CITY OF SEATTLE

ORDINANCE _____

COUNCIL BILL 117550

AN ORDINANCE relating to the City Light Department; amending subsection 21.49.086.D of the Seattle Municipal Code to change Net Wholesale Revenue targets for 2013 and 2014 to those assumed in the City Light Strategic Plan adopted by Resolution 31383.

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 its budgets and assumed in its 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, the City Light Strategic Plan, adopted by Resolution 31383, assumes specific targets for Net Wholesale Revenue for the years 2013 to 2018, and retail electricity rates consistent with those targets, that differ from those generated by Ordinance 123260; and

WHEREAS, the City Council intends to adopt retail electricity rates for 2013 and 2014 that are consistent with those in the 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 to the Strategic Plan in 2014; 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 123757, 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 ((~~for any given year shall be the simple average of such revenue realized over all years beginning with 2002 and ending with the last year prior to that of the forecast for which City Light has complete information, unless, after consideration of additional information, the City Council determines a different methodology is warranted~~)) shall be $90 million for 2013 and $85 million for 2014.

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 ____ day of _____, 2012, and signed by me in open session in authentication of its passage this _____ day of _____, 2012.

_____

President _____of the City Council

Approved by me this ____ day of _____, 2012.

_____

Michael McGinn, Mayor

Filed by me this ____ day of _____, 2012.

_____

Monica Martinez Simmons, City Clerk

(Seal)

Form revised: June 13, 2012

2013 BUDGET LEGISLATION FISCAL NOTE

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Seattle City Light	Paula Laschober 684-3168	Calvin Chow 684-4652

Legislation Title:
AN ORDINANCE relating to the City Light Department; amending subsection 21.49.086.D of the Seattle Municipal Code to change Net Wholesale Revenue targets for 2013 and 2014 to those assumed in the City Light Strategic Plan adopted by Resolution 31383.

Summary of the Legislation:
This ordinance amends City Light's Net Wholesale Revenue targets for 2013 and 2014 to those assumed in the City Light Strategic Plan adopted by Resolution 31383, .

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 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 Net Wholesale Revenue for the purpose of developing budgets and retail electricity rates, and for determining deposits to, and withdrawals from, the RSA.

The City Light Strategic Plan, adopted earlier this year by Resolution 31383, included more conservative targets for Net Wholesale Revenue for the years 2013 to 2018 that reflect trends observed in energy markets and differ from the historical average as determined by Ordinance 123260. This legislation adopts specific Net Wholesale Revenue targets of $90 million for 2013 and $85 million for 2014. These targets will reduce the likelihood of RSA surcharges in 2013 and 2014, and are consistent with the Strategic Plan and the accompanying legislation to adopt 2013 and 2014 retail electricity rates. The proposed legislation also deletes from SMC the existing formula for establishing Net Wholesale Revenue forecasts, and specifies instead that the City Council will determine Net Wholesale Revenue forecasts for subsequent years prior to adopting City Light rates for those years.

____ **This legislation does not have any financial implications.**

_x_ **This legislation has financial implications.**

Summary of Changes to Revenue Generated Specifically from this Legislation:

	Revenue Source	2013 Proposed	2014 Endorsed
Total Fees and Charges Resulting	City Light RSA Surcharge (Retail Rates)	NA	

From Passage of This Ordinance			NA

Revenue Change Notes: Changing the Net Wholesale Revenue targets for 2013 and 2014 reduces the likelihood of triggering automatic RSA retail rate surcharges in those years, by reducing the likelihood that actual Net Wholesale Revenues will fall short of adopted targets. This legislation establishes Net Wholesale Revenue targets that are approximately $15 million lower annually for 2013 and 2014 than the amounts that would have been calculated under the formula specified in Ordinance 123260. This in turn reduces the likelihood that the RSA will become depleted and automatic surcharges will be triggered, though the exact revenue impact cannot be accurately forecasted. The proposed new targets are incorporated in the 2013-2014 proposed rates, proposed for adoption via separate legislation.

Anticipated Total Revenue from Entire Program, Including Changes Resulting from this Legislation:

Fund Name and Number	Revenue Source	Total 2013 Revenue	Total 2014 Revenue
Light Fund (41000)	City Light RSA Surcharge (Retail Rates)	NA	NA
TOTAL			

Total Revenue Notes: See revenue change notes.

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications? 2013 and 2014 proposed rates are consistent with the Net Wholesale Revenue target established by this legislation. Not passing this legislation would yield a Net Wholesale Revenue target inconsistent with proposed retail rates and budget.

b) What is the financial cost of not implementing this legislation? This legislation reduces the likelihood of RSA surcharges. The accompanying rate proposal legislation assumes the revised Net Wholesale Revenue targets. If this legislation were not approved, and no changes were made to the rate proposal, then there is a risk that the RSA surcharge would be triggered earlier than needed to support the Utility's operations. Depending on the actual Net Wholesale Revenue achieved, this may result in surplus retail revenue, may change the timing of surcharges, or may have no effect.

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? None.

e) Is the legislation subject to public hearing requirements? No.

f) Other Issues: None.

Please list attachments to the fiscal note below:
No attachments.

City of Seattle
Office of the Mayor

August 7, 2012

Honorable Sally J. Clark
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Clark:

I am transmitting the attached proposed Council Bill, amending subsection 21.49.086.D of the Seattle Municipal Code to change Net Wholesale Revenue targets for 2013 and 2014 to those assumed in the City Light Strategic Plan adopted by Resolution 31383.

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 the department's 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 Net Wholesale Revenue for the purpose of developing budgets and retail electricity rates, and for determining deposits to, and withdrawals from, the RSA.

The City Light Strategic Plan, adopted earlier this year by Resolution 31383, included more conservative targets for Net Wholesale Revenue for the years 2013 to 2018 that reflect trends observed in energy markets and differ from the historical average as determined by Ordinance 123260. These proposed changes to the Net Wholesale Revenue target will reduce the likelihood of RSA surcharges in the future, and are consistent with the Strategic Plan and the accompanying legislation to adopt 2013 and 2014 retail electricity rates.

I understand that 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 to the Strategic Plan in 2014. Should you have any questions, please contact City Light Finance Director Paula Laschober at 206-684-3168.

Sincerely,

Paul Smith
Deputy mayor
for Mike McGinn
mayor of Seattle

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Michael McGinn, Mayor
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