

**SUMMARY and FISCAL NOTE\***

<b>Department:</b>	<b>Dept. Contact/Phone:</b>	<b>CBO Contact/Phone:</b>
City Light	Kirsty Grainger 684-3713	Gregory Shiring 386-4085

*\* 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 City Light Department; amending rates, terms, and conditions for the use and sale of electricity supplied by the City Light Department for 2021 and 2022; amending Sections 21.49.030, 21.49.052, 21.49.055, 21.49.057, 21.49.058, and 21.49.060 of the Seattle Municipal Code; and ratifying and confirming certain prior acts.

**Summary and background of the Legislation:** This ordinance codifies new 2021 and 2022 rates for all City Light rate schedules. The rates reflect an average base rate increase of 3.0% effective April 1, 2021 and an average base rate increase of 3.9% effective January 1, 2022.

The Adopted 2019-2024 Strategic Plan included an increase to City Light’s rates in 2021 of 3.6% and in 2022 of 3.9%. City Light did not increase retail rates on January 1, 2021 in response to the pandemic and related economic recession. To partially offset the lower revenues from both holding rates constant and declining commercial load City Light included \$30 million of reductions in operating expenses in its Adopted 2021 Budget. These reductions were intended to be one-time and plan to be restored in 2022.

City Light projects that it will need \$955.6 million of retail revenue to fund its operations at levels outlined in its projected 2022 budget and meet its financial policy target of at least 1.80x debt service coverage. A lower 2022 retail sales outlook adds additional pressure to the rate increase required to meet the revenue requirement. Relative to current base rates City Light would need to increase current rates by approximately 7.0% to meet its 2022 revenue target.

City Light currently has a 3.0% surcharge in place for the Rate Stabilization Account (RSA), which is a reserve fund used to buffer uncertain wholesale revenues (the surcharge, which is automatically triggered when the RSA balance drops below certain thresholds, has been in place for several years). Due to revenue from the current surcharge and higher-than-forecast wholesale revenues in recent months, the RSA will be restored to target reserve levels in Q1 2021 and given the RSA rules, the surcharge is to be reduced to 1.5% in February and then come completely off in May.

Instead of removing the surcharge and reducing customer bills by 3.0% in 2021 only to increase rates/bills by 7.0% in January 2022, City Light proposes to keep customer bills flat in 2021 by implementing a 3.0% across the board increase at the same time the current 3.0% RSA surcharge is removed. Increasing 2021 rates by 3.0% would reduce the size of the 2022 rate increase to 3.9%.

The 2022 rate increase is implemented by increasing every charge in every rate schedule by 3.9%. The exception is residential rate schedules, where the end block energy rate is left unchanged and the base service charge and first block energy charge are increased by approximately 6.6% and 7.6% respectively. This results in residential customer rates increasing by 3.9% on average, but narrows the disparity of dollar impacts for low, medium and high energy use households. This approach is consistent with City Light’s approach to residential rate design over the past four years. Statistical analysis of City Light’s residential customers shows no correlation between income and electricity consumption.

**2. CAPITAL IMPROVEMENT PROGRAM**

Does this legislation create, fund, or amend a CIP Project? \_\_\_ Yes  x  No

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

Does this legislation amend the Adopted Budget? \_\_\_ Yes  x  No

Appropriation change (\$):	General Fund \$		Other \$	
	2021	2022	2021	2022
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2021	2022	2021	2022
	\$1,200,000	\$3,800,000	\$19,600,000	\$63,800,000
Positions affected:	No. of Positions		Total FTE Change	
	2021	2022	2021	2022

Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?  
 City Departments would pay slightly higher electricity bills.

Is there financial cost or other impacts of *not* implementing the legislation?  
 Not implementing the legislation would result in lower 2021 retail revenue and associated financial performance. It would also reduce the funding available to support City Light’s Endorsed 2022 budget and would significantly impede the utility’s ability to meet its 2022 financial performance targets and/or level of service to its customers.

**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	2021 Revenue	2022 Estimated Revenue
Light Fund	City Light	Retail Revenue	\$19,600,000	\$63,800,000
<b>TOTAL</b>			\$19,600,000	\$63,800,000

**Is this change one-time or ongoing?**

Changes to rates will be ongoing until amended in SMC. City Light anticipates it will have small rate increases every year as outlined in the Adopted 2019-2024 Strategic Plan.

**Revenue/Reimbursement Notes:**

2021 Rate Increase effective April 1, 2021 and 2022 Rate Increase effective January 1, 2022.

**3.c. Positions**

This legislation adds, changes, or deletes positions.

**4. OTHER IMPLICATIONS**

**a. Does this legislation affect any departments besides the originating department?**

It will impact electricity rates paid by City departments. The utility tax paid to the General Fund would increase (see above estimate).

**b. Is a public hearing required for this legislation?**

No

**c. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No

**d. Does this legislation affect a piece of property?**

No

**e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**

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

**f. Climate Change Implications**

**1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?**

No

**2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

No

**g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s).**

NA

**List attachments/exhibits below:**