



Tacoma Power Proposals to Modify Large Load Rate Class Structure

City of Tacoma | Tacoma Public Utilities | Tacoma Power
Government Performance and Finance Committee

September 19, 2023



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OVERVIEW



Request for Ordinance

Tacoma Power requests that the Government Performance & Finance Committee (GPFC) move to City Council for approval the proposed amendments to Tacoma Municipal Code (TMC) Chapters 12.06 Electric Energy – Regulations and Rates, as well as Tacoma Power’s Electric Rate and Financial Policy, to add a new rate class for load at 10 average megawatt (aMW) or more during any consecutive 12-month period, and to implement other related modifications.

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● ● ● BACKGROUND: Cost of Service



Group similar customers in one customer class.



Follow well-tested industry standard methodologies for cost allocation.

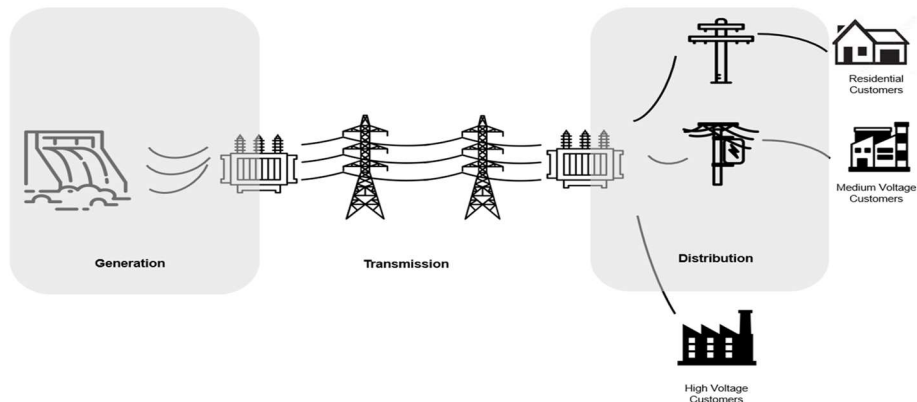


Allocate utility costs equitably to those who cause the costs.



Minimize cost shifting from one customer class to another.

● ● ● BACKGROUND: Cost Components



Large load customers consume big quantity of power. They incur generation and transmission costs and a relatively small portion of distribution costs compared to residential or small commercial customers.



● ● ● BACKGROUND: Guiding Principles

- Minimize the impact from new customers to existing customers
- Customers who incur the cost should pay for the costs
- Cost-based rates for each customer class with gradual changes
- Consistent with industry standard
- No undue burden on Tacoma Power's financial sustainability and grid reliability

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● ● ● ISSUE: Challenges in Serving New Large Loads

- Recent high interest from prospective industrial customers for large quantities of low-carbon, low-cost energy
- Tacoma Power has limited surplus capacity, especially during peak seasons
- Current new resource costs for power supply are very high
- New resource power costs far outweigh existing rates

If new large loads are served under the current rate structure, it will create substantial rate pressure and cost shifting to existing customers.

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ISSUE: Challenges in Serving New Large Loads

Embedded Cost

Cost of providing power with our current power supply portfolio (owned hydro and BPA purchased power).

Embedded Cost: \$34/MWh

Marginal Cost

Incremental cost of serving an additional new load.

Wholesale Market : \$89 - \$123/MWh + Capacity Cost

Wind + Battery: \$77-100/MWh + Ongoing O&M

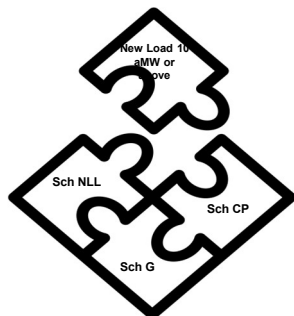
Power Purchase Contracts: ?

Given the high cost of acquiring additional power supply to serve new large loads, our existing customers would bear the burden of under-recovery under our current rate structure.

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PROPOSED MODIFICATIONS



1. Create a new customer class with individualized contract requirement for New Large Load 10 aMW or above
2. Modify the qualification threshold for the existing Schedule New Large Load (NLL)
3. Clarify pathways to Schedule Contract Power (CP)
4. Provide a distribution credit for Schedule General (G) customers who do not require local distribution
5. Specify maximum growth limit of 10 aMW on Schedules G/HVG/CP/NLL

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● ● ● ACHIEVEMENTS OF PROPOSED MODIFICATIONS

- New Large Load Customers will pay for the actual incremental power cost from acquiring new resources
- No negative rate impact on existing customers
- No negative impact on Tacoma Power's financial sustainability
- Ensure continuity of rate classes
- Reduce customer confusion on applicable rate classes

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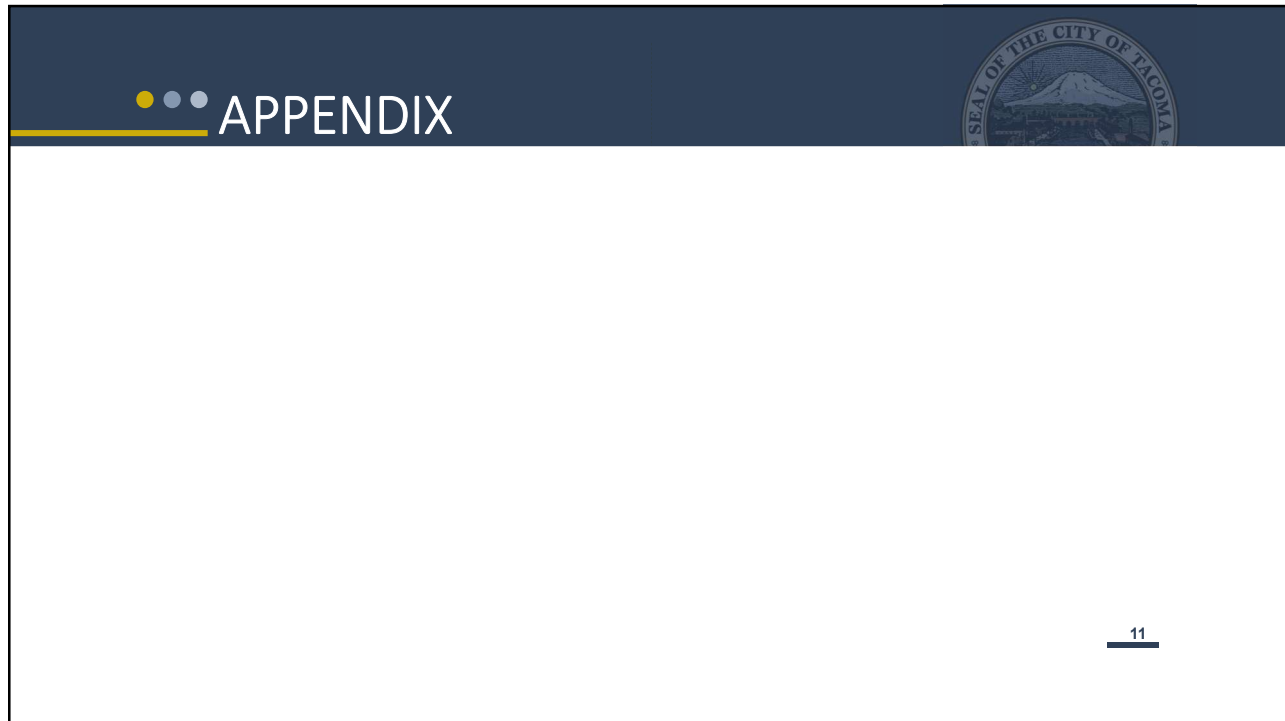


● ● ● DRAFT TIMELINE

- GPFC Review – September 19, 2023
- Public Utility Board Approval – October 25, 2023
- City Council Consideration – November 2023
- Ordinance Effective Date – January 1, 2024

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APPENDIX

Existing Customer Classes and Rates

	Schedule General (G)	High Voltage General (HVG)	Contract Industrial (CP)	New Large Load (NLL)
Current Qualifying Load	above 50 KVA or 65 KW	high voltage	8 MW or above	8-20 MW
Current Status	Open	Closed	Open to existing customers only	Open
Rate per MWh*	\$67	\$52	\$48	\$56

*Estimated at 100% load factor

- large businesses such as schools, restaurants, hospitals
- 2,500 accounts
- \$110.0 million annual revenue

General Service

- 8 large customers directly on the transmission system
- \$26.7 million annual revenue

High Voltage General

- 2 large manufacturers directly on the transmission system
- \$24.0 million annual revenue

Contract Power

- 1 new large load customer
- \$2 million annual revenue

New Large Load

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