



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: Joe Wilson, Section Manager, Power Utility,
Chris Robinson, Utilities Deputy Director, Power Superintendent
MEETING DATE: February 26, 2025
DATE: February 11, 2025

GUIDING PRINCIPLE ALIGNMENT (select as many that apply):

Please indicate which of the Public Utility Board's Guiding Principle(s) is supported by this action.

- | | |
|--|--|
| <input type="checkbox"/> GP1 – Diversity, Equity, Inclusion, Belonging | <input type="checkbox"/> GP8 – Telecom |
| <input checked="" type="checkbox"/> GP2 – Financial Sustainability | <input type="checkbox"/> GP9 – Economic Development |
| <input checked="" type="checkbox"/> GP3 – Rates | <input type="checkbox"/> GP10 – Government Relations |
| <input type="checkbox"/> GP4 – Stakeholder Engagement | <input type="checkbox"/> GP12 – Employee Relations |
| <input type="checkbox"/> GP5 – Environmental Sustainability | <input type="checkbox"/> GP13 – Customer Service |
| <input type="checkbox"/> GP6 – Innovation | <input type="checkbox"/> GP14 – Resource Planning |
| <input type="checkbox"/> GP7 – Reliability & Resiliency | |

SUMMARY: Tacoma Power requests that the Public Utility Board revise the inspection and permitting fees in Tacoma Municipal Code (TMC) Chapter 12.06A and the disconnection/reconnection fees in TMC Chapter 12.01 to include recovery of taxes and increases in labor costs, effective on April 7, 2025.

BACKGROUND: On October 23, 2024, the Board approved Resolution U-11483 which updated the inspection and permitting fees in TMC 12.06A as well as the disconnection/reconnection fees in TMC 12.01. On December 3, 2024, the Tacoma City Council approved the fee update in Ordinance 28995. These fees were raised to cover the increased cost of providing the services due to general inflation, vehicle costs, and the need to hire a full-time inspector to provide swifter resolution of inspection requests. The updated fees were slated to take effect on April 1, 2025.

Tacoma Power is proposing an update to the inspection and permitting fees to include increases in labor costs and recovery of tax amounts incurred by Power, including City of Tacoma's Gross Earnings Tax (GET) and Washington State Business & Occupation Tax (B&O). This second update will supersede the fees approved in 2024. The labor costs to provide these services increased significantly with market volatility, since the fee update last year. Although Tacoma Power has been paying state B&O taxes on the revenue from inspection and permitting fees, the utility has not recovered these costs in the fees. Furthermore, Tacoma Power was recently advised that GET applies to the reimbursement of those costs.

Tacoma Power currently pays state B&O tax on the revenues from disconnection and reconnection fees but did not pay GET on the reimbursement of those costs. Going forward, Tacoma Power proposes remitting both taxes and recovering the taxes in the fees.

These modifications are consistent with the cost-causation principle in ratemaking. If these fees are not updated, the additional expense associated with these services will be paid by retail customers.



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ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No

IF THE EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW IT IS TO BE COVERED.

These updated fees will cover the anticipated increase in costs for providing this service and GET and B&O expenses incurred from receiving this revenue.

IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? No

ATTACHMENTS: Proposed Amendments to Chapter 12.01 and 12.06A of the Tacoma Municipal Code.

CONTACT:

Primary Contact: Chad Edinger, Assistant Section Manager, Power Utility

Supervisor's Name: Joe Wilson, Section Manager, Power Utility

Presenter (if different from primary contact):