



TO: Elizabeth Pauli, City Manager
FROM: Jackie Flowers, Director of Utilities
COPY: City Council and City Clerk
SUBJECT: Resolution/Ordinance – Power Rate and Financial Policy
DATE: November 14, 2023

SUMMARY AND PURPOSE:

Tacoma Power requests the City Council 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 City Council 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 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 City Council 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 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.

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.



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.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Click or tap here to enter text.

The proposals do not affect any existing customers. The proposals will bring clarity to prospective large load customers.

ALTERNATIVES:

Click or tap here to enter text.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Serve new large loads of 10 aMW or more under Rate Schedule New Large Load (NLL)	Serve new large load customers with low rates	Incremental cost is much higher than incremental revenue; allows for subsidy of energy costs to very large customers from all other customers; Tacoma Power will need to raise rates for all customers to make up for the revenue deficiency.
2.		
3.		

EVALUATION AND FOLLOW UP:

Not applicable.

STAFF/SPONSOR RECOMMENDATION:

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Tacoma Power recommends modifications to the Policy to address the financial gap in recovering the cost of serving new large loads; and to prevent cost shifting and harm to existing customers.

Tacoma Power requests other modifications to the Policy to remove certain terms and definitions in the Glossary no longer referenced in the Policy.

FISCAL IMPACT:



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The proposed modifications do not have rate impacts on any existing customers. Currently Tacoma Power doesn't have any new large load customers who require 10 aMW or more over a 12-month period. The recommendations are intended to prevent a scenario in which new very large loads are served on current rate schedules, leading to substantial rate pressure and cost shifting to existing customers due to the high costs of serving the new customers.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1.			
2.			
TOTAL			

What Funding is being used to support the expense?

Not applicable.

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

NO, PLEASE EXPLAIN BELOW

Tacoma Power currently does not have any customers that meet the criteria for the proposed new rate class.

Are there financial costs or other impacts of not implementing the legislation?

YES

If Tacoma Power were to serve a 50 MW new customer under the existing Rate Schedule New Large Load (NLL), Tacoma Power will need to implement a 9.4% rate increase in Year 1 to make up for the net revenue deficit for serving the customer.

Will the legislation have an ongoing/recurring fiscal impact?

YES

Will the legislation change the City's FTE/personnel counts?

NO

ATTACHMENTS:

List attachments using bullet points.

- Proposed Amendment to Tacoma Power's Electric Rate and Financial Policy