

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title:

AN ORDINANCE relating to the City Light Department; authorizing execution of the Boundary Power Assignment Agreement with Public Utility District No. 1 of Pend Oreille County, Washington, for the term of the Boundary Hydroelectric Project license granted by the Federal Energy Regulatory Commission on March 20, 2013, 42 years.

Summary of the Legislation:

This legislation would authorize City Light to execute an agreement with the Public Utility District No. 1 of Pend Oreille County, Washington (“District”) to assign 48 mega-watts of power from Boundary Project at cost to the District through the 42-year term of the new hydropower operating license issued by the Federal Energy Regulatory Commission (“FERC”) on March 20, 2013.

Background:

The proposed Boundary Power Assignment Agreement essentially continues a business relationship with the local utility that was established during the term of the City’s first FERC license and fulfills a commitment that was made by the City in 2000 in order to gain the District’s support of the City’s relicensing effort. Under the proposed agreement, the City will continue to assign a comparable amount of power from Boundary Project to the District as it has since the 1980’s and the District will continue to compensate the City at an “at cost” price as determined by the methodology established by order of the FERC in 1990.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

Appropriations: *None*

Fund Name and Number	Department	Budget Control Level*	2013 Appropriation	2014 Anticipated Appropriation
TOTAL				

*See budget book to obtain the appropriate Budget Control Level for your department.

Appropriations Notes: Power is committed from the City’s power resource portfolio to the District on a planning basis, so there is no planned purchase of power to fulfill this obligation.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
	Light	District	\$1,799,799	\$1,842,094
TOTAL			\$1,799,799	\$1,842,094

Revenue/Reimbursement Notes: The charges to the District are calculated based on the annual cost of Boundary Project power, which is determined for each calendar year according to the methodology set forth by the FERC Administrative Law Judge in his Initial Decision dated November 23, 1990, 53 FERC ¶ 63,015. The changes include, but are not limited to: the City’s costs related to power production expenses, water for power, system control expenses, transmission expenses, administrative and general expenses, applicable taxes, statutory payments pursuant to RCW 35.21.425 as memorialized in the “2010 Agreement between the City of Seattle and Pend Oreille County” or as may be renegotiated for future periods during the term of the FERC license, depreciation expenses, interest on debt, return on equity and return on general plant (including a proportional share of expenses to comply with the terms and conditions of the 2013 Boundary License, as it may be amended from time to time) and the 2010 Settlement Agreement.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact: *None*

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2013 Positions	2013 FTE	2014 Positions*	2014 FTE*
TOTAL							

* 2014 positions and FTE are total 2014 position changes resulting from this legislation, not incremental changes. Therefore, under 2014, please be sure to include any continuing positions from 2013.

Position Notes:

Do positions sunset in the future?

Spending/Cash Flow: *None*

Fund Name & #	Department	Budget Control Level*	2013 Expenditures	2014 Anticipated Expenditures
TOTAL				

* See budget book to obtain the appropriate Budget Control Level for your department.

Spending/Cash Flow Notes: none

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

No. The proposed agreement continues an existing business arrangement, so no incremental changes to costs or revenues are expected.

b) What is the financial cost of not implementing the legislation?

If the City does not execute a replacement Boundary power assignment agreement with the District, it may be found to be in breach of its 2000 Memorandum of Agreement with the District. This could result in litigation with the District with unknown costs as a consequence.

c) Does this legislation affect any departments besides the originating department?

No.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

City Light theoretically could negotiate a financial settlement with the District in lieu of the power assignment agreement, but due to the relative difference in cost between Boundary Project output and alternative market resources, it could be more costly than the proposed arrangements.

e) Is a public hearing required for this legislation?

No.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

g) Does this legislation affect a piece of property?

No.

h) Other Issues:

The FERC did not include, as requested by City Light, an article in the new Boundary Project license that obligates the City to assign power to the District. The District has communicated this omission to FERC, but in any event, City Light intends to proceed with the proposed power assignment agreement in order to fulfill commitments previously made to the District in 2000.

List attachments to the fiscal note below:

None.