

September 20, 2019

MEMORANDUM

To: Housing, Health, Energy and Workers' Rights Committee
From: Eric McConaghy, Analyst
Subject: Authorization of City Light's Pilot Programs – C.B. 119632

On September 24, 2019, the Housing, Health, Energy and Workers' Rights Committee (Committee) will receive a briefing, discuss and consider voting on [Council Bill \(C.B.\) 119632](#) that would authorize Seattle City Light (City Light) to offer pilot programs for rate design research purposes. During the meeting, City Light will describe several pilot programs in development in anticipation of receiving authority under this proposed legislation.

Description

Approval of C.B. 119632 would authorize City Light to offer pilot programs for rate design research purposes. City Light would not be required to request further authorization to implement the pilot programs.

The purpose of the pilot programs is to study the effects of new rate designs on a subset of customers to provide information about customer behavior before proposing future potential legislation to implement some of these new rate designs more widely. The purpose of the pilot programs is to inform City Light's future rate design proposals and to help avoid unintended financial consequences for customers and/or the utility.

Under the proposed legislation, City Light would be allowed to offer short-term pilot programs testing new approaches in the following two areas for rate design research:

1. Incentives in exchange for the ability to study customer consumption patterns associated with demand response programs; and
2. Rate discounts and services to assist low-income customers.

The pilot programs would include so-called "demand response" practices that may affect how customers use power. City Light expects to evaluate the effects of demand response practices such as time-of-use pricing, critical peak pricing or rebates, variable peak pricing, or direct load control.

In addition, C.B. 119632 would require that pilot programs must:

- A. Have a charter that defines research objective and specific evaluation criteria;
- B. Be offered to a defined subset of customers on an opt-in basis, with recruitment strategies that target historically under-represented populations;

- C. File precise terms and conditions for pilot participation in accordance with the provisions of [Chapter 3.02 of the Seattle Municipal Code](#), including opportunity for public feedback before program launch;
- D. Have a finite timeframe with an end date that occurs no later than 36 months from the program start, unless the program starts after December 31, 2025, in which case the end date is December 31, 2028;
- E. Hold pilot program participants harmless such that incentive/alternative discount structures do not prevail over regular adopted rates. Customers whose data and consumption practices do not create a discount under a pilot program as compared with their regular assigned rate will be charged according to their normal rate; and
- F. Report regularly to City Council on pilot status and performance.

Background

In July 2018, Council requested recommendations for an updated City Light rate design as part of the [Resolution 31819](#) adopting City Light's 2019-2024 Strategic Plan and endorsing a six-year path for rate changes. The City Light Review Panel and City Light staff responded to the request in a [rate design report dated April 1, 2019](#). The report included a description of City Light's plans to offer new customer rate designs in coming years to further City objectives including affordability and decarbonization.

Issues and/or Considerations

I have not identified issues regarding this bill for the consideration of the Committee.

Next Steps

If the Committee recommends approval of CB 119632 on September 24, then Council could take final action on the legislation as soon as September 30.

cc: Kirstan Arestad, Exec Director
Dan Eder Deputy Director