



**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 Chapters 12.06 regarding Electrofuel Pilot Service  
**DATE:** October 28, 2020

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**SUMMARY AND PURPOSE:**

Tacoma Power requests approval by the City Council for a new rate category—Electrofuel Service Pilot (Schedule EF). Unless otherwise extended, this pilot rate will be closed to new customers in 2030.

**BACKGROUND:**

**This Department’s Recommendation is Based On:** The impacts of both climate change and low air-quality attainment fall most heavily on vulnerable communities. Meeting climate-change policy targets will be impossible without substantial electrification of infrastructure traditionally dependent on fossil fuels. The new tariff will provide service for the electrochemical production of low carbon-content fuels usable for transportation or electrical energy storage.

As an added benefit, production processes for these types of fuels are very flexible. Under the proposed rate construct, Tacoma Power may request curtailment of electricity consumption (up to 15% of a year) in times that benefit its retail customer base. These times might be during periods of high market prices or other electrical system needs. In return, the Schedule EF customer pays a rate lower than the standard industrial rate.

**COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:**

Tacoma Power conducted stakeholder outreach with electrofuel market advocates in the construction of this rate offering.

**2025 STRATEGIC PRIORITIES:**

**Equity and Accessibility: (Mandatory)**

Along with state and national governments across the world, the City of Tacoma has recognized the threat of climate change and the urgent need to combat it. Meeting the targets of the Paris Agreement and limiting warming to no more than 1.5°C will be impossible without substantial electrification of infrastructure traditionally dependent on fossil fuels, such as will be facilitated by this rate offering. Without action, climate change will bring drastic decline to the health and prosperity of all Tacomans, particularly the City’s most vulnerable communities.

**Economy/Workforce: Equity Index Score: Moderate Opportunity**

- Increase the number of diverse livable wage jobs.
- Increase the number of infrastructure projects and improvements that support existing and new business developments.

**Livability: Equity Index Score: Moderate Opportunity**

- How does your policy, program, or service help or harm the health of the natural environment?<sup>2</sup> (e.g. reduction in carbon emissions, open space conditions, sustainability, clean air, water and soil, and noise and light pollution).



**Explain how your legislation will affect the selected indicator(s).**

This rate offering will facilitate the location of electrofuel facilities in Tacoma. Such facilities would transform Tacoma Power’s clean, renewable hydropower into a portable, storable fuel able to replace fossil fuels across the region and possibly even the world.

Electrofuel development is on the cutting edge of technological innovation to combat climate change. With the introduction of this rate, Tacoma Power would become the first utility in the nation to have a rate offering specifically designed to capture the operational and social benefit of this technology.

**ALTERNATIVES:**

Presumably, your recommendation is not the only potential course of action; please discuss other alternatives or actions that City Council or staff could take. Please use table below.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Do nothing.	No action needed.	<ul style="list-style-type: none"> <li>• Utility unable to monetize benefits of electrofuel production process flexibility.</li> <li>• Reduce likelihood of electrofuel siting in Tacoma.</li> </ul>

**EVALUATION AND FOLLOW UP:**

Industrial siting decisions depend on many factors, including but not limited to electric rates. Tacoma Power staff will continue to monitor developments in the electrofuel industry to ensure the rate offering is as competitive as possible.

**STAFF/SPONSOR RECOMMENDATION:**

Tacoma Power requests approval the City Council of an Electrofuel Pilot tariff.



**FISCAL IMPACT:**

Please provide a short summary of the fiscal impacts associated with the grant, agreement, policy action, or other action.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1.4700-Power			
2.			
<b>TOTAL</b>			

**What Funding is being used to support the expense?**

**Are the expenditures and revenues planned and budgeted in this biennium's current budget?**

**YES**  
The Electrofuel rate is designed to provide benefit to the utility through increased retail sales during the 85% of lowest-price market hours. Therefore, there is no anticipated cost to this rate offering. If the rate is successful in attracting new load, the utility would benefit from incremental retail revenue.

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

**NO**

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

**YES**  
Retail rates are an ongoing revenue.

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

**NO**  
No additional personnel needed.

**ATTACHMENTS:**

- Proposed Amendments to Chapters 12.06 TMC