



**TO:** Elizabeth Pauli, Interim City Manager  
**FROM:** William A. Gaines, Director of Utilities, Tacoma Public Utilities  
**COPY:** City Council and City Clerk  
**SUBJECT:** Recommendation To Amend TMC 6A.100.040 – March 7, 2017  
**DATE:** February 13, 2017

**SUMMARY:**

Tacoma Power requests approval by the Public Utility Board and the City Council for two adjustments regarding items deducted from the measure of the Gross Earnings Tax.

**ISSUE:**

Currently, the Gross Earnings Tax deduction for street lights is only applicable to the energy portion of the rate(s) and any separate charges for street light operations and maintenance. The portion of the revenue that is subject to the tax is currently included in the rate charged and collected from the City for street lights and then returned to the City in the form of a tax payment through internal accounting mechanisms making the transaction revenue neutral. This language clarifies that all street lighting rates and charges are deductible from the Gross Earnings Tax.

Currently, there is a provision that allows a deduction from revenue collected that is subject to the Gross Earnings Tax for the sale of Contract Industrial service power when the rate charged exceeds the Contract Industrial Power rate schedule. This provision is left over from the non-portfolio program Tacoma Power offered Contract Industrial customers in the 1990s (when Tacoma Power would buy power directly on the market for Contract Industrial customers instead of selling these customers power from Tacoma Power's generators or other contract resources). No Contract Industrial customer is presently in this program, so the change will not impact current customers. The recommendation is that all revenues collected by Tacoma Power from the sale of power to Contract Industrial customers should be subject to the tax. In addition, removing this provision will prevent any confusion about the applicability of the Gross Earnings Tax to the proposed new resource adder for new Contract Industrial customers, which are subject to the New Large Load Policy update.

**ALTERNATIVES:**

Leave the language as is.

**RECOMMENDATION:**

Tacoma Power requests approval by the Public Utility Board and the City Council for two adjustments regarding items deducted from the measure of the Gross Earnings Tax.

**FISCAL IMPACT:**

There is no change in fiscal impact for the current biennium.



**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
<b>TOTAL</b>			

\* General Fund: Include Department

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT

**POTENTIAL POSITION IMPACT:**

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
<b>TOTAL</b>			

*This section should only be completed if a subsequent request will be made to increase or decrease the current position count.*

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET:**

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?**

**IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.**