



ORDINANCE NO. 28416

1 AN ORDINANCE relating to utility gross earnings tax; amending Chapter 6A.100
2 of the Tacoma Municipal Code (“TMC”), relating to the Utilities Gross
3 Earnings Tax, to clarify that all street lighting rates and charges are
4 deductible from the Gross Earnings Tax, and to eliminate the deduction
5 from the Gross Earnings Tax for power sold to contract industrial
6 customers when the rate collected is above the Contract Industrial rate as
7 set forth in Chapter 12.06 of the TMC.

8 WHEREAS the City of Tacoma, Department of Public Utilities, Light
9 Division (d.b.a. “Tacoma Power”), is recommending two amendments to
10 Subsection 6A.100.040 of the Tacoma Municipal Code (“TMC”), relating to
11 deductions from the measure of the City’s utility gross earnings tax, and

12 WHEREAS TMC 6A.100.010 imposes taxes (“Tax”) upon the gross
13 earnings of the Power, Water, and Rail Divisions of the Department of Public
14 Utilities, and

15 WHEREAS TMC 6A.100.040 excludes certain utility revenue sources
16 from the computation of the Tax, and specifically, under TMC 6A.100.040.I,
17 “[a]mounts received for street light energy and for street light maintenance and
18 operation” are to be deducted from the measure of the Tax, and

19 WHEREAS the deduction from revenues under TMC 6A.100.040.I is
20 only applicable to the energy portion of the rates and any separate charges for
21 street light operations and maintenance, and

22 WHEREAS all other revenues related to street lights are subject to the
23 Tax, and the Tax is added to the rates charged and collected from the City for
24 its street lights, and
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1 WHEREAS the Tax portion of the rate is returned to the City in the form
2 of a Tax payment through internal accounting mechanisms, making the
3 transaction revenue-neutral but administratively burdensome, and

4 WHEREAS Tacoma Power recommends amending TMC 6A.100.040.I.
5 to clarify that all revenues charged and collected for street lighting be deducted
6 from the Gross Earnings Tax, and

7 WHEREAS TMC 6A.100.040.Q excludes from the computation of the
8 Tax “[a]mounts received from Contract Industrial Service Contract Power (“CP”)
9 Customers (industrial non-portfolio power contracts) when the rate charged
10 exceeds the rate for the same power at Contract Industrial Service Schedule
11 CP rates for portfolio power. Revenues received in excess of the Contract
12 Industrial Service Schedule CP rate shall be deducted from the measure of
13 tax,” and
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15 WHEREAS the impact of TMC 6A.100.040.Q is that Tacoma Power
16 must deduct from revenue collected, which normally would be subject to the
17 Tax, the sale of Contract Industrial service power when the rate charged
18 exceeds the approved Contract Industrial Power rate schedule listed in
19 TMC 12.06.260, and
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21 WHEREAS this provision remains from the non-portfolio program
22 Tacoma Power offered Contract Industrial customers in the 1990s, when
23 Tacoma Power would buy power directly on the open market for Contract
24 Industrial customers instead of selling these customers power from Tacoma
25 Power’s generators or other contract resources, and
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WHEREAS Tacoma Power recommends the deduction under TMC 6A.100.040.Q be eliminated so that all revenues collected by Tacoma Power from the sale of power to Contract Industrial customers be subject to the Tax, and

WHEREAS this recommended change will not impact any current customers of Tacoma Power because no current Contract Industrial customer is utilizing this program, and

WHEREAS Tacoma Power is making this recommendation to remove any potential confusion and ensure the Tax is applied to the proposed resource adder for new Contract Industrial customers that will be subject to the New Large Load Policy being presented for approval as part of Tacoma Power's 2017-2018 rates and regulations, and

WHEREAS this amendment will result in an increase in future Tax revenues whenever a new Contract Industrial customer subject to the New Large Policy is provided service by Tacoma Power, and

WHEREAS the proposed amendments are in the best interest of the citizens of Tacoma and the customers of Tacoma Power; Now, Therefore,



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BE IT ORDAINED BY THE CITY OF TACOMA:

That Chapter 6A.100 of the Tacoma Municipal Code is hereby amended by amending Section 6A.100.040 thereof, as set forth in the attached Exhibit "A."

Passed _____

Mayor

Attest:

City Clerk

Approved as to form:

Acting City Attorney

Requested by Public Utility Board
Resolution No. U-10908



EXHIBIT "A"

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6A.100.040 Deductions.

In computing the gross earnings tax due under the provisions of this chapter, there shall be deducted from the measure of the tax the following items:

- A. Uncollected accounts, if the books of the utility are on an accrual basis as distinguished from a cash basis, except for charges or billings relating to providing cable television and telecommunications services.
- B. Amounts received through contemplated or actual condemnation proceedings or on account of any federal, state, or local public work project.
- C. Amounts received as compensation or reimbursement for damages to or protection of any property of the utility.
- D. Contributions for or in aid of construction.
- E. Discounts, returns, allowances, and reposessions.
- F. Amounts received from the sale or exchange of capital assets other than Christmas trees.
- G. Only interest earned from the proceeds of the sale of bonds for construction purposes.
- H. Amounts collected as sales tax.
- I. Amounts received for street lights ~~energy and for street light maintenance and operation.~~
- J. Amounts received for office rental from the City Credit Union and Retirement Office.
- K. Rental received or credits given for operators' cottages.
- L. Fire service, hydrant rental.
- M. Inter-departmental rent (deduction applicable only to Power Division).
- N. Amounts received from surcharge to water rates charged outside City limits users for system improvements necessary to meet City standards.
- O. Amounts received by waste-to-energy facilities from services provided to the public for disposal of waste products characterized as "alternative fuels," which shall mean a waste commodity that may be utilized as a fuel in a waste-to-energy facility, may or may not require some processing, provides an acceptable BTU value, creates manageable residual waste, or provides enhancement to other fuels. For purposes of this deduction, alternative fuels shall not constitute "waste" or "RDF."
- P. Amounts paid for the purchase of electricity from a City department or division that has paid gross earnings taxes on such transaction under the provisions of this chapter.
- ~~Q. Amounts received from Contract Industrial Service Contract Power ("CP") Customers (industrial non-portfolio power contracts) when the rate charged exceeds the rate for the same power at Contract Industrial Service Schedule CP rates for portfolio power. Revenues received in excess of the Contract Industrial Service Schedule CP rate shall be deducted from the measure of tax.~~