#5

Sheila Claire Strehle
SPU Shoreline Wheeling Agreement ORD
December 5, 2012
Version #4

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL 117713

AN ORDINANCE relating to Seattle Public Utilities; authorizing the Director of Seattle Public Utilities to execute a wheeling agreement with Shoreline Water District, and ratifying and confirming certain prior acts.

WHEREAS, Shoreline Water District (Utility) contracts with Seattle Public Utilities (Seattle) for wholesale water supply, which includes the terms and conditions of delivering the water supply currently through the Seattle Regional Transmission System; and

WHEREAS, the Utility has constructed two new points of delivery that require use of a subset of Seattle's infrastructure to deliver the water, and that subset is not part of the Seattle Regional Transmission System; and

WHEREAS, the Utility and Seattle negotiated a wheeling agreement to establish the terms and conditions of wheeling the water supply through Seattle's Northwest Sub-regional System to the two new points of delivery and the Utility has executed it; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Director of Seattle Public Utilities is hereby authorized to execute a wheeling agreement between Shoreline Water District and the City of Seattle substantially in the form as the agreement attached hereto as Attachment 1.

Section 2. Any act consistent with the authority of this ordinance taken prior to its effective date is hereby ratified and confirmed.

Section 3. This ordinance shall take effect and be in force 30 days 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 ____ day of _____, 2013, and signed by me in open session in authentication of its passage this _____ day of _____, 2013.

_____

President _____of the City Council

Approved by me this ____ day of _____, 2013.

_____

Michael McGinn, Mayor

Filed by me this ____ day of _____, 2013.

_____

Monica Martinez Simmons, City Clerk

(Seal)

Attachment 1 – Agreement for Wheeling Water between the City of Seattle and the Shoreline Water District.

Sheila Strehle
SPU Shoreline Wheeling Agreement ATT 1
December 12, 2012
Version #1

ATTACHMENT 1

AGREEMENT FOR

WHEELING WATER

BETWEEN

THE CITY OF SEATTLE

AND THE

SHORELINE WATER DISTRICT

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AGREEMENT FOR WHEELING WATER
BETWEEN
THE CITY OF SEATTLE
AND
SHORELINE WATER DISTRICT

THIS AGREEMENT is entered into between the CITY OF SEATTLE ("Seattle"), a municipal corporation of the State of Washington, and the SHORELINE WATER DISTRICT ("Utility"), a municipal corporation of the State of Washington.

RECITALS

1. Seattle owns and operates a system for the supply, transmission and distribution of water and is authorized to sell and distribute water to its residents and other customers located outside its corporate limits; and

2. The Utility entered into a Wholesale Water Supply Contract with Seattle to purchase water supply; and

3. Seattle, within its Wholesale Water Supply Contract, has listed the assets of the Seattle Regional Transmission System used to deliver water throughout the region and the terms and conditions for that delivery; and

4. With Seattle's consent, the Utility constructed two new points of delivery that are served through assets that are not part of the listed Seattle Regional Transmission System assets, and the wheeling of water through those assets is not covered by the Utility's Wholesale Water Supply Contract with Seattle;

NOW, THEREFORE, in consideration of mutual covenants herein, it is agreed as follows:

SECTION I. DEFINITIONS

For the purposes of this Agreement, the following terms have been defined as:

"Point(s) of Delivery" - The water meter and associated appurtenances, including everything from the outlet from the supply pipeline to the end of the Seattle meter vault, through which water is delivered from Seattle's Northwest Sub-regional System to the Utility's distribution system.

"Northwest Sub-regional System" - Those assets identified in Exhibit A and generally shown on the map in Exhibit B.

"Northwest Sub-regional System Allocation" – The percentage of each asset in the Northwest Sub-regional System that is used for sub-regional system use, i.e. transmission purposes.

"Seattle Regional Transmission System" - Those transmission mains, pumps and storage facilities serving Seattle's retail and wholesale customers with water as set forth in the Wholesale Water Supply Contract.

"Wheeling" - The process of delivering water through a set of assets from one utility to another.

"Wholesale Water Supply Contract" - The agreement for the provision of water supply between Seattle and the Utility, dated November 5, 2001.

SECTION II. TERM OF CONTRACT AND GUARANTEES

II.A. Term of Contract

1. This Agreement is effective from March 1, 2012 and shall remain in effect during the term of the Wholesale Water Supply Contract (December 31, 2062), so long as the Utility uses the Northwest Sub-regional System to receive water from Seattle.
2. Seattle may assign all or a portion of its rights and obligations under this Agreement to another public utility in the event Seattle transfers ownership of all or a portion of the assets identified in Exhibit A.

II.B. Agreement to Wheel Water

Seattle agrees to facilitate delivery of water pursuant to the terms and conditions of the Wholesale Water Supply Contract by wheeling water from the Seattle Regional Transmission System through the Northwest Sub-regional System to the Utility's Points of Delivery, as more particularly described in Exhibit C.

II.C. Service Delivery

1. Standard Level of Service. Seattle shall maintain a minimum hydraulic gradient or head at a maximum flow rate in amounts and at locations described in Exhibit C for each of Utility's Points of Delivery served through the Northwest Sub-regional System.

2. Interruptions of Service. Seattle may temporarily interrupt or reduce delivery of wheeled water to the Utility if Seattle determines that such interruption or reduction is necessary or reasonable in case of system emergencies or in order to install equipment, make repairs, replacements, investigations and inspections or perform other maintenance work on the Northwest Sub-regional System assets. Except in cases of emergency, Seattle shall give the Utility reasonable notice of any such interruption or reduction in service. Notice should include the reasons and probable duration of the interruption. Seattle shall use its best efforts to minimize service interruptions to the Utility.

II.D. Infrastructure

1. Assets. The Northwest Sub-regional System consists of those assets identified in Exhibit A. The percentage attributed to each asset in Exhibit A represents the proportion of the

asset that is deemed to be a sub-regional use and is referred to as the Northwest Sub-regional System Allocation (Allocation). The remaining proportion of each asset is considered to be a local use, i.e. for Seattle's distribution system.

2. Operation and Ownership. Seattle owns, operates and maintains the Northwest Sub-regional System used for wheeling under this Agreement. Nothing in this Agreement shall convey ownership rights or responsibilities of Seattle's assets to the Utility.

3. Points of Delivery and Meters. Water will be wheeled to the Utility to the Points of Delivery identified in Exhibit C. Seattle shall own the Points of Delivery, including appropriate metering devices to measure the amount of water wheeled to the Utility under this Agreement. Seattle will perform any work, including but not limited to operation, maintenance, repair, replacement, relocation, improvement or decommission of the Points of Delivery at Utility's expense, except a) to the extent of Seattle's negligence or b) for regular testing, cleaning and recalibration of the metering devices. Utility will operate and maintain its distribution system in a manner that the water flowing through the metering devices is within the normal operating range for the meter as specified by the manufacturer. At the Utility's request and expense, Seattle shall install and maintain equipment selected by the Utility and approved by Seattle to transmit signals to the Utility's recording equipment (at locations determined by the Utility) of the amount of water delivered as measured by Seattle's meter(s).

4. Asset and Allocation Review. Every five years, Seattle, in consultation with the Utility and other utilities receiving water through the Northwest Sub-regional System, shall conduct a review of the Northwest Sub-regional System assets and Allocations in Exhibit A to determine whether they are consistent with current operating needs and conditions. The next five-year review is scheduled for 2013. Seattle shall modify Exhibit A as necessary to reflect any changes, which will become incorporated into the Agreement upon written notice to Utility.

II.E. Water Quality

Seattle shall wheel water to the Utility's system that meets or exceeds all applicable Federal and State regulations as the same may change from time to time.

SECTION III. WHEELING COSTS

The following general principles shall apply to the establishment of all rates and charges for wheeling hereunder.

- Seattle shall utilize generally accepted accounting principles consistently applied as a basis for developing the financial information upon which rates and charges are based.
- The rate structure should be simple to administer and easily understandable.
- The rate structure should be fair and equitable while balancing the needs of all parties.
- The rate structure should not place financial burdens on Seattle's retail customers for which they do not receive a corresponding benefit.

III.A. Cost Recovery

In accordance with the foregoing principles, Seattle shall develop wheeling rates for the Northwest Sub-regional System as follows:

1. Annual Costs of the Northwest Sub-regional System. These annual costs pertain to those assets listed in Exhibit A and include both capital and operation and maintenance costs.

   a. Operations and maintenance. For purposes of calculating a wheeling rate, operations and maintenance costs are limited to (i) the cost of power used at the pumping stations listed in Exhibit A and (ii) the proportionate share of costs for extraordinary maintenance or repairs, as determined by Seattle, on any asset in Exhibit A in accordance with the Northwest Sub-regional System Allocation for that asset.

   b. Capital. Total asset costs shall be calculated using the utility basis. Under the utility basis, the cost for an asset in any year shall be the sum of 1) the annual depreciation expense recorded for that asset, and 2) the product of the net book value of that asset and the rate of return on investment, which shall be 1.5% plus Seattle's average cost of debt as defined in the Wholesale Water Supply Contract.

      i. Asset Accounts. An asset account shall be established and maintained for each asset listed in Exhibit A. Within that account, Seattle shall record the original cost of the asset plus betterments and less retirements.

      ii. Depreciation. Assets shall be depreciated according to Standard Water System Asset Lives and a record of life-to-date depreciation shall be maintained for each asset. For future assets, no depreciation shall be recorded in the first calendar year of operation of that asset. A full year's depreciation shall be recorded in every subsequent year.

      iii. Net Book Value. The net book value of each asset shall be its original cost plus betterments and less retirements, as recorded in its asset account, less life-to-date depreciation.

      iv. Capacity. Costs associated with increasing capacity of or adding new assets to the Northwest Sub-regional System over and above that necessary to provide the level of service outlined in Section II.C.1 shall be borne by the party(ies) creating the need for or requesting the expansion or addition. Seattle shall modify Exhibit A as necessary to reflect any changes in the list of assets or the Northwest Sub-regional System Allocation, which will replace the existing Exhibit A and become incorporated into the Agreement upon written notice to Utility. If Utility has not created the need for or requested the expansion or addition of assets to the Northwest Sub-regional System, over and above the level of service outlined in Section II.C.1, Utility shall not be obligated to share in the costs of the expanded or added assets.

2. Wheeling Rate. The wheeling rate is calculated by dividing the allocated annual costs for the Northwest Sub-regional System pursuant to the Northwest Sub-regional System Allocation by the total amount of water delivered to Seattle's retail and wholesale customers through the Northwest Sub-regional System. The total amount of water delivered will be calculated as an average of the three most recent years. The wheeling rate as of the effective date of this

Agreement is $0.02 per hundred cubic feet. Subsequent rates shall be established pursuant to Section III.C.

III.B. Billing

1. Determination of Bill. The wheeling rate will be applied to the quantity of water measured at the Utility's Points of Delivery in Exhibit C. Charges for the metered amount of water will be billed pursuant to the Wholesale Water Supply Contract.

2. Payment. Seattle shall bill the Utility on a monthly basis for all charges due under this Agreement. The Utility shall pay such charges within 30 days of the billing date. Seattle, at its option, may add these charges to billings sent to the Utility in association with the purchase of water from the Wholesale Water Supply Contract.

3. Penalties for Late Payment. All late payments or monies owed shall accrue interest at 1% per month.

III.C. Rate Adjustments

1. Comprehensive Rate Review. Every five years, Seattle shall conduct a comprehensive review of the wheeling rate, including consideration of updates to Exhibit A, if any, pursuant to Section II.D.4. The next comprehensive rate review is scheduled for 2013. Any changes to the rate will become effective upon written notice to the Utility.

2. Interim Rate Review. Within the five-year review periods above, but no more frequently than annually, any utility using the Northwest Sub-regional System may request, in writing, a review of the wheeling rate. Seattle shall conduct the review in accordance with this Agreement. The comprehensive rate review under Section III.C.1 above shall remain on schedule, even if a review is conducted under this section.

3. In the event that during either a comprehensive or interim rate review, it is determined that annual costs related to that portion of the Fremont Avenue N feeder north of the Richmond Highland Tanks (see Exhibit A, pipeline #3) or the N 205th Street feeder (see Exhibit A, pipeline #4), or both, cause an increase in the wheeling rate, Seattle will relieve Utility of the increased wheeling rate to the extent it is caused by costs related to the Northwest Sub-regional System assets described in this section.

SECTION IV. ADMINISTRATION

IV.A. Severability

If any provision of this Agreement or its application is held by a court of competent jurisdiction to be illegal, invalid, or void, the validity of the remaining provisions of this Agreement or its application to other entities, or circumstances shall not be affected. The remaining provisions shall continue in full force and effect, and the rights and obligations of the parties shall be

construed and enforced as if the Agreement did not contain the particular invalid provision; provided, however, if the invalid provision or its application is found by a court of competent jurisdiction to be substantive and to render performance of the remaining provisions unworkable and non-feasible, is found to seriously affect the consideration and is inseparably connected to the remainder of the Agreement, the entire Agreement shall be null and void.

IV.B. Consent

Whenever it is provided in this Agreement that the prior written consent or approval of either party is required as a condition precedent to any actions, in each such instance said consent or approval shall not be unreasonably withheld, and in each such instance where prior consent is sought, failure of the party to respond in writing within 90 days of the request shall be deemed as that party's consent or approval unless expressly stated herein. This provision does not apply to requests for amendments of this Agreement.

IV.C. Emergency Situations

Nothing in this Agreement shall be deemed to require service under this Agreement nor to preclude either party from taking necessary action to maintain or restore Wheeling services and water supply in emergency situations and such actions shall not be deemed a violation of this Agreement.

IV.D. No Joint Venture - Individual Liability

This is not an agreement of joint venture or partnership, and no provision of this Agreement shall be construed so as to make the Utility individually or collectively a partner or joint venturer with any other wholesale customer or with Seattle. Neither party is an agent of the other. Neither Seattle nor the Utility shall be liable for the acts of the other in any representative capacity whatsoever.

IV.E. Complete Agreement

This Agreement for Wheeling water represents the entire agreement between the parties hereto concerning the subject matter hereof. This Agreement may not be amended except as provided herein.

IV.F. Venue, Jurisdiction and Specific Performance

In the event of litigation between the parties, venue and jurisdiction shall lie with the King County Superior Court of the State of Washington, at Seattle. The parties shall be entitled to specific performance of the terms hereof.

IV.G. Default

In the event of default of any provision of the Agreement, the non-defaulting party shall issue written notice to the other party setting forth the nature of the default. If the default is for a

monetary payment due hereunder, the defaulting party shall have thirty (30) days to cure the default. In the event of other defaults, the defaulting party shall use its best efforts to cure the default within ninety (90) days. If such default cannot be reasonably cured within such ninety (90) day period, the defaulting party shall, upon written request prior to the expiration of the ninety (90) day period be granted an additional sixty (60) days to cure the default.

IV.H. Force Majeure

The time periods for the parties' performance under any provisions of this Agreement shall be extended for a reasonable period of time during which a party's performance is prevented, in good faith, due to fire, flood, earthquake, lockouts, strikes, embargoes, acts of God, war and civil disobedience. If this provision is invoked, the parties agree to immediately take all reasonable steps to alleviate, cure, minimize or avoid the cause preventing such performance, at their sole expense.

IV.I. No Third Party Beneficiaries

This Agreement does not create, and shall not be construed to create, any rights enforceable by any person that is not a party to this Agreement.

IV.J. Successors

This Agreement shall inure to the benefit of and be binding upon the parties and their successors and assigns.

IV.K. Exhibits

Exhibits A through C are attached hereto and are hereby incorporated by reference as if set forth in full herein.

IN WITNESS WHEREOF, the parties hereby execute this Agreement.

SHORELINE WATER DISTRICT

BY: Ronald F. Becker

TITLE: President

DATE 7-5-2012

THE CITY OF SEATTLE

BY: _____
Director, Seattle Public Utilities

DATE:_____

LIST OF EXHIBITS

Exhibit A Northwest Sub-regional System List of Assets and Allocation

Exhibit B Northwest Sub-regional System Map

Exhibit C Points of Delivery

EXHIBIT A

NORTHWEST SUB-REGIONAL SYSTEM LIST OF ASSETS AND ALLOCATION

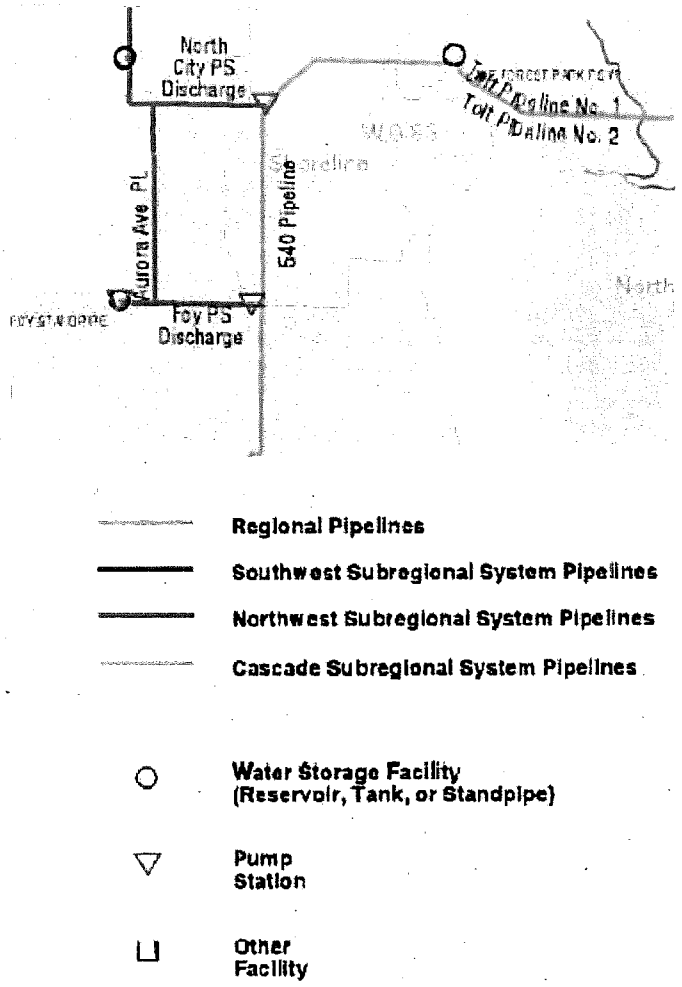
PIPELINES	NW Sub-regional System Allocation
1. The N. 185th Street feeder, from North City Pump Station to Aurora Avenue N, 30-inch steel pipeline, 24-inch steel pipeline across I-5.	70%
2. The N. 185th Street feeder, from Aurora Avenue N to Fremont Avenue N, 20-inch steel pipeline.	70%
3. The Fremont Avenue N feeder, from N. 185th Street to N 205th Street, 20-inch steel pipeline.[1]	58%
4. The N. 205th Street feeder, from Fremont Avenue N to Olympic View services, 12-inch ductile iron pipeline.[2]	24%
5. The Aurora Avenue N feeder, from N. 185th Street to N 145th Street, 24-inch steel pipeline	64%
6. The N/NE 145th Street feeder , from Foy Pump Station to Foy Standpipe connections near Dayton Avenue N, 24-inch steel pipeline.	65%
7. Foy Pump Station suction line in NE 145th Street from Foy Pump Station to 8th Avenue NE, including connections to the 550 pipeline and to the 430 zone.	65%
PUMP STATIONS	
1. North City Pump Station, including the suction line from the pump station to the 66-inch pipeline, and the pump station bypass from the 66-inch pipeline to the pump station discharge.	100%
2. Foy Pump Station, including the 12-inch bypass between the suction and discharge lines.	100%
TANKS	
1. Richmond Highlands Tanks, and all associated appurtenances and connections to the 590 zone.	7.7%
2. Foy Standpipe, including its connections to the N. 145th Street feeder, altitude valve, overflow, and drain.	5.6%

[1] Seattle and Utility agree that the segment of the Fremont Avenue N feeder north of the Richmond Highland Tanks is not currently providing benefit or used for wheeling water to Utility, but has no impact on the current wheeling rate under this Agreement. See Section III.C.3 for any future adjustments.

[2] Seattle and Utility agree that the N 205th Street feeder is not currently providing benefit or used for wheeling water to Utility, but has no impact on the current wheeling rate under this Agreement. See Section III.C.3 for any future adjustments.

EXHIBIT B

NORTHWEST SUB-REGIONAL SYSTEM MAP



The Pump Station shown near the Foy Standpipe is not a NW Sub-regional asset

EXHIBIT C

POINTS OF DELIVERY

LOCATION	STATION NUMBER (1)	PIPELINE SEGMENT NUMBER(1)	SIZE OF METER (IN.)	MINIMUM HYDRAULIC GRADIENT FOR PLANNING PURPOSES AT STATION UPSTREAM OF METER (FEET NAVD-88 Datum)	MAXIMUM FLOW RATE UP TO WHICH THE MINIMUM HYDRAULIC GRADIENT APPLIES (gpm) (2)
NE 185th and 5th Avenue N	193	7	8	565	500
NE 185th and 8th Ave NE	194	7	8	565	Back up to Sta. 193
				TOTAL:	500

Notes:

(1) Station and Pipeline Segment Numbers pertain to cost allocations and the demand metering program.

(2) City of Seattle's estimate of Utility's average daily demand for 2020 with a peaking factor of 2.0 for peak day use.

Attachment 1 to SPU Shoreline Wheeling Agreement ORD -end-

Form revised: December 6, 2011

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Seattle Public Utilities	Sheila Strehle/684-5846	Karl Stickel/684-8085

Legislation Title:
AN ORDINANCE relating to Seattle Public Utilities; authorizing the Director of Seattle Public Utilities to execute a wheeling agreement with Shoreline Water District, and ratifying and confirming certain prior acts.

Summary of the Legislation:
This legislation authorizes the Director of Seattle Public Utilities (SPU) to sign a long-term wheeling agreement negotiated between the City of Seattle and the Shoreline Water District. It contains a ratified and confirmed clause because the Shoreline Water District has already begun wheeling water.

Background:
Shoreline Water District is a Seattle wholesale water customer with a contract for water deliveries using the Regional Transmission System. Shoreline Water District installed two new points of delivery for receiving Seattle water via the Northwest Sub-regional System which is owned and operated by SPU.

The Northwest Sub-regional System has dual uses: it distributes water to retail customers within the City of Shoreline, and it conveys water to wholesale customers Olympic View Water District and, with this agreement, Shoreline Water District. The Shoreline Water District's water supply contract with Seattle does not include terms and conditions for delivering water through the Northwest Sub-regional System to the new delivery points. Shoreline Water District and Seattle have negotiated a wheeling agreement that:

1. Allows the Shoreline Water District to receive its purchased water through the Northwest Sub-regional System to the new delivery points;
2. Requires the Shoreline Water District to pay part of the cost of the Northwest Sub-regional System via a wheeling rate and sets the initial wheeling rate (two cents per hundred cubic feet); and
3. Allows for assignment of the wheeling agreement to the City of Shoreline in the event the City of Shoreline purchases the Northwest Sub-regional System as part of the retail area transfer.

Please check one of the following:

____ **This legislation does not have any financial implications.**

__x__ This legislation has financial implications.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
Water Fund 43000	Seattle Public Utilities	Shoreline Water District	$3,500	$3,500
TOTAL			**$3,500**	**$3,500**

Revenue/Reimbursement Notes:
The non-operating revenue above reflects the current wheeling rate of two cents per hundred cubic feet. This rate is consistent with the rate Seattle negotiated previously with Olympic View Water District to wheel water through the Northwest Sub-regional System.

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?**
Yes. This legislation authorizes SPU to enter into a long-term wheeling agreement that expires at the end of 2062

b) **What is the financial cost of not implementing the legislation?**
Seattle would not receive wheeling revenue of about $3,500 annually from Shoreline Water District.

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?**
There are no alternatives to the legislation.

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:**
Olympic View Water District was required to sign a similar wheeling agreement to wheel Seattle drinking water through assets of the Northwest Sub-regional System. Passing this

legislation allows Seattle to treat its wholesale customers equitably, by requiring a similar wheeling agreement for the Shoreline Water District. It also provides more certainty to Shoreline Water District that it will be able to wheel water to its new connection points even if the City of Shoreline takes over Seattle's retail water delivery assets within Shoreline.

List attachments to the fiscal note below:
None

City of Seattle
Office of the Mayor

January 29, 2013

Honorable Sally J. Clark
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Clark:

I am pleased to transmit the attached proposed Council Bill that would authorize the Director of Seattle Public Utilities (SPU) to execute a wheeling agreement with Shoreline Water District. The agreement would allow the District to receive water purchased from Seattle through the Seattle-owned Northwest Sub-regional System.

Shoreline Water District is a Seattle wholesale drinking water customer. It installed two new delivery points for Seattle water along the Northwest Sub-regional System, which is owned and operated by SPU. This part of the Seattle system conveys water to retail customers in the City of Shoreline and to Olympic View Water District and now Shoreline Water District – both wholesale customers of Seattle. Shoreline Water District's water supply contract with Seattle does not include terms and conditions for Seattle to wheel water through the Northwest Sub-regional System to the Water District's new delivery points. Therefore, a wheeling agreement is necessary.

The proposed agreement meets the business needs of SPU and Shoreline Water District ratepayers. Thank you for considering this legislation. If you have questions about this legislation, please contact Sheila Strehle of SPU at 684-5846.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Michael McGinn, Mayor
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