

Ordinance No. 121832

Council Bill No. 115278

*We
e-mail*

AN ORDINANCE relating to the City Light Department; authorizing the Superintendent to enter into two long-term contract amendments with Public Utility District No. 2 of Grant County to: 1) convert a portion of Priest Rapids non-firm energy purchase into a slice of firm and non-firm energy purchase; and 2) extend by six weeks the time at which the District is required to provide estimated power costs for the following year.

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: *Jan Jordan*

Councilmember

Committee Action:

6/8/05 DO PASS JG, JC, DD

6-13-05 Passed 9-0

CF No. _____

Date Introduced:	<u>JUN - 6 2005</u>	
Date 1st Referred:	To: (committee)	<u>Energy & Environmental</u>
Date Re - Referred:	To: (committee)	<u>Policy Committee</u>
Date Re - Referred:	To: (committee)	
Date of Final Passage:	Full Council Vote:	
<u>6-13-05</u>	<u>9-0</u>	
Date Presented to Mayor:	Date Approved:	
<u>6-14-05</u>	<u>6/20/05</u>	
Date Returned to City Clerk:	Date Published:	T.O. <input checked="" type="checkbox"/> F.T. <input type="checkbox"/>
<u>6/20/05</u>	<u>3pp</u>	<i>(initials)</i>
Date Vetoed by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

This file is complete and ready for presentation to Full Council. Committee: _____ (initial/date)

LAW DEPARTMENT

Law Dept. Review OMP Review City Clerk Review Electronic Copy Loaded Indexed

ORDINANCE 121832

1
2
3 AN ORDINANCE relating to the City Light Department; authorizing the Superintendent to enter
4 into two long-term contract amendments with Public Utility District No. 2 of Grant
5 County to: 1) convert a portion of Priest Rapids non-firm energy purchase into a slice of
6 firm and non-firm energy purchase; and 2) extend by six weeks the time at which the
7 District is required to provide estimated power costs for the following year.

8
9 WHEREAS, the City of Seattle entered into three new long-term power purchase agreements
10 with the District on March 11, 2002 (Ordinance 120743) to replace one 50-year power
11 purchase contract expiring October 31, 2005; and

12
13 WHEREAS, one of the three new contracts, the "Additional Products Sales Agreement,"
14 provided for the City to purchase a portion of non-firm energy from the Priest Rapids
15 Project; and

16
17 WHEREAS, the "Additional Products Sales Agreement" has been determined by the District to
18 be unreasonably difficult to implement; and

19
20 WHEREAS, the District has proposed terminating the "Additional Products Sales Agreement"
21 and replacing it with an amendment to the concurrent "Priest Rapids Project Product
22 Sales Contract," with the amendment providing Seattle an equivalent "slice" of firm and
23 non-firm energy to replace the non-firm energy lost by terminating the "Additional
24 Products Sales Agreement"; and

25
26 WHEREAS, the amendment to the "Priest Rapids Project Product Sales Contract" will provide
27 the City a fixed slice of firm and non-firm project output through the entire project license
28 term approved by the Federal Energy Regulatory Commission; and

WHEREAS, changes to the aforementioned two contracts will cause a change to Exhibit A of the
third contract with the District, the "Priest Rapids Project Reasonable Portion Power
Sales Contract," requiring corrections; and

WHEREAS, the District wishes to extend by six weeks the reporting requirement for estimating
annual power costs for the following contract year in Section 5 (f) of the "Priest Rapids
Project Reasonable Portion Power Sales Contract"; NOW, THEREFORE,



BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

1
2 Section 1. The Superintendent of the City Light Department, or his designee, is hereby
3 authorized to enter into two long-term contract amendments with Public Utility District No. 2 of
4 Grant County, entitled: (1) "Amendment No. 2 to the Priest Rapids Project Product Sales
5 Contract and Termination of Additional Product Sales Agreement"; and (2) "Amendment No. 2
6 to the Priest Rapids Project Reasonable Portion Power Sales Contract," both substantially in the
7 form of the contract amendments attached to this ordinance as Attachments 1 and 2, respectively.
8 Attachment 1 converts the non-firm energy that was to be purchased under the former
9 "Additional Product Sales Agreement" into an approximately equivalent "slice" of both firm and
10 non-firm energy under the "Priest Rapids Project Product Sales Contract." Attachment 2 does
11 two things: (a) it makes corrections to Exhibit A of the "Priest Rapids Project Reasonable
12 Portion Power Sales Contract" that are necessary because of the first "Amendment No. 2"
13 (Attachment 1); and (b) it allows the District a six-week extension for providing annual power
14 costs to City Light for the following contract year for improved accuracy of estimates.
15
16
17

18 Section 2. Following Council adoption, any acts taken in furtherance of this ordinance,
19 but prior to its effective date, are hereby ratified and confirmed.
20
21
22
23
24
25
26
27
28

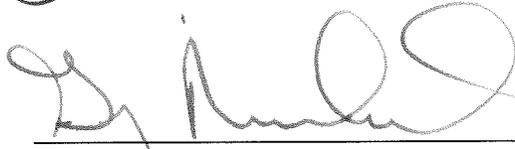


1 Section 3. This ordinance shall take effect and be in force thirty (30) days from and after
2 its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days
3 after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.

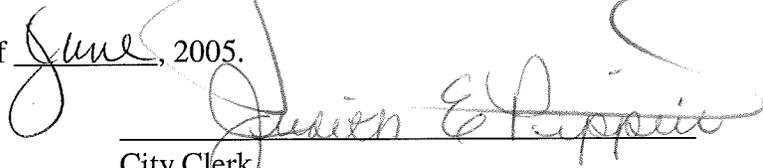
4 Passed by the City Council the 13th day of June, 2005, and signed by me in open
5 session in authentication of its passage this 13th day of June, 2005.

6
7 
8 President _____ of the City Council

9 Approved by me this 20th day of June, 2005.

10
11 
12 Gregory J. Nickels, Mayor

13 Filed by me this 20th day of June, 2005.

14
15 
16 City Clerk

17 (Seal)

18 Attachment 1: Amendment No. 2 to the Priest Rapids Project Product Sales Contract and
19 Termination of Additional Product Sales Agreement

20 Attachment 2: Amendment No. 2 to the Priest Rapids Project Reasonable Portion Power Sales
21 Contract





City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

May 24, 2005

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

Dear Council President Drago:

The attached proposed Council Bill authorizes the Superintendent of Seattle City Light (SCL) to sign two contract amendments changing the way that SCL purchases energy from Public Utility District No. 2 of Grant County's (the "District's"), Priest Rapids Project. The current methodology that was authorized by Ordinance 120743 in March 2002 was found to be unreasonably difficult to implement. The new methodology adopted by this Bill will make it easier for Seattle City Light and the District to track, calculate, and administer SCL's energy purchases from Priest Rapids without an increase in cost.

Thank you for your consideration of this legislation. If you have questions, please contact Sue Kuehl at 386-4513.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Nickels", written over a large, faint circular stamp or watermark.

GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council



**AMENDMENT NO. 2 TO THE PRIEST RAPIDS PROJECT
PRODUCT SALES CONTRACT AND TERMINATION OF
ADDITIONAL PRODUCT SALES AGREEMENT**

The Public Utility District No. 2 of Grant County, Washington ("District"), and _____ ("Purchaser"), hereby agree to this Amendment No. 2 to the Priest Rapids Project Product Sales Contract dated _____, 2005 (the "Product Contract"). Unless otherwise defined herein, all capitalized terms defined in the Product Contract shall have the meanings set forth therein when used in this Amendment.

1. Term of Amendment No. 2

This Amendment No. 2 shall take effect only upon the execution by the District and Purchaser, and shall expire on the earlier of the expiration or termination date of the Product Contract.

2. Amendment to Provisions of the Product Contract

2.1 The following is added to Section 2 Definitions:

The "Adjusted District Reserved Share" for any Contract Year shall mean the District Reserved Share for the applicable Contract Year less the percentage resulting from subtracting 36.5% from the District Reserved Share for the applicable Contract Year and dividing the difference by eight (8).

"Purchaser Conversion Percentage" for each Purchaser shall be that percentage as set forth for each Purchaser in Exhibit A of this Amendment No. 2.

2.2 The following is added as Section 5 (d) (1):

In addition to the Surplus Product available pursuant to Section 5 (d), each Contract Year there shall also be available to Purchaser an additional amount of Surplus Product equal to (Purchaser's Conversion Percentage set forth in Exhibit A of this Amendment No. 2 multiplied by the difference between the District Reserved Share and the Adjusted District Reserved Share) multiplied by the actual Priest Rapids Project Output. Attached Exhibit B of this Amendment No. 2 contains a sample calculation for illustration purposes only.

2.3 The definitions of "Purchaser Product Percentage of Displacement Product" and the "Purchaser Product Percentage of Surplus Product" hereinafter shall mean the Purchaser's specified percentages for the



"Displacement Product" and the "Surplus Product" as set forth in Exhibit A of this Amendment No. 2 attached hereto. The definitions contained in Exhibit A of this Amendment No. 2 shall supersede all prior definitions of "Purchaser Product Percentage of Displacement Product" and "Purchaser Product Percentage of Surplus Product".

2.4 The second sentence in the second paragraph of Section 3 (b) is revised as follows: The amount and cost of Displacement Product is defined in Sections 5 and 7 (a) (4) respectively.

2.5 The following is added to the end of Section 5 (g):

The District's use of Displacement Product pursuant to this subsection shall be in addition to the District's right to use the Reasonable Portion Proceeds to meet the Estimated Unmet District Load from Section 5 (c), provided however, that the District shall first use Reasonable Portion Proceeds prior to using the Displacement Product.

2.6 Section 6 (f) is revised as follows:

On or prior to July 31st of each year, for budgetary purposes only and not for determining Priest Rapids Project Products or Purchaser's payment obligations under this contract, the District shall supply an estimate of the Priest Rapids Project Output and Estimated District Loads for the following Contract Year. On or before September 10th of each year, the District shall supply an estimate of Annual Power Costs for the following Contract Year.

2.7 Section 8, previously having been ruled invalid, is hereby deleted.

3. Termination of Additional Product Sales Agreement

The Additional Product Sales Agreement previously executed by the District and the Purchaser is hereby terminated and shall be of no further force or effect.

PUBLIC UTILITY DISTRICT NO. 2 OF
GRANT COUNTY, WASHINGTON

By: _____

By: _____

Title: _____

Title: _____

Date Signed: _____

Date Signed: _____



Exhibit A, Amendment No. 2 to the Priest Rapids Project Product Sales Contract

Purchaser Name	Purchaser Product	Purchaser Product	Purchaser Revenue	Purchaser
	Percentage of Surplus Product	Displacement Product	Allocation	Conversion Percentage
	<u>2005-09 (1) Post-09 (2)</u>			
A. 1956/1959 Purchasers				
PacifiCorp	21.34%	26.87%	23.19%	22.56%
Portland General	21.34%	26.87%	23.19%	22.56%
Puget Sound Energy	12.28%	15.51%	13.36%	12.99%
Avista Utilities	9.37%	11.79%	10.17%	9.90%
Cowlitz PUD	3.07%	3.88%	3.34%	3.25%
Eugene Water & Elec Bd	2.61%	3.30%	2.84%	2.76%
B. 1956 Only Purchasers				
Seattle City Light	12.28%	0.00%	12.28%	12.99%
Tacoma Power	12.28%	6.56%	12.28%	12.99%
Total Purchasers	94.57%	100.50%	94.44%	100.00%

(1) "2005-09" is for the period November 1, 2005 through October 31, 2009.

(2) "Post-09" is for the period from November 1, 2009 until the expiration or termination date of the Product Contract.



Figure 1 of Exhibit B

Before Conversion

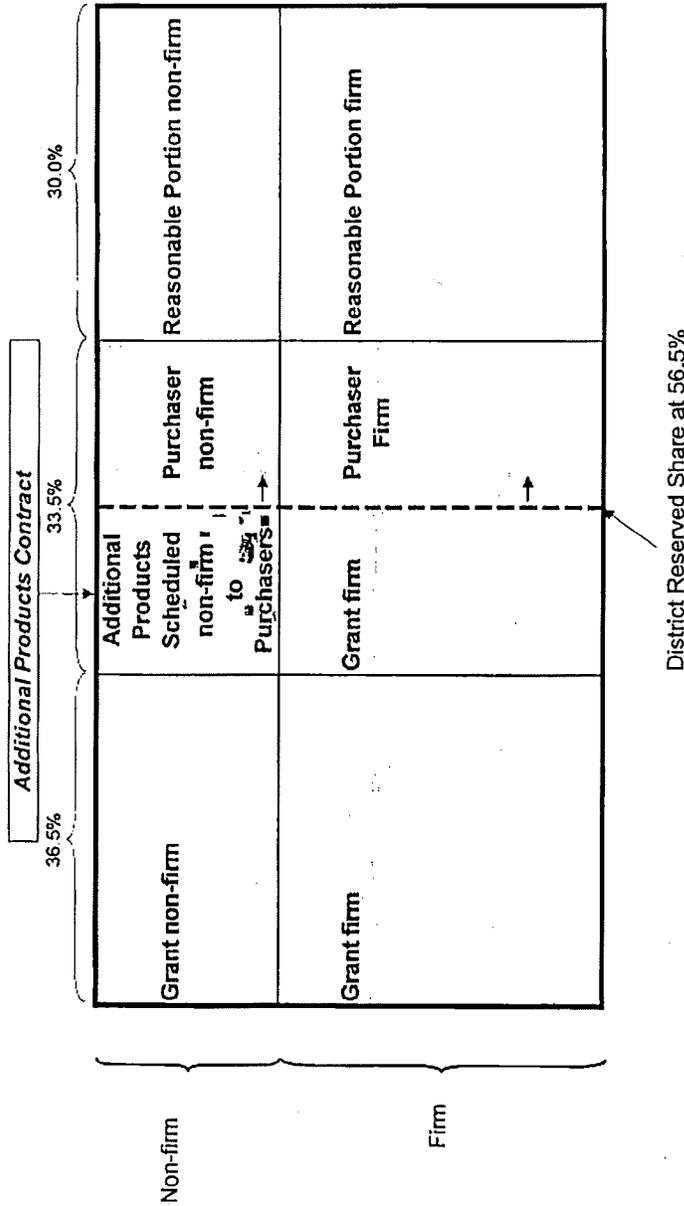


Figure 1 of Exhibit B to Attachment 1 to Ordinance

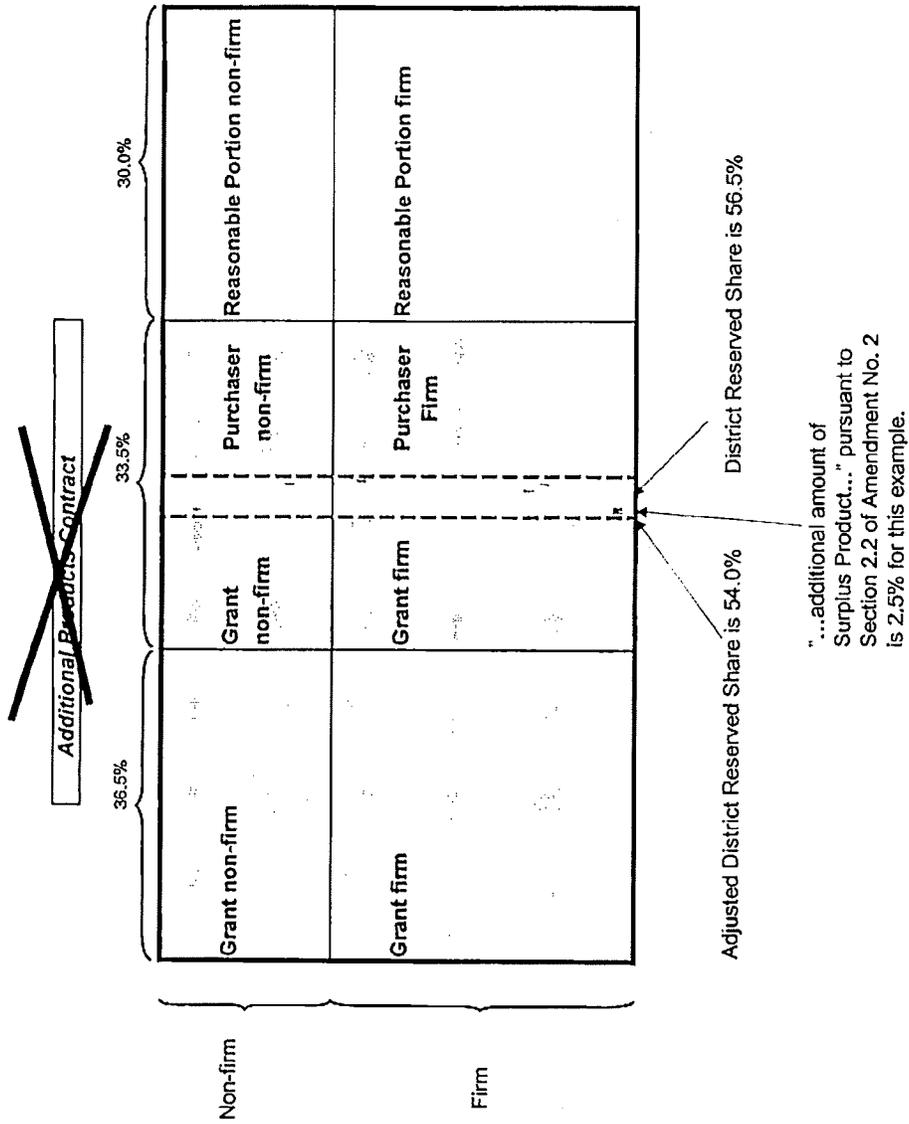
This diagram is intended for illustrative purposes only.

Figure 1 of Exhibit B to Amendment No. 2 to the Priest Rapids Project Product Sales Contract



Figure 2 of Exhibit B

After Conversion



This diagram is intended for illustrative purposes only.

Figure 2 of Exhibit B to Amendment No. 2 to the Priest Rapids Project Product Sales Contract



AMENDMENT NO. 2 TO THE PRIEST RAPIDS PROJECT
REASONABLE PORTION POWER SALES CONTRACT

The Public Utility District No. 2 of Grant County, Washington ("District"), and _____ ("Purchaser"), hereby agree to this Amendment No. 2 to the Priest Rapids Reasonable Portion Project Product Sales Contract dated _____, 2004 (the "Reasonable Portion Contract"). Unless otherwise defined herein, all capitalized terms defined in the Product Contract shall have the meanings set forth therein when used in this Amendment.

1. Term of Amendment No. 2

This Amendment No. 2 shall take effect only upon the execution by the District and Purchaser, and shall expire on the earlier of the expiration or termination date of the Reasonable Portion Contract.

2. Amendment to Provisions of the Reasonable Portion Contract

2.1 The definition of "Purchaser Revenue Allocation" hereinafter shall mean the Purchaser's specified percentage as set forth in Exhibit A attached hereto. The definitions contained in Exhibit A of this Amendment No. 2 shall supersede all prior definitions of "Purchaser Revenue Allocation."

2.2 Section 5 (f) is revised as follows: On or prior to July 31st of each year, for budgetary purposes only and not for determining Priest Rapids Project Products or Purchaser's payment obligations under this contract, the District shall supply an estimate of the Priest Rapids Project Output, the Purchaser Reserve Allocation and Estimated District Loads for the following Contract Year. On or before September 10th of each year, the District shall supply an estimate of Annual Power Costs for the following Contract Year.

2.3 Section 7, previously having been ruled invalid, is hereby deleted.

PUBLIC UTILITY DISTRICT NO. 2 OF
GRANT COUNTY, WASHINGTON

By: _____

By: _____

Title: _____

Title: _____

Date Signed: _____

Date Signed: _____



Exhibit A, Amendment No. 2 to the Priest Rapids Project Reasonable Portion Contract

<u>Purchaser Name</u>	<u>Purchaser Product</u>	<u>Purchaser Product</u>	<u>Purchaser Revenue</u>	<u>Purchaser</u>
	<u>Percentage of Surplus Product</u>	<u>Percentage of Displacement Product</u>	<u>Allocation</u>	<u>Conversion Percentage</u>
	<u>2005-09 (1)</u>	<u>2005-09 (1)</u>	<u>2005-09 (1)</u>	<u>2005-09 (1)</u>
	<u>Post-09 (2)</u>	<u>Post-09 (2)</u>	<u>Post-09 (2)</u>	<u>Post-09 (2)</u>
A. 1956/1959 Purchasers				
PacifiCorp	21.34%	26.87%	23.19%	22.56%
Portland General	21.34%	26.87%	23.19%	22.56%
Puget Sound Energy	12.28%	15.51%	13.36%	12.99%
Avista Utilities	9.37%	11.79%	10.17%	9.90%
Cowlitz PUD	3.07%	3.88%	3.34%	3.25%
Eugene Water & Elec Bd	2.61%	3.30%	2.84%	2.76%
B. 1956 Only Purchasers				
Seattle City Light	12.28%	0.00%	12.28%	12.99%
Tacoma Power	12.28%	12.28%	12.28%	12.99%
Total Purchasers	94.57%	100.50%	100.65%	100.00%
	94.44%	94.23%	94.44%	100.00%

(1) "2005-09" is for the period November 1, 2005 through October 31, 2009.

(2) "Post-09" is for the period from November 1, 2009 until the earlier of the expiration or termination date of the Product Contract.



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Seattle City Light	Sue Kuehl/386-4513	Thomas Dunlap/386-9120

Legislation Title:

AN ORDINANCE relating to the City Light Department; authorizing the Superintendent to enter into two long-term contract amendments with Public Utility District No. 2 of Grant County to: 1) convert a portion of Priest Rapids non-firm energy purchase into a slice of firm and non-firm energy purchase; and 2) extend by six weeks the time at which the District is required to provide estimated power costs for the following year.

• **Summary of the Legislation:**

This proposed ordinance will authorize City Light to execute two contract amendments with Public Utility District No. 2 of Grant County (the "District"): (1) "Amendment No. 2 to the Priest Rapids Project Product Sales Contract and Termination of Additional Products Sales Agreement"; and (2) "Amendment No. 2 to the Priest Rapids Project Reasonable Portion Power Sales Contract."

• **Background:**

On March 11, 2002, the City Council authorized the Superintendent of City Light to enter into three long-term power purchase agreements with the District, under Ordinance No. 120743:

- "Priest Rapids Project Product Sales Contract"
- "Additional Products Sales Agreement"
- "Priest Rapids Project Reasonable Portion Power Sales Contract"

The terms of all three agreements extend from November 1, 2005 to the end of the project license period, to be determined by the Federal Energy Regulatory Commission (probably 30 to 50 years).

Two amendments to these contracts are being proposed:

1. The District has requested that parties to the "Additional Products Sales Agreement" agree to terminate that contract and convert it to an amendment to the "Priest Rapids Project Product Sales Contract." The District found the "Additional Products Sales



Agreement” too difficult to implement, as it was based on non-firm energy only, and the rest of the products it delivers to Purchasers are “slices” of firm and non-firm energy combined. By adding Amendment No. 2 to the “Priest Rapids Project Product Sales Contract,” City Light’s share of non-firm energy under the terminated “Additional Products Sales Agreement” would be converted to an approximately equivalent amount of energy in the form of a slice of combined firm and non-firm energy. This change will be beneficial to the District, because of simpler implementation of the contracts beginning November 1, 2005. It will also provide more firm energy to City Light than would have been the case if this change were not made.

2. The change described in item 1 caused Exhibit A of the “Priest Rapids Project Reasonable Portion Power Sales Contract” to change, so the District requested an amendment to that contract as well. In addition, Amendment No. 2 to the Reasonable Portion Contract extends the time by which the District will inform Purchasers of the estimated annual power costs for the following contract year. The extension from July 31 to September 10 will allow Grant PUD to make better estimates of the next year’s power costs.

These amendments will have no financial impacts for City Light.

- *Please check one of the following:*

This legislation does not have any financial implications. *(Please complete all relevant sections that follow.)*



121832

FILED
CITY OF SEATTLE
05 JUL -7 AM 11:45
CITY CLERK

STATE OF WASHINGTON - KING COUNTY

--SS.

187097
CITY OF SEATTLE, CLERKS OFFICE

No. ORDINANCE IN FULL

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:121830,832-834

was published on

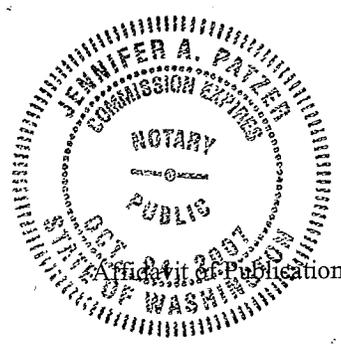
06/22/05

The amount of the fee charged for the foregoing publication is the sum of \$ 66.25, which amount has been paid in full.

Subscribed and sworn to before me on

06/22/05

Notary public for the State of Washington,
residing in Seattle



Affidavit of Publication

State of Washington, King County

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on June 13, 2005, 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 684-8344.

ORDINANCE NO. 121834

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

ORDINANCE NO. 121833

AN ORDINANCE relating to implementing the Committee to End Homelessness's Ten Year Plan, modifying a restriction in the 2005 Adopted Budget that limits the Human Services Department's spending on implementation of that Plan and allowing the carry-forward of portions of an appropriation in the Human Services Department's 2005 adopted budget.

ORDINANCE NO. 121832

AN ORDINANCE relating to the City Light Department; authorizing the Superintendent to enter into two long-term contract amendments with Public Utility District No. 2 of Grant County to: 1) convert a portion of Priest Rapids non-firm energy purchase into a slice of firm and non-firm energy purchase; and 2) extend by six weeks the time at which the District is required to provide estimated power costs for the following year.

ORDINANCE NO. 121830

AN ORDINANCE relating to the City Light Department; authorizing execution of the Second Amendment to Talbot Hill Substation Interconnection Agreement with Puget Sound Energy, Inc. to provide for the transfer of ownership of the City's 230-kV circuit breaker and related equipment to Puget Sound Energy, Inc.

Publication ordered by JUDITH PIPPIN,
City Clerk

Date of publication in the Seattle Daily
Journal of Commerce, June 22, 2005.

6/22(187097)