



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Jackie Flowers, Director, Tacoma Public Utilities;  
Chris Robinson, Superintendent, Tacoma Power  
**COPY:** Government Performance & Finance Committee (GPFC);  
Andy Cherullo, Director, Finance;  
Joe Franco, Senior Management Fellow, City Manager’s Office  
Ying Hall, Section Manager, Power Utility, Tacoma Power  
**PRESENTER:** Jing Liu, Data Analyst, Principal, Tacoma Power  
**SUBJECT:** Proposals to Modify Large Load Rate Class Structures  
**DATE:** September 19, 2023

**PRESENTATION TYPE:**  
Request for Ordinance

**SUMMARY:**

Tacoma Power requests that the Government Performance & Finance Committee (GPFC) move to City Council for approval the proposed amendments to Tacoma Municipal Code (TMC) Chapters 12.06 Electric Energy – Regulations and Rates, as well as Tacoma Power’s Electric Rate and Financial Policy, to add a new rate class for load at 10 average megawatt (aMW) or more during any consecutive 12-month period, and to implement other related modifications.

**BACKGROUND:**

Tacoma Power establishes rates based on the cost to serve to each type of customer (cost-of-service) and adheres to the Public Utility Board's Guiding Principle to equitably assign costs to the rate class who causes the utility to incur those expenses.

Recently, Tacoma Power has received many inquiries from prospective customers who consume large amounts of power, “large load customers,” with power consumption at 10 megawatts (MW) or more. Should Tacoma Power provide service to these new large load customers on the existing rate schedules, the incremental cost would far outweigh the revenues collected. Tacoma Power has limited surplus capacity using our existing resources to serve new large load customers, especially during peak power usage hours by current customers. Tacoma Power would need to procure costly additional power from a third-party provider or build new resources to serve these new large load customers at high costs that greatly exceed our existing rates.

In summary, serving new large load customers on the existing Tacoma Power rate schedules would create a significant net revenue deficit. The financial burden of the under-recovery of our costs to serve the new large load customers would fall on our existing customers, leading to rate increases for all existing customers.

**ISSUE:**

To accommodate new large load customers without increasing rates for existing customers, Tacoma Power requests the GPFC move to City Council for approval a new rate class for load at 10 aMW during any consecutive 12-month period, applicable to both new customers and the expanding existing customers. The customers subject to the new rate class will be required to enter an individualized contract with Tacoma Power. The customers in this rate class will pay for the actual incremental power cost from acquiring new



resources in order to serve their load, plus a de minimis administrative charge. Tacoma Power requests that the GPFC also move to City Council for approval the addition of the rate class for New Large Load at 10 aMW or more in TMC as well as the corresponding changes in Tacoma Power's Electric Rate and Financial Policy.

In conjunction with the addition of the new rate class for 10 aMW or more, Tacoma Power requests that the GPFC move to the City Council for approval the other necessary modifications to TMC to ensure the continuity of all rate schedules.

**ALTERNATIVES:**

Tacoma Power has a statutory obligation to serve customers within its service territory. If the recommendations are not adopted, Tacoma Power would be required to serve new large load customers on an existing rate schedule that is significantly below the cost of acquiring additional new resources in order to serve the load. This would lead to large revenue deficits and higher rates for all existing customers.

**FISCAL IMPACT:**

The proposed modifications do not have rate impacts on any existing customers. Currently we don't have any new large load customers who require 10 aMW or more over a 12-month period. The recommendations are intended to prevent a scenario in which new large loads are served on current rate schedules, leading to substantial rate pressure and cost shifting to existing customers due to the high costs of serving the new customers.

**RECOMMENDATION:**

Tacoma Power recommends modifications to multiple rate schedules to address the financial gap in recovering the cost of serving new large loads; to prevent cost shifting and harm to existing customers; to bring more clarity to the placement of large commercial and industrial customers on the right rate schedules; and to address potential gaps in our rate classes.

First, Tacoma Power requests to add a new rate class for load at 10 aMW or more with a contract requirement. This new rate class will allow Tacoma Power to recover the incremental cost of serving such customers from those who incurred the cost on the utility.

Tacoma Power requests other modifications in connection to the new rate class. We propose to modify the qualifying load for the existing Schedule New Large Load (NLL) to align with the threshold for the new rate class. We propose to clarify the pathways to Schedule CP to reduce customer confusion. We propose to provide a local distribution credit on Schedule G to better reflect the cost basis for a high-voltage Schedule G customer. Lastly, we propose to limit all existing customers' load growth to less than 10 aMW over any consecutive 12-month period to be consistent with our costs to service all customers.