



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: Chris Robinson, Tacoma Power Superintendent/COO
MEETING DATE: January 27, 2021
DATE: January 15, 2021

STRATEGIC DIRECTIVE ALIGNMENT (select as many that apply):

Please indicate which of the Public Utility Board's Strategic Directives is supported by this action.

- | | |
|--|---|
| <input type="checkbox"/> SD1 – Equity & Inclusion | <input type="checkbox"/> SD8 – Telecom |
| <input type="checkbox"/> SD2 – Financial Sustainability | <input type="checkbox"/> SD9 – Economic Development |
| <input checked="" type="checkbox"/> SD3 – Rates | <input checked="" type="checkbox"/> SD10 – Government Relations |
| <input checked="" type="checkbox"/> SD4 – Stakeholder Engagement | <input type="checkbox"/> SD11 – Decarbonization/Electric Vehicles |
| <input type="checkbox"/> SD5 – Environmental Leadership | <input type="checkbox"/> SD12 – Employee Relations |
| <input type="checkbox"/> SD6 – Innovation | <input checked="" type="checkbox"/> SD13 – Customer Service |
| <input type="checkbox"/> SD7 – Reliability & Resiliency | <input type="checkbox"/> SD14 – Resource Planning |

SUMMARY:

Tacoma Power requests approval by the Public Utility Board (PUB) to amend and revise sections of Chapter 6 (Electric Energy — Regulations and Rates) in Title 12 (Utilities) of the Tacoma Municipal Code (TMC) for University Place power rate adjustments effective April 1, 2021 and April 1, 2022, by amending previously-passed Amended Resolution U-11210 (City Council Ordinance 28710).

BACKGROUND:

Tacoma Power serves roughly 14,000 University Place customers. In 2020, the utility delivered approximately 207 million kWh and generated about \$21 million in revenue. During that same year, Tacoma Power provided approximately \$104,000 in regular assistance to about 425 customers, as well as about \$109,000 in special COVID assistance.

On November 2020, the City of University Place approved a utility tax on gross electric revenue from customers in that jurisdiction of 3% effective April 1, 2021 to March 31, 2022, and 6% effective April 1, 2022 and thereafter. Tacoma Power will remit the value of this tax to the City of University Place. To ensure that the additional tax is passed through to University Place customers as a cost of service, Tacoma Power is requesting an increase in power rates for University Place customers. The requested increase in rates for University Place customers is calculated to cover the increase in the taxes resulting from the new tax imposed by the City of University Place.

In order to effectively recover the cost to serve this area and align with core rate-making principles, the utility proposes rate adjustments to University Place customers to coincide with the utility tax implementation dates. These are the same implementation dates as Tacoma Power's already-approved system-average rate increases.

In preparation for this request, Tacoma Power conducted an audit of University Place accounts to ensure correct rate categorizations. Communication to University Place customers concerning the utility tax increase and rate increase is being distributed through bill inserts, targeted mailings, TPU website, and social media.



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At its November 6, 2020 special meeting, the Public Utility Board passed Amended Resolution U-11210, Attachment A, containing a system-average rate increase of 1.5% scheduled to become effective April 1, 2021, and a system-average rate increase of 2.0% scheduled to become effective April 1, 2022. These scheduled rate increases were then adopted by the Tacoma City Council in Ordinance No. 28710, Exhibit B and Exhibit C, on November 24, 2020. This proposal amends the previously-passed Resolution and Ordinance by changing the rates applicable within the City of University Place.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No. The approval of University Place utility tax was approved after the 2021-2022 budget was passed.

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

The additional tax expense will be passed through to the University Place ratepayers and the additional revenue will offset the expense.

IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? n/a

ATTACHMENTS:

- Request for Resolution
- Council Action Memorandum
- Proposed Rate Ordinance

CONTACT:

- Primary Contact: Christina Leinneweber, Senior Utilities Economist
- Supervisor: Erin Erben, Rates & Financial Planning Manager
- Presenter: Christina Leinneweber (Sr. Utilities Economist) and Lyna Vo (Utilities Economist)