

SCL BPA Transmission Cost Adjustment ORD

Date of this Brief	May 10, 2013		
Supersedes	NA		
Key Contacts	Name(s)	Phone	Short Title
	Paula Laschober	4-3168	SCL Finance Director
	Jeff Bishop	4-4649	SCL CFO
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Council Action Required?	YES	If YES, within the next 3 months?	YES
Public Hearing Required?	NO		
Presenters (if applicable)			

Summary Statement

An ordinance amending the automatic BPA rate pass-through (SMC 21.49.081) so that it clearly includes the pass-through of BPA transmission costs as well as power costs.

Background

This ordinance modifies SMC Section 21.49.081, which pertains to the automatic BPA cost adjustment, also commonly referred to as the “BPA pass-through.” Automatic rate adjustments relating to City Light’s contract with BPA were first introduced in Ordinance 119747 in November 1999 to accommodate anticipated transmission service rate increases. Section 21.49.081 was repealed by Ordinance 120149 in November of 2000, before the effective date of the automatic adjustment of October 1, 2001.

Ordinance 120247, adopted by the Council in January of 2001, introduced a new version of Section 21.49.081. Under this automatic BPA cost adjustment, City Light would add an additional charge per kWh, called the “BPA increment,” onto customer rates on October 1, 2001 in response to an increase in BPA rates.

The code was amended by Ordinances 120385, 122282, 123178, 123479 and most recently by Ordinance 123988 in September of 2012. According to the current code, City Light will compute the BPA increment in response to any increases or decreases in BPA’s power sales rates. The BPA increment is applied to all rate schedules but rate assistance charges are adjusted by 40 percent of the BPA increment.

City Light purchases both power and transmission services from BPA, but under the current code, the BPA pass-through only applies to changes to the power sales agreement. Transmission is an essential service and the costs are both uncertain and uncontrollable, as are BPA power costs. If BPA were to increase transmission service rates, the code should make it clear that the Utility will automatically pass any such increase through to retail rates. This ordinance

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authorizes the BPA increment to be applied to both power sales and transmission service rate changes. This will ensure City Light receives recovery of the entire scope of costs under contract with BPA.

The BPA increment under this ordinance will be calculated in the same manner introduced by Ordinance 120247. When there are changes to BPA rates, City Light will calculate its projected cost change for the next 12 month period under the new and old rates. The difference in these two dollar values will be multiplied by 1.1095, the effective tax rate, and the total will be divided by the forecast kWh load for that 12-month period to arrive at the BPA increment.

Key Issues

None

Next Steps

1. EEC Meeting 5/14
2. Full council vote on ORD
3. With passage of ORD, City Light will include transmission costs in the BPA pass-through rate adjustment effective October 1, 2013.