

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title:

AN ORDINANCE relating to the City Light Department; amending Seattle Municipal Code Chapter 21.49.081 to include BPA transmission costs in the automatic BPA cost adjustment rate pass-through.

Summary of the Legislation:

This ordinance proposes amendments to SMC 21.49.081 that will allow City Light to pass through changes in BPA transmission service rates.

Background:

This ordinance modifies SMC Section 21.49.081, which pertains to the automatic BPA cost adjustment, also commonly referred to as the “BPA pass-through.” Automatic rate adjustments relating to City Light’s contract with BPA were first introduced in Ordinance 119747 in November 1999 to accommodate anticipated transmission service rate increases. Section 21.49.081 was repealed by Ordinance 120149 in November of 2000, before the effective date of the automatic adjustment of October 1, 2001.

Ordinance 120247, adopted by the Council in January of 2001, introduced a new version of Section 21.49.081. Under this automatic BPA cost adjustment, City Light would add an additional charge per kWh, called the “BPA increment,” onto customer rates on October 1, 2001 in response to an increase in BPA rates.

The code was amended by Ordinances 120385, 122282, 123178, 123479 and most recently by Ordinance 123988 in September of 2012. According to the current code, City Light will compute the BPA increment in response to any increases or decreases in BPA’s power sales rates. The BPA increment is applied to all rate schedules but rate assistance charges are adjusted by 40 percent of the BPA increment.

City Light purchases both power and transmission services from BPA, but under the current code, the BPA pass-through only applies to changes to the power sales agreement. Transmission is an essential service and the costs are both uncertain and uncontrollable, as are BPA power costs. If BPA were to increase transmission service rates, the code should make it clear that the Utility will automatically pass any such increase through to retail rates. This ordinance authorizes the BPA increment to be applied to both power sales and transmission service rate changes. This will ensure City Light receives recovery of the entire scope of costs under contract with BPA.

The BPA increment under this ordinance will be calculated in the same manner introduced by Ordinance 120247. When there are changes to BPA rates, City Light will calculate its projected cost change for the next 12 month period under the new and old rates. The difference in these two dollar values will be multiplied by 1.1095, the effective tax rate, and the total will be divided by the forecast kWh load for that 12-month period to arrive at the BPA increment.

 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*	2013 Appropriation	2014 Anticipated Appropriation
TOTAL				

**See budget book to obtain the appropriate Budget Control Level for your department.*

Appropriations Notes:

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
Light Fund (41000)	City Light	Retail Rates	unknown	unknown
TOTAL				

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	2013 Positions	2013 FTE	2014 Positions*	2014 FTE*
TOTAL							

** 2014 positions and FTE are total 2014 position changes resulting from this legislation, not incremental changes. Therefore, under 2014, please be sure to include any continuing positions from 2013.*

Position Notes:

Do positions sunset in the future?

Spending/Cash Flow: N/A

Fund Name & #	Department	Budget Control Level*	2013 Expenditures	2014 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?**
Possibly. If City Light rates increase, this would generate additional General Fund revenue via the City Utility Tax.
- b) **What is the financial cost of not implementing the legislation?**
If the BPA pass-through is not extended to cover changes to transmission service rates, City Light could see its costs increase beyond what was anticipated at the time the current 2013 and 2014 rate schedules were adopted. This could mean that City Light would not be able to meet its debt service coverage targets without budget reductions.
- c) **Does this legislation affect any departments besides the originating department?**
Yes; see response to a).
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** None.
- e) **Is a public hearing required for this legislation?** No.
- 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: None.