



COSTS AND REVENUE

June 27, 2017 Energy and Environment Committee Meeting

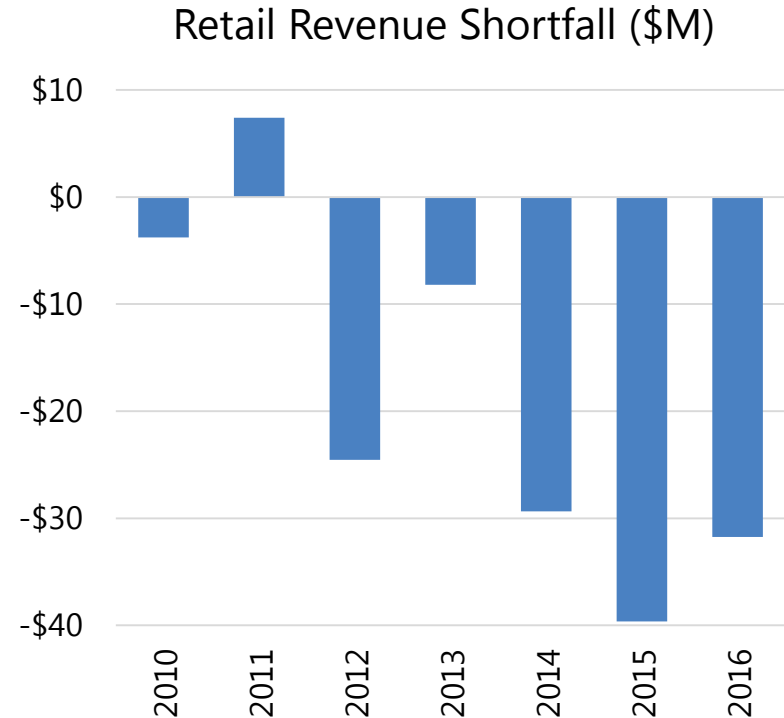
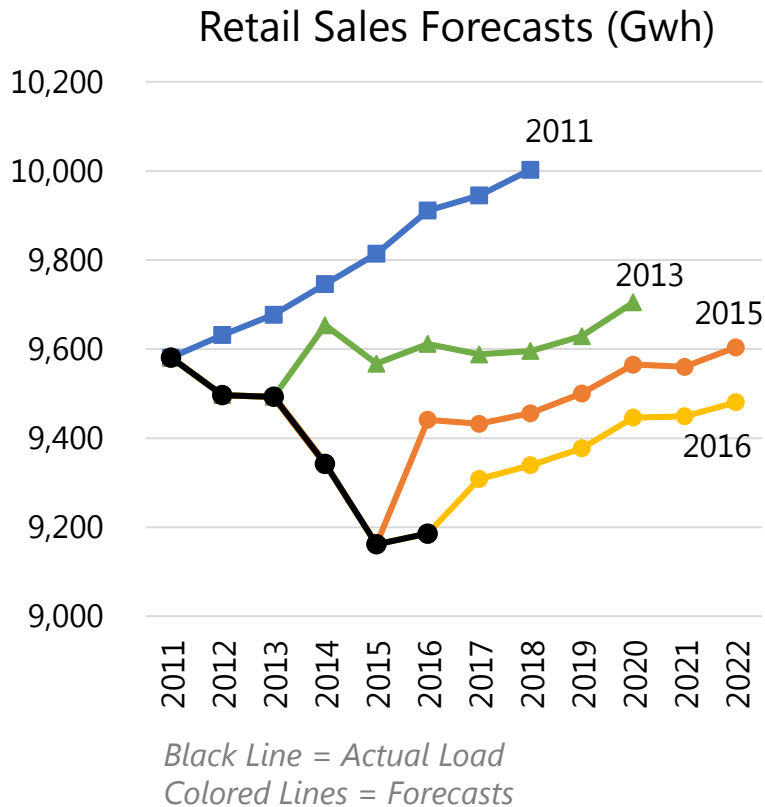
Paula Laschober, City Light Chief Financial Officer

Tony Kilduff, Council Central Staff

AGENDA

- Previously:
 - Declining retail sales
 - Need to collect \$30M more annually --> rate pressure
 - Current rate design amplifies retail revenue swings
- Today:
 - Policy options for revenue stabilization
 - To inform rates starting in 2019
- Future presentations:
 - Electrification (revenue) opportunities
 - Retail sales forecast improvements

REVIEW: DECLINING SALES, REVENUE SHORTFALL



Forecast adjustment is an immediate fix, policy changes are an option to improve stability for the long-term

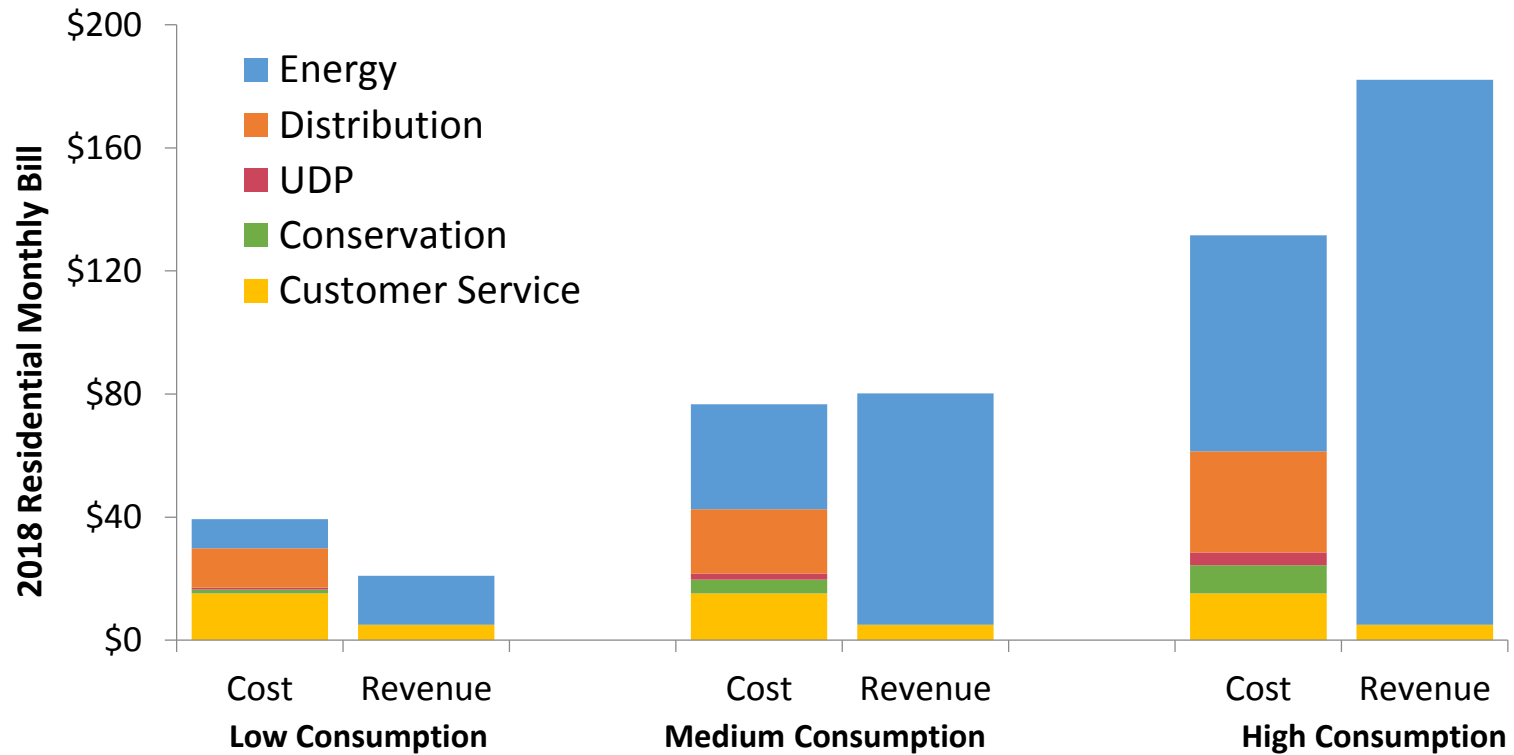


RATE POLICY OPTIONS

1. Re-balance Rates
 - Increase fixed charges
 - Adjust residential block
2. Rate True-Ups
 - Decouple revenue from sales
3. Both
4. Neither

REVIEW: COST AND RECOVERY

Cost of Service and Cost Recovery



Customer use trending this way

INCREASE PER-CUSTOMER CHARGES?

Pros: Stabilizes revenue/bills, spreads fixed costs more evenly

Cons: Lower incentive for efficiency and solar

Residential City*	Today	Example
Base Service Charge	\$5/month	\$10/month
First Block** (\$/kWh)	7.8 ¢/kWh	7.5 ¢/kWh
End Block (\$/kWh)	13.2 ¢/kWh	12.5 ¢/kWh

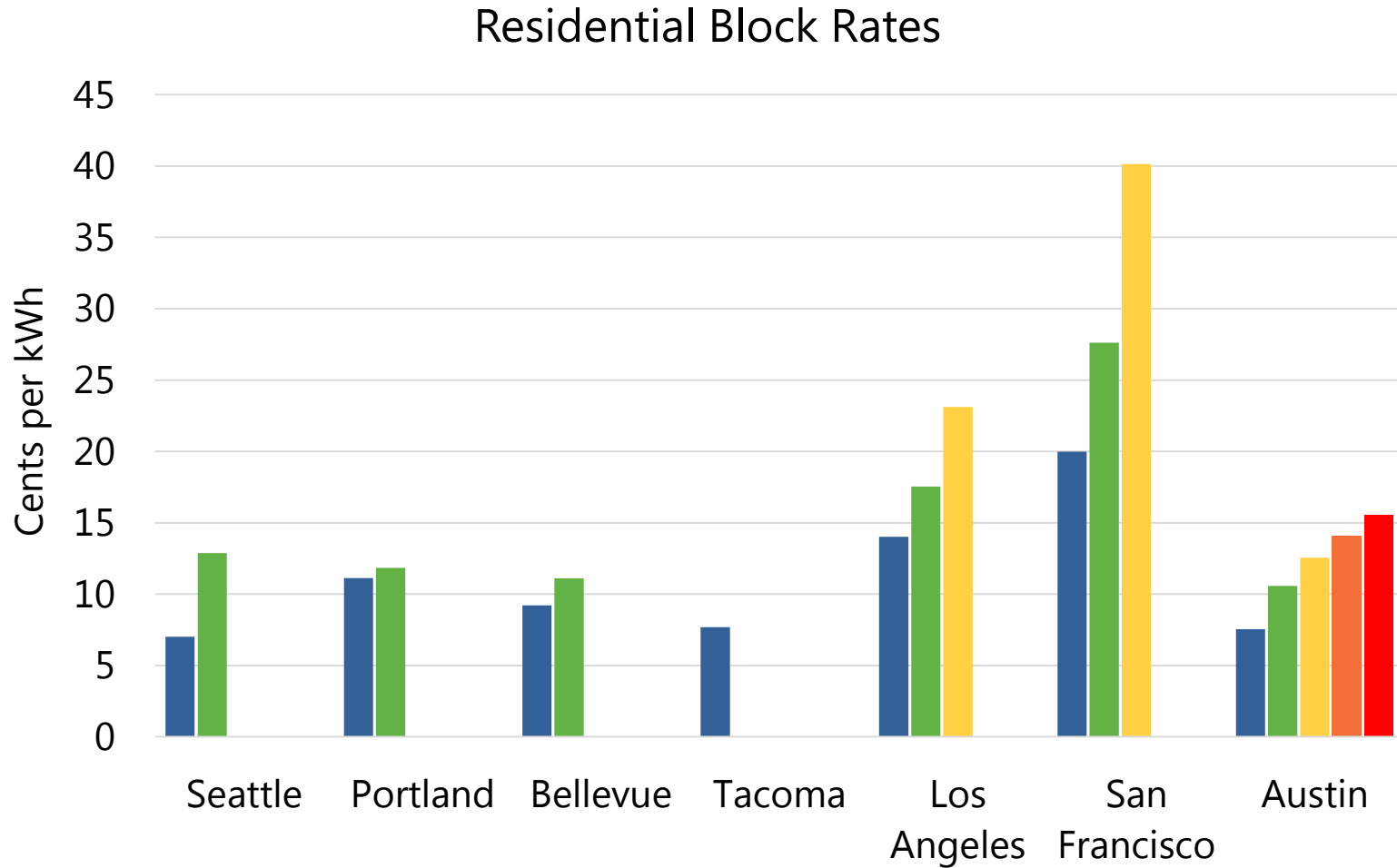
*2017 rates with 1.5% RSA surcharge

** First block per-month kWh: 480 winter, 300 summer

*Just an
example, not a
proposal*

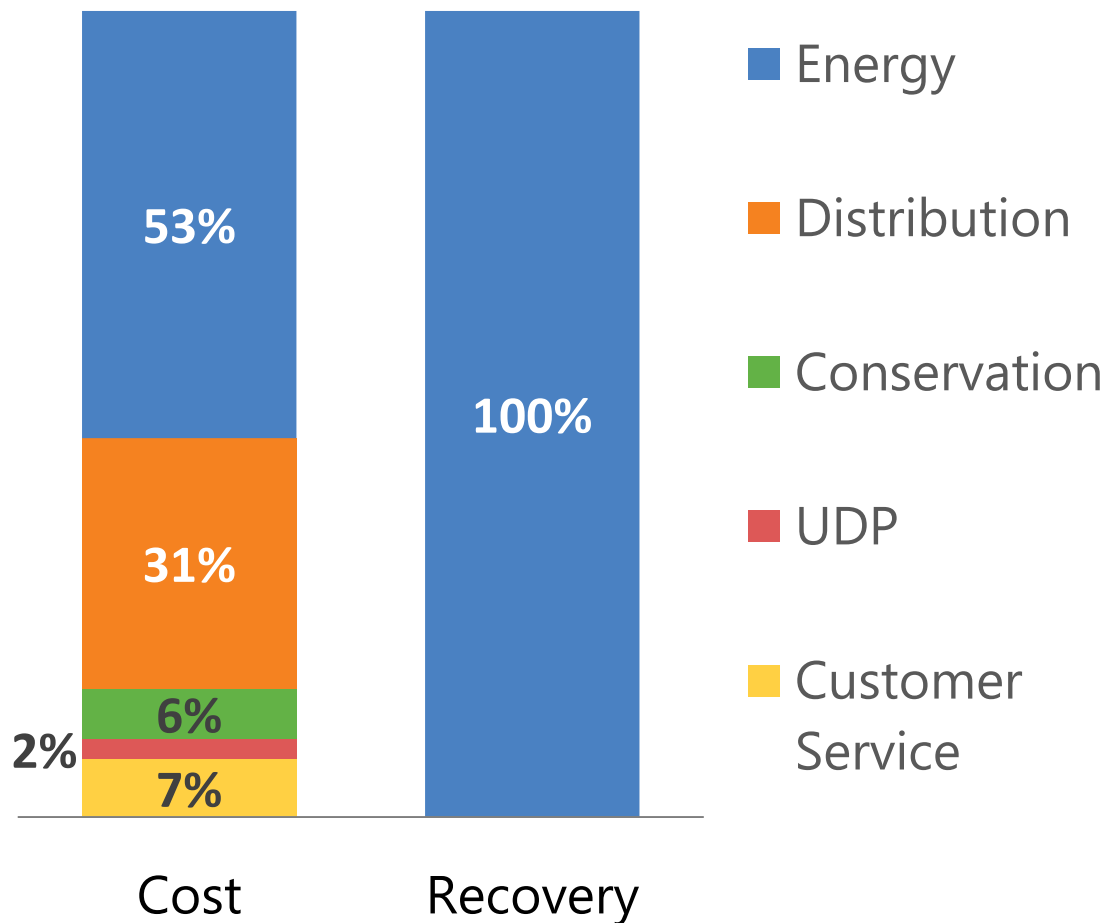


RESIDENTIAL BLOCKS



NON-RESIDENTIAL VIEW

SMALL GENERAL SERVICE COSTS VS REVENUE



RATE TRUE-UPS (DECOUPLING)

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

Decoupling

Retail Sales kWh



Retail Revenue \$

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



TAKEAWAYS

- Flat/declining retail sales
 - Revenue uncertainty/shortfalls and rate pressure
 - Cost/revenue drivers not balanced very well
- Rate policy options
 - Rate design
 - True-up mechanisms
- Could rebalance rate structures over time
 - Slowly stabilize revenues
 - Preserve price signal for efficiency



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



Seattle City Light