



**TO:** Mayor and City Council  
**FROM:** William A. Gaines, Director of Utilities/CEO  
**COPY:** T. C. Broadnax, City Manager and City Clerk  
**SUBJECT:** Resolution/Ordinance – Revised Transmission Rate – August 4, 2015  
**DATE:** July 6, 2015

**SUMMARY:**

Tacoma Power provides transmission service to Lewis County PUD pursuant to a transmission service agreement entered into in 1993. Tacoma Power recommends that the transmission rate be revised as allowed for under the provisions of the agreement.

**STRATEGIC POLICY PRIORITY:**

Tacoma Power provides electric service to the citizens of Tacoma at reasonable rates, while providing well-paying jobs to its employees. When Tacoma Power provides transmission service to other utilities, the revenue received from those utilities helps to reduce the costs that the Tacoma Power customers are responsible for. Therefore, the service Tacoma Power provides under the 1993 transmission service agreement supports the following Strategic Policy Priorities:

- Foster a vibrant and diverse economy with good jobs for all Tacoma residents.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

**BACKGROUND:**

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 \$159,435, which was calculated in 1993 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 (3) 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 the rate should be revised to \$189,269. 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 15, and 2) allows Lewis County PUD 45 days to review the information; both of which occurred.

**ISSUE:**

Tacoma Power’s cost of service has increased over time, and as such, the costs under the 1993 Lewis County PUD Transmission Service Agreement have increased as well. Tacoma Power is proposing to revise the rates charged to Lewis County PUD under the agreement. The current Annual Wheeling Charge is \$159,435 while the proposed charge is \$189,269.



**ALTERNATIVES:**

The only existing alternative for this issue is to not revise the transmission charge at this time. If the charge is not revised, the transmission customer may not be paying the appropriate amount to cover the cost of the facilities used to provide the transmission service.

**RECOMMENDATION:**

Tacoma Power recommends the Annual Wheeling Charge under the 1993 Transmission Service Agreement with Lewis County PUD be revised to \$189,269, effective August 1, 2015, which corresponds with the start of the new Operating Year under the agreement.



**FISCAL IMPACT:**

If you are making a commitment on the City’s behalf to receive or expend funds, then the fiscal impact section should be completed. If this does not apply, enter “There is no fiscal impact” and delete everything below this line. If you are unsure, please contact the Budget Office. If the action is to accept a donation, you do not need to complete the fiscal impact section, just note the estimated value of the donation in the background section.

**EXPENDITURES:**

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
<b>TOTAL</b>			

\* General Fund: Include Department

**REVENUES:**

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
Lewis County PUD			\$189,269
<b>TOTAL</b>			<b>\$189,269</b> <b>(Increase of \$29,834)</b>

**POTENTIAL POSITION IMPACT:**

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
<b>TOTAL</b>			

*This section should only be completed if a subsequent request will be made to increase or decrease the current position count.*

**FISCAL IMPACT TO CURRENT BIENNIAL BUDGET:** \$268,131 additional revenue.

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?** No

**IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.**

N/A