



TACOMA PUBLIC UTILITIES
3628 South 35th Street
Tacoma, Washington 98409-3192

February 13, 2017

To: Mayor Strickland and Tacoma City Council Members
Public Utility Board

Re: Tacoma Power request approval by the Public Utility Board and the City Council for changes to TMC 6A.100.040 regarding deductions of revenues from the Gross Earnings Tax.

Tacoma Power recommends clarifying the language regarding the street lighting deduction so that all amounts received from street lights are exempt from the Gross Earnings Tax. Additionally, Tacoma power requests language requiring that all sales revenue collected from contract industrial customers be subject to taxation.

Currently, the Gross Earnings Tax deduction for street lights is only applicable to the energy portion of the rate(s) and any separate charges for street light operations and maintenance. The portion of the revenue that is subject to the tax is currently included in the rate charged and collected from the City for street lights and then returned to the City in the form of a tax payment through internal accounting mechanisms making the transaction revenue neutral. This language clarifies that all street lighting rates and charges are deductible from the Gross Earnings Tax.

Currently, there is a provision that allows a deduction from revenue collected that is subject to the Gross Earnings Tax for the sale of Contract Industrial service power when the rate charged exceeds the Contract Industrial Power rate schedule. This provision is left over from the non-portfolio program Tacoma Power offered Contract Industrial customers in the 1990s (when Tacoma Power would buy energy directly on the market for Contract Industrial customers instead of selling these customers power from Tacoma Power's generators or other contract resources). No Contract Industrial customer is presently in this program, so the change will not impact current customers. The recommendation is that all revenues collected by Tacoma Power from the sale of power to Contract Industrial customers should be subject to the tax. In addition, removing this provision will prevent any confusion about the applicability of the Gross Earnings Tax to the proposed new resource adder for new Contract Industrial customers, which are subject to the New Large Load Policy update.

We request your approval of the proposed changes to TMC 6A.100.040.

Sincerely,

William A. Gaines
Director of Utilities/CEO

