



Serving our customers

Tacoma Power's Open Access Transmission Tariff (OATT) Proposal

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About OATT



2012 Created

3% Annual Growth

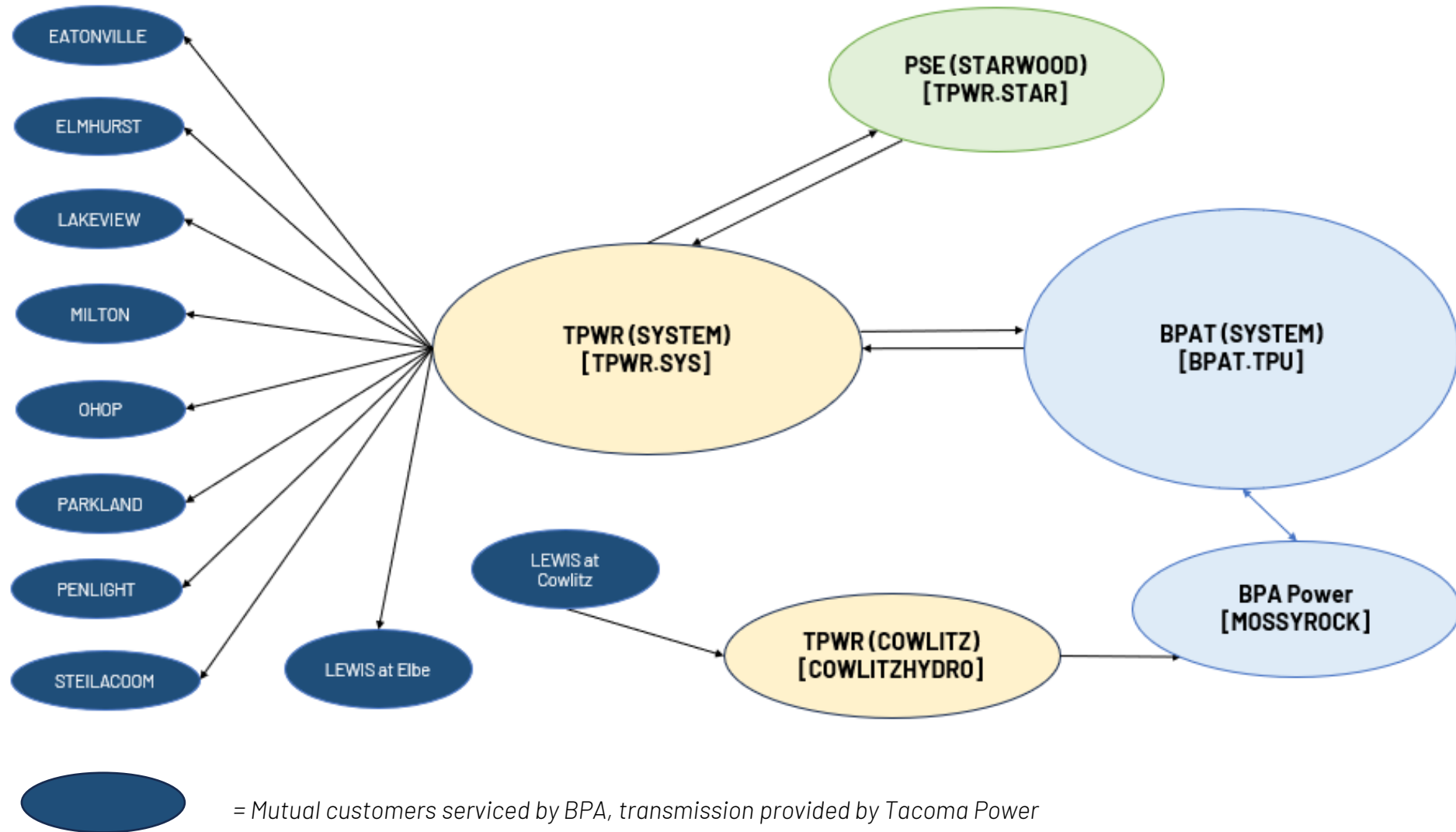
\$9-10M Annual Revenue

The Open-Access Transmission Tariff (OATT) is a charge for one utility or market participant to use another utility's transmission lines.

While not required by the Federal Energy Regulatory Commission (FERC), Tacoma Power voluntarily offers access to other utilities as a best practice.

Tacoma Power provides transmission services to mutual utilities in BPA service area. BPA pays Tacoma Power for the transmission service.

Tacoma Power's Transmission



Transmission Rates

Network Integration

- Enables customers to use Tacoma Power's transmission system to serve their own loads—just like Tacoma Power does for its own customers.
- BPA pays for the mutuality it serves.
- Charges are based on each customer's share of the total load, proportional to the annual revenue requirement.

Point-to-Point

- Allows customers to move electricity from a specific starting point (where it's interconnected) to a specific delivery point (where it's used), using Tacoma Power's transmission system.
- Tacoma Power currently does not have any PTP customers.
- Billed based on MW-hour/day/week/year, etc.

Ancillary Services

- Support reliable operation of the transmission system and help maintain power quality and grid stability.
- Required and optional services. e.g. system control, voltage control, reserves, etc.
- Billed based on MWh basis.

Ratemaking Principles



Based on Actual Cost

Cost-of-Service Analysis for Transmission



Industry Standard

Consistent with FERC Formula



Non-Discriminatory

Treating all customers the same, including Tacoma Power's own usage.



Cost Causation

Transmission customers pay their share of transmission cost.

Transmission Rates History

Transmission Cost of Service

2021

Update

\$26.7
Million

Using 2019 Cost Data

- Cost has increased
- Tacoma Power usage % has increased

2025

Proposed
Update

\$35.8
Million

Using 2024 Cost Data

- Significant cost increases since 2019
- No longer has firm Point-to-Point transmission customers following WestRock closure

Proposed Rates Update

Board
Action

Attachment	Service (Network Integration)	Current (annual)	Proposed (annual)	Increase (\$)	Increase (%)	Annualized%
H	Network Integration	\$26,712,345	\$35,814,047	\$9,010,702	34%	6.0%
Schedule	Service (Ancillary & Point-to-Point)	Current (per MWh) Based on 2019 Cost	Proposed (per MWh) Based on 2024 Cost	Increase	%	Annualized %
1	Scheduling, System Control, and Dispatch	\$1.06	\$1.22	\$0.16	15%	2.9%
2	Reactive Supply and Voltage Control	\$0.14	\$0.00	-\$0.14	-100%	-100%
3	Regulation and Frequency Response	\$0.52	\$0.56	\$0.04	8%	1.5%
5	Spinning Reserve	\$20.48	\$20.71	\$0.23	1%	0.2%
6	Supplemental Reserve	\$20.48	\$20.71	\$0.23	1%	0.2%
7	Point-to-Point	\$3.93	\$5.21	\$1.28	33%	5.8%

Preliminary and Subject to Change

Rate Increase for BPA – Network Integration services: 34%

Estimated Revenue Increase from BPA: **\$2.6 million / year**

Main driver for rate increase: O&M expenses related to transmission services

Cost of Providing Transmission Service has Increased Over Time

IOU's Cost Increase

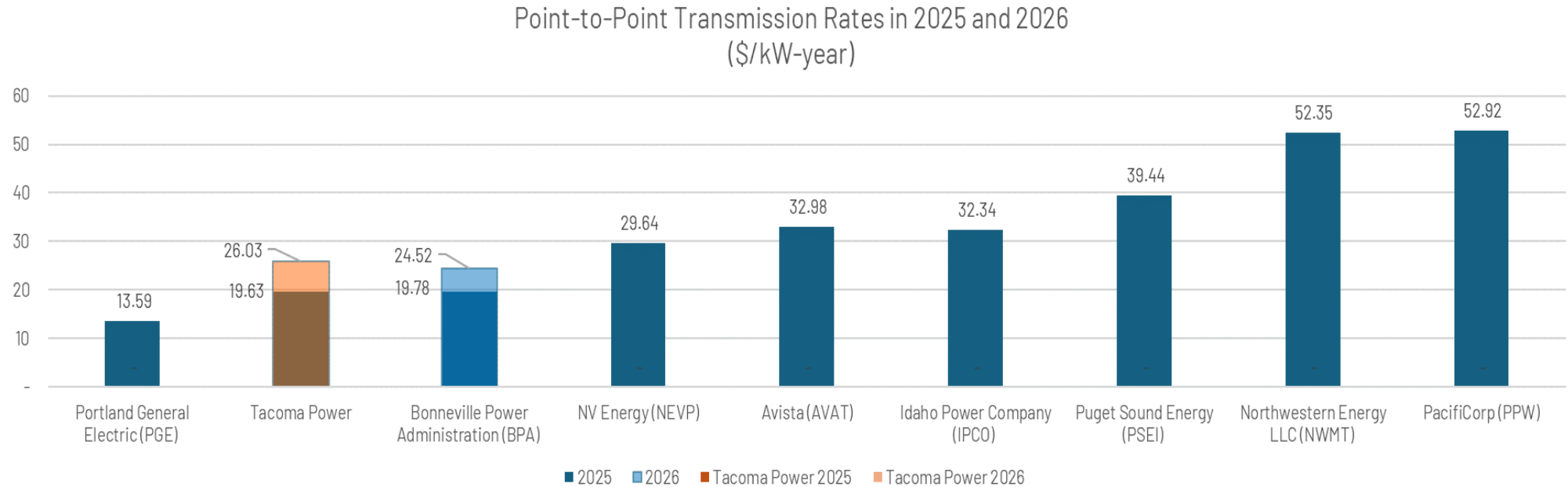
Energy Information Administration data shows that major Investor-Owned Electric Utilities have had an annual average transmission cost increase of **7.2%** from 2019 to 2023.



Handy Whitman Index

Handy Whitman Index indicates an annual average increase of **7.2%** in transmission cost in Pacific Region from 2019 to 2024.

Peer Utility Transmission Rates



BPA Rate Increase from 2021

BPA Network Integration Rate				BPA Point-to-Point Rate			
	per kW per month	% Increase from 2021	Annualized Increase from 2021		per kW per month	% Increase from 2021	Annualized Increase from 2021
2021	1.771			2021	1.533		
2026	2.399	35%	6.3%	2026	2.043	33%	5.9%

Tariff Language Modification to Market

- OATT Attachment 0 outlines Tacoma Power's allocation of California ISO (CAISO) Energy Imbalance Market (EIM) charges and credits since joining in March 2022
- Proposed language update reflects current EIM market functions
- Revisions align with OATT language from comparable transmission providers
- Update serves as preparation for SPP Market+ changes in 2026



Current Schedule

- Posted proposed tariff update and notified BPA on Nov 26, 2025
- PUB Study Session on Dec 10, 2025
- Present to GPFC in January/February 2026
- PUB Evening Session in January/February 2026
- City Council Approval in February/March 2026
- Effective Date on April 1, 2026



Future Plan

Evaluate OATT on a **biennial basis**, shortly after the conclusion of the biennial rate making.



Thank You!

Questions and Comments are Welcome.

$$\text{Cost of Service} = R + \text{EXP} + \text{TX} - \text{OR}$$

$$\text{Rates} = \text{Cost of Service} \div \text{Billing Units}$$

R = Return on Rate Base

EXP = O&M and Depreciation Expense

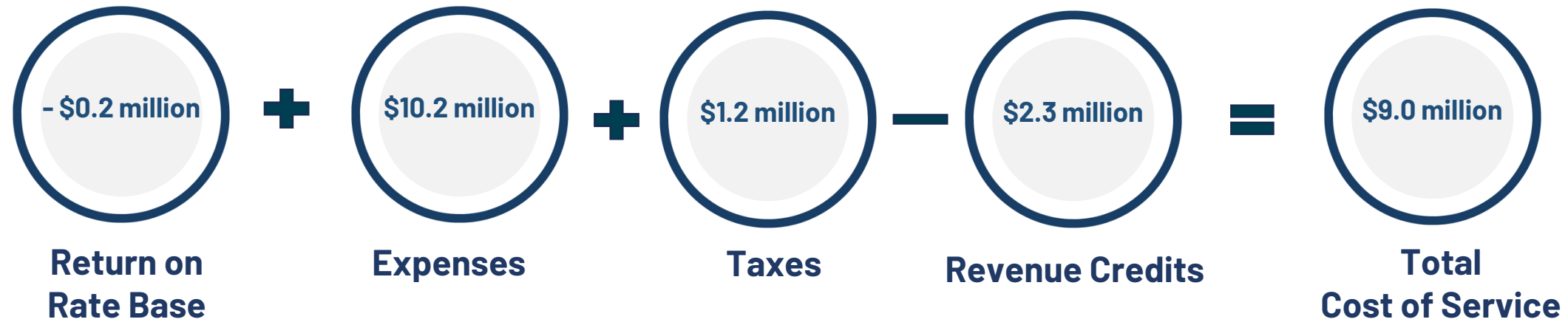
TX = Taxes

OR = Other Operating Revenue

Transmission Cost **Increase**

Cost of Service = Return on Rate Base + Expenses+ Taxes – Revenue Credits

Cost Increase From 2019 to 2024



Assets supporting transmission services increased by \$8.2 million, or **7%**. With a decrease in Rate of Return from 5.25% to 4.78%, Return on Rate Base decreased by \$0.2 million, or **-3%**.

O&M expense related to transmission services increased by \$6.9 million, or **27%**; Depreciation expense increased by \$3.3 million, or **88%**. Total Increase is \$10.2 million before tax, or **35%**.

Gross Earnings Tax and State Utility Tax expenses increased by \$1.2 million, or **28%**.

Revenue from other use of transmission facilities increased by \$2.3 million, or **16%**, providing more offset to revenue needs.

Tacoma Power's total cost of providing transmission services after tax increased by \$9.0 million, or **34%**.

Tacoma Power's Photos



Transmission Substation



Transmission Line Construction



Transmission Line Foundation Excavation



Transmission Transformer