



**TO:** Elizabeth Pauli, City Manager  
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**SUBJECT:** Resolution to Update the Wholesale Rates in Tacoma Power's Open Access  
Transmission Tariff  
**DATE:** April 20, 2021

**PRESENTATION TYPE:**

Request for Action

**SUMMARY:**

Resolution 40771 would adjust the wholesale transmission and ancillary services rates in Tacoma Power's Open Access Transmission Tariff, which have been approved by the Public Utility Board through Resolution U-11246. Staff are requesting a favorable recommendation from the Government Finance and Performance Committee that Resolution 40771 move to the full City Council for consideration.

**BACKGROUND:** Tacoma Power's recommendation is based on electric utility best practices to collect transmission costs from wholesale transmission customers who use the system. The Tacoma Power Open Access Transmission Tariff (OATT) provides the rates, and terms and conditions, under which transmission service is provided to eligible wholesale transmission customers. The OATT contains rates for two types of transmission service and six different ancillary services related to transmission that customers must pay to transmit power on Tacoma Power's transmission system. The rates have been updated using 2019 cost information. The terms and conditions have been modified to accommodate Tacoma Power's joining the Western Energy Imbalance Market, which will occur in March 2022.

Currently, there are two active wholesale customers under the OATT: Bonneville Power Administration (BPA) and Avangrid Renewables, LLC (Avangrid). BPA uses Tacoma Power's transmission system to deliver power to ten of BPA's utility customers that are connected to Tacoma Power's system. The utilities served by BPA, generally referred to as the Pierce County Mutuals, are comprised of approximately 72,000 customers in Pierce County and make up about 25% of the Tacoma Power transmission system load. The current agreements have a term through September 2028. Avangrid uses the transmission system to deliver power generated at WestRock's biomass generating unit to the BPA transmission system. The transmission service agreement used for this purpose expires July 2021. It is unknown at this time if a new transmission agreement will be entered into with Avangrid or WestRock.

The current OATT rates were approved by the Council in 2012 through Ordinance No. 28071. The rates were based on 2009 cost information. The terms and conditions were updated to bring the OATT more in conformity with the Federal Energy Regulatory Commission (FERC) pro-forma OATT established with the issuance of FERC Order No. 888.



As mentioned, Tacoma Power has updated its transmission and ancillary services rates using 2019 cost information. The annual transmission revenue requirement (the dollars needed to be collected annually to recover the cost of the system) increased 16% over the ten-year period. The annual revenue requirement is used in the billing of Network Integration Transmission Service (NT) customers (such as BPA). The Point-To-Point (PTP) Transmission Service rates increased 32%. The reason the PTP rate increased by a percentage greater than that of the Network Transmission rate is because, in addition to the 16% increase in revenue requirement, the transmission system load decreased by 12%. Since PTP rates are determined by dividing the revenue requirement by the transmission system load, the increase in revenue requirement and decrease in load resulted in an overall increase in PTP rates of 32%. The ancillary services rates (which are much smaller in magnitude than the transmission rates), increased between 29% and 75%. Although the percentage increases described for the transmission and ancillary services appear to be larger than one might expect, when looking at the effective annual increase in rates between 2009 and 2019, the percentage increases fall within reasonable ranges. The following table shows the rates for the various services, including yearly and overall percentage increase. PTP service is offered in increments from hourly to yearly (i.e., hourly, daily, weekly, monthly, and yearly). However, for illustrative purposes, only yearly and hourly service rates are included in the table.

Schedule	Service	Current	2019	Units	% Increase	
					Total	Yearly
	Revenue Requirement	\$22,962,043	\$26,712,192	per Yr	16	1.5
1	Scheduling, System Control, & Dispatch	\$0.82	\$1.06	per MWh	29	2.6
2	Reactive Supply and Voltage Control	\$0.08	\$0.14	per MWh	75	5.8
3	Regulation and Frequency Response	\$0.34	\$0.52	per MWh	53	4.3
5	Operating Reserves - Spinning	\$14.45	\$20.48	per MWh	42	3.5
6	Operating Reserves - Supplemental	\$14.45	\$20.48	per MWh	42	3.5
7	Point-To-Point (Yearly)	\$14,919	\$19,626	per MW-Yr	32	2.8
7	Point-To-Point (Hourly)	\$2.99	\$3.93	per MWh	32	2.8

In March 2022, Tacoma Power will be joining the Western Energy Imbalance Market (EIM) and changes to the OATT are needed to accommodate this. The EIM-related OATT additions describe what is expected of transmission customers if they desire to participate in the EIM. Additionally, these changes are necessary to ensure that Tacoma Power can allocate any EIM charges to the customer that are caused by, and therefore the responsibility of, the customer.

In addition to the EIM-related OATT updates, there are other updates that are needed to reflect changes in Tacoma Power's providing transmission service and related information to customers. For example, in 2014, Tacoma Power implemented an Open Access Same-Time Information System (OASIS). The OASIS is a web-based application that allows customers to request, and Tacoma Power to grant, transmission service. The current OATT describes how customers may request transmission by sending emails, where the updated OATT describes use of the OASIS for this task.

#### ISSUE:

If transmission costs are not collected from wholesale transmission customers, they must be recovered from retail customers in Tacoma Power's service territory. The proposed rates are designed to ensure that wholesale customers pay a fair share for their use of Tacoma Power's transmission assets, and that Tacoma



Power retail customers do not bear an undue share of these costs. Furthermore, additional legal changes are required to facilitate Tacoma Power's entrance into the Western Energy Imbalance Market. This includes incorporating the necessary language that allows Tacoma Power to allocate EIM charges to the wholesale transmission customers that cause them.

**ALTERNATIVES:**

The only feasible alternative is not to update the wholesale transmission rates or terms and conditions. This will result in retail customers bearing additional costs. Furthermore, the Tariff will continue lack recommended contract language, including language that is needed for Tacoma Power to most successfully join the Western Energy Imbalance Market (EIM) and maximize the value of the utility's wholesale power resources. In particular, Tacoma Power will be unable to pass on certain EIM charges to wholesale customers.

**FISCAL IMPACT:**

Total revenue is expected to increase at least \$200,000. The increase may be as large as \$1.2 million depending on customers' usage of the services, and if the biomass-related agreement is extended beyond July 2021.

**RECOMMENDATION:**

Tacoma Power requests a favorable recommendation from the Government Performance and Finance Committee that Resolution 40771 move to the full City Council for consideration. The recommendation updates the OATT rates to the cost to provide this service to transmission customers, in alignment with Tacoma Power's principles as a cost-based organization. The current OATT customers understand that larger increases are to be expected since the rates have not been updated in a number of years. The revenue collected under the OATT is used as a credit in the calculation of the retail rates charged to Tacoma Power's retail customers; that is, additional revenue collected from wholesale transmission customers reduces the revenue requirement that must be paid by retail customers.