Rate Design Themes – Public Feedback

Presented for Discussion at November 27, 2018 Review Panel Meeting

Theme	Suggestions (Source)	Discussion
Offering Customer Choice	Offer multiple rate options like default Time of use (TOU), traditional flat kWh rate, market rate etc - Keller Offer choices to customers -Meade Offer Market or Energy Imbalance Market (EIM) pricing - Keller Gradualism with options for early adopters -Keller Don't offer short pilot projects because these don't support financing - Keller Offer demand response/interruptible rate – Manufacturing and Industrial Council (MIC) Offer green premium power option - Harmon	Try rate pilots? (How long?) Should we offer opt-in pricing? What pricing options to consider? TOU, flat rate, market rate, super green, etc.
Time-based Rates	Expand use of TOU rates - Price, King County (KC) TOU rates should be default rate - Keller Introduce critical peak pricing - Keller, NW Energy Coalition (NWEC) Need bigger gap between off peak and peak rates to incentivize heating and charging off peak (4¢ off-peak, 15¢ peak/off-peak gap) - Keller TOU rates don't help us because we have a flat load profile - Sabey I don't know if time of use rates are appropriate for SCL - Harmon	Offer TOU rates? For some customers or all? Look at tradeoffs between TOU and demand charges?
Demand Charges	Demand charges very low and energy charges are high compared to other places - Sabey, KC Demand charges are bad. People don't understand, hard to translate to behavior/investment - Keller Differentiate flat and variable commercial loads, flat load profile customers should get lower rates – Sound Transit (ST)	
Residential Block Rates	Make first block bigger, reconsider size - NWEC, Karp Cap second block and add third block - NWEC Two-block residential rate disincentivizes residences from switching fuel to electricity -Keller	
Fixed Charges	Resist allure of high customer charge, not transformative - Price Customer charge should only cover costs related to customers- analyze costs included - NWEC Consider changing fixed charges to min charge like Arizona - Keller Keep basic customer charge low because high fixed charges hurt low income - NWEC, Karp	

	Higher fixed charges may solve a short-term problem, but they increase long run marginal costs because they reduce energy efficiency (EE) and distributed generation (DG). SCL does not need to increase fixed charges to protect itself from competition - Harmon	
Decoupling	Expand Rate Stabilization Account (RSA) to residential - Price, NWEC RSA for commercial/decoupling for residential - Price, NWEC, Harmon The best way to get stable rates is decoupling and aggressive EE - Harmon No decoupling, especially not for industrials - MIC	
Change Customer Classes	General service rate class divisions cause inefficient behavior. Consider creative policy (e.g. narrow gap, grace period, rachet) to eliminate this barrier to customers making efficiency investments - KC Consider cost of service (COS) difference between single- family (SF) and multi-family (MF), should they be separate rate classes? - NWEC	
Incentive Decarbonization/ Electrification	Two-block residential rate disincentivizes switching to electricity from fossil fuels - Keller Rate design should incentivize electrification, e.g. lower rate (1st block) for adopters of electrification, e.g. heat pump - Keller Transit rate, e.g. fleet buses – encourage transportation electrification - ST Rates to facilitate transportation electrification and decarbonization - Price Align rate design principles with climate goals for city: carbon neutrality - Keller Current rate design shelters customers from what is going on, customers want to do more - Keller	
Incentivize Economic/Social(?) Outcomes	Separate rates for industrial (?) Rates to encourage small businesses (e.g. free energy for 3 years) - Latino Chamber Public agency rate - KC Competitive rates needed for industrials to be competitive in global market - MIC	
Outside Scope of Rate Redesign Initiative or Phase II (proposed)		
Valuation of efficiency and DER	Study non-wire solutions (including from 3rd parties) to address system improvement needs (U-District) - Keller Revalue energy efficiency as a foundation for a distributed energy resource future - Price Consider micro grids - Brombaugh	
Prepare for disruption and decentralized grid	Look to behind the meter services - Meade Public/private partnership - Meade Prepare for distributed energy resources (DERs) - Price Allow those generating power to sell it directly to other customers - Sabey, Meade	
Suburban Franchise Cities	Higher Tukwila rates should be same as Seattle - Sabey	

	Are franchise city customers being double taxed? - Sabey Suburban rates should subsidize Seattle City rates - voters should get lion's share of benefits of public utility - NWEC Cost of service in Suburbs might be higher, they should get a higher rate - NWEC	
Consider impact on low income households	Rate design could have negative impacts on low income - Karp Do not pit low income against DG and environmental interests - Karp Redesign the Utility Discount Program (UDP), sliding scale - Karp Prioritize whole house weatherization - Karp	
Other	Seattle should be a leader on rate design (?) Analyze why Puget Sound Energy (PSE) rates are different (Res 85% of PSE, Industrial 76% of PSE)	
Communication/education	Education is essential element if one wishes to help folks understand that when the weather changes, so will their energy bills - Harmon	
Managing capital and financing	1.5x debt coverage ratio - NWEC Lower capital requirements - Price, Karp	
Managing revenue requirement	Long-term revenue requirement is more critical than rate design - Price	
Industrial installation charges	Paid for feeders back to substation, not recognized in rates? (Sabey)	
Rooftop solar policy	Offer large scale net metering (Sabey)	
RSA sizing (liquidity)	Reduce the size of the RSA (MIC)	
Efficiency programs	Decoupling does not solve the "lost unit" issue with EE and DG. MEETS (EEaas) does solve those issues and should be expanded significantly and soon. (Harmon)	

Rate Design Public Feedback Participants

Participant	Organization	Oct 9	Oct 23	Written Comment
Jeremy Keller	Ameresco	X		
Stan Price	Putnam Price Group	X		
Joni Bosh	NWEC	X		
Amy Wheeless	NWEC	X		
Bonnie Hemphill	A&R Solar			
Jessica Rose	Sound Transit	X		
Mikel Hansen	Sabey Corporation		X	
John Sasser	Sabey Corporation		X	
Emiliano Sanchez-Pedraza	Urban Renaissance Group			
Brad Middleton	Urban Renaissance Group			
Dave Gering	Manufacturing Industrial Council (MIC)	X		
Marco Wanless	Seattle Latino Metro Chamber		X	
Joe Malaspino	Kidder Mathews	X		
Craig DeLalla	Sound Transit			
David Broustis	King County Dept Of Natural Resources & Parks		X	
Christina Arcidy	City of Shoreline			
Michael Karp	The Energy Project		X	
Cameron Findlay (observing only)	Seattle Public Utilities	X		
Maria Coe (observing only)	Seattle Public Utilities	X		
Thomas O'Keefe				X
James Adcock				X
Rob Harmon	Building Owners and Managers Association (BOMA)			X

Other Information

Rate Design Research Summary ESOURCE data (presented to Panel on 9.25.18)

Feedback on Rate Design (Residential Customers)

1. Greed and mistrust drives prices: electricity is perceived as a basic necessity with limited competition. As a result many utility customers believe price fluctuations are driven by greed.
2. Dedicated deal hunters. Many participants had a strong deal-hunting mentality. They believe that "every penny counts" and are willing to put in some extra effort in order to find the best deal.
3. Power outages are increasingly disruptive. More disruptive, costly, and painful today than in the past because our work and play is increasingly digital.
4. Fairness of energy pricing is polarizing. Some consumers believe they're being charged clearly and fairly for energy. However another group lacks clarity and understanding on how energy pricing works.
5. Willing to partner with utilities to save. Customer are willing to sacrifice some level of convenience or put in extra effort to save money. The general idea of helping energy utilities conserve in exchange for savings was universally popular.
6. Spotlight on peak time energy programs. Customer don't like the idea of peak-time programs because they have to give up too much control, especially those who stay home during the day.
7. Spotlight on TOU programs. TOU programs piqued interest because they provide more control over how/when savings occur. Some would like to see "flash sales" where they could partake in an energy "sale". (But wouldn't be tied to the program 24/7)
8. Resistance and hesitation to try new rate design. Some people are enrolled in special rate programs but feel the process of how it works was not properly explained to them; or they don't clearly see how they benefit or a direct impact on their bill.

City Light Specific Customer Feedback (From 9.25.18 Rate Design Research Summary presentation)

1. No relationship with my utility: autopay, basic
2. Relationship is a bill to be paid
3. Don't have my best interest at heart
4. Make people feel bad for using electricity (cold weather)
5. Good when they help me save energy/money
6. Pretty quick with outages
7. Billing: want email/less paper, autopay, wish I could use a credit card
8. Want to know where my electricity is coming from
9. Simplify language, messaging, line items
10. Wish it were cheaper

Rate Design Concepts (From 9.25.18 Rate Design Research Summary presentation)

1. Bill redesign. How can we create a bill that contains information consumers find valuable/informative?
2. Choice design. Customers resent utility monopoly, feel they can't do anything about the rates we set. How might we design billing options to help customers feel empowered?
3. Rewards for rate or bill engagement. Can we reward customers for behaviors that are valuable? (e.g. reward programs)
4. Community rewards. How can we create communities around energy?
5. Energy as a service. Sell end use, cell phone model, leverage data. (Warm house, cold beer)

Rocky Mountain Institute Article on Rate Design

https://rmi.org/blog_2016_05_17_moving_to_better_rate_design/