



Legislation Text

File #: CB 119238, Version: 1

CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL _____

AN ORDINANCE relating to the City Light Department; amending Subsection 21.49.130.B of the Seattle Municipal Code to extend the Department’s authority to execute, implement, and administer contracts for periods of up to 60 months for wholesale marketing activity.

WHEREAS, subsection 21.49.130.B of the Seattle Municipal Code provides specific authority for the City

Light Department (“City Light”) to enter into contracts for the acquisition, exchange, or sale of short-term capacity or energy, or integration, transmission, or ancillary services; and

WHEREAS, in an average water year, City Light has substantial surplus renewable, clean power to sell as resources exceed retail load in its service area; and

WHEREAS, many localities/governmental entities and corporations have made a commitment to reduce their carbon footprint by purchasing fossil free electrical energy quite often not from their traditional supplier and are willing to pay a premium for clean energy; and

WHEREAS, specifically in Western Washington, Sound Transit, King County, the Cities of Bellevue, Mercer Island, Anacortes, and Snoqualmie, and other large customers such as REI, Target, and Starbucks are participating in Puget Sound Energy’s “Green Direct” program to purchase all their power from clean energy resources and are paying a premium for this over what they currently pay; and

WHEREAS, some of these entities acknowledge and support the fact that the retail energy they purchase directly from City Light is clean and fossil free and does not contain a “green premium” as noted in the Sound Transit resolution to participate in the PSE program; and

WHEREAS, very large customers such as Microsoft have won Washington Utilities and Transportation

Commission approval to leave the traditional supply of PSE and purchase their own renewable power and have PSE deliver and balance their supply, and Microsoft issued an RFP with a 45-day response time for clean electricity supply; and

WHEREAS, under state law and rules in California, counties may now aggregate the citizens electric load and purchase supply under Community Choice Aggregation (CCA) programs to buy clean energy and eliminate fossil fuel use in their electric supply; and

WHEREAS, under CCA programs, large CCA's such as Silicon Valley Clean Energy Authority and Marin County Clean Authority issue RFP's for over 24 months of energy supply with response times for proposals of less than 45 days; and

WHEREAS, other public power utilities are supplying or competing to supply CCA's, such as Sacramento Municipal Utility District (SMUD) which will supply power to Valley Clean Energy Alliance beginning in 2018; and

WHEREAS, City Light's hydro power portfolio is highly competitive from a cost, reliability, and environmental perspective to supply the over 20 CCA's in California than those resources of utilities, which have natural gas-fired generation units, and other mixed fuel utilities; and

WHEREAS, City Light's hydro power and transmission portfolio is well situated to provide clean power more reliably and at a lower cost to these CCA's than their traditional in-state supplies of wind and solar which are often backed up by natural gas resources when wind and solar are not available; and

WHEREAS, City Light presently sells nearly all that surplus renewable, clean power at the prevailing wholesale market price in the Northwest which does not provide any premium for clean energy; and

WHEREAS, the prices are expected to continue to be very low in the traditional wholesale market due to zero marginal cost energy on the grid and the anticipated very low price of natural gas in the future which sets the wholesale energy price in most hours; and

WHEREAS, City Light faces increasing revenue pressure to provide high quality, reliable and affordable

renewable energy to its customers;

WHEREAS, selling City Light's present clean hydro power for a premium may help reduce rate increases in the future; and

WHEREAS, certain timing constraints limit City Light's ability to actively and efficiently participate in wholesale clean energy market activities, including but not limited to responding to other electric utilities', CCA's, businesses', and independent power producers' requests for proposals which often have less than one month for a response; and

WHEREAS, current risk mitigation measures in City Light's Wholesale Energy Risk Management Policies and Procedures limit market transactions to a term of 24 months; and

WHEREAS, City Light's Wholesale Energy Risk Management Policies and Procedures will continue to apply with the same degree of due diligence, oversight, and reporting as it is applied today to all other wholesale market transactions and if needed, the policies and procedures will be modified, to address any risks associated with extending the term of the transacting authority; and

WHEREAS, the authority provided by subsection 21.49.130.B of the Seattle Municipal Code was amended by Ordinance 123578, passed by the City Council on April 11, 2011, to address contract authority limitations and specific clarifications needed for the daily and forward marketing purchases and sales of cost-effective power, transmission, and renewable energy credits; and

WHEREAS, the authority provided by subsection 21.49.130.B should be extended to 60 months to enable City Light to competitively respond to the requests for proposals for solicitations for clean energy and renewable integration products for terms that are often 36 to 60 months in length. Terms longer than 60 months will require Executive and City Council approval; and

WHEREAS, City Light customers likely benefit from allowing City Light to engage in transactions in the wholesale energy markets for up to 60 months; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Subsection 21.49.130.B of the Seattle Municipal Code, which was last amended by the ordinance introduced as Council Bill 119224, is amended as follows:

21.49.130 Authority.

* * *

B. Rule-making and contract authority

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2. Effectively managing its power supply portfolio to achieve balance between supply and customer demand requires that City Light transact in the wholesale energy markets for energy and transmission services and products, including the purchase or sale of short-term capacity or energy, or integration, transmission, or ancillary services. The Department may therefore execute, implement, and administer contracts with any city or town, public utility district, governmental agency, municipal corporation, mutual association, broker, agent, or with any person, firm, or corporation, or any other member of the general public, outside its service area, for an effective term of not more than ((24)) 60 months from the month following the date on which the contract is first signed ("prompt month"), providing for the acquisition, exchange, or sale of capacity or energy, or integration, transmission, or ancillary services, or eligible renewable resources, which shall have the same meaning as defined by RCW 19.285.030, on terms most favorable to the Department under such circumstances and in compliance with state law, including RCW 43.09.210. Such acquisition, sale, or exchange shall be made on a basis representing the value of such capacity or energy, or integration, transmission or ancillary services, under then existing market conditions and may include provisions that require indemnification by the Department.

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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 _____, 2018, and signed by me in open session in authentication of its passage this _____ day of _____, 2018.

President _____ of the City Council

Approved by me this _____ day of _____, 2018.

Jenny A. Durkan, Mayor

Filed by me this _____ day of _____, 2018.

Monica Martinez Simmons, City Clerk

(Seal)