



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Jackie Flowers, Director of Utilities, Tacoma Public Utilities  
**COPY:** City Council and City Clerk  
**SUBJECT:** Proposed Rate Ordinance—Amend and revise TMC Chapter 12.06 regarding Schedule Electrofuel Service Pilot  
**DATE:** November 19, 2024

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**SUMMARY AND PURPOSE:**

Tacoma Power requests approval by the City Council to amend TMC 12.06.373 concerning Schedule Electrofuel Service Pilot (Schedule EF) to align with Schedule Very Large Load (Schedule VLL), to adequately reflect the costs of serving large new customers, effective on January 1, 2025.

**BACKGROUND:**

**The Department’s recommendation is based on:** Tacoma Power implemented TMC 12.06.373 Electrofuel Service Pilot (Schedule EF) on April 1, 2021. Schedule EF is a pilot program limited to 65 MW of total load to serve customers who use a large quantity of electricity to produce hydrogen fuels. Schedule EF provides discounted rates based on system average cost but requires that customers’ electricity consumption be interrupted at Tacoma Power’s discretion to avoid the expensive purchase of additional power. Currently, there are no customers on Schedule EF.

The power market dynamic has changed since the implementation of the pilot program in 2021. The current incremental cost of serving a new large electric load, especially the cost of supplying them with a large amount of carbon-free power, is exceedingly high. If Tacoma Power continues to offer Schedule EF under the existing rate structure, the large incremental cost caused by customers under Schedule EF will lead to substantial rate increases for all existing customers. Furthermore, the addition of such a large load can potentially cause system-wide capacity shortages in some months, jeopardizing Tacoma Power’s resource adequacy.

To avoid cost shifting and ensure resource adequacy, Tacoma Power proposes to modify Schedule EF to align it with Schedule Very Large Load (VLL) which is designed for customers with a load requirement of 10 average megawatt or more over any consecutive 12-month period. Under Schedule VLL and the modified Schedule EF, large load customers will pay for the costs of new resources dedicated to their use. The power supply rate will be based on the incremental cost of serving them. As for the power delivery and customer-related rates, Tacoma Power will charge the same delivery charge and customer charge as the otherwise applicable rate schedules based on the system average cost. This modification is consistent with the cost-causation principle in rate making.

In addition, under the modified Schedule EF, we will offer demand response programs to interested EF customers that can be better tailored to their operation. The interruptibility requirement under the current Schedule EF is too stringent for most, if not all, potential customers.

This amendment to Schedule EF will not negatively impact any existing customers since there are no customers on the schedule.

**COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:**

Tacoma Power has no customers on Schedule EF.



**ALTERNATIVES:**

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Do not modify Schedule EF to align with Schedule VLL	No action is needed	<ul style="list-style-type: none"> <li>• Potential capacity shortages</li> <li>• Large rate increases for existing customers</li> </ul>
2.		
3.		

**EVALUATION AND FOLLOW UP:**

Tacoma Power will continue to monitor interest in Schedule EF.

**STAFF/SPONSOR RECOMMENDATION:**

Tacoma Power requests approval by the City Council of a modification of Schedule Electrofuel Service Pilot to align with Schedule Very Large Load, effective on January 1, 2025.

**FISCAL IMPACT:**

N/A

**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?**

YES

N/A, as there are no revenues and expenses related to this schedule currently.

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

YES

The potential financial costs to Tacoma Power could be quite significant, and this revision is a way to avoid those costs.

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

No

**Will the legislation change the City’s FTE/personnel counts?**

No

**ATTACHMENTS:**

- Proposed Amendments to TMC 12.06.373