

## SUMMARY and FISCAL NOTE\*

<b>Department:</b>	<b>Dept. Contact/Phone:</b>	<b>CBO Contact/Phone:</b>
Seattle 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**

#### **1. 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 2019 and 2020; and amending Sections 21.49.020, 21.49.030, 21.49.052, 21.49.055, 21.49.057, 21.49.058, 21.49.060, 21.49.065, and 21.49.085 of the Seattle Municipal Code.

#### **2. Summary and background of the Legislation:**

This ordinance codifies new 2019 and 2020 rates for all City Light rate schedules. To improve readability, charges in each rate schedule are now formatted as tables, like SPU rates.

#### **Retail Rate Summary:**

The rates in this ordinance reflect the results of the 2019-2020 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 2019-2024 Strategic Plan, adopted by City Council on July 9, 2018. The Strategic Plan calls for rate increases averaging 5.8% in 2019 and 5.4% in 2020, which are intended to collect \$922.7M and \$967.5M in revenue, respectively.

The cost of service analysis allocates the components of the revenue requirement to customer classes based on the relative marginal cost of service for each class. The cost of service analysis found that the portions of the revenue requirement associated with costs for distribution and customer service are rising faster than the cost of generating and purchasing energy. Changes in meter counts and consumption patterns also impacted the allocation of the 2019 revenue requirement among the customer classes. Average rate increases (allocated revenue requirement divided by total kWh sales) ranged from a low of 4.3% for the Large General Service classes to a high of 8.4% for the Medium Network general service class.

In general, the 2020 average rate increases for all customer classes are closer to the average for the system because most major changes are accounted for in 2019 rates. Rate increases for customers in the Downtown Network are slightly higher than for non-network customers in 2020 because of higher increases to network distribution costs.

Rate design establishes the specific 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 2017-2018 rates.

The definition of Network general service has been expanded to include non-residential customers served through the underground distribution network supplied by the Denny substation.

**2. CAPITAL IMPROVEMENT PROGRAM**

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

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

a. Does this legislation amend the Adopted Budget?     \_\_\_ Yes  X  No

<b>Budget program(s) affected:</b>				
<b>Appropriation change (\$):</b>	<b>General Fund \$</b>		<b>Other \$</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
<b>Estimated revenue change (\$):</b>	<b>Revenue to General Fund</b>		<b>Revenue to Other Funds</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>
		\$3,000,000		\$50,300,000
<b>Positions affected:</b>	<b>No. of Positions</b>		<b>Total FTE Change</b>	
	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>

b. 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?  
 It will impact electricity rates paid by City departments.

- c. Is there financial cost or other impacts of *not* implementing the legislation?**  
 Not implementing this legislation would reduce the funding associated with City Light’s proposed 2019-2020 budgets and significantly impede the Utility’s ability to meet its financial performance targets and/or level of service to its customers.

**3.e. Revenues/Reimbursements**

   **x** This legislation adds, changes, or deletes revenues or reimbursements.  
**Anticipated Revenue/Reimbursement Resulting from this Legislation:**

Fund Name and Number	Dept	Revenue Source	2018 Revenue	2019 Estimated Revenue
Light Fund	City Light	Retail Revenue		\$50,300,000
<b>TOTAL</b>				<b>\$50,300,000</b>

Is this change one-time or ongoing?  
 City Light rates are expected to be changed every year from 2019-2024, as outlined in the Adopted 2019-2024 Strategic Plan.

Revenue/Reimbursement Notes:

**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. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**  
 No
- d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**  
 No
- e. Does this legislation affect a piece of property?**  
 No
- f. 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.

- 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).**

N/A

**List attachments/exhibits below:**