



## Board Action Memorandum

**TO:** Jackie Flowers, Director of Utilities  
**COPY:** Charleen Jacobs, Director and Board Offices  
**FROM:** **Chris Robison, Power Superintendent**  
**MEETING DATE:** March 24, 2021  
**DATE:** March 9, 2021

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### **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 checked="" type="checkbox"/> SD13 – Customer Service       |
| <input type="checkbox"/> SD7 – Reliability & Resiliency            | <input type="checkbox"/> SD14 – Resource Planning                 |

**SUMMARY:** Tacoma Power's Open Access Transmission Tariff (OATT) was last updated and approved through Resolution U-10537. At that time, the transmission and ancillary services rates were based on 2009 cost data. Tacoma Power again has need to update its OATT. First, the rates have been updated using 2019 cost information. Second, changes are needed to the terms and conditions to accommodate Tacoma Power's joining the Western Energy Imbalance Market, which will occur in March 2022. At this time, Tacoma Power is requesting the Public Utility Board to approve and authorize the updated OATT and associated rates, to be effective May 1, 2021.

**BACKGROUND:** Tacoma Power's OATT defines the terms, conditions, and rates under which wholesale transmission service is provided to transmission customers. Currently, there are two active customers under the OATT: Bonneville Power Administration (BPA) and Avangrid Renewables, LLC (Avangrid). BPA uses Tacoma Power's transmission system to deliver power to ten of BPA's customers that are connected to Tacoma Power's system. These BPA customers, generally referred to as the Pierce County Mutuals, make up about 25% of the Tacoma Power transmission system load. The current agreements have a term through September 2028. Avangrid uses the transmission system to deliver power generated at WestRock's biomass generating unit to the BPA transmission system. The transmission service agreement used for this purpose expires July 2021.

The current OATT was approved by the Board in 2012 through Resolution U-10537. At that time, the rates, as well as the terms and conditions, were updated. The rates were based on 2009 cost information. The terms and conditions were updated to bring the OATT more in-line with the Federal Energy Regulatory Commission (FERC) *pro forma* OATT established with the issuance of FERC Order No. 888.

Tacoma Power has updated its transmission and ancillary services rates using 2019 cost information. The annual transmission revenue requirement (the dollars needed to be collected annually to recover the cost of the system) increased 17% over the ten year period. The annual revenue requirement is used in the billing of Network Integration Transmission Service customers (such as BPA). The Point-To-Point (PTP) Transmission Service rates increased 32%. The reason the PTP rate increased by a percentage greater



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than that of the Network Transmission rate is because, in addition to the 16% increase in revenue requirement, the transmission system load decreased by 12%. Since PTP rates are determined by dividing the revenue requirement by the transmission system load, the increase in revenue requirement and decrease in load resulted in an overall increase in PTP rates of 32%. The ancillary services rates (which are much smaller in magnitude than the transmission rates), increased between 29% and 75%. Although the percentage increases described for the transmission and ancillary services appear to be larger than one might expect, when looking at the effective annual increase in rates between 2009 and 2019, the percentage increases fall within reasonable ranges. The following table shows the rates for the various services, including yearly and overall percentage increase. PTP service is offered in increments from hourly to yearly (i.e., hourly, daily, weekly, monthly, and yearly). However, for illustrative purposes, only yearly and hourly service rates are included in the table.

Sched	Service	2009	2019	Units	% Increase	
					Total	Yearly
	<b>Revenue Requirement</b>	<b>22,962,043</b>	<b>26,712,192</b>	<b>\$/Yr</b>	<b>16</b>	<b>1.5</b>
<b>1</b>	<b>Scheduling, System Control, &amp; Dispatch</b>	<b>0.82</b>	<b>1.06</b>	<b>\$/MWh</b>	<b>29</b>	<b>2.6</b>
<b>2</b>	<b>Reactive Supply and Voltage Control</b>	<b>0.08</b>	<b>0.14</b>	<b>\$/MWh</b>	<b>75</b>	<b>5.8</b>
<b>3</b>	<b>Regulation and Frequency Response</b>	<b>0.34</b>	<b>0.52</b>	<b>\$/MWh</b>	<b>53</b>	<b>4.3</b>
<b>5</b>	<b>Operating Reserves - Spinning</b>	<b>14.45</b>	<b>20.48</b>	<b>\$/MWh</b>	<b>42</b>	<b>3.5</b>
<b>6</b>	<b>Operating Reserves - Supplemental</b>	<b>14.45</b>	<b>20.48</b>	<b>\$/MWh</b>	<b>42</b>	<b>3.5</b>
<b>7</b>	<b>Point-To-Point (Yearly)</b>	<b>14,919</b>	<b>19,626</b>	<b>\$/MW-Yr</b>	<b>32</b>	<b>2.8</b>
<b>7</b>	<b>Point-To-Point (Hourly)</b>	<b>2.99</b>	<b>3.93</b>	<b>\$/MWh</b>	<b>32</b>	<b>2.8</b>

Generally, changes to the OATT terms and conditions do not occur very often. However, Tacoma Power finds itself in a position where changes are necessary. In March 2022, Tacoma Power will be joining the Western Energy Imbalance Market<sup>1</sup> (EIM) and changes to the OATT are needed to accommodate this. The EIM-related OATT additions describe what is expected of transmission customers if they desire to participate in the EIM. Additionally, these changes are necessary to ensure that Tacoma Power can allocate any EIM charges to the customer that are caused by, and are therefore the responsibly, of the customer.

In addition to the EIM-related OATT updates, there are other updates that are needed to reflect changes in Tacoma Power's dealing with transmission service. For example, in 2014, Tacoma Power implemented an Open Access Same-Time Information System (OASIS). The OASIS is a web-based application that allows customers to request, and Tacoma Power to grant, transmission service. The current OATT describes how customers may request transmission by sending emails, where the updated OATT describes use of the OASIS for this task. The following provides a high-level description of what changes were made to the OATT terms and conditions. The attached redline version of OATT provides the detailed changes.

- Section 1: A number of new definitions were added that are associated with the Energy Imbalance Market.

<sup>1</sup> The Board authorized Tacoma Power to execute an EIM Implementation Agreement with the California Independent System Operator (CAISO) through Resolution U-11083. Further, the Board authorized Tacoma Power to execute an EIM Entity Agreement, as well as related agreements, with CAISO through Resolution U-11204.



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- Section 4 (and other locations within the OATT): References to the “Tacoma Power Transmission Service Website” were changed to the OASIS, which has been operational since late 2014, as described earlier.
- Section 7: Changes were made to accommodate invoicing that may be necessary to allocate EIM charges.
- Section 12: New subsections were added to address how EIM-rated disputes will be addressed.
- Sections 13 and 14: The scheduling sections were updated to acknowledge that intra-hour (15-minute) scheduling is allowed as well as hourly.
- Section 28: A new subsection was added to describe how a Network Customer may participate in the EIM.
- Various sections:
  - References to “Power Manager” have been replaced with “Transmission and Distribution Manager” to recognize that Tacoma Power’s T&D group – not Power Management – is now responsible for administering the OATT.
  - References to the new Attachment O have been inserted where necessary.
- A new Schedule 1A, EIM Administrative Service, was inserted. The schedule requires transmission customers to acquire EIM Administrative Service, and states that the customers will be sub-allocated the EIM Administrative Costs assigned to the Tacoma Power EIM Entity.
- Schedules 4 and 9, Energy Imbalance and Generation Imbalance Service, were modified to reference how these charges will be calculated in accordance with Attachment O.
- Schedules 5 and 6, Operating Reserve – Spinning and Supplement Reserve Service, were updated to reflect the latest minimum reserve requirements, as defined by North American Electric Reliability Corporation (NERC), Western Electricity Coordinating Council (WECC), and Northwest Power Pool (NWPP) standards.
- A new Schedule 10, Real Power Losses, was inserted to describe how losses will be financially settled.
- Attachment K, Transmission Planning Process, was updated as a result of the dissolution of ColumbiaGrid and the formation of NorthernGrid.
- Attachment L, Creditworthiness Procedures, was updated to include the procedures instead of a statement that they would be provided upon request.
- Attachment N, Generation Interconnection Procedures, was updated to include a statement that the interconnection procedures are available on the OASIS.
- A new Attachment O, Energy Imbalance Market was added. As stated in the attachment, “Attachment O provides for Tacoma Power’s participation as the Tacoma Power EIM Entity in the EIM administered by the [Market Operator].” The attachment describes what is required by Tacoma Power and its transmission customers to participate in the Energy Imbalance Market. Attachment O also provides the contractual details regarding Tacoma Power’s allocation of EIM-related costs to the transmission customers. A Tacoma Power EIM Business Practice (EIM BP) is referenced within the OATT and Attachment O. The EIM BP provides the detail on how the allocations, etc. are to occur.



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**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes**

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

N/A

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

**ATTACHMENTS:** Tacoma Power Open Access Transmission Agreement (clean and redline versions)

**CONTACT:**

Primary Contact: Marc Donaldson, Power Engineer IV, 253-502-8352 (work)/406-565-0741 (WFH)

Supervisor's Name: Khanh Thai

Presenter (if different from primary contact):

Additional staff requiring a Zoom presentation link: Christina Leinneweber