



TO: City Council
Elizabeth Pauli, City Manager

FROM: Linda McCrea, Interim Director of Utilities
Chris Robinson, Power Superintendent

COPY: Government Performance and Finance Committee

SUBJECT: Tacoma Power Customer Charge Proration

DATE: December 7, 2017

SUMMARY:

Tacoma Power recommends amending the Tacoma Municipal Code (TMC) to support the proration of its customer charge. Under the current billing practice, Tacoma Power customers pay the full customer charge, even when they receive services for only a portion of the month.

BACKGROUND AND ISSUE:

For Tacoma Power customers, a customer charge (as defined in Chapter 12.06 of the TMC) is applied in full at the start of each billing month. Consider a residential Tacoma Power customer with the following rate schedule:

Rate, City, Year	Residential A-1, Tacoma, 2017
Customer Charge	\$13.50

Currently, if this customer moves four days into a billing month they incur a customer charge in the amount of \$13.50 for only four days of service. Even further, if this customer subsequently moves into a residence within the Tacoma Power service territory, they incur a second customer charge in the amount of \$13.50 within the same billing month.

Should this recommendation be implemented, Tacoma Power customers will incur customer charges based on days of service. For example, if a customer moves four days into a billing month, that customer will incur a customer charge of \$1.80.

It should be noted that all three Environmental Services utilities (Surface Water, Solid Waste, and Wastewater) prorate fixed charges. See Exhibit 1 for an example of a five-service bill for a partial month of service. On this bill, a non-prorated Tacoma Power customer charge and prorated Environmental Services fixed charges are observed. With board approval, Tacoma Water will begin prorating its Hydrant Service Fee and Ready to Serve Charge.

ALTERNATIVES:

Tacoma Power considered alternatives to the proposed action. If this request is not approved, Tacoma Power will bring forward an alternative for consideration. One alternative is to maintain the existing billing practice. A second alternative is to impose a daily, rather than monthly, customer charge.



FISCAL IMPACT:

Tacoma Power leveraged historical service connection and disconnection events to estimate the fiscal impact of a prorated customer charge under existing rates. With this, approximately \$800,000 per year will be prorated to Tacoma Power customers. Please note, the analysis neglects to account for business efficiencies that might be gained from bill proration in IT, customer, and administrative services.

RECOMMENDATION:

Tacoma Power recommends TMC be modified to support fixed charge proration, effective April 1, 2018. TMC Chapter 12.06 (Electric Energy – Regulations and Rates) defines each Tacoma Power customer charge as a specified rate applied “per month, or any fraction thereof.” The proposed amendments prepend the statement “calculated on a monthly basis, invoiced, and collected pursuant to the applicable customer service policies” to existing definitions in the following chapter sections:

- 12.06.160 Residential service
- 12.06.170 Small general service
- 12.06.215 General service
- 12.06.225 High voltage general service
- 12.06.260 Contract industrial service
- 12.06.290 Street lighting and traffic signal service

ATTACHMENTS:

- Redlined Tacoma Municipal Code