



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
Chris Robinson, Superintendent, Tacoma Power
FROM: Ying Hall, Section Manager, Power Utility, Tacoma Power
MEETING DATE: October 25, 2023
DATE: October 13, 2023

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

SUMMARY:

Tacoma Power requests the Public Utility Board (Board) approve amendment to Tacoma Power's Electric Rate & Financial Policy (the "Policy") that (1) removes any new very large loads that are 10 average megawatts or more over any consecutive 12-month period from the requirement of conforming to embedded cost-of-service analysis; (2) removes the previous language regarding New Large Load in Section IV.B.2.c "Rates for New Large Loads"; and (3) removes certain terms and definitions from the Glossary that are no longer referenced in the Policy.

BACKGROUND:

Tacoma Power requests the Board approve the changes to the Policy to allow Tacoma Power to separately determine the power costs for new very large load requirements of 10 average megawatts (aMW) or more over any consecutive 12-month period as well as other necessary and convenient changes to align the Policy with this change.

Recently, Tacoma Power has received many inquiries from prospective customers with anticipated annual power needs in excess of 10 aMW. However, Tacoma Power has limited surplus capacity to serve new very large load customers, especially during peak power usage hours by current customers. Additionally, these very large load customers do not qualify for energy at the Preference Rate from the Bonneville Power Administration.¹ Therefore, in order to serve these prospective customers, Tacoma

¹ Tacoma Power will not be able to obtain additional power supply from Bonneville Power Administration (BPA) at the Preference Rate if the new load is 10 aMW or more during any consecutive 12-month period (defined as "New Large Single Load" by Pacific Northwest Electric Power Planning and Conservation Act



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Power would need to procure costly additional power from a third-party provider or build new resources at costs that greatly exceed our existing rates.

To accommodate any very large load customers without increasing rates for existing customers, Tacoma Power requests the Board modify the Policy so that rate consideration of any new load requirements of 10 aMW or more for any consecutive 12-month period is removed from the requirement of conforming to Tacoma Power's embedded Cost-of-Service study. The modification will enable Tacoma Power to determine the power costs recovery for these new very large loads separately.

The changes also remove certain terms and definitions no longer referenced in the Policy.

In summary, serving any very large load customers on the existing Tacoma Power rate schedules based on embedded costs would create a significant net revenue deficit because of the gap between the energy acquisition costs and the existing rates. Without the proposed changes to the Policy, the financial burden of the under-recovery of our costs to serve the new very large load customers would likely lead to rate increases for all existing customers.

of 1980). The New Large Single Load exclusion also applies to any existing customer whose load grows by 10 aMW or more over a consecutive 12-month period.



ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No

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

Explain how expenditures are to be covered and if budget modifications are required. Tacoma Power currently does not have any new very large load customers who require over 10 aMW during any 12-month period. If the new rate class is adopted, Tacoma Power will request the Board and the City Council to approve each contract under the new rate class. When a new contract is approved, Tacoma Power will budget the expense and revenue accordingly.

IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? No

ATTACHMENTS: List any attachments (contracts, policies, agreements, etc.).
Proposed Revision to Tacoma Power's Electric Rate and Financial Policy

CONTACT:

Primary Contact: Ying Hall, Section Manager, Power Utility, Tacoma Power

Supervisor's Name: Chris Robinson, Superintendent, Tacoma Power

Presenter (if different from primary contact):

Jing Liu, Rates and Data Analyst, Rates, Planning and Analysis,
Tacoma Power

Additional staff requiring a Zoom presentation link: