Seattle City Light Rate Design Policies ("Ends") ***discussion draft***
12/12/18

Transparency	Cost-Based	Revenue Sufficiency	Decarbonization
Efficiency	Stability & Predictability	Affordability	Customer Choice

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

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.

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.

Conflict Among Rate Design Policies: Seattle City Light's rate design policies are intended to provide a framework that can be consistently applied in future rate reviews. Because the achievement of some may conflict with the achievement of others, they should be considered in their entirety to strike an appropriate balance among them.

Rate Design Options ("Means") *discussion draft*

1. **Redesign bills** to be more clear and transparent, show unbundled rates that indicate cost for energy, delivery, other services.
2. **Adjust residential block rates** to facilitate transition to time of use rates and choice/pilots, align with cost of service, and promote efficient decision making by customers.
3. **Time of use (TOU) rates -** expand use of TOU rates, vary by season and time of day.
    a. TOU/Seasonal rate pilot for residential, target EV owners
    b. TOU/Seasonal rate pilot for businesses, target electrification and transportation
    c. Critical peak rate for winter evenings/mornings
4. **Budget and flat rate residential billing** – expand programs to offer residential customers an option for more predictable bills
    a. Use data analytics to lower barrier to budget billing program
    b. Subscription flat rate residential program pilot, potentially bundled with behind-meter efficiency technology (Pilot south Seattle high users?)
5. **Fixed charge** recovers full fixed customer cost
    a. Design to collect for 100% of basic fixed cost for a customer (revisit cost of service to identify all truly fixed costs)
    b. Add fixed charge to general service rates (convert minimum charge)
    c. Different fixed charge for single-family/multi-family
6. **Simplify general service rate classes** – currently S/M/Lg/HD based on 1980's study and metering/billing limitations, redesign rates to smooth gaps between classes.
    a. Inclining charges reflecting service size
    b. Raise threshold for mandatory demand charge and/or eliminate Medium GS.
7. **Interruptible/demand response**--explore rate pilot for large customers (needs to be cost-based)
8. **Green option** for both residential and non-residential similar to PSE green direct. (Is there a way to use this to reduce bulk power costs for other customers?)
9. **Demand charges** – develop long-term plan for role of demand charges in rates
    a. Need education and communication on demand charges
    b. Consider not expanding use of demand charges, increasing threshold to >50 kW
10. **Bill redesign 2.0** – more unbundling opportunities. Show as separate charge on bills: RSA surcharge, BPA passthrough, UDP discount, franchise differential, cost of conservation, network delivery premium.
11. **Cost alignment** study opportunities to target collection for cost-added services
    a. Undergrounding premium for undergrounded single-family neighborhoods
    b. Network premium for residential, small general service downtown
    c. Network premium for First Hill, UW
12. **Decoupling**/RSA mechanism for managing revenue swings. Will help short term volatility but offers no protection against macro changes in consumption.
13. **UDP-** restructure benefit to subsidize fixed charge? Sliding scale, other UDP restructure?

Black: Phase 1, implement for 2021 Blue: Phase 2+, study further Green: Secondary, relates to rate design

--- EXAMPLE MATRIX--	Decarbonization	Revenue	Cost-based	Efficiency	Stability	Affordability	Choice	Transparency
1. Bill redesign, unbundle rates on bill			+			?		+
2. Adjust residential block rates								
3. TOU rates option	+		+	+			+	+-
4. Budget/subscription rate billing					+	+	+	
5. Increase fixed charge		+	+		+	+-		+
6. Simplify general service rate categories			+	+				+
7. Offer interruptible/demand response rate			+	+		+	+	
8. Green power option	+						+	
9. Demand charges								
10. Bill redesign- show all increments to base rates			+					+
11. Cost alignment	+		+			+-	+	
12. Expand RSA to cover retail (decoupling)		+	-	-	-			-
13. Restructure UDP								

BILL REDESIGN & UNBUNDLING (EXAMPLE)

Description

Redesign bills to be more clear and transparent, with unbundled rates that show basic customer service, energy, delivery, other services such as social justice programs.

Current state

Bills show series of codes and charges. Ample customer confusion, residential customers seem to struggle to understand seasons and blocks, many non-residential customers don't know what rate class they are in. New billing system is capable of bill redesign, but bill has not yet been updated. Customer portal implementation beginning, which has potential to offer customer interactive bill view, usage information, drill-downs, etc.

Pros & Cons

+Transparency: Provide more information to help customers understand how their behavior relates to the amount on their bill, what they are paying for.

+Cost based: Unbundling rates foundational to showing energy delivery as a separate service/charge, builds awareness of this City Light service, important as distributed generation, storage become more widespread. Unbundling services is first step in reducing cost recovery dependency on flat volumetric charges.

?Affordability: Possibly significant IT cost to reprogram billing system and implement re-design, with qualitative impacts/results that might not be value-added for some customers.

Feasibility: Could complete for 2021.