



Seattle City Light



Net Wholesale Revenue Target 2021-24

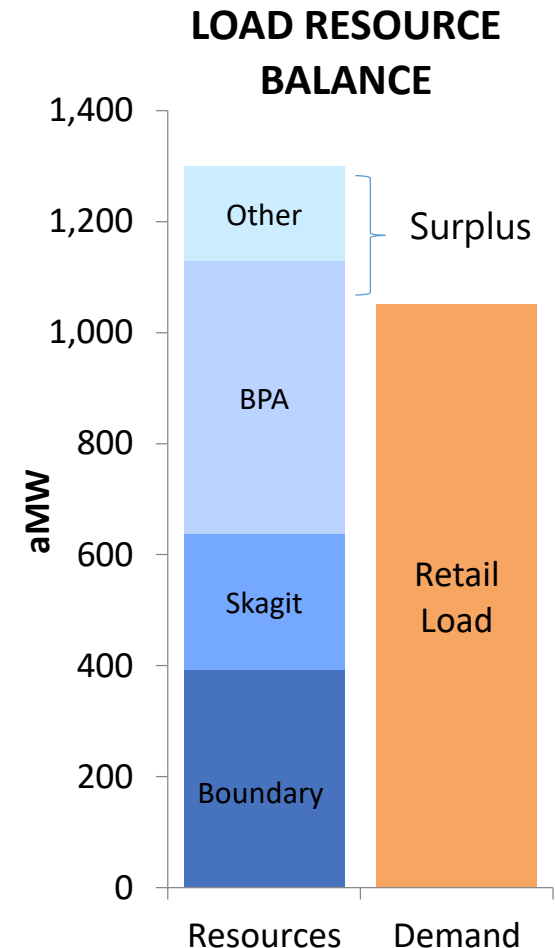
Transportation & Utilities
Committee Special Meeting

September 25, 2020

What is Net Wholesale

Revenue?

- City Light sources more electricity than needed to serve retail customer-owners
 - “Long” portfolio hedges against market risks
- Net wholesale revenues (NWR) is revenues from surplus power sales
 - NWR supplements retail revenues, which helps keep rates low
 - Amount of revenue realized each year is hard to predict and budget
 - External drivers:



Rate Stabilization Account (RSA)

- The RSA is a restricted reserve that buffers net wholesale revenues (NWR).
- Funds are deposited/withdrawn from the RSA when NWR is higher/lower than baseline. Automatic rate surcharges refill RSA if it becomes depleted.

\$ Million	Actual				Forecast	
	2016	2017	2018	2019	2020	2021
Net Wholesale Revenue (NWR) Budgeted	60.0	60.0	60.0	55.0	50.0	60.0
Net Wholesale Revenue Actual/Forecast	53.2	50.5	49.9	15.5	48.4	73.6
Net Wholesale Revenue Surplus (Shortfall)	(6.8)	(9.5)	(10.1)	(39.5)	(1.6)	13.6
RSA Starting Balance	91.0	91.1	93.4	96.9	74.2	97.2
RSA Transfers, Net for NWR Deviations	(6.8)	(9.5)	(10.1)	(39.5)	(1.6)	13.6
RSA Surcharge Revenue	4.4	11.2	11.5	14.2	23.7	5.4
Transfers (Interest, True-ups)	2.5	0.5	2.1	2.6	1.0	1.7
RSA Ending Balance	91.1	93.4	96.9	74.2	97.2	117.9
Total Change in the RSA	0.1	2.3	3.5	(22.8)	23.1	20.6

Setting a NWR Baseline

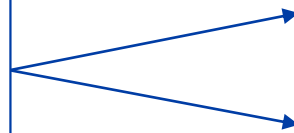
- Ordinance establishes a target or baseline NWR for RSA operations
 - Typically aligns with budget/rates/strategic plan
- Higher baseline in 2021 supported by fundamentals
 - Lower retail sales due to pandemic response will translate to higher volume
 - Strong market prices in 2021
 - Incremental revenues from Western Energy Imbalance Market (WEIM)
- Baseline of \$40M for 2022-2024
 - Could be updated in future budget cycles if needed

	2020	2021	2022	2023	2024
Baseline	\$50M	\$60M	\$40M	\$40M	\$40M
Actual/Forecast	\$48M	\$74M	\$52M	na	na

Rate & RSA Outlook

RATE CHANGES

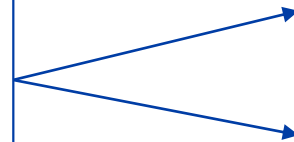
RSA/BPA changes offset to a small rate decrease



No rate change, pending budget adoption



Rate decreases are forecasted for 2021 as RSA surcharges are lifted



Nov 2019 – RSA	+1.5%
Nov 2019 – BPA	-1.9%
Jan 2020 – General	+4.7%
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Jan 2021 – General*	0%
Feb 2021 – RSA*	-1.5%
May 2021 – RSA*	-1.5%

* Prospective forecast



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