

2013 - 2014 Seattle City Council Green Sheet

Ready for Notebook

Tab	Action	Option	Version
6	1	B	1

Budget Action Title: Amend and pass as amended C.B. 117644 directing City Light to transfer certain funds in the Light Fund in 2012 to the Rate Stabilization Account

Councilmembers: Burgess; Clark; O'Brien

Staff Analyst: Tony Kilduff

Council Bill or Resolution: C.B. 117644

Date		Total	SB	BH	TR	RC	TB	NL	JG	SC	MO
	Yes										
	No										
	Abstain										
	Absent										

Budget Action description:

This green sheet amends C.B. 117644 to direct City Light to transfer from the Light Fund to the Rate Stabilization Account (RSA) the lesser of \$22 million and the cash available for debt service coverage for 2012 exceeding 1.85 times debt service, and recommends passage as amended. A mark-up of the C.B. showing the amendment is attached.

Background

The RSA is a reserve account that City Light can draw from to make up the difference between its actual net wholesale revenue and the amount of that revenue assumed in the budget. The purpose of the reserve is to allow City Light to continue with its planned operations in the face of revenue shortfalls. To preserve the Account, surcharges on rates of 1.5%, 3.0%, and 4.5% take effect automatically when the Account balance falls below \$90 million, \$80 million, and \$70 million respectively. By this mechanism the Account acts as a buffer between the volatile wholesale market and rate payers, smoothing rate changes needed to address wholesale revenue shortfalls.

City Light began 2012 with \$133 million in the RSA and has drawn it down over the course of the year to make up for wholesale revenues that were well below expectations. It expects to end the year with approximately \$95 million in the Account. Although the 2013-2014 Proposed Budget and the 2013-2014 rates adopted in September to support it explicitly reduced City Light's dependence on wholesale market revenue relative to 2012, the net wholesale revenue assumed in the budget—\$90 million—now looks very optimistic. Transferring year-end fund balance (up to a maximum of \$22 million) to the Account would provide an additional cushion to reduce the likelihood (and possibly the size) of a surcharge in 2013.

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The transfer of any year-end balance from the Light Fund to the RSA means those funds will no longer be available to support the 2013 capital program and borrowing will be higher than it would otherwise be.

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Approved by me this ____ day of _____, 2011.

Michael McGinn, Mayor

Filed by me this ____ day of _____, 2011.

Monica Martinez Simmons, City Clerk

(Seal)