



TO: Elizabeth Pauli
FROM: Marc Donaldson, Power Engineer IV, Power T&D System Planning
Jackie Flowers
COPY: City Council and City Clerk
SUBJECT: Resolution to Update the Transmission Rate under the 1993 Lewis County PUD
Transmission Service Agreement
DATE: June 10, 2021

SUMMARY AND PURPOSE:

A resolution authorizing the update of the transmission rate charged under the 1993 Lewis County PUD Transmission Service Agreement, to be effective August 1, 2021.

BACKGROUND:

This Department's recommendation is based on the need to update the transmission rate charged to Lewis County PUD under the 1993 Transmission Service Agreement between the parties. Per the agreement, the rate may be updated every three years to reflect the most current costs of providing the service.

Tacoma Power and the Public Utility District No. 1 of Lewis County ("Lewis County PUD") entered into a Transmission Service Agreement ("Agreement") in December of 1993. Under the Agreement, Tacoma Power provides transmission service to Lewis County PUD for the delivery of its Cowlitz Falls generation over certain facilities owned by Tacoma Power to the Bonneville Power Administration transmission system.

The charges under the Agreement are based on the facilities used to deliver the generation. The current Annual Wheeling Charge is \$198,800, which was calculated in 2018 using the Annual Wheeling Charge Methodology described in Exhibit A to the Agreement. Per the Agreement, the calculation of the Annual Wheeling Charge is included in Exhibit B to the Agreement. The Agreement contains provisions that allow for revisions to the Annual Wheeling Charge, which remains in effect for at least three consecutive Operating Years. The Agreement defines "Operating Year" as "any consecutive twelve (12) month period during the Term which commences at 2400 hours, July 31 and ends at 2400 hours the following July 31."

Following the Annual Wheeling Charge Methodology, Tacoma Power has determined that the rate should be revised to \$219,463. This is an increase of approximately 10.0% over the three-year period. The effective yearly increase is about 3.4%, which is in line with annual inflation. The largest driver of the cost increase is an investment of a little over \$450,000 in equipment. The additions were for the Mossyrock-Glenoma Protection System Upgrade project that replaced protective relays at Mossyrock Switchyard on the Lewis County PUD Mossyrock-Glenoma line, including the teleprotection system for that line.

Exhibit B to the Agreement has been revised accordingly. For the rate to be revised, the Agreement: 1) requires Tacoma Power to provide the proposed Exhibit B and supporting documentation to Lewis County PUD by April 15th, and 2) allows Lewis County PUD 45 days to review the information. Due to staff workload, Tacoma Power did not provide Lewis County PUD the information by April 15th, but Lewis County PUD was still allowed the full 45 days to review the documentation.



Note: Although the normal process is to present rates to the Government Performance and Finance Committee (“GPFC”) before advancing to the full Council for approval, the GPFC Chair has graciously waived this requirement.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

As described in the transmission service agreement, Lewis County was provided the information used to determine the revised rate. Lewis County PUD had the opportunity to review and provide feedback on the information over a 45 day period. Within this time period, Lewis County provided a response stating that they had reviewed the information and had no questions or concerns.

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. Tacoma Power could wait beyond the three-year period described in the agreement to update the rate.	- None -	Under-recovery of costs, or misallocation of the increased costs to retail customers, since any revenues received from wholesale customers help to reduce what Tacoma Power’s retail customers pay.
2.		
3.		

EVALUATION AND FOLLOW UP:

The transmission rate is reviewed and updated every three years, as allowed under the transmission service agreement.

STAFF/SPONSOR RECOMMENDATION:

It is recommended that the Council approve the adjusted transmission rate charged to Lewis County PUD under the 1993 Transmission Service Agreement, to be effective August 1, 2021.

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

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
4700-Power	561100	4343517	\$20,663 annual increase in revenue
TOTAL			\$20,663 annually



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

Please enter Explanation.

The current revenues under the transmission service agreement, which are based on the 2018 rate update, 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 than it should from Lewis County PUD for the provision of the transmission service.

Will the legislation have an ongoing/recurring fiscal impact?

YES

The adjusted transmission rate will remain in effect three years until it is updated per the agreement.

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

NO

No change in the number of personnel is required to implement or collect the adjusted transmission rate.

ATTACHMENTS:

- 1993 Lewis County PUD Transmission Service Agreement
- Updated Exhibit B, Effective August 1, 2021