



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"/> SD8 – Telecom |
| <input checked="" type="checkbox"/> SD2 – Financial Sustainability | <input type="checkbox"/> SD9 – Economic Development |
| <input checked="" type="checkbox"/> SD3 – Rates | <input type="checkbox"/> SD10 – Government Relations |
| <input 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 type="checkbox"/> SD13 – Customer Service |
| <input type="checkbox"/> SD7 – Reliability & Resiliency | <input checked="" type="checkbox"/> SD14 – Resource Planning |

SUMMARY: Provide a brief description of the action to be taken. Summarize the reason for the resolution and your recommendation.

Tacoma Power requests the Public Utility Board (Board) approve amendments to Tacoma Municipal Code (TMC) Chapter 12.06 Electric Energy – Regulations and Rates that adopt a new rate class for very large power requirements of 10 average megawatts or more during any consecutive 12-month period - Schedule Very Large Load (VLL), and implement other necessary and convenient changes to align its existing rate classes with the new Schedule VLL.

BACKGROUND: Provide information that is required to orient the Board. Provide context and frame the issue/topic.

Tacoma Power requests the Board approve the changes to TMC 12.06 Electric Energy – Regulations and Rates to accommodate the addition of the rate class for very large power requirements of 10 average megawatts (aMW) or more during any consecutive 12-month period as well other necessary and convenient changes to align the existing rate schedules with the new rate class. Via a separate resolution, Tacoma Power also requests the Board approve the necessary corresponding changes in Tacoma Power's Electric Rate and Financial Policy.

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 large load customers, especially during peak power usage hours by current customers. Therefore, in order to serve these prospective customers, Tacoma 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.¹

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 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.



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To accommodate new very large load customers without increasing rates for existing customers, Tacoma Power requests the Board approve a new rate class for power requirements of 10 aMW or more for any consecutive 12-month period – Schedule Very Large Load (VLL), applicable to both new customers and any expanding existing customers. Schedule VLL anticipates that customers in this rate class will pay for the actual incremental power cost from acquiring new resources to serve their load, plus a de minimis charge to recover ancillary services and administrative costs by entering into a specific power service contract with Tacoma Power. For power delivery and customer-related rates, Tacoma Power will charge the same delivery charge and customer the otherwise applicable rate schedules based on the latest Cost-of-Service Analysis.

In conjunction with the addition of Schedule VLL, Tacoma Power requests the Board to approve the other necessary modifications to TMC to ensure the alignment of all rate schedules.

- Revise the upper threshold for the qualifying load on the existing Schedule New Large Load (NLL) from 20 MW to 10 aMW over any consecutive 12-month period;
- Revise Schedule Contract Industrial (also called Contract Power, or CP) to clarify that it will only be open to existing customers;
- Provide a local distribution credit for Schedule General (G) customers who receive power from the high-voltage transmission and no longer need Tacoma Power's local distribution service but who is not served under Schedule CP;
- Limit the growth of all existing customers to less than 10 aMW during any consecutive 12-month period. The exceedance will result in the customer being moved to Schedule VLL with contract requirement.

In summary, serving any new very large load customers on the existing Tacoma Power rate schedules would create a significant net revenue deficit. Without the proposed changes to the TMC, 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.



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Provide all relevant history to this action to include all previous contracts, contract amendments. Include dates and aggregate totals and any previously Board action associated with this request. Include any C&A Board action (applicable if contract is over \$500,000 or is a request for additional funding of a previously-approved contract beyond the administratively authorized increase).

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 customer 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 Amendments to Chapter 12.06 of the Tacoma Municipal Code

CONTACT:

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