



Legislation Text

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File #: CB 120233, Version: 1

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**CITY OF SEATTLE**

**ORDINANCE \_\_\_\_\_**

**COUNCIL BILL \_\_\_\_\_**

AN ORDINANCE relating to the City Light Department; directing the transfer of certain funds in the Light Fund into the Rate Stabilization Account in 2021; and amending Section 21.49.086 of the Seattle Municipal Code to simplify the operation of the Rate Stabilization Account.

WHEREAS, the City established the Rate Stabilization Account (RSA) within the Light Fund to buffer the City Light Department (“City Light”) and its customers from deviations of Net Wholesale Revenues (NWR) from those assumed in budgets; and

WHEREAS, over its past decade in operation, the RSA has proven to be a useful and effective mechanism for shielding customer rates from financial risks brought on by uncontrollable external factors like temperatures, rainfall, and wholesale market conditions; and

WHEREAS, the financial risk in NWR is smaller than when the RSA was first introduced due to smaller surplus volumes, lower average market prices and changes to City Light’s contract with the Bonneville Power Administration; and

WHEREAS, the current \$10 million band between surcharge thresholds is not well aligned to current revenue uncertainty and contributes to more frequent rate changes than necessary to buffer NWR risk; and

WHEREAS, in Ordinance 123757 the Council expressed a desire to reduce the likelihood of rate surcharges, as provided for in Seattle Municipal Code (SMC) 21.49.086, should revenue be less than that assumed in budgets; and

WHEREAS, City Light customers participating in focus groups in 2019 expressed a strong desire for rate stability; and

WHEREAS, City Light anticipates better than 1.85 times 2021 debt service coverage due to increased retail revenues, lower power contract costs, and favorable bond pricing; and

WHEREAS, City Light anticipates 2021 NWR will be significantly lower than the level assumed in the 2021 Adopted Budget, primarily due to the impacts of unforeseen and extreme weather and drought conditions, triggering a surcharge under current rules; NOW, THEREFORE,

**BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

Section 1. The City Light Department may transfer 2021 cash available in the Light Fund for debt service coverage in excess of 1.85 times debt service for 2021 into the Rate Stabilization Account so long as its balance does not exceed \$100 million.

Section 2. Section 21.49.086 of the Seattle Municipal Code, last amended by Ordinance 126194, is amended as follows:

**21.49.086 Rate Stabilization Account**

A. The purpose of the Rate Stabilization Account established by Ordinance 121637 is, among other things, to absorb fluctuations in the Department's annual revenue in any given year due to deviations in net wholesale revenue from the amount assumed in the adopted budget for that year. Deposits into and withdrawals from the Rate Stabilization Account also affect the calculation of "Net Revenue" under certain provisions of ordinances authorizing Department bonds, and can therefore serve to absorb other fluctuations in "Net Revenue" as that term is defined in those bond ordinances. Except as otherwise provided by ordinance, funds in the Rate Stabilization Account cannot be used for any purposes other than those specified herein.

B. ~~((Target size of the Rate Stabilization Account))~~ The target size of the Rate Stabilization Account shall be no less than \$100 million and no greater than \$125 million.

~~((C. Initial funding of the Rate Stabilization Account~~

~~Initial funding of the Rate Stabilization Account will come from a variety of sources including:~~

- ~~1. The amount remaining in the Department's existing Contingency Reserve Account;~~

- ~~2. Cash from operations in 2010 in excess of that required for operations and debt service;~~
- ~~3. Revenue from the sale of surplus property in 2010 and 2011 not already recognized in the Department's 2010 Adopted Budget;~~
- ~~4. Allowable savings in 2010, 2011, and 2012 from refunding bonds in 2010; and~~
- ~~5. Other sources of revenue as determined by the City Council.~~

~~D. Baseline for the Net Wholesale Revenue forecast:))~~

C. The Net Wholesale Revenue forecast shall be \$60 million in 2021 and \$40 million in 2022 through 2024. The forecast shall be the amount of Net Wholesale Revenue assumed by the City Council for the purpose of establishing Department rates and budgets. The Department shall allocate the forecast by month and document this assumption in annual revenue requirement and budget proposals.

~~((The annual forecast for each year will be distributed over the quarters of the year as follows:~~

- ~~1. Thirty five percent for January 1 to March 31;~~
- ~~2. Twenty percent for April 1 to June 30;~~
- ~~3. Fifteen percent for July 1 to September 30; and~~
- ~~4. Thirty percent 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 21.49.086.E and will be reported by the Department in its annual budget proposals.~~

~~E. Use of the Rate Stabilization Account Effective January 1, 2011:))~~

D. Should the actual Net Wholesale Revenue for any ~~((quarter))~~ month be less than the forecast for that ~~((quarter as determined in subsection 21.49.086.D))~~ month, the Department will transfer the difference ~~((; rounded to the nearest million dollars,))~~ from the Rate Stabilization Account to the Light Fund. Alternatively, should the actual Net Wholesale Revenue for any ~~((quarter))~~ month be greater than the forecast for that ~~((quarter as determined in subsection 21.49.086.D))~~ month, the Department will transfer the difference ~~((; rounded to the nearest million dollars,))~~ from the Light Fund to the Rate Stabilization Account. In each case the

transfer will occur within 30 days of the end of the ~~((quarter))~~ month in question. A true-up may be included if actual net wholesale revenue for any past month is restated or differs from the amount used to calculate a transfer.

No later than ~~((30))~~ 45 days after the end of each quarter, the Department will notify the Mayor and the City Council of the forecast and actual Net Wholesale Revenue ~~((for that quarter and))~~ for the year to date, and of the amount remaining in the Rate Stabilization Account. ~~((after transfers authorized under this subsection 21.49.086.E.))~~

~~((F.))~~ E. Replenishment of the Rate Stabilization Account ~~((:))~~

1. Whenever the amount in the Rate Stabilization Account is ~~((90))~~ 75 million or less on either March 31 or Sept 30, City Light will impose a surcharge equal to ~~((1.5%))~~ 2.0 percent of base rates. ~~((at the earliest opportunity.))~~ The proceeds from the surcharge adjusted for applicable revenue taxes will be deposited into the Rate Stabilization Account. The surcharge will remain in effect until the amount in the Rate Stabilization Account reaches \$100 million. ~~((and will be removed at the earliest opportunity thereafter.))~~

2. Whenever the amount in the Rate Stabilization Account is ~~((80))~~ 50 million or less on either March 31 or Sept 30, the Department will impose an additional surcharge equal to ~~((1.5))~~ 2.0 percent of base rates. ~~((at the earliest opportunity.))~~ The proceeds of the additional surcharge adjusted for applicable revenue taxes will be deposited into the Rate Stabilization Account. The additional surcharge will remain in effect until the amount in the Rate Stabilization Account reaches ~~((90))~~ 100 million. ~~((and will be removed at the earliest opportunity thereafter.))~~

3. ~~((Whenever the amount in the Rate Stabilization Account is \$70 million or less, the Department will impose an additional surcharge equal to 1.5 percent of base rates at the earliest opportunity. The proceeds of the additional surcharge will be deposited into the Rate Stabilization Account. The additional surcharge will remain in effect until the amount in the Rate Stabilization Account reaches \$80 million, and will be removed at the earliest opportunity thereafter.))~~ Surcharges may be initiated twice per year, on either January

1 or June 1. Surcharges should be lifted within 90 days of when the month-end balance has reached the relevant threshold. The Department will notify the Mayor and the Council in writing of ((its intent to impose a surcharge under subsection 21.49.086.F.1, 21.49.086.F.2, or 21.49.086.F.3)) any upcoming surcharge change before it is implemented.

4. ~~((Effective after the fund has reached its minimum target value of \$100 million: If, in spite of the rate surcharges provided for in subsections 21.49.086.F.1, 21.49.086.F.2, and 21.49.086.F.3,))~~ If for any reason the amount in the Rate Stabilization Account is (((\$50)) \$25 million or less at the end of a month, the Department will notify the City Council within 30 days and the City Council will initiate a rate review, if the Mayor has not already done so, within ((forty five)) 45 days that will increase rates, reduce Department spending, or identify additional sources of funding, or a combination of these measures, to bring the amount in the Account up to \$100 million within a period of ((12)) 24 or fewer months.

~~((Interest earned by the funds in the Rate Stabilization Account will be deposited into that account.))~~

5. Nothing in this Section 21.49.086 shall limit the authority of the City to deposit other amounts into the Rate Stabilization Account as may be authorized by ordinance.

F. If the amount in the Rate Stabilization Account exceeds \$125 million, the Department will reduce its balance to \$110 million by transferring funds to the Operating Account and notify the Mayor and City Council within 30 days of this transfer.

~~((G. Disposition of excess funds in the Rate Stabilization Account~~

~~Effective January 1, 2016: Whenever the amount in the Rate Stabilization Account exceeds \$125 million, the City Council will initiate a rate review, if the Mayor has not already done so, within 45 days that will decrease rates, allow the Department to cover more of its capital expenditures with cash from operations or defease outstanding debt in order to keep future rates low, increase its expenditures, or a combination of these measures, to bring the amount in the Account down to \$125 million within a period of 12 or fewer months.~~

~~H. Consistent with Section 22 of Ordinance 121637, deposits into or withdrawals from the Rate Stabilization Account in respect of any fiscal year may be made up to and including the date 90 days after the end of that fiscal year.))~~

Section 3. 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 \_\_\_\_\_, 2021, and signed by me in open session in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

\_\_\_\_\_  
President \_\_\_\_\_ of the City Council

Approved / returned unsigned / vetoed this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

\_\_\_\_\_  
Jenny A. Durkan, Mayor

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

\_\_\_\_\_  
Monica Martinez Simmons, City Clerk

(Seal)