COSTS AND REVENUE

June 13, 2017 Energy and Environment Committee Meeting

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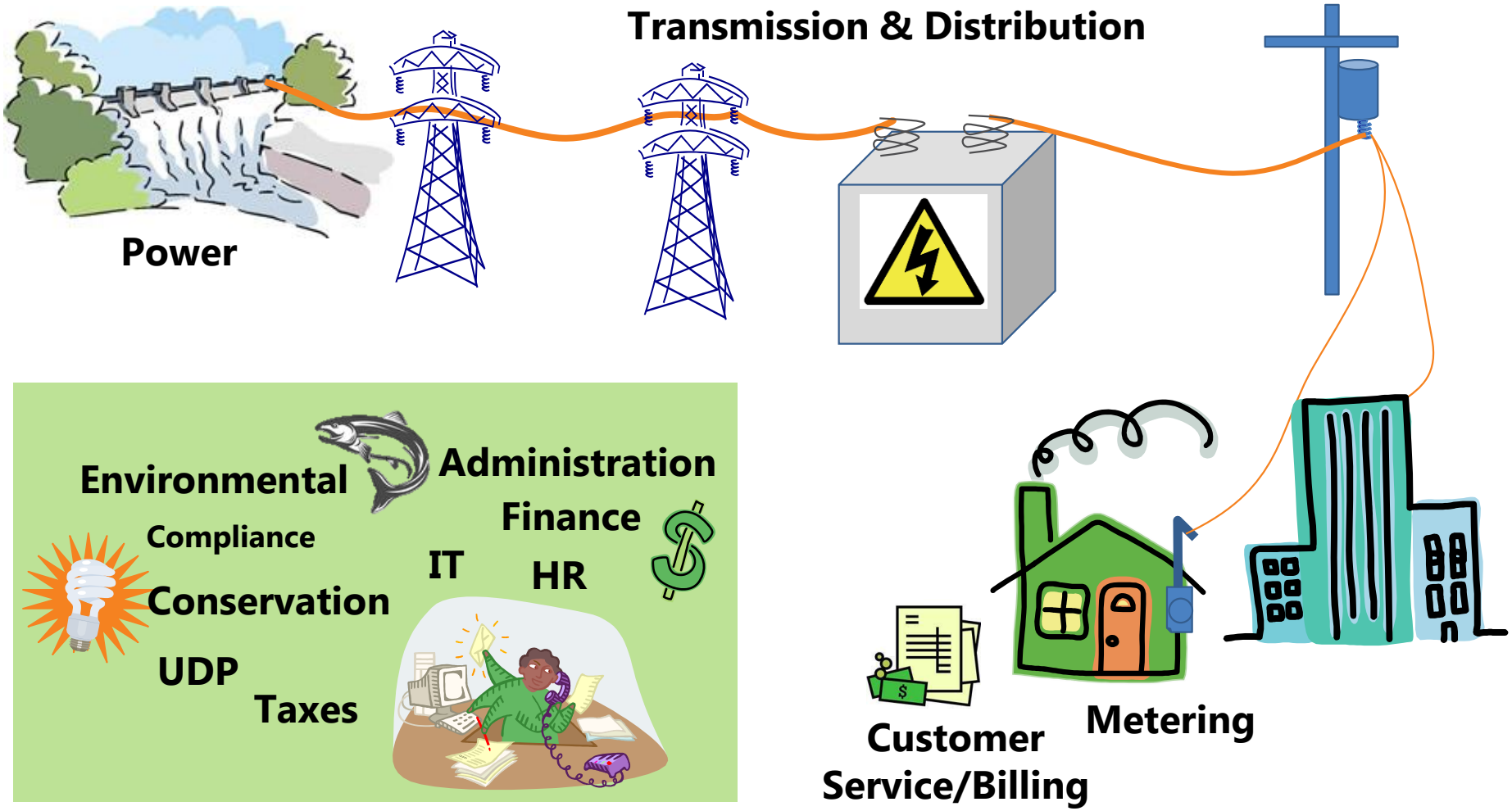
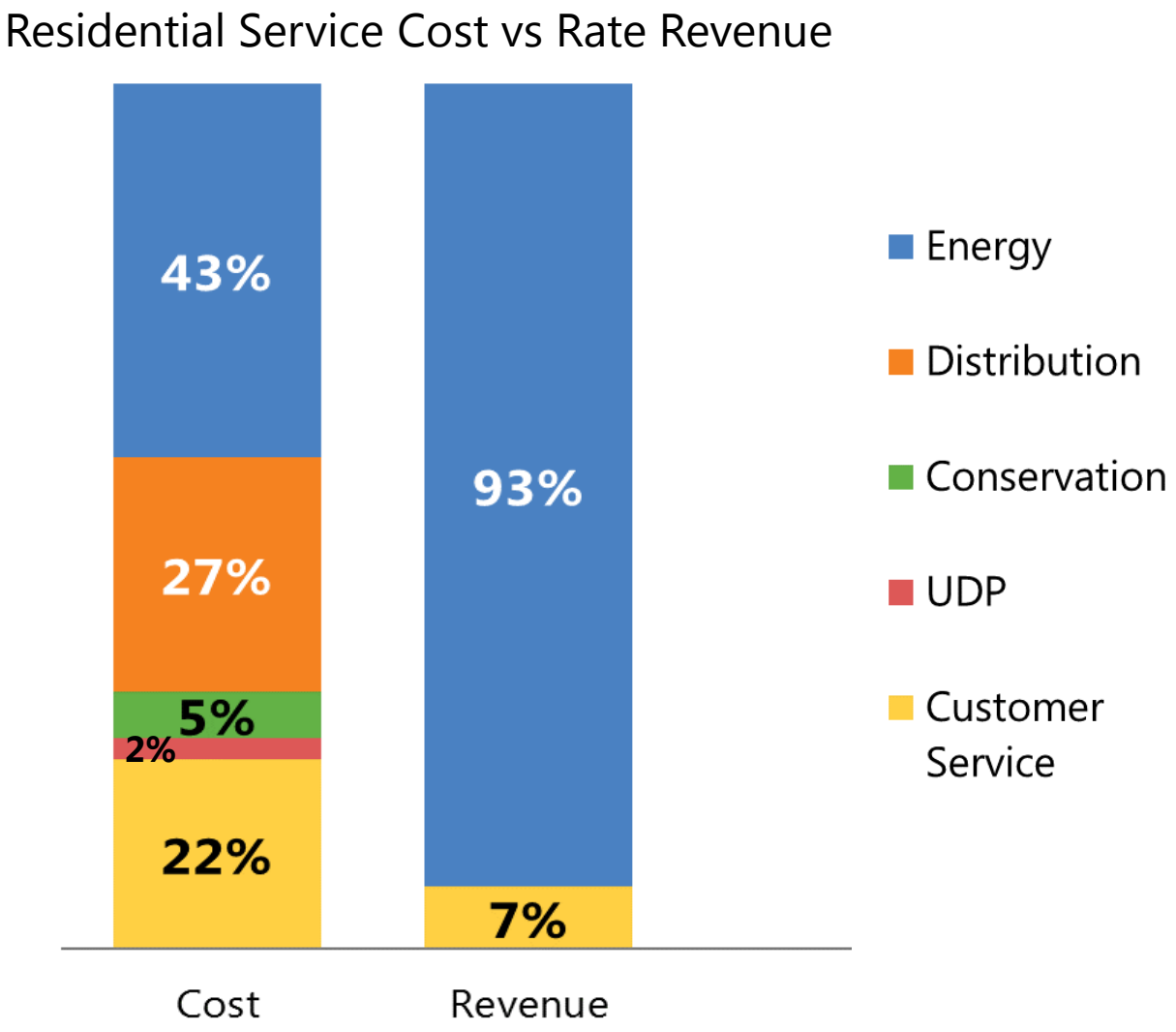
AGENDA

- Last time: declining retail sales, $133M shortfall
- Today: costs and revenue
- Future presentations:
  - Retail sales forecast improvements
  - Options for stabilizing revenues
    - True-up mechanisms
    - Rate design
  - Electrification (revenue) opportunities

ELECTRIC SERVICE



COSTS VS REVENUE



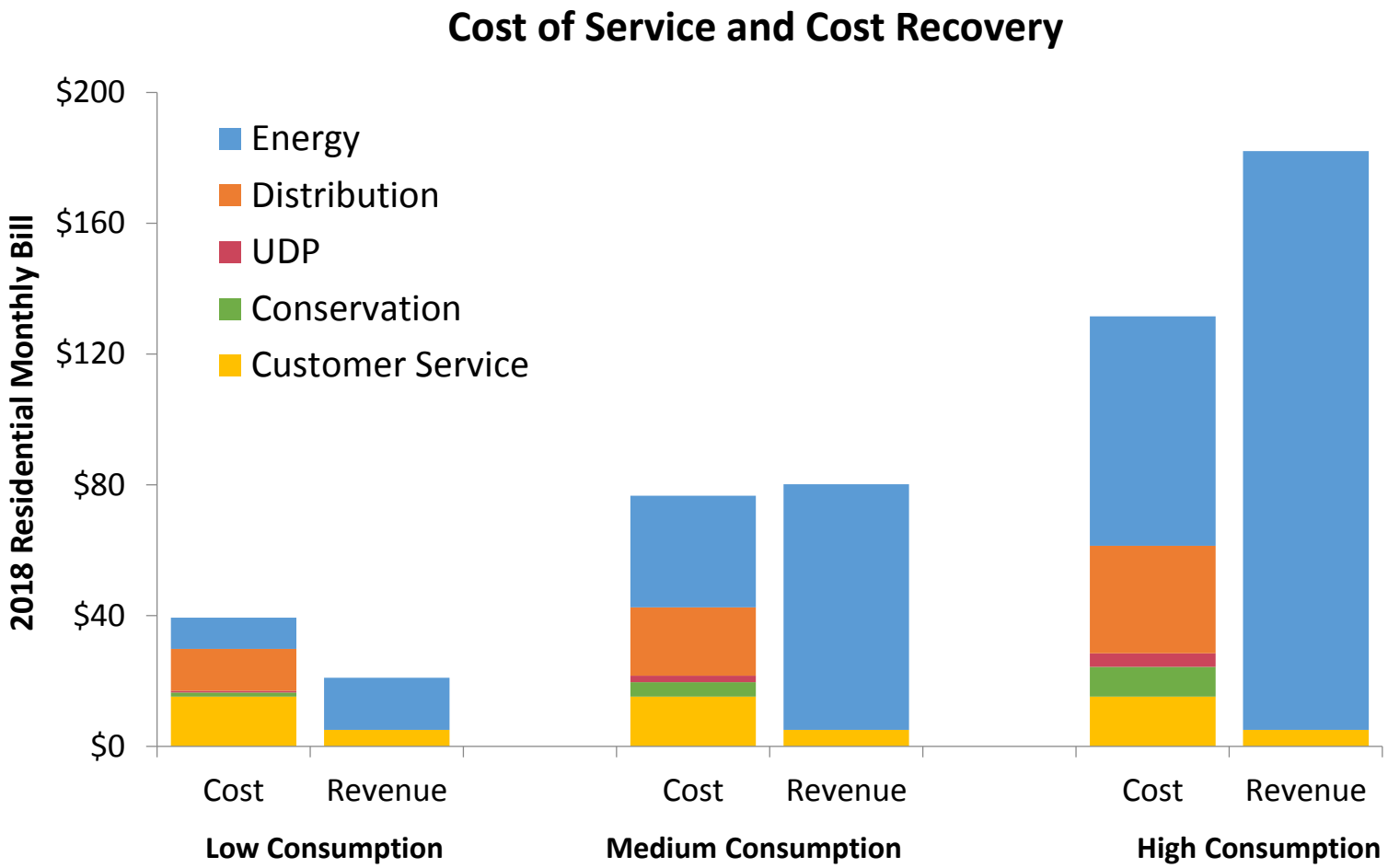
RESIDENTIAL RATE STRUCTURE

Residential City*	
Base Service Charge	16.61 ¢/day ~$5/month
First Block** ($/kWh)	7.82 ¢/kWh
End Block ($/kWh)	13.20 ¢/kWh

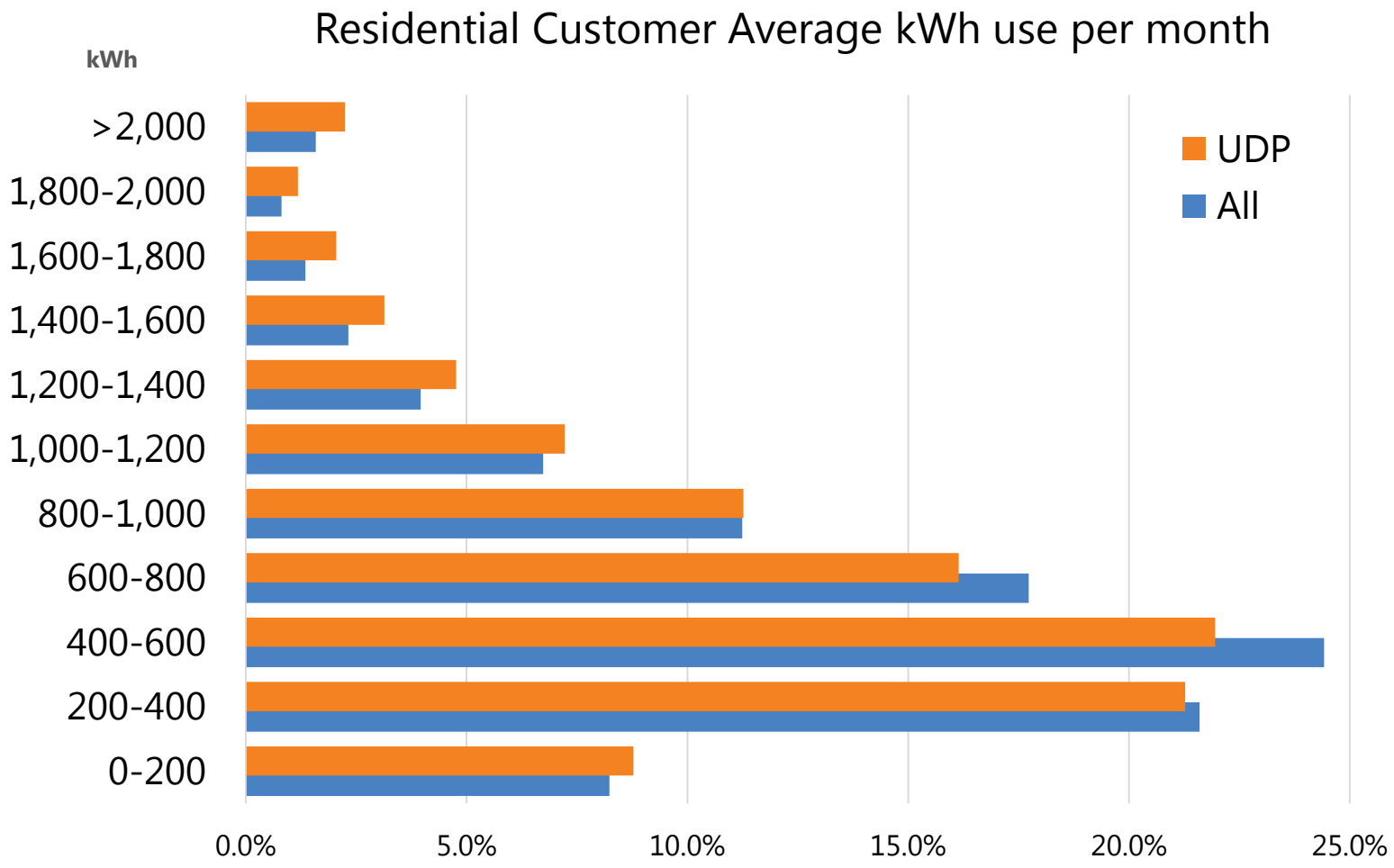
**2017 rates with 1.5% RSA surcharge*
*** First block kWh: 480 winter, 300 summer*

Reminder: Rates are set to generate just enough revenue to recover costs.

COST AND RECOVERY



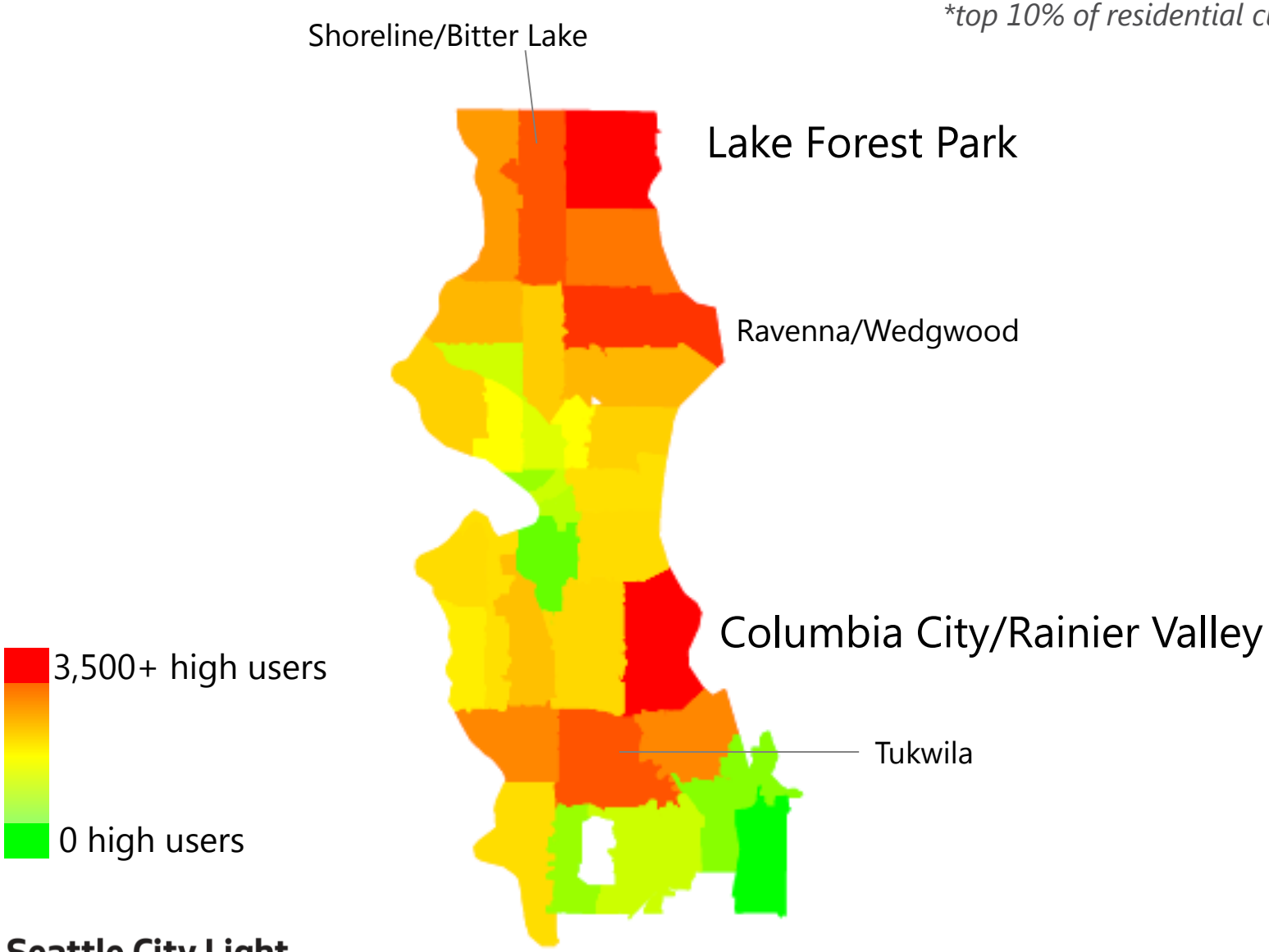
RESIDENTIAL CUSTOMER USE PROFILE



Based on 2015 customer consumption

WHERE ARE THE HIGH* USERS?

*top 10% of residential customers



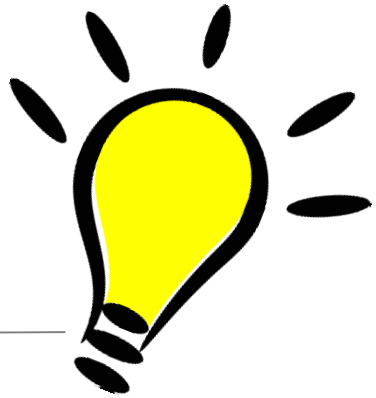
REVENUE IMPACT OF EFFICIENCY

13¢ /kWh residential rate

- 2¢ /kWh wholesale price

- 1¢ /kWh taxes

10¢ /kWh cost not recovered



- Gap between retail rate and wholesale market value has widened, amplifying revenue recovery impact of each kWh (not) sold.
- Better forecasting will help, but won't completely solve revenue volatility problem.

INCREASING PER-CUSTOMER CHARGES

Why people like this idea:

- More bill/revenue certainty
- Spreads fixed costs more evenly

Why people dislike this idea:

- Lower price incentive for conservation
- Longer pay-back for solar installation
- Impacts for low use (≠ low income) customers

TAKEAWAYS

- Electric service more than just electricity
- Flat/declining retail sales
  - Revenue uncertainty/shortfalls
  - Rate pressure
- Future discussion: rate policy options
  - Rate design
  - True-up mechanisms


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