

Ordinance No. 120340

Council Bill No. 113633

The City of Seattle
Council Bill/Ordinance

AN ORDINANCE relating to the City Light Department; authorizing the Department to enter into long-term power purchase contracts; and amending Seattle Municipal Code Section 21.49.130.

4/19/01 Energy
2001

CF No. _____

Date Introduced:	<u>APR 16 2001</u>	
Date 1st Referred:	To: (committee)	<u>Energy & Environmental Policy Committee</u>
Date Re- Referred:	To: (committee)	
Date Re- Referred:	To: (committee)	
Date of Final Passage:	<u>4-23-01</u>	
Date Presented to Mayor:	Date Approved:	<u>4-30-01</u>
Date Returned to City Clerk:	Date Published:	<u>5pp</u>
Date Vetoes by Mayor:	Date Veto Published:	T.O. <input checked="" type="checkbox"/> E.T. <input type="checkbox"/>
Date Passed Over Veto:	Veto Sustained:	

4-23-01 RASSE

This file is complete and ready

Law Department

Law Dept. Review

Council Bill/Ordinance sponsored by: _____

Councilmember

Committee Action:

4/19/01 Energy and Environmental Policy Committee

(passed as amended
RC, Hd, JC, MP 4-0)

-23-01 Passed 9-0

This file is complete and ready for presentation to Full Council. Committee: _____

(Initial/Date)

Law Department

Law Dept. Review

OMP
Review

City Clerk
Review

Electronic
Copy Loaded

Indexed

Handwritten notes: "Law Dept. Review" and "Electronic Copy Loaded" with a circled 'S' and other illegible scribbles.

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ORDINANCE 120340

1
2 AN ORDINANCE relating to the City Light Department; authorizing the Department to enter into long-
3 term power purchase contracts; and amending Seattle Municipal Code Section 21.49.130.

4 WHEREAS, the City Light Department has been delegated continuing authority to enter into power
5 supply contracts of up to eighteen months duration; and

6 WHEREAS, the City Light Department has been required to seek specific ordinance authority to enter
7 into any longer term power purchase contracts; and

8 WHEREAS, severe power shortages in the entire west coast region have developed as a result of poor
9 water conditions and issues related to the failed "deregulation" structure in California; and

10 WHEREAS, as a result of these conditions, sellers of contract power are unwilling to even discuss
11 power delivery contracts of less than five-year duration without preexisting authority to enter
12 into those contracts, and are unwilling to lock in a price quote during the one – two months it
13 would take for City Light to secure authorization by ordinance for such a contract; and

14 WHEREAS, the rates per MW available in long-term power purchase contracts are substantially lower
15 than the exceedingly high short term power purchase rates; and

16 WHEREAS, City Light will be better able to best manage around this west coast power shortage crisis,
17 and other short term price spikes that may later occur from time to time, by having the
18 continuing authority and flexibility to enter into longer term power purchase contracts of a
19 limited amount; Now Therefore,

20 BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

21 Section 1. Seattle Municipal Code Section 21.49.130 is hereby amended to read as follows:

22 **21.49.130 Authority.**

23 A. The Department shall have the authority to interpret the provisions of this chapter where
24 necessary to implement and enforce its terms and provisions, provided, however, such interpretation shall
be consistent with the intent of the City Council in setting the rates and terms and conditions for the use of
the electric service provided under this chapter and shall not expand the scope and authority contained
therein.



1 B. Rule-making and Contract Authority.

2 1. The Department shall have authority to adopt and file as appropriate rules, regulations, policies,
3 and procedures relating to its performance of the provisions of this chapter and to the operation of the
4 Department's light and power system. The Department may require compliance with such rules, regulations,
5 policies and procedures as a condition for the supply or continued supply of electric service.

6 2. Upon determining availability or necessity for purchase, or a short-term surplus of nonfirm
7 energy, the Department may enter into contracts with any city or town, public utility district, governmental
8 agency, municipal corporation, mutual association, broker, agent, or with any person, firm, or corporation,
9 or any other member of the general public, outside its service area, terminable on not more than eighteen
10 (18) months' notice, providing for the acquisition, exchange or sale of energy on terms most favorable to the
11 Department under such circumstances and in compliance with state law, including RCW 43.09.210. Such
12 sale or exchange shall be made on a basis representing the value of such energy under existing market
13 conditions.

14 3. The Department may enter into or amend agreements with the Bonneville Power Administration
15 providing for reimbursements from Bonneville of some or all of the costs of operating energy conservation
16 programs authorized by the City Council. The Department shall determine that such agreements or
17 amendments to such agreements shall not incur any indebtedness or the acceptance of moneys imposing
18 any duties or obligations on the City which are inconsistent with the Department's budget appropriation for
19 such energy conservation programs. The Department shall provide a written notification prior to the
20 execution of such contracts and a copy of such contracts to the appropriate authorizing committee of the
21 City Council.

22 4. In addition to the authority provided in subsection B.2 above, the Department, upon approval of
23 each such contract by Council resolution, also shall have the authority through April 1, 2002, to enter into
24



1 longer-term power purchase or exchange contracts with any city or town, public utility district,
2 governmental agency, municipal corporation, mutual association, broker, agent, or with any person, firm, or
3 corporation, or any other member of the general public, either inside or outside its service area. Each such
4 contract shall have a term of not more than seven years. The combined total of all long-term contracts
5 entered into by the Department pursuant to the authority of this subsection may not exceed an average
6 of 100 MW at any one time.

7
8 C. Contracts and Authorized Agents. The Department may also enter into contracts of a general
9 nature relating to the utility system. No promise, agreement, or representation of any employee or agent of
10 the Department with reference to furnishing electricity shall be binding on the Department unless it is
11 embodied in writing and signed by a duly authorized agent of the Department in accordance with the
12 provisions of this chapter.

13
14 D. Authority to Interrupt Service. The Department shall have the authority to restrict the use of
15 loads and/or services during scheduled maintenance outages and during periods of emergency when the
16 Department determines that the continued use of the loads would jeopardize the Department's generation,
17 transmission, or distribution system.

18
19 E. Special Service Charges and Interest Charges. The Department may add service charges or may
20 separately bill customers to recover certain administrative, investigative and collection expenses in addition
21 to any civil fine or forfeiture imposed under Section 21.49.140. These may include but are not limited to
22 dishonored checks; field calls on delinquent accounts; service disconnections and reconnections resulting
23 from City ordinance violations or failure to pay; and field calls, lab tests and office work involved in
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1 detecting, reporting, investigating and correcting cases of current diversion. The Department may also add
2 interest charges on delinquent customer accounts and for other services including, but not limited to, C-bills
3 and bills for damage. The Department may develop a standard per month charge for accounts that are too
4 small to economically calculate interest. Such interest charges or standard charges may be added to the bill
5 for each month or part thereof that the bill is delinquent. The Department shall have authority to bill for
6 interest charges applied to the value of diverted current or unbilled service used during a billing period or
7 periods, with interest charges beginning to run on the established due date for each billing period during
8 which current was diverted or unbilled. Interest charged is to be at the statutory nominal percentage rate,
9 compounded monthly.

10
11 F. Recovery of Service Disconnection Costs. The Department shall have the authority to establish
12 and collect service disconnection charges based on cost when such charges are adopted pursuant to and in
13 accordance with the provisions of the Administrative Code (Seattle Municipal Code Chapter 3.02,
14 Ordinance 102228, as amended). If service is disconnected for any violation of the provisions of this
15 chapter, a service disconnection charge shall be added to the account. If service is disconnected at the
16 request of a customer or property owner, a service disconnection charge shall be billed to the customer or
17 property owner making the request, unless the service is disconnected when the purpose is to maintain
18 service entrance equipment or enhance its safety. If service is disconnected for failure to pay bills when due,
19 the service shall not be restored until payment in full has been received by the Department, or satisfactory
20 arrangements have been made for payment of all charges. Reconnection cannot be assured on the same day
21 payment is made.

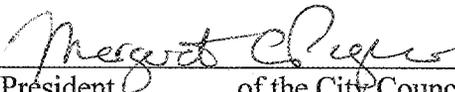


1 G. Equipment Rental. The Department shall have authority to sell, rent, lease, construct, install,
2 operate, and/or service material, supplies, facilities, appliances, or equipment for the use or conservation of
3 electricity. The Department may also establish and collect charges based on cost, conservation, and/or the
4 use of electricity and enter into related agreements. Any agreements entered into or charges made prior to
5 the effective date of the ordinance codified in this chapter are ratified and confirmed.

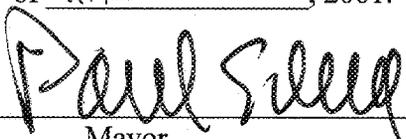
6
7 Section 2. Any act taken in furtherance of this ordinance prior to its effective date is hereby ratified
8 and confirmed.

9
10 Section 3. This ordinance shall take effect and be in force thirty (30) days from and after its
11 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after
12 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

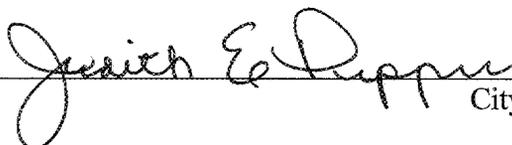
13 Passed by the City Council the 23rd day of April, 2001, and signed by me in open
14 session in authentication of its passage this 21st day of April, 2001.

15
16 
President _____ of the City Council

17 Approved by me this 30th day of APRIL, 2001.

18
19 
Mayor _____

20
21 Filed by me this 15th day of May, 2001.

22
23 
City Clerk _____

24





City of Seattle

Paul Schell, Mayor

Seattle City Light

Gary Zarker, Superintendent

April 10, 2001

The Honorable Margaret Pageler, President
Seattle City Council
600 Fourth Avenue
11th Floor, Municipal Building
Seattle, WA 98104-1873

via: Joan Walters, Director
City Budget Office

Dear Councilmember Pageler:

Ordinance authorizing Seattle City Light to enter into long-term energy contracts

Attached, please find a proposed ordinance that will provide authority for Seattle City Light to enter into long-term contracts for the purchase of energy. This ordinance would allow City Light to enter into long-term contracts of up to seven years. Currently, Seattle City Light has the authority to enter into contracts for the purchase of energy for up to 18 months. While this provision has served the City well in the past, the current wholesale power situation requires increased flexibility to manage our power purchases in the future.

Forward energy prices are considerably more expensive when purchased for 18-month blocks. Prices for 5 to 7 year agreements appear to be more reasonable and could provide significant benefit to Seattle City Light in the immediate future. However, we are now precluded from pursuing any of these arrangements because of the 18 month limitation.

Prior to this energy crisis, we did not routinely use agreements longer than 18 months as a vehicle for closing short-term resource gaps. Historically, given our hydroelectric resources and a stable, low cost electricity market, we viewed the costs of longer term contracts as too high when compared to the spot market, or the value of our own non firm resources for filling short term energy deficits. The unprecedented nature of this crisis forces us to rethink that position. While the authority to enter into longer-term contracts is by no means the total solution to our response to this energy crisis, it does provide another tool for us as we continue to manage the utility in these unprecedented times.

700 Fifth Avenue, Suite 3300, Seattle, WA 98104-5031

Tel: (206) 684-3000, TDD: (206) 684-3225, Fax: (206) 625-3709

An equal employment opportunity, affirmative action employer. Accommodations for people with disabilities provided upon request.

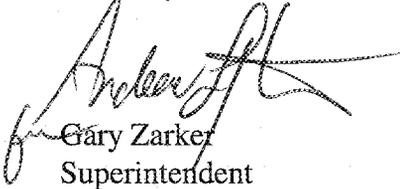


The Honorable Margaret Pageler, President
April 10, 2001
Page 2

There will continue to be uncertainty and risk as we move forward. Without the preexisting authority to enter into longer term contracts, sellers have not been willing to engage us in discussions of the details of quantity and pricing. What we need is the authority to act swiftly on a longer term arrangement should one present itself. The assistance the Council has provided has been invaluable to the utility and has been of great benefit to our customer owners. I am committed to continue to work together with the Council as we face the challenges ahead. Consequently, I want to assure you that before using this authority, we will fully brief the Mayor and Council on the advantages and risks of entering into a contract of this nature.

I hope you will look favorably on the ordinance. I am available to answer any questions you might have, or if you need additional information.

Sincerely,



Gary Zarker
Superintendent

GZ:AL

cc: with enclosure
Mayor Paul Schell
Jim Echert, CBO
Thomas Dunlap, CBO



OK
4/10/01

ORDINANCE _____

AN ORDINANCE relating to the City Light Department; authorizing the Department to enter into long-term power purchase contracts; and amending Seattle Municipal Code Section 21.49.130.

WHEREAS, the City Light Department has been delegated continuing authority to enter into power supply contracts of up to eighteen months duration; and

WHEREAS, the City Light Department has been required to seek specific ordinance authority to enter into any longer term power purchase contracts; and

WHEREAS, severe power shortages in the entire west coast region have developed as a result of poor water conditions and issues related to the failed "deregulation" structure in California; and

WHEREAS, as a result of these conditions, sellers of contract power are unwilling to even discuss power delivery contracts of less than five-year duration without preexisting authority to enter into those contracts, and are unwilling to lock in a price quote during the one - two months it would take for City Light to secure authorization by ordinance for such a contract; and

WHEREAS, the rates per MW available in long-term power purchase contracts are substantially lower than the exceedingly high short term power purchase rates; and

WHEREAS, City Light will be better able to best manage around this west coast power shortage crisis, and other short term price spikes that may later occur from time to time, by having the continuing authority and flexibility to enter into longer term power purchase contracts of a limited amount; Now Therefore,

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1 B. Rule-making and Contract Authority.

2 1. The Department shall have authority to adopt and file as appropriate rules, regulations, policies,
3 and procedures relating to its performance of the provisions of this chapter and to the operation of the
4 Department's light and power system. The Department may require compliance with such rules, regulations,
5 policies and procedures as a condition for the supply or continued supply of electric service.

6 2. Upon determining availability or necessity for purchase, or a short-term surplus of nonfirm
7 energy, the Department may enter into contracts with any city or town, public utility district, governmental
8 agency, municipal corporation, mutual association, broker, agent, or with any person, firm, or corporation,
9 or any other member of the general public, outside its service area, terminable on not more than eighteen
10 (18) months' notice, providing for the acquisition, exchange or sale of energy on terms most favorable to the
11 Department under such circumstances and in compliance with state law, including RCW 43.09.210. Such
12 sale or exchange shall be made on a basis representing the value of such energy under existing market
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19 such energy conservation programs. The Department shall provide a written notification prior to the
20 execution of such contracts and a copy of such contracts to the appropriate authorizing committee of the
21 City Council.

22 4. In addition to the authority provided in subsection B.2 above, the Department also shall have the
23 authority to enter into longer-term power purchase or exchange contracts with any city or town, public
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1 utility district, governmental agency, municipal corporation, mutual association, broker, agent, or with any
2 person, firm, or corporation, or any other member of the general public, either inside or outside its service
3 area. Each such contract shall have a term of not more than seven years and the combined total of all long-
4 term contracts entered into by the Department pursuant to the authority of this subsection may not exceed
5 300 MW at any one time.

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7 C. Contracts and Authorized Agents. The Department may also enter into contracts of a general
8 nature relating to the utility system. No promise, agreement, or representation of any employee or agent of
9 the Department with reference to furnishing electricity shall be binding on the Department unless it is
10 embodied in writing and signed by a duly authorized agent of the Department in accordance with the
11 provisions of this chapter.

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15 Department determines that the continued use of the loads would jeopardize the Department's generation,
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1 electricity. The Department may also establish and collect charges based on cost, conservation, and/or the
2 use of electricity and enter into related agreements. Any agreements entered into or charges made prior to
3 the effective date of the ordinance codified in this chapter are ratified and confirmed.

4
5 Section 2. Any act taken in furtherance of this ordinance prior to its effective date is hereby ratified
6 and confirmed.

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8 Section 3. This ordinance shall take effect and be in force thirty (30) days from and after its
9 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after
10 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

11 Passed by the City Council the ____ day of _____, 2001, and signed by me in open
12 session in authentication of its passage this ____ day of _____, 2001.

13
14 _____
President _____ of the City Council

15 Approved by me this ____ day of _____, 2001.

16
17 _____
Mayor

18
19 Filed by me this ____ day of _____, 2001.

20
21 _____
City Clerk

22 (Seal)

ORDINANCE _____

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WHEREAS, the City Light Department has been delegated continuing authority to enter into power supply contracts of up to eighteen months duration; and

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16
17 _____
Mayor

18
19 Filed by me this ____ day of _____, 2001.

20
21 _____
City Clerk

22 (Seal)



STATE OF WASHINGTON – KING COUNTY

--SS.

130997
City of Seattle, Clerk's Office

No. FULL ORD

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:120340 ORDINANCE FULL

was published on

05/09/01

Joel Fedman

Subscribed and sworn to before me on

05/10/01

Melissa M. Paschke

Notary public for the State of Washington,
residing in Seattle

Affidavit of Publication



State of Washington, King County

City of Seattle

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WHEREAS, the City Light Department has been delegated continuing authority to enter into power supply contracts of up to eighteen months duration; and

WHEREAS, the City Light Department has been required to seek specific ordinance authority to enter into any longer term power purchase contracts; and

WHEREAS, severe power shortages in the entire west coast region have developed as a result of poor water conditions and issues related to the failed "deregulation" structure in California; and

WHEREAS, as a result of these conditions, sellers of contract power are unwilling to even discuss power delivery contracts of less than five-year duration without preexisting authority to enter into those contracts, and are unwilling to lock in a price quote during the one-two months it would take for City Light to secure authorization by ordinance for such a contract; and

WHEREAS, the rates per MW available in long-term power purchase contracts are substantially lower than the exceedingly high short-term power purchase rates; and

WHEREAS, City Light will be better able to best manage around this west coast power shortage crisis, and other short-term price spikes that may later occur from time to time, by having the continuing authority and flexibility to enter into longer-term power purchase contracts of a limited amount. Now Therefore,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Seattle Municipal Code Section 21.49.130 is hereby amended to read as follows:

21.49.130 AUTHORITY.

A. The Department shall have the authority to interpret the provisions of this chapter where necessary to implement and enforce its terms and provisions, provided, however, such interpretation shall be consistent with the intent of the City Council in setting the rates and terms and conditions for the use of the electric service provided under this chapter and shall not expand the scope and authority contained therein.

B. Rule-making and Contract Authority.

1. The Department shall have authority to adopt and file as appropriate rules, regulations, policies, and procedures relating to its performance of the provisions of this chapter and to the operation of the Department's light and power system. The Department may require compliance with such rules, regulations, policies and procedures as a condition for the supply or continued supply of electric service.

2. Upon determining availability or necessity for purchase, or a short-term surplus of nonfirm energy, the Department may enter into contracts with any city or town, public utility district, governmental agency, municipal corporation, mutual association, broker, agent, or with any person, firm, or corporation, or any other member of the general public, outside its service area, terminable on not more than eighteen (18) months' notice, providing for the acquisition, exchange or sale of energy on terms most favorable to the Department under such circumstances and in compliance with state law, including RCW 43.09.210. Such sale or exchange shall be made on a basis representing the value of such energy under existing market conditions.

3. The Department may enter into or amend agreements with the Bonneville Power Administration providing for reimbursements from Bonneville of some or all

during periods of emergency when the Department determines that the continued use of the loads would jeopardize the Department's generation, transmission, or distribution system.

E. Special Service Charges and Interest Charges. The Department may add service charges or may separately bill customers to recover certain administrative, investigative and collection expenses in addition to any civil fine or forfeiture imposed under Section 21.49.140. These may include but are not limited to dishonored checks; field calls on delinquent accounts; service disconnections and reconstructions resulting from City ordinance violations or failure to pay; and field calls, lab tests and office work involved in detecting, reporting, investigating and correcting cases of current diversion. The Department may also add interest charges on delinquent customer accounts and for other services including, but not limited to, C-bills and bills for damage. The Department may develop a standard per month charge for accounts that are too small to economically calculate interest. Such interest charges or standard charges may be added to the bill for each month or part thereof that the bill is delinquent. The Department shall have authority to bill for interest charges applied to the value of diverted current or unbilled service used during a billing period or periods, with interest charges beginning to run on the established due date for each billing period during which current was diverted or unbilled. Interest charged is to be at the statutory nominal percentage rate, compounded monthly.

F. Recovery of Service Disconnection Costs. The Department shall have the authority to establish and collect service disconnection charges based on cost when such charges are adopted pursuant to and in accordance with the provisions of the Administrative Code (Seattle Municipal Code Chapter 3.02, Ordinance 102228, as amended). If service is disconnected for any violation of the provisions of this chapter, a service disconnection charge shall be added to the account. If service is disconnected at the request of a customer or property owner, a service disconnection charge shall be billed to the customer or property owner making the request, unless the service is disconnected when the purpose is to maintain service entrance equipment or enhance its safety. If service is disconnected for failure to pay bills when due, the service shall not be restored until payment in full has been received by the Department, or satisfactory arrangements have been made for payment of all charges. Reconnection cannot be assured on the same day payment is made.

G. Equipment Rental. The Department shall have authority to sell, rent, lease, construct, install, operate, and/or service material, supplies, facilities, appliances, or equipment for the use or conservation of electricity. The Department may also establish and collect charges based on cost, conservation, and/or the use of electricity and enter into related agreements. Any agreements entered into or charges made prior to the effective date of the ordinance codified in this chapter are ratified and confirmed.

Section 2. Any action taken in furtherance of this ordinance prior to its effective date is hereby ratified and confirmed.

Section 3. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

Passed by the City Council the 23rd day of April, 2001, and signed by me in open session in authentication of its passage this 23rd day of April, 2001.

MARGARET PAGELEN,
President of the City Council.
Approved by me this 30th day of April, 2001.

PAUL SCHELL,
Mayor.
Filed by me this 1st day of May, 2001.