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ORDINANCE _____

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AN ORDINANCE relating to the City Light Department; amending Seattle Municipal Code, Chapter 21.49.130.B to clarify certain aspects of the Department's authority and extend the Department's authority to enter into contracts for periods of up to 24 months for the acquisition, exchange or sale of short-term capacity or energy, or integration, transmission or ancillary services; and ratifying and confirming prior acts.

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 short-term capacity or energy, or integration, transmission or ancillary services; 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 was amended on July 12, 2010, by the Council in Ordinance 123347 to address a number of specific clarifications needed for the daily and forward marketing and purchase of power, transmission and renewable energy credits; and

WHEREAS, City Light's Power Sales Agreement with the Bonneville Power Administration for the Slice and Block energy products will decrease the available surplus of energy City Light has to sell in the wholesale markets beginning in the fourth quarter of 2011; and

WHEREAS, the increasing quantity of variable energy resources such as wind have resulted in more hours of the year with negative pricing which directly and adversely impacts City Light's net wholesale revenue; and

WHEREAS, current energy market conditions indicate that City Light should take actions for the fourth quarter of 2012 now, to reshape City Light's expected energy surplus which exceeds the 18 month authority reaffirmed by the Council last summer; and

WHEREAS, City Light has a current market opportunity due to the forward price of wholesale electricity being at a very low level, allowing City Light to minimize the risk associated with negative pricing in the second quarter of 2012 and the risk of energy deficits in the third and fourth quarters of 2012 by taking action as soon as possible; 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.

2. 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 of short-term capacity or energy, or integration, transmission or ancillary services. 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, for an effective term of not more than ~~((18))~~ 24 months from the month following the date on which the contract is first signed ("prompt month"), 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 and may include provisions that require indemnification by the Department.



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

5 Section 3. Any act authorized by this ordinance and taken after its passage but prior to its
6 effective date is ratified and confirmed.
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1 Section 4. This ordinance shall take effect and be in force 30 days after its approval by
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

4 Passed by the City Council the ____ day of _____, 2011, and
5 signed by me in open session in authentication of its passage this
6 ____ day of _____, 2011.

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9 _____
10 President _____ of the City Council

11 Approved by me this ____ day of _____, 2011.

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13 _____
14 Michael McGinn, Mayor

15 Filed by me this ____ day of _____, 2011.

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17 _____
18 City Clerk

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20
21 (Seal)



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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 certain aspects of the Department’s authority and extend the Department’s authority to enter into contracts for periods of up to 24 months for the acquisition, exchange or sale of short-term capacity or energy, or integration, transmission or ancillary services; and ratifying and confirming prior acts.

Summary of the Legislation: The proposed ordinance will revise the Seattle Municipal Code, Chapter 21.49.130.B to extend the City Light Department’s existing contract authority by six months, from eighteen months to twenty-four months and confirming the City’s ability to include indemnity provisions in contracts.

Background: 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.

The authority provided by Seattle Municipal Code, Chapter 21.49.130.B was amended on July 12, 2010, by the Council in Ordinance 123347 to address a number of specific clarifications needed for the daily and forward marketing and purchase of power, transmission and renewable energy credits.

City Light faces decreases in its energy contracts with the Bonneville Power Administration beginning in the fourth quarter of 2011. In addition, the increasing quantity of variable energy resources such as wind is resulting in ever increasing periods of negative pricing, depressing City Light’s net wholesale revenue. This combination indicates City Light should take action to mitigate its risks.

The current energy market conditions indicate that City Light should take actions for the fourth quarter of 2012 now, to reshape City Light’s expected energy surplus which exceeds the 18 month authority reaffirmed by the Council last summer.

City Light has a current market opportunity due to the forward price of wholesale electricity being at near record lows, allowing City Light to minimize the risk associated with negative pricing in the second quarter of 2012 and the risk of energy deficits in the third and fourth quarters of 2012 by taking action as soon as possible.

X This legislation does not have any financial implications.





City of Seattle
Office of the Mayor

March 8, 2011

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd 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 extend the City Light Department's contract authority from 18 months to 24 months to mitigate existing price risks in the wholesale energy markets for 2012 and to take advantage of near-record low forward wholesale electricity prices.

The proposed Seattle Municipal Code revisions will extend City Light's existing contract authority by six months and allow City Light to take advantage of current market opportunities to mitigate the risk to City Light's ratepayers in 2012.

Thank you for your consideration of this legislation. Should you have questions, please contact Steve Kern at 684-3243.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

