



RESOLUTION NO. U-11298

1 A RESOLUTION authorizing the extension of the Exchange Agreement with the
2 Bonneville Power Administration (BPA), for the delivery of energy from
the Cowlitz Project.

3 WHEREAS the City of Tacoma, Department of Public Utilities, Light
4 Division (d.b.a. "Tacoma Power") is requesting approval to extend an Exchange
5 Agreement with the Bonneville Power Administration (BPA), for the delivery of
6 energy from the Cowlitz Project for an additional thirty years, and
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8 WHEREAS energy generated at the Cowlitz Project is sent to Tacoma
9 on BPA transmission lines under the terms of a 1966 Exchange Agreement
10 ("Agreement") with BPA, and
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12 WHEREAS BPA originally offered the Agreement as an alternative to
13 Tacoma Power developing its own transmission line between the Cowlitz
14 Project and the City, and
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16 WHEREAS the Agreement provides Tacoma Power with two extension
17 periods beyond its initial term, with the first occurring in 2001, lasting for twenty
18 years and the second and final period lasting for thirty years, commencing at
19 the end of 2021, and
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21 WHEREAS Tacoma Power previously exercised its first extension which
22 lasts through 2021 and now is moving forward to exercise its second extension,
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25 WHEREAS the Agreement established an initial price based on the
26 assumed cost of developing a transmission line, and requires the price to be
revised to reflect current costs at the start of the second extension, and



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WHEREAS by working collaboratively with BPA, Tacoma Power has developed an extension proposal that: 1) updates cost schedules to reflect the renewal and replacement costs of assumed transmission assets; 2) sets compensation for energy losses consistent with BPA prevailing rates; 3) limits the scope of the Agreement to the currently constructed capacity of the Cowlitz Project, which is 560 MW; and 4) documents Tacoma Power's current operation and specifies it will continue in a manner consistent with applicable BPA transmission service business practices, and

WHEREAS it is anticipated the incremental costs of this extension is between \$2.1 and \$2.7 million per year, depending upon the market value energy losses returned to BPA, and

WHEREAS the total expected annual cost of the extension, even with the cost increases, will cost less than comparable point-to-point transmission service purchased from BPA at the agency's current rates, and

WHEREAS the extended Agreement will remain a highly favorable means of delivering energy from the Cowlitz Project to the City, and

WHEREAS although the extension cost was not specifically budgeted, total purchase of power, transmission, and exchange services from BPA are expected to be less than budgeted for the biennium because the actual BPA power and transmission rates for this period turned out to be less than originally forecasted; Now, therefore,



BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

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That the Public Utility Board of the City of Tacoma hereby authorizes the approval and extension of the Exchange Agreement between the Bonneville Power Administration and Tacoma Power, for the delivery of energy from the Cowlitz Project, for thirty years, commencing at the end of 2021, and the Director of Utilities, or her designee, is authorized to sign necessary documents, to enter into said extension of the Exchange Agreement substantially in the same form as on file with the Clerk and as approved by the City Attorney.

Approved as to form:

_____ Chair

_____/s/_____
Chief Deputy City Attorney Secretary

_____ Adopted _____
Clerk



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: Rick Applegate, Senior Power Analyst
MEETING DATE: December 15, 2021
DATE: December 2, 2021

SUMMARY: Tacoma Power requests authority to extend the Exchange Agreement with the Bonneville Power Administration (BPA) for the delivery of energy from the Cowlitz Project for an additional 30 years.

BACKGROUND: Energy generated at the Cowlitz Project is sent to Tacoma on BPA transmission lines under the terms of a 1966 Exchange Agreement with BPA. BPA originally offered the Exchange Agreement as an alternative to Tacoma developing its own transmission line between the Cowlitz Project and the city. The agreement provides Tacoma Power with two extension periods beyond its initial term. The first occurred in 2001 and lasts for 20 years. The second and final period lasts for 30 years, commencing at the end of 2021.

The Exchange Agreement established an initial price based on the assumed cost of developing a transmission line from the Cowlitz Project to Tacoma in the 1960s. The agreement requires that the price is to be revised appropriately to reflect current costs at the start of the second extension. Working collaboratively with BPA, Tacoma Power has developed an extension proposal that: 1) updates cost schedules to reflect the renewal and replacement costs of assumed transmission assets; 2) sets compensation for energy losses consistent with BPA prevailing rates; 3) limits the scope of the Exchange Agreement to the currently constructed capacity of the Cowlitz Project, which is 560 MW; and, 4) documents Tacoma Power's current operation and specifies it will continue in a manner consistent with applicable BPA transmission service business practices. We anticipate the incremental cost of this extension to be between \$2.1 and \$2.7 million per year, depending upon on the market value of energy losses returned to BPA. The total expected annual cost of the Exchange Agreement, even with the cost increases, will represent only about one-fifth the cost of comparable point-to-point transmission service purchased from BPA at the agency's current rates. Accordingly, the extended Exchange Agreement will remain a highly favorable means of delivering energy from the Cowlitz Project to Tacoma.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No.

IF THE EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED. While the approximately \$2.1 to \$2.7 million annual cost was not specifically budgeted, total purchases of power, transmission, and exchange services from BPA are expected to still be \$5 million less than budgeted for the biennium. This is because actual BPA power and transmission rates for this period turned out to be less than forecast.



Board Action Memorandum

IF THE ACTION REQUESTED IS APPROVAL OF A CONTRACT, INCLUDE LANGUAGE IN RESOLUTION AUTHORIZING \$200,000 INCREASE IN ADMINISTRATIVE AUTHORITY TO DIRECTOR? Yes.

ATTACHMENTS: Exchange Agreement Amendment No. 2

CONTACT: Contact and Presenter: Rick Applegate, Senior Power Analyst, (253) 502-8012.
Supervisor: Clay Norris, Power Manager, (253) 320-0786.

**AMENDMENT NO. 2 TO
BONNEVILLE CONTRACT NO. 14-03-68795**

This Amendment No. 2 to Contract No. 14-03-68795 (the “Second Extension”), is entered into by the UNITED STATES OF AMERICA, Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (“Bonneville”), and THE CITY OF TACOMA, DEPARTMENT OF PUBLIC UTILITIES, LIGHT DIVISION (“Tacoma”), hereinafter individually referred to as “Party” and collectively as “Parties.”

Recitals

- A. Bonneville and Tacoma are parties to Bonneville Contract No. 14-03-68795 (the “Exchange Agreement”);
- B. Section 2 of the Exchange Agreement provides Tacoma with the option to extend the Exchange Agreement twice;
- C. Amendment No. 1 extended the Exchange Agreement for a term of (20) years, beginning January 1, 2001 and ending December 31, 2021 and pursuant to Section 4(b) adjusted the payment provided for in Section 4(a) for the term of the first extension;
- D. This Second Extension clarifies the additional term of thirty (30) years applicable to the Exchange Agreement beginning January 1, 2022 and ending December 31, 2052, and adjusts the rate of payment as provided for in Section 4(c) of the Exchange Agreement; and
- E. This Second Extension also clarifies the manner in which (a) Bonneville’s business and operational practices apply to the provision of transmission services, (b) the Cowlitz Project is pseudo-tied from Bonneville’s balancing authority area into Tacoma’s balancing authority area, and (c) disputes may be resolved during the term of the Second Extension.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

- 1. Capitalized Terms. Capitalized terms used in this Second Extension without definition shall have the same meanings herein as set forth in the Exchange Agreement.
- 2. Effective Date and Term. In accordance with section 2 of the Exchange Agreement, this Second Extension shall commence on January 1, 2022, at hour 0000, and continue for a term of thirty (30) years, terminating on December 31, 2051, at hour 2400.
- 3. Payment. In accordance with section (4)(c) of the Exchange Agreement the payment specified in section (4)(a), as revised by Amendment No. 1, applicable to the term of the Second Extension is set forth in Exhibit A to this Second Extension, which is incorporated

herein by this reference.

4. Second Exchange Agreement. The sixth recital to the Exchange Agreement envisions the possibility of the Parties entering into an exchange agreement (the second exchange agreement) which would provide for the exchange of electric energy between the Cowlitz Project interconnection and a point of delivery in the Portland area. The Parties do not intend to enter into such an agreement.
5. Exchange Demand.
 - a. Section 3(c) of the Exchange Agreement describes the method for establishing the exchange demand. During the term of the Second Extension, the Parties agree the exchange demand is 560 megawatts, which the Parties acknowledge is the total peaking capacity of the Cowlitz Project.
 - b. Tacoma will coordinate any future increases in capacity of the Cowlitz Project with Bonneville consistent with standard terms and conditions related to interconnection and transmission service offered by Bonneville at that time. If Tacoma requires additional transmission capacity beyond the exchange demand defined in section 5(a) above, Tacoma must acquire the additional transmission capacity from Bonneville pursuant to the standard terms, conditions, and rates offered by Bonneville at that time.
6. Implementation of the Second Extension.
 - a. Without amending or waiving the Parties' respective rights and obligations under the Exchange Agreement or this Second Extension, transmission services (including the pseudo-tie discussed in Section 7 of this Second Extension) shall be provided by Bonneville and utilized by Tacoma in accordance with the Exchange Agreement, this Second Extension, and the Bonneville transmission business and operational practices, as such practices may be replaced or revised, that are used to administer the provision of transmission services (including the pseudo-tie discussed in Section 7 of this Second Extension); provided, however, that (i) the transmission business or operational practice is written and made publicly available through Bonneville's Open Access Same-time Information System or Bonneville's public internet website in a conspicuous manner, (ii) an amendment, deletion, or replacement of Bonneville's transmission business or operational practices apply prospectively, (iii) in the event a Bonneville transmission business or operational practice conflicts with the Exchange Agreement or this Second Extension, the Exchange Agreement or this Second Extension shall control, and (iv) in the event a Bonneville transmission business or operational practice adds a substantive term or obligation to the provision of transmission services (rather than to add an administrative term or

obligation) such provision shall not be enforceable against Tacoma under the Exchange Agreement or this Second Extension.

- b. In the event that a question or dispute arises related to the administration of the Second Extension under Bonneville's transmission business or operational practices, the Parties will promptly attempt to resolve the matter in good faith in accordance with section 8 of the Second Extension.

7. Pseudo-Tie of Cowlitz Project.

- a. Nothing in this Second Extension provides Tacoma with dynamic transfer rights on Bonneville's transmission system.
- b. Notwithstanding section 7(a), during the term of the Second Extension, Tacoma may continue to implement the exchange of energy provided for in section 3 of the Exchange Agreement utilizing a pseudo-tie for the transfer of the output of the Cowlitz Project from Bonneville's balancing authority area (commonly referred to as either the native balancing authority area or the host balancing authority area) into Tacoma's balancing authority area (commonly referred to as the attaining balancing authority area).
- c. The quantity of Cowlitz Project output may vary between a maximum of the energy demand defined in section 5(a) of this Second Extension and zero megawatts, but at all times must stay within the range of zero megawatts and the exchange demand.
- d. So long as Tacoma continues to utilize a pseudo-tie for the transfer of the output of the Cowlitz Project during the Second Extension, Tacoma shall schedule the output of the Cowlitz Project in accordance with Bonneville's applicable business and operational practices related to dynamic transfers, as provided for in Section 6(a) of this Second Extension. This includes the scheduling practices of the North American Electric Reliability Council and Western Electric Coordination Council, and their successor organizations, applicable to dynamic transfers, and the Tacoma Balancing Authority Area as the Attaining Balancing Authority Area, as each may be amended, deleted, or replaced from time to time (collectively "Dynamic Transfer Requirements").
- e. In the event that either Party terminates use of the pseudo-tie of the Cowlitz Project during the Second Extension, the Parties will revert to implementing the exchange of energy as provided for in section 3 of the Exchange Agreement.

8. Resolution of Questions and Potential Disputes.

- a. In the event that a Party questions the administration of any provision of the

Exchange Agreement during the term of the Second Extension, or in the event that a dispute arises under the Second Extension, the Parties agree to use the following process:

Step 1 – A Party shall provide prompt written notice to the other Party under section 9 of the Second Extension.

Step 2 – A representative from each Party with authority to resolve the question or settle the dispute shall participate in a meeting to resolve the dispute as promptly as practicable. In the event the representatives are unable to resolve the dispute by mutual agreement within thirty (30) calendar days of the written notice of dispute, or such other period as the Parties may mutually agree upon, the Parties shall proceed to Step 3.

Step 3 – If mutual agreement is not reached in Step 2, the Parties may use mediation and/or arbitration to resolve the dispute upon mutual agreement of the Parties involved in the dispute; otherwise, the Parties may pursue any remedy available under law.

9. Notices. Any notice required under the Exchange Agreement or this Second Extension shall be delivered as provided for in Exhibit D, which is incorporated herein by this reference. Notices are effective when received. Either Party may change the name or address for receipt of notice by providing notice of such change to the other.
10. Continued Access to Transmission Capacity. Upon termination or expiration of the Second Extension, Tacoma may continue to utilize the long-term, firm transmission capacity made available by Bonneville to Tacoma pursuant to the Exchange Agreement and this Second Extension by entering into a new transmission services agreement pursuant to the standard terms, conditions, and rates offered by Bonneville at that time.
11. Curtailment and Redispatch. Section 3(d) of the Exchange Agreement describes the how the Administrator will provide replacement power at no cost in the event of an interruption of service due to transmission system limitations. The Parties do not intend to enter into such an agreement.
12. Entire Agreement. Except for the amendments expressly identified within this Second Extension, all terms and conditions of Exchange Agreement, as amended, shall remain in full force and effect.
13. Execution. This Second Extension may be executed in any number of counterparts, each of which shall be an original and all of which when executed, shall constitute the same Second Extension. The Second Extension may be executed digitally. An executed

Second Extension delivered by a Party to the other Party by electronic mail transmission shall be deemed an original.

IN WITNESS WHEREOF, each Party has caused this Second Extension to be executed on the date of its signature.

UNITED STATES OF AMERICA,
Department of Energy, acting by and through the
BONNEVILLE POWER ADMINISTRATION

CITY OF TACOMA,
DEPARTMENT OF PUBLIC
UTILITIES, LIGHT DIVISION

By _____

By _____

Title: _____

Title: _____

Date: _____

Date: _____

**EXHIBIT A
PAYMENTS**

The payments specified in this Exhibit A are applicable during the term of Second Extension of Bonneville Contract Number 14-03-68795 as provided for in section 2 of Amendment No. 2 of Bonneville Contract Number 14-03-68795.

<u>PAYMENT</u>				
<u>Compensation Data</u>	<u>Capital Cost</u>	<u>Cost Ratio</u>		<u>Annual Cost</u>
		<u>Fixed</u>	<u>Variable</u>	
Mossyrock-Cowlitz, 50.45 mi. Transmission Line	\$19,505,383 ¹	8.70%		\$1,697,000
			0.44%	\$85,000
Mossyrock Substation Terminals	\$308,000 ²			
Cowlitz Substation Terminals	\$435,000 ²			
	\$743,000	8.27%		\$61,000
			0.40%	\$3,000
Losses				(\$636,000) ³
	TOTAL ANNUAL COST			\$1,210,000
	MONTHLY PAYMENT			\$100,800
1/ Tacoma cost ratios in percent		<u>Fixed</u>	<u>Variable</u>	
		<u>Int. and Amor</u>	<u>O&M Direct</u>	
	Line	8.70%	0.44%	
	Sub	8.27%	0.40%	

¹ This cost was derived from a 2019 Bonneville typical estimate for new 230kV wood pole H-frame single circuit line construction with Rogue conductor. The estimate does not include costs associated with environmental analysis, pollution prevention & abatement, land acquisition, public involvement, Tribal affairs, or tax costs. Rogue conductor was selected because at 230kV with a 100 degrees C maximum operating temperature rating and at 30 degrees C ambient temperature it would provide 565 MVA capacity

² These costs were derived from Tacoma’s estimate to update substation facilities to interconnect the new line.

³ Incremental losses settled through prevailing Bonneville rates and business practices for transmission service. Annual credit of \$636,000 applied to reflect the expected difference between prevailing Bonneville rates and energy losses that would have resulted if Tacoma developed the Mossyrock-Cowlitz transmission line.

EXHIBIT E

Notices

1. NOTICES OF CONTRACTUAL NATURAL

Any contractual notice required under the Exchange Agreement or the Second Extension, other than notices of an operating nature (Section 2 below), shall be in writing and shall be delivered in person; or with proof of receipt by email, a nationally recognized delivery service, or by United States Certified Mail. Each Party shall deliver notice to the other Party in care of the following person and address:

If to Tacoma:

Clay Norris
Power Manager
3628 South 35th Street
Tacoma, WA 98409
Phone: (253) 320-0786
Email: cnorris@cityoftacoma.org

If to BPA:

Attention: Transmission Account Executive
The City of Tacoma, Department of Public Utilities,
Light Division
Phone: (360) 619-6016
Email: [insert]

If by First Class Mail:

Bonneville Power Administration
P.O. Box 61409
Vancouver, WA 98666-1409

If by Overnight Delivery Service:

Bonneville Power Administration – TSE/TPP-2
905 NE 11th Avenue
Portland, OR 97232

2. NOTICES OF AN OPERATING NATURE

Any operational notice required under the Exchange Agreement or the Second Extension, other than notices of a contractual nature (Section 1 above), shall be made orally or in writing, by email, by First Class Mail, or overnight delivery service. Each Party shall deliver notice to the other Party in care of the following person and address:

If to Tacoma:

Real-time Energy Trader
3628 S 35th Street
Tacoma, WA 98409
Phone: (253) 502-8500
Email:
realtrad@cityoftacoma.org

If to Bonneville:

Real-time Scheduling
P.O. Box 491
Vancouver, WA 98666
Phone: (360) 695-2650
Email: [insert]

If by First Class Mail:

Bonneville Power Administration
P.O. Box 61409
Vancouver, WA 98666-1409

If by Overnight Delivery Service:

Bonneville Power Administration – TSE/TPP-2
905 NE 11th Avenue
Portland, OR 97232