

## SUMMARY and FISCAL NOTE\*

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>Executive Contact/Phone:</b>
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*\* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

### **1. BILL SUMMARY**

**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 2017 and 2018; amending Seattle Municipal Code (SMC) 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, 21.49.081, 21.49.082, 21.49.085, and 21.49.110, and repealing SMC Section 21.49.080, in connection therewith.

**Summary and background of the Legislation:** This ordinance codifies new 2017 and 2018 rates for all City Light rate schedules. The ordinance also amends various rate provisions to better reflect current practices.

Key changes to rate provisions are:

- Utility discount program (UDP) rate schedules were deleted replace with a statement authorizing a uniform 60% discount from standard residential rates. This reflects how UDP participants will be billed under the new billing system which will use a rate rider to amend a standard residential rate, rather than using a separate rate code.
- A new Shoreline 3B undergrounding charge was added to all Shoreline rate schedules effective January 1, 2017. This phase of undergrounding was completed in late 2015.
- Power factor rates were changed to be provisions and charges within general service rate schedules, instead of a standalone section and rate schedule. This better matches how power factor is charged with today's metering technology- these charges are now a standard component of all non-residential bills.
- Net metering (21.49.082) and Amp Fee (21.49.110.X) sections were amended to make minor modifications to provision wording, and eliminating this requirement for temporary installation.
- Automatic BPA cost adjustment (21.49.081) language was re-written to simplify the explanation of how the pass-through is computed. (No material change to the pass-through rules.)

**Retail Rate Summary:**

The rates in this ordinance reflect the results of the 2017-2018 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 2017-2022 Strategic Plan. Adopted by City Council on July 25, 2016, the Strategic Plan calls rate increases for 2017 and 2018 averaging 5.6% per year, which are intended to collect \$851.8M and \$902.1M in revenue, 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 more slowly than costs associated with the distribution system and customer services. Changes in meter counts and consumption patterns also impacted the allocation of the 2017 revenue requirement among the customer classes, which ranged from a low of 5.0% for the residential customer class to a high of 7.3% for the small general service customer class. While average network rates remain significantly higher than non-network rates due to the magnitude of the infrastructure investment in the network, the 2017 rate increases for network customers are lower than the system average because costs directly associated with the downtown network increased less as a percent than other distribution costs.

In general the 2018 average rate increases for all customer classes are closer to the average for the system because most major changes were accounted for in 2017 rates.

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 2015-2016 rates.

**2. CAPITAL IMPROVEMENT PROGRAM**

This legislation creates, funds, or amends a CIP Project.

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

This legislation has direct financial implications.

<b>Budget program(s) affected:</b>				
<b>Estimated \$ Appropriation change:</b>	<b>General Fund \$</b>		<b>Other \$</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
<b>Estimated \$ Revenue change:</b>	<b>Revenue to General Fund</b>		<b>Revenue to Other Funds</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
	\$0	\$2,700,000	\$0	\$44,500,000
<b>Positions affected:</b>	<b>No. of Positions</b>		<b>Total FTE Change</b>	
	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>
<b>Other departments affected:</b>				

**3.a. Appropriations**

This legislation adds, changes, or deletes appropriations.

### 3.b. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

#### Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Dept	Revenue Source	2016 Revenue	2017 Estimated Revenue
Light Fund	City Light	Retail Revenue		\$44,500,000
<b>TOTAL</b>				<b>\$44,500,000</b>

Revenue/Reimbursement Notes:

### 3.c. Positions

This legislation adds, changes, or deletes positions.

### 4. OTHER IMPLICATIONS

- a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**  
No
- b) **Is there financial cost or other impacts 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 Light revenues are impacted it would increase General Fund revenue via the utility tax. See above for estimate.
- d) **Is a public hearing required for this legislation?**  
No
- e) **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**  
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) Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**

This legislation results in increases to all retail customers' electric rates. Customers participating in the Utility Discount Program receive a 60% discount on their bills.

**i) If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.**

No

**j) Other Issues:**

**List attachments/exhibits below:**