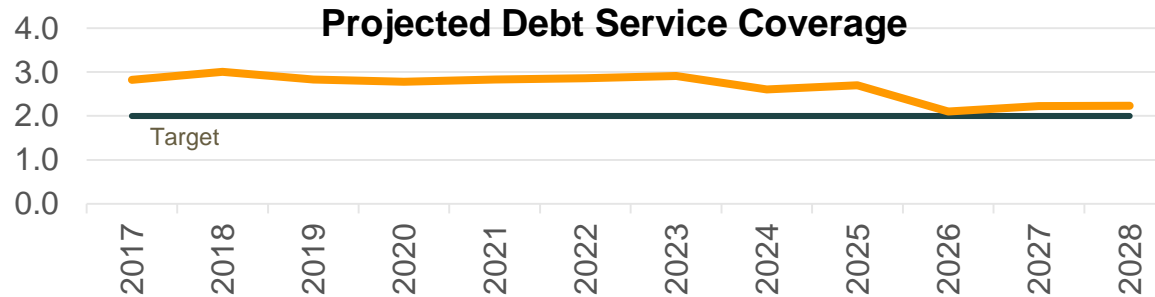
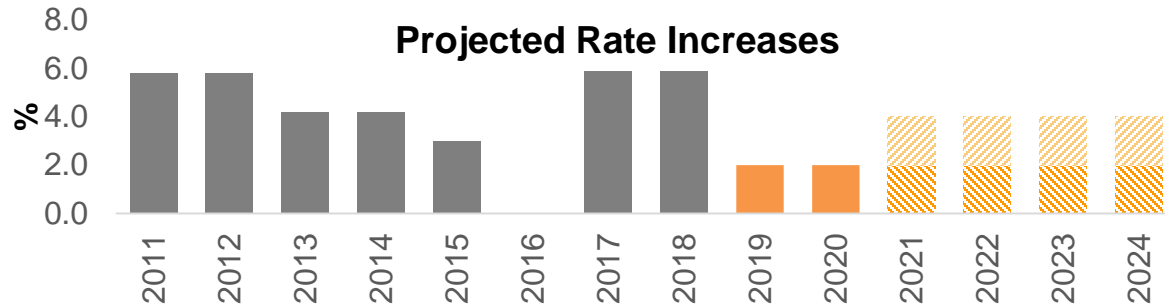
A request for an additional rate increase may also be made as a last resort.

**-1.3%**



## Revenue Requirement

# Revenue for Financial Stability



The recommended 2% system-average rate increase in 2019 and 2020 is designed to meet DSCR targets, manage cash levels, and minimize rate spikes in the future.



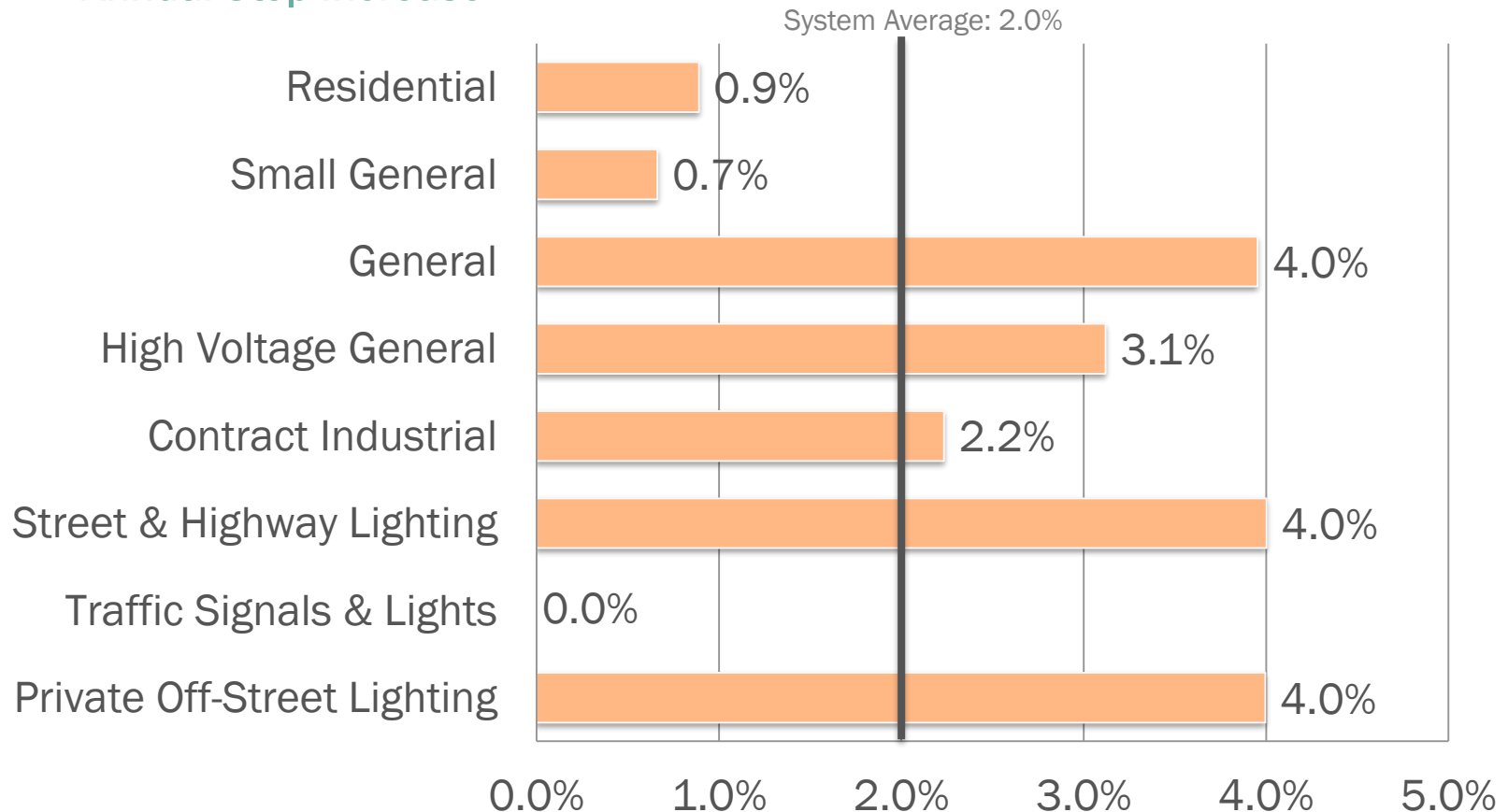
# Cost-of- Service Analysis Results

Rates Process  
Section 1.2

## Cost-of-Service Analysis Results

# Increase by Class

### Annual Step Increase



**Preliminary, subject to change.**

# Results of Rate Design: Existing Classes

Rates Process  
Section 1.3

## Rate Design

# Residential & Small Commercial

Schedule A	Residential		
	Current	2019	2020
<b>Customer Charge</b>	<b>\$ 16.50</b>	<b>\$ 16.90</b>	<b>\$ 17.30</b>
Energy Charge	0.045351	0.045351	0.045351
Delivery Charge	0.034435	0.034891	0.035353
<b>Total per-kWh Charges</b>	<b>\$ 0.079786</b>	<b>\$ 0.080242</b>	<b>\$0.080704</b>

Schedule B	Small General		
	Current	2019	2020
<b>Customer Charge</b>	<b>\$ 22.50</b>	<b>\$ 23.00</b>	<b>\$ 23.50</b>
Energy Charge	0.044616	0.044616	0.044616
Delivery Charge	0.034587	0.034895	0.035207
<b>Total per-kWh Charges</b>	<b>\$ 0.079203</b>	<b>\$ 0.079511</b>	<b>\$ 0.079823</b>

**Place 50%  
of increase in  
customer  
charge.**

Preliminary, subject to change.

## Rate Design

# General Service

Schedule G	General		
	Current	2019	2020
Customer Charge	\$ 76.00	\$ 78.00	\$ 80.00
Energy Charge	\$0.044813	\$ 0.047317	\$0.049961
Delivery Charge	\$ 8.35	\$ 8.43	\$ 8.51

**Increase all  
rate elements.**

**Preliminary, subject to change.**

## Rate Design

# Industrial Classes

Schedule HVG	High-Voltage General		
	Current	2019	2020
Customer Charge	\$ 1490.00	\$ 1590.00	\$ 1690.00
Energy Charge	\$ 0.041691	\$ 0.042915	\$ 0.044175
Delivery Charge	\$ 4.75	\$ 4.89	\$ 5.03
Transformer Discount	24.00%	20.00%	20.00%

Schedule CP	Contract Industrial		
	Current	2019	2020
Customer Charge	\$ 2980.00	\$ 3980.00	\$ 4980.00
Energy Charge	\$ 0.033038	\$ 0.033038	\$ 0.033038
Demand Charge	\$ 4.33	\$ 4.68	\$ 5.07
Delivery Charge	\$ 4.00	\$ 4.22	\$ 4.45

**Adjust all or most rate elements.**

**Preliminary, subject to change.**

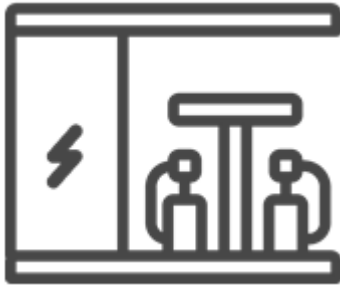


# Rate Design: New Class

Rates Process  
Section 1.4



# Transition DC Fast Chargers to Demand



## Fast Charge Service (Schedule FC)

- Rate structure mirrors a Public DC Fast Charger Optional Transition Rate adopted by PacifiCorp in Oregon and Washington
- Rate prices are derived from Tacoma Power’s Small General Service and General Service rate schedules

Charge	Over 13-Year Transition Period (2019 – 2031)
per Month	remains the effective Schedule G per Month charge <i>\$80.00 per Month</i>
per kWh	transitions from Schedule B per kWh charges to Schedule G per kWh charge <i>\$0.079203 in 2019 to \$0.049959 in 2031</i>
per kW	introduces Schedule G per kW charge <i>\$0.00 in 2019 to \$8.51 in 2031</i>

*NOTE: illustrated prices hold Recommended 2020 rates constant. These rates are subject to change.*

## Rate Design

# Information will Inform Future Rates



### To qualify for the rate, Electric Vehicle Charging Stations must...

- Have separately metered service
- Be broadly available to the general public
- Have at least one DC fast charger
- Demand no more than 1 megawatt of load



### Pilot is limited to...

- 13 Years, January 1, 2019 – December 31, 2031
- 25 public DC Fast Charging Stations, on a first-come, first-served basis



### Bi-annual reports will include...

- Locations of participating stations
- Aggregated utilization and sales statistics

# Limited Ancillary Loads Permitted



### **Ancillary loads...**

- must be related to the provision of Electric Vehicle charging
- must not collectively exceed 5 kilovolt amps (5 kVa)



### **What will 5kVa support?**

It depends on the characteristics of the ancillary loads. With 5kVa, a site would be capable of providing vending machines and ample lighting for its patrons.



# Rate & Financial Policy

Rates Process  
Section 1.5

## Rate & Financial Policy

# Rate and Financial Policy Updates

### 1. Low-Income and Senior/Disabled Assistance Programs

**Addresses programs available through utility assistance programs.** *“The needs of low-income, senior, and disabled electric customers will be considered when establishing rate levels, providing bill assistance, and offering financial education.”*

### 2. Rate Stability

**Sets an objective that seeks to stabilize rates and better align with Water’s rate and financial policies.** *“To the extent possible, rate adjustments should be as level across years and not exceed general inflationary trends.”*

### 3. Class Rate Increase Cap

**Addresses caps for class rate increases and enables better alignment with Water’s rate and financial policies.** *“Rate adjustments may be phased-in over a limited time period and may be used if a disproportionate change in rate levels is expected for certain classes. Inter-class revenue requirements adjustments significantly in excess of the system average may be allocated proportionally to the remaining customer classes. A gradual approach may be used for the subsidized class to set subsequent rate increases until cost-of-service rates are reestablished.”*

02

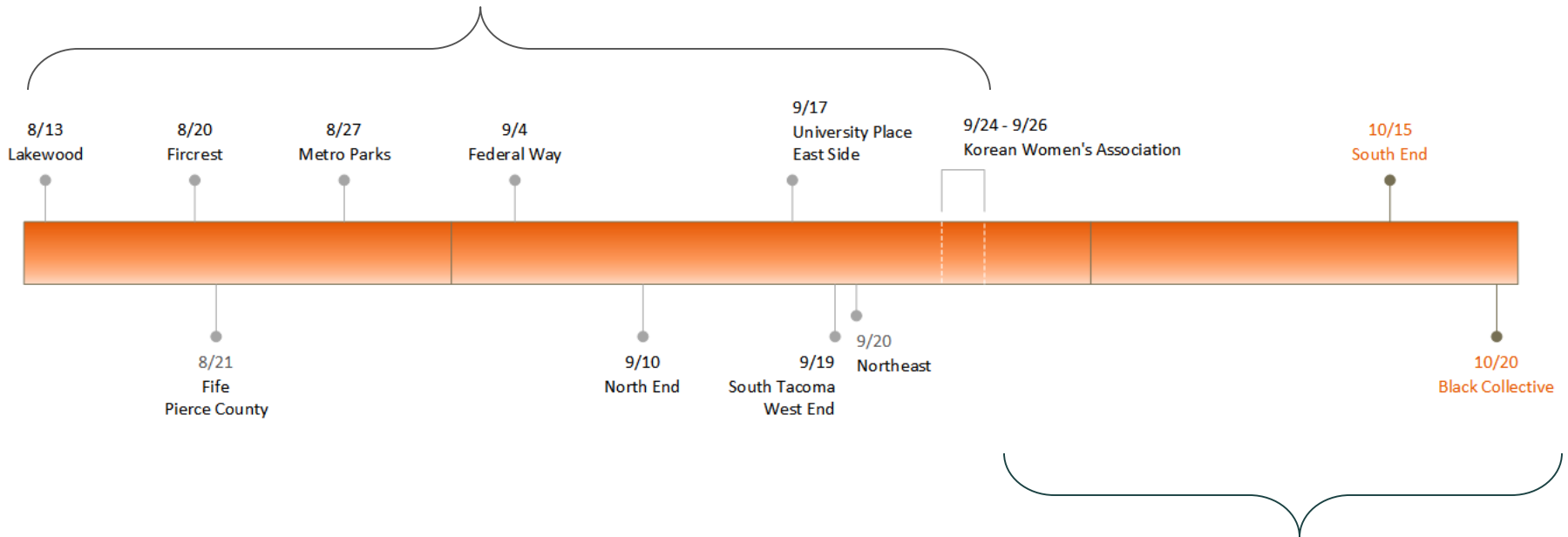
## Public & Customer Outreach

- + *Public Outreach*
- + *McChord Participation Protocol*
- + *Next Steps*

## Public & Customer Outreach

# Public Outreach Timeline

### Where we've been...



...and where we'll go.

## Public & Customer Outreach

# Public Outreach Themes

**Rate proposal has been generally well-received.**

- **Common Themes from Franchise Jurisdictions:**
  - Value proposition generally well-received by audiences
  - Desire for more representation for outside-City customers
  - Questions about AMI rollout and related cybersecurity/data privacy risks
  - Request for more outreach to low-income customers
  
- **Common Themes from Tacoma Neighborhood Councils:**
  - Value proposition generally well-received by audiences without any major issues or concerns



## Public & Customer Outreach

# Rates Outreach & Communications

## Communications

- **Complete**
  - July *Utilities and You* newsletter story
  - Updated web page and banners
  - E-mail list sign up online
  - Bill message
  - Handout for public meetings
  - Translated versions of handouts
  - Updated public meeting info online and social media
- **Upcoming**
  - October *Utilities and You* newsletter update
  - Video
  - E-mail notification to customers
  - Newsletter content for business customers and other orgs
  - Lobby messaging
  - Materials for Oct 10 evening session (to be posted in advance)

## Public & Customer Outreach

# McChord Participation Protocol

**Negotiations focused on three issues, with most focus on the third.**

1. Classification of Tacoma-Power-Owned Hydroelectric Production Cost.
2. Classification of Bonneville Power Administration (BPA) Power Cost.
3. **Allocation of Demand-Classified Production Cost.** In the initial COSA, this cost is allocated based on an load patterns during the entire year. The military consultants advocated for an allocator based on load patterns during the winter only. This results in a lower rate increase for the HVG and CP classes, and a higher increase for the Residential class, because residential usage is the most seasonal.

**Tacoma Power has recommended studying this issue and producing a full report and recommendation for use in the 2021/2022 rate case, because:**

1. This is a significant change from longstanding practice.
2. Area utilities with similar power supplies use a wide variety of methods.
3. Changing methodologies would have a substantial impact on the residential class.

**The rate recommendations shown in this presentation assume no change to allocation methodology for the current rate case.**

## Public & Customer Outreach

# Next Steps

### September 26<sup>th</sup>

- Study Session: Public Utility Board Budget & Rates Presentation

### October 2nd

- GPFC Power, Water and Rail Rates Presentation

### October 10th

- Public Utility Board Budget & Rates Public Review

### October 16th

- Joint Council/Public Utility Board Study Session Budget & Rates Presentation

### October 24th

- Public Utility Board approval of preliminary budget & rates

### November 13th

- City Council first reading of budget & rates

### November 20th

- City Council second reading of budget & rates

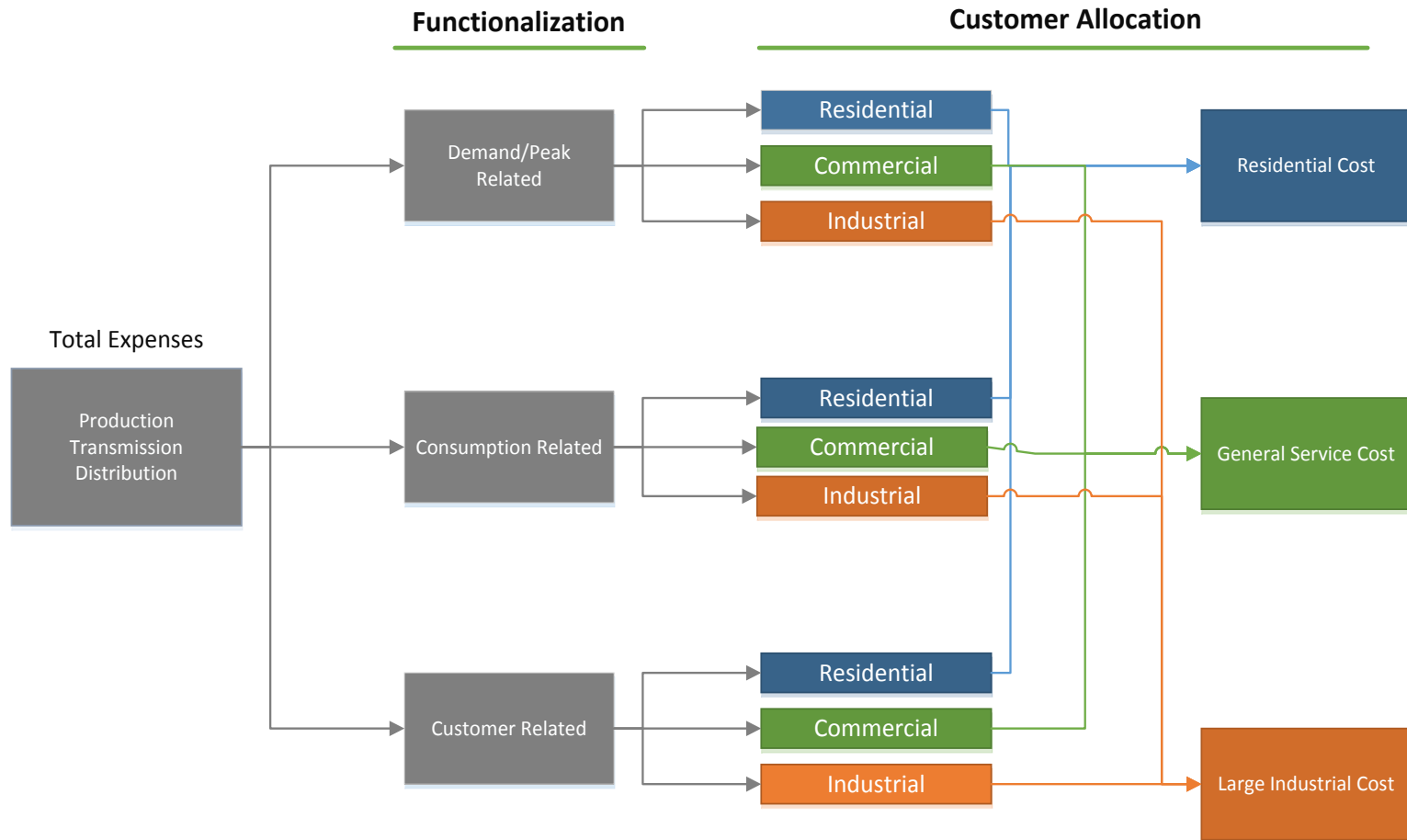
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## Appendix

- + *Cost-of-Service Theory Diagram*
- + *Class Increase Detail*
- + *Current and Projected Class Rates:  
¢/kWh*

## Appendix

# Cost-of-Service Study



## Appendix

# Class Increase Detail

Description	Revenue at Existing Rates*	Final COSA Results*	COSA Rate Change		Redistribution for Gradualism Cap <i>(Increase Cap at 2x System)</i>	Recommended Rate Change	
			Amount	Annual Increase		Amount	Annual Increase
Residential	\$365,351,989	\$ 369,155,763	\$ 3,803,774	0.7%	\$ 1,124,158	\$ 4,927,932	0.9%
Small General	57,070,622	57,533,266	462,645	0.5%	112,664	575,309	0.7%
General	207,180,477	219,582,683	12,402,206	3.9%	18,210	12,420,416	4.0%
High Voltage General	45,870,568	48,039,170	2,168,602	3.1%	48	2,168,651	3.1%
Contract Industrial	48,523,303	50,119,155	1,595,852	2.2%	15	1,595,866	2.2%
Street & Highway (H1)	1,834,191	2,221,130	386,939	13.6%	(276,335)	110,604	4.0%
Traffic Signals (H1)	168,602	166,802	(1,800)	-0.7%	1,800	-	0.0%
Private Off-Street (H2)	3,005,788	4,167,603	1,161,814	24.0%	(980,561)	181,253	4.0%
<b>Total</b>	<b>\$ 729,005,540</b>	<b>\$ 750,985,571</b>	<b>\$ 21,980,032</b>	<b>2.0%</b>	<b>-</b>	<b>\$ 21,980,031</b>	<b>2.0%</b>

\*Retail Revenue and Cost of Service for 2019/2020 Rate Period (April 2019 through March 2021).

**Preliminary, subject to change.**

## Appendix

# Average Rates: Current & Proposed

Average per-kWh Rate	Current Rates	Proposed Rates*
Residential	9.68 ¢	9.81 ¢
Small General	9.36 ¢	9.46 ¢
General	7.05 ¢	7.47 ¢
High Voltage General	5.14 ¢	5.38 ¢
Contract Industrial	4.70 ¢	4.85 ¢
Street & Highway Lighting (H1)	5.24 ¢	5.56 ¢
Traffic Signals & Lights (H1)	9.77 ¢	9.77 ¢
Private Off-Street Lighting (H2)	21.13 ¢	22.41 ¢
<b>Total</b>	<b>7.84 ¢</b>	<b>8.07 ¢</b>

*\*average for 19/20 rate period*