



2021-2022 University Place Rates

TACOMA POWER
TACOMA PUBLIC UTILITIES

TACOMA WATER
TACOMA PUBLIC UTILITIES

GOVERNMENT PERFORMANCE & FINANCE COMMITTEE
FEBRUARY 16, 2021



OVERVIEW



- **University Place Utility Tax**

The City of University Place approved a utility tax on gross revenue from Tacoma Power and Water customers in that jurisdiction.

- **Effective Date**

The tax is 3% effective April 1, 2021 to March 31, 2022, and 6% effective April 1, 2022 and thereafter.

- **Request**

Rate adjustment to pass through the additional tax to University Place customers as a cost of service.

- **If No Action**

The cost of the University Place taxes will be borne by all Tacoma Power and Tacoma Water customers, instead of only customers in the University Place

CASE LAW & LEGAL CONSIDERATIONS



- **Lakehaven Water & Sewer District v. City of Federal Way**
Rejected a challenge to a City's authority to impose water utility taxes on Public Utility Districts
- **Tacoma Public Utility Board | Resolution No. U-11237**
Costs associated with utility tax increases should be passed on as rate increases to customers of the relevant jurisdiction (aligns with cost-of-service principles)
- **City of University Place | Ordinance No. 737**
Imposes a utility tax on electrical services, sewerage and water services within University Place
- **TPU Request**
Approval of revised 2021-2022 University Place power and water rates

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COST-OF-SERVICE & RATE- DESIGN



Cost-of-service utilities set rates based on cost causation:

- **Tax on Tax Impact**
 - Tax is on **gross** revenues, which include revenues that will be used to pay taxes
 - All taxes are applied concurrently, so if revenue is increased to pay one tax (UP), additional tax liability will be incurred for other revenue taxes (GET, State Utility Tax)
- **Effective Tax Rates**
 - **Power:** UP rates must increase by **3.50%** to make up for a **3.0%** additional tax, and by **7.26%** to make up for a **6.0%** additional tax
 - **Water:** UP rates must increase by **3.6%** to make up for a **3.0%** additional tax, and by **7.4%** to make up for a **6.0%** additional tax

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AVERAGE MONTHLY POWER & WATER BILL



Comparing System Average to University Place Rate Adjustments



The lighter shades at the bottom represent the monthly impact of new rates by year end after all rate changes have been implemented. These projections assume an average family consumes 928.5 kWh of power and 6 CCF in winter months/9 CCF in summer months of water. Actual bills may vary based on consumption.

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BILLING INVOICE EXAMPLE



Billing period - 9/23/20 to 11/20/20 (59 days)
Issue date 11/23/20

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Tacoma Power

Meter #

Energy* 3600@\$.045351/kWh \$163.26
Distribution* 3600@\$.035353/kWh \$127.27
Fixed charge @\$.17.30/month \$34.60

Total \$325.13

Taxes included in your power service:
Tacoma gross earnings - 7.5% - \$24.38
State Public Utility - 3.8734% - \$12.59
University Place Utility - 3.0% - \$9.75

* The energy charge is for producing electricity. The distribution charge is for delivering that electricity to you.



Power use
This billing period
3600.00 kWh
Last year
3200.00 kWh
Difference
+400.00 kWh



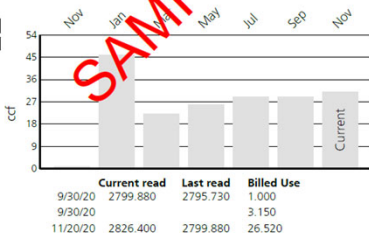
Tacoma Water

Meter #

Summer Tier 1_ 1,000@\$2.558000/ccf \$2.56
Summer Tier 2_ 3,150@\$3.198000/ccf \$10.07
26.520@\$2.558000/ccf \$67.84
Fixed Charge @\$.30.21/month \$60.42

Total \$140.89

Taxes included in your water service:
Tacoma gross earnings - 8.0% - \$11.27
State Public Utility - 5.029% - \$7.09
University Place Utility - 3.0% - \$4.23



Water use
(1 ccf = 748 gallons)
This billing period
30.670 ccf
Last year
1.100 ccf
Difference
+29.570 ccf

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... NEXT STEPS



FEB
+
MAR

Outreach

Billing messages, letters,
website

FEB
16

Informational Briefing GPFC

FEB
23

First Reading

City Council Meeting

MAR
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Second Reading City Council Meeting

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