



## RESOLUTION NO. 39685

1 BY REQUEST OF COUNCIL MEMBERS CAMPBELL, IBSEN, AND MELLO

2 A RESOLUTION requesting the Public Utility Board to propose power rates that  
3 do not impose the entire potential rate increase into the customer charge  
4 for the residential and small general service rate classes, and instead  
5 propose an alternative that also increases the energy and demand charges  
6 to meet the utility revenue needs for these rate classes.

7 WHEREAS, in April 2015, the City of Tacoma, Department of Public  
8 Utilities, Power Division (d.b.a. "Tacoma Power") effectively doubled the customer  
9 charge for residential customers from \$5.50 to \$10.50, and for small general  
10 service customers from \$9.00 to \$19.00, while not increasing the high voltage  
11 general service or contract industrial customer charges, and

12 WHEREAS the customer charge was intended to represent the costs to  
13 Tacoma Power related to setting up a new customer account, reading the electric  
14 meter, and billing for services, and

15 WHEREAS Tacoma Power is requesting, under its current rate proposal set  
16 forth in Ordinance No. 28414, that the customer charge for the residential class be  
17 increased to \$22.00, which represents a 300 percent increase over the former rate  
18 of \$5.50 charged in 2015, with a similar percentage increase for the small general  
19 service rate class, and

20 WHEREAS Tacoma Power justifies this massive proposed increase to the  
21 customer charge by including in this charge a portion of its fixed electric distribution  
22 costs, which have historically been part of the energy and delivery/demand  
23 volumetric components of its rates, and  
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WHEREAS moving the fixed electric distribution costs into the customer charge will potentially result in a disincentive for customers to conserve energy, as they must pay the customer charge regardless of how much energy is used, and

WHEREAS increasing the customer charge will adversely impact customers who use low amounts of energy, and essentially force these customers to subsidize the costs of high energy or inefficient users of energy, and

WHEREAS increasing the customer charge will negatively impact certain low-income customers who have been able to mitigate increases to their power bills by reducing energy use, and

WHEREAS increasing the customer charge also provides a disincentive to individual customers who desire to add renewable alternative energy resources to the City's electrical system, and

WHEREAS Tacoma Power obtains approximately 50 percent of its required energy to serve customers from the Bonneville Power Administration, which is expected to raise rates for energy and delivery (transmission charges) significantly in the fall of 2017; however, Tacoma Power is not requesting an increase to the energy and delivery volumetric components of its residential and small general service rate classes, thereby further relying on the fixed customer charge to cover Tacoma Power expenses for these rate classes, and

WHEREAS the current Electric Rates and Financial Policy, approved by the Public Utility Board and City Council, provides for the following objectives when setting rates:



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A. Serving Customer Needs in a Competitive Electric Industry. Tacoma Power services, including rates and prices for those services, will be designed to meet customer needs and respond to increasing competition in the electric utility industry. Tacoma Power will seek to both unbundle and offer a greater variety of services to its customers who desire to make more of their own choices. Services or rates designed to meet the needs of one group of customers will be accomplished without negative impacts to other Tacoma Power customers.

B. Recovery of Tacoma Power Costs. Costs that Tacoma Power incurs to provide services will be recovered through the rates and prices it charges to its customers.

C. Cost Analysis for Tacoma Power Services. Regular reviews will be performed to determine the adequacy of rates, and a full revenue requirements study will be performed every two years. To the extent practicable, short-run and long-run costs will be identified for all Tacoma Power services, including services provided at cost-based rates and services sold at flexible or market-based prices.

D. Review of Major Commitments. Capital investments and other commitments that would significantly affect costs, rates or prices for Tacoma Power services will be evaluated and documented before commitments are made. Such evaluations will address known, as well as potential or uncertain, incremental impacts on costs and revenues. Impacts on Tacoma Power competitiveness will also be assessed.



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E. Cost-Based Rates. Rates charged to each class of customer will generally be set to reflect the costs of providing their service. This includes any taxes levied by the various jurisdictions that Tacoma Power serves.

F. Exceptions to Cost-Based Rates. Exceptions to cost-based rates for Tacoma Power services will be made only in circumstances where customers have access to competing providers for the service, or as otherwise authorized by the Public Utility Board.

G. Low-Income Customers. The needs of low-income electric customers will be considered when establishing rate levels.

H. Electric Rate & Financial Policy Revisions. Any decision to revise electric rate or financial policies will be done in an orderly fashion and formalized by resolution.

I. Public Involvement. Tacoma Power will provide information and gather citizen input to its rate setting process, and

WHEREAS the Electrical Rates and Financial Policy defines “Customer Charge” as follows: “An amount to be paid periodically by a customer for electric service that reflects specific customer-related costs incurred for metering, meter reading, billings, etc., exclusive of demand or energy consumption, traceable to the type and number of customers, and not varying with the volume of metered sales,” and

WHEREAS the change to incorporate fixed electric distribution costs historically collected through the volumetric demand and energy charges into the



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customer charges represents a significant policy change from how rates and charges have been developed using the Electrical Rates and Financial Policy, and

WHEREAS Tacoma Power has not requested that the Public Utility Board and City Council change the Electric Rates and Financial Policy to represent this significant change to the calculation of the customer charge, and

WHEREAS the Public Utility Board and City Council have received extensive feedback from customers and stakeholders of Tacoma Power in opposition to imposing the entire proposed rate increase into the customer charge for residential and small general service rate classes, and

WHEREAS the City Council is persuaded that imposing the entire proposed rate increase into the customer charge for these two rate classes will adversely affect low-energy users, low-income customers, and individual customers desiring to add alternative renewable energy sources to the City's electrical system, and

WHEREAS Section 4.11 of the Tacoma City Charter requires all matters related to the fixing of rates and charges for utility services be initiated by the Public Utility Board and approved by the City Council, and

WHEREAS the City Council believes it is in the best interests of the citizens of Tacoma and the customers of Tacoma Power that Tacoma Power not impose the entire potential rate increase into the customer charge for the residential and small general service rate classes, and instead propose an alternative that also increases the energy and demand charges to meet the utility revenue needs for these rate classes; Now Therefore;



BE IT RESOLVED BY THE COUNCIL OF THE CITY OF TACOMA:

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That the City Council hereby requests the Public Utility Board to initiate and approve proposed power rates that do not impose the entire potential rate increase into the customer charge for the residential and small general service rate classes, and instead propose an alternative that also increases the energy and demand charges to meet the utility revenue needs for these rate classes.

Adopted \_\_\_\_\_

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

Approved as to form:

\_\_\_\_\_  
Acting City Attorney