

BPA Power Purchase Contract

Public Utility Board Briefing

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We will request authority to sign the 16-year
Slice power purchase contract to continue
purchasing cost-based federal power from BPA.

PUB Resolution

Background

Section 1

Background

Tacoma Power is a Preference Customer of the Bonneville Power Administration (BPA)



- BPA is a Federal Power Marketing Agency
- BPA power is an essential part of our power supply
 - ✓ BPA accounts for ~60% of Tacoma Power's generating portfolio
 - ✓ BPA power bill accounts for ~30% of our revenue requirement
- Tacoma Power has been a BPA preference customer since 1940 and is BPA's 4th largest customer (~5.5% of BPA's total load)
- BPA is required by statute to sell power to Preference Customers at-cost – known as "Tier 1" power
- The ability of Tacoma Power to maintain such low rates is largely attributable to its access to federal Tier 1 power from BPA.

Background

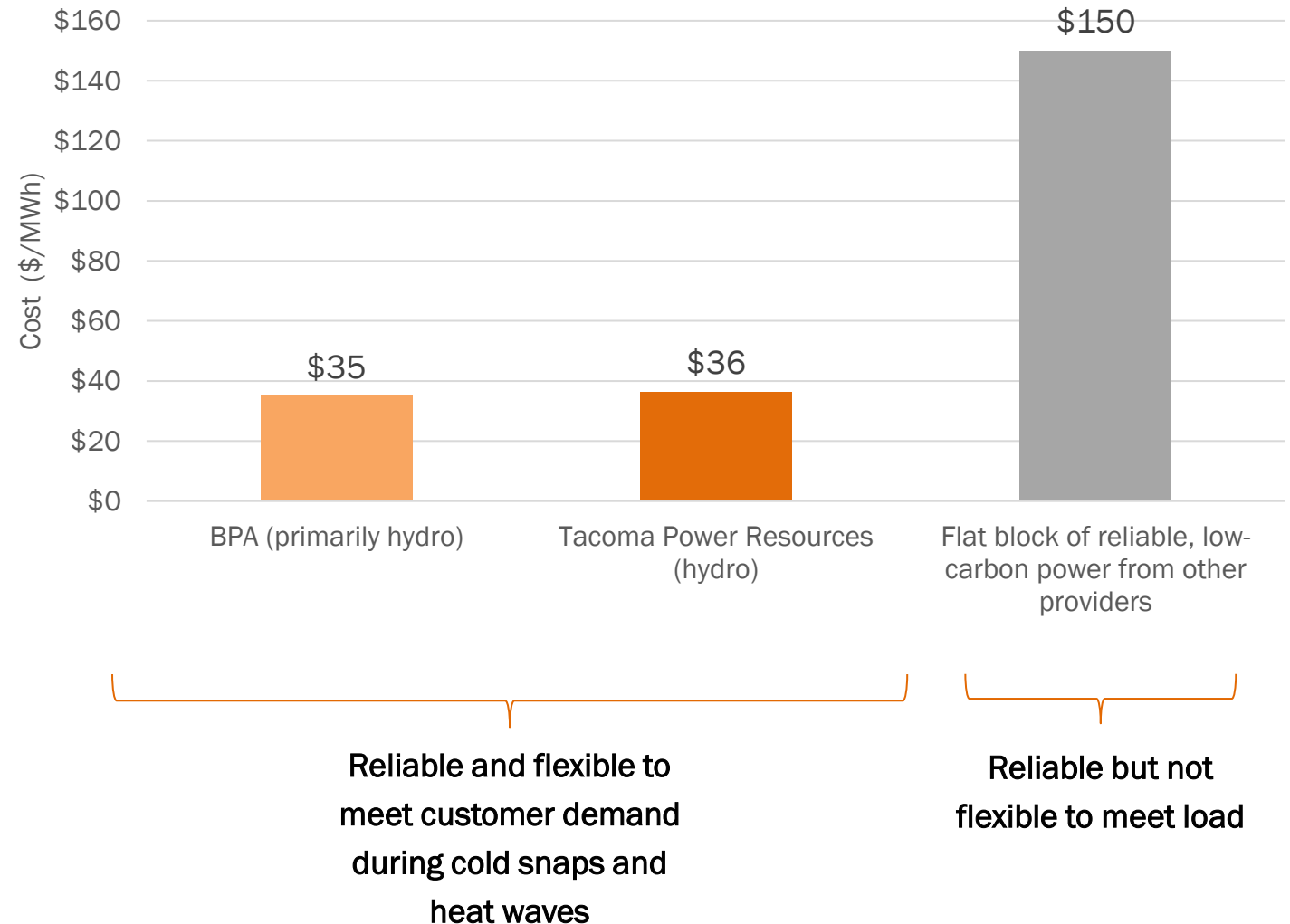
BPA power is a highly desirable product

Reliable: BPA generates at times like cold snaps and heat waves, when we most need power

Low Cost: Power is sold at cost (Currently ~ \$35/MWh)

Low Carbon: Predominantly Hydro, Wind, Nuclear

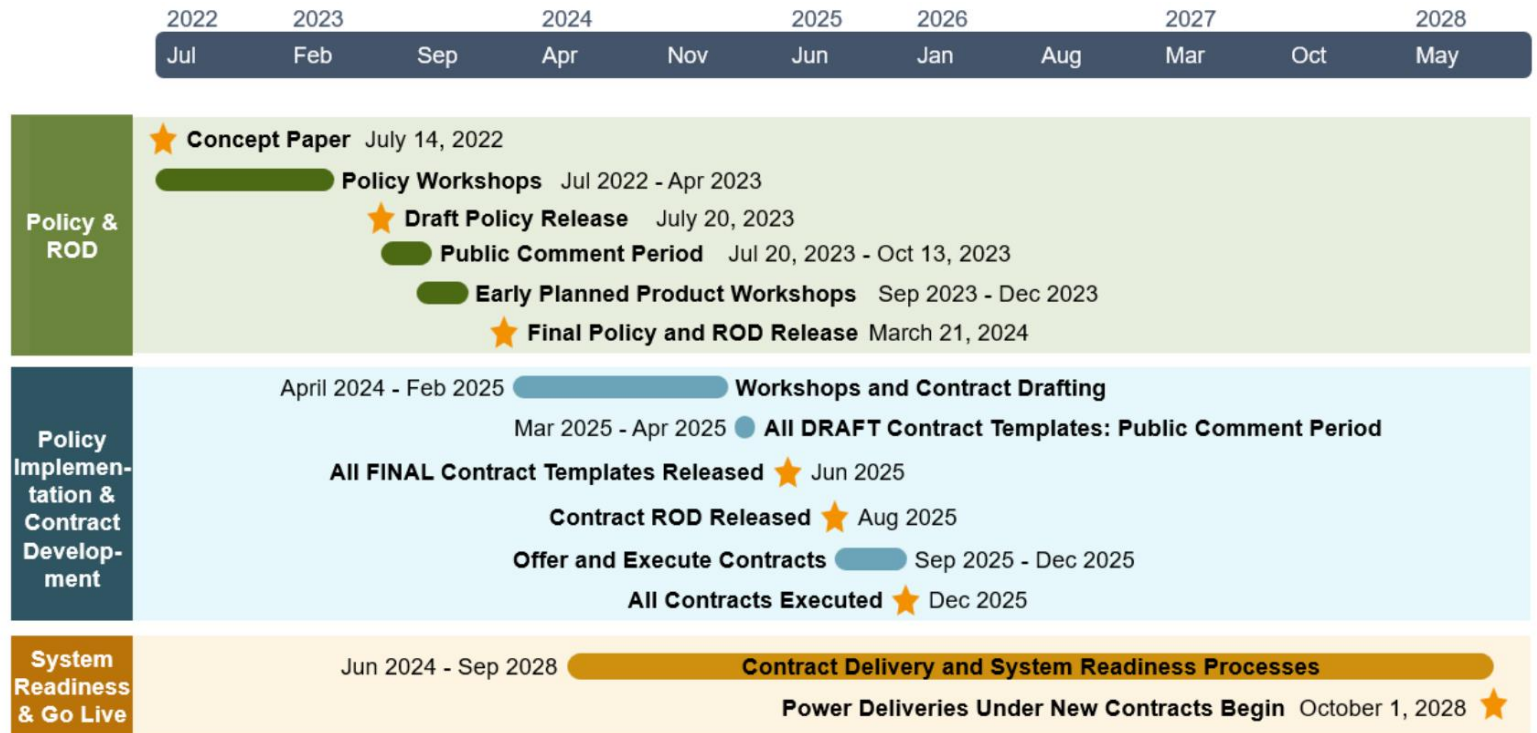
Flexible: Can be shaped to load



Background

POC (Provider of Choice) Contract Development Process

- Current contract ends September 30, 2028
- In mid-2022 BPA initiated the contract development and implementation process, calling it “Provider of Choice”
- Provider of Choice development was a long, collaborative process between BPA and its customers
- Tacoma Power has been an active participant throughout the process



Contract Details

Section 2

Contract Details

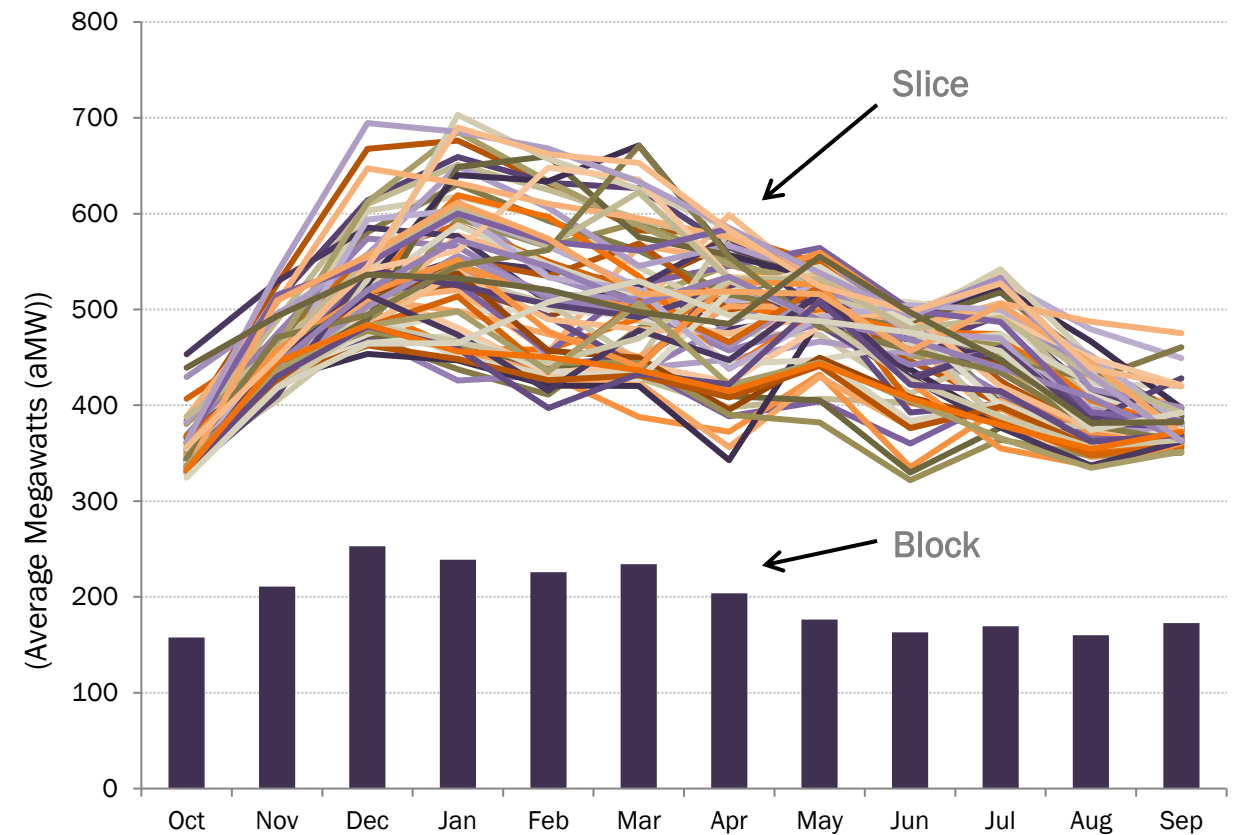
We plan to continue purchasing the same BPA product that we purchase today

Slice component: Percentage share of federal system

Block component: Monthly “block” of power (same amount in all hours)

Thorough analysis of BPA’s product offerings finds that **Slice/Block remains the best product option** for Tacoma Power customers because:

- It puts us in the best position to meet customer demand into the future
- It is the lowest cost option
- It presents the least implementation risk



Contract Details

Organized Market and WRAP Compatibility

Several things have changed since the last BPA contract

- Utilities across the West are moving swiftly towards joining organized day-ahead markets.
- Utilities across the West have committed to joining the Western Resource Adequacy Program (WRAP).

The contract has changed to reflect joining a DAM

- The contract reflects that BPA will likely join an organized day-ahead market (DAM).
- BPA recently announced that it will join the Markets+ DAM run by the Southwest Power Pool in late 2028.
- To make the product compatible for BPA, the Slice product **will convert to day-ahead dispatch**. The current product enables hourly dispatch.
- The Slice contract is still the superior option despite this change.
- BPA has committed to working with us to develop an allocation construct to share the benefits of hourly and sub-hourly dispatch.

The contract has changed to reflect joining WRAP

- The contract reflects that BPA will likely join the Western Resource Adequacy Program (WRAP).
- BPA recently announced that it will join WRAP in late 2027.
- The contract describes how BPA will provide WRAP information to customers.

Contract Details

Contract Costs

BPA power purchases are the largest non-personnel related cost in Tacoma Power's budget

We anticipate spending \$1.2 to 1.45 billion over the life of the contract

The cost of the product in any given year will depend on many factors, including Tacoma Power's load, BPA system costs, and hydrological & wholesale market factors that impact both Tacoma Power and BPA.

Contract Details

Contract Dates and Duration

- Current contract ends September 30, 2028
- Delivery under the new “Provider of Choice” contract spans October 1, 2028 through September 30, 2044
- There will be significant operational technology implementation work that must be completed prior to product go-live.



Summary

Section 3

Summary

Tacoma Power Will Continue to Purchase Power from BPA for Another 16 Years

As a **Preference Customer**, Tacoma can purchase flexible, low carbon power from BPA at a low cost

Slice is the product that puts Tacoma in the **best position** both from a resource adequacy & economic perspective

Slice is also the product we have had since 2011 – the **new version will be very similar**, with adjustments for organized markets

Tacoma Power would like to sign the Slice contract soon to commit to purchasing power from Bonneville for the **October 1, 2028 to September 30, 2044** timeframe