Angela Steel
SDOT Seattle Steam ORD
September 12, 2014
Version #3

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL 118217

AN ORDINANCE relating to the Seattle Department of Transportation; authorizing the Director of the Seattle Department of Transportation, on behalf of the City of Seattle, to execute an assignment, assumption, and consent agreement with the Seattle Steam Limited Partnership, Seattle Community Energy, LLC, and BIF II District Energy Holdings III LC regarding the transfer of the Seattle Steam Franchise authorized under Ordinance 121067, as amended by Ordinance 122260, to BIF II District Energy Holdings III LLC.

WHEREAS, the Seattle Steam Company has operated a district thermal energy system in Seattle since 1893, currently serving approximately 200 properties in Seattle; and

WHEREAS, by Ordinance 121067, permission was granted for Seattle Steam Limited Partnership, its successors and assigns, to lay down, replace, renew, maintain, and operate pipes, conduits, and other necessary appurtenances in and along any and all of the streets, avenues, alleys and other public places within a defined portion of the City of Seattle for purposes of transmitting, selling, and delivering thermal energy until 2052; and

WHEREAS, BIF II District Energy Holdings III LLC, an affiliate of Brookfield Asset Management Inc., has offered to acquire Seattle Steam Company on September 31st; and

WHEREAS, Brookfield Asset Management Inc. is a global alternative asset manager with over $180 billion in assets under management; and

WHEREAS, Brookfield Asset Management Inc. is a Toronto-based company with focus on producing carbon-free clean power through its renewable energy facilities and within its infrastructure group, owns three district energy systems in Toronto, Houston, and New Orleans; and

WHEREAS, BIF II District Energy Holdings III LLC would become the tenth ownership group in Seattle Steam's 121 years of operations; and

WHEREAS, BIF II District Energy Holdings III LLC and Brookfield Asset Management Inc. are committed to renewable district energy in Seattle and helping Seattle achieve the city's carbon reduction goals; and

WHEREAS, Section 9 of Ordinance 121067, as amended by Ordinance 122260, requires the consent of the City Council for any assignment or transfer of franchise privileges; and

WHEREAS, Section 9 of Ordinance 121067 also provides that if permission is granted by Council, the assignee or transferee shall be bound by all terms and conditions of the ordinance; and

WHEREAS, Seattle Steam Limited Partnership has satisfied all terms of the original authorizing ordinance and the Director of the Seattle Department of Transportation recommends that the franchise agreement be transferred to BIF II District Energy III LC subject to the terms identified in this ordinance, NOW, THEREFORE

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Director of the Seattle Department of Transportation ("Director"), or the Director's designee, is hereby authorized to execute, for and on behalf of the City, an assignment, assumption, and consent agreement ("Agreement"), attached hereto as Attachment A.

Section 2. Upon execution of the Agreement, the permissions granted under Ordinance 121067, as amended by Ordinance 122260, shall be transferred from Seattle Steam Limited Partnership to BIF II District Energy Holdings III LC.

Section 3. Any act pursuant to the authority of this ordinance taken after the passage of this ordinance but before its effective date is hereby ratified and confirmed.

Section 4. 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)

Attachment A: Assignment, Assumption and Consent Agreement

ASSIGNMENT, ASSUMPTION AND CONSENT AGREEMENT

THIS ASSIGNMENT, ASSUMPTION AND CONSENT AGREEMENT ("Assignment Agreement"), dated as of _____, 2014 by and among SEATTLE STEAM LIMITED PARTNERSHIP and SEATTLE STEAM GP COMPANY (together, "Assignor"), BIF II District Energy Holdings III (Delaware) LLC ("Assignee") and the City of Seattle (the "City").

RECITALS:

WHEREAS, in connection with the Asset Purchase Agreement dated April 29, 2014, (the "Purchase Agreement"), to which both Assignor and Assignee are parties, Assignor desires to assign, transfer, convey and deliver to Assignee, and Assignee desires to assume and perform, certain obligations and liabilities of Assignor as set forth in the Purchase Agreement, including, without limitation, that certain Franchise Agreement dated February 3, 2003 by and between the City and Seattle Steam Partnership (the "Franchise Agreement"); and

WHEREAS, this Assignment Agreement is made to provide assurance to the City that Assignee will fully assume and perform all of the obligations and liabilities of the Assignor under the Franchise Agreement.

NOW, THEREFORE, intending to be legally bound and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignor and Assignee agree:

1. **Assignment.** Assignor hereby assigns, transfers and delivers the Franchise Agreement, and Assignee hereby assumes, undertakes and agrees to fully perform, satisfy, honor, pay or otherwise discharge in full all obligations of the Assignor under the terms of the Franchise Agreement. For purposes of this Assignment Agreement, "***Effective Date***" shall mean the date hereof; provided, that, at or as of the Effective Date, the following have been satisfied:

    a. The Parties shall have executed and delivered this Assignment Agreement;

    b. The Purchase Agreement shall have become effective; and

    c. The City shall have delivered a copy of the ordinance or similar documentation evidencing the authority of the City to enter into and perform the Franchise Agreement and this Assignment Agreement;

2. **Assumption**. Effective as of the Effective Date Assignee hereby accepts such assignment and assumes and agrees to observe and perform all of the Liabilities of Assignor under or relating to the Franchise Agreement. For purposes of this Assignment Agreement, "***Liabilities***" means indebtedness, obligations, duties and other liabilities, whether absolute, accrued, contingent, fixed or otherwise, or whether due or to become due with respect to the Franchise Agreement, including, but not limited to, any charges, fees, taxes, assessments, adders or surcharges imposed or authorized by any governmental entity.

3. **Additional Consideration for Consent.** In addition, as a condition of the consent granted hereunder, the Assignee further agrees with the City as follows:

   a. The Assignee agrees to an annual franchise fee of $75,000 per annum, escalating by a percentage measured by the increase in installed customer meters per annum following the effective date of this Assignment and Assumption Agreement (the "Effective Date"), which fee regime the parties hereto agree shall be deemed incorporated into the Franchise Agreement effective as at the Effective Date.

   b. The Assignee agrees to increase the bond required by the Franchise Agreement from $25,000 to $500,000, which the parties hereto agree shall be deemed incorporated into the Franchise Agreement effective as at the Effective Date.

   c. The Assignee and Assignor agree to the arrangements and clarifications provided in the attached Memorandum of Understanding, which the parties hereto agree shall be deemed to be an addendum to the Franchise Agreement and incorporated therein in its entirety as at the Effective Date.

   d. The Assignee agrees to convene five years before the termination of the Franchise Agreement, and consider a transparent rate structure that effectively serves the interest of the Franchisee and the City. Any rate structure or collective agreement developed as part of those discussions will serve to inform any future agreement between the Franchisee and the City.

4. **Consent.** In consideration of the promises contained in Sections 2 & 3 above, including the obligations set forth in the Memorandum of Understanding, the City hereby consents to the foregoing Assignment between Assignor and Assignee, and Assignee's express assumption of the obligations and Liabilities of the Assignor under the Franchise Agreement.

5. **No Waiver of Franchise Conditions.** The City's consent shall not be deemed to be a waiver of any restrictions contained in the Franchise Agreement concerning further assignment of the Franchise Agreement, provided that Assignee may assign the Franchise Agreement to an affiliate as part of an internal corporate reorganization upon ninety (90) days written notice, provided that any such further assignee is ultimately controlled by the same entities as Assignee.

6. **Release and Novation.**

   a. Effective as of and from the Effective Date, the City hereby releases, novates and forever discharges Assignor from any and all further obligations to the City with respect to the Franchise Agreement and from any and all liability of any type that could be asserted by the City as a consequence of, or relating to, the Franchise Agreement, including, without limitation, all manner of action and inaction, cause or causes of action, suits, debts, dues, sums of money, claims and demands whatsoever at law or in equity, arising out of or which are in any way related to, the Franchise Agreement.

   b. Effective as of and from the Effective Date, Assignor hereby releases, novates and forever discharges the City from any and all further obligations to Assignor

with respect to the Franchise Agreement and from any and all liability of any type that could be asserted by the Assignor as a consequence of, or relating to, the Franchise Agreement, including, without limitation, all manner of action and inaction, cause or causes of action, suits, debts, dues, sums of money, claims and demands whatsoever at law or in equity, arising out of or which are in any way related to, the Franchise Agreement.

7. **Representations**.

a. Each Party hereby represents and warrants to the others as of the Effective Date that:

i. it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation, is duly qualified to do business in those jurisdictions in which it is necessary for the conduct of its business and to enter into and perform the transactions contemplated by this Assignment Agreement, except for failures which in the aggregate are not material to the other Parties, and has all requisite corporate or other similar power and authority and the legal right to own and operate its properties and to conduct its business as currently conducted;

ii. the execution, delivery and performance by it of this Assignment Agreement and the consummation by it of the transactions contemplated hereby (y) are within its organizational powers and have been or will be duly authorized by all necessary action, including with respect to the City, the City's legislative process, if required, and (z) do not and will not, with the passing of time or the giving of notice or both, violate any of the terms and conditions in its governing documents or any government rule applicable to it or result in the breach, default or termination of any agreement to which it is a party;

iii. this Assignment Agreement has been duly executed and delivered on its behalf. This Assignment Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, except where enforceability may be limited or otherwise impacted by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and except where enforceability is subject to the application of equitable principles or remedies;

iv. there is no suit, action, claim, arbitration, proceeding or investigation pending or, to its knowledge, threatened against such Party before any governmental entity that relates to or involves the Franchise Agreement;

v. it understands and agrees that no Party is acting as a fiduciary, advisor or agent to any other Party with respect to this Assignment Agreement or the transactions contemplated hereby;

vi. no petition or notice has been presented, no order has been presented, no order has been made and no resolution has been passed for its bankruptcy, liquidation, winding-up or dissolution, and no receiver, trustee, custodian or similar fiduciary has been appointed over the whole or any part of any of its

assets or income, and it has not received any notice that any other person has any plan or intention of, filing, making or obtaining any such petition, notice, order or resolution or of seeking the appointment of a receiver, trustee, custodian or similar fiduciary; and

vii. each Party agrees that there are no disputes, oral agreements or forbearance programs between the City, Assignee and Assignor in effect as to the Franchise Agreement.

b. Assignor further hereby represents and warrants to the City as of immediately prior to the Effective Date that:

i. it is currently a party to the Franchise Agreement;

ii. the Franchise Agreement is free and clear of any and all liens, and no oral or written information has been received by it regarding rights of persons (other than Assignor) with respect to the Franchise Agreement;

iii. it is in compliance in all material respects with all governmental rules with respect to the Franchise Agreement, and it has not received any notification that it is in violation, in any material respect, of any governmental rule with respect to the Franchise Agreement;

iv. the Franchise Agreement is in full force and effect and has been duly authorized, executed and delivered by it, and constitutes a legal, valid, binding and enforceable agreement as to it;

v. to its knowledge, the Franchise Agreement will continue to be legal, valid, binding, enforceable and in full force and effect on substantially identical terms following the consummation of the transactions contemplated hereby;

vi. it is not in breach of or in default under the Franchise Agreement, and it has no knowledge of an event that has occurred which with the passage of time or giving of notice or both would constitute such a default, result in a loss of rights or permit termination, modification or acceleration under, or result in the creation of any lien under the Franchise Agreement and no such event, condition or circumstance would occur or exist as a result of it entering into or performing its obligations under this Assignment Agreement. It has no knowledge of any state of facts or condition that exists (y) that is or may be reasonably likely to be materially adverse to the rights or obligations of it under the Franchise Agreement or (z) that is or would reasonably be expected to prevent the performance by it of any of its obligations hereunder or under the Franchise Agreement or the consummation of the transactions contemplated by this Assignment Agreement;

vii. it has not entered into any written or oral amendments, supplements, or other modifications of the Franchise Agreement, except as described in the definition of "Franchise Agreement" set forth above; and

viii. no amounts currently due under the Franchise Agreement are delinquent.

8. **Counterparts.** This Assignment Agreement may be executed in counterparts, each of which shall be deemed to be an original, but which together shall be deemed to constitute a single document.

9. **Successors.** This Assignment Agreement shall be binding upon, and inure to the benefit of, the parties to this Assignment Agreement and their respective successors and permitted assigns.

10. **Governing Law.** This Assignment Agreement shall be governed by and construed in accordance with the laws of the State of Washington excluding the conflicts of laws provisions thereof.

11. **Capitalized Terms.** Capitalized terms used but not defined herein shall have the meanings given to those terms in the Franchise Agreement.

12. **Entire Agreement.** This Assignment Agreement, together with the Franchise Agreement and the Memorandum of Understanding, including all attachments to each agreement, represent the entire understanding and agreement between the Parties with respect to the subject matter hereof and supersedes all prior oral and written and all contemporaneous oral negotiations, commitments and understandings between the Parties.

[Signature page to follow]

IN WITNESS WHEREOF the parties have entered into this Assignment and Assumption Agreement effective as of the time, day and year first above written.

ASSIGNOR:

SEATTLE STEAM LIMITED PARTNERSHIP

By: _____
Print Name: _____
Print Title: _____

SEATTLE STEAM GP COMPANY

By: _____
Print Name: _____
Print Title: _____

ASSIGNEE:

BIF II DISTRICT ENERGY HOLDINGS III (DELAWARE) LLC

By: _____
Print Name: _____
Print Title: _____

CITY:

CITY OF SEATTLE

By: _____
Print Name: _____
Print Title: _____

Angela Steel
SDOT Seattle Steam ORD ATT A
September 12, 2014
Version #1

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is made as of the _____ day of August, 2014 by and between BIF II District Energy Holdings III (Delaware) LLC, a limited liability corporation registered in the State of Delaware ("Seattle Steam"), and the City of Seattle, a municipal corporation of the State of Washington, ("City").

UNDERSTANDINGS

1. Definitions

1.1. "Existing Steam Distribution System" means the area with boundaries a distance of two city blocks from the existing steam pipes installed pursuant to the Franchise Agreement as shown in Appendix A with the following exceptions:

- Yesler Terrace, as defined in Seattle Housing Authority existing Master Planned Community, is excluded from the Existing Steam Distribution System
- In Capitol Hill and First Hill neighborhoods, the Existing Steam Distribution System is limited to one block beyond existing steam pipes east of Broadway.
- In Denny Triangle neighborhood; the Existing Steam Distribution System is limited to properties adjacent to existing steam lines and properties within the same block of existing steam lines.

1.2. "Franchise" means ORDINANCE 121067, which (a) grants Seattle Steam Limited Partnership permission to lay down, replace, renew, maintain and operate pipes, conduits and other necessary appurtenances in and along certain streets, avenues, alleys and public places in the City of Seattle and by means thereof to transmit, sell and deliver steam for heating purposes and for steam power, and to charge and collect reasonable rates, tolls and compensation; (b) specifies the conditions under which this permission is granted; and (c) provides for acceptance of the permission and conditions, as amended by ORDINANCE 122260.

1.3. For the purposes of this agreement, biomass is as defined in RCW 19.29A.090 and the carbon emissions of biomass and biofuels will be calculated consistent with the primary practice used in the U.S. Environmental Protection Agency's national greenhouse gas inventory.

1.4. "Existing Steam System Intensity Standard" means carbon intensity of less than 0.236 metric tons CO2e/MWh (equivalent to 152.3 lbs CO2e/MMBtu).

1.5. "Carbon Intensity Standard" means carbon intensity standard of less than 0.09 metric tons CO2e/MWh.

2. Hot Water Distribution

2.1. Subject to Clause 2.4 below, Seattle Steam agrees that any expansion of district energy service beyond the boundaries of the Existing Steam Distribution System shall be done using closed-loop, district energy hot water distribution technology.

2.2. All load growth on hot water distribution technology shall meet the Carbon Intensity Standard.

2.3. Where hot water distribution technology is to be installed in accordance with the foregoing, Seattle Steam will install its hot water distribution network according to Seattle Department of Transportation ("SDOT") standards. Seattle Steam acknowledges that SDOT standards include review for the City's City Light Department.

2.4. Exceptions:

Recognizing that there are certain practical limitations to the universal use of hot water distribution technology, the following exceptions to the foregoing requirements are agreed between the City and Seattle Steam:

2.4.1. Where there is no technical ability to convert to hot water before connecting the new customer.

2.4.2. Where the customer requires process steam for activities such as humidity control, manufacturing processes (for example, breweries and distilleries), laundries and sterilization activities. This list is not meant to limit the definition of "process steam load", which is more generally defined as energy provided for uses other than the provision of building heating or domestic hot water.

2.4.3. Any other exceptions as agreed between the City and Seattle Steam on a case-by-case basis.

2.5. Review of Section 2.4 Determination:

Seattle Steam shall provide 30 days' notice to the City of its intent to install steam distribution technology using Section 2.4 Exceptions. The City will have the right to review supporting analysis for decisions regarding steam pipe installation beyond the Existing Steam Distribution System during such 30 day period.

Should the City disagree with the determination to install steam distribution technology, it shall notify Seattle Steam in writing before the expiration of the 30 day notice period. The City and Seattle Steam will meet to resolve the disagreement within 7 days of notice from the City. If after meeting there remains a disagreement, then both parties will pick an independent out-of-town engineer with experience in district energy installation to arbitrate the disagreement. The independent engineer's decision will be binding on both parties.

Any decision rendered under this Clause 2.4 is irrevocable.

3. System Carbon Intensity Standards

3.1. The Existing Steam Distribution System will meet a carbon intensity standard of less than 0.236 metric tons CO2e/MWh (equivalent to 152.3 lbs. CO2e/MMBtu).

3.2. All load growth beyond the Existing Steam Distribution System boundary and any hot water load growth will meet the Carbon Intensity Standard.

3.3. The Carbon Intensity Standard for such new growth as defined in 3.2 will be applied as follows:

As Seattle Steam adds new customers beyond the Existing Steam Distribution System it will reduce the carbon intensity of the overall fuel mix of its system to ensure that the new thermal load is no greater than the Carbon Intensity Standard. For illustrative purposes, the following example highlights how the Carbon Intensity Standard is to be applied:

Existing Steam System Intensity Standard: 0.236 metric tons CO2e/MWh

New Growth - Carbon Intensity Standard: 0.09 metric tons CO2e/MWh

Scenario: New load beyond the Existing Steam Distribution System equates to 10% of total system

This scenario results in an overall system intensity standard of:

(0.236 MTCO2e/MWh*90%) + (0.09 MTCO2e/MWh*10%)

= 0.221 MTCO2e/MWh

Figure 1: Illustrative Example of Applying System Intensity Standards to Total System

3.4. If Seattle Steam fails to meet the Carbon Intensity Standard for new hot water customers in a given year, it will procure carbon offsets (such as Renewable Energy Credits or such other offsets as become available in the future) to the extent necessary to bring itself into compliance with the Carbon Intensity Standard for such year. Carbon intensity will be determined based upon carbon emissions reported to The Climate Registry[1] in accordance with their reporting standards divided by the sum of the total energy delivered to customers reported by Seattle Steam Company. Seattle Steam will submit to the City annually a statement of its sources of biomass fuel.

4. Promotion of Renewable District Energy

Recognizing the public benefit of a lower-carbon energy source and consistent with the City's Climate Action Plan, the City agrees to use reasonable efforts to work together with Seattle Steam to jointly seek ways to support the expansion of renewable district energy. In the event the City creates or agrees to any future City incentives or investments, such measures will be tied to environmental performance requirements, which will be developed as part of any incentive or investment package, which could include:

4.1.1. Identifying barriers in the building code that put renewable district energy at a competitive disadvantage to other heating alternatives and using reasonable

[1] THE CLIMATE REGISTRY is a nonprofit collaboration among North American states, provinces, territories and Native Sovereign Nations that sets consistent and transparent standards to calculate, verify and publicly report greenhouse gas emissions into a single registry.

efforts to seek to address them.

4.1.2. Developing methodologies that encourage buildings to join renewable district energy systems.

5. Other Arrangements

In the event that the City has entered or enters into a franchise or similar agreement for use of City right-of-way with a third party utility provider whose infrastructure is based on the use of steam, condensate, hot or cold water pipes for the purpose of heating, cooling or process uses, that contains standards or restrictions less stringent than those provided for in Clauses 2 or 3 of this MOU (or no such standards or restrictions at all), the City shall, as promptly as practicable, notify Seattle Steam of same and work, in good faith, with Seattle Steam to relax or remove (as applicable) the standards and restrictions set forth in Clauses 2 or 3 of this MOU to ensure that the same standards apply to Seattle Steam in respect of the activity in question as apply to the other such utility provider.

Appendix A
Map of Existing Steam Distribution System

Angela Steel
SDOT Seattle Steam FISC
September 12, 2014
Version #3

Form revised: February 26, 2014

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Transportation	Angela Steel/4-8160	Aaron Blumenthal/3-2656

Legislation Title: AN ORDINANCE relating to the Seattle Department of Transportation; authorizing the Director of the Seattle Department of Transportation, on behalf of the City of Seattle, to execute an assignment, assumption, and consent agreement with the Seattle Steam Limited Partnership, Seattle Community Energy, LLC, and BIF II District Energy Holdings III LC regarding the transfer of the Seattle Steam Franchise authorized under Ordinance 121067, as amended by Ordinance 122260, to BIF II District Energy Holdings III LLC.

Summary of the Legislation: This ordinance would authorize the City of Seattle to transfer the Franchise Agreement with Seattle Steam to its acquiring company Brookfield. The transfer would also impose additional conditions to the existing Franchise Agreement to increase current bond and franchise fee amounts, include new boundary limits for the expansion of steam infrastructure, impose requirements to use closed-loop hot water extensions for future District Energy expansions, and impose carbon emission standards that apply to new customer growth.

Background:
The Seattle Department of Transportation administers a Franchise Agreement between the City and Seattle Steam, a family-owned, local thermal energy utility that provides steam heating to about 200 customers in the downtown core. In 2003, the City authorized a 50-year extension of the Franchise Agreement between the City and Seattle Steam, authorizing Seattle Steam to continue operating as a utility, installing and repairing infrastructure in the public right-of-way.

In June 2014, Seattle Steam was approached for purchase by Brookfield, a multi-billion dollar asset management company that holds private utility assets, among others, across North America. As a condition of sale, the transfer of the existing Franchise Agreement between the City of Seattle and Seattle Steam to Brookfield is required for continued operation of the utility under new ownership.

The Office of Sustainability and Environment, in collaboration with the Transportation Department, Seattle City Light, and the Mayor's Office, took the opportunity of franchise transfer to review the existing agreement with Seattle Steam, negotiating modifications to the Franchise Agreement through a new Memorandum of Understanding. The goal of this renegotiation was to better align environmental and financial policies of the City to Seattle Steam's continued role as a modern district energy utility.

The agreement seeks to increase the franchise fee and bond amount from Seattle Steam to be comparable with fees and liability protections expected of other District Energy Utility partners.

Additionally, the agreement defines new limits on the expansion of older steam pipe technology, with the intent to encourage investment away from aging technology expansions into new service areas and neighborhoods. Where new service is to be provided, the modifications additionally require expansions of Seattle Steam service to use of newer, closed-loop hot water pipe technology. Finally, the agreement establishes new carbon emissions standards for the utility in efforts to align with City goals around carbon neutral energy production. Seattle Steam is required to serve all new customers with energy produced by 50% renewable fuel sources, as defined by the EPA's renewable fuel inventory. The agreement requires Seattle Steam to calculate a new system-wide carbon emissions limit every year, based on their carbon emissions and growth in energy production reported to the City and state climate registry. Where carbon targets are not met, the utility will purchase offsets to make up the remaining difference.

____ **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	2014 Revenue	2015 Revenue
	Seattle Department of Transportation	Franchise Fee	$0	$75,000
TOTAL			**$0**	**$75,000**

Revenue/Reimbursement Notes:
This legislation would increase the current Franchise Fee from $13,354 to $75,000 per year, set to grow annually by a percentage equal to the growth in new installed meters for Seattle Steam customers.

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?**
The primary cost of not implementing this legislation is the foregone revenue from the increased franchise fee.

c) **Does this legislation affect any departments besides the originating department?**
This legislation affects Seattle City Light through permit review process, as well as the Office of Sustainability and Environment, who will continue to work with the Department of Transportation to assist in enforcement and evaluation of the terms and conditions under the modified Franchise Agreement.

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?
While this legislation does not affect a specific piece of property, it does define limits to the expansion of steam and closed-loop hot water piping for thermal heating purposes. Defined boundaries are included in the map attachment to the Memorandum of Understanding.

h) Other Issues:
None.

List attachments to the fiscal note below:
None.

City of Seattle
Edward B. Murray
Mayor

September 16, 2014

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

Dear Council President Burgess:

I am pleased to transmit the attached proposed Council Bill that accepts the transfer of Franchise Agreement from Seattle Steam as a condition of purchase by Brookfield, an international asset management company. In addition to transferring the existing Franchise Agreement, this legislation also includes modifications to the existing franchise and an additional Memorandum of Understanding. These modifications impose new requirements for the continued operation of Seattle Steam as a thermal energy utility, including an increased franchise fee of $75,000 and bond of $500,000, new limits on the expansion of aging steam technology in favor of safer, closed-loop hot water piping, and new requirements on carbon emissions of non-renewable fuel sources for heat generation.

The existing Franchise Agreement recognizes the long history of Seattle Steam as a local, family-run utility through a 50-year agreement with modest conditions for operations of the utility. After proposed acquisition by Brookfield, the City engaged in negotiations to identify where the new owner would be willing to meet improved environmental requirements and increased fees that were more consistent with other agreements across in the City.

The successful transfer of this agreement will greatly improve parity in fee and bond structure with other franchises in the City, as well as align the utility with new environmental standards that continue to protect residents and our region, furthering the City's goals toward collaborative, environmentally responsible District Energy objectives. Thank you for your consideration of this legislation.

Should you have questions, please contact Aaron Blumenthal at (206)-233-3656.

Sincerely,

Edward B. Murray
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

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

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Hearing Impaired use the Washington Relay Service (7-1-1)
www.seattle.gov/mayor