

RSA/Rate Ordinance

Transportation & Utilities Committee Meeting

March 17, 2021



Seattle City Light

WE POWER SEATTLE

Why we are here today

Ordinance legislates two distinct rate actions:

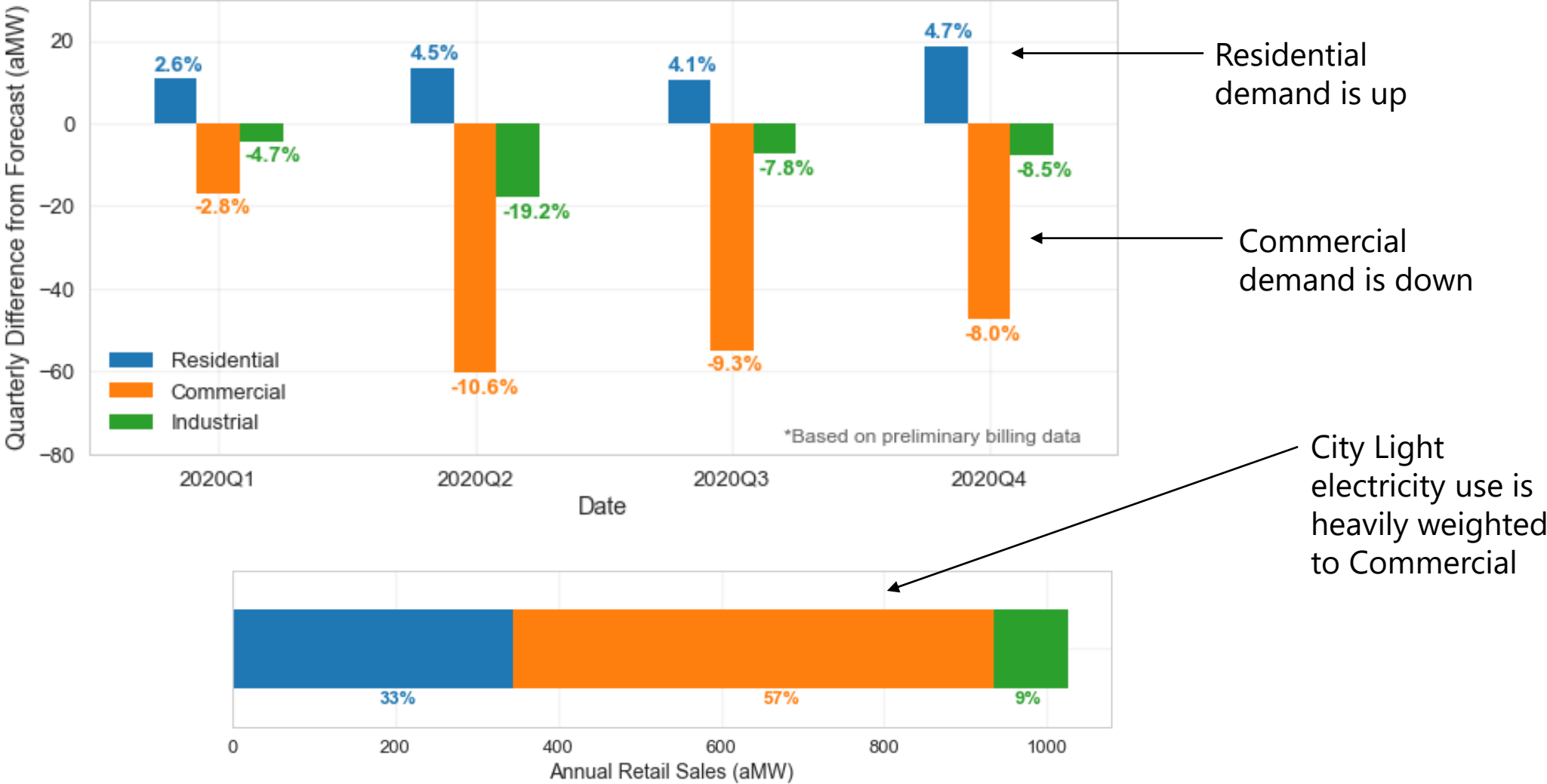
- 1. April 1, 2021:** convert existing RSA surcharge to base rate – no customer bill impact.
- 2. January 1, 2022:** 3.9% increase, with expectation that 1.5% would be offset by an upcoming BPA passthrough rate reduction.

Intent: Provide bill stability for customers while allowing City Light the revenue needed to maintain service levels during COVID recovery.

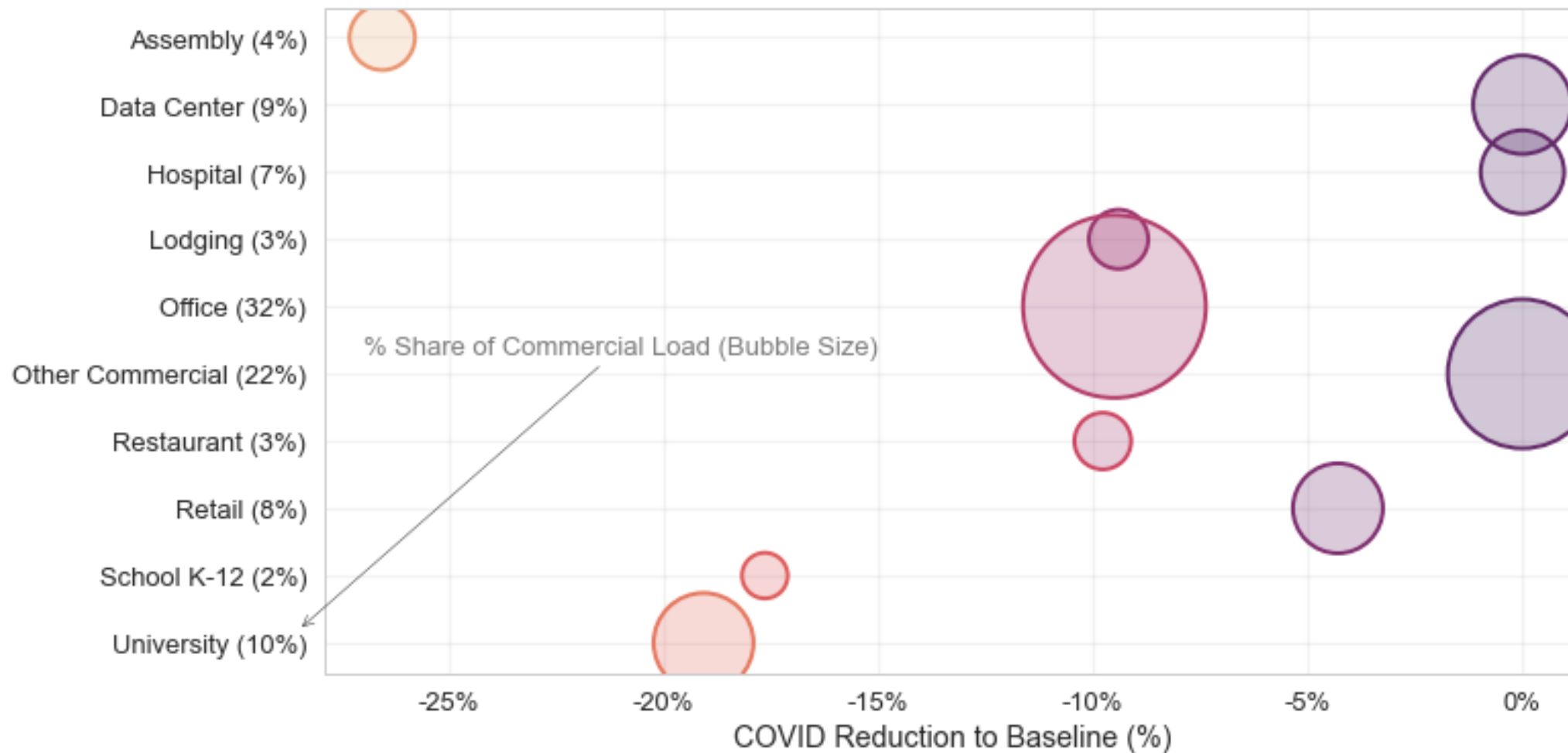
Utility Rates 101

- + As a not-for-profit municipal utility, City Light sets rates to cover costs of operation, also called “revenue requirement”
- + City Council is City Light’s rate-setting authority
- + RSA and BPA Pass-through supplemental automatic rate mechanisms
- + Typical rate process: strategic plan determines budget and rate proposal
 - Budget/rates set biennially
- + 2021-2022 rate process was not typical
 - Rate process in 2020 impacted by COVID
 - Budget for 2021 balanced with one-time reductions
 - No rate action brought forward

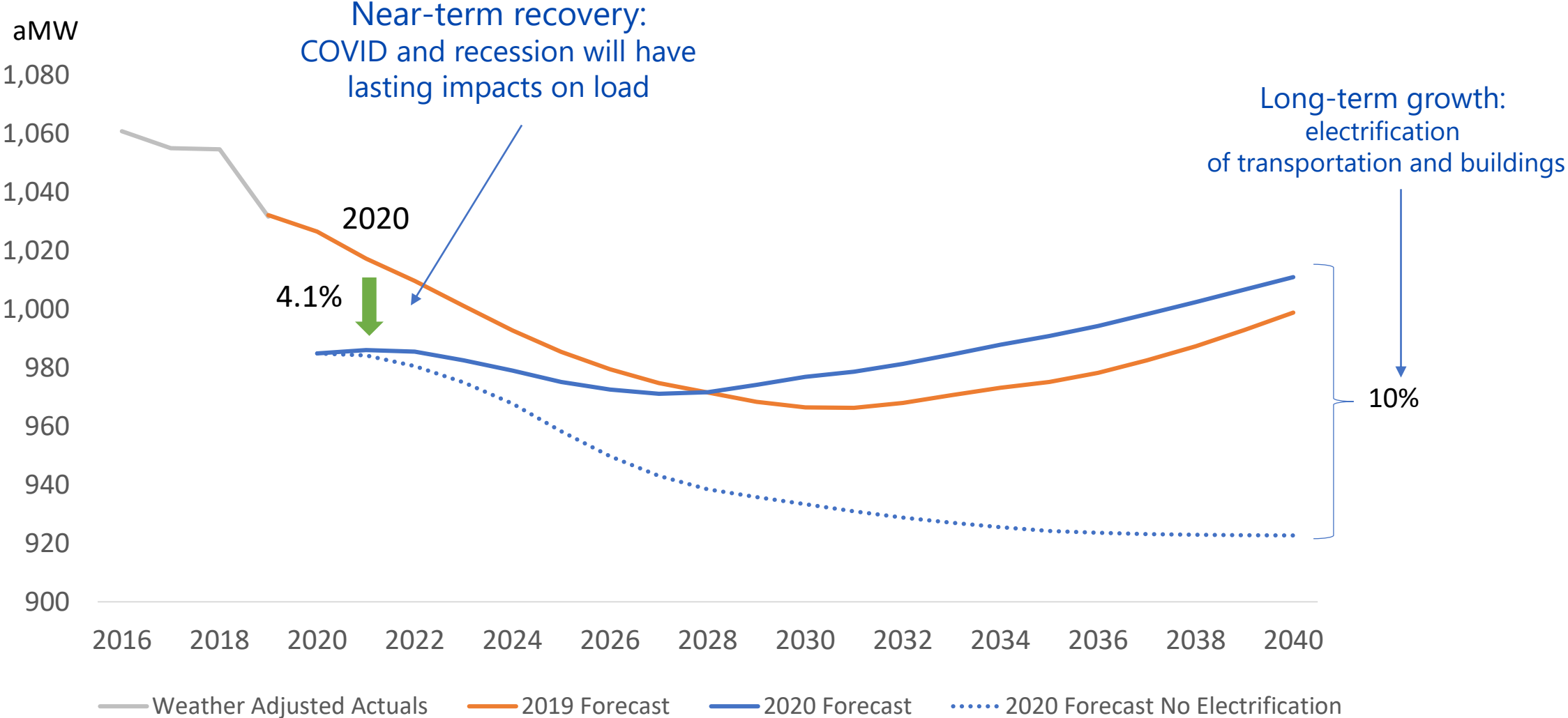
Retail electricity demand has declined due to COVID



Commercial recovery is a big uncertainty



Retail sales outlook



Financial Challenges & Opportunity

- + High level financial challenges: need for ~7% rate action in 2022
- + Opportunity presented by strong wholesale revenues, RSA surcharges ending Q1/Q2
- + Converting RSA surcharges allows reducing the size of the January 1, 2022 rate action to 3.9% without impacting 2021 customer bills
 - 3.9% is what was endorsed in the 2018 Strategic Plan

	2019	2020	2021	2022	2023	2024	2025	2026	AVG
2018 Strategic Plan	5.8%	5.4%	3.6%	3.9%	4.0%	4.2%			4.5%
2021 Strategic Plan draft			3.0%	3.9%	3.8%	3.8%	3.0%	3.0%	3.5%



What is the RSA?

Rate Stabilization Account established in 2011

\$100M cash reserve and operating rules set by ordinance

Buffers revenues from wholesale market sales

Rate surcharges replenish the RSA if it gets depleted

Two 1.5% surcharges are currently in effect (3% total)

2021-2022 Rate/RSA Ordinance

The ordinance legislates these rate changes

	Base Increase	RSA Surcharge	BPA* Passthrough	Net Change
Jan-20	5.4%			5.4%
Jan-21	0.0%			0.0%
Apr-21	3.0%	-3.0%		0.0%
Jan-22	3.9%		-1.5%	2.4%

A customer would see on their bill:

No changes in 2021

In 2022, an average household would see a monthly increase of \$1.80, or \$0.72 with UDP.

Rate increases provide:

- Revenue to balance 2022 budget and support ongoing financial needs
- Incremental 2021 revenue to support bill assistance and other needs

**Bonneville Power Administration. This decrease is an estimate, actual amount will depend on BPA announced later this year.*

Timeline and Next Steps

- + **March 2021:** Council action on proposed ordinance.
- + **April 1, 2021:** Implement ordinance (no change to rates).
- + **June 2021:** Transmit Resolution to adopt the 2022-2026 Strategic Plan and five-year rate plan.
- + **October 2021:** Bonneville Power Administration (BPA) announces new rates, SCL computes BPA rate passthrough. (We predict the passthrough will yield 1.5% rate decrease for SCL customers)
- + **January 1, 2022:** Implement rate increase. (3.9% legislated - 1.5% BPA passthrough = 2.4% effective)
- + **Summer 2022:** New biennial rate ordinance for 2023-2024.

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