



TO: Hyun Kim, City Manager
FROM: Jackie Flowers, Director, Tacoma Public Utilities (TPU)
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COPY: Government Performance and Finance Committee;
Andy Cherullo, Director, Finance;
Chantra Real, Office Manager, Finance Administration
PRESENTER: Jing Liu, Power Utility Manager, Tacoma Power
SUBJECT: Tacoma Power’s Proposed Update to Open Access Transmission Tariff
DATE: February 3, 2026

PRESENTATION TYPE:

Request for Ordinance

SUMMARY:

We request a “do-pass” recommendation from the Government Finance and Performance Committee for an ordinance to update the wholesale transmission and ancillary services 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:

Tacoma Power collects revenue from wholesale transmission customers who use our transmission system under the published OATT. While not under 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, non-discriminatory access. The OATT includes rates for two types of transmission service: Network Integration (NT) and Point-To-Point (PTP), 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 Western Energy Imbalance Market (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 utility customers, known as the Pierce County Mutuals. BPA pays Tacoma Power a proportional share of annual transmission costs based on the Mutuals’ usage.

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. 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%
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%

ISSUE:

If transmission costs are not recovered from wholesale transmission customers (currently, BPA), they must be recovered from retail customers in Tacoma Power's service territory. The proposed rates are designed to ensure that wholesale customers pay for their use of Tacoma Power's transmission assets and that Tacoma Power retail customers do not bear an undue share of these costs. Updating these rates avoids shifting costs onto Tacoma Power's retail customers.

In addition to updating transmission rates, we also recommend revising terms and conditions related to settlements and cost suballocation in the WEIM. The proposed changes appearing in Attachment O better align Tacoma Power's OATT with the prevailing practices of other entities currently participating in the market.

ALTERNATIVES:

The alternative is to not update the wholesale transmission rates or terms and conditions. This will result in Tacoma Power's retail customers subsidizing BPA. Furthermore, the Tariff will lack standard settlement and cost suballocation language that is needed for Tacoma Power to properly pass on certain WEIM charges and credits to wholesale transmission customers.

FISCAL IMPACT:

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

RECOMMENDATION:



Tacoma Power requests a “do-pass” recommendation from the Government Performance and Finance Committee for an ordinance updating wholesale transmission and ancillary services rates its Open Access Transmission Tariff. These cost-based rates apply only to Tacoma Power’s sole wholesale transmission customer, Bonneville Power Administration, and do not affect retail customer rates. This update ensures fairness, transparency, and alignment with industry standards. The proposed rates have been shared with Bonneville Power Administration for comment. Additionally, Tacoma Power proposes revisions to Attachment O of the tariff to reflect current practices in the Western Energy Imbalance Market.