RESOLUTION No. 31244

Bruce A. Harrell

A RESOLUTION relating to the City Light Department; authorizing the deferral or recognition of revenue associated with the additional parameters created by Ordinance 123260 on the funding, operation and expenditures of amounts in the Rate Stabilization Account in accordance with Accounting Standards Codifications (ASC) 980-405-25-25-1 *Regulated Operations-Liabilities-Recognition-Regulator Imposed Liabilities* and ASC 980-605-25-25-1-4 *Regulated Operations – Revenue Recognition – Recognition – Alternative Revenue Programs* and subsequent amendments.

9/15/2010 Adopt BH, RC

| | |
|---|---|
| Introduced: Sept. 13, 2010 | By: Harrell |
| Referred: | To: Energy, Technology, and Civil Rights |
| Referred: | To: |
| Reported: | |
| Passed: 9.20.10 | Signed: September 28, 2010 |
| Filed: 9.29.10 | Published: title |

US5171

9.20.10 Adopted 8-0
Excused: SC

Law Department

Smead 107 YSP17704

# RESOLUTION 31244

A RESOLUTION relating to the City Light Department; authorizing the deferral or recognition of revenue associated with the additional parameters created by Ordinance 123260 on the funding, operation and expenditures of amounts in the Rate Stabilization Account in accordance with Accounting Standards Codifications (ASC) 980-405-25-25-1 *Regulated Operations-Liabilities-Recognition-Regulator Imposed Liabilities* and ASC 980-605-25-25-1-4 *Regulated Operations – Revenue Recognition – Recognition – Alternative Revenue Programs* and subsequent amendments.

WHEREAS, Ordinance 121637 created the Rate Stabilization Account to reduce the need for rapid and substantial increases in City Light rates to comply with certain previously authorized bond covenants; and

WHEREAS, Ordinance 123260 expanded the parameters of the Rate Stabilization Account and provided a funding mechanism for the Rate Stabilization Account; and

WHEREAS, deposits to the Rate Stabilization Account will come from a variety of sources such as cash from operations in excess of operations and debt service, savings from refunding bonds, sale of surplus property, etc., and other sources of revenues as determined by City Council; and

WHEREAS, deposits into and withdrawals from the Rate Stabilization Account, and the revenue associated with the deposits and withdrawals, also affect the calculation of "Net Revenue" and can therefore serve to absorb other fluctuations in "Net Revenue" as that term is defined in prior City Light bond ordinances; and

WHEREAS, the deferral or recognition of revenue associated with the deposits and withdrawals in the Rate Stabilization Account may be subject to ASC 980-450-25-25-1 and ASC 980-605-25-25-1-4; and

WHEREAS, the deferral or recognition of revenue, and the related recording of the regulatory asset or liability using either ASC 980-405-25-25-1 or ASC 980-605-25-25-1-4 will help absorb fluctuations in City Light's annual revenue; NOW, THEREFORE,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR CONCURRING, THAT:**

Section 1. When accounting for deposits to, or withdrawals from, the Rate Stabilization Account, the City Light Department may defer or recognize revenue in the Statement of Revenues, Expenses and Changes in Equity, in accordance with ASC 980-405-25-25-1. As



CITY CLERK

needed, the City Light Department may also recognize future revenues in accordance with ASC 980-605-25-25-1-4. However, under no circumstances shall future revenues beyond City Light's next complete billing cycle be recognized under ASC 980-605-25-25-1-4 unless otherwise approved by City Council.

Section 2. The Superintendent of City Light shall provide an annual affirmation letter to City Council, specifying the amount of revenue deferred or recognized for the fiscal year ended, and the related recording of the regulatory asset or liability, utilizing ASC 980-405-25-25-1, ASC 980-605-25-25-1-4, and subsequent amendments.

Adopted by the City Council the 20th day of September, 2010, and signed by me in open session in authentication of its adoption this 20th day of September, 2010.

President _____ of the City Council

THE MAYOR CONCURRING:

Michael McGinn, Mayor

Filed by me this 29th day of September, 2010.

City Clerk

(Seal)



2010 CITY CLERK

Form revised: August 9, 2010

# FISCAL NOTE FOR NON-CAPITAL PROJECTS

| Department: | Contact Person/Phone: | CBO Analyst/Phone: |
|---|---|---|
| Seattle City Light | Fernando Estudillo 206-684-3832 | Calvin Chow/x4-4652 |

**Legislation Title:**

A RESOLUTION relating to the City Light Department; authorizing the deferral or recognition of revenue associated with the additional parameters created by Ordinance 123260 on the funding, operation and expenditures of amounts in the Rate Stabilization Account in accordance with Accounting Standards Codifications (ASC) 980-405-25-25-1 *Regulated Operations-Liabilities-Recognition-Regulator Imposed Liabilities* and ASC 980-605-25-25-1-4 *Regulated Operations – Revenue Recognition – Recognition – Alternative Revenue Programs* and subsequent amendments.

## Summary of the Legislation:

This legislation affirms SCL's use of certain standard accounting practices in administering the Rate Stabilization Account. SCL's independent auditors are looking for affirmation of these practices by Resolution.

## Background:

The Rate Stabilization Account (RSA), implemented on May 1, 2010, was established under Ordinance 121637 and expanded with additional parameters under Ordinance 123260. There are different options for the accounting treatment of deposits to, and withdrawals from, the RSA and City Light is required by Generally Accepted Accounting Principles of the United States of America to get the approval of its regulator – the City Council – for the use of a particular approach.

The proposed Resolution authorizes the use of two accounting standards for revenue associated with the RSA account. ASC 980-405-25-25-1 may be used to defer or recognize revenues for past and current RSA cash deposits and withdrawals and ASC 980-605-25-25-1-4 may be used for recognition of future retail revenues. The Resolution limits the future revenues that may be recognized for this purpose to one complete billing cycle unless otherwise approved by City Council. The accounting standards would be used in those circumstances where doing so was necessary for City Light to meet its debt service coverage policy established by the City Council. The proposed Resolution also directs City Light to send an annual affirmation letter to City Council, specifying the amount of revenue deferred or recognized for the fiscal year ended and the related recording amount of the regulatory asset or liability.



2010 CITY CLERK

Please check one of the following:

____ **This legislation does not have any financial implications.**

__√__ **This legislation has financial implications.**

The SCL – Rate Stabilization Account Accounting Policy Resolution has financial implications in that the deferral or recognition of revenue utilizing ASC 980-405-25-25-1 or ASC 980-605-25-25-1-4 will assist in the reduction of the need for rapid and substantial increases in City Light's rates solely to address bond coverage and debt service coverage ratio requirements.

Any deferral or recognition of revenue associated with the RSA cash deposits and withdrawals, and according to the specifications of the ASC pronouncements, will be recognized as earned revenue in a different fiscal period than when the RSA transactions were originally billed or incurred. SCL's required debt service coverage ratio will be more consistently achieved by utilizing this treatment of revenue, whereby the RSA revenue is deferred to a different fiscal period when operating revenues exceed the revenue required for the current debt service coverage ratio, or RSA revenue is recognized from a different fiscal period when operating revenues are below the revenue required to meet the current debt service ratio.

The recognition of earned revenue in a fiscal period other than the fiscal period billed or transactions incurred will be reflected in SCL's Annual Report, the City's Comprehensive Annual Financial Report, and other financial reports, and will be subject to audit in accordance with auditing standards generally accepted in the United States of America by SCL's independent auditors.

**Appropriations:** None

**Anticipated Revenue/Reimbursement: Resulting from this Legislation:**

There are no changes in revenues as a result of the legislation. The legislation will only change the timing of when the RSA revenue will be recognized as earned revenue for financial accounting and reporting purposes.

**Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:** None

**Do positions sunset in the future?** Not Applicable

**Spending/Cash Flow:** Not Applicable



CITY CLERK

**What is the financial cost of not implementing the legislation?**

If the legislation is not implemented, it would increase the possibility that SCL would be unable to meet bond coverage and debt service coverage ratio requirements in a given year which would result in a potential regulatory conflict. If SCL could not meet its required bond coverage and debt service coverage ratios, it is possible that SCL's bond credit ratings would be lowered which would result in potential higher financing costs.

**Does this legislation affect any departments besides the originating department?** No

**What are the possible alternatives to the legislation that could achieve the same or similar objectives?** No known alternatives

**Is the legislation subject to public hearing requirements?** No

**Other Issues:** None

**List attachments to the fiscal note below:** None



CITY CLERK

**City of Seattle**
Office of the Mayor

August 31, 2010

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Conlin:

I am transmitting the attached proposed Resolution which authorizes Seattle City Light's use of certain standard accounting practices in administering the Rate Stabilization Account (RSA). Seattle City Light's independent auditors are looking for affirmation of these practices by Resolution. This legislation allows for the deferral or recognition of revenue associated with the RSA in accordance with generally accepted accounting principles in the United States of America.

The Rate Stabilization Account (RSA) was established to reduce the need for rapid and substantial Seattle City Light rate increases to comply with previously authorized bond covenants. Revenue fluctuations have the potential to impact Seattle City Light debt coverage requirements and compliance with the bond covenants. The ability to defer or recognize revenue associated with the RSA cash deposits and withdrawals will allow Seattle City Light to manage the impact of these fluctuations such that Seattle City Light may achieve a debt service coverage ratio in accordance with its financial policies. Each year, Seattle City Light will send an affirmation letter to City Council specifying the amount of revenue deferred or recognized for the fiscal year ended and the related recording of the regulatory asset or liability.

Thank you for your consideration of this legislation. Should you have questions, please contact Philip Leiber at 206-684-4649.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

Michael McGinn, Mayor
Office of the Mayor
600 Fourth Avenue, 7th Floor
PO Box 94749
Seattle, WA 98124-4749

Tel (206) 684-4000
Fax (206) 684-5360
TDD (206) 615-0476
mike.mcginn@seattle.gov

2010 CITY CLERK

# STATE OF WASHINGTON – KING COUNTY

--ss.

261514 No. TITLE ONLY

CITY OF SEATTLE,CLERKS OFFICE

## Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:RES 31240,31243-31244

was published on

10/11/10

The amount of the fee charged for the foregoing publication is the sum of $ 54.60, which amount has been paid in full.

JENNIFER A. PATZER
COMMISSION EXPIRES
NOTARY
PUBLIC
OCT. 24, 2011
STATE OF WASHINGTON

Subscribed and sworn to before me on

10/11/10

Notary public for the State of Washington,
residing in Seattle

Affidavit of Publication

# State of Washington, King County

## City of Seattle

**TITLE-ONLY PUBLICATION**

The full text of the following ordinances, passed by the City Council on September 20, 2010, and published here by title only, will be mailed upon request, or can be accessed at http://clerk.ci.seattle.wa.us. For further information, contact the Seattle City Clerk at 684-8344.

**RESOLUTION NO. 31240**

A RESOLUTION stating the City's intent to convene a Citizens Transportation Advisory Committee III to advise the Council on transportation funding alternatives and priorities.

**RESOLUTION NO. 31243**

A RESOLUTION creating the Seattle Freight Advisory Board.

**RESOLUTION NO. 31244**

A RESOLUTION relating to the City Light Department; authorizing the deferral or recognition of revenue associated with the additional parameters created by Ordinance 123260 on the funding, operation and expenditures of amounts in the Rate Stabilization Account in accordance with Accounting Standards Codifications (ASC) 980-405-25-25-1 Regulated Operations-Liabilities-Recognition-Regulator Imposed Liabilities and ASC 980- 605-25-25-1-4 Regulated Operations -- Revenue Recognition -- Recognition -- Alternative Revenue Programs and subsequent amendments.

Publication ordered by the City Clerk

Date of publication in the Seattle Daily Journal of Commerce, October 11, 2010.

10/11(261514)