

**SUMMARY and FISCAL NOTE\***

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*\* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

**1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to the City Light Department; amending rates, terms, and conditions for the use and sale of electricity supplied by the City Light Department for 2022, 2023 and 2024; amending Sections 21.49.020, 21.49.030, 21.49.052, 21.49.055, 21.49.057, 21.49.058, 21.49.060, 21.49.065, 21.49.083, 21.49.085, and 21.49.086 of the Seattle Municipal Code.

**Summary and Background of the Legislation:** This ordinance codifies new 2023 and 2024 rates for all City Light retail customers. The rates reflect an average of 4.5% increase on January 1<sup>st</sup> in both 2023 and 2024 as outlined in City Light’s 2023-2028 Strategic Plan.

The new rates also reflect an updated cost of service study, resulting in different average rate increases by customer classes due to changes in the cost of service and consumption profiles. Below are the average rate increases by customer class.

2023	Total	Residential	Small	Medium	Large	High Demand
Non-Network	4.7%	5.7%	5.6%	3.9%	4.4%	2.7%
Network	1.4%			1.7%	1.2%	
<b>System-wide</b>	<b>4.5%</b>	<b>6.0%</b>	<b>5.6%</b>	<b>3.3%</b>	<b>3.4%</b>	<b>2.7%</b>
2024	Total	Residential	Small	Medium	Large	High Demand
Non-Network	4.8%	5.0%	4.7%	4.7%	4.6%	4.7%
Network	1.4%			1.7%	1.2%	
<b>System-wide</b>	<b>4.5%</b>	<b>5.3%</b>	<b>4.7%</b>	<b>4.0%</b>	<b>3.0%</b>	<b>4.7%</b>

Residential and small general service customers have higher rate increases primarily because of higher customer and delivery costs, which make up a larger proportion of their bills. The increases for Downtown Network customers are lower due to reduced work on network infrastructure compared to past years, however, Network rates remain well above those for other customers. High Demand customers have a lower-than-average 2023 rate increase due to changes in consumption patterns and lower growth in energy costs, which make up a higher proportion of their bills.

The new rates also incorporate the below policy/strategy recommendations based on the 2019 rate design study jointly completed by City Light and the City Light Review Panel:

1. Introducing a base service charge for non-residential customers starting in 2023.

2. Introducing optional time-of-day (TOD) rates for residential, small general service and medium general service customers in 2024 and optional commercial charging rates for medium and large general service customers.

Non-residential base service charges are set to recover 25% of full customer costs in 2023 and 50% in 2024. Full customer costs include the total costs for metering, billing, collecting payments and providing customer service.

Optional TOD rates are a three-period rate that is similar in format to the current TOD pilot rates. For planning purposes, a 10% adoption rate and 5% peak/off-peak load shifting was assumed for each customer class. There is some risk of revenue under collection if TOD adoption is significantly higher or load shifting occurs much greater than planned but the amount is well-within typical fluctuations in retail sales.

Residential rates reflect gradually increasing the base service charge and putting the remaining increase through the first block charge, leaving the second block rate unchanged. This is consistent with City Light's approach to residential rate design over the past 6 years. The monthly base service charge is increased from \$6 in 2022 to \$7 in 2023 and then to \$8 in 2024. This represents less than 50% recovery of full customer costs through the customer charge.

Except for introducing a base service charge, the rate design for Small General Service and Medium General Service remains unchanged.

Large General Service and High Demand General Service rates are already on default time-of-day rates. The new 2023 and 2024 rates gradually increase the peak energy rates and decrease the off-peak energy rates to provide stronger price signals for customers to shift usage to off-peak periods, consistent with the optional time-of-day rates. The time periods for peak and off-peak rates remain unchanged.

This ordinance also simplifies how rate schedules for customers outside the City of Seattle are codified. Currently, almost all jurisdictions have their own rate schedule. Starting in 2023 all customers outside of the City of Seattle will be assigned the Suburban rate schedule and then the rates will be adjusted for franchise differentials, municipal taxes and undergrounding charges based on which jurisdiction the customer receives service in. This will reduce the amount of individual rate schedules, and ease the introduction of optional rates.

SMC 21.49.086.C stipulates that the Net Wholesale Revenue (NWR) forecast used in the Rate Stabilization Account (RSA) should be the same assumptions as used for rates and budgeting. Therefore, this legislation sets the NWR forecast for years 2023-2028 consistent with the assumptions in the 2023-2028 Strategic Plan. If needed, years 2025-2028 can be amended by future rate ordinances.

This ordinance also makes program modifications to the Large Solar Program to extend the enrollment period indefinitely, expand eligibility requirements for net metering, and update the export rate that customers are credited for excess solar generation they put back on the grid.

The 2022 rate changes shown in this legislation reflect the 0.19 cents per kWh BPA Passthrough credit that went into effect January 1, 2022.

**2. CAPITAL IMPROVEMENT PROGRAM**

Does this legislation create, fund, or amend a CIP Project?       Yes  No

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

Does this legislation amend the Adopted Budget?       Yes  No

Appropriation change (\$):	General Fund \$		Other \$	
	2022	2023	2022	2023
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2022	2023	2022	2023
		\$2,640,000		\$44,000,000
Positions affected:	No. of Positions		Total FTE Change	
	2022	2023	2022	2023

**Does the legislation have other financial impacts to The City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?**  
 City Departments will have slightly higher electricity bills.

**Are there financial costs or other impacts of *not* implementing the legislation?**  
 Not implementing the legislation would reduce the funding available to support City Light’s 2023 and 2024 operations and would significantly impede the utility’s ability to meet its financial performance targets and/or level of service to its customers.

**3.a. Appropriations**

This legislation adds, changes, or deletes appropriations.

**3.b. Revenues/Reimbursements**

This legislation adds, changes, or deletes revenues or reimbursements.

**Anticipated Revenue/Reimbursement Resulting from This Legislation:**

Fund Name and Number	Dept	Revenue Source	2022 Revenue	2023 Estimated Revenue
Light Fund	City Light	Retail Revenue		\$44,000,000
<b>TOTAL</b>				

**Is this change one-time or ongoing?**

City Light rates are ongoing, and are expected to be updated every year as outlined in the Adopted 2023-2028 Strategic Plan.

**Revenue/Reimbursement Notes:**

**3.c. Positions**

This legislation adds, changes, or deletes positions.

**4. OTHER IMPLICATIONS**

**a. Does this legislation affect any departments besides the originating department?**

It will impact electricity rates paid by City departments and also increase the utility tax paid to the General Fund (see above estimate).

**b. Is a public hearing required for this legislation?**

No

**c. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

No

**d. Does this legislation affect a piece of property?**

No

**e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**

This legislation results in increases to all retail customers' electric rates and associated bills. Customers participating in the Utility Discount Program receive a 60% discount on their bills.

**f. Climate Change Implications**

**1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?**

No

**2. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

No

**g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)?**

NA

**Summary Attachments:**