



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Chris Robinson, Tacoma Power Superintendent/COO  
Jackie Flowers, Director of Tacoma Public Utilities  
**COPY:** Tacoma City Council and City Clerk  
**SUBJECT:** Proposed Rate Ordinance – Amend and revise TMC Chapter 12.06  
**DATE:** February 9, 2021

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**SUMMARY AND PURPOSE:**

Tacoma Power requests approval by the Tacoma City Council to amend and revise sections of Chapter 6 (Electric Energy – Regulations and Rates) in Title 12 (Utilities) of the Tacoma Municipal Code (TMC). The requested changes are for University Place power rate adjustments effective April 1, 2021 and April 1, 2022, and amend previously-passed Ordinance No. 28710, Exhibits B and C. These adjustments received a “do pass” recommendation from the Government Performance and Finance Committee on February 16, 2021.

**BACKGROUND:**

**This Department’s Recommendation is Based On:**

Tacoma Power serves roughly 14,000 University Place customers. In 2020, the utility delivered approximately 207 million kWh and generated about \$21 million in revenue. During that same year, Tacoma Power provided approximately \$104,000 in regular assistance to about 425 customers, as well as about \$109,000 in special COVID assistance.

In November 2020, the City of University Place approved a utility tax on gross electric revenue from customers in that jurisdiction of 3% effective April 1, 2021 to March 31, 2022, and 6% effective April 1, 2022 and thereafter. Tacoma Power will remit the value of this tax to the City of University Place. To ensure that the additional tax is passed through to University Place customers as a cost of service, Tacoma Power is requesting an increase in power rates for University Place customers. The requested increase in rates for University Place customers is calculated to cover the increase in the taxes resulting from the new tax imposed by the City of University Place.

In order to effectively recover the cost to serve this area and align with core rate-making principles, the utility proposes rate adjustments to University Place customers to coincide with the utility tax implementation dates. These are the same implementation dates as Tacoma Power’s already-approved system-average rate increases. At its November 24, 2020 meeting, the Tacoma City Council passed Ordinance No. 28710, Exhibit B and Exhibit C, containing a system-average rate increase of 1.5% scheduled to become effective April 1, 2021, and a system-average rate increase of 2.0% scheduled to become effective April 1, 2022. This proposal amends the previously-passed Ordinance by changing the rates applicable within the City of University Place, as set forth in Exhibits B and C.

These adjustments were approved by the Public Utility Board on January 27, 2021 and received a “do pass” recommendation from the Government Performance and Finance Committee on February 16, 2021.

**COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:**

**Community Engagement**



Tacoma Power is distributing communication to the community through bill inserts, targeted mailings, TPU website, and social media.

**Customer Research**

Tacoma Power conducted an audit of University Place accounts to ensure correct rate categorizations.

**2025 STRATEGIC PRIORITIES:**

**Equity and Accessibility: *(Mandatory)***

The proposal ensures that the additional tax is passed through to University Place customers as a cost of service, instead of being borne by other Tacoma Power customer groups. Note in addition that the 2021-2022 budget and rates package included increased customer assistance amounts and expanded eligibility in Tacoma Power’s assistance programs to help reach areas identified as having lower opportunities in the City’s Equity Index.

**Livability: *Equity Index Score:*** Moderate Opportunity

Increase positive public perception of safety and overall quality of life.

Improve access and proximity by residents to diverse income levels and race/ethnicity to community facilities, services, infrastructure, and employment.

**Explain how your legislation will affect the selected indicator(s).**

Tacoma Power’s mission is to provide clean, reliable electricity. Reasonable, stable rate adjustments ensure Tacoma Power can continue to meet its mission for the long-term and ensure safety and quality of life for the community it serves.

**ALTERNATIVES:**

| Alternative(s)        | Positive Impact(s) | Negative Impact(s)  |
|-----------------------|--------------------|---|
| 1. No rate adjustment | None               | <ul style="list-style-type: none"> <li>\$1.8 million of University Place taxes improperly applied to all customers</li> <li>Violates rate-making principles and legal guidance regarding tax treatment</li> </ul> |

**EVALUATION AND FOLLOW UP:**

Tacoma Power monitors monthly budget-to-actual performance, develops forecasts for the remainder of the biennium, and prepares and presents Quarterly Outlook reports and monthly Cash Projections to the Public Utility Board.

**STAFF/SPONSOR RECOMMENDATION:**

Tacoma Power recommends University Place electric rate adjustment changes effective April 1, 2021 and April 1, 2022.

**FISCAL IMPACT:**



The additional tax expense will be passed through to the University Place ratepayers and the additional revenue will offset the expense.

| Fund Number & Name | COST OBJECT<br>(CC/WBS/ORDER) | Cost Element             | Total Amount   |
|--------------------|-------------------------------|--------------------------|----------------|
| 1. Fund 4700       |                               | Retail Revenue (various) | \$1.8 million  |
| 2. Fund 4700       | 561100                        | Taxes & Assessments      | -\$1.8 million |
| <b>TOTAL</b>       |                               |                          | <b>\$0</b>     |

What Funding is being used to support the expense? N/A

Are the expenditures and revenues planned and budgeted in this biennium’s current budget?

NO, PLEASE EXPLAIN BELOW

The additional tax expense will be included in University Place rates and the additional revenue will offset the expense.

Are there financial costs or other impacts of not implementing the legislation? YES

Will the legislation have an ongoing/recurring fiscal impact? YES

Will the legislation change the City’s FTE/personnel counts? NO

**ATTACHMENTS:**

- Proposed Rate Ordinance