



City of Seattle
Mayor Jenny A. Durkan

Date: 12/21/2018
To: Mayor Jenny Durkan and her Executive Team and Senior Staff
From: Debra Smith, City Light General Manager and CEO
Author: Kirsty Grainger, Finance Director & Robert Cromwell, Power Contracts, Regional Affairs and Strategic Planning Director

SECTION A: Overview of the Issue

Topic/Issue Title: City Light Rate Design – Initial Report and 2019 Strategy

Please select one Briefing Function:

Briefing Function	<input checked="" type="checkbox"/>
General Update Only	<input type="checkbox"/>
Key Policy Impact/Change	<input type="checkbox"/>
Financial Permission Required	<input type="checkbox"/>
Delivery of Information Requested from Mayor or E-Team	<input type="checkbox"/>
Direction needed on next steps	<input checked="" type="checkbox"/>

Objective of this Briefing: Obtain Mayoral feedback on the draft Initial Report to the City Council on the Rate Design Project (initial report), due to City Council by the end of January 2019.

Summary of Topic/Issue: In its resolution adopting Seattle City Light’s 2019-2024 Strategic Plan, the City Council included a request that the City Light Review Panel (Review Panel) and General Manager make recommendations on an updated rate design. The 2019-2024 Strategic Plan already includes an initiative that proposes to re-design electric rates to progressively respond to industry changes and challenges. However, the Council request carries an accelerated deadline of April 2019, with an initial report due January 31, 2019. A first draft of the initial report is attached; please note that the Review Panel will discuss this draft at their January 8, 2019 meeting. (See Attachment A)

Background:

In addition to approving City Light’s 2019-2024 Strategic Plan, Resolution 31819 (adopted July 9, 2018) requests the General Manager and Review Panel report to the City Council on rate design recommendations. The request prescribes specific stakeholder outreach as well as consideration of a wide range of approaches and options for an updated rate design. An initial report is due in January, and the final report is due April 1, 2019.

Given the short timeline and the inherent complexity of rate design, in August 2018 the Review Panel communicated back to the City Council a policy scope for rate design they believed would be feasible in the time allotted, acknowledging that not all aspects of the Council's request would be fully addressed by this effort. Additional work would become part of City Light's rate re-design strategic initiative (a part of the 2019-2024 Strategic Plan) or taken up in other venues such as the Utility Discount Program IDT. (See Attachment B)

City Light and the Review Panel anticipate delivering the initial report to Councilmember Mosqueda by January 31, 2019. (The resolution originally called for a January 15th deadline, this has been extended to the end of January by CM Mosqueda.) The initial report will detail work completed to date, including:

1. The results of two public engagement sessions on rate design, convened in October 2018. Customers and interested stakeholders were invited to share their perspectives on current and future rate design, react to preliminary situation assessment documents, and discuss their views on policy considerations with the Review Panel and City Light staff. Feedback was received from low income advocates, local governments, industry consultants, industrial and commercial customer representatives and one ethnic chamber of commerce.
2. A comparative study of rate design at similar utilities, conducted by a third-party rate design expert. In addition to discussing the status quo, the study identifies trends and proposals, and includes the consultant's own recommendations on where City Light should focus its attention on rate design.
3. Draft rate design policy goals (the "ends", such as decarbonization of the city) and a draft summary of potential options for achieving those goals (the "means", such as a residential electric vehicle charging rate pilot). Some options may be candidates for near-term implementation, while others will require further study or long-term roll-out, and none have yet been endorsed by the Review Panel or City Light.

The final report, due in April 2019, will recommend a rate design policy framework, as well as a high-level rate re-design strategy. This report will be the foundation for City Light's rate re-design strategic initiative, which will propose specific rate design changes for adoption in 2020 and implementation in 2021 rates. If endorsed by the Review Panel, rate design pilots may be implemented sooner.

RSJI Analysis & Implications: Changes to rate design may disparately impact under-represented residents due to the historic correlation of economic disadvantage and communities of color. Studies of Seattle customer bills show that electricity consumption is not correlated to income and that economically disadvantaged residents may be high or low users of electricity. Depending upon the eventual rate design, some customers, including those who are part of communities of color, may see higher bills, while others will see lower bills. Seattle's electricity rates are among the lowest in urban America and Seattle's Utility Discount Program (UDP) provides a 60% discount on City Light bills for qualifying low-income customers, one of the most generous assistance programs in the nation. City Light believes that our UDP will mitigate the impact of rate design changes among the most economically disadvantaged, while acknowledging the disparate impact due to the disproportional representation of certain racial and ethnic communities among our low-income customers. It is also possible to mitigate impacts through modification of the UDP. For instance, If the fixed charge was increased, UDP customers could be held-harmless from that increase or charged an alternative fixed charge.

Key Policy Issues: Rate design is the structure by which City Light collects revenue from its customers. In general, rate design reflects the cost of providing service, however there is leeway for adjustments that reflect or drive policy objectives. Please note, rate re-design is a "zero-sum game" -- any change will result in some customers receiving higher bills and others seeing lower bills. Because of this dynamic, it is challenging for stakeholders to reach consensus among often competing priorities such as stability, efficient use of resources, affordability and decarbonization. Additionally, any new rate design structure should align with the utility's new capabilities from the advanced meter infrastructure and new digital customer experience initiative, included in the 2019-2024 Strategic Plan.

Indicate Legislation and/or Council action: CM Mosqueda plans to schedule a presentation session for the initial report at the Housing, Health, Energy & Worker’s Rights Committee in February 2019. This initial report followed by the final framework and rate design strategy delivered to the Council in April is expected to culminate in a City Council Resolution directing City Light and the Review Panel to propose a new rate structure and implementation plan in mid-2020 that would establish retail rates for 2021-2022. Rates have already been adopted for 2019 and 2020 as part of the 2018 biennial budget process. While 2019 & 2020 adopted rates could be changed during 2019, City Light does not recommend this course of action. It is possible that one or more rate pilots could be implemented prior to 2021.

Please give a brief overview of any financial impacts: Changes to rate design could reduce revenue uncertainty for City Light but would not have any absolute budget impacts.

Propose the timeline and schedule:

January 2019: Brief the Mayor’s Office on City Light and Review Panel’s draft initial report and rate design efforts.

January 31, 2019: Initial report from the City Light General Manager and the Review Panel due to CM Mosqueda.

March 2019: Brief Mayor’s Office on City Light and Review Panel’s draft final report and recommendations

April 1, 2019: Final report due to City Council.

June 2019: City Council Resolution on rate design policy framework and direction.

2019-2020: City Light staff will analyze recommended rate redesign options, conduct studies of customer impacts, fine tune program/structure details, and refine long-term rate design implementation strategy.

2020: City Light will conduct customer outreach & education effort on proposed rate design – including potential bill re-design and digital customer experience enhancements.

Summer 2020: New rate ordinance establishing rates for 2021-2022 (this aligns with the adoption of an updated 2021-2026 Strategic Plan).

SECTION B: Logistical Information About this Submission

Supporting materials:

Document Name	Document Type (PDF, Word, Excel...)
A) Initial Report to the Council on Rate Design draft 12.21.18	Word
B) Review Panel Rate Design Letter Aug2018	PDF

This document, and attached supporting materials, has been sent to relevant CBO/OPI staff and relevant E-Team/Senior Staff Lead (as applicable) 72 hours prior to submission to MO_Briefings. ☒

Please check all that may apply to this submission:

Public Rollout Involving the Mayor	<input type="checkbox"/>	Public Event Already Scheduled	<input type="checkbox"/>	Legal Review Required	<input type="checkbox"/>
Legislation (to write, transmit, etc.)	<input type="checkbox"/>	Significant Budget Impacts	<input type="checkbox"/>	Operational Support Required	<input type="checkbox"/>
Communications Strategy Needed	<input type="checkbox"/>	Significant Policy Impacts	<input checked="" type="checkbox"/>	IDT or Cabinet Involved	<input type="checkbox"/>
Council Briefing Upcoming	<input checked="" type="checkbox"/>	SLI Response Due to Council	<input type="checkbox"/>	Other (Specify in Summary)	<input type="checkbox"/>

SECTION C: Basic Information & Key Stakeholders

TYPE OF STAKEHOLDER	FIRST NAME, LAST NAME	DEPARTMENT
Mayoral Executive Team Sponsor:	David Moseley, Deputy Mayor - Operations	MOS
Mayoral Senior Staff Stakeholder(s):	Kiersten Grove, DM Moseley Operations Manager ; Choose an item.	MOS
Budget Lead :	Saroja Reddy	CBO
Budget Analyst(s) :	Greg Shiring ; Choose an item.	CBO
Innovation & Performance Team Members: <i>(Leave blank if this is not applicable to your submission.)</i>	Choose an item. ; Choose an item.	CBO/IP
MOS Policy Advisors(s):	Choose an item.	MOS
Department Director(s): <i>(Please list each relevant Department Director, one director per line, with their department listed in the far-right column. Please add lines for each additional Director.)</i>	Debra Smith	SCL
Departmental Staff Stakeholders: <i>(Please list each relevant staff member, one per line, with their department listed in the far-right column. Please add a line for each additional staff member.)</i>	Paula Laschober	SCL
	Kirsty Grainger	SCL
	Robert Cromwell	SCL
	Maura Brueger	SCL
	Leigh Barreca	SCL
	Carsten Croff	SCL
Departmental Pipeline Liaison(s) : <i>(There may be multiple, please list all liaisons for every department represented. Please list one per line, with their department listed in the far-right column. Please add a line for each additional Liaison.)</i>	Pat Leyritz	SCL