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Paula Laschober  
SCL BPA Transmission Cost Adjustment ORD  
March 06, 2013  
Version 2

**CITY OF SEATTLE**  
**ORDINANCE** \_\_\_\_\_  
COUNCIL BILL 117756

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AN ORDINANCE relating to the City Light Department; amending Seattle Municipal Code Chapter 21.49.081 to include BPA transmission costs in the automatic BPA cost adjustment rate pass-through.

WHEREAS, the automatic BPA cost adjustment, created by Ordinance 120247 and most recently modified by Ordinance 123988, authorizes a City Light rate adjustment to reflect changes to the BPA power sales agreement but does not apply to changes to the BPA transmission service agreement; and

WHEREAS, BPA transmission is a critical service that exhibits comparable cost uncertainty to the BPA power costs; and

WHEREAS, the City Council has reviewed the terms and conditions set forth within this Ordinance, has determined they are consistent with the financial policies supported by the Council, and believes they will continue to provide the users of electric service supplied by the City of Seattle efficient electric service at low cost; NOW, THEREFORE,

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

Section 1. Subsection 21.49.081 of the Seattle Municipal Code, last amended by Ordinance 123988, is amended as follows:

SMC 21.49.081 Automatic BPA cost adjustment.

Each time that BPA adjusts its rates that are applied to City Light through its then current power sales agreements (PSAs) and transmission service agreements (TSAs) with BPA, City Light will calculate the difference (in dollars) between what City Light would have paid for its BPA purchases under the ((PSAs)) previous BPA rates for a 12 month period beginning on the effective date of the BPA adjustment and what City Light will actually pay for the same period under the adjusted BPA rates. The dollar difference will then be multiplied by 1.1095, which is the effective tax rate, and the product divided by forecast load (in kWh) over the 12 month



1 period to calculate a number (in dollars/kWh rounded to the nearest ten thousandth of a dollar)  
2 which will be called the "BPA increment."

3 For example, if an increase in BPA ((PSA)) rates results in increased costs to the  
4 Department of \$18,422,543 per year, this amount would be multiplied by the 1.1095 effective tax  
5 rate to get required additional customer revenue of \$20,439,811. The additional revenue required  
6 would then be divided by the forecast kWh load to calculate the BPA increment.

7 As soon as practical after a BPA adjustment in ((PSA)) rates, energy charges in effect  
8 under all rate schedules will be increased or decreased by the BPA increment, provided that for  
9 customers served under Schedules REC, RLC, RET, RLT, RES, RLS, REH, RLH, REB and  
10 RLB, energy charges shall be increased or decreased by 40 percent of the BPA increment. The  
11 BPA increment will increase or decrease equally first block and second block charges in  
12 residential rates and peak and off-peak rates for large and high demand general service customers  
13 as well as the single energy charges for small and medium general service customers and the  
14 energy charge portion of Schedules T, L, P and F.

15 If at any time after December 31, 2006, BPA announces an adjustment in the rates to be  
16 charged ((under the PSAs)) to City Light, then City Light shall compute the BPA increment for  
17 the purpose of ensuring that only the increase or decrease in costs from BPA ((under the PSA))  
18 will be passed through to City Light's customers. The increment will be based on the projected  
19 load for a 12 month period. City Light's rates shall be adjusted to give effect to the BPA  
20 increment, and the adjusted rates shall take effect after the effective date of the adjusted BPA  
21 rates as soon as the billing process can be implemented.

22 Section 2. This ordinance shall take effect and be in force 30 days after its approval by  
23 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it  
24 shall take effect as provided by Seattle Municipal Code Section 1.04.020.  
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1 Passed by the City Council the \_\_\_\_ day of \_\_\_\_\_, 2013, and  
2 signed by me in open session in authentication of its passage this  
3 \_\_\_\_ day of \_\_\_\_\_, 2013.

4 \_\_\_\_\_  
5 \_\_\_\_\_  
6 President \_\_\_\_\_ of the City Council

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8 Approved by me this \_\_\_\_ day of \_\_\_\_\_, 2013.

9 \_\_\_\_\_  
10 \_\_\_\_\_  
11 Michael McGinn, Mayor

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13 Filed by me this \_\_\_\_ day of \_\_\_\_\_, 2013.

14 \_\_\_\_\_  
15 \_\_\_\_\_  
16 Monica Martinez Simmons, City Clerk

17 (Seal)

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**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
Seattle City Light	Paula Laschober 684-3168	Cameron Keyes 684-8048

**Legislation Title:**

AN ORDINANCE relating to the City Light Department; amending Seattle Municipal Code Chapter 21.49.081 to include BPA transmission costs in the automatic BPA cost adjustment rate pass-through.

**Summary of the Legislation:**

This ordinance proposes amendments to SMC 21.49.081 that will allow City Light to pass through changes in BPA transmission service rates.

**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 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.

This legislation does not have any financial implications.

This legislation has financial implications.

Appropriations: N/A

Fund Name and Number	Department	Budget Control Level*	2013 Appropriation	2014 Anticipated Appropriation
<b>TOTAL</b>				

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

Appropriations Notes:

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
Light Fund (41000)	City Light	Retail Rates	unknown	unknown
<b>TOTAL</b>				

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact: N/A

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

\* 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:** N/A

Fund Name & #	Department	Budget Control Level*	2013 Expenditures	2014 Anticipated Expenditures
<b>TOTAL</b>				

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

Spending/Cash Flow Notes:

**Other Implications:**

- a) **Does the legislation have indirect financial implications, or long-term implications?**  
Possibly. If City Light rates increase, this would generate additional General Fund revenue via the City Utility Tax.
- b) **What is the financial cost of not implementing the legislation?**  
If the BPA pass-through is not extended to cover changes to transmission service rates, City Light could see its costs increase beyond what was anticipated at the time the current 2013 and 2014 rate schedules were adopted. This could mean that City Light would not be able to meet its debt service coverage targets without budget reductions.
- c) **Does this legislation affect any departments besides the originating department?**  
Yes; see response to a).
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** None.
- 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:** None.

**List attachments to the fiscal note below:** None.





City of Seattle  
Office of the Mayor

April 2, 2013

Honorable Sally J. Clark  
President  
Seattle City Council  
City Hall, 2<sup>nd</sup> Floor

Dear Council President Clark:

I am transmitting the attached proposed Council Bill that amends Seattle Municipal Code 21.49.081, which addresses the automatic Bonneville Power Administration (BPA) cost adjustment. City Light purchases both power and transmission services from BPA but, under the current version of the code, the BPA pass-through is only applied to changes in BPA power rates. Transmission is an essential service and costs are uncertain and uncontrollable, as are BPA power costs. In the past, City Light has passed through transmission service rate increases but these have been infrequent and the code language has not been updated recently. If BPA were to increase transmission service rates, the code should make it clear that the Utility will automatically pass any increase through to retail rates. Passage of this legislation will help City Light recover all costs under contract with BPA.

Thank you for your consideration of this legislation. Should you have questions, please contact Paula Laschober, City Light Finance Director, at 206-684-3168.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael McGinn".

Michael McGinn  
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

