

DRAFT 5/10/2013

## **Amended and Restated Memorandum of Understanding Regarding Electrical System Performance, Reliability and Reporting**

This Amended and Restated Memorandum of Understanding is entered by and between the City of Bellevue (the "City") and Puget Sound Energy ("PSE"), which are together referred to herein as the "Parties".

WHEREAS, the Parties have entered into a Franchise Agreement, authorized through Bellevue Ordinance No. 5443 (the "Franchise Agreement"),

WHEREAS, on June 15, 2003, the Parties entered into a Memorandum of Understanding relating to Performance and Reliability Reporting (the "Existing MOU"),

WHEREAS, the Parties participated in an Electrical Reliability Study in 2011 (the "ERS"),

WHEREAS, the City's Comprehensive Plan Policy UT-75 states that the City shall "work with and encourage Puget Sound Energy to plan, site, build and maintain an electrical system that meets the needs of existing and future development, and provides highly reliable service for Bellevue customers,"

WHEREAS, the Parties recognize the value of defining, developing and continuously improving their working relationship through cooperation, planning, communication and coordination,

WHEREAS, the Parties desire to incorporate mutually agreed provisions for sharing performance information and implementation of recommendations from the ERS into the Existing MOU, and

WHEREAS, the Recommendations Summary from the ERS is attached hereto as Attachment 1,

NOW THEREFORE, it is hereby understood and agreed by and between the Parties as follows:

- 1) **ANNUAL RELIABILITY WORKSHOP**. In order for the City to be a more informed stakeholder and to have the necessary data and information to track and engage in meaningful partnership regarding the state of electric service reliability in the City, PSE agrees to provide relevant data for, and to participate in, an annual Reliability Workshop with City staff, as described below. The Parties intend that the Reliability Workshop should take place in the second quarter of each year.
  - a) The City agrees to Coordinate, schedule and conduct the Reliability Workshop with key participants from PSE and City staff.
  - b) PSE agrees to provide to the City, no later than ten business days prior to the scheduled Reliability Workshop:
    - i. System Average Interruption Frequency Index ("SAIFI") and System Average Interruption Duration Index ("SAIDI") figures for electric service within the City for each of the previous five years. PSE will also provide comparisons of the SAIFI and SAIDI figures for the City with PSE's system-wide figures as well as the system averages of other comparable utilities for the same periods.
    - ii. SAIFI and SAIDI figures for distribution circuits serving City customers for the prior year, identifying circuits that had a SAIFI and/or SAIDI greater than the PSE system average SAIFI and/or SAIDI for the same period, and for such circuits, an overview of strategies and actions planned by PSE to improve performance on those circuits.

- iii. Performance trend information for circuits identified in the prior year's workshop as having performance below that of the PSE system average for that year, to assess and discuss the efficacy of steps taken to improve performance.
  - iv. Information concerning all unplanned outages (interruption of service to customers) within the City, identifying the circuit, duration, number of customers affected and cause for each outage, as well as actions taken or planned to prevent recurrences. Such information shall be provided for the sole purpose of facilitating further inquiry by the City to PSE concerning such circuits and/or outages and to support the Parties working together towards electrical system reliability improvements contemplated herein. The City agrees not to provide such information to any third party without prior notice to [and consent from PSE and PSE agrees not to unreasonably withhold its consent for such provision of information].
  - c) PSE shall ensure participation by the appropriate PSE staff at the Reliability Workshop.
  - d) At the Reliability Workshop, PSE shall present:
    - i. An overview of equipment and facility capital projects to improve system reliability in the City, including those intended to create redundancy, completed in the prior year, or intended to be completed in the following year, and
    - ii. An overview of automation improvements completed in the prior year or intended to be completed in the following year, intended to increase two-way communication on the PSE system and move towards implementation of "Smart Grid" capabilities.
- 2) **ANNUAL PLANNING WORKSHOP.** The City and PSE each independently undertake medium and long term planning processes. Both Parties would benefit from a formalized process of information-sharing to ensure consistency of assumptions, alignment of planned activities and a proactive effort to maximize benefits from both Parties' investments. To this end, the Parties agree to participate in an annual Planning Workshop as described below. The Parties intend that this Workshop take place in the fourth quarter of each year.
- a) The City agrees to coordinate, schedule and conduct an annual Planning Workshop with key participants from PSE and City staff.
  - b) The City agrees to present, at the Planning Workshop, (1) the City's latest growth projections, (2) information about any significant projects or developments about which the City is aware, (3) any significant regulatory, legislative, or other actions anticipated in the following year which would be expected to have a significant impact on PSE or its plans.
  - c) PSE agrees to ensure participation by the appropriate PSE staff at the meeting.
  - d) PSE agrees to present at the workshop, (1) an overview of PSE's latest demand and supply projections, (2) an overview of significant capital projects planned by PSE in the City together with anticipated facility siting and permitting timeframes for them, and (3) information about any other project or plan expected to have a significant impact on provision of services by PSE.
- 3) **INTEGRATED RESOURCE PLANNING.** PSE shall continue to provide the City an opportunity to participate in PSE's Integrated Resource Planning Plan advisory group processes.
- 4) **COMMUNICATIONS and EMERGENCY OPERATIONS.** Both Parties are critical first responders in the community in the event of serious emergencies. Development of more formalized processes and procedures for how the Parties prepare for and recover from major emergency events could help to ensure efficient and effective responses that make optimum use of the resources of each Party and provide a better recovery experience for the community. Therefore, the Parties agree to work together to:

- a) Achieve optimal alignment of their respective emergency operations plans, systems and processes;
- b) Identify and provide staff contacts for communications and coordination between the Parties when the Bellevue Emergency Operations Center is activated and during other emergency situations;
- c) Coordinate systems and messaging for communication to the community during emergencies; and,
- d) Align deployment of resources (road clearing crews, etc.) during and after an emergency to allow for an efficient recovery of electrical services.

**5) UNDERGROUNDING OF DISTRIBUTION LINES.** The ERS identified benefits and drawbacks to the placement of distribution lines underground. Benefits include reduction in visual pollution as well as a probable reduction in number of outages, especially in heavily wooded areas. Drawbacks include increased duration of outages and higher installation and repair costs. The City's existing policy and contractual frameworks favor undergrounding when possible (see Comprehensive Plan Policy UT-39 and Section 6.3 of the Franchise Agreement, provided as Attachment 2).

- a) The Parties agree to communicate regularly, at utility coordination meetings, the annual Planning Meetings and from time-to-time as appropriate and advisable, to identify projects planned by either Party, or third parties, which may provide an opportunity for undergrounding of distribution lines (new and existing). This agreement is intended ensure active identification and consideration of opportunities by the Parties and is not intended to require undergrounding beyond any other applicable requirements of the City.

**5)6) INTERFACE WITH THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION ("WUTC").**

PSE shall make best efforts to make the City aware of issues coming before the WUTC that are likely to have a material impact on Bellevue customers.

**6)7) SMART GRID STRATEGY.** The deployment of Smart Grid enabled equipment (as defined in the ERS) can bring numerous benefits and new capabilities to the electrical system. These can include increased system reliability (e.g. automated fault detection and self-healing systems), the ability to incorporate energy from distributed generation sources (e.g. power from solar panels in homes, batteries of electrical cars, etc.), and power load management to make more efficient use of peaks and valleys in supply and demand, just to name a few.

- a) For as long as PSE is required to deliver a smart grid technology report to the WUTC (pursuant to WAC 480-100-505), PSE shall provide a copy of the same report to the City and keep City staff updated on its Smart Grid initiatives in the annual Reliability Meetings.
- b) PSE shall actively engage with the City, from time-to-time as may be appropriate, to discuss deployment strategies for the use of Smart Grid technologies and infrastructure in the City and potential opportunities to pilot and test advanced Smart Grid equipment and technologies within the City.
- c) If the City Council elects to develop and adopt an official Smart Grid Vision, PSE will make best efforts to participate in that effort and will work cooperatively and in partnership with the City towards achieving that vision.

**7)8) OTHER AGREEMENTS.** This Memorandum of Understanding replaces, in its entirety, the Performance and Reliability Memorandum of Understanding between the Parties dated June 25<sup>th</sup>, 2003. Except as specifically set forth above, this Memorandum of Understanding and the respective

commitments, rights and obligations of the Parties hereunder are in addition to any of those set forth in the Franchise Agreement and other existing Memoranda of Understanding. Except as may be specifically set forth herein, nothing in this Memorandum of Understanding shall be deemed to alter any of the existing terms and conditions of the Franchise Agreement or such other existing Memoranda of Understanding.

8)9) **CONFLICT RESOLUTION.** Any dispute, disagreement or claim arising out of this Memorandum of Understanding must first be presented to and considered by the Parties. A Party who wishes to present such dispute, disagreement or claim will notify the other Party and pursue resolution of the dispute, disagreement or claim consistent with Sections 11 and 12 of the Franchise Agreement and as limited by Section 25 of the Franchise Agreement. All negotiations pursuant to these procedures for the resolution of disputes will be confidential and will be treated as compromise and settlement negotiations for the purposes of the state and federal rules of evidence.

9)10) **THIRD PARTY BENEFICIARIES.** Nothing in this Memorandum of Understanding is intended to create any rights or interests as third-party beneficiaries.

Agreed and accepted this \_\_\_\_\_ day of \_\_\_\_\_ 2013.

PUGET SOUND ENERGY, INC.

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

CITY OF BELLEVUE

\_\_\_\_\_  
By: \_\_\_\_\_  
Title: \_\_\_\_\_

Approved as to form:

\_\_\_\_\_  
City Attorney

**ATTACHMENT 1**

**RECOMMENDATIONS SUMMARY FROM  
ELECTRICAL RELIABILITY STUDY**

The outcome of this reliability assessment is a set of recommendations that will support the City's efforts to meet its stated goals. The recommendations are summarized below:

**1. Conduct Joint City/PSE Reliability Workshops**—The City should conduct an annual reliability workshop with PSE to perform a review of the following topics that relate to reliability in Bellevue:

- **Specific Circuit Reliability:** The City should request reliability metrics (SAIDI and SAIFI) on a circuit basis. This will provide the City with information regarding the performance of circuits throughout the City and provide a basis for the City to work with PSE to identify appropriate means to improve performance.
- **The City should trend circuit performance over time** to identify the effectiveness of completed reliability projects (review number of outages and causes to trend improvement). This assessment provides the City with a means of reviewing the overall Downtown performance and performance for specific neighborhoods that have experienced frequent outages (such as neighborhoods with overhead circuits).
- **Equipment Reliability Projects:** The City should request a list of the current PSE projects identified for Bellevue (both funded projects in the capital plan and those waiting future funding) to understand the potential reliability improvement efforts for Bellevue.
- **Maintenance and Inspection Program Results:** PSE should identify to the City any new items likely to significantly affect the electric system reliability from its review of maintenance and inspection programs during the prior year.
- **System Redundancy Projects:** The City should review the design improvements that are being added to the Bellevue system.
- **Automation Installation:** The City should review with PSE the automation improvements that are being added in the Bellevue system. The City can monitor the overall upgrades to the system and the degree of system automation.

**2. Joint City/PSE Planning Workshops**—It is recommended that the City engage PSE in an annual planning workshop around future projects. The Comprehensive Plan includes an electric system plan that can serve as the basis for the annual workshop. The workshop should focus on the following items:

- Current growth projections and electric power use in Bellevue
- Review and update of current plan
- Actions for capacity projects required to initiate siting and permitting activities within the next 2 years.

An outcome of the workshop should be an updated plan for inclusion in the Comprehensive Plan (if required) and an action plan to move designated projects forward into siting analysis and/or planning.

**3. Integrated Resource Planning (IRP)**—The City should remain active in the IRP process and should begin to understand potential long-term impacts of this strategy.

4. **Vegetation Management**—The visual review of overhead circuits indicates that there are many substations and lines located in heavily wooded areas. The only way to significantly improve reliability is to perform more comprehensive tree trimming. The City should review its vegetation policies, specifically in the areas of substations, to look at alternative vegetation approaches.

5. **Community Communications**—City personnel involved in emergency response should meet with PSE to understand the capabilities of the new outage management system (when completed) to assist in communications with the Bellevue community.

6. **Emergency Response Capability**—The City and PSE should consider the development of a more formal process (procedure) related to response and support activities during an outage. The outcome should be an agreement (or procedure) for communication and coordination during large-scale events affecting Bellevue.

7. **Energy Efficiency Improvements**—The City should lead the energy efficiency effort to assist PSE in reaching its long-term electric energy usage goals to help ensure adequate electric power supply during peak power periods for the City. Electric energy savings programs require active outreach to the customers and citizens to support various efficiency initiatives. The PSE long-term plan has a large reliance on reducing the electric energy demand by installing lower power consuming appliances and lighting systems. The City will have a major role to play in terms of City policy and regulations that support efforts that are alternatives to building additional power plants to supply peak power during high demand periods. The City will also have a major role in community outreach.

8. **Undergrounding of Distribution Lines**—The City should investigate opportunities for additional undergrounding of distribution lines through coordination of multiple utility projects and evaluation of local improvement districts. The City's Comprehensive Plan requires undergrounding of new distribution lines and strategies should be developed to increase opportunities to convert overhead lines to underground circuits.

9. **City Interface with WUTC**—Bellevue's involvement with WUTC should be one of informing lawmakers and commissioners regarding matters that affect reliability. This involvement should include:

- Assigning a designated individual to electric system matters. This individual should remain informed of electric system activities related to WUTC.
- Developing white papers for submittal to WUTC to inform the Commission of issues affecting electric reliability in the City. This provides a means to provide feedback to WUTC without direct response to hearings.
- Commenting on or participating in matters directly affecting PSE and their interaction with the WUTC.

There are several additional recommendations that can be incorporated into the recommendations listed above. These include:

10. **Smart Grid Strategies**—PSE has identified a series of Smart Grid technology projects that are being considered over the next 2 years. These projects include a range of programs from the base infrastructure required to enable the Smart Grid to specific customer-related efforts. The City should review the overall PSE plan and determine its level of support for the various customer initiatives. The City needs to define a Smart Grid approach that it would like to see implemented in Bellevue, specifically addressing the level of support for customer interface

applications, such as customer energy management, demand response, home automation, etc. The City should work with PSE to develop a Bellevue deployment plan consistent with PSE obligations. (Include with Recommendation #1)

**11. Long-Range Planning**—The City and PSE should synchronize their growth projections for the City by frequent information exchange on expected projects, expected timing of projects, and coordination of actions required by PSE and the City to address these projects. This exchange is meant to assist longer-term planning and should occur well in advance of any specific permitting or development activities. (Include with Recommendation #2)

**12. Multi-Utility Planning**—The City should engage with its utility partners to identify new projects (both large and small) to maximize efficiency for projects in the rights-of-way. The City can take advantage of projects that require trenching to place conduit for potential future use of undergrounding. The existence of conduit may allow for more economic alternatives for undergrounding in the future. (Include with Recommendation #1) Detailed descriptions of these recommendations are included in this report.

