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TACOMA PUBLIC UTILITIES

January 31, 2007

ELECTRONIC FILING

Ms. Magalie Roman Salas, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Re: Tacoma Narrows Tidal Energy Project, FERC No. 12612-000
City of Tacoma (dba Tacoma Power), Washington State
Progress Report # 2

Dear Secretary Salas,

Tacoma Power is please to submit the second six-month progress report on the Tacoma Narrows Tidal Energy Project, as required in Article 4 of the preliminary permit granted for project 12612-000 on February 22, 2006.

Should you have any questions about the contents of this report or our activities on the Tacoma Narrows Tidal Energy Project, please contact Chris Robinson at 253-502-8282.

Sincerely,

Chris Robinson
Project Manager

Enclosure: Tacoma Narrows Tidal Energy Project, 2nd Progress Report

cc: Federal Energy Regulatory Commission, Portland Regional Office;
Distribution List

**TACOMA NARROWS TIDAL ENERGY PROJECT
FERC NO. 12612**

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**Project No. 12612- Washington
Tacoma Narrows Tidal Energy Project
Tacoma Power**

**Progress Report #2
January 31, 2007**

Tacoma Power submitted an application for a preliminary permit for the development of a tidal energy project in the Tacoma Narrows, located in Puget Sound in northwestern Washington, on September 15, 2005 (Tacoma Power 2005). The Federal Energy Regulatory Commission (Commission) issued the preliminary permit on February 22, 2006. The terms of the preliminary permit require that Tacoma Power file a progress report every six months that describes the activities undertaken to determine the feasibility of the proposed project. This filing constitutes the second progress report under Preliminary Permit No. 12612.

During the first six-month period under this preliminary permit, Tacoma Power worked with the Electric Power Research Institute (EPRI) to complete a concept level evaluation of possible installation sites, equipment, environmental considerations, permitting requirements, and performance and cost estimates for both a pilot installation and a future commercial scale plant. The results of this initial concept level evaluation were reported in the first progress report that was filed with the Commission on July 31, 2006.

The activities over the past six-month period, and those scheduled to occur during the upcoming six-month period, are described below.

Consultant Selection

Tacoma Power reviewed the results of the concept level evaluation performed in coordination with EPRI, which indicated that the Point Evans site showed significant promise for a tidal generating project. In addition, other available reports on tidal power technology, economics, and environmental and regulatory issues were reviewed to determine what outside services would be required over the course of the continuing feasibility investigations of the Tacoma Narrows.

On October 11, 2006, Tacoma Power issued a Request for Proposals (RFP) for engineering and economic services related to the siting of a pre-commercial tidal generator in the Tacoma Narrows. The scope of the October 2006 RFP called for review and comment on the recommendations presented in the EPRI report, as well as site-specific studies of the hydraulics and hydrodynamics in the Narrows, evaluation of current tidal generating equipment, construction and permitting cost estimates, and an economic analysis of potential generation. Puget Sound Tidal Power LLC was selected to conduct the next phase of the feasibility assessment of tidal power generation in the Tacoma Narrows in early January. Contract negotiations are currently underway. It is anticipated that a contract will be in place by the end of February.

Financial Partnerships

Tidal power, although considered a potential future power source for many years, is in its infancy as a practical consideration. Of the tidal turbines reported to be available for installation, very few have been tested in a long-term application. Of those in operation for any period of time, most are installed in environments that differ from those found in the Tacoma Narrows.

Site-specific investigations of the suitability of the Tacoma Narrows, or any other area within Puget Sound, for a tidal array have not been conducted to-date. Because of the extensive and high-cost studies that must be conducted, Tacoma Power has been looking at outside financial partnerships or funding to assist with the next phase of the feasibility assessment.

Private equity firms have expressed some interest in the potential project. Informal discussions have also taken place among regional utilities interested in the development of tidal or ocean energy projects about current technology, facility siting constraints, and cost sharing. We are hopeful that this type of discussion will continue, but doubtful that any cooperative agreements will be put in place in the near term.

Tacoma Power has also been contacted by the U.S. Department of Agriculture's Rural Development Grant Program. Grants may be available to public entities that develop local utilities or renewable energy projects that benefit low income communities or with a population base of 20,000 or less. Until all engineering, economic, environmental and regulatory studies are conducted and a site is selected, it is not possible to determine whether this program will be applicable to a Tacoma Narrows tidal project.

In mid-December 2006, the Bonneville Power Administration (BPA) issued a solicitation for proposals to identify technology gaps and strategies to minimize potential environmental impacts associated with the research and development of utility scale wind, ocean wave and in-stream tidal opportunities in the northwestern United States. Tacoma Power responded to this solicitation on January 19, 2007, with a proposal to investigate the in-stream tidal opportunities and constraints within the Tacoma Narrows. If Tacoma Power is successful in obtaining some level of funding from BPA, the information gathered in support of the Tacoma Narrows Tidal Energy Project will also serve to inform a region-wide strategy for the development of tidal power.

Consultation

Tacoma Power has not yet begun a formal consultation process for the Tacoma Narrows Tidal Energy Project. We believe it is prudent to gather information on the currents and hydraulics within the Tacoma Narrows before making a decision to proceed with the process. If conditions are found that support additional investigation into site selection, technological and economic feasibility, and evaluation of environmental effects, Tacoma Power will fully engage in consultation with the resource agencies and other interested stakeholders.

National Marine Fisheries Service (NMFS) expressed concern to the Commission in November 2006 that Tacoma Power was moving forward with the installation of a pilot generating unit in the Tacoma Narrows. Tacoma Power responded by letter on November 29, 2006, assuring NMFS that no action had yet been taken to install a pilot unit, nor would any action take place without full consultation with the appropriate regulatory agencies.

Future Work

Once the contract is in place with Puget Sound Tidal Power LLC, the first task assignment will be issued. This will entail the retrieval and analysis of all available current measurements previously taken within the Tacoma Narrows. Since the existing measurements were of varying durations during different years, it is anticipated that the results of the analyses will be somewhat limited; however, this historical current data will be compared with model results from the University of Washington's physical and numerical (PRISM) models. Where information gaps are identified in areas of most interest to Tacoma Power (such as within clear assess to the existing transmission system), limited modeling studies will be performed to assess the best locations to obtain the desired new current measurements. It is anticipated that new current measurements would be collected to capture the response of the currents to seasonal variations in the tide ranges and river runoff. Based on the results of this effort, a decision to proceed to the next step of selecting up to three potential pilot installation sites for additional investigation will be made.

Also during the upcoming six-month period, Tacoma Power will compile all available environmental data describing conditions within the Tacoma Narrows. The resource agencies and other stakeholders will be contacted for any assistance they can provide in identifying data or reports that might be relevant to tidal power development. A summary of the known environment within the Narrows will be prepared to facilitate consultation.

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