Ordinance No. 124594

Council Bill No. 118193

AN ORDINANCE relating to the City Light Department; amending subsection 21.49.086.D of the Seattle Municipal Code to create Net Wholesale Revenue targets for 2015 and 2016 consistent with those assumed in the City Light 2015-2020 Strategic Plan adopted by Resolution 31529.

CF No.

Date Introduced: 9/2/14		
Date 1st Referred:	To: (committee) Energy	
Date Re - Referred:	To: (committee)	
Date Re - Referred:	To: (committee)	
Date of Final Passage: 9.29.14	Full Council Vote: 9.29.14	
Date Presented to Mayor: 10.3.14	Date Approved: 10.13.14	
Date Returned to City Clerk: 10.13.14	Date Published:	T.O. X F.T.
Date Vetoed by Mayor:	Date Veto Published:	
Date Passed Over Veto:	Veto Sustained:	

The City of Seattle - Legislative Department

Council Bill/Ordinance sponsored by: _____ Councilmember

Committee Action:

9/24/14 Pass KS MO SC Yes

Full Council Action

9.29.14 Passed 9-0

This file is complete and ready for presentation to Full Council. Committee: _____ (initial/date)

Law Department

Law Dept. Review | OMP Review | City Clerk Review | Electronic Copy Loaded | Indexed

CITY OF SEATTLE

ORDINANCE 124594

COUNCIL BILL 118193

AN ORDINANCE relating to the City Light Department; amending subsection 21.49.086.D of the Seattle Municipal Code to create Net Wholesale Revenue targets for 2015 and 2016 consistent with those assumed in the City Light 2015-2020 Strategic Plan adopted by Resolution 31529.

WHEREAS, the City established the City Light Rate Stabilization Account ("RSA") within the Light Fund in part to buffer the City Light Department and its rate payers from shortfalls in the amount of Net Wholesale Revenue actually earned relative to that specified in budgets and assumed in electricity rates; and

WHEREAS, Ordinance 123260 provided a funding mechanism for the RSA and established rules for its operation, including a formula for computing the target level of Net Wholesale Revenue for the purpose of developing budgets and retail electricity rates, and for determining deposits to, and withdrawals from, the RSA; and

WHEREAS, Ordinance 123989 changed the methodology for computing the Net Wholesale Revenue target, eliminating the formula and establishing specific dollar amount targets for 2013 and 2014 consistent with those assumed in the City Light 2013-2018 Strategic Plan adopted by Resolution 31383; and

WHEREAS, the City Light 2015-2020 Strategic Plan, adopted by Resolution 31529, assumes specific targets for Net Wholesale Revenue for the years 2015 to 2020, and electricity rates consistent with those targets; and

WHEREAS, the City Council intends to adopt retail electricity rates for 2015 and 2016 that are consistent with those in the 2015-2020 Strategic Plan; and

WHEREAS, the City Council will reconsider spending plans, the targets for Net Wholesale Revenue, and the retail electricity rates to support them for subsequent years as part of the update and extension of the Strategic Plan in 2016; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Subsection 21.49.086.D of the Seattle Municipal Code, last amended by Ordinance 124108, is amended as follows:

21.49.086 Rate Stabilization Account

* * *

D. Baseline for the Net Wholesale Revenue forecast:

For the purpose of this Ordinance, Net Wholesale Revenue means gross wholesale revenue less the amount of wholesale purchases.

((~~The Net Wholesale Revenue forecast shall be $90 million for 2013 and $85 million for 2014.~~)) The Net Wholesale Revenue forecast shall be $65 million for 2015 and $60 million for 2016.

The forecast thus established shall be the amount of Net Wholesale Revenue assumed by the City Council for the purpose of establishing City Light rates and budgets. The City Council will determine Net Wholesale Revenue forecasts for subsequent years prior to adopting City Light rates for those years.

The annual forecast for each year will be distributed over the quarters of the year as follows:

30% for January 1 to March 31;

35% for April 1 to June 30;

15% for July 1 to September 30; and

20% for October 1 to December 31.

The amounts determined in this way will be the quarterly Net Wholesale Revenue forecasts for the purpose of Subsection E and will be reported by City Light in its annual budget proposals.

* * *

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 29th day of September, 2014, and signed by me in open session in authentication of its passage this 29th day of September, 2014.

President _____ of the City Council

Approved by me this 13th day of October, 2014.

Edward B. Murray, Mayor

Filed by me this 13th day of October, 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; amending subsection 21.49.086.D of the Seattle Municipal Code to create Net Wholesale Revenue targets for 2015 and 2016 consistent with those assumed in the City Light 2015-2020 Strategic Plan adopted by Resolution 31529.

Summary of the Legislation:
This ordinance establishes City Light Net Wholesale Revenue targets for 2015 and 2016 that are consistent with those assumed in the City Light 2015-2020 Strategic Plan adopted June 30, 2014 by Resolution 31529.

Background:
The City established the City Light Rate Stabilization Account (RSA) within the Light Fund in part to buffer the City Light Department and its rate payers from shortfalls in the amount of Net Wholesale Revenue (NWR) actually earned relative to that specified in its budgets and assumed in its electricity rates. In March of 2010, Council adopted Ordinance 123260 which provided a funding mechanism for the RSA and established rules for its operation, including a formula for computing the target level of NWR for the purpose of developing budgets and retail electricity rates, and for determining deposits to, and withdrawals from, the RSA.

In 2012, Council adopted the City Light 2013-2018 Strategic Plan (Resolution 31383) which included more conservative NWR targets than the historical average originally determined by Ordinance 123260. The more conservative revenue targets reflected changing market and resource conditions which indicated that future NWR was likely to be significantly lower than historical levels, and served to reduce the likelihood of future RSA surcharges thereby providing rate payers with improved rate stability. Ordinance 123989 effected these changes, and established NWR targets for 2013 and 2014 which were consistent with the Strategic Plan and the adopted 2013 and 2014 electricity rates.

This proposed legislation establishes NWR targets of $65 million for 2015 and $60 million for 2016. These values are consistent with the new Strategic Plan Update for 2015-2020 and the electricity rates proposed for 2015-2016, which are in the accompanying legislation.

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	2015 Revenue	2016 Revenue
Light Fund (41000)	City Light		NA	NA
TOTAL				

Revenue/Reimbursement Notes:
Changing the NWR target affects the likelihood of triggering automatic RSA retail rate surcharges, but does not change anticipated revenues. This legislation establishes NWR targets that are about $5 million lower than the Department's market-based forecast of NWR, which implies that there should be a low (but not zero) probability of RSA surcharges triggered in the coming biennium. Note that the new target is also incorporated in the 2015-2016 proposed 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?** The 2015 and 2016 proposed rates are predicated on the Net Wholesale Revenue target established by this legislation. Not passing this legislation would mean there would be no target NWR to inform the operations of the RSA.

b) **What is the financial cost of not implementing the legislation?** Not passing this legislation would mean there would be no 2015 or 2016 NWR target. The NWR target is critical to the financial operation of the RSA and the surcharge decision procedures established by Ordinance 123260. The RSA would be unusable.

c) **Does this legislation affect any departments besides the originating department?** No.

d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** No.

e) **Is a public hearing required for this legislation?** Yes.

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

July 29, 2014

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

Dear Council President Burgess:

I am transmitting the attached proposed Council Bill, amending subsection 21.49.086.D of the Seattle Municipal Code to establish Net Wholesale Revenue targets for 2015 and 2016 which are consistent with the City Light 2015-2020 Strategic Plan adopted June 30, 2014 by Resolution 31529.

The City established the City Light Rate Stabilization Account (RSA) within the Light Fund in part to buffer the City Light Department and its rate payers from shortfalls in the amount of Net Wholesale Revenue actually earned relative to that specified in budgets and assumed in electricity rates. In March of 2010, Council adopted Ordinance 123260 which provided a funding mechanism for the RSA and established rules for its operation.

In July of 2012, Council adopted Ordinance 123989, which established conservative targets for Net Wholesale Revenue for 2013 and 2014 that were consistent with the assumptions in the City Light 2013-2018 Strategic Plan, adopted by Resolution 31383. Similarly, this proposed legislation establishes Net Wholesale Revenue targets for 2015 and 2016 that are consistent with the recently adopted 2015-2020 Strategic Plan update, and the accompanying legislation to adopt 2015 and 2016 electricity rates.

These proposed changes to the Net Wholesale Revenue target will reduce the likelihood of future RSA surcharges, providing our customers with a high degree of rate stability. Should you have any questions, please contact City Light Finance Director Paula Laschober 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
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