



ORDINANCE NO. 28071

1 AN ORDINANCE relating to Tacoma Power; revising and ratifying rates
2 charged for wholesale transmission and ancillary services provided
3 pursuant to Tacoma Power's Open Access Transmission Tariff.

4 WHEREAS the City of Tacoma, Department of Public Utilities, Light
5 Division (d.b.a. "Tacoma Power"), approved its original Transfer Agreement and
6 Connection Agreement as an Open Access Transmission Tariff ("OATT") on
7 November 15, 2000, pursuant to Public Utility Board Resolution No. U-9568,
8 which set forth the terms, conditions, and charges by which Tacoma Power
9 provides wholesale transmission service, and is based on the Federal Energy
10 Regulatory Commission ("FERC") pro forma OATT, and

11 WHEREAS FERC revised the pro forma OATT, and Tacoma Power
12 voluntarily committed to adhere to certain "Comparability Guidelines" in its
13 provision of transmission service through revisions to its OATT, and
14

15 WHEREAS Tacoma Power provides wholesale transmission service
16 under the terms, conditions, and rates of its OATT to two customers: Iberdrola
17 Renewables, Inc. ("Iberdrola") and the Bonneville Power Administration ("BPA"),
18 and
19

20 WHEREAS proposed rates for the two main forms of transmission
21 services, Point To Point and Network Integration, along with proposed rates for
22 the six ancillary services, have been developed based on recent financial and
23 operations data to reflect Tacoma Power's current cost of providing the
24 services, and
25

26

-1-



1 WHEREAS Tacoma Power received comments from Iberdrola and BPA
2 on the proposed revisions, made changes in response to the comments, and
3 collaborated with both customers to ensure an accurate understanding of
4 Tacoma Power's current costs, and

5 WHEREAS the proposed rate increases represent additional yearly
6 revenue estimated at \$2 million from transmission and ancillary services, and
7 will provide a more prudent level of financial stability for Tacoma Power, and

8 WHEREAS the proposed revisions have been reviewed and are
9 recommended for approval, all as described in the memorandum from the
10 Director of Utilities to the Chairman and the Members of the Public Utility Board
11 and the Mayor and Members of the City Council, dated April 13, 2012, copies of
12 which are on file with the City Clerk, and

13 WHEREAS, on April 25, 2012, the Public Utility Board approved the
14 proposed revisions to Tacoma Power's OATT and the associated rates and
15 charges, and now requests the City Council approve the proposed revisions to
16 the current rates and charges and ratify the prior rates and charges approved
17 under the 2000 OATT, and

18 WHEREAS it is in the best public interest and prudent utility
19 management to approve the proposed revisions and ratify the prior rates and
20 charges; Now, Therefore,
21
22
23
24
25
26



BE IT ORDAINED BY THE CITY OF TACOMA:

Section 1. That the revisions to the wholesale transmission and ancillary services rates and charges, as set forth in the attached Exhibit "A," are approved, and the rates and charges approved under the year 2000 version of Tacoma Power's Open Access Transmission Tariff are ratified.

Section 2. That Exhibit "A" shall become effective June 1, 2012 at 00:00:00 hours.

Passed MAY 15 2012

Max Frost
Mayor

Attest:

Doris Soum
City Clerk

Approved as to form:

William Foshe
Chief Deputy City Attorney

Requested by Public Utility Board
Resolution No. U-10537



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

EXHIBIT "A"

City of Tacoma

Wholesale Transmission and Ancillary Services Rates and Charges

Transmission and Ancillary Services	2000 Tariff	Tariff (eff. June 1, 2012 00:00:00 hours)
Annual Transmission Revenue Requirement	\$14,041,698	\$22,962,043
PTP Transmission Service	\$897/MW-mo	\$1,243/MW-mo
NT Transmission Service	% of NT Load relative to Total Tacoma Transmission Load multiplied by 1/12 Transmission Revenue Requirement	
Scheduling, System Control, and Dispatch (\$/MWh)	\$0.58	\$0.82
Reactive Supply and Voltage Control (\$/MWh)	\$0.25	\$0.08
Regulation and Frequency Response (\$/MWh)	\$0.30	\$0.34
Energy Imbalance (\$/MWh)	Market Based Rate at the time of deviation	
Operating Reserves: Spinning (\$/MWh)	\$105.48	\$14.45
Operating Reserves: Supplemental (\$/MWh)	\$105.48	\$14.45



REQUEST FOR
[X] ORDINANCE [] RESOLUTION

Request #: 13246
Ord./Res. #: 28071

1. DATE: April 27, 2012

2. SPONSORED BY: COUNCIL MEMBER(S) N/A (If no sponsor, enter "N/A")

Form with 3 columns and 3 rows. Row 1: 3a. REQUESTING (Utilities/Light Division/Power Management), 4a. CONTACT (Travis Metcalfe), PHONE (253.502.8149). Row 2: 3b. "DO PASS" FROM [Committee Name] (Yes/No/To Committee as information only/Did not go before a Committee), 4b. Person Presenting (James Russell), PHONE (253.502.8395). Row 3: 3c. DID THIS ITEM GO BEFORE THE PUBLIC UTILITY BOARD? (Yes, on April 25, 2012/Not required), 4c. ATTORNEY (William C. Fosbre), PHONE (253.502.8218). Signatures at bottom for Department Director, Budget Officer, and City Manager.

5. REQUESTED COUNCIL DATE: May 8, 2012

Authorize Tacoma Power to revise the wholesale transmission and ancillary services rates in Tacoma Power's Open Access Transmission Tariff (OATT).

6. SUMMARY AGENDA TITLE: (A concise sentence, as it will appear on the Council agenda.)

Revised Tacoma Power Open Access Transmission Tariff Rates

7. BACKGROUND INFORMATION/GENERAL DISCUSSION: (Why is this request necessary? Are there legal requirements? What are the viable alternatives? Who has been involved in the process?)

Authorize Tacoma Power to revise the wholesale transmission and ancillary services rates in Tacoma Power's Open Access Transmission Tariff (OATT).

Tacoma Power provides wholesale transmission service under the terms, conditions, and rates of our OATT to two wholesale transmission customers; Iberdrola Renewables, Inc. (Iberdrola) and the Bonneville Power Administration (BPA). Iberdrola has a 45 MW Point-to-Point (PTP) Transmission Service Agreement that is used to transfer the output of the Simpson Tacoma Kraft Company, LLC cogeneration facility across the Tacoma Power transmission system to the BPA transmission system.

The second customer is BPA which transmits power across Tacoma Power's transmission system to ten Load Serving Entities that are embedded within Tacoma Power's service territory. These 10 Load Serving Entities are often referred to as the Pierce County Mutuels and include; Alder Mutual Light Company, Eatonville Power and Light Company, Elmhurst Mutual Power and Light Company, Lakeview Light and Power Company, the Town of Milton, Ohop Mutual Light Company, Parkland Light and Water Company, Peninsula Light Company, the Town of Steilacoom, and a portion of Lewis County PUD. BPA has a PTP Transmission Service Agreement covering delivery to most of the Pierce County Mutuels and a Network Integration (NT) Transmission Service Agreement for delivery to the remaining Pierce County Mutual loads.

REQUEST (CONT)

Request #:	13246
Ord/Res #:	28071

Tacoma Power proposes to revise the OATT rates for our two main transmission services (NT and PTP transmission service) as well as the rates for the six ancillary services. The proposed OATT rates are based on recent financial and operations data and are more closely aligned with our current costs for providing the services. Tacoma Power collaborated with both Iberdrola and BPA during the development of these rates to ensure they had an accurate understanding of our current costs. Where appropriate, Tacoma Power made revisions to the proposed OATT rates in response to comments of these customers.

8. LIST ALL MATERIAL AVAILABLE AS BACKUP INFORMATION FOR THE REQUEST AND INDICATE WHERE FILED:

Source Documents/Backup Material	Location of Document
a. Memo to Mayor and Members of City Council dated April 13, 2012	
b. Tacoma Power Open Access Transmission Tariff	
c.	

9. WHICH OF THE CITY'S STRATEGIC GOALS DOES THIS ITEM SUPPORT? (CHECK THE GOAL THAT BEST APPLIES)

- A. A SAFE, CLEAN AND ATTRACTIVE COMMUNITY
- B. A DIVERSE, PRODUCTIVE AND SUSTAINABLE ECONOMY
- C. A HIGH-PERFORMING, OPEN AND ENGAGED GOVERNMENT

10. IF THIS CONTRACT IS FOR AN AMOUNT OF \$200,000 OR LESS, EXPLAIN WHY IT NEEDS LEGISLATIVE APPROVAL:

11. FINANCIAL IMPACT: EXPENDITURE REVENUE

- A. NO IMPACT (NO FISCAL NOTE)
- B. YES, OVER \$100,000, Fiscal Note Attached
- C. YES, UNDER \$100,000, (NO FISCAL NOTE)
Provide funding source information below:

FUNDING SOURCE: (Enter amount of funding from each source)

Fund Number & Name:	State \$	City \$	Other \$	Total Amount
---------------------	----------	---------	----------	--------------

If an expenditure, is it budgeted? Yes No Where? Cost Center:
Acct #:

Request #: **13246**
 Ord/Res #: **28071**

FISCAL NOTE

Each piece of legislation that has a financial impact or creates positions authority requires a fiscal note. After preparation by departmental staff, the Budget and Research Division will review the fiscal note and make any necessary revisions before transmittal to the Legal Department for legislation preparation.

DEPARTMENT:	CONTACT PERSON/PHONE:	OMBA CONSULTANT/PHONE:
Tacoma Power	Travis Metcalfe - 502-8149	

Is it currently budgeted? Yes No
 Is this a grant? Yes No If Yes, Operating Capital

EXPENDITURES:

FUND NAME & NUMBER *	COST CENTER	WBS	ACCOUNT	2011-2012 EXPENDITURES
TOTAL				

* General Fund: Include Department

Purpose: Tacoma Power Wholesale Transmission and Ancillary Service Revenues

REVENUES:

FUND NAME & NUMBER	COST CENTER	WBS	ACCOUNT	2011-2012 REVENUES
Tacoma Power – Fund 4700 - Revenues	565400		5424000	\$1,000,000
TOTAL				

Notes: Revenues shown at minimum contract amount of \$1.0 million per year.

POSITION IMPACT:

POSITION TITLE	PERMANENT/PROJECT/TEMPORARY POSITION	POSITION END DATE	2011 FTE	FUTURE FTE
No impact				

Total positions created or abrogated through this legislation, including FTE impact. FTE impact for temporary employees is estimated.

FISCAL NOTE (CONT)

CITY CLERK USE ONLY

Request #: 13246
 Ord/Res #: 28071

LONG-TERM FINANCIAL IMPACT OF LEGISLATION:

SPENDING PLAN & BUDGET	2011	2012	2013	2014	2015-16	TOTAL
Estimated Revenues		\$1,000,000	\$2,000,000	\$2,000,000	\$4,000,000	\$9,000,000
TOTAL						

FUNDING SOURCE	2011	2012	2013	2014	2015	TOTAL
TOTAL						

The financial cost of not implementing the legislation:

Not implementing this legislation would represent an opportunity cost equal to the minimum amount of revenue shown above.

Estimate the cost to the City if the legislation is not implemented, including the potential conflicts with regulatory requirements, cost avoidance, or other potential costs.

OTHER ISSUES:

April 13, 2012

To the Chairman and Members of the Public Utility Board and
to the Mayor and Members of the City Council

RECOMMENDATION

Tacoma Power requests approval by the Public Utility Board and the City Council to authorize Tacoma Power to revise the wholesale transmission and ancillary services rates in Tacoma Power's Open Access Transmission Tariff (OATT).

BACKGROUND

Tacoma Power provides wholesale transmission service under the terms, conditions, and rates of our OATT (attached) to two wholesale transmission customers; Iberdrola Renewables, Inc. (Iberdrola) and the Bonneville Power Administration (BPA). Iberdrola has a 45 MW Point-to-Point (PTP) Transmission Service Agreement that is used to transfer the output of the Simpson Tacoma Kraft Company, LLC cogeneration facility across the Tacoma Power transmission system to the BPA transmission system.

The Bonneville Power Administration (BPA) uses Tacoma Power's transmission system to deliver power to ten Load Serving Entities embedded within Tacoma Power's service territory. BPA has a PTP Transmission Service Agreement with Tacoma Power that it uses to deliver power to Eatonville Power and Light Company, Elmhurst Mutual Power and Light Company, Lakeview Light and Power Company, the Town of Milton, Ohop Mutual Light Company, Parkland Light and Water Company, Peninsula Light Company, and the Town of Steilacoom. BPA also has a Network Integration (NT) Transmission Service Agreement with Tacoma Power that it uses to deliver power to Alder Mutual Light Company and a portion of Lewis County PUD.

Tacoma Power proposes to revise the OATT rates for our two main transmission services (NT and PTP transmission service) as well as the rates for the six ancillary services. The proposed OATT rates are based on recent financial and operations data and are more closely aligned with our current costs for providing the services. Tacoma Power collaborated with both Iberdrola and BPA during the development of these rates to ensure they had an accurate understanding of our current costs. Where appropriate, Tacoma Power made revisions to the proposed OATT rates in response to comments of these customers.



Chairman and Members of the Public Utility Board and
The Mayor and Members of the City Council
April 13, 2012
Page 2

The attached OATT includes the proposed revised wholesale transmission and ancillary services rates. On an annual basis, Tacoma Power estimates the increased annual revenues associated with the revised OATT transmission service rates and the revised ancillary service rates at approximately \$2 million and \$1million, respectively.

Tacoma Power requests your approval to revise the wholesale transmission and ancillary services rates in Tacoma Power's OATT.

Sincerely,

A handwritten signature in black ink, appearing to read "W. A. Gaines", written in a cursive style.

William A. Gaines
Director of Utilities/CEO

Attachment

28071

Ordinance No. _____

First Reading of Ordinance: MAY - 8 2012

Final Reading of Ordinance: MAY 15 2012

Passed: MAY 15 2012

Roll Call Vote:

MEMBERS	AYES	NAYS	ABSTAIN	ABSENT
Mr. Boe	✓			
Mr. Campbell	✓			
Mr. Fey	✓			
Mr. Ibsen	✓			
Mr. Lonergan	✓			
Mr. Mello	✓			
Ms. Walker	✓			
Ms. Woodards	✓			
Mayor Strickland	✓			

MEMBERS	AYES	NAYS	ABSTAIN	ABSENT
Mr. Boe				
Mr. Campbell				
Mr. Fey				
Mr. Ibsen				
Mr. Lonergan				
Mr. Mello				
Ms. Walker				
Ms. Woodards				
Mayor Strickland				