

Resolution No. 31187

A RESOLUTION relating to the City Light Department; establishing financial policies for the Department and repealing Resolutions 30685, 30933 and 31181.

The City of Seattle - Legislative Department

Resolution sponsored by: _____

Bruce Q. Hannell

Committee Action:

Date	Recommendation	Vote
3/17/2010	PASS AS AMENDED	BH, NL, MD
	(a)	

This file is complete and ready for presentation to Full Council.

Full Council Action:

Date	Decision	Vote
3-22-10	Adopted	9-0

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Related Legislation File: _____

Date Introduced and Referred: 3.1.10	To: (committee): Energy Technology & Civil Rights
Date Re-referred:	To: (committee):
Date Re-referred:	To: (committee):
Date of Final Action: 3-22-10	Date Presented to Mayor: 3-23-10
Date Signed by Mayor: 3.26.10	Date Returned to City Clerk: 3.29.10
Published by Title Only <input checked="" type="checkbox"/>	Date Returned Without Concurrence:
Published in Full Text	

Law Department

RESOLUTION 31187

1 A RESOLUTION relating to the City Light Department; establishing financial policies for the
2 Department and repealing Resolutions 30685, 30933 and 31181.

3 WHEREAS, since 1977 the Mayor and City Council have set City Light electric rates in compliance with
4 specific financial policies adopted by resolution; and

5 WHEREAS, Resolution 30933, adopted by the City Council on November 20, 2006, established long-
6 term rate setting objectives and specific financial policies to be used in setting rates and a debt
service coverage ratio of 2.0; and

7 WHEREAS, City Light's financial status has improved significantly since the West Coast power crisis in
8 2000-2001, with the debt-to-capitalization ratio lowered from 85% in 2002 to approximately 63%
in 2009; and

9 WHEREAS, the national recession that began in January 2008 has been the longest and deepest since the
10 1930s, and from which most economists predict only a slow recovery in the next few years; and

11 WHEREAS, a consequence of the recession has been a steep decline in the price of wholesale power
across the nation; and

12 WHEREAS, revenue from the sale of wholesale power is a significant component of City Light's overall
13 revenue; and

14 WHEREAS, because of these lower prices, City Light earned approximately \$68 million from net
15 wholesale power sales in 2009, compared with \$142 million assumed in its 2009 financial plan;
and

16 WHEREAS, the national recession has had a major effect on Seattle area businesses and residents, with
17 the unemployment rate in the Seattle metropolitan area rising to 9.3% in October 2009; and

18 WHEREAS, on November 23, 2009, the City Council approved a 2010 budget for City Light that made
19 further budget reductions, added funding for long-term conservation efforts, and increased rates
13.8% effective on January 1, 2010; and

20 WHEREAS, the Council's budget and rate actions are intended to yield a debt service coverage ratio of
21 1.8 for 2010; and

22 WHEREAS, the Council determined that the larger rate increase that would have been needed to achieve
23 a debt service coverage ratio of 2.0 would be too damaging to City Light customers in the midst
of a severe recession and could possibly reduce City Light's long-term load and revenue as a
consequence; and

24 WHEREAS, the Council established a Rate Stabilization Account within the Light Fund by Ordinance
25 121637 for the purpose of reducing the need for sudden and substantial rate increases to meet
26 bond coverage and additional bond requirements; and

1 WHEREAS, the Council intends to establish, by ordinance, additional parameters for the funding,
2 operation, replenishment and expenditure of amounts in the Rate Stabilization Account that will
3 also allow it to act as a buffer against the volatility of revenue from the wholesale power market
4 and the impact that may have on rates; and

5 WHEREAS, the policies established here are intended to work with and complement the newly
6 established parameters of the Rate Stabilization Account; NOW, THEREFORE,

7 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR
8 CONCURRING, THAT:**

9 Section 1. Repealing Existing Policy: This Resolution repeals Resolutions 30685, 30933 and
10 31181.

11 Section 2. Rate Setting Guideline: It is the policy of the City of Seattle to set electric rates for the
12 City Light Department at levels sufficient for it to achieve a debt service coverage ratio of 1.8.

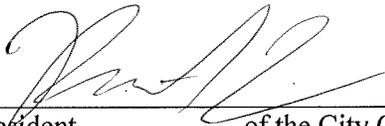
13 Section 3. Debt Policy: The City Light Department will manage its capital improvement
14 program so that on average over any given six-year capital improvement program it will fund 40% of the
15 expenditures with cash from operations.
16

17 Section 4. Policy Review: The City Council intends to review these policies and the operation of
18 the Rate Stabilization Account by the end of 2011 to ensure that the combination of these policies and the
19 Rate Stabilization Account are successful in protecting the City Light Department and its rate payers from
20 the volatility in its revenues resulting from variations in the quantity and price of the wholesale power the
21 Department buys and sells.
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24 Adopted by the City Council the 22nd day of March, 2010, and signed by me
25 in open session in authentication of its adoption this 22nd day
26

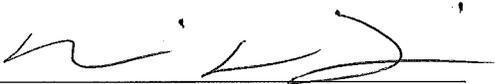
Tony Kilduff
LEG, City Light Financial Policies, RES
Feb 11, 2010
Version #1a

1 of March, 2010.



President _____ of the City Council

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4 THE MAYOR CONCURRING:

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Michael McGinn, Mayor

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8 Filed by me this 29th day of March, 2010.

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City Clerk

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12 (Seal)

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Legislative	Tony Kilduff/4-3580	

Legislation Title:

A RESOLUTION relating to the City Light Department; establishing financial policies for the Department and repealing Resolutions 30685, 30933 and 31181.

• **Summary of the Legislation:**

This resolution establishes new financial policies for City Light.

- **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

The new financial policies are intended to work with, and complement, the Rate Stabilization Account, which although established in 2004, has not been funded and made operational until this year.

The policies establish a DSC of 1.8 and a long-term goal of 40% cash contribution to the capital program.

- *Please check one of the following:*

No **This legislation does not have any financial implications.** *(Stop here and delete the remainder of this document prior to saving and printing.)*

RESOLUTION _____

1 A RESOLUTION relating to the City Light Department; establishing financial policies for the
2 Department and repealing Resolutions 30685, 30933 and 31181.

3 WHEREAS, since 1977 the Mayor and City Council have set City Light electric rates in compliance with
4 specific financial policies adopted by resolution; and

5 WHEREAS, Resolution 30933, adopted by the City Council on November 20, 2006, established long-
6 term rate setting objectives and specific financial policies to be used in setting rates and a debt
service coverage ratio of 2.0; and

7 WHEREAS, City Light's financial status has improved significantly since the West Coast power crisis in
8 2000-2001, with the debt-to-capitalization ratio lowered from 85% in 2002 to approximately 63%
in 2009; and

9 WHEREAS, the national recession that began in January 2008 has been the longest and deepest since the
10 1930s, and from which most economists predict only a slow recovery in the next few years; and

11 WHEREAS, a consequence of the recession has been a steep decline in the price of wholesale power
across the nation; and

12 WHEREAS, revenue from the sale of wholesale power is a significant component of City Light's overall
13 revenue; and

14 WHEREAS, because of these lower prices, City Light earned approximately \$68 million from net
15 wholesale power sales in 2009, compared with \$142 million assumed in its 2009 financial plan;
and

16 WHEREAS, the national recession has had a major effect on Seattle area businesses and residents, with
17 the unemployment rate in the Seattle metropolitan area rising to 9.3% in October 2009; and

18 WHEREAS, on November 23, 2009, the City Council approved a 2010 budget for City Light that made
19 further budget reductions, added funding for long-term conservation efforts, and increased rates
13.8% effective on January 1, 2010; and

20 WHEREAS, the Council's budget and rate actions are intended to yield a debt service coverage ratio of
21 1.8 for 2010; and

22 WHEREAS, the Council determined that the larger rate increase that would have been needed to achieve
23 a debt service coverage ratio of 2.0 would be too damaging to City Light customers in the midst
of a severe recession and could possibly reduce City Light's long-term load and revenue as a
consequence; and

24 WHEREAS, the Council, after due consideration of the financial challenges facing City Light by virtue of
25 the variability and unpredictability of a key revenue source, has established a Revenue
26



1 Stabilization Account to act as a buffer between the utility and its rate payers and that revenue
2 source; and

3 WHEREAS, the policies established here are intended to work with and complement the newly
4 established Revenue Stabilization Account; NOW, THEREFORE,

5 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR
6 CONCURRING, THAT:**

7 Section 1. Repealing Existing Policy: This Resolution repeals Resolutions 30685, 30933 and
8 31181.

9 Section 2. Rate Setting Guideline: It is the policy of the City of Seattle to set electric rates for the
10 City Light Department at levels sufficient for it to achieve a debt service coverage ratio of 1.8.

11 Section 3. Debt Policy: The City Light Department will manage its capital improvement
12 program so that on average over any given six-year capital improvement program it will fund 40% of the
13 expenditures with cash from operations.
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15 Section 4. Policy Review: The City Council intends to review these policies and the operation of
16 the Revenue Stabilization Account by the end of 2011 to ensure that the combination of these policies and
17 the Revenue Stabilization Account are successful in protecting the City Light Department and its rate
18 payers from the volatility in its revenues resulting from variations in the quantity and price of the
19 wholesale power the Department buys and sells.
20

21 Adopted by the City Council the ____ day of _____, 2010, and signed by me
22 in open session in authentication of its adoption this _____ day
23 of _____, 2010.
24

25 _____
26 President _____ of the City Council



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THE MAYOR CONCURRING:

Michael McGinn, Mayor

Filed by me this ____ day of _____, 2010

City Clerk

(Seal)



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	DOF Analyst/Phone:
Legislative	Tony Kilduff/4-3580	Karl Stickel/4-8085

Legislation Title:

A RESOLUTION relating to the City Light Department; establishing financial policies for the Department and repealing Resolutions 30685, 30933 and 31181.

• **Summary of the Legislation:**

This resolution establishes new financial policies for City Light.

- **Background:** *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history if applicable):*

In 2010, the Council adopted interim financial policies for City Light as it considered revisions that would be necessary to insulate it from the volatility of its wholesale revenue. After deliberation, the Council established, through ordinance, a revenue stabilization account within the utility in the amount of \$100 - \$125 million for the purpose of absorbing the variability of City Light's net wholesale revenue. The ordinance establishing the account provides for an automatic rate surcharge mechanism to replenish the account should it drop below set thresholds. With the protection afforded by the account, the Council considers a debt service coverage of 1.8 adequate to ensure the financial integrity of the utility

A second component, a long-term target of 40% cash contribution to the capital program will ensure that City Light strikes the appropriate long-term balance between borrowing and current revenue.

- *Please check one of the following:*

No **This legislation does not have any financial implications.** *(Stop here and delete the remainder of this document prior to saving and printing.)*



STATE OF WASHINGTON – KING COUNTY

--SS.

252788
CITY OF SEATTLE, CLERKS OFFICE

No.

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

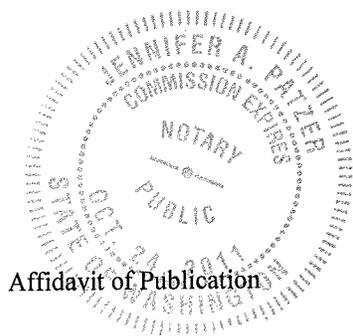
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:31187 RES TITLE ONLY

was published on

04/02/10

The amount of the fee charged for the foregoing publication is the sum of \$ 27.30, which amount has been paid in full.



Affidavit of Publication

04/02/10

Subscribed and sworn to before me on

Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on March 22, 2010, and published here by title only, will be mailed upon request, or can be accessed at <http://clerk.ci.seattle.wa.us>. For further information, contact the Seattle City Clerk at 684-8344.

RESOLUTION NO. 31187

A RESOLUTION relating to the City Light Department; establishing financial policies for the Department and repealing Resolutions 30685, 30933 and 31181.

Publication ordered by the City Clerk
Date of publication in the Seattle Daily Journal of Commerce, April 2, 2010.

4/2(252788)