



**COMMISSION
AGENDA MEMORANDUM**

Item No. 6e

ACTION ITEM

Date of Meeting June 23, 2020

DATE: June 1, 2020

TO: Stephen P. Metruck, Executive Director

FROM: Keith Warner, Aviation Utility Business Manager
Mike Tasker, Senior Manager – Aviation Facilities & Infrastructure
Eileen Francisco, Director of Aviation Facilities and Capital Program (acting)

SUBJECT: Power Services Supply with Bonneville Power Administration

Amount of this request: \$1,000,000

Total estimated project cost: \$1,000,000

ACTION REQUESTED

Request Commission authorization for the Executive Director to execute a power supply contract with the Bonneville Power Administration (BPA) for a portion of the electrical power requirements to the Seattle-Tacoma International Airport (Airport).

EXECUTIVE SUMMARY

Aviation Facilities & Infrastructure (F&I) is requesting authorization to execute a power supply contract for 3 megawatts of power (~15% of airport load) for a one-year period beginning October 1, 2020. This supply fulfills a contractual commitment the Port established with BPA during 2018 to acquire this additional power from non-Federal resources. The balance of the airport power needs (~85%) during this term will continue to be supplied with Federal resources provided by the BPA.

While this 3-megawatt resource could be acquired from any generation source, a study of the market determined that for the advantages of cost, environmental attributes and streamlined contract administration, the best option is to acquire these 3 megawatts from BPA's trading desk. This trading desk operates separately from the mainline BPA organization and markets excess power (including non-Federal) resources throughout the Western US and Canada.

JUSTIFICATION

The additional acquisition of the 3 average megawatts (aMW) of power supply provides full power supply through the BPA system, streamlining forecasting, scheduling and billing requirements. This power supply will meet or exceed BPA portfolio mix which is ~95% carbon free.

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Diversity in Contracting

Not applicable.

DETAILS

The BPA has been the sole power provider to the Airport since 2001 and the parties have a power supply contract in-force through September 2028. That base contract allows for the Port to receive preference BPA power up to the threshold of 17.1 average megawatts (aMW) annually. A Port load forecast in mid-2018 indicated that with anticipated airport growth this 17.1 aMW threshold would be exceeded by 3 aMW beginning in Oct 2020. The Airport notified BPA of this additional power requirement and committed that it would acquire the 3 aMW outside of the Federal power system rather than through BPA. Consistent with the Century Agenda, this additional power was targeted to be acquired from renewable sources. This external load commitment was factored into the BPA rate case for that specific rate period.

Since that time in mid-2018, on-going conservation efforts at the airport and updated forecasts no longer indicate the need for much if any of the 3aMW beginning in Oct 2020. Additionally, acquiring non-Federal based power requires additional staff for power forecasting, balancing and procurement. As a result, in coordination with key stakeholders, the Airport Utilities department notified BPA in Oct 2019 that it would provide the 3 aMW for a one-year period, but beyond that, would return to a full requirements customer of BPA where all power requirements are fulfilled through the BPA base contract. This authorization allows the BPA trading desk to provide the 3amw power supply through their integrated structure.

Scope of Work

Provide 3 Megawatts of firm power, scheduled and delivered to airport substations for the period of Oct 1, 2020 through Sep 30, 2021.

Schedule

Activity

Commission authorization	June 2020
Agreement Execution	July 2020
Delivery Commences	Oct 1, 2020

ALTERNATIVES AND IMPLICATIONS CONSIDERED

Alternative 1 – Acquire additional power supply from wholesale market

Cost Implications:

Pros:

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- (1) Possible choice of power supply characteristics

Cons:

- (1) Higher unit cost for equivalent clean resources
- (2) Limited market interest in small, one-year power contract
- (3) Requires rapid development and release of RFP and contract negotiations, exercising outside legal support.
- (4) Requires additional Port staff time to manage multiple contracts and hourly forecasting.

This is not the recommended alternative.

Alternative 2 – Execute a 3 aMW power contract with BPA.

Cost Implications: \$1,000,000

Pros:

- (1) Provides reliable, clean power at competitive firm fixed price rates.
- (2) Single entity (BPA) providing power supply, transmission and ancillary services rather than coordinating through multiple parties
- (3) Working directly with BPA for this limited portion of the Airport power supply is more efficient and at lower cost than engaging through another counter-party.

Cons:

- (1) Administrative effort will be required to forecast hourly power requirements for one-year period.

This is the recommended alternative.

FINANCIAL IMPLICATIONS

Annual Budget Status and Source of Funds

The cost under this contract are included in the annual operating budget. The approved 2020 operating expense budget included the electrical supply in amount of \$7,649,972. This authorization for approximately 15% of the Airport power supply lies within the budgeted amount. The funding source would be the Airport Development Fund.

ATTACHMENTS TO THIS REQUEST

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None