



City of Tacoma

City Council Action Memorandum

TO: Hyun Kim, City Manager
FROM: Ying Hall, Section Manager, Power Utility
Chris Robinson, Utilities Deputy Director, Power Superintendent
Jackie Flowers, Director of Utilities, Tacoma Public Utilities
COPY: City Council and City Clerk
SUBJECT: Tacoma Power's Proposed Ordinance to Update the Open Access Transmission Tariff
DATE: March 3, 2026

SUMMARY AND PURPOSE:

An ordinance updating the wholesale transmission and ancillary service rates in Tacoma Power's Open Access Transmission Tariff (OATT), as well as the adoption of updated terms and conditions in Attachment O of the OATT to better reflect the current practices of the Western Energy Imbalance Market (WEIM).

BACKGROUND:

This Department's Recommendation is Based On:

Tacoma Power collects revenue from wholesale transmission customers who use our transmission system under the published OATT. The OATT includes rates for two types of transmission service: Network Integration and Point-To-Point, as well as six ancillary services. The proposed updates reflect 2024 cost data and include revisions to Attachment O to align with current practices in the WEIM.

Currently, Tacoma Power serves one wholesale transmission customer: Bonneville Power Administration (BPA). BPA uses Tacoma Power's transmission system to deliver power to nine utilities, known as the Pierce County Mutuels. BPA pays Tacoma Power a proportional share of annual transmission costs based on BPA's energy deliveries to the Pierce County Mutuels.

The current OATT rates and terms were approved by the Council in 2021 under Resolution No. 40771. The updated proposal incorporates 2024 cost information and complies with FERC Order 904, which prohibits charges for "Reactive Supply and Voltage Control" (Schedule 2 below) when generator output remains within standard voltage ranges. Although it is generally not subject to Federal Energy Regulatory Commission (FERC) jurisdiction, Tacoma Power voluntarily follows FERC guidance on OATT rates, terms, and conditions as an industry best practice to ensure fair and non-discriminatory access. If future studies show deviations from standard voltage range, Tacoma Power may apply a cost-based rate for reactive power.

The following table shows the rates for various transmission services.

Schedule	Service	Current	Proposed	Units	% Increase	
					Total	Yearly
	Revenue Requirement	\$26,712,192	\$35,814,047	per Yr	34%	6.0%
1	Scheduling, System Control, & Dispatch	\$1.06	\$1.22	per MWh	15%	2.9%
2	Reactive Supply and Voltage Control	\$0.14	\$0.00	per MWh	-100%	-100%
3	Regulation and Frequency Response	\$0.52	\$0.56	per MWh	8%	1.5%
5	Operating Reserves - Spinning	\$20.48	\$20.71	per MWh	1%	0.2%
6	Operating Reserves - Supplemental	\$20.48	\$20.71	per MWh	1%	0.2%



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Schedule	Service	Current	Proposed	Units	% Increase	
					Total	Yearly
7	Point-To-Point (Yearly)	\$19,626	\$26,027	per MW-Yr	33%	5.8%
7	Point-To-Point (Hourly)	\$3.93	\$5.21	per MWh	33%	5.8%

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Tacoma Power posted a proposed tariff update to the OATT and notified BPA on November 26, 2025. Tacoma Power has responded to inquiries from BPA regarding the development of the rate.

Tacoma Power researched peer utilities' transmission rates and found that the proposed transmission rate increase is consistent with industry peers.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility: *(Mandatory)*

The proposed ordinance will ensure that Tacoma's transmission costs are equitably distributed to its transmission customer(s) ensuring that our retail electricity customers are not subsidizing costs for our transmission customer(s). The proposed wholesale transmission rate increase will ensure that BPA, as our current sole transmission customer, pays its fair share for its use of Tacoma Power's transmission service. If transmission costs are not accurately recovered from BPA, our retail customers would by default be subsidizing BPA's transmission costs. As rising utility costs disproportionately burden economically marginalized communities, this rates update will increase the affordability of Tacoma Power's service and supports equity in rates.

Explain how your legislation will affect the selected indicator(s).

Tacoma Power's costs are paid by its customers, so it is difficult to select a delimited equity index score, as this updated tariff does not impact a specific group of our retail customers. However, the increased revenues from the wholesale transmission tariff will reduce retail customer rates, so this rates update will increase affordability for Tacoma Power's retail customers.

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 does not update its transmission rates or terms and service conditions for the WEIM.		Higher costs for Tacoma Power's retail customers. The tariff will lack standard settlement and cost suballocation language that is required to pass certain WEIM charges and credits to wholesale transmission customers.
2.		
3.		



EVALUATION AND FOLLOW UP:

Tacoma Power will evaluate and update the OATT periodically.

STAFF/SPONSOR RECOMMENDATION:

Tacoma Power requests an ordinance to update the wholesale transmission and ancillary services rates in Tacoma Power's Open Access Transmission Tariff (OATT) to be effective April 1, 2026, as well as the adoption of updated terms and conditions in Attachment O of the OATT to better reflect the current practices of the Western Energy Imbalance Market.

FISCAL IMPACT:

Total revenue is expected to increase by about \$2.6 million each year, depending on usage.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. 4700-Power			\$2,600,000
2.			
TOTAL			\$2,600,000

What Funding is being used to support the expense?

N/A

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

Failure to implement this legislation will lead to higher costs for Tacoma Power's retail customers, as well as a lack of the standard cost and suballocation language that is required to pass certain Western Energy Imbalance Market charges and costs to wholesale transmission customers.

Will the legislation have an ongoing/recurring fiscal impact?

YES

Annual revenue increase of approximately \$2.6 million from Tacoma Power's wholesale transmission customer.

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

No

ATTACHMENTS:

- Updated Tacoma Power's Open Access Transmission Tariff