

2010-2011 BUDGET LEGISLATION FISCAL NOTE

Note: This fiscal note template may be used for most pieces of budget legislation. Certain legislation submitted with the budget (e.g., the Supplemental Ordinance) requires that the standard fiscal note template be used with some modification. Please work with your Budget Analyst so that your fiscal note provides the information that is required during the budget process. The standard template can be found on the Legislation Home Page on the inweb at <http://inweb/legislationtracking/>

Department:	Contact Person/Phone:	DOF Analyst/Phone:
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Legislation Title: AN ORDINANCE relating to the rates, terms and conditions for the use and sale of electricity supplied by the City Light Department; and amending Seattle Municipal Code Chapter 21.49 in connection therewith.

- Summary of the Legislation:

This ordinance specifies an across-the-board increase of \$.0051 per kilowatt-hour in all rate schedules that include charges for energy, including street and area lighting rates, except for residential low-income schedules where the added energy charge shall be \$0.0020 per kilowatt-hour, commensurate with current rate differentials (40% of regular residential rates). This increase would take effect on January 1, 2010. This rate change is an increase of about 8.8% over current base rates.

In addition, this ordinance updates Duct, Vault and Pole Rental Rates to increase the penalty for unauthorized attachments to City Light poles and other facilities. The penalty increases from three times to five times the annual rental rate and will now include interest.

This ordinance also updates the Automatic Bonneville Power Association (B PA) Cost Adjustment to include streetlight schedules, which were previously excluded. Finally, it reduces the percent of BPA energy charges that are passed through to residential low-income schedules, from 50% to 40% of regular residential retail rates.

- Background: (Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):

Under current financial policies, City Light would require a significant rate increase in 2010 to cover budgeted expenses, large enough to potentially cause customer hardship during this economically sensitive time. Thus, City Light has proposed a three-year rate strategy that includes accompanying legislation to revise financial policies such that: a) rates would be set to achieve debt service coverage of 1.6 in 2010, 1.7 in 2011 and 1.8 in 2012 and thereafter; and b)

the current positive cash from operations requirement would be replaced with a quarterly net wholesale power revenue adjustment mechanism (PRAM) in rates. This strategy will allow a more modest rate increase for 2010, described above. For a more comprehensive discussion of the analysis supporting this rate change, please see the document attached.

The penalty for unauthorized attachments is being increased to provide a more meaningful deterrent; this updated penalty is more consistent with the national norm. The BPA pass-through amount for residential low income schedules is being updated to be consistent with the percentage normally applied to this schedule when comprehensive rate changes are adopted, which is 40%.

- Please check one of the following:

This legislation does not have any financial implications. (Stop here and delete the remainder of this document prior to saving and printing.)

This legislation has financial implications. Please complete all relevant sections that follow.

Summary of Changes to Revenue Generated Specifically From This Legislation: For budget legislation that changes revenue (e.g., fees, taxes, etc.), please provide detail on each revenue-producing item that is being changed, when it was last changed, and how the item's new overall cost compares with similar costs charged elsewhere in the region.

	Revenue Source	2010 Proposed
Total Fees and Charges Resulting From Passage of This Ordinance	City Light Retail Rates	\$47,434,290

(If new revenue is for a partial year, provide estimate for full year in the notes section below; also include the effect on the average customer, user or payer.)

Notes: City Light Retail Rates most recent change (BPA pass-through adjustment) takes effect October 1, 2009. The last full rate review was a rate decrease in January 2007.

Anticipated Total Revenue from Entire Program, Including Changes Resulting From This Legislation:

Fund Name and Number	Revenue Source	Total 2010 Revenue
Light Fund-41000	City Light Retail Rates	\$581,676,493
TOTAL		\$581,676,493

- What is the financial cost of not implementing this legislation? *(Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented)*

If City Light does not implement the proposed rate increase, insufficient revenues will compromise City Light’s future financial health and may adversely impact City Light customers’ rates in the long term.

- Does this legislation affect any departments besides the originating department? • *If so, please list the affected department(s), the nature of the impact (financial, operational, etc)., and indicate which staff members in the other department(s) are aware of this Bill.*

A City Light rate increase would provide approximately \$2.8 M of additional revenue to the City General Fund in 2010.

- What are the possible alternatives to the legislation that could achieve the same or similar objectives? *(Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)*

None.

- Is the legislation subject to public hearing requirements? *(If yes, what public hearings have been held to date, and/or what plans are in place to hold a public hearing(s) in the future?)*

No.

Please list attachments to the fiscal note below:

Attachment 1: Summary of the Revenue Requirements Analysis for 2010