

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 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