

Discussion Guide for February 26 on Rate Design

Question 1: The 8 Policy Goals (“Ends”).

- a. Are some Policy Goals clearly more important than others, if so which ones?
Alternately, is it always a balancing act in which all goals need to be considered?
- b. Are there some Policy Goals for which you have more concern about the need for action, when considering where we are today? If so, which ones and why?

POLICIES (“ENDS”)

Cost-Based: Rates should reflect the utility’s cost of service, and each charge included on a customer bill should be designed to signal to customers the actual cost of providing the relevant service.

Revenue Sufficiency: Rates should be designed to collect the approved revenue requirement with a reasonable degree of certainty.

Decarbonization: Rate design should reflect the goals of Seattle’s Climate Action Plan, including promoting the use of clean power, incentivizing transportation electrification, and reducing greenhouse gas emissions.

Efficiency: To conserve finite natural resources and minimize overall system costs, rates should be structured to encourage economically-efficient use of power. This applies to electricity produced and purchased, as well as the wires and associated equipment needed for energy delivery.

Stable & Predictable: To aid customers in managing the financial impacts of their electricity bills, rates should be changed purposefully over time to prevent disproportionate bill changes.

Affordability: Rates should be designed to make electric service accessible for all customers; therefore, rates may be discounted for qualified low-income residential customers.

Transparency: Rates should be structured so that customers can easily understand what services they are paying for.

Customer Choice: Rate and billing options should reflect the diversity of our customers’ energy needs and interests, so that customers may feel empowered to actively manage their energy consumption.

Question 2: The Potential Action Items. For each of the near-term action items endorsed for further study, what more does the Panel want to say in the final report? We'll do a quick round for each item with these questions:

- a. What do you see as the strongest argument(s) in favor of pursuing this item?
 - i. From the Utility perspective?
 - ii. From Customer perspective?
- b. What caveats or concerns do you have that you think need further consideration before this item is implemented?
- c. How do you rate this on a scale of 1-5, where:
 - 5** = *"I'm confident that this should be a near term priority"*
 - 3** = *"I think we should pursue this, but it's not a big priority for me."*
 - 1** = *"I have a number of reservations about this item and would not like to see this move ahead quickly, even though I agree we need to explore it"*

RATE REDESIGN OPTIONS ("MEANS")

Near Term Action Items

1. **Redesign bills** and rates to be clearer and more transparent.
 - a. Itemize charges for energy, delivery, and other services.
 - b. [Additional billing system programming to further itemize bills \(phase 2\)](#)
2. **Residential block rates** – Adjust (phase out?) to facilitate transition to time of use (TOU) rates and offering choice/pilots. Align with cost of service
3. **Time of use (TOU) rates** - offer to all customers the option to have a rate that varies by season and time of day.
 - a. Begin with pilot programs targeted residential EVs and transportation electrification.
 - b. [Expand TOU rates offerings to all customers \(phase 2\)](#)
4. **Budget and flat rate residential billing** – enhance programs to offer residential customers more predictable bills.
 - a. Pilot subscription flat-rate residential program pilot for low-income residential customers.
 - b. Use advanced meter data to expand access to budget billing program.
5. **Customer charge (or basic charge)** recovers full fixed customer cost and included in all rate schedules.
 - a. Basic service charge collect for 100% of basic fixed cost for a customer (define)
 - b. Convert minimum charge to basic service charge for all general service rates.
6. **Interruptible/demand response rate** explore rate pilot for large customers.
7. [Decoupling/RSA mechanism for managing revenue swings](#)

RATE REDESIGN OPTIONS (“MEANS”)
Second Phase

7. **Realign general service rate classes** to reflect new metering/billing capabilities and set foundation for offering customer choice..
8. **Green option** – offer premium solar/super-green power option to customers
9. **Demand charges** – develop long-term plan for role of demand charges in rates
10. **Cost alignment** consider targeting collection for service attributes that have added costs (additional charge on bill)
 - a. Cost based premiums for undergrounding, network.

Related Issues

11. **UDP-** restructure benefit to subsidize fixed charge? Sliding scale, other UDP restructure.

Question 3: The 3 tables in the briefing document: Endorse? Amend? Comment? How to address any differences between General Manager and Panel?

Table 1: Example Matrix for Comparing Options.

- Is the Panel prepared to endorse including this in the final report as a high-level overview of how the options we’re looking at create trade-offs between the 8 goals? Any edits?

MATRIX FOR COMPARING PHASE I OPTIONS	Cost-based	Revenue	Decarbonization	Efficiency	Stability	Affordability	Transparency	Choice
1. Bill redesign, unbundle rates on bill	+					?	+	
2. Phase out residential block rates	+	+	+-	+	+	?		
3. TOU rate option offered	+	?		+			+-	+
4. Budget/subscription rate billing					+	+	?	+
5. Realign customer charge	+	+					+	
6. Offer interruptible/demand response rate	+			+		+		+
12. Expand RSA to cover retail (decoupling)		+			-			

Table 2: Current/Future State

- Is the Panel prepared to endorse this table as a high level depiction of where we are likely headed (and *should be* headed) if the action items are pursued?
- If not, are there some line items that you *would endorse*—or alternately, that you would want to call out as *needing more consideration/potentially problematic*?

CURRENT/FUTURE STATE

	Current	Future
Power Source	Utility supplies standard power mix to all customers (plus nominal customer solar panels)	Customers control their power source—standard, or a premium solar product, and/or generate/store power onsite.
Metering	Manual-read meters	Advanced meters supply real-time data
Rate Variation	Static/fixed rate structures	Rates may vary by time and location to contain grid pressure and costs
Rates on Bills	Bundled services	Itemized electricity/grid services
Rate Classes	Customers are assigned to rate classes	Various rate plans offered, including innovative pilots. Customers choose rate that is best suits their needs.
Environmental Sustainability	Volumetric charges inflated to incentivize conservation	Cost-based rates supplemented by targeted decarbonization programs
Low Income	UDP offers 60% discount on bills, emergency assistance programs	UDP plus targeted services to help customers manage their energy costs through discounts, billing plans, and behind-the-meter technology

Table 3: Transition Strategy

- What considerations are important when thinking about how to roll out new rate structures and options?
- Is the Panel prepared to endorse this table as an appropriate high level depiction of some major aspects of the transition from today to the future state?
- How important are pilot projects?
- How important is maintaining a traditional bill option (as compared to mandating TOU rates, green power options, etc.)?

TRANSITION STRATEGY

Current State	➡ Transition Strategy ➡	Utility of the Future
Rate structures limited by technology (fixed, block, some demand charges)	<ol style="list-style-type: none"> 1. Simplify rates, make them more transparent & cost-based. Unbundle electric rates to show services on bill. 2. Introduce opt-in rate pilot programs (e.g., rates for transportation electrification, billing options to add stability) 3. Move towards time of use rates 	Sophisticated rate structures provide price signals to reduce grid pressure and control costs
Bills show volumetric charges for bundled services		Bills show itemized electricity/grid services
Rates with inflated price signals to incentivize conservation		Cost-based rates with targeted programs and incentives
Customers assigned to rate classes		Customers choose pricing program that is right for them

Question 4: Are there other areas that you think we should address in the final rate design report?

- Timeline for action on rate design?
- Process and technology challenges in implementing new rates?