



City of Seattle

Seattle City Light

Date: November 2, 2010
To: City Light Review Panel Members
From: Phil Leiber, Chief Financial Officer
Subject: Debt Service Coverage Document

Please find attached a breakout of City Light debt service costs in the coming years. This is related to a question that arose in the last Review Panel meeting.

On the Budget overview slide, we said debt service costs declined in 2011, but on the drivers of the rate increase slide, debt service costs were shown to increase. Why the apparent inconsistency?

From a budget standpoint, overall debt service declines because we are receiving savings in 2011 from refunding previous debt.

However, from a rates standpoint, these savings aren't available to apply to the Revenue Requirement, as they are instead directed into the Rate Stabilization Account (in both 2010 and 2011). Absent these savings, debt service actually increases in 2011, as we have had two significant debt issuances for new money: \$250M in 2010, and another \$210M scheduled for early 2011.

The 2011 bond proceeds will be used to support the capital improvement program through November 2011, and then operating cash will fund the capital program until new debt is issued around March 2012. Major projects included in the 2011 capital improvement program include (2011 Cost):

- Alaska Way Viaduct Utility Relocation - \$37.6 M
- Neighborhood Cable Injection - \$6 M
- Network Maintenance and Vault Rebuild - \$5.4 M
- Streetlight LED Conversion Program - \$5.6 M
- Substation Equipment Improvements - \$4.4 M
- Wood Pole Replacement Program - \$5.8 M
- Work and Asset Management System - \$6.5 M
- Boundary Powerhouse – Unit 56 Generator Rebuild - \$14.2 M
- Ross Rock Slide Area Improvements - \$2.7 M

Please contact me (206-661-6575) with any further questions.

