



TO: Elizabeth Pauli
FROM: Marc Donaldson, Power Engineer IV, Tacoma Power T&D System Planning
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COPY: City Council and City Clerk
SUBJECT: Resolution to Update the Wholesale Rates in Tacoma Power's Open Access Transmission
Tariff, April 6, 2021
DATE: March 29, 2021

SUMMARY AND PURPOSE:

A resolution requesting Council's approval to adjust the wholesale transmission and ancillary services rates in Tacoma Power's Open Access Transmission Tariff, which have been approved by the Public Utility Board through Resolution U-11246.

BACKGROUND:

Tacoma Power's recommendation is based on electric utility best practices to collect transmission costs from wholesale transmission customers who use the system.

The Tacoma Power Open Access Transmission Tariff (OATT) provides the rates, and terms and conditions, under which transmission service is provided to eligible wholesale transmission customers. The OATT contains rates for two types of transmission service and six different ancillary services related to transmission that customers must pay to transmit power on Tacoma Power's transmission system. The rates have been updated using 2019 cost information. The terms and conditions have been modified to accommodate Tacoma Power's joining the Western Energy Imbalance Market, which will occur in March 2022.

The two types of transmission service offered under the OATT are Point-To-Point (PTP) and Network Integration Transmission Service (NT). As it sounds, PTP is for transmission service between two points – a Point of Receipt (POR) and Point of Delivery (POD). This type of transmission service is typically used for delivery across, or out of, the transmission system. NT service is for service similar to that a transmission provider uses for delivery of power to its own customers. Under NT service, power is delivered from a number of specified generators to many customers connected to the transmission system. Specific PORs or PODs are not considered. Instead, the transmission service is provided across the entire network. PTP is billed based on the amount of transmission capacity reserved, regardless of use. NT service is billed under a Load Ratio Share concept, where a customer is charged a percentage of the transmission revenue requirement. The percentage is determined as the ratio of the customer's load to the total system load at the time of the system peak.

Currently, there are two active wholesale customers under the OATT: Bonneville Power Administration (BPA) and Avangrid Renewables, LLC (Avangrid). BPA uses NT service on Tacoma Power's transmission system to deliver power to ten of BPA's utility customers that are connected to Tacoma Power's system. The utilities served by BPA, generally referred to as the Pierce County Mutuals, are comprised of approximately 72,000 customers in Pierce County and make up about 25% of the Tacoma Power transmission system load. The current agreements have a term through September 2028. Avangrid uses PTP service on 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. It is unknown at this time if a new transmission agreement will be entered into with Avangrid or WestRock.

The current OATT rates were approved by the Council in 2012 through Ordinance No. 28071. The rates were based on 2009 cost information. The terms and conditions were updated to bring the OATT more in conformity with the Federal Energy Regulatory Commission (FERC) *pro-forma* OATT established with the issuance of FERC Order No. 888.

As mentioned, 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 16% over the ten-year period. The annual revenue requirement is used in the billing of NT customers (such as BPA). The PTP Transmission Service rates increased 32%. The reason the PTP rate increased by a percentage greater 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.

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



In March 2022, Tacoma Power will be joining the Western Energy Imbalance Market (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 therefore the responsibility 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 providing transmission service and related information to customers. 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.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

There are currently two wholesale customers that receive service under the Open Access Transmission Tariff. The annual charges to these customers are expected to increase about 20% and 36%, respectively. The customers understand that larger increases are to be expected since the rates have not been updated in a number of years. A customer meeting was held in October 2020 to inform the wholesale customers of the changes to the OATT’s rates and terms and conditions. An additional meeting was held with one of the customers at their request. Updates on the process were provided through email.

The revenue collected under the OATT is used as a credit in the calculation of the retail rates charged to Tacoma Power’s retail customers; that is, additional revenue collected from wholesale transmission customers reduces the revenue requirement that must be paid by retail customers.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: (Mandatory)

If transmission costs are not collected from wholesale transmission customers, they must be recovered from retail customers in Tacoma Power’s service territory. The proposed rates are designed to ensure that wholesale customers pay a fair share for their use of Tacoma Power’s transmission assets, and that Tacoma Power retail customers do not bear an undue share of these costs.

ALTERNATIVES:

Presumably, your recommendation is not the only potential course of action; please discuss other alternatives or actions that City Council or staff could take. Please use table below.

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Do not update the wholesale transmission rates or terms and conditions.		Under-recovery of costs (or misallocation to retail customers); lack of recommended contract language and inability to allocate EIM charges to wholesale customers



EVALUATION AND FOLLOW UP:

Tacoma Power intends to update the wholesale transmission rates more frequently in the future. The goal is a biennial review.

STAFF/SPONSOR RECOMMENDATION:

It is recommended that the Council approve the adjusted wholesale transmission and ancillary services rates in the Tacoma Power Open Access Transmission Tariff, to be effective May 1, 2021.

FISCAL IMPACT:

Please provide a short summary of the fiscal impacts associated with the grant, agreement, policy action, or other action.

Total revenue is expected to increase at least \$200,000 per year. The increase may be as large as \$1.2 million per year depending on customers’ usage of the services, and if the biomass-related agreement is extended beyond July 2021.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1.4700-Power			\$200,000 to \$1.2 million
2.			
TOTAL			

What Funding is being used to support the expense? N/A. This is a revenue item.

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

NO, PLEASE EXPLAIN BELOW

The current wholesale transmission rates and associated revenue, not accounting for the adjustment requested in this resolution, were used in the current budget.

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

YES

If this legislation is not implemented, Tacoma Power will collect less revenue from wholesale transmission customers.

Will the legislation have an ongoing/recurring fiscal impact?

YES

New wholesale transmission rates will be in effect until they are superseded by a new Open-Access Transmission Tariff ordinance.

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

No

ATTACHMENTS:

- Tacoma Power’s Open Access Transmission Tariff in clean and redline format