



PATH TO REVENUE SUSTAINABILITY

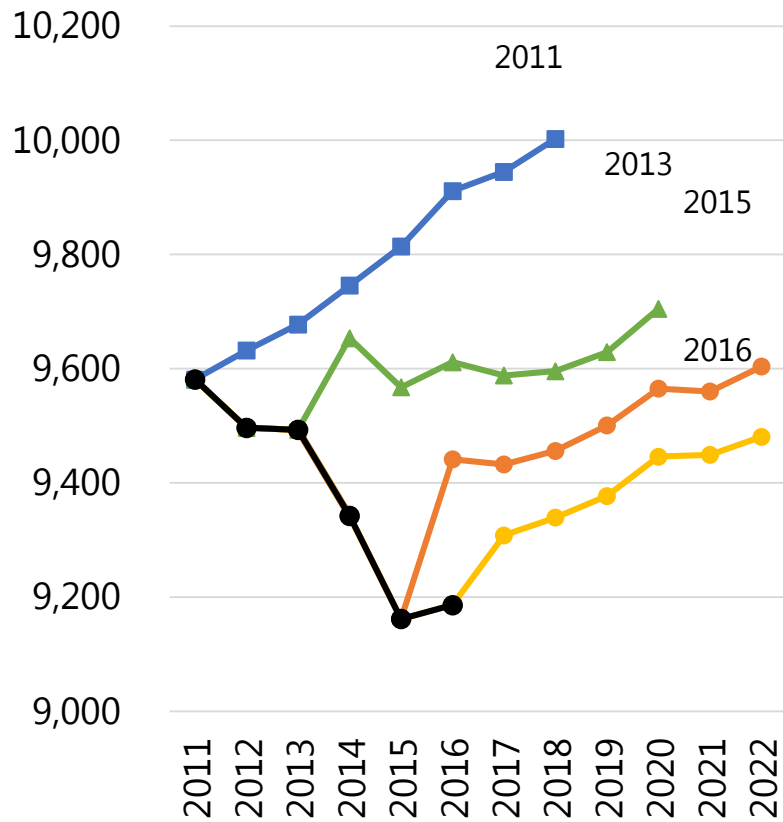
Review Panel Meeting | November 28, 2017

Kirsty Grainger



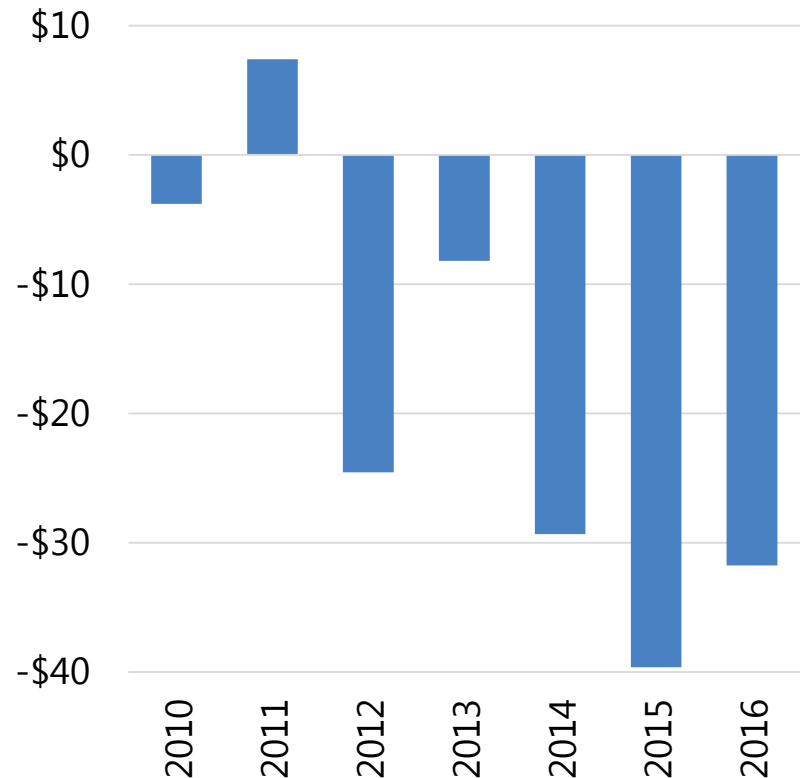
REVIEW: DECLINING SALES, REVENUE SHORTFALL

Retail Sales Forecasts (Gwh)



Black Line = Actual Load
Colored Lines = Forecasts

Retail Revenue Shortfall = \$133M (\$M)



TIMELINE

- **May-Jul.** Council Energy & Environment Committee presentations on retail revenue recovery
- **Jul.** Distributed generation policy presentation
- **Sep.** Policy paper, 3 strategies to stabilize revenues (conservatism, decoupling, rate design)
- **Oct.** City Light proposes rate unbundling/restructuring in addition to new retail sales forecast
- **Nov.** Decoupling, long-term rate policy goals
- **Dec.** New retail sales forecast complete

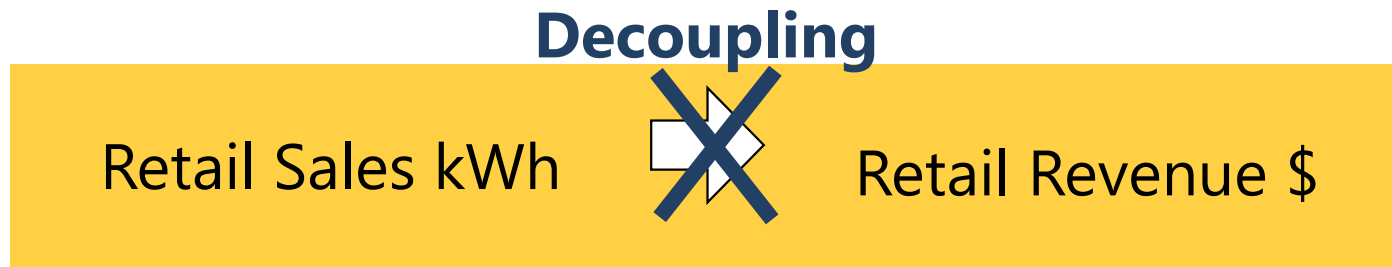
REVIEW: STRATEGY MATRIX

Problems/Concerns	Potential Strategies		
	Better/More Conservative Forecast	Decoupling	Restructure Rates
Retail demand decline	+++	++	+
Revenue under-recovery	++	+++	+
Revenue volatility	+	+++	+
Rate structure doesn't match cost structure			+++
Cross subsidies between ratepayers (equity)			++

Similar table in discussion paper presented at September meeting

REVIEW: RATE TRUE-UPS (DECOUPLING)

- Pros: Guarantees eventual cost recovery
- Cons: Unpredictable rate path, does not address cost/revenue imbalance



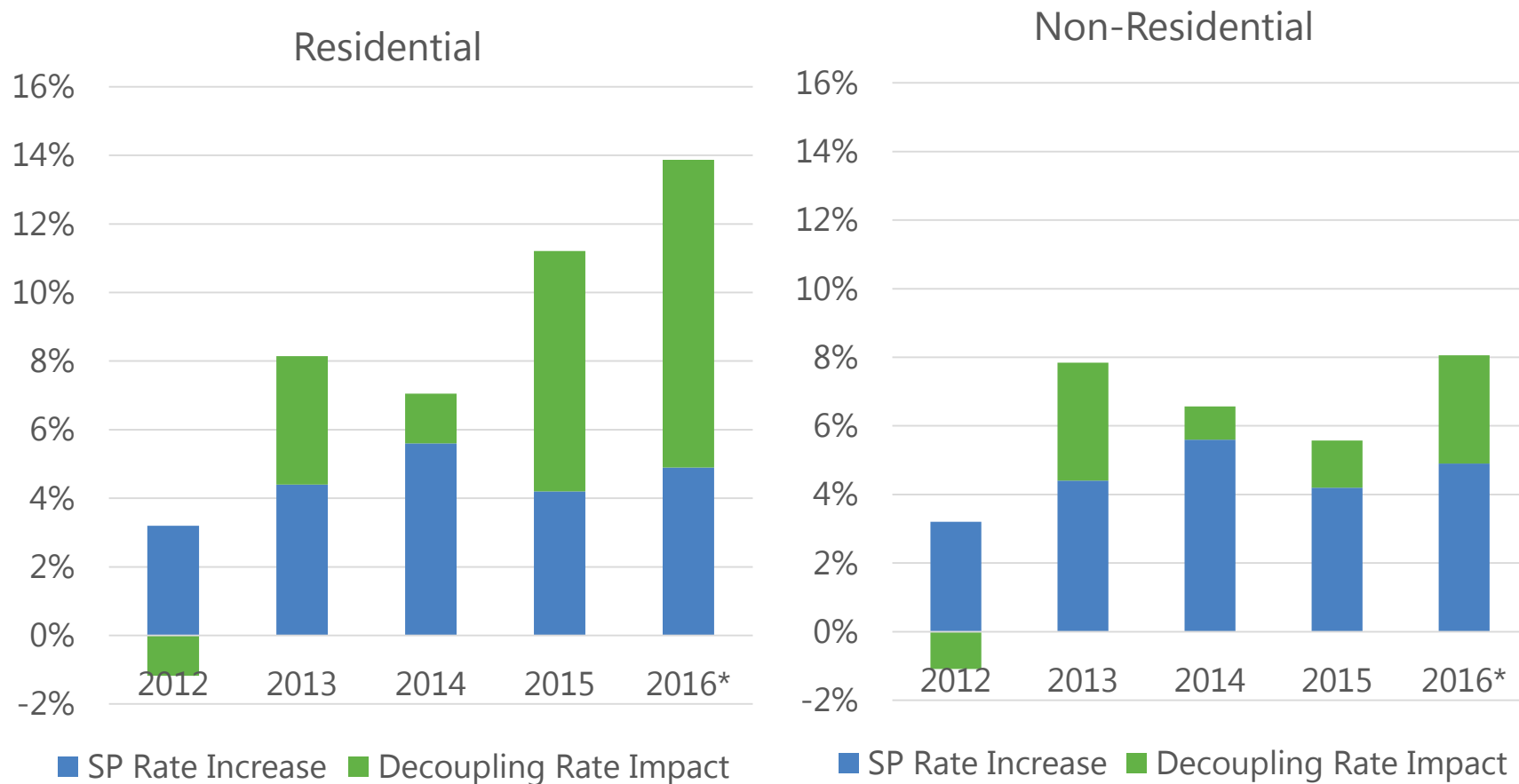
Decoupled Rates

- Puget Sound Energy (PSE)
- Avista (Spokane)
- Los Angeles (LADWP)
- Portland General Electric
- Pacific Gas & Electric (PG&E)

Not Pursuing Decoupling

- Sacramento (SMUD)
- Tacoma Power
- Chelan PUD
- Colorado Springs
- Austin Energy

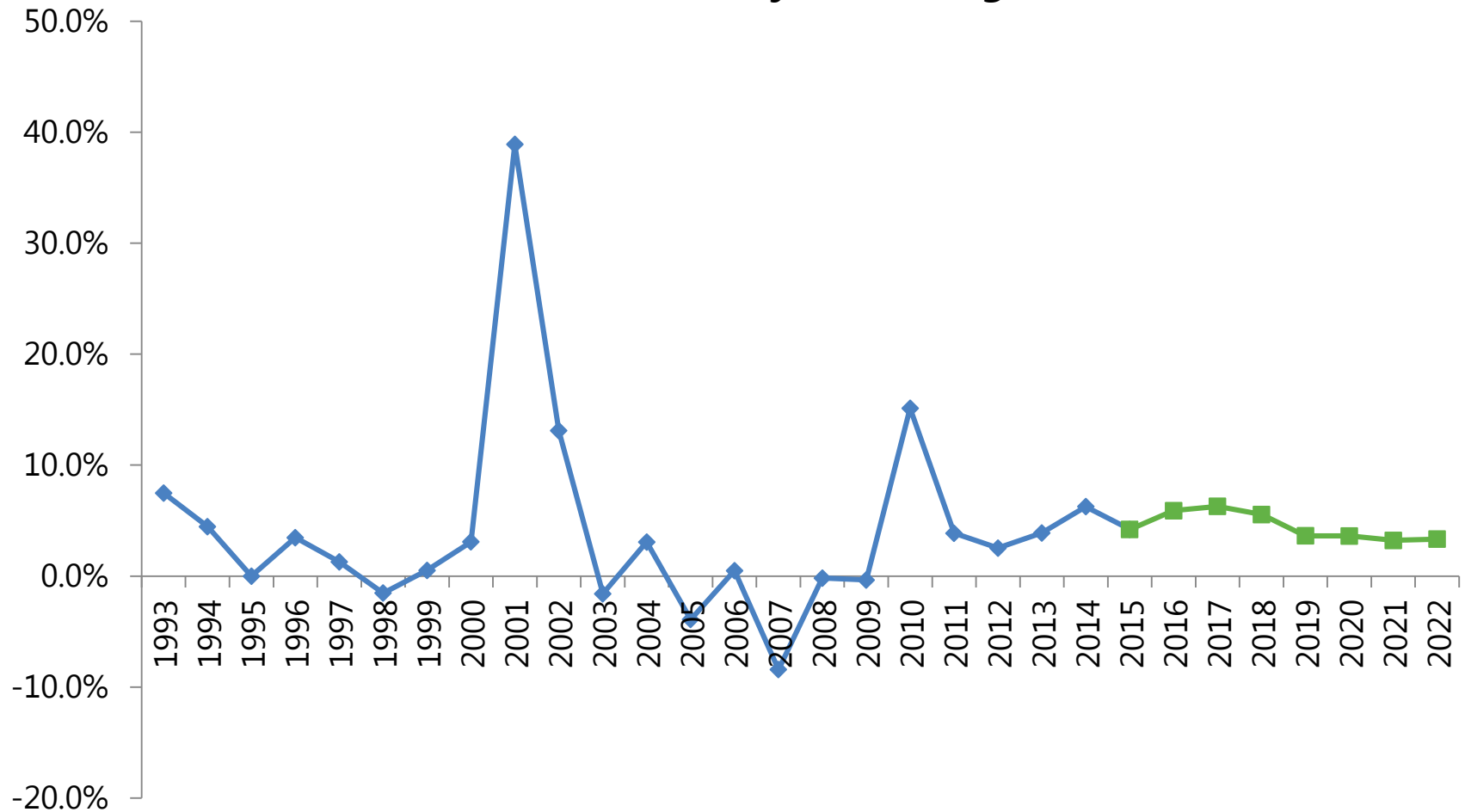
BACKCAST: RATE IMPACT OF DECOUPLING



Passing through revenue risk would mean much less stable rates.

RATE PREDICTABILITY

Rate Increases - History vs. Strategic Plan



DECOUPLING

Discussion Questions

Is decoupling a good solution to manage the utility's revenue swings?

If decoupling reduces bill predictability for customers, is this an acceptable tradeoff?

REVIEW: RATE ~~TRANSPARENCY~~ UNBUNDLING

Residential

Current:

	Rates	Revenue
Basic Charge (\$/mo)	\$5.05	\$21 M
First Block (¢/kWh)	7.8¢	\$108 M
Second Block (¢/kWh)	13.2¢	\$156 M
		\$285 M

Expected Scenario

Unbundle + Restructure energy blocks:

	Rates	Revenue
Basic Charge (\$/mo)	\$5.05	\$21 M
Energy (¢/kWh)	3.5¢	\$91 M
Delivery (¢/kWh)	5.9¢	\$151 M
Public Benefit (¢/kWh)	0.9¢	\$23 M
		\$285 M

Low Sales Scenario

Revenue
\$21 M
\$106 M
\$135 M
\$261 M

Revenue
\$21 M
\$84 M
\$140 M
\$21 M
\$266 M

~\$5M more revenue collected

STRATEGIC APPROACH TO RATE POLICY

Next steps:

1. Present new retail sales forecast
2. Strategic plan & rate path
3. Long-term rate policy goals (strategic initiative)

Unbundled rates?

All customers pay same energy rate?

Minimum charge?

Fixed basic charge collects 100% of cost of grid connection?

Per-kwh charges that sustainably support EE and net metering?

New rate classes?



Seattle City Light is dedicated to delivering customers affordable, reliable, and environmentally responsible electricity services