CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL CB118210

AN ORDINANCE relating to the City Light Department; replacing the Department's requirement for a letter of credit or cash deposit for new or enlarged services with an amp fee; and amending Seattle Municipal Code Section 21.49.110.X in connection therewith.

WHEREAS, in November of 2006, Ordinance 122282 was enacted to require any developer of a major new or enlarged electrical service installation to provide a letter of credit or cash deposit, which would be permanently retained by the Department if actual energy use failed to reach a level indicated by the size of the installed service; and

WHEREAS, the Department has determined that the provisions of Seattle Municipal Code Section 21.49.110.X could be considered unnecessarily costly and may incentivize customers to inefficiently consume electricity to reach the level required for cancellation of the letter of credit or repayment of their deposit; and

WHEREAS, the Department and the Council still seek to create incentives for developers to properly size their installed service capacity, thereby efficiently utilizing electrical distribution system assets and avoiding potential stranded costs which would ultimately be paid by other ratepayers; and

WHEREAS, the new Amp Fee installation charge will provide a financial incentive for developers to minimize service capacity size; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 21.49.110.X, last amended by Ordinance 123604, is amended as follows:

((~~X. Letter of Credit or Cash Deposit for New or Enlarged Services. Any applicant or customer that receives Department authorization for a new or enlarged service installation, the consumption of which would be billed under any of the Department's Large General Service or High Demand General Service rate schedules (Schedules LGC, LGS, LGH, LGT, LGD, LGB, HDC and HDT), as determined by the Department, shall be required to obtain a letter of credit in favor of the Department that is issued by a bank acceptable to the Department, or make a cash~~

~~deposit with the Department, in the amount of the material and labor costs of the transformers and associated equipment (including network protectors) required for that installation before the Department approves the service for connection. The standards to be applied to the letter of credit will be set forth in a Departmental Policy and Procedure.~~

~~If the Department determines that, within 36 calendar months of the date of the Department's approval of the service for connection, the maximum kilowatt demand of the installation over six or more months of normal billings in a calendar year reached eighty (80) percent of the maximum kilowatt demand requested by the applicant or customer, the applicant or customer shall have no obligation to pay the material and labor costs of the transformers and associated equipment (including network protectors) for the installation. If an applicant or customer has deposited cash, the Department shall, within 30 days of such determination, refund the deposit with interest earned at the rate of interest on the City's cash pool for the period during which the deposit was held, to the applicant or customer's last known address. It shall be the applicant or customer's responsibility to notify the Department of the appropriate address. If an applicant or customer has obtained a letter of credit and the Department determines that the required demand has been met, the Department shall so notify the applicant or customer and, upon request, so notify the provider of the letter of credit.~~

~~If the Department determines that, within 36 calendar months of the date of the Department's approval of the service for connection, the required demand has not been met, the applicant or customer shall reimburse the Department for the material and labor costs of the transformers and associated equipment (including network protectors) required for that installation. If an applicant or customer has deposited cash, the Department shall retain the deposit for its uses and the applicant or customer shall have no further claim to such money. If an applicant or customer has obtained a letter of credit, the Department shall, within 30 days after such determination, bill the applicant or customer for the full amount of the letter of credit, at the~~

~~address most recently provided to the Department. If such amount is not paid within 30 days after the date of the invoice, the Department may call on the letter of credit.~~))

X. Amp Fee for New or Enlarged Services. The Department shall charge all developers, customers and contractors who install new or enlarged electrical services a fee per panel ampere (commonly abbreviated as "amp"), which is required to be paid before the Department will energize the service. The fee shall apply to all permanent or temporary installations. All installations shall receive a 200 amp credit. The fee is calculated by subtracting 200 amps from the total capacity to be installed as determined by the National Electric Code (NEC) (given in amps) and then multiplying this value by either a single or a three phase charge as shown in the following table:

Service Type	**$/Amp**
Single Phase	$3.74
Three Phase	$10.48
Example: A 3,000 amp three phase amp fee is calculated as: (3,000-200) x $10.48= $29,344	

Section 2. 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 _____, 2014, and signed by me in open session in authentication of its passage this _____ day of _____, 2014.

_____

President _____ of the City Council

Approved by me this ____ day of _____, 2014.

_____

Edward B. Murray, Mayor

Filed by me this ____ day of _____, 2014.

_____

Monica Martinez Simmons, City Clerk

(Seal)

Form revised: February 26, 2014

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Seattle City Light	Paula Laschober 684-3168	Gregory Shiring 386-4085

Legislation Title:
AN ORDINANCE relating to the City Light Department; replacing the Department's requirement for a letter of credit or cash deposit for new or enlarged services with an amp fee; and amending Seattle Municipal Code Section 21.49.110.X in connection therewith.

Summary of the Legislation:
This legislation will amend SMC 21.49.110.X, which requires a letter of credit or cash deposit to accompany any requested new or enlarged service which would be billed under the Department's Large General Service or High Demand General Service rate schedules. Replacing this requirement is a new amp ("amp" is the common abbreviation of "ampere," a standard unit of electric current) fee, which will be required of any new or enlarged permanent or temporary service greater than 200 amps. The amp fee will be billed to the developer/customer before the service is energized, along with all other normal installation charges.

Background:
SMC 21.49.110.X, enacted by Ordinance 122282 in November of 2006, requires developers of new or enlarged Large or High Demand-sized services to provide the Department with a letter of credit or cash deposit in an amount equal to material and labor costs of transformers and associated equipment. Only if the customer uses 80% of the installed capacity (measured in billed kW of demand) within three years is the letter of credit cancelled or cash deposit returned.

Problems with the current requirement include:

1. Changes in credit markets have reduced liquidity, making a letter of credit more costly.
2. Developers/customers state that the all-or-nothing nature of the 80% threshold is unnecessarily punitive.
3. Tracking whether or not the condition is met across three years has proved to be onerous for both City Light and the developer/customer.
4. The requirement may encourage false loading (wastefully increasing energy use) to achieve the consumption required for deposit return or cancellation of the letter of credit.

City Light proposes to amend SMC 21.49.110.X by replacing the letter of credit/cash deposit requirement for new and enlarged services with an amp fee installation charge. Like the letter of credit/cash deposit requirement, the new amp fee incentivizes customers to install only the size of service they truly need, which helps City Light minimize the cost of distribution system expansions over the long-term, while avoiding the risk of stranded investment. This upfront fee is simple, fair and avoids the drawbacks of the current requirement.

The amp fee will be based on the electrical panel size of the installation, which is determined by National Electric Code (NEC) standards. Because of the limitation of the fee to services greater than 200 amps, the installers of most residential and very small business services will not incur this cost.

Please check one of the following:

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

_X_ **This legislation has financial implications.**

Appropriations: ***N/A***

Fund Name and Number	Department	Budget Control Level*	2014 Appropriation	2015 Anticipated Appropriation
TOTAL				

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

Appropriations Notes:

Anticipated Revenue/Reimbursement Resulting (indirectly) from this Legislation:

Fund Name and Number	Department	Revenue Source	2014 Revenue	2015 Revenue
Light Fund (41000)	City Light	Amp Fee	$500,000	$1,000,000
TOTAL			**$500,000**	**$1,000,000**

Revenue/Reimbursement Notes:
Anticipated revenues of approximately $1million per calendar year are based on 2012 installation data. Actual revenues could vary greatly depending on the number of requested new installations. The amp fee revenues would be recorded as contributions in aid of construction, and would serve as an offset to the revenue requirements which are recovered through customer rates.

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	2014 Positions	2014 FTE	2015 Positions*	2015 FTE*
TOTAL							

** 2015 positions and FTE are total 2015 position changes resulting from this legislation, not incremental changes. Therefore, under 2015, please be sure to include any continuing positions from 2014.*

Position Notes:

Do positions sunset in the future? *N/A*

Spending/Cash Flow: ***N/A***

Fund Name & #	Department	Budget Control Level*	2014 Expenditures	2015 Anticipated Expenditures
TOTAL				

** 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?** No.

b) **What is the financial cost of not implementing the legislation?** Lost revenues from installers of new or enlarged electrical services, estimated at about $1 million per year.

c) **Does this legislation affect any departments besides the originating department?** Since revenues are affected, this legislation would increase General Fund revenue via the City's 6% occupation tax on revenues. However, the change is likely to be negligible (around $60,000/year).

d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** There are other fee or requirement structures that would meet a similar objective; however, the proposed fee is the one that the Department has determined would be most appropriate in this case.

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: *N/A*

City of Seattle
Edward B. Murray
Mayor

August 26, 2014

Honorable Tim Burgess
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Burgess:

I am transmitting the attached proposed Council Bill that establishes an amp fee installation charge for all new or enlarged electrical services greater than 200 amps. This charge will replace a City Light provision requiring a letter of credit or cash deposit as a condition of any new large electrical service installation.

In November of 2006, Ordinance 122282 created Seattle Municipal Code Subsection 21.49.110.X, which requires a letter of credit or cash deposit for any new large electrical service. Only if a specified level of peak consumption is met within a three-year period does the developer receive their deposit back or have the letter of credit cancelled. The purpose of this provision is to provide an incentive to install only the size of service truly needed, which helps City Light minimize the cost of distribution system expansion over the long-term, while avoiding the risk of stranded investment.

In recent years, reduced credit liquidity has made meeting this condition a substantial impediment for developers. They also dislike the all-or-nothing penalty for not meeting the required energy consumption amount. City Light is concerned that the penalty could encourage customers to wastefully increase their energy consumption in order to see their deposit returned. The Department has decided to replace the letter of credit/cash deposit requirement with a simple upfront fee that increases with the installed service capacity. This fee achieves the same goal while avoiding many drawbacks of the current requirement.

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,

Edward B. Murray
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Office of the Mayor
Seattle City Hall, 7th Floor
600 Fourth Avenue
PO Box 94749
Seattle, Washington 98124-4749

Tel (206) 684-4000
Fax: (206) 684-5360
Hearing Impaired use the Washington Relay Service (7-1-1)
www.seattle.gov/mayor