

Ordinance No. 121416

Council Bill No. 114799

AN ORDINANCE relating to the City Light Department; authorizing the Superintendent to enter into two Replacement Interruptibility Contracts with Nucor Steel Seattle, Inc. ("Nucor"), for the provision of interruptible power to Nucor's 26KV Plant Service and to its Arc Furnace Service.

CF No. _____

Date Introduced:	<u>1/26/04</u>	
Date 1st Referred:	<u>1/26/04</u>	To: (committee) <u>Energy and Environmental Policy</u>
Date Re - Referred:		To: (committee)
Date Re - Referred:		To: (committee)
Date of Final Passage:	<u>3-15-04</u>	Full Council Vote: <u>6-3</u>
Date Presented to Mayor:	<u>3-16-04</u>	Date Approved: <u>3/19/04</u>
Date Returned to City Clerk:	<u>3/19/04</u>	Date Published: <u>pg 4</u>
Date Vetoes by Mayor:		T.O. <input checked="" type="checkbox"/> F.T. <input type="checkbox"/>
Date Vetoes by Mayor:		Date Veto Published:
Date Passed over Veto:		Veto Sustained:

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: GODDEN, COMPTON, LICATA, CONLIN

Committee Action:

3/10/04 DO PASS AS AMENDED / SUBS
34-2N; GODDEN, COMPTON, LICATA, CONLIN

3-15-04 Passed 6-3

(No: Conlin, Licata, Steen)

This file is complete and ready for presentation to Full Council. Com

LAW DEPARTMENT

Law Dept. Review

OMP
Review

City Clerk
Review

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: Godden

Councilmember

Committee Action:

3/10/04 DO PASS AS AMENDED / SUBSTITUTE CONTRACTS
34-2N; GODDEN, COMPTON, DELLA-Y
LICATA, CONLIN-N

3-15-04 Passed 6-3

(No: Conlin, Licata, Sternbush)

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

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ORDINANCE 121416

AN ORDINANCE relating to the City Light Department; authorizing the Superintendent to enter into two Replacement Interruptibility Contracts with Nucor Steel Seattle, Inc. ("Nucor"), for the provision of interruptible power to Nucor's 26KV Plant Service and to its Arc Furnace Service.

WHEREAS, Birmingham Steel Corporation – Seattle Division and Seattle City Light entered into two Interruptibility Contracts effective January 13, 2002, pursuant to Ordinance 120667; and

WHEREAS, Birmingham Steel was the only High Demand customer to avail itself of the interruptible option provided by Ordinance 120667; and

WHEREAS, Nucor assumed both Interruptibility Contracts in purchasing the Seattle assets of Birmingham Steel through a bankruptcy proceeding; and

WHEREAS, Seattle City Light and Nucor have agreed that Nucor shall have the option of prepaying certain payments related to the extraordinary power cost adjustments listed in the Interruptibility Contracts by paying to Seattle City Light \$9 million, and in the event Nucor elects such option Nucor and Seattle City Light shall enter into two revised Interruptibility Contracts that will, among other things, provide and expanded interruptible flexibility to Seattle City Light in return for an extension of an interruptible rate modified to reflect such prepayment; and

WHEREAS, the agreements authorized by this ordinance are specific to current circumstances and the unique relationship between City Light and Nucor Steel, and do not represent a general shift in the City's long-term rate-setting objectives and electric rate policies; and

WHEREAS, Nucor Steel has provided Council with a written commitment to invest more than \$2 million in its Seattle facility, once the attached contracts are approved; and

WHEREAS, Council requests that as part of the upcoming rate-setting process City Light and the City Light Rates Advisory Committee assess how City Light's industrial rates might be re-structured in order to help sustain City Light's long-standing industrial customer base; and

WHEREAS, Council requests that the aforementioned assessment include a study of the benefits provided by interruptible service options, and the development and recommendation of these and other comparable service options, which can provide benefits to both City Light and its industrial customers (including Nucor) without affecting the rates faced by other customer classes; and

WHEREAS, Council requests that the aforementioned assessment also include an evaluation of how changes in industrial rates that are not linked to new service options would influence City Light's other rates, and that any associated recommendations concerning changes not linked to new service options include (1) include a consideration of the potential economic impacts on other ratepayers, and (2) balance existing rate setting objectives regarding equitable cost allocation and economic development, as identified in Resolution 28004;

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1 **NOW, THEREFORE,**

2 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

3 Section 1. Should Nucor elect to exercise the option described in the recitals above, the
4 Superintendent of the City Light Department is hereby authorized to execute two agreements with
5 Nucor, substantially in the form of the agreements attached to this ordinance entitled,
6 "REPLACEMENT INTERRUPTIBILITY CONTRACT BETWEEN NUCOR STEEL SEATTLE,
7 INC., 26 KV PLANT SERVICE, AND SEATTLE CITY LIGHT" and "REPLACEMENT
8 INTERRUPTIBILITY CONTRACT BETWEEN NUCOR STEEL SEATTLE, INC., ARC FURNACE
9 SERVICE, AND SEATTLE CITY LIGHT."

10 Each of these contracts reflect Nucor's exercise of the prepayment option to Seattle City Light of
11 lump sum amounts in advance of the time that such amounts might otherwise be owing pursuant to the
12 prior contracts. In addition, Seattle City Light will be provided expanded interruptible options. In
13 return Nucor will be granted an extension of a modified interruptible rate through December 31, 2004.
14 As further consideration for extending this modified interruptible rate, Nucor also agrees to pay an
15 additional "extraordinary power cost adjustment" calculated as specified in the two Replacement
16 Interruptibility Contracts. Nucor Corporation, Inc., further agrees to pay Seattle City Light the
17 extraordinary power cost adjustment, even if Nucor Steel Seattle, Inc., ceases to purchase power from
18 Seattle City Light.

19
20 Section 2. Should Nucor elect to exercise the option described in the recitals above , the rates
21 and other payment provisions applicable to Nucor pursuant to the two Replacement Interruptibility
22 Contracts authorized by this ordinance shall supercede any rates that would otherwise apply pursuant to
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1 the HDI (High Demand Interruptible) schedule within SMC 21.49.058, as adopted by Ordinance
2 120667.

3 Section 3. During the term of the attached contracts, City Light shall provide to Council, on a
4 monthly basis, a written status report including the following information:

- 5 1. A summary of the total number of hours market prices exceeded the \$51 per Mega-Watt hour
6 trigger price;
- 7 2. The number of opportunities City Light had to interrupt service to Nucor Steel (to either the arc
8 furnace or the plant), given the terms of the contracts;
- 9 3. The number of times service to Nucor Steel was interrupted or that Nucor Steel chose to pay the
10 'buy-through' price established in the attached contracts;
- 11 4. An explanation for any difference between items 2 and 3; and

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1 5. An accounting of any additional revenues that resulted from interruption or 'buy-through' during
2 the month in question.

3 This report will be provided during the second week of each following month.

4 Section 4. Any acts taken in furtherance of this ordinance, prior to its effective date, including
5 execution of the two referenced contracts, are hereby ratified and confirmed.

6 Section 5. This ordinance shall take effect and be in force thirty (30) days from and after its
7 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after
8 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

9 Passed by the City Council the 15th day of March, 2004 and signed by me in open session
10 in authentication of its passage this 15th day of March, 2004

11 Jan Dragg
12 President of the City Council

13 Approved by me this 19 day of March, 2004
14 Gregory J. Nickels
15 Gregory J. Nickels, Mayor

16 Filed by me this 19th day of March, 2004
17 Deborah E. Phipps
18 City Clerk

19 Attachment A: REPLACEMENT INTERRUPTIBILITY CONTRACT BETWEEN NUCOR STEEL
SEATTLE, INC., 26 KV PLANT SERVICE, AND SEATTLE CITY LIGHT

20 Attachment B: REPLACEMENT INTERRUPTIBILITY CONTRACT BETWEEN NUCOR STEEL
SEATTLE, INC., ARC FURNACE SERVICE, AND SEATTLE CITY LIGHT

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ATTACHMENT A
REPLACEMENT INTERRUPTIBILITY CONTRACT
BETWEEN
NUCOR STEEL SEATTLE, INC.
26 KV PLANT SERVICE
AND
SEATTLE CITY LIGHT

WHEREAS, Seattle Ordinance 120667 provided for High Demand General Service Customers to enter into an interruptibility contract with Seattle City Light and, in return, be billed under the HDI rate schedule; and

WHEREAS, Birmingham Steel Corporation – Seattle Division and Seattle City Light entered into an 26 kV Plant Service Interruptibility Contract effective January 13, 2002, pursuant to Ordinance 120667; and

WHEREAS, Nucor Steel Seattle, Inc. ("Nucor") assumed the 26 kV Plant Service Interruptibility Contract in purchasing the Seattle assets of Birmingham Steel through a bankruptcy proceeding; and

WHEREAS, Seattle City Light and Nucor have agreed that Nucor shall have the option of prepaying certain payments related to the extraordinary power cost adjustments listed in the 26 kV Plant Service Interruptibility Contract by paying to Seattle City Light \$2.52 million, and in the event Nucor elects such option, Nucor and Seattle City Light shall enter into a revised 26 kV Plant Service Interruptibility Contract that will, among other things, provide expanded interruptible flexibility to Seattle City Light in return for an extension of an interruptible rate modified to reflect such prepayment; and

WHEREAS, by executing this agreement and making payment hereunder Nucor has exercised such option;

NOW, THEREFORE, NUCOR and SEATTLE CITY LIGHT (City Light) hereby enter into this **REPLACEMENT INTERRUPTIBILITY CONTRACT** for electricity consumed by Nucor's 26 kV Plant Service at 2424 S.W. Andover Street, Seattle, Washington this ____ day of March, 2004.

I. Term

This Contract shall be in effect from April 22, 2004 until that date when Nucor has paid City Light a lump sum extraordinary power cost adjustment pursuant to section III.B.2., below.

Upon the expiration of this contract, City Light will continue to provide electric service to Nucor through the then applicable HD tariff, or other applicable tariff, as provided for by City Ordinance.

II. Prepayment of Power Cost Adjustment

This Contract is conditioned upon, and shall not go into effect unless, Nucor has exercised its option and delivered to City Light a lump sum payment of Two Million, Five Hundred Twenty Thousand Dollars



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(\$2,520,000.00) on or before March 31, 2004. This lump sum payment of \$2.52 million represents the prepayment of the extraordinary power cost adjustment payments for the first 520,575,000 kWh consumed after the effective date of this agreement to which Nucor may otherwise have been obligated to pay under the previous Interruptibility Contract, assuming that Nucor continued to purchase power from City Light.

III. Modified, Extended HDI Rate

A. April 22, 2004 through December 31, 2004

Pursuant to this Replacement Interruptibility Contract, Nucor shall be charged the following rates for electric service for the 26 kV Plant Service from April 22, 2004 through December 31, 2004:

Energy Charges:

Peak: Energy used between six (6:00) a.m. and ten (10:00) p.m., Monday through Saturday, excluding major holidays,* at 3.62¢ per kWh

Off-peak: Energy used at all times other than the peak period at 2.86¢ per kWh

Demand Charges:

Peak: All kW of maximum demand between six (6:00) a.m. and ten (10:00) p.m., Monday through Saturday, excluding major holidays,* at \$0.40 per kW

Off-peak: All kW of maximum demand in excess of peak maximum demand, at all times other than the peak period, at \$0.17 per kW

Minimum Charge:

\$122.00 per meter per day

Major holidays excluded from the peak period are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Discounts:

Transformer losses in kWh –
 $1756 + .53285 \times \text{kW} + .00002 \times \text{kW}^2 + .00527 \times \text{kWh}$

Transformer investment –
\$0.17 per kW of monthly maximum demand

B. January 1, 2005 until a new applicable HD tariff, or other applicable tariff is established by ordinance

Pursuant to this Replacement Interruptibility Contract, Nucor shall be charged the following rates for electric service for the 26 kV Plant Service from January 1, 2005 until the effective date of a new applicable HD tariff, or other applicable tariff established by ordinance:

Energy Charges:

Peak: Energy used between six (6:00) a.m. and ten (10:00) p.m., Monday through Saturday, excluding major holidays,* at 4.31¢ per kWh



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Off-peak: Energy used at all times other than the peak period at 3.87¢ per kWh

Demand Charges:

Peak: All kW of maximum demand between six (6:00) a.m. and ten (10:00) p.m., Monday through Saturday, excluding major holidays,* at \$0.40 per kW

Off-peak: All kW of maximum demand in excess of peak maximum demand, at all times other than the peak period, at \$0.17 per kW

Minimum Charge:

\$122.00 per meter per day

Major holidays excluded from the peak period are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Discounts:

Transformer losses in kWh –
 $1756 + .53285 \times \text{kW} + .00002 \times \text{kW}^2 + .00527 \times \text{kWh}$

Transformer investment –
\$0.17 per kW of monthly maximum demand

C. When a new applicable HD tariff, or other applicable tariff is established by ordinance

1. The rates established by III A and B above shall be in effect until a new rate ordinance establishes a new applicable HD tariff, or other applicable tariff, for the 26 kV Plant load. Further the rates established by III A and B above shall not be altered by any rate adjustments resulting from a BPA pass-through or any other adjustment. When a new applicable HD tariff, or other applicable tariff, for the 26 kV Plant load is established by ordinance, Nucor shall be obligated to pay the following Extraordinary Power Cost Adjustment:

2. Extraordinary Power Cost Adjustment.

An extraordinary power cost adjustment shall be calculated according to the following method: (Step 1) A total amount shall be calculated applying all charges in effect for the Nucor 26 kV Plant Service when a new applicable HD tariff, or other applicable tariff is established by ordinance against the electric service provided to the 26 kV Plant Service for the period from January 1, 2004 until the effective date of a new applicable HD tariff, or other applicable tariff established by ordinance excluding any power purchased during a buy through period as specified in Section V.D. (Step 2) This amount shall be compared to the total amount Nucor actually paid for electrical service for the period from January 1, 2004 until the effective date of a new applicable HD tariff, or other applicable tariff established by ordinance excluding any power purchased during a buy through period as specified in Section V.D. Any excess amount above the total amount actually paid during the period constitutes the extraordinary power cost adjustment. However, such extraordinary power cost adjustment shall not exceed a sum calculated by multiplying 0.9 cents/kWh times the actual total energy consumption for the period from January 1, 2004 until the effective date of a new applicable HD tariff, or other applicable tariff established by ordinance, excluding any power purchased during a buy through period as specified in Section V.D. Further, if the total amount calculated under Step 1 is less than the total amount paid for electrical service

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for the period from January 1, 2004 until the effective date of a new applicable HD tariff, or other applicable tariff established by ordinance, excluding any power purchased during a buy through period as specified in Section V.D, there shall be no extraordinary power cost adjustment owing by Nucor, nor shall Nucor be entitled to any credit.

3. Method of Payment for Extraordinary Power Cost Adjustment

Nucor shall pay the total extraordinary power cost adjustment within 90 days of receiving from City Light the calculated amount specified in Section III.C.2.

4. Continuing Obligation for Payment for Extraordinary Power Cost Adjustment and Additional Power Cost Adjustment Associated with Termination of Service

Notwithstanding any decision by Nucor, for whatever reason, including moving its facility or selling its assets, to cease purchasing electricity for 26 kV Plant Service from City Light before a new applicable HD tariff, or other applicable tariff is established by ordinance, Nucor remains obligated to pay City Light the extraordinary power cost adjustment. Such payment of the entire amount pursuant to section I.B.2 and this additional power cost adjustment, or for whatever number of kWh obligation pursuant to section III.B.2 and this additional power cost adjustment, shall be paid to City Light by Nucor within 60 days of Nucor's cessation of purchasing electricity for 26 kV Plant Service. In the event that Nucor Steel Seattle, Inc. declares bankruptcy or ceases operations in Seattle, Washington, or refuses to pay for any reason, the Nucor Corporation shall pay the extraordinary power adjustment.

IV. Interruptions Not Covered by this Contract

Nucor remains subject to interruption pursuant to Seattle Municipal Code Sections 21.49.110(U) and (V). In summary, section 21.49.110(U) states that City Light shall not be liable for any loss, injury, or damage resulting from the interruption of electric service from any cause beyond the control of City Light. Similarly, section 21.49.110(V) states that during emergencies declared by appropriate civil authority, City Light shall have the authority to curtail electric service to any customer.

V. Interruptibility

As a condition of entering into this Replacement Interruptibility Contract, Nucor agrees to be interrupted for electric service for the 26 kV Plant Service throughout the term of this Contract under the following conditions:

A. Trigger Price

City Light may interrupt Nucor's 26 kV Plant Service to the plant when the wholesale price of electricity to City Light exceeds \$51 per megawatt hour. The wholesale price in dollars per megawatt hour shall be a forecast specific dollar value per megawatt hour projected by City Light to be in effect during the proposed period of interruption. City Light shall provide Nucor documentation of its projections upon request.

B. Notice of Interruption

In advance of the interruption City Light shall provide Nucor with at least twelve hours telephonic and email notice of any planned interruption of 26 kV Plant Service pursuant to this Contract. City Light shall disclose to Nucor the beginning date and hour of the proposed interruption, the proposed length of

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interruption, and the forecast price per megawatt hour value of wholesale power and the "buy through" price at which City Light may offer Nucor the opportunity to avoid the requested interruption pursuant to Section V. D, below.

C. Limitation of Interruption

City Light shall interrupt Nucor's 26 kV Plant Service for no fewer than twelve hours per interruption and no more than 184 total hours of interruption in any given calendar month.

D. Option to Avoid Interruption

Unless City Light is experiencing a technical difficulty, such as transmission interruption or other system failures, Nucor will be offered a "buy through" option to avoid interruption whenever an interruption pursuant to this Contract is requested, provided Nucor agrees to compensate City Light according to the following terms:

1. There are no technical difficulties or system failures that have occurred that preclude City Light from offering Nucor a buy through option.
2. City Light in its sole discretion shall establish the buy through price in \$/MWh based on market price plus a 17% adder for taxes, losses, and administrative expenses. This total buy through price shall be communicated to Nucor at the time interruption is requested.
3. Nucor must provide City Light with telephonic and email notice that it has chosen to avoid interruption within one hour of receiving the 12-hour notice pursuant to Section V.B., above.
4. Nucor will then pay City Light an amount equal to the total buy through price in \$/MWh multiplied by 11.85 MW and then multiplied times the number of hours interrupted.

E. Non-Waiver of Demand Charges

Nucor Steel agrees not to be credited for their demand charges when City Light exercises its option to interrupt under the Trigger Price clause.

VI. Miscellaneous

A. Indemnification

Nucor shall defend and indemnify City Light against any claim or loss resulting from City Light exercising its option to interrupt Nucor under this Contract.

B. Successors and Assigns

This contract shall be binding upon any and all successors and assigns of Nucor, and any other entity that is provided 26 kV Plant Service at Nucor's location.

C. Dispute Resolution

Nucor and City Light shall make every attempt to resolve disputes through discussion and, if necessary, non-binding mediation prior to litigation.

Should mediation become necessary, Nucor and City Light shall each submit the names of five mediators and each party shall then cross off any from the other party's list that are unacceptable until one mediator



is chosen. Should the parties fail to select a mediator through this process, a mediator shall be chosen for the parties by the Presiding Judge of the Superior Court of the State of Washington for King County, at Seattle. In the event of mediation, each party shall share the costs of the mediator equally, but in mediation and in any subsequent litigation, each party shall bear all of its own attorney and witness costs.

Any disputes arising under this Contract that are not settled through discussion or mediation shall be brought in the Superior Court of the State of Washington for King County, at Seattle.

VII. Contacts

The point of contact for each party under this Agreement shall be as follows:

Nucor:

(or alternate designated by Nucor)
Nucor Steel Seattle, Inc.
2424 S. W. Andover St.
Seattle, Washington 98106 - 1100
Telephone: 206 933 2201
Email:

City Light:

Ann Emigh, Account Executive (or alternate designated by City Light)
Seattle City Light
700 5th Ave., Suite 3300
Room Number KT 3260
Seattle, WA 98104
Telephone: 206 684 3671
Email: ann.emigh@ci.seattle.wa.us

VIII. Signatures

Nucor Steel Seattle, Inc.

Seattle City Light

(name)
(title)

Jim Ritch,
Acting Superintendent

Nucor Corporation, Inc.

(name)
(title)



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ATTACHMENT B

**REPLACEMENT INTERRUPTIBILITY CONTRACT
BETWEEN
NUCOR STEEL SEATTLE, INC.
ARC FURNACE SERVICE
AND
SEATTLE CITY LIGHT**

WHEREAS, Seattle Ordinance 120667 provided for High Demand General Service Customers to enter into an interruptibility contract with Seattle City Light and, in return, be billed under the HDI rate schedule; and

WHEREAS, Birmingham Steel Corporation – Seattle Division and Seattle City Light entered into an Arc Furnace Interruptibility Contract effective January 13, 2002, pursuant to Ordinance 120667; and

WHEREAS, Nucor Steel Seattle, Inc. ("Nucor") assumed the Arc Furnace Interruptibility Contract in purchasing the Seattle assets of Birmingham Steel through a bankruptcy proceeding; and

WHEREAS, Seattle City Light and Nucor have agreed that Nucor shall have the option of prepaying certain payments related to the extraordinary power cost adjustments listed in the Arc Furnace Interruptibility Contract by paying to Seattle City Light \$6.48 million, and in the event Nucor elects such option, Nucor and Seattle City Light shall enter into a revised Arc Furnace Interruptibility Contract that will, among other things, provide expanded interruptible flexibility to Seattle City Light in return for an extension of an interruptible rate modified to reflect such prepayment; and

WHEREAS, by executing this agreement and making payment hereunder Nucor has exercised such option;

NOW, THEREFORE, NUCOR and SEATTLE CITY LIGHT (City Light) hereby enter into this **REPLACEMENT INTERRUPTIBILITY CONTRACT** for electricity consumed by Nucor's 34kV Arc Furnace Service at 2424 S.W. Andover Street, Seattle, Washington this ____ day of March, 2004.

I. Term

This Contract shall be in effect from April 22, 2004 until that date when Nucor has paid City Light a lump sum extraordinary power cost adjustment pursuant to section III.B.2., below.

Upon the expiration of this contract, City Light will continue to provide electric service to Nucor through the then applicable HD tariff, or other applicable tariff, as provided for by City Ordinance.

II. Prepayment of Power Cost Adjustment

This Contract is conditioned upon, and shall not go into effect unless, Nucor has exercised its option and delivered to City Light a lump sum payment of Six Million, Four Hundred Eighty Thousand Dollars (\$6,480,000.00) on or before March 31, 2004. This lump sum payment of \$6.48 million represents the prepayment of the extraordinary power cost adjustment payments for the first 1,323,155,085 kWh



consumed after the effective date of this agreement to which Nucor may otherwise have been obligated to pay under the previous Interruptibility Contract, assuming that Nucor continued to purchase power from City Light.

III. Modified, Extended HDI Rate

A. April 22, 2004 through December 31, 2004

Pursuant to this Replacement Interruptibility Contract, Nucor shall be charged the following rates for electric service for the Arc Furnace Service from April 22, 2004 through December 31, 2004:

Energy Charges:

Peak: Energy used between six (6:00) a.m. and ten (10:00) p.m., Monday through Saturday, excluding major holidays,* at 3.62¢ per kWh

Off-peak: Energy used at all times other than the peak period at 2.86¢ per kWh

Demand Charges:

Peak: All kW of maximum demand between six (6:00) a.m. and ten (10:00) p.m., Monday through Saturday, excluding major holidays,* at \$0.40 per kW

Off-peak: All kW of maximum demand in excess of peak maximum demand, at all times other than the peak period, at \$0.17 per kW

Minimum Charge:

\$122.00 per meter per day

Major holidays excluded from the peak period are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Discounts:

Transformer losses in kWh –
 $1756 + .53285 \times \text{kW} + .00002 \times \text{kW}^2 + .00527 \times \text{kWh}$

Transformer investment –
\$0.17 per kW of monthly maximum demand

B. January 1, 2005 until a new applicable HD tariff, or other applicable tariff is established by ordinance

Pursuant to this Replacement Interruptibility Contract, Nucor shall be charged the following rates for electric service for the Arc Furnace Service from January 1, 2005 until the effective date of a new applicable HD tariff, or other applicable tariff established by ordinance:

Energy Charges:

Peak: Energy used between six (6:00) a.m. and ten (10:00) p.m., Monday through Saturday, excluding major holidays,* at 4.31¢ per kWh

Off-peak: Energy used at all times other than the peak period at 3.87¢ per kWh

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Demand Charges:

- Peak: All kW of maximum demand between six (6:00) a.m. and ten (10:00) p.m., Monday through Saturday, excluding major holidays,* at \$0.40 per kW
- Off-peak: All kW of maximum demand in excess of peak maximum demand, at all times other than the peak period, at \$0.17 per kW

Minimum Charge:

\$122.00 per meter per day

Major holidays excluded from the peak period are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Discounts:

Transformer losses in kWh –
 $1756 + .53285 \times \text{kW} + .00002 \times \text{kW}^2 + .00527 \times \text{kWh}$

Transformer investment –
\$0.17 per kW of monthly maximum demand

C. When a new applicable HD tariff, or other applicable tariff is established by ordinance

1. The rates established by III A and B above shall be in effect until a new rate ordinance establishes a new applicable HD tariff, or other applicable tariff, for the Arc Furnace load. Further the rates established by III A and B above shall not be altered by any rate adjustments resulting from a BPA pass-through or any other adjustment. When a new applicable HD tariff, or other applicable tariff, for the Arc Furnace load is established by ordinance, Nucor shall be obligated to pay the following Extraordinary Power Cost Adjustment:

2. Extraordinary Power Cost Adjustment.

An extraordinary power cost adjustment shall be calculated according to the following method: (Step 1) A total amount shall be calculated applying all charges in effect for the Nucor Arc Furnace Service when a new applicable HD tariff, or other applicable tariff is established by ordinance against the electric service provided to the Arc Furnace Service for the period from January 1, 2004 until the effective date of a new applicable HD tariff, or other applicable tariff established by ordinance excluding any power purchased during a buy through period as specified in Section V.D. (Step 2) This amount shall be compared to the total amount Nucor actually paid for electrical service for the period from January 1, 2004 until the effective date of a new applicable HD tariff, or other applicable tariff established by ordinance excluding any power purchased during a buy through period as specified in Section V.D. Any excess amount above the total amount actually paid during the period constitutes the extraordinary power cost adjustment. However, such extraordinary power cost adjustment shall not exceed a sum calculated by multiplying 0.9 cents/kWh times the actual total energy consumption for the period from January 1, 2004 until the effective date of a new applicable HD tariff, or other applicable tariff established by ordinance, excluding any power purchased during a buy through period as specified in Section V.D. Further, if the total amount calculated under Step 1 is less than the total amount paid for electrical service for the period from January 1, 2004 until the effective date of a new applicable HD tariff, or other applicable tariff established by ordinance, excluding any power purchased during a buy through period

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as specified in Section V.D, there shall be no extraordinary power cost adjustment owing by Nucor, nor shall Nucor be entitled to any credit.

3. Method of Payment for Extraordinary Power Cost Adjustment

Nucor shall pay the total extraordinary power cost adjustment within 90 days of receiving from City Light the calculated amount specified in Section III.C.2.

4. Continuing Obligation for Payment for Extraordinary Power Cost Adjustment and Additional Power Cost Adjustment Associated with Termination of Service

Notwithstanding any decision by Nucor, for whatever reason, including moving its facility or selling its assets, to cease purchasing electricity for Arc Furnace Service from City Light before a new applicable HD tariff, or other applicable tariff is established by ordinance, Nucor remains obligated to pay City Light the extraordinary power cost adjustment. Such payment of the entire amount pursuant to section III.B.2 and this additional power cost adjustment, or for whatever number of kWh obligation pursuant to section III.B.2 and this additional power cost adjustment, shall be paid to City Light by Nucor within 60 days of Nucor's cessation of purchasing electricity for Arc Furnace Service. In the event that Nucor Steel Seattle, Inc. declares bankruptcy or ceases operations in Seattle, Washington, or refuses to pay for any reason, the Nucor Corporation shall pay the extraordinary power adjustment.

IV. Interruptions Not Covered by this Contract

Nucor remains subject to interruption pursuant to Seattle Municipal Code Sections 21.49.110(U) and (V). In summary, section 21.49.110(U) states that City Light shall not be liable for any loss, injury, or damage resulting from the interruption of electric service from any cause beyond the control of City Light. Similarly, section 21.49.110(V) states that during emergencies declared by appropriate civil authority, City Light shall have the authority to curtail electric service to any customer.

V. Interruptibility

As a condition of entering into this Replacement Interruptibility Contract, Nucor agrees to be interrupted for electric service for the Arc Furnace Service throughout the term of this Contract under the following conditions:

A. Trigger Price

City Light may interrupt Nucor's Arc Furnace Service to the plant when the wholesale price of electricity to City Light exceeds \$51 per megawatt hour. The wholesale price in dollars per megawatt hour shall be a forecast specific dollar value per megawatt hour projected by City Light to be in effect during the proposed period of interruption. City Light shall provide Nucor documentation of its projections upon request.

B. Notice of Interruption

In advance of the interruption City Light shall provide Nucor with at least two hours telephonic and email notice of any planned interruption of Arc Furnace Service pursuant to this Contract. City Light shall disclose to Nucor the beginning date and hour of the proposed interruption, the proposed length of interruption, and the forecast price per megawatt hour value of wholesale power and the "buy through"

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price at which City Light may offer Nucor the opportunity to avoid the requested interruption pursuant to Section V. D, below.

C. Limitation of Interruption

City Light shall interrupt Nucor's Arc Furnace Service for no fewer than three hours per interruption and no more than 184 total hours of interruption in any given calendar month.

D. Option to Avoid Interruption

Unless City Light is experiencing a technical difficulty, such as transmission interruption or other system failures, Nucor will be offered a "buy through" option to avoid interruption whenever an interruption pursuant to this Contract is requested, provided Nucor agrees to compensate City Light according to the following terms:

1. There are no technical difficulties or system failures that have occurred that preclude City Light from offering Nucor a buy through option.
2. City Light in its sole discretion shall establish the buy through price in \$/MWh based on market price plus a 17% adder for taxes, losses, and administrative expenses. This total buy through price shall be communicated to Nucor at the time interruption is requested.
3. Nucor must provide City Light with telephonic and email notice that it has chosen to avoid interruption within one hour of receiving the 2-hour notice pursuant to Section V.B., above.
4. Nucor will then pay City Light an amount equal to the total buy through price in \$/MWh multiplied by 30.13 MW and then multiplied times the number of hours interrupted.

E. Non-Waiver of Demand Charges

Nucor Steel agrees not to be credited for their demand charges when City Light exercises its option to interrupt under the Trigger Price clause.

VI. Miscellaneous

A. Indemnification

Nucor shall defend and indemnify City Light against any claim or loss resulting from City Light exercising its option to interrupt Nucor under this Contract.

B. Successors and Assigns

This contract shall be binding upon any and all successors and assigns of Nucor, and any other entity that is provided Arc Furnace Service at Nucor's location.

C. Dispute Resolution

Nucor and City Light shall make every attempt to resolve disputes through discussion and, if necessary, non-binding mediation prior to litigation.

Should mediation become necessary, Nucor and City Light shall each submit the names of five mediators and each party shall then cross off any from the other party's list that are unacceptable until one mediator is chosen. Should the parties fail to select a mediator through this process, a mediator shall be chosen for

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the parties by the Presiding Judge of the Superior Court of the State of Washington for King County, at Seattle. In the event of mediation, each party shall share the costs of the mediator equally, but in mediation and in any subsequent litigation, each party shall bear all of its own attorney and witness costs.

Any disputes arising under this Contract that are not settled through discussion or mediation shall be brought in the Superior Court of the State of Washington for King County, at Seattle.

VII. Contacts

The point of contact for each party under this Agreement shall be as follows:

Nucor:

(or alternate designated by Nucor)
Nucor Steel Seattle, Inc.
2424 S. W. Andover St.
Seattle, Washington 98106 – 1100
Telephone: 206 933 2201
Email:

City Light:

Ann Emigh, Account Executive (or alternate designated by City Light)
Seattle City Light
700 5th Ave., Suite 3300
Room Number KT 3260
Seattle, WA 98104
Telephone: 206 684 3671
Email: ann.emigh@ci.seattle.wa.us

VIII. Signatures

Nucor Steel Seattle, Inc.

Seattle City Light

(name)
(title)

Jim Ritch,
Acting Superintendent

Nucor Corporation, Inc.

(name)
(title)

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City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

January 22, 2004

Honorable Jan Drago
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Drago:

I am transmitting the attached Council Bill for Council consideration.

The legislation authorizes two new service contracts between Seattle City Light and Nucor Steel Corporation. Adoption of the Council Bill will result in three major benefits to Seattle: (1) an immediate payment of \$9 million that improves the utility's balance sheet; (2) new interruptibility provisions that strengthen the utility's ability to capture revenues; and (3) preservation of nearly 300 family wage jobs in Seattle.

Nucor Steel is City Light's largest customer and the region's largest single recycler. Nucor employs 285 people and an additional 3000 jobs rely on the proximity of Nucor's metal recycling operation to the region's scrap collectors and haulers. It is important to the City and to this region that Nucor continue to operate and invest in its Seattle plant.

Nucor's jobs are the kind of well-paid industrial jobs we want in Seattle. The average wage of a Nucor steel employee is \$72,000. Nucor is also a substantial taxpayer. In 2003 Nucor paid \$1,074,000 in State B&O tax and \$445,000 City B&O tax and \$442,000 of property tax (of which \$136,000 went to the City). The mill's electricity bill in 2003 was \$14,928,000.

These contracts modify and extend for one year existing electric service price and interruptibility arrangements with Nucor Steel. During the period of this extension, the issue of our industrial rates will be a topic of review and discussion by our Rates Advisory Committee. As part of the extension, Nucor has agreed to provide a lump sum payment to satisfy its financial obligations to date. This payment of \$9 million reflects the differences in cost between Nucor's Interruptible rate and the normal High Demand Industrial Rate. The new interruptibility provisions if triggered would also allow Seattle to reap more revenues by removing the "gain sharing" requirements which existed under the previous arrangement.

The attached fact sheet provides additional background and details related to the proposed service contracts.

Sincerely,

GREG NICKELS
Mayor of Seattle

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4747

Tel: (206) 684-4000, TDD: (206) 684-8811 Fax: (206) 684-5360, E-mail: mayors.office@ci.seattle.wa.us

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

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Honorable Jan Drago
January 22, 2004
Page 2

cc: Honorable Members of the Seattle City Council

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**Seattle City Light and Nucor Steel
Extended and Modified Interruptible Rates and Power Sales Agreements**

HDI Rate:

- In December 2001, Ordinance 120667 established an interruptible rate option for the high demand general service rate class, the HDI rate. Subsequently, Birmingham Steel and Seattle City Light (SCL) entered into two contracts in which Birmingham elected service under the HDI rate for their arc furnace and rolling mill. They were the only customer electing service under the HDI rate.
- The HDI rate included energy charges that were lower than the standard HDC rate. To collect these deferred charges, a 0.725 cents per kWh surcharge was to be levied for a period beginning January 2004 and extending for about five years.
- The HDI rate also provided that SCL could interrupt the customer when market prices exceeded a "trigger price" (initially set at \$55/MWh). Savings from interruptions would be shared with the customer.
- At the time Ordinance 120667 was passed, it was expected that City Light's energy crisis recovery period would end by 2004 and that the "extraordinary power cost adjustment" would be imposed on top of falling rates.

Birmingham Bankruptcy and Nucor Purchase:

- In June 2002 Birmingham Steel Corporation declared bankruptcy.
- In late 2002 Nucor Steel Corp purchased some of the assets of Birmingham Steel including their Seattle plant.
- Nucor could have declined to assume the interruptible contracts between SCL and Birmingham and accepted electric service under the HDC rate. In this case, they would not have been obligated to pay any "extraordinary power cost adjustment" and SCL might not have recouped the subsidy on power already consumed. However, by assuming the contracts, Nucor gained the benefit of paying the lower HDI energy rates in 2003.
- Nucor elected to assume Birmingham's contracts, including the obligation to pay standard high demand rate class rates plus the "extraordinary power cost adjustment" beginning in 2004.

Birmingham/Nucor Contract Billings, Subsidy, and Repayment:

- Under the terms of the Birmingham/Nucor contracts, they paid City Light \$12.9 million in 2002 and \$14.9 million in 2003.
- This was a total of \$11.6 million less than they would have paid under the HDC rate.
- By applying the .725 cent/kWh surcharge for a 5 year period starting in 2004, City Light anticipated that it would receive about \$2.673 million per year for five years to repay these deferred charges (assuming 2000 consumption levels).
- Birmingham/Nucor has yet to be interrupted per the provisions of the HDI rate. This is because wholesale power rates have generally remained below the \$55/MWh "trigger price" specified in the ordinance. The "share the savings" provision also significantly reduced the benefit of interruption to SCL.

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ACTING
CITY
CLERK

New Proposal:

- Create a modified one-year extension of the HDI rate. Further extensions would be introduced only in the general rate process where they would be considered in a broader context.
- Nucor will make a one-time lump sum payment of \$9 million immediately upon execution of agreements rather than paying over five years to reimburse SCL for the lower rate received in during 2002 and 2003. This has the same net present value as five annual payments of \$2.673 million using a discount rate of 14.8%. The discount rate seems appropriate given the risk of non-payment under the current contractual arrangements and the volatility of the steel industry.
- In 2004 Nucor will pay \$3/MWh more than the HDI rate that they paid in 2003. Furthermore, this rate will not be altered by changes in BPA rates.
- The interruptibility provisions of the HDI rate are strengthened by removing the "gain sharing" provisions and allowing interruption whenever the price of energy exceeds \$49/MWh. There has also been a reduction in the required notice period although the maximum total interruption per month has decreased.
- Because the contractual rate is less than the standard HDC rate, Nucor will continue to receive a lower contractual rate in 2004. The amount of this rate will be calculated as follows: 1) calculate the difference in the average rate paid in 2004 and the average rate that Nucor would have paid for its 2004 consumption at 2005 rates. 2) Compare this difference to \$7/MWh, and use the lower of the two. 3) Multiply (1) or (2) by 2004 consumption. Nucor has agreed to repay this benefit in early 2005.

Reasons to Extend and Modify the Nucor Contracts:

- The longer than expected energy crisis recovery period means that
 - The "extraordinary power cost adjustment" is not being imposed at the time the HDC rates are being reduced. This means that the cost of power to Nucor may be so high that they reduce production or even close their Seattle plant. The resulting loss of revenue would adversely impact other ratepayers.
 - There has not been a general rate review in which the issue of whether or not special rate options (e.g. interruptible rates or economic development rates) should be offered could be considered in a larger context.
- There is considerable repayment risk of Nucor's obligations under the current arrangement given the extended time period allowed for payment.
- The current interruptible provisions have not provided savings for City Light for the following reasons: (1) they are too restrictive given current market conditions. (2) The "gain sharing" arrangement siphons off too much of the benefit should these provisions be triggered. (3) The interruptible provisions are awkward to administer given the notice requirements.

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FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
City Light	Carol Everson/4-3564	Thomas Dunlap/6-9120

Legislation Title:

AN ORDINANCE relating to the City Light Department; authorizing the Superintendent to enter into two Replacement Interruptibility Contracts with Nucor, Inc., for the provision of interruptible power to Nucor's 26KV plant service and to its Arc Furnace Service.

• **Summary of the Legislation:**

This ordinance modifies and extends for a one-year period the current rates and terms of service for Nucor Steel. The basic terms of the contract are:

- Electric energy charges in 2004 are increased by \$3/MWh compared to their levels in 2003. They are, however, still below the standard high demand general service rate.
- The deferred electricity charges from 2002 and 2003 are paid immediately (at a discount representing the benefit of immediate payment as opposed to payment over a five year period).
- Deferred electricity charges from 2004 will be calculated using a comparison of the rates actually paid in 2004 with the rates adopted for 2005 (with a cap on this differential).
- The interruptibility provisions of the contract are strengthened.

- **Background:** (Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):

The existing terms of service were specified in Ordinance 120667 passed in December 2001 and the subsequent contracts signed with Birmingham Steel. After Birmingham's bankruptcy, its Seattle plant was sold to Nucor Steel Corporation. Nucor elected to assume Birmingham's contracts with Seattle City Light.

- Please check one of the following:

☐ **This legislation does not have any financial implications.** (Stop here and delete the remainder of this document prior to saving and printing.)

☒ **This legislation has financial implications.** (Please complete all relevant sections that follow.)

Appropriations: (Please only reflect the dollar amount actually appropriated by this legislation.)

Carol K. Everson
1/16/2003
Nucor Ordinance:
Version #1

Fund Name and Number	Department	Budget Control Level*	2003 Appropriation	2004 Anticipated Appropriation
TOTAL				

* This is line of business for operating budgets, and program or project for capital improvements

Notes:

Anticipated Revenue/Reimbursement: Resulting From This Legislation:

Fund Name and Number	Department	Revenue Source	2003 Revenue	2004 Revenue
41000	SCL	443310		\$1,000,000
41000	SCL	587900		-\$1,000,000
TOTAL				\$0.0

Notes:

Under the current arrangements (before modification and extension in this ordinance) City Light anticipated receiving \$24.4 million, including \$2.8 million for repayment of deferred charges from 2002-2003 and \$21.6 million for consumption at standard HDC rates. That assumes that the plant was operated at 2003 consumption levels. If the plant shut down, City Light might have received about \$11.8 million from selling the power that would have gone to Nucor on the wholesale market.

Under the new arrangements with Nucor authorized in this ordinance, they will pay \$9 million immediately. (This is prepayment, with a discount, of a stream of anticipated revenues for 2004 - 2008) In addition, we would anticipate receiving \$16.4 million for energy consumed. Thus the estimated cash received in 2004 would total \$25.4.

The cash flow for 2004 is thus increased by \$1.0 million. The cash flows for 2005 - 2008 are decreased by about \$2.7 million per year. However, the revenue stream is much more certain as the future cash flows were dependent on the plant remaining open.

Total Regular Positions Created Or Abrogated Through This Legislation, Including FTE Impact:

Position Title*	Part-Time/ Full Time	2003 Positions	2003 FTE	2004 Positions**	2004 FTE**

Carol K. Everson
1/16/2003
Nucor Ordinance:
Version #1

TOTAL					
-------	--	--	--	--	--

- **Fund Name and Number:** _____
- **Department:** _____

* List each position separately

** 2004 positions and FTE are total 2004 position changes resulting from this legislation, not incremental changes from 2003.

- **Do positions sunset in the future?** (If yes, identify sunset date):

Spending/Cash Flow: (Please complete this section only in those cases where part or all of the funds will be spent in a different year than when they were appropriated (e.g., as in the case of certain grants and capital projects).)

Fund Name and Number	Department	Budget Control Level*	2003 Expenditures	2004 Anticipated Expenditures
TOTAL				

* This is line of business for operating budgets, and program or project for capital improvements

Notes:

See notes on revenue above.

- **What is the financial cost of not implementing the legislation?** (Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented.)

The cash-flow for 2004 would be reduced by \$1 million if the plant would have remained open and using electricity at the 2003 level. It would result in reduced cash-flow of \$12.6 million if the plant closed down. Implementing this legislation significantly decreases the probability of plant closure in 2004.

- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** (Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)

None.



Carol K. Everson
1/16/2003
Nucor Ordinance:
Version #1

- **Is the legislation subject to public hearing requirements:** *(If yes, what public hearings have been held to date, and/or what plans are in place to hold a public hearing(s) in the future.)*

There have been no public hearings held on this legislation. There is no statutory requirement for a public hearing. However, as an action that changes the rates paid by a customer, there would usually be a public hearing and the fact that public hearings have been held concerning past rate ordinances has been an important part of defending rates against challenges. We would suggest that there be a public hearing scheduled in the course of Council review of this legislation.

- **Other Issues** *(including long-term implications of the legislation):*

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Seattle City Council

1/2
NUCOR PUBLIC HEARING
~~PUBLIC COMMENT~~ SIGN-UP SHEET
ENERGY AND ENVIRONMENTAL POLICY COMMITTEE

INFORMATION ON THIS SIGN-UP SHEET IS PUBLIC RECORD
(PLEASE PRINT)

DATE March 10, 2004

LOCATION Council Chamber

#	NAME	AFFILIATION	ADDRESS	ZIP	PHONE	FAX	
1.	Dave Gering	Manufacturing Industrial Council	5509 1st Ave	98108	206-762-2470		dg
2.	Doug Jellison	Nucor steel Seattle	2424 SW Anderson	98106	206-933-2204	433-2207	Doug J
3.	LARRY DUCKE	"	"	"	"	"	LARRY
4.	EUGENE WASSERMAN	NEIGHBORHOOD BUSINESS					
5.							
6.							
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NUCOR PUBLIC HEARING
~~PUBLIC COMMENT~~ SIGN-UP SHEET
ENERGY AND ENVIRONMENTAL POLICY COMMITTEE

DATE March 10, 2004

LOCATION Council Chamber

THIS SHEET IS PUBLIC RECORD

[illegible]

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ORDINANCE _____

AN ORDINANCE relating to the City Light Department; authorizing the Superintendent to enter into two Replacement Interruptibility Contracts with Nucor Steel Seattle, Inc. ("Nucor"), for the provision of interruptible power to Nucor's 26KV Plant Service and to its Arc Furnace Service.

WHEREAS, Birmingham Steel Corporation – Seattle Division and Seattle City Light entered into two Interruptibility Contracts effective January 13, 2002, pursuant to Ordinance 120667; and

WHEREAS, Birmingham Steel was the only High Demand customer to avail itself of the interruptible option provided by Ordinance 120667; and

WHEREAS, Nucor assumed both Interruptibility Contracts in purchasing the Seattle assets of Birmingham Steel through a bankruptcy proceeding; and WHEREAS, Seattle City Light and Nucor have agreed that Nucor shall have the option of prepaying certain payments related to the extraordinary power cost adjustments listed in the Interruptibility Contracts by paying to Seattle City Light \$9 million, and in the event Nucor elects such option Nucor and Seattle City Light shall enter into two revised Interruptibility Contracts that will, among other things, provide and expanded interruptible flexibility to Seattle City Light in return for an extension of an interruptible rate modified to reflect such prepayment; and

WHEREAS, the agreements authorized by this ordinance are specific to current circumstances and the unique relationship between City Light and Nucor Steel, and do not represent a general shift in the City's long-term rate-setting objectives and electric rate policies; and

WHEREAS, Nucor Steel has provided Council with a written commitment to invest more than \$2 million in its Seattle facility, once the attached contracts are approved; and

WHEREAS, Council requests that as part of the upcoming rate-setting process City Light and the City Light Rates Advisory Committee assess how City Light's industrial rates might be re-structured in order to help sustain City Light's long-standing industrial customer base; and

WHEREAS, Council requests that the aforementioned assessment include a study of the benefits provided by interruptible service options, and the development and recommendation of these and other comparable service options, which can provide benefits to both City Light and its industrial customers (including Nucor) without affecting the rates faced by other customer classes; and

WHEREAS, Council requests that the aforementioned assessment also include an evaluation of how changes in industrial rates that are not linked to new service options would influence City Light's other rates, and that any associated recommendations concerning changes not linked to new service options include (1) include a consideration of the potential economic impacts on other ratepayers, and (2) balance existing rate setting objectives regarding equitable cost allocation and economic development, as identified in Resolution 28004;

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1 **NOW, THEREFORE,**

2 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

3 Section 1. Should Nucor elect to exercise the option described in the recitals above, the
4 Superintendent of the City Light Department is hereby authorized to execute two agreements with
5 Nucor, substantially in the form of the agreements attached to this ordinance entitled,
6 "REPLACEMENT INTERRUPTIBILITY CONTRACT BETWEEN NUCOR STEEL SEATTLE,
7 INC., 26 KV PLANT SERVICE, AND SEATTLE CITY LIGHT" and "REPLACEMENT
8 INTERRUPTIBILITY CONTRACT BETWEEN NUCOR STEEL SEATTLE, INC., ARC FURNACE
9 SERVICE, AND SEATTLE CITY LIGHT."

10 Each of these contracts reflect Nucor's exercise of the prepayment option to Seattle City Light of
11 lump sum amounts in advance of the time that such amounts might otherwise be owing pursuant to the
12 prior contracts. In addition, Seattle City Light will be provided expanded interruptible options. In
13 return Nucor will be granted an extension of a modified interruptible rate through December 31, 2004.
14 As further consideration for extending this modified interruptible rate, Nucor also agrees to pay an
15 additional "extraordinary power cost adjustment" Calculated as specified in the two Replacement
16 Interruptibility Contracts. Nucor Corporation, Inc., further agrees to pay Seattle City Light that
17 extraordinary power cost adjustment, even if Nucor Steel Seattle, Inc., ceases to purchase power from
18 Seattle City Light.

19
20 Section 2. Should Nucor elect to exercise the option described in the recitals above ,the rates and
21 other payment provisions applicable to Nucor pursuant to the two Replacement Interruptibility Contracts
22
23
24

1 authorized by this ordinance shall supercede any rates that would otherwise apply pursuant to the HDI
2 schedule within SMC 21.49.058, as adopted by Ordinance 120667.

3 Section 3. During the term of the attached contracts, City Light shall provide to Council, on a
4 monthly basis, a written status report including the following information:

- 5 1. A summary of the total number of hours market prices exceeded the \$51 per Mega-Watt hour
6 trigger price;
- 7 2. The number of opportunities City Light had to interrupt service to Nucor Steel (to either the arc
8 furnace or the plant), given the terms of the contracts;
- 9 3. The number of times service to Nucor Steel was interrupted or that Nucor Steel chose to pay the
10 'buy-through' price established in the attached contracts;
- 11 4. An explanation for any difference between items 2 and 3; and

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1 5. An accounting of any additional revenues that resulted from interruption or 'buy-through' during
2 the month in question.

3 This report will be provided during the second week of each following month.

4 Section 4. Any acts taken in furtherance of this ordinance, prior to its effective date, including
5 execution of the two referenced contracts, are hereby ratified and confirmed. Section 5. This ordinance
6 shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not
7 approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as
8 provided by Municipal Code Section 1.04.020.

9 Passed by the City Council the ____ day of ____, 20__, and signed by me in open session
10 in authentication of its passage this ____ day of ____, 20__.

11
12 President ____ of the City Council

13 Approved by me this ____ day of ____, 20__.

14 Gregory J. Nickels, Mayor

15 Filed by me this ____ day of ____, 20__.

16 City Clerk

17
18 Attachment A: REPLACEMENT INTERRUPTIBILITY CONTRACT BETWEEN NUCOR STEEL
19 SEATTLE, INC., 26 KV PLANT SERVICE, AND SEATTLE CITY LIGHT

20 Attachment B: REPLACEMENT INTERRUPTIBILITY CONTRACT BETWEEN NUCOR STEEL
21 SEATTLE, INC., ARC FURNACE SERVICE, AND SEATTLE CITY LIGHT

22 (Seal)
23
24

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ORDINANCE _____

AN ORDINANCE relating to the City Light Department; authorizing the Superintendent to enter into two Replacement Interruptibility Contracts with Nucor Steel Seattle, Inc. ("Nucor"), for the provision of interruptible power to Nucor's 26KV Plant Service and to its Arc Furnace Service.

WHEREAS, Birmingham Steel Corporation – Seattle Division and Seattle City Light entered into two Interruptibility Contracts effective January 13, 2002, pursuant to Ordinance 120667; and

WHEREAS, Birmingham Steel was the only High Demand customer to avail itself of the interruptible option provided by Ordinance 120667; and

WHEREAS, Nucor assumed both Interruptibility Contracts in purchasing the Seattle assets of Birmingham Steel through a bankruptcy proceeding; and

WHEREAS, Seattle City Light and Nucor have agreed that Nucor shall have the option of prepaying certain payments related to the extraordinary power cost adjustments listed in the Interruptibility Contracts by paying to Seattle City Light \$ 9 million, and in the event Nucor elects such option Nucor and Seattle City Light shall enter into two revised Interruptibility Contracts that will, among other things, provide and expanded interruptible flexibility to Seattle City Light in return for an extension of an interruptible rate modified to reflect such prepayment;

NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Should Nucor elect to exercise the option described in the recitals above, the Superintendent of the City Light Department is hereby authorized to execute two agreements with Nucor, substantially in the form of the agreements attached to this ordinance entitled, "REPLACEMENT INTERRUPTIBILITY CONTRACT BETWEEN NUCOR STEEL SEATTLE, INC., 26 KV PLANT SERVICE, AND SEATTLE CITY LIGHT" and "REPLACEMENT INTERRUPTIBILITY CONTRACT BETWEEN NUCOR STEEL SEATTLE, INC., ARC FURNACE SERVICE, AND SEATTLE CITY LIGHT."

Each of these contracts reflect Nucor's exercise of the prepayment option to Seattle City Light of lump sum amounts in advance of the time that such amounts might otherwise be owing pursuant to the

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1 prior contracts. In addition, Seattle City Light will be provided expanded interruptible options. In
2 return Nucor will be granted an extension of a modified interruptible rate through December 31, 2004.
3 As further consideration for extending this modified interruptible rate, Nucor also agrees to pay an
4 additional "extraordinary power cost adjustment" Calculated as specified in the two Replacement
5 Interruptibility Contracts. Nucor Corporation, Inc., further agrees to pay Seattle City Light that
6 extraordinary power cost adjustment, even if Nucor Steel Seattle, Inc., ceases to purchase power from
7 Seattle City Light.

8
9 Section 2. Should Nucor elect to exercise the option described in the recitals above, the rates and
10 other payment provisions applicable to Nucor pursuant to the two Replacement Interruptibility Contracts
11 authorized by this ordinance shall supercede any rates that would otherwise apply pursuant to the HDI
12 schedule within SMC 21.49.058, as adopted by Ordinance 120667.

13
14 Section 3. Any acts taken in furtherance of this ordinance, prior to its effective date, including
15 execution of the two referenced contracts, are hereby ratified and confirmed.

1 Section 4. This ordinance shall take effect and be in force thirty (30) days from and after its
2 approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after
3 presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

4 Passed by the City Council the ____ day of ____, 20__, and signed by me in open session
5 in authentication of its passage this ____ day of ____, 20__.

6
7 President ____ of the City Council

8 Approved by me this ____ day of ____, 20__.

9
10 Gregory J. Nickels, Mayor

11 Filed by me this ____ day of ____, 20__.

12
13 City Clerk

14 Attachment A: REPLACEMENT INTERRUPTIBILITY CONTRACT BETWEEN NUCOR STEEL
SEATTLE, INC., 26 KV PLANT SERVICE, AND SEATTLE CITY LIGHT

15 Attachment B: REPLACEMENT INTERRUPTIBILITY CONTRACT BETWEEN NUCOR STEEL
SEATTLE, INC., ARC FURNACE SERVICE, AND SEATTLE CITY LIGHT

16 (Seal)
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FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
City Light	Carol Everson/4-3564	Thomas Dunlap/6-9120

Legislation Title:

AN ORDINANCE relating to the City Light Department; authorizing the Superintendent to enter into two Replacement Interruptibility Contracts with Nucor, Inc., for the provision of interruptible power to Nucor's 26KV plant service and to its Arc Furnace Service.

• **Summary of the Legislation:**

This ordinance modifies and extends for a one-year period the current rates and terms of service for Nucor Steel. The basic terms of the contract are:

- Electric energy charges in 2004 are increased by \$3/MWh compared to their levels in 2003. They are, however, still below the standard high demand general service rate.
- The deferred electricity charges from 2002 and 2003 are paid immediately (at a discount representing the benefit of immediate payment as opposed to payment over a five year period).
- Deferred electricity charges from 2004 will be calculated using a comparison of the rates actually paid in 2004 with the rates adopted for 2005 (with a cap on this differential).
- The interruptibility provisions of the contract are strengthened.

• **Background:** (Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):

The existing terms of service were specified in Ordinance 120667 passed in December 2001 and the subsequent contracts signed with Birmingham Steel. After Birmingham's bankruptcy, its Seattle plant was sold to Nucor Steel Corporation. Nucor elected to assume Birmingham's contracts with Seattle City Light.

• Please check one of the following:

☐ **This legislation does not have any financial implications.** (Stop here and delete the remainder of this document prior to saving and printing.)

☒ **This legislation has financial implications.** (Please complete all relevant sections that follow.)

Appropriations: (Please only reflect the dollar amount actually appropriated by this legislation.)

Carol K. Everson
1/16/2003
Nucor Ordinance:
Version #1

Fund Name and Number	Department	Budget Control Level*	2003 Appropriation	2004 Anticipated Appropriation
TOTAL				

* This is line of business for operating budgets, and program or project for capital improvements

Notes:

Anticipated Revenue/Reimbursement: Resulting From This Legislation:

Fund Name and Number	Department	Revenue Source	2003 Revenue	2004 Revenue
41000	SCL	443310		\$1,000,000
41000	SCL	587900		-\$1,000,000
TOTAL				\$0.0

Notes:

Under the current arrangements (before modification and extension in this ordinance) City Light anticipated receiving \$24.4 million, including \$2.8 million for repayment of deferred charges from 2002-2003 and \$21.6 million for consumption at standard HDC rates. That assumes that the plant was operated at 2003 consumption levels. If the plant shut down, City Light might have received about \$11.8 million from selling the power that would have gone to Nucor on the wholesale market.

Under the new arrangements with Nucor authorized in this ordinance, they will pay \$9 million immediately. (This is prepayment, with a discount, of a stream of anticipated revenues for 2004 - 2008) In addition, we would anticipate receiving \$16.4 million for energy consumed. Thus the estimated cash received in 2004 would total \$25.4.

The cash flow for 2004 is thus increased by \$1.0 million. The cash flows for 2005 - 2008 are decreased by about \$2.7 million per year. However, the revenue stream is much more certain as the future cash flows were dependent on the plant remaining open.

Total Regular Positions Created Or Abrogated Through This Legislation, Including FTE Impact:

Position Title*	Part-Time/ Full Time	2003 Positions	2003 FTE	2004 Positions**	2004 FTE**

Carol K. Everson
1/16/2003
Nucor Ordinance:
Version #1

TOTAL					
--------------	--	--	--	--	--

- **Fund Name and Number:** _____
- **Department:** _____

* List each position separately

** 2004 positions and FTE are total 2004 position changes resulting from this legislation, not incremental changes from 2003.

- **Do positions sunset in the future?** (If yes, identify sunset date):

Spending/Cash Flow: (Please complete this section only in those cases where part or all of the funds will be spent in a different year than when they were appropriated (e.g., as in the case of certain grants and capital projects.)

Fund Name and Number	Department	Budget Control Level*	2003 Expenditures	2004 Anticipated Expenditures
TOTAL				

* This is line of business for operating budgets, and program or project for capital improvements

Notes:

See notes on revenue above.

- **What is the financial cost of not implementing the legislation?** (Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented.)

The cash-flow for 2004 would be reduced by \$1 million if the plant would have remained open and using electricity at the 2003 level. It would result in reduced cash-flow of \$12.6 million if the plant closed down. Implementing this legislation significantly decreases the probability of plant closure in 2004.

- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** (Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)

None.

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1/16/2003
Nucor Ordinance:
Version #1

- **Is the legislation subject to public hearing requirements:** *(If yes, what public hearings have been held to date, and/or what plans are in place to hold a public hearing(s) in the future.)*

There have been no public hearings held on this legislation. There is no statutory requirement for a public hearing. However, as an action that changes the rates paid by a customer, there would usually be a public hearing and the fact that public hearings have been held concerning past rate ordinances has been an important part of defending rates against challenges. We would suggest that there be a public hearing scheduled in the course of Council review of this legislation.

- **Other Issues** *(including long-term implications of the legislation):*

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**REPLACEMENT INTERRUPTIBILITY CONTRACT
BETWEEN
NUCOR STEEL SEATTLE, INC.
26 KV PLANT SERVICE
AND
SEATTLE CITY LIGHT**

WHEREAS, Seattle Ordinance 120667 provided for High Demand General Service Customers to enter into an interruptibility contract with Seattle City Light and, in return, be billed under the HDI rate schedule; and

WHEREAS, Birmingham Steel Corporation – Seattle Division and Seattle City Light entered into a 26 kV Plant Service Interruptibility Contract effective January 13, 2002, pursuant to Ordinance 120667; and

WHEREAS, Nucor Steel Seattle, Inc. ("Nucor") assumed the 26 kV Plant Service Interruptibility Contract in purchasing the Seattle assets of Birmingham Steel through a bankruptcy proceeding; and

WHEREAS, Seattle City Light and Nucor have agreed that Nucor shall have the option of prepaying certain payments related to the extraordinary power cost adjustments listed in the 26 kV Plant Service Interruptibility Contract by paying to Seattle City Light \$2,520,000, and in the event Nucor elects such option, Nucor and Seattle City Light shall enter into a revised 26 kV Plant Service Interruptibility Contract that will, among other things, provide expanded interruptible flexibility to Seattle City Light in return for an extension of an interruptible rate modified to reflect such prepayment; and

WHEREAS, by executing this agreement and making payment hereunder Nucor has exercised such option;

NOW, THEREFORE, NUCOR and SEATTLE CITY LIGHT (City Light) hereby enter into this **REPLACEMENT INTERRUPTIBILITY CONTRACT** for electricity consumed by Nucor's 26 kV Plant Service at 2424 S.W. Andover Street, Seattle, Washington this ____ day of ____, 2004.

I. Term

This Contract shall be in effect from ____ 2004 until that date from January 1, 2005 through April 30, 2005, when Nucor has paid City Light a lump sum extraordinary power cost adjustment pursuant to section III.B.2., below.

Upon the expiration of this contract, City Light will continue to provide electric service to Nucor through the then applicable HD tariff, or other applicable tariff, as provided for by City Ordinance.

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II. Prepayment of Power Cost Adjustment

This Contract is conditioned upon, and shall not go into effect unless, Nucor has exercised its option and delivered to City Light a lump sum payment of Two Million, Five Hundred Twenty Thousand Dollars (\$2,520,000.00) on or before January 31, 2004. This lump sum payment of \$2.52 million represents the prepayment of the extraordinary power cost adjustment payments for the first 520,575,000 kWh consumed after the effective date of this agreement to which Nucor may otherwise have been obligated to pay under the previous Interruptibility Contract, assuming that Nucor continued to purchase power from City Light.

III. Modified, Extended HDI Rate

A. 2004 through December 31, 2004

Pursuant to this Replacement Interruptibility Contract, Nucor shall be charged the following rates for electric service for the 26 kV Plant Service from January __, 2004 through December 31, 2004:

Energy Charges:

Peak: Energy used between six (6:00) a.m. and ten (10:00) p.m., Monday through Saturday, excluding major holidays,* at 4.31¢ per kWh

Off-peak: Energy used at all times other than the peak period at 3.87¢ per kWh

Demand Charges:

Peak: All kW of maximum demand between six (6:00) a.m. and ten (10:00) p.m., Monday through Saturday, excluding major holidays,* at \$0.40 per kW

Off-peak: All kW of maximum demand in excess of peak maximum demand, at all times other than the peak period, at \$0.17 per kW

Minimum Charge:

\$122.00 per meter per day

Major holidays excluded from the peak period are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Discounts:

Transformer losses in kWh –
 $1756 + .53285 \times \text{kW} + .00002 \times \text{kW}^2 + .00527 \times \text{kWh}$

Transformer investment –
\$0.17 per kW of monthly maximum demand

B. January 1, 2005

1. Extraordinary Power Cost Adjustment.

An extraordinary power cost adjustment shall be calculated according to the following method: (1) A total amount shall be calculated applying rates in effect for the Nucor 26 kV Plant Service on March 1, 2005



applied against actual total energy consumption for the 26 kV Plant Service for the period of January 1, 2004 through December 31, 2004 excluding any power purchased during a buy through period as specified in Section V.D. (2) This amount shall be compared to the total amount Nucor actually paid for energy for the period of January 1, 2004 – December 31, 2004 excluding any power purchased during a buy through period as specified in Section V.D. Any excess amount above the total amount actually paid for energy in 2004 constitutes the extraordinary power cost adjustment. However, such extraordinary power cost adjustment shall not exceed a sum calculated by multiplying .7 cents/kWh times the actual total energy consumption for the period of January 1, 2004 – December 31, 2004 excluding any power purchased during a buy through period as specified in Section V.D. Further, if the rates in effect for Nucor's 26 kV Plant Service on March 1, 2005 are lower than the rates set forth in Section III.A., there shall be no extraordinary power cost adjustment owing by Nucor, nor shall Nucor be entitled to any credit.

2. Method of Payment for Extraordinary Power Cost Adjustment

Nucor shall pay the total extraordinary power cost adjustment within 90 days of receiving from City Light the calculated amount specified in Section III.B.1.

3. Continuing Obligation for Payment for Extraordinary Power Cost Adjustment

Notwithstanding any decision by Nucor, for whatever reason, including moving its facility or selling its assets, to cease purchasing electricity for 26 kV Plant Service from City Light, Nucor remains obligated to pay City Light the extraordinary power cost adjustment. Such payment of the entire amount pursuant to section III.B.2., or for whatever number of kWh obligation pursuant to section III.B.2., shall be paid to City Light by Nucor within 60 days of Nucor's cessation of purchasing electricity for 26 kV Plant Service. In the event that Nucor Steel Seattle, Inc. declares bankruptcy or ceases operations in Seattle, Washington, or refuses to pay for any reason, the Nucor Corporation shall pay the extraordinary power adjustment.

IV. Interruptions Not Covered by this Contract

Nucor remains subject to interruption pursuant to Seattle Municipal Code Sections 21.49.110(U) and (V). In summary, section 21.49.110(U) states that City Light shall not be liable for any loss, injury, or damage resulting from the interruption of electric service from any cause beyond the control of City Light. Similarly, section 21.49.110(V) states that during emergencies declared by appropriate civil authority, City Light shall have the authority to curtail electric service to any customer.

V. Interruptibility

As a condition of entering into this Replacement Interruptibility Contract, Nucor agrees to be interrupted for electric service for the 26 kV Plant Service throughout the term of this Contract under the following conditions:

A. Trigger Price

City Light may interrupt Nucor's 26 kV Plant Service to the plant when the wholesale price of electricity to City Light exceeds \$49 per megawatt hour. The wholesale price in dollars per megawatt hour shall be a forecast specific dollar value per megawatt hour projected by City Light to be in effect during the proposed period of interruption. City Light shall provide Nucor documentation of its projections upon request.

B. Notice of Interruption

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In advance of the interruption City Light shall provide Nucor with at least twelve hours telephonic and email notice of any planned interruption of 26 kV Plant Service pursuant to this Contract. City Light shall disclose to Nucor the beginning date and hour of the proposed interruption, the proposed length of interruption, and the forecast price per megawatt hour value of wholesale power and the "buy through" price at which City Light may offer Nucor the opportunity to avoid the requested interruption pursuant to Section V. D, below.

C. Limitation of Interruption

City Light shall interrupt Nucor's 26 kV Plant Service for no fewer than twelve hours per interruption and no more than 184 total hours of interruption in any given calendar month.

D. Option to Avoid Interruption

Unless City Light is experiencing a technical difficulty, such as transmission interruption or other system failures, Nucor will be offered a "buy through" option to avoid interruption whenever an interruption pursuant to this Contract is requested, provided Nucor agrees to compensate City Light according to the following terms:

1. There are no technical difficulties or system failures that have occurred that preclude City Light from offering Nucor a buy through option.
2. City Light in its sole discretion shall establish the buy through price in \$/MWh based on market price plus a 17% adder for taxes, losses, and administrative expenses. This total buy through price shall be communicated to Nucor at the time interruption is requested.
3. Nucor must provide City Light with telephonic and email notice that it has chosen to avoid interruption within one hour of receiving the 12-hour notice pursuant to Section V.B., above.
4. Nucor will then pay City Light an amount equal to the total buy through price in \$/MWh multiplied by 11.85 MW and then multiplied times the number of hours interrupted.

E. Non-Waiver of Demand Charges

Nucor Steel agrees not to be credited for their demand charges when City Light exercises its option to interrupt under the Trigger Price clause.

VI. **Miscellaneous**

A. Indemnification

Nucor shall defend and indemnify City Light against any claim or loss resulting from City Light exercising its option to interrupt Nucor under this Contract.

B. Successors and Assigns

This contract shall be binding upon any and all successors and assigns of Nucor, and any other entity that is provided 26 kV Plant Service at Nucor's location.

C. Dispute Resolution

Nucor and City Light shall make every attempt to resolve disputes through discussion and, if necessary, non-binding mediation prior to litigation.



Should mediation become necessary, Nucor and City Light shall each submit the names of five mediators and each party shall then cross off any from the other party's list that are unacceptable until one mediator is chosen. Should the parties fail to select a mediator through this process, a mediator shall be chosen for the parties by the Presiding Judge of the Superior Court of the State of Washington for King County, at Seattle. In the event of mediation, each party shall share the costs of the mediator equally, but in mediation and in any subsequent litigation, each party shall bear all of its own attorney and witness costs.

Any disputes arising under this Contract that are not settled through discussion or mediation shall be brought in the Superior Court of the State of Washington for King County, at Seattle.

VII. Contacts

The point of contact for each party under this Agreement shall be as follows:

Nucor Steel Seattle:

(or alternate designated by Nucor)
Nucor Steel Seattle, Inc.
2424 S. W. Andover St.
Seattle, Washington 98106 - 1100
Telephone: 206 933 2201
Email:

City Light:

Ann Emigh, Account Executive (or alternate designated by City Light)
Seattle City Light
700 5th Ave., Suite 3300
Room Number KT 3260
Seattle, WA 98104
Telephone: 206 684 3671
Email: ann.emigh@ci.seattle.wa.us

VIII. Signatures

Nucor Steel Seattle, Inc.

Seattle City Light

(name)
(title)

Jim Ritch,
Acting Superintendent

Nucor Corporation, Inc.

(name)
(title)



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**REPLACEMENT INTERRUPTIBILITY CONTRACT
BETWEEN
NUCOR STEEL SEATTLE, INC.
ARC FURNACE SERVICE
AND
SEATTLE CITY LIGHT**

WHEREAS, Seattle Ordinance 120667 provided for High Demand General Service Customers to enter into an interruptibility contract with Seattle City Light and, in return, be billed under the HDI rate schedule; and

WHEREAS, Birmingham Steel Corporation – Seattle Division and Seattle City Light entered into an Arc Furnace Interruptibility Contract effective January 13, 2002, pursuant to Ordinance 120667; and

WHEREAS, Nucor Steel Seattle, Inc. ("Nucor") assumed the Arc Furnace Interruptibility Contract in purchasing the Seattle assets of Birmingham Steel through a bankruptcy proceeding; and

WHEREAS, Seattle City Light and Nucor have agreed that Nucor shall have the option of prepaying certain payments related to the extraordinary power cost adjustments listed in the Arc Furnace Interruptibility Contract by paying to Seattle City Light \$ 6.48 million, and in the event Nucor elects such option, Nucor and Seattle City Light shall enter into a revised Arc Furnace Interruptibility Contract that will, among other things, provide expanded interruptible flexibility to Seattle City Light in return for an extension of an interruptible rate modified to reflect such prepayment; and

WHEREAS, by executing this agreement and making payment hereunder Nucor has exercised such option;

NOW, THEREFORE, NUCOR and SEATTLE CITY LIGHT (City Light) hereby enter into this REPLACEMENT INTERRUPTIBILITY CONTRACT for electricity consumed by Nucor's 34kV Arc Furnace Service at 2424 S.W. Andover Street, Seattle, Washington this ____ day of ____, 2004.

I. Term

This Contract shall be in effect from ____ 2004 until that date from January 1, 2005 through April 30, 2005, when Nucor has paid City Light a lump sum extraordinary power cost adjustment pursuant to section III.B.2., below.

Upon the expiration of this contract, City Light will continue to provide electric service to Nucor through the then applicable HD tariff, or other applicable tariff, as provided for by City Ordinance.

II. Prepayment of Power Cost Adjustment

This Contract is conditioned upon, and shall not go into effect unless, Nucor has exercised its option and delivered to City Light a lump sum payment of Six Million, Four Hundred Eighty Thousand Dollars (\$6,480,000.00) on or before January 31, 2004. This lump sum payment of \$6.48 million represents the



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prepayment of the extraordinary power cost adjustment payments for the first 1,323,155.085 kWh consumed after the effective date of this agreement to which Nucor may otherwise have been obligated to pay under the previous Interruptibility Contract, assuming that Nucor continued to purchase power from City Light.

III. Modified, Extended HDI Rate

A. 2004 through December 31, 2004

Pursuant to this Replacement Interruptibility Contract, Nucor shall be charged the following rates for electric service for the Arc Furnace Service from January __, 2004 through December 31, 2004:

Energy Charges:

- Peak: Energy used between six (6:00) a.m. and ten (10:00) p.m., Monday through Saturday, excluding major holidays,* at 4.31¢ per kWh
- Off-peak: Energy used at all times other than the peak period at 3.87¢ per kWh

Demand Charges:

- Peak: All kW of maximum demand between six (6:00) a.m. and ten (10:00) p.m., Monday through Saturday, excluding major holidays,* at \$0.40 per kW
- Off-peak: All kW of maximum demand in excess of peak maximum demand, at all times other than the peak period, at \$0.17 per kW

Minimum Charge:

\$122.00 per meter per day

Major holidays excluded from the peak period are New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Discounts:

- Transformer losses in kWh –
 $1756 + .53285 \times \text{kW} + .00002 \times \text{kW}^2 = .00527 \times \text{kWh}$
- Transformer investment –
\$0.17 per kW of monthly maximum demand

B. January 1, 2005

1. Extraordinary Power Cost Adjustment.

An extraordinary power cost adjustment shall be calculated according to the following method: (1) A total amount shall be calculated applying rates in effect for the Nucor Arc Furnace Service on March 1, 2005 applied against actual total energy consumption for the Arc Furnace Service for the period of January 1, 2004 through December 31, 2004 excluding any power purchased during a buy through period as specified in Section V.D. (2) This amount shall be compared to the total amount Nucor actually paid for energy for the period of January 1, 2004 – December 31, 2004 excluding any power purchased during a buy through period as specified in Section V.D. Any excess amount above the total amount actually

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paid for energy in 2004 constitutes the extraordinary power cost adjustment. However, such extraordinary power cost adjustment shall not exceed a sum calculated by multiplying .7 cents/kWh times the actual total energy consumption for the period of January 1, 2004 – December 31, 2004 excluding any power purchased during a buy through period as specified in Section V.D. Further, if the rates in effect for Nucor's Arc Furnace Service on March 1, 2005 are lower than the rates set forth in Section III.A., there shall be no extraordinary power cost adjustment owing by Nucor, nor shall Nucor be entitled to any credit.

2. Method of Payment for Extraordinary Power Cost Adjustment

Nucor shall pay the total extraordinary power cost adjustment within 90 days of receiving from City Light the calculated amount specified in Section III.B.1..

3. Continuing Obligation for Payment for Extraordinary Power Cost Adjustment

Notwithstanding any decision by Nucor, for whatever reason, including moving its facility or selling its assets, to cease purchasing electricity for Arc Furnace Service from City Light, Nucor remains obligated to pay City Light the extraordinary power cost adjustment. Such payment of the entire amount pursuant to section III.B.2., or for whatever number of kWh obligation pursuant to section III.B.2., shall be paid to City Light by Nucor within 60 days of Nucor's cessation of purchasing electricity for Arc Furnace Service. In the event that Nucor Steel Seattle, Inc. declares bankruptcy or ceases operations in Seattle, Washington, or refuses to pay for any reason, the Nucor Corporation shall pay the extraordinary power adjustment.

IV. Interruptions Not Covered by this Contract

Nucor remains subject to interruption pursuant to Seattle Municipal Code Sections 21.49.110(U) and (V). In summary, section 21.49.110(U) states that City Light shall not be liable for any loss, injury, or damage resulting from the interruption of electric service from any cause beyond the control of City Light. Similarly, section 21.49.110(V) states that during emergencies declared by appropriate civil authority, City Light shall have the authority to curtail electric service to any customer.

V. Interruptibility

As a condition of entering into this Replacement Interruptibility Contract, Nucor agrees to be interrupted for electric service for the Arc Furnace Service throughout the term of this Contract under the following conditions:

A. Trigger Price

City Light may interrupt Nucor's Arc Furnace Service to the plant when the wholesale price of electricity to City Light exceeds \$49 per megawatt hour. The wholesale price in dollars per megawatt hour shall be a forecast specific dollar value per megawatt hour projected by City Light to be in effect during the proposed period of interruption. City Light shall provide Nucor documentation of its projections upon request.

B. Notice of Interruption

In advance of the interruption City Light shall provide Nucor with at least two hours telephonic and email notice of any planned interruption of Arc Furnace Service pursuant to this Contract. City Light shall disclose to Nucor the beginning date and hour of the proposed interruption, the proposed length of

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interruption, and the forecast price per megawatt hour value of wholesale power and the "buy through" price at which City Light may offer Nucor the opportunity to avoid the requested interruption pursuant to Section V. D, below.

C. Limitation of Interruption

City Light shall interrupt Nucor's Arc Furnace Service for no fewer than three hours per interruption and no more than 184 total hours of interruption in any given calendar month.

D. Option to Avoid Interruption

Unless City Light is experiencing a technical difficulty, such as transmission interruption or other system failures, Nucor will be offered a "buy through" option to avoid interruption whenever an interruption pursuant to this Contract is requested, provided Nucor agrees to compensate City Light according to the following terms:

1. There are no technical difficulties or system failures that have occurred that preclude City Light from offering Nucor a buy through option.
2. City Light in its sole discretion shall establish the buy through price in \$/MWh based on market price plus a 17% adder for taxes, losses, and administrative expenses. This total buy through price shall be communicated to Nucor at the time interruption is requested.
3. Nucor must provide City Light with telephonic and email notice that it has chosen to avoid interruption within one hour of receiving the 2-hour notice pursuant to Section V.B., above.
4. Nucor will then pay City Light an amount equal to the total buy through price in \$/MWh multiplied by 30.13 MW and then multiplied times the number of hours interrupted.

E. Non-Waiver of Demand Charges

Nucor Steel agrees not to be credited for their demand charges when City Light exercises its option to interrupt under the Trigger Price clause.

VI. Miscellaneous

A. Indemnification

Nucor shall defend and indemnify City Light against any claim or loss resulting from City Light exercising its option to interrupt Nucor under this Contract.

B. Successors and Assigns

This contract shall be binding upon any and all successors and assigns of Nucor, and any other entity that is provided Arc Furnace Service at Nucor's location.

C. Dispute Resolution

Nucor and City Light shall make every attempt to resolve disputes through discussion and, if necessary, non-binding mediation prior to litigation.

Should mediation become necessary, Nucor and City Light shall each submit the names of five mediators and each party shall then cross off any from the other party's list that are unacceptable until one mediator is chosen. Should the parties fail to select a mediator through this process, a mediator shall be chosen for



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the parties by the Presiding Judge of the Superior Court of the State of Washington for King County, at Seattle. In the event of mediation, each party shall share the costs of the mediator equally, but in mediation and in any subsequent litigation, each party shall bear all of its own attorney and witness costs.

Any disputes arising under this Contract that are not settled through discussion or mediation shall be brought in the Superior Court of the State of Washington for King County, at Seattle.

VII. Contacts

The point of contact for each party under this Agreement shall be as follows:

Nucor:

(or alternate designated by Nucor)

Nucor Steel Seattle, Inc.
2424 S. W. Anderson St.
Seattle, Washington 98106 - 1100
Telephone: 206 933 2201
Email:

City Light:

Ann Emigh, Account Executive (or alternate designated by City Light)
Seattle City Light
700 5th Ave., Suite 3300
Room Number KT 3260
Seattle, WA 98104
Telephone: 206 684 3671
Email: ann.emigh@ci.seattle.wa.us

VIII. Signatures

Nucor Steel Seattle, Inc.

Seattle City Light

(name)
(title)

Jim Ritch,
Acting Superintendent

Nucor Corporation, Inc.

(name)
(title)



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STATE OF WASHINGTON - KING COUNTY

--SS.

170175
CITY OF SEATTLE, CLERKS OFFICE

No. ORDINANCES TITLE ONLY

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-121416-418,419&421

was published on

3/29/2004



Melinda

Subscribed and sworn to before me on

3/29/2004

Jennifer A. Patzer

Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on March 15, 2004, and published here by title only, will be mailed upon request, or can be accessed electronically at <http://clerk.ci.seattle.wa.us>. For further information, contact the Seattle City Clerk at 984-8344.

ORDINANCE NO. 121421

AN ORDINANCE appropriating money to pay certain audited claims and ordering the payment thereof.

ORDINANCE NO. 121419

AN ORDINANCE relating to the City Light Department; granting an easement to King County for a pedestrian crossing installation upon, under, and across the City of Seattle's Transmission Line Right-of-Way located in Section 05, Township 23 North, Range 04 East, W.M., in King County, Washington (P.M. 230405-1-301).

ORDINANCE NO. 121418

AN ORDINANCE relating to security from terrorism; authorizing increases to existing appropriations under Urban Areas Security Initiative (UASI) Grant Program I and II in the 2004 Budget; accepting money when received; adding positions; and amending the 2004-2009 Adopted Capital Improvement Program; all by a three-fourths vote of the City Council.

ORDINANCE NO. 121416

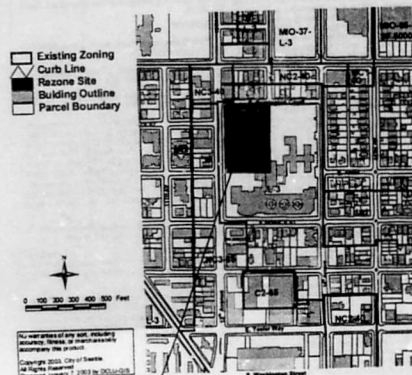
AN ORDINANCE relating to the City Light Department; authorizing the Superintendent to enter into two Replacement Interruptibility Contracts with Nucor Steel Seattle, Inc. ("Nucor"), for the provision of interruptible power to Nucor's 26KV Plant Service and to its Arc Furnace Service.

Publication ordered by JUDITH PIPPIN, City Clerk.

Date of publication in the Seattle Daily Journal of Commerce, March 29, 2004.

3:29(170175)

Exhibit A - Rezone Map



NOTICE: IF THE DOCUMENT IN THIS FRAME IS LESS CLEAR THAN THIS NOTICE IT IS DUE TO THE QUALITY OF THE DOCUMENT.