



TO: Elizabeth Pauli, City Manager
FROM: Jackie Flowers, Director of Utilities
COPY: City Council and City Clerk
SUBJECT: Resolution/Ordinance – Proposals to Modify Large Load Rate Class Structures
DATE: November 14, 2023

SUMMARY AND PURPOSE:

Tacoma Power requests the City Council 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:

Tacoma Power requests the City Council approve 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 City Council 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

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.

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 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.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

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

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Refuse to serve new large load customers requiring 10 aMW or more over any 12-month period	Avoid high marginal cost of serving such customers	We may violate Tacoma Power’s obligation to serve all customers in our service area.
2. Serve new large load customers requiring 10 aMW or more under existing Rate Schedule New Large Load (NLL)	Serve new large load customers with low rates	Incremental cost is much higher than incremental revenue; Tacoma Power will need to raise rates for all customers to make up for the revenue deficiency.
3.		



EVALUATION AND FOLLOW UP:

Not applicable.

STAFF/SPONSOR RECOMMENDATION:

Tacoma Power recommends modifications to multiple rate schedules to address the financial gap in recovering the cost of serving new very large loads; to prevent cost shifting and harm to existing customers; to bring more clarity to the placement of large commercial and industrial customers on the right rate schedules; and to address potential gaps in our rate classes.

Specifically, Tacoma Power requests to add a new rate class for power requirements of 10 aMW or more with a contract requirement. This new rate class will allow Tacoma Power to recover the incremental cost of serving such customers from those who incurred the cost on the utility.

Tacoma Power requests other modifications Chapter 12.06 of the TMC to align the remaining provisions with the new proposed rate class. These changes include (1) modifying the qualifying load for the existing Schedule New Large Load (NLL) to align with the threshold for the new rate class; (2) clarifying the pathways to Schedule CP to reduce customer confusion; (3) providing a local distribution credit on Schedule G to better reflect the cost basis for a high-voltage Schedule G customer; and (4) limiting all existing customers' load growth under their current rate schedules to less than 10 aMW over any consecutive 12-month period to be consistent with our costs to service all customers.

FISCAL IMPACT:

The proposed modifications do not have rate impacts on any existing customers. Currently we don't have any new very 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 Chapter 12.06 of the Tacoma Municipal Code