

RSA Ordinance

Presentation for Transportation & Utilities Committee

December 1, 2021



Seattle City Light

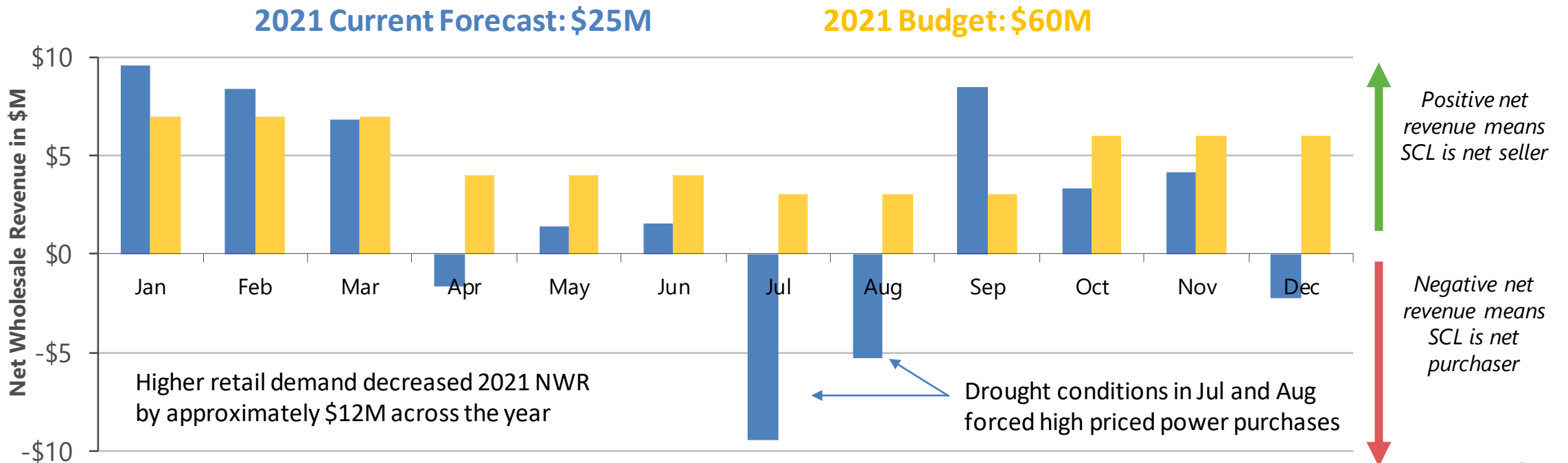
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Rate Stabilization Account (RSA) Ordinance

- + The RSA is cash reserve that buffers uncertain revenues from sales of surplus power on the wholesale market.
- + This ordinance authorizes two changes that affect the RSA:
 1. Transfer \$10M-\$20M from operating cash to the RSA to avoid an imminent RSA rate surcharge
 2. Amend RSA rules of operation to simplify and reduce frequency of future RSA rate surcharges

Drought Conditions Have Reduced Wholesale Revenues

- + Revenues from surplus power sales (also called net wholesale revenue or NWR) for 2021 are expected to come in \$35M below budget due to dry conditions and higher retail demand.
- + RSA was full at \$100M through spring.
- + By September, the RSA balance was \$82M, which per RSA rules triggers a 1.5% surcharge.



Overall, 2021 Financial Picture is Excellent

\$M	2021	Plan	Variance	
Retail Revenue	946.0	919.3	26.7	← Retail demand is exceeding our (adjusted for COVID) plan/budget
RSA Surcharge Revenue	9.6	7.4	2.2	
Net Wholesale Revenue	25.2	60.0	-34.8	← Low wholesale power revenues due to dry conditions and higher retail demand
RSA Transfers (net)	24.3	-8.2	32.5	
Other Revenue (expense)	-31.0	-29.7	-1.3	
Total Revenue	974.1	948.8	25.3	
Purchased Power (net)	229.3	238.5	-9.2	← Savings in net power supply costs
Other O&M	309.4	306.3	3.1	
Total Expense	538.7	544.9	-6.2	
Amount Available for Debt Service	435.4	404.0	31.5	
Debt Service	216.7	224.4	-7.7	
Debt Service Coverage	2.0	1.8	0.2	← Bottom line: 2021 financials are on track to be very strong, and there is room to transfer some operating cash to help the RSA

Rate Stabilization Account (RSA) Ordinance

1. Transfer of \$10M-\$20M from operating cash to RSA
 - Want to maintain strong debt service coverage of 1.85X-1.90X+
2. Amend RSA rules of operation
 - Updates reflect learnings from over the past decade of RSA operation
 - Rules balance dual goals of utility financial resilience and customer rate stability

	CURRENT	PROPOSED
RSA target balance	\$100M	\$100M
RSA max balance	\$125M	\$125M
Transfer interval	Quarterly	Monthly
Surcharge initiated	Quarterly	Biannually (Jan/Jun)
First surcharge	@ <\$90M 1.5% surcharge	@ <\$75M 2.0% surcharge
Second surcharge	@ <\$80M 3.0% surcharge	@ <\$50M 4.0% surcharge
Third surcharge	@ <\$70M 4.5% surcharge	NA
Surcharge ends when...	RSA balance grows by \$10M	RSA balance reaches \$100M
Council action required	@ <\$50M	@ <\$25M
Interest earnings	Transfer to RSA	No administrative requirement

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