

Ordinance No. 123347

Council Bill No. 116887

AN ORDINANCE relating to the City Light Department; amending Seattle Municipal Code, Chapter 21.49.130.B to clarify the existing contract authority of the Department, including the authority to modify, renew or extend existing contracts, and amending an obsolete section by deleting the old provisions and adding new language establishing terms and conditions for the purchase and sale of environmental attributes.

### The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: Bruce A. Hewell  
Councilmember

### Committee Action:

7/7/10 PASS BH, RC  
7.12.10 Passed 9-0

CF No. \_\_\_\_\_

Date Introduced: <u>6.14.10</u>	.	
Date 1st Referred:	To: (committee)	
Date Re - Referred:	To: (committee) <u>Energy, Technology + Civil Rights</u>	
Date Re - Referred:	To: (committee)	
Date of Final Passage: <u>7.12.10</u>	Full Council Vote: <u>9-0</u>	
Date Presented to Mayor: <u>7.13.10</u>	Date Approved: <u>July 14, 2010</u>	
Date Returned to City Clerk: <u>July 14, 2010</u>	Date Published:	T.O. <input type="checkbox"/> F.T. <input checked="" type="checkbox"/>
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

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ORDINANCE 123347

AN ORDINANCE relating to the City Light Department; amending Seattle Municipal Code, Chapter 21.49.130.B to clarify the existing contract authority of the Department, including the authority to modify, renew or extend existing contracts, and amending an obsolete section by deleting the old provisions and adding new language establishing terms and conditions for the purchase and sale of environmental attributes.

WHEREAS, the Seattle Municipal Code, Chapter 21.49.130.B provides specific authority for the City Light Department ("City Light") to enter into contracts for the acquisition, exchange or sale of surplus energy; and

WHEREAS the City recognizes that City Light will experience imbalances between its customer demand and power supply portfolio, and must therefore transact in the wholesale energy markets for energy and transmission services and products to effectively manage its resources and achieve balance between supply and demand; and

WHEREAS, the authority provided by Seattle Municipal Code, Chapter 21.49.130.B.4 expired April 1, 2002, making such authority obsolete; and

WHEREAS, City Light, from time to time, may be required to purchase or choose to sell its surplus environmental attributes under specific terms and conditions in order to effectively manage its portfolio of environmental attributes and balance the regulatory requirements with the available supply, and City Light desires specific authority in order to execute such contracts; NOW, THEREFORE,

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

Section 1. Subsection 21.49.130.B of the Seattle Municipal Code is hereby amended as follows:

B. Rule-making and Contract Authority.

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1 2. ~~((Upon determining availability or necessity for))~~ Effectively managing its power supply  
2 portfolio to achieve balance between supply and customer demand requires that City Light  
3 transact in the wholesale energy markets for energy and transmission services and products,  
4 including the purchase or sale ~~((; or))~~ of ~~((a-))~~ short-term ~~((surplus of nonfirm))~~ capacity or energy,  
5 or integration, transmission or ancillary services.~~((the))~~ The Department may therefore enter  
6 into contracts with any city or town, public utility district, governmental agency, municipal  
7 corporation, mutual association, broker, agent, or with any person, firm, or corporation, or any  
8 other member of the general public, outside its service area, ~~((terminable on))~~ for an effective  
9 term of not more than ~~((eighteen))~~ ~~((f))~~ ~~((y))~~ 18 months from the date on which the contract is  
10 first signed~~((notice))~~, providing for the acquisition, exchange or sale of capacity or energy, or  
11 integration, transmission or ancillary services, on terms most favorable to the Department under  
12 such circumstances and in compliance with state law, including RCW 43.09.210. Such  
13 acquisition, sale or exchange shall be made on a basis representing the value of such capacity or  
14 energy, or integration, transmission or ancillary services, under then existing market conditions.

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19 4. ~~((In addition to the authority provided in subsection B2 above, the Department, upon approval~~  
20 ~~of each such contract by Council resolution, also shall have the authority through April 1, 2002,~~  
21 ~~to enter into longer term power sales, purchase or exchange contracts with any city or town,~~  
22 ~~public utility district, governmental agency, municipal corporation, mutual association, broker,~~  
23 ~~agent, or with any person, firm, or corporation, or any other member of the general public, either~~  
24 ~~inside or outside its service area. Each such contract shall have a term of not more than seven (7)~~



1 ~~years. The combined total of all long term contracts entered into by the Department pursuant to~~  
2 ~~the authority of this subsection may not exceed an average of 100 (one hundred) MW at any one~~  
3 ~~time.))~~ The Department may enter into contracts for the purchase or sale of environmental  
4 attributes, including but not limited to, renewable energy credits (“RECs”), green house gas off-  
5 sets, and carbon credits to meet policy and regulatory requirements in a cost effective and timely  
6 manner. The Department may enter into such contracts in advance of the target date for  
7 acquisition identified in the Department’s Integrated Resource Plan or the date required by state  
8 or federal law. These purchases will be made within the Department’s yearly budget authority  
9 limits. Sales will be made on an as-needed basis to balance demand with supply of these  
10 products, and to minimize overall costs to ratepayers.

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14 Section 2. This ordinance does not affect any existing right acquired or liability or  
15 obligation incurred under the sections amended or repealed in this ordinance or under any rule or  
16 order adopted under those sections, nor does it affect any proceeding instituted under those  
17 sections.  
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1 Section 3. This ordinance shall take effect and be in force 30 days from and after its  
2 approval by the Mayor, but if not approved and returned by the Mayor within ten days after  
3 presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

4 Passed by the City Council the 12<sup>th</sup> day of July, 2010, and  
5 signed by me in open session in authentication of its passage this

6 12<sup>th</sup> day of July, 2010.  
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9 \_\_\_\_\_  
10 President \_\_\_\_\_ of the City Council

11 Approved by me this 16 day of July, 2010

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13 \_\_\_\_\_  
14 Michael McGinn, Mayor

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16 Filed by me this 16<sup>th</sup> day of July, 2010.

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18 \_\_\_\_\_  
19 City Clerk

20 (Seal)



**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>DOF Analyst/Phone:</b>
City Light	Robert Cromwell/684-3856	Calvin Chow/684-4652

**Legislation Title:**

AN ORDINANCE relating to the City Light Department; amending Seattle Municipal Code, Chapter 21.49.130.B to clarify the existing contract authority of the Department, including the authority to modify, renew or extend existing contracts, and amending an obsolete section by deleting the old provisions and adding new language establishing terms and conditions for the purchase and sale of environmental attributes.

• **Summary of the Legislation:**

The proposed ordinance will revise the Seattle Municipal Code, Chapter 21.49.130.B to clarify the City Light Department's existing contract authority and amend an obsolete section by deleting old provisions and adding explicit authority to buy and sell environmental attributes.

• **Background:**

The existing version of Seattle Municipal Code, Chapter 21.49.130.B provides specific authority for City Light to enter into contracts for the acquisition, exchange or sale of surplus nonfirm energy, but the limited provisions of this code, most of which was developed more than 25 years ago, are outdated and, in some ways, ambiguous. The electric industry is constantly changing with the introduction of new products and services, business practices, policy requirements and regulations, which often require City Light to amend its existing contracts or enter into new contracts in order to conduct business in a fiscally responsible and environmentally conscientious manner, all while complying with applicable laws and regulations.

Timely contract execution is critical to ensure that City Light can competitively access the products and services that are essential to its business operations. In some cases, contract execution delays expose City Light to the risk of loss of rights or cost-effective acquisitions; thus, it is critical that the Department acquire the authority that it needs to stay abreast of industry practice and regulatory changes. The revised code will provide the authority that City Light needs to *promptly* enter into the contracts required for its business operations.

The existing code will also be revised to clarify City Light's authority to execute several types of agreements needed to facilitate its routine wholesale business function, including acquisition, exchange or sale of capacity or energy, or integration, transmission or ancillary services. Finally, specific authority will be added to Chapter 21.49.130.B to enable City Light to buy and sell environmental attributes that are necessary to meet its policy and regulatory requirements in a cost effective and timely manner.



While the proposed revisions to Seattle Municipal Code, Chapter 21.49.130.B will clarify and enhance City Light's contract authority, they are not expected to increase the total number or quality of contracts to which the Department is a party. Thus, it is expected to have no significant affect on City Light's overall expenditures or revenues.

- X   **This legislation does not have any financial implications.**





City of Seattle  
Office of the Mayor

June 8, 2010

Honorable Richard Conlin  
President  
Seattle City Council  
City Hall, 2<sup>nd</sup> Floor

Dear Council President Conlin:

I am pleased to transmit the attached proposed Council Bill that would amend Seattle Municipal Code, Chapter 21.49.130.B to clarify the City Light Department's contract authority to ensure that the Department can continue to conduct business in a manner that is consistent with current electric industry practices. Passage of this Council Bill will also grant specific authority to allow City Light to buy and sell environmental attributes of renewable energy to advance the City's climate policy objectives and satisfy Washington State regulatory requirements.

The electric industry is constantly changing with the introduction of new products and services, business practices, policy requirements and regulations, which may require City Light to amend its existing contracts or enter into new contracts in order to comply with current business practices, applicable law and regulations. Timely contract execution is often critical to ensure that City Light can competitively access the products and services that are essential to cost-effective business operations. The proposed Seattle Municipal Code revisions will clarify City Light's existing contract authority and amend an obsolete section by deleting old provisions and adding explicit authority to buy and sell environmental attributes.

The proposed ordinance will enable the City to meet the requirements of RCW Chapter 19.285 ("I-937"), as well as the objectives of its own Climate Action Plan and Integrated Resource Plan. Thank you for your consideration of this legislation. Should you have questions, please contact Robert Cromwell at (206) 684-3856.

Sincerely,

Michael McGinn  
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

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600 Fourth Avenue, 7<sup>th</sup> Floor  
PO Box 94749  
Seattle, WA 98124-4749

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mike.mcgin@seattle.gov



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**STATE OF WASHINGTON – KING COUNTY**

--SS.

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258148  
CITY OF SEATTLE, CLERKS OFFICE

No.

**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 12<sup>th</sup> day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

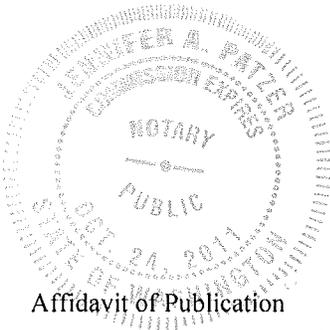
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:123347 ORDINANCE

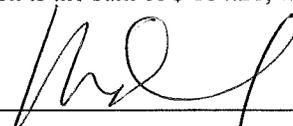
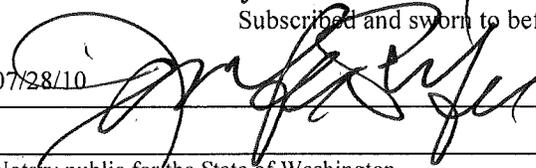
was published on

07/28/10

The amount of the fee charged for the foregoing publication is the sum of \$ 184.28, which amount has been paid in full.



Affidavit of Publication

  
\_\_\_\_\_  
Subscribed and sworn to before me on  
07/28/10   
\_\_\_\_\_  
Notary public for the State of Washington,  
residing in Seattle

# City of Seattle

## ORDINANCE 123347

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#### B. Rule-making and Contract Authority.

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2. ~~((Upon determining availability or necessity for))~~ Effectively managing its power supply portfolio to achieve balance between supply and customer demand requires that City Light transact in the wholesale energy markets for energy and transmission services and products, including the purchase or sale ((; or)) of ((a)) short-term ((surplus of non-firm)) capacity or energy, or integration, transmission or ancillary services ((; the)) The Department may therefore enter into contracts with any city or town, public utility district, governmental agency, municipal corporation, mutual association, broker, agent, or with any person, firm, or corporation, or any other member of the general public, outside its service area, ~~((terminable on))~~ for an effective term of not more than ((eighteen)) ((18)) months from the date on which the contract is first signed ((; notice)), providing for the acquisition, exchange or sale of capacity or energy, or integration, transmission or ancillary services, on terms most favorable to the Department under such circumstances and in compliance with state law, including RCW 43.09.210. Such acquisition, sale or exchange shall be made on a basis representing the value of such capacity or energy, or integration, transmission or ancillary services, under then existing market conditions.

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# Washington, King County

4. ~~((In addition to the authority provided in subsection B2 above, the Department, upon approval of each such contract by Council resolution, also shall have the authority through April 1, 2002, to enter into longer-term power sales, purchase or exchange contracts with any city or town, public utility district, governmental agency, municipal corporation, mutual association, broker, agent, or with any person, firm, or corporation, or any other member of the general public, either inside or outside its service area. Each such contract shall have a term of not more than seven (7) years. The combined total of all long-term contracts entered into by the Department pursuant to the authority of this subsection may not exceed an average of 100 (one hundred) MW at any one time.))~~ The Department may enter into contracts for the purchase or sale of environmental attributes, including but not limited to, renewable energy credits ("RECs"), green house gas offsets, and carbon credits to meet policy and regulatory requirements in a cost effective and timely manner. The Department may enter into such contracts in advance of the target date for acquisition identified in the Department's Integrated Resource Plan or the date required by state or federal law. These purchases will be made within the Department's yearly budget authority limits. Sales will be made on an as-needed basis to balance demand with supply of these products, and to minimize overall costs to rate-payers.

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Section 2. This ordinance does not affect any existing right acquired or liability or obligation incurred under the sections amended or repealed in this ordinance or under any rule or order adopted under those sections, nor does it affect any proceeding instituted under those sections.

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

Passed by the City Council the 12th day of July, 2010, and signed by me in open session in authentication of its passage this 12th day of July, 2010.

Richard Conlin

President of the City Council

Approved by me this 16th day of July, 2010

Michael McGinn, Mayor

Filed by me this 16th day of July, 2010.

Publication ordered by the City Clerk  
Date of publication in the Seattle Daily Journal of Commerce, July 28, 2010.  
7/28(258148)