



## **CITY LIGHT REVIEW PANEL MEETING**

### **Special Session**

Thursday, August 25, 2022

1:00 – 2:00 P.M.

SMT 3517

—or—

Microsoft Teams Meeting

Proposed Agenda

<u>Item</u>	<u>Lead</u>
1. Welcome (5 min.)	Mikel Hansen, Panel Chair
2. Public Comment (5 min.)	
3. Rate Proposal Review and Potential Panel Endorsement (30 min.)	Kirsty Grainger
4. Review and Approval of Review Panel Letter (20 min.)	Karen
5. Adjourn	

*Next Meeting: September 27<sup>th</sup>, 9:00 – 11:00 a.m.*

# 2023/2024 Retail Rate Ordinance

Economic Development, Technology & City Light Committee  
August 10, 2022



**Seattle City Light**

# City Light Rate Ordinance

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- Implements rate increases for 2023 and 2024 per Strategic Plan
  - Produces the level of revenue needed to deliver reliable, clean, and socially-responsible electric service for the next 2 years
  - Reflects impacts of significantly higher inflation
  - No increase customer bills in 2021 as part of COVID response
  - 2022 rate increase was 2.1%, less than the 3.9% increase approved by the previous Strategic Plan
- Implements rate design changes recommended by the 2019 Rate Study
- Implements most recent Cost of Service Study

# Rate Design Changes

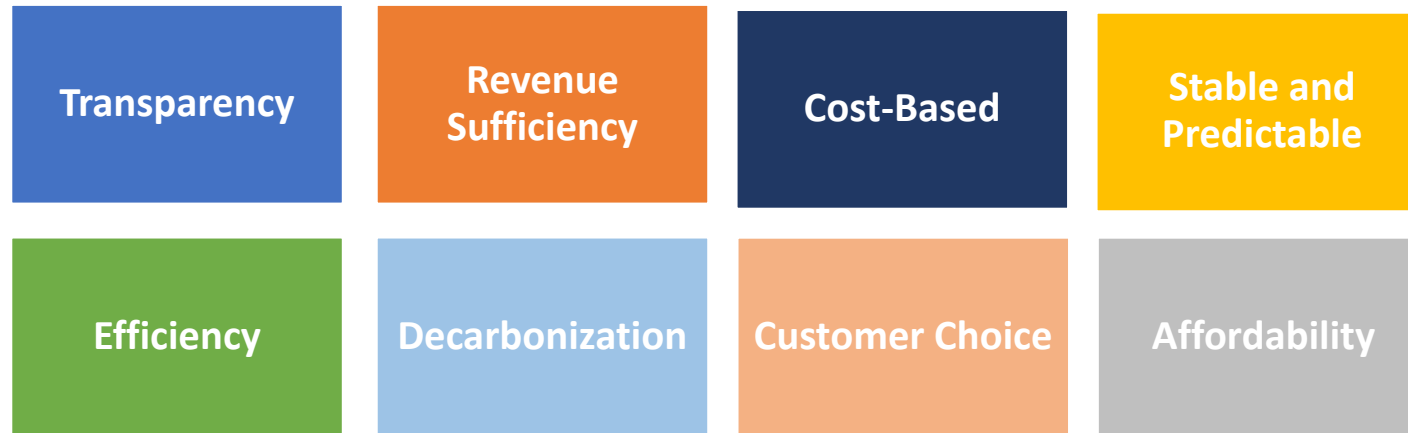


# Background: 2019 Rate Policy Study

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Rate design changes follow the City Light Review Panel-led Rate Design Report published in 2019\*

Rate design goals:



Near-term rate design strategies:

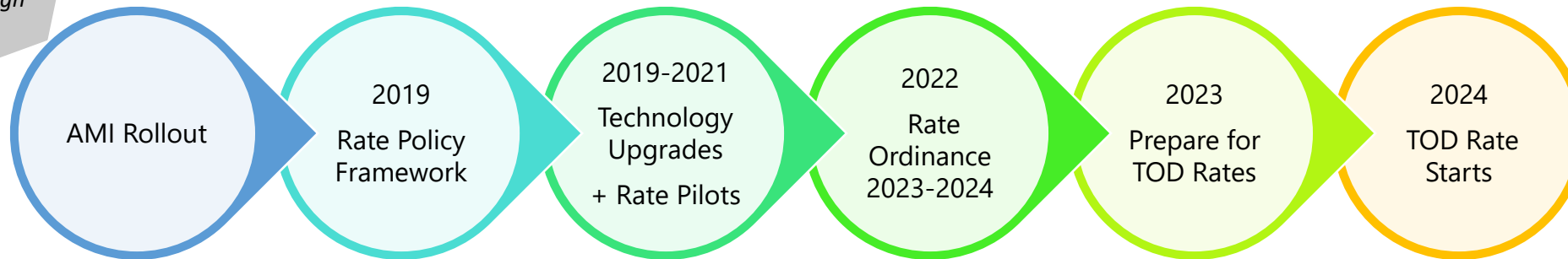
- a) Incorporate a fixed basic service charge for all customers to recover customer service costs
- b) Introduce optional time of day (TOD) rates
- c) Adjust legacy two block residential rate structure to facilitate migration to TOD rates

# Long Road to Time-of-Day (TOD) Rate Option

Our past...

~30 years  
of same  
rate design

A clean energy future...



- Advanced Meters (AMI)
- Meter Data Management

- 2019 Report describes rate policy "ends" and "means"

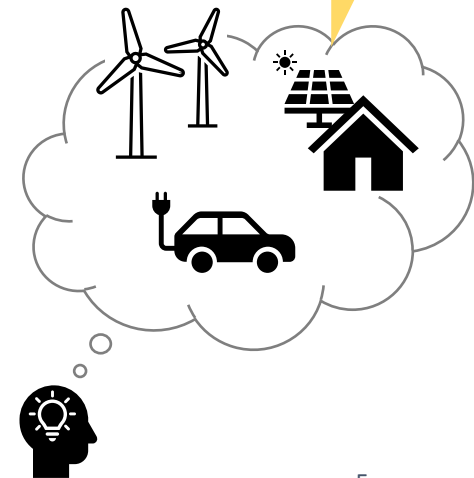
- AMI integration: connecting meter data to billing system
- Customer Portal buildout

- Fixed charges
- Time-of-day rates

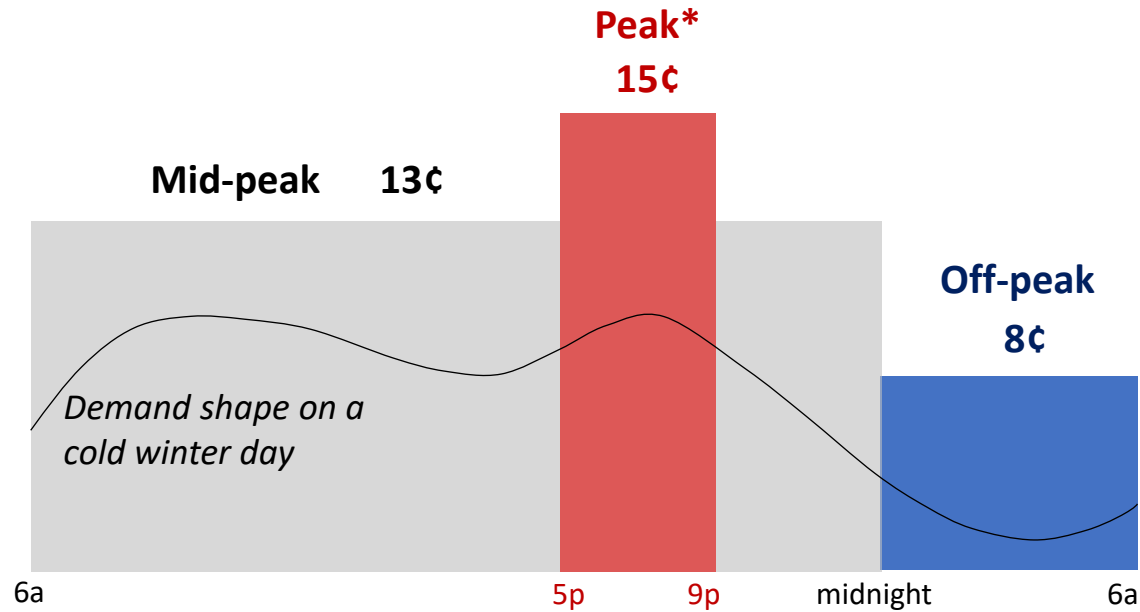
- Configure billing system
- Bill calculator and rate selector
- Customer outreach

- Tailored pricing plans
- Grid modernization
- Electrification

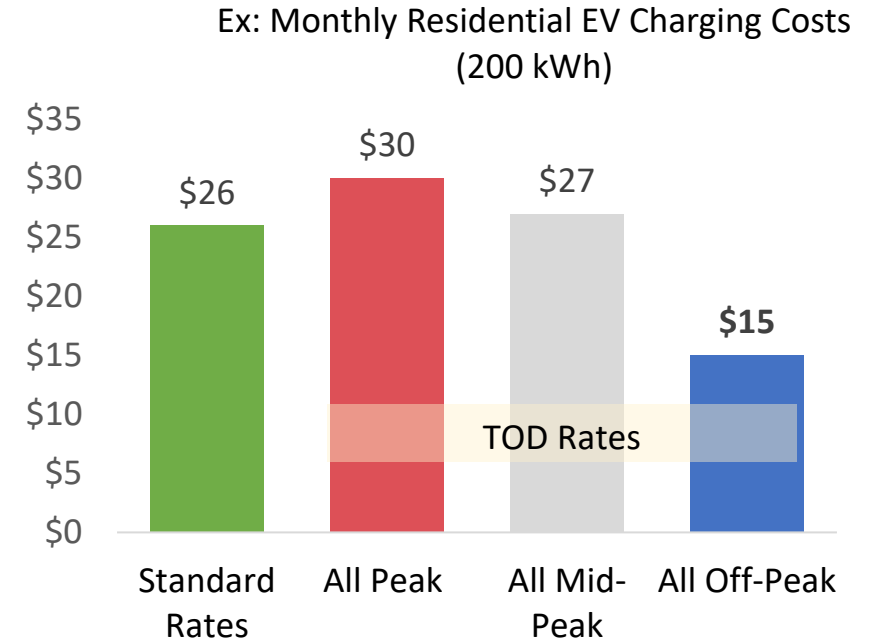
  
We are here



# Opt-in Time of Day Rate Design



*\*No peak on Sunday/holiday*



- Available for Residential, Small and Medium General Service customers
- Commercial charging TOD rate for EV charging, based on successful pilot program

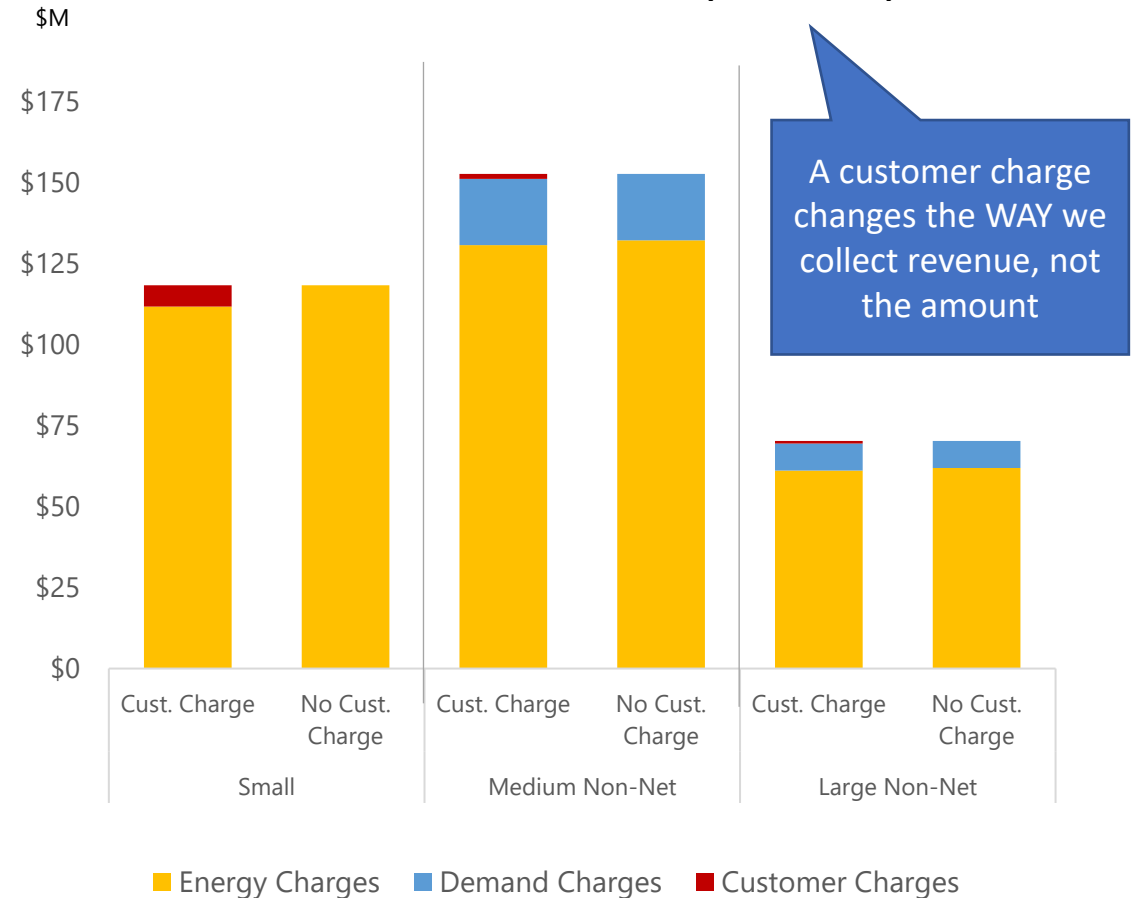
*Example TOD rates shown are representative for residential Seattle customers. Rates for Small, Medium General Service customers will be similar but slightly lower, and rates outside the City of Seattle will be slightly higher.*

# Introducing/Increasing Base Service Charge

## BASE SERVICE CHARGES

(\$/month)	2022	2023	2024	Full Cost*
Residential	\$6	\$7	\$8	\$19
Small GS	-	\$7	\$14	\$28
Medium GS	-	\$27	\$55	\$110
Large GS	-	\$334	\$688	\$1,376
High Demand GS	-	\$1,761	\$3,625	\$7,249

## 2024 REVENUE COLLECTION WITH AND WITHOUT BASE SERVICE (CUSTOMER) CHARGE



\*The "full cost" represents the cost of serving a customer, including metering, billing, collecting payment, and customer service



# Summary: Rate Design Changes

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## **Residential Customers**

1. Increase per-meter basic service charge
2. New TOD rate option in 2024

## **Business Customers (Sm, Md, Lg, HD General Service)**

1. New per-meter basic service charges for all customers
2. New TOD rate option for Sm/Md General Service in 2024
3. New opt-in TOD commercial EV charging rate in 2024

Plus, Large Solar Program update and many other technical changes

# Summary of Rate Increases

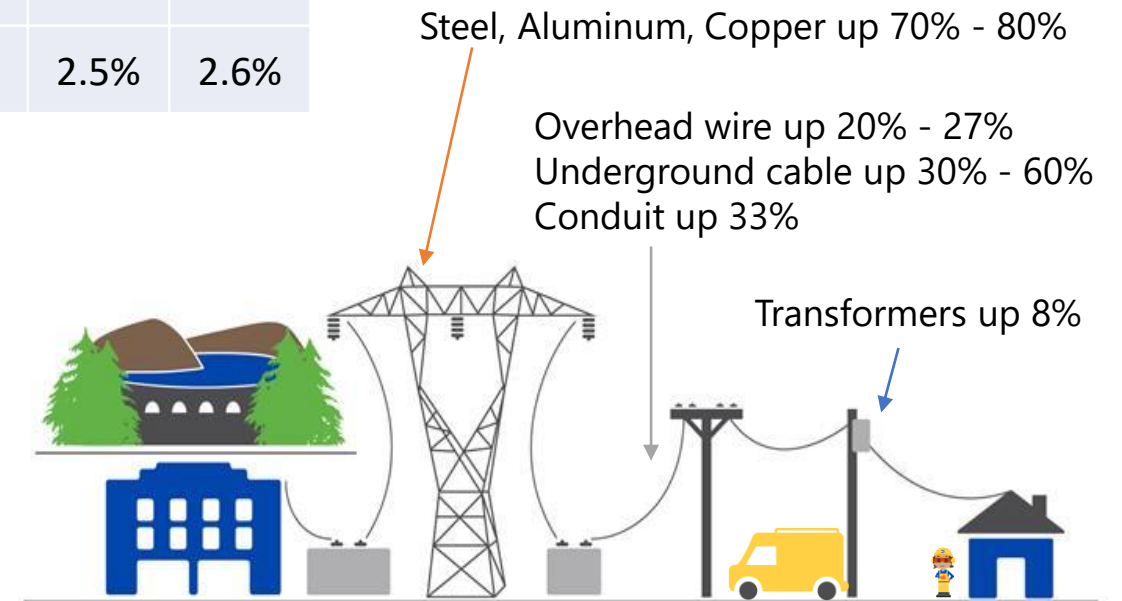


# Why 4.5% - What is Driving up Rates?

- Inflation in the price of materials, services, labor, etc.

CPI*	2021	2022	2023	2024	2025	2026	2027	2028
2021 Outlook	2.8%	3.0%	2.5%	2.3%	2.2%	2.3%	2.3%	2.3%
2022 Outlook**	<b>4.8%</b>	<b>5.1%</b>	<b>3.1%</b>	2.3%	2.3%	2.4%	2.5%	2.6%

- Plus...
  - Flat demand for electricity
  - Strategic electrification
  - New green power needs



\*CPI = Consumer Price Index, Source: City of Seattle Office of Economic and Revenue Forecasts  
 \*\* as of Dec 2021, Current (July) inflation outlook is 8% for 2022

Observed cost increases since 2020, Source: SCL Material Control

# Rate Increases by Customer Class

- Cost of service study results in increases ranging from 1.2% to 5.7%.

**2023 Average Rate Increases**

	<b>Total</b>	<b>Residential</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>	<b>High Demand</b>
Non-Network	4.7%	5.7%	5.6%	3.9%	4.4%	2.7%
Network*	1.4%			1.7%	1.2%	
All Customers	4.5%**					

**2024 Average Rate Increases**

	<b>Total</b>	<b>Residential</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>	<b>High Demand</b>
Non-Network	4.8%	5.0%	4.7%	4.7%	4.6%	4.7%
Network*	1.4%			1.7%	1.2%	
All Customers	4.5%**					

\*Network rates are increasing less but are still around 25% higher than non-network rates

\*\*From Strategic Plan

# Impacts & Affordability



Seattle City Light



# Progressive and Affordable Electric Rates

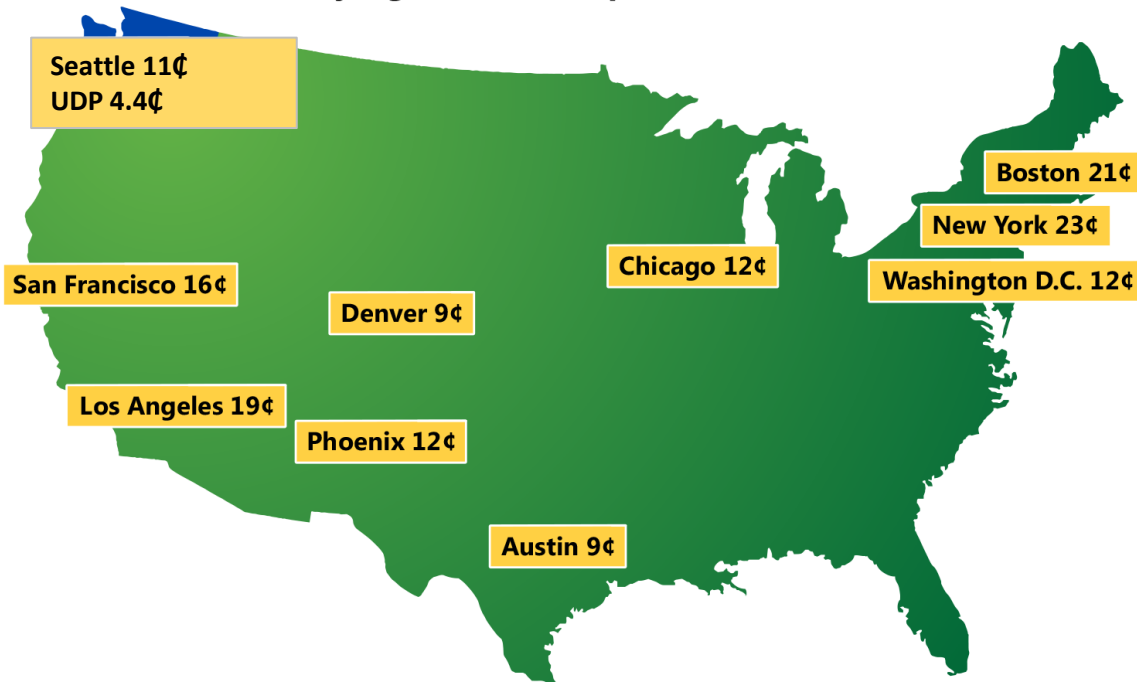
Seattle leads the nation in progressive rate offerings.

The Utility Discount Program (UDP) offers (60%) to income-qualified customers....on top of already competitive rates

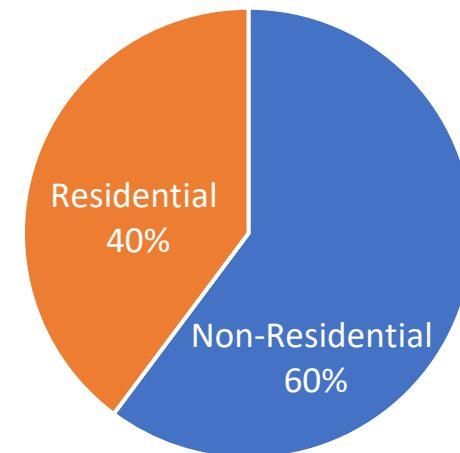
UDP is a community-based program funded by all customers through rates.

- An average residential customer contributes about \$2.75 per month
- Commercial and High Demand customers--who may have significantly higher usage—provide significant funding for UDP

2020 Seattle City Light Rates Compared to other US Cities

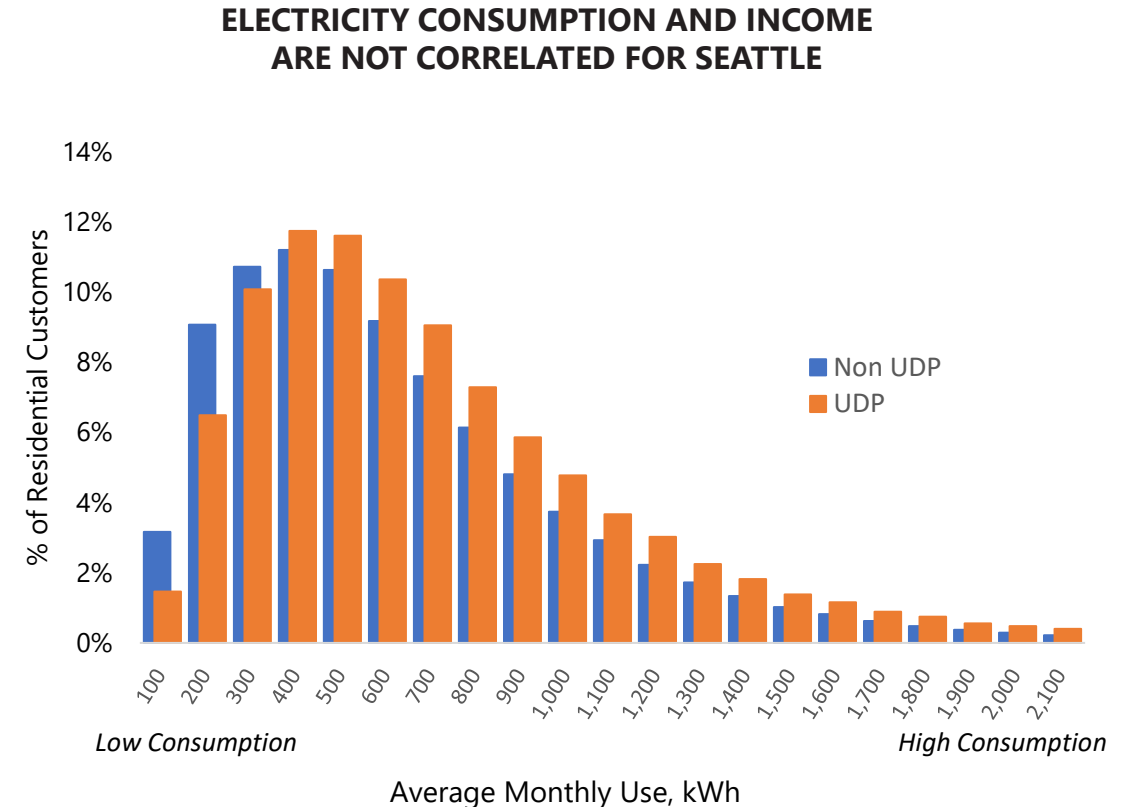


Source of \$35M UDP Funding



# Rate Design & Affordability

- Households in Seattle have diverse energy use profiles
  - High-income households may be high or low-use
  - Low-income households may be high or low-use
- Rate design as an affordability tool is complemented by programs like UDP, budget billing and energy efficiency
- Successful TOD rollout will involve outreach, language access, and other tools to reach historically-excluded communities



# Bill Impacts Example: Residential Customers

<b>Residential City Standard</b>		<b>2022</b>	<b>2023</b>	<b>2024</b>		
Number of meters:	335,682	First Block (\$/kWh)	\$0.1056	\$0.1132	\$0.1229	
		End-Block (\$/kWh)	\$0.1307	\$0.1307	\$0.1307	
		Base Svc Charge (\$/mo.)	\$6.00	\$7.00	\$8.00	
<b>Monthly Bills</b>	<b>kWh</b>	<b>2022</b>	<b>2023</b>	<b>Increase</b>	<b>2024</b>	<b>Increase</b>
Apt- Gas/Oil Heat	204	\$27	\$30	<b>\$3</b>	\$33	<b>\$3</b>
Apartment- Electric Heat	463	\$57	\$61	<b>\$4</b>	\$66	<b>\$5</b>
SF Home - Gas/Oil Heat	634	\$79	\$83	<b>\$4</b>	\$88	<b>\$5</b>
SF Home - Electric Heat	841	\$106	\$110	<b>\$4</b>	\$115	<b>\$5</b>
SF Home - High User	1,180	\$150	\$154	<b>\$4</b>	\$159	<b>\$5</b>
<b>Monthly Bills – UDP*</b>						
Apt- Gas/Oil Heat	204	\$11	\$12	<b>\$1</b>	\$13	<b>\$1</b>
SF Home- Electric Heat	841	\$42	\$44	<b>\$2</b>	\$46	<b>\$2</b>
SF Home - High User	1,180	\$60	\$62	<b>\$2</b>	\$64	<b>\$2</b>

Rate increases in first block rate  
 Second block rate unchanged  
 Small increases to fixed charge

\$5 or less monthly bill impact for all customers

\$2 or less for UDP customers

\*UDP (Utility Discount Program) participants receive a 60% discount off standard residential rates



# POWER SEATTLE



**Seattle City Light**

DRAFT dated 8.9.22

**Seattle City Light Review Panel**

c/o L. Barreca, Seattle City Light  
P.O. Box 32023 Seattle, WA 98124-4023  
[CLRP@seattle.gov](mailto:CLRP@seattle.gov)

August \_\_ 2022

Honorable Debora Juarez  
Council President  
The City of Seattle  
600 Fourth Avenue  
P.O. Box 94749  
Seattle, WA 98124-4749

**RE: Confirming SCL Review Panel Support for the SCL Rate Design Proposal**

Dear Council President Juarez and Members of the City Council:

On behalf the Seattle City Light Review Panel, I write to confirm that the Panel supports the policy proposals in the City Light Rate Design Proposal (“Rate Design Proposal”) now before you, specifically: (1) the gradual increase in fixed basic service charges for residential customers; (2) the introduction of a fixed basic service charge for non-residential customers; and (3) the introduction of voluntary time of use rates for both residential and additional commercial customers.

Per Council Ordinance 12470 approved in 2015, the Review Panel is charged to “review changes to City Light’s rates not already authorized by the City Code and provide an opinion to the Mayor and Council on the adequacy and prudence of rate changes in light of adopted planning assumptions and financial policies.” Ordinance 12470 further states: “The Council continues to expect the Panel to provide the Mayor and the Council with analyses and recommendations on significant elements of the strategic plan including but not limited to ...[r]ate design...and to submit its recommendations to the Mayor and the Council...”

The Rate Design Proposal before you is consistent with the policy recommendations and near-term priorities presented in the Rate Design Report submitted jointly to the City Council by the Panel and City Light CEO Debra Smith in the spring of 2019. Although only two of the current Panel members were on the Panel when that report was being developed, we have reviewed the report’s rate design policies and near-term priorities and have had an opportunity to ask question of SCL staff. The current Panel endorses the eight policy goals within that 2019 Rate Design Report and confirms that we believe that those goals are advanced by the SCL rate

design proposals now before you. We were not involved in the development of the details of the Rate Design Proposals and do not opine on them.

We offer a few thoughts below to explain our policy support for these proposals.

First and foremost, these proposals are about changing the way that City Light collects the revenue needed for its operations---they are not intended to increase the amount of revenue collected.

Addressing the three key policy changes proposed:

1. Gradual increase in fixed based service charges for residential customers. City Light's current residential charges are among the lowest in the state and do not come close to covering the actual cost of meter reading, billing, and customer service. By gradually shifting more of these fixed costs into an increased fixed charge rate component, rates will be more transparent as to the actual costs incurred by SCL on behalf of customers, and the existing subsidy by high-energy use residential customers (which include many low-income as well as other residential customers) of low-energy use customers will be reduced.

There may be a very modest increase in some residential customer bills from this proposal. That said, SCL has one of the most general low-income electricity rate discount programs in the country, offering a 60% discount to qualifying households. We concur with City Light that assistance programs, such as the Utility Discount Program, are the most efficient tool to address affordability.

2. Introduction of a fixed basic service charge for non-residential customers. The policy reasons for our support of this proposal are similar to those stated above with respect to residential fixed charges. City Light incurs these charges every day on behalf of customers. Rather than hide the cost of this in the energy rate, bills will be more transparent, and customers will pay their fair share of costs. This is an industry standard practice.

3. Introduction of voluntary Time-of-Day (TOD) rates for both residential and additional commercial customers. For the first time in many years, City Light's demand forecast projects significant increased demand for power over the next two decades. Much of this will be a result of electrification of transportation, advancing the City's Climate Agenda. City Light's portfolio of energy will need to grow to meet this demand, primarily through increased renewable energy—energy assets that are generally more expensive than SCL's existing hydropower-heavy energy portfolio. In this situation, TOD rates perform two important roles:

- First, TOD rates allow customers greater control over their bills by enabling purchase of power at lower costs at certain times of the day (including but not limited to the ability

DRAFT dated 8.9.22

to charge electric vehicles at lower cost at night--- for both residents and commercial customers);

- Second, to the extent that customers embrace this tool, it will help City Light reduce its peak power demand, reducing the need to purchase expensive market rate power to meet those peaks.

City Light's large and high-demand customers already have TOD rates. The current Rate Design Proposal will extend TOD rates on a voluntary basis to both residential customers and those in the small and medium commercial rate tiers. In addition, TOD charging rates are proposed for commercial customers in the medium and large tiers to enable reduced costs for recharging electric vehicle fleets.

Reduced cost for customers at certain times means that costs for other customers will increase --- with net zero impact on City Light revenue collections. However, given the importance of the City's Climate Agenda, we think that these shifts are appropriate and that affordability issues are best addressed through programs including but not limited to the Utility Discount Program.

Ordinance 12470 outlining the Panel's roles requires us to offer both majority and minority positions held by the panel on rate design (and other) issues. *[insert any minority opinions or confirm unanimous support of those present and voting at our meeting of August \_\_\_\_]*

We thank you for the opportunity to offer our comments on the Rate Design Proposal and your continuing support of the SCL Review Panel.

On behalf of the entire SCL Review Panel,

Mikel Hansen  
Chair, SCL Review Panel