

FISCAL NOTE FOR NON-CAPITAL PROJECTS

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

AN ORDINANCE relating to the rates, terms and conditions for the use and sale of electricity supplied by the City Light Department for 2015 and 2016; and amending Seattle Municipal Code Sections 21.49.030, 21.49.040, 21.49.052, 21.49.055, 21.49.057, 21.49.058, 21.49.060, 21.49.065, 21.49.080, 21.49.082, and 21.49.085 in connection therewith.

Summary of the Legislation:

This ordinance proposes new 2015 and 2016 rates for all City Light rate schedules, including residential and non-residential rates, streetlight rates, duct, vault and pole rental charges, power factor charges, and reserved distribution capacity charges.

Background:

The rates in this Ordinance reflect the results of the 2015-2016 rate review, a comprehensive three-step study of City Light's revenue requirements, cost of service and rate design.

The revenue requirement, which is the revenue target that rates are designed to collect, is consistent with the 2014 City Light Strategic Plan Update. Adopted by City Council on June 30, 2014, the Strategic Plan Update establishes rate increases for 2015 and 2016 of 4.2% and 4.9%, respectively.

The cost of service analysis allocates the revenue requirement to customer classes based on marginal cost of service. The cost of service review found that costs associated with generating and purchasing energy are rising faster than distribution system costs. Therefore, higher-consumption commercial and industrial customer classes have larger rate impacts than smaller commercial and residential customers, whose bills have a smaller energy cost component. In addition, while average network rates remain significantly higher than non-network rates due to the magnitude of the infrastructure investment in the network, the rate *increases* for network customers are lower than the system average. Finally, suburban and franchise city rate impacts vary from City of Seattle averages due to new terms for renewed franchise agreements and differences in customer consumption patterns.

Rate design sets the specific fees and charges for each customer class, which are set to collect the revenue requirement established by the cost of service study. Rate structures and rate design methodology are consistent with the principles and methods used to set 2013-2014 rates.

Please check one of the following:

☐ This legislation does not have any financial implications.

☒ 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	City Light Retail Rates	\$31,400,000	\$70,600,000
TOTAL			\$31,400,000	\$70,600,000

Revenue/Reimbursement Notes:

This is the increase in retail revenues resulting from the proposed rate increases.

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?**
No.
- b) **What is the financial cost of not implementing the legislation?**
Not adjusting City Light rates would mean not generating enough revenue to support the proposed budget.
- c) **Does this legislation affect any departments besides the originating department?**
Since revenues are affected, this would increase General Fund revenue via the City Utility tax by approximately \$1,900,000 in 2015 and \$4,200,000 in 2016 and all years after.
- 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