




2021-2022 University Place Rates

TACOMA POWER | TACOMA WATER
TACOMA PUBLIC UTILITIES

TACOMA CITY COUNCIL MEETING
FEBRUARY 23, 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 jurisdiction. This would violate rate-making principles and guidance regarding tax treatment.

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●●● 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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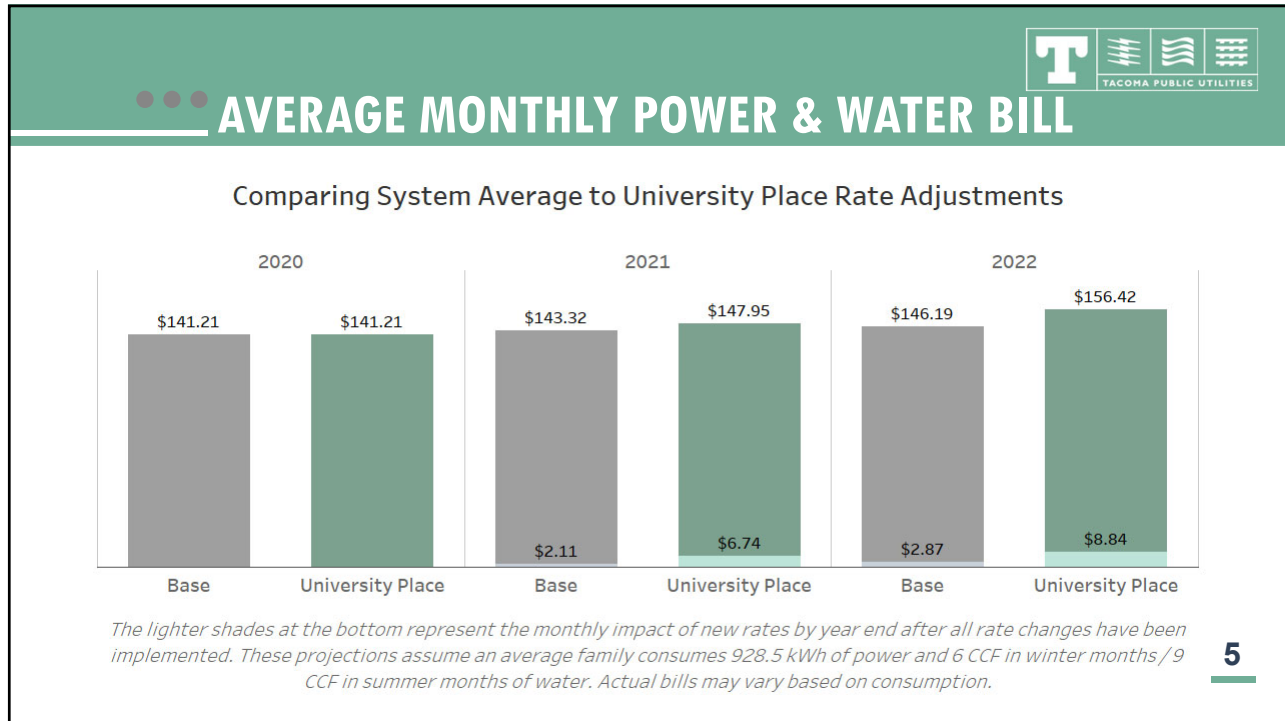


●●● COST-OF-SERVICE & RATE-DESIGN

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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TACOMA PUBLIC UTILITIES

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 # [REDACTED]

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.

Month	Current read	Last read	Billed Use
11/20/20	8725	8365	3600

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

Tacoma Water Meter # [REDACTED]

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

Month	Current read	Last read	Billed Use
9/30/20	2799.880	2795.730	1.000
9/30/20	2799.880	2795.730	3.150
11/20/20	2826.400	2799.880	26.520

Water use (1 ccf = 748 gallons)
This billing period **30.67 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
2**

Second Reading
City Council Meeting

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