

September 20, 2019

MEMORANDUM

To: Housing, Health, Energy and Workers' Rights Committee
From: Eric McConaghy, Analyst
Subject: Authorization of changes to City Light rates and charges – C.B. 119633

On September 24, 2019, the Housing, Health, Energy and Workers' Rights Committee (Committee) will receive a briefing, discuss and consider voting on [Council Bill \(C.B.\) 119633](#) that would authorize three changes to Seattle City Light (City Light) rates and charges.

Description

Approval of C.B. 119633 would amend City Light rates and fees in three ways: (1) the rate for City of Burien (Burien) customers; (2) the automatic cost adjustment related to Bonneville Power Association (BPA) costs; and (3) charging station rental fees.

1. City of Burien rates

Consistent with a franchise agreement between the City of Seattle through the City Light Department and Burien, C.B. 119633 would amend Seattle Municipal Code (SMC) Sections [21.49.030](#), [21.49.052](#), [21.49.055](#), and [21.49.057](#) to increase City Light rates to customers in Burien. This action would enable City Light to generate revenue required to make an increased payment that Burien has opted to receive.

Seattle [Ordinance 124572](#) and [Burien Ordinance 605](#) authorized a franchise agreement in 2014 for the operation of an electric light and power system by City Light in the City of Burien. The franchise agreement grants City Light a non-exclusive franchise to operate within the City of Burien's right-of-way, and it establishes terms and conditions for how Seattle and Burien will work together on issues, including rates, fees, and operational requirements.

In consideration for Burien not exercising its right under state law to operate its own municipal electric utility ([Revised Code of Washington 35A.11.020](#)), Burien's franchise agreement currently requires that City Light make monthly payments to Burien equal to 4 percent of all rate revenue derived from City Light electric utility service to Burien customers. The franchise agreement also currently requires City Light to add a rate differential of 6 percent to the rates charged Burien customers. This rate differential is the difference in the rate charged by City Light to Seattle customers and the rate charged to Burien customers, not including any utility tax.

Under the franchise agreement, Burien may unilaterally choose to increase the rate differential from six percent to eight percent. In a [letter dated December 2018](#), Burien provided one-year notification to change the rate differential from 6 percent to 8 percent, effective January 1

2020. As a result of Burien's choice, City Light is required by the franchise agreement to change the rate differential added to Burien rates from six to eight percent and increase the payment to Burien from four to six percent of all rate revenue derived from City Light electric utility service to Burien customers effective January 1, 2020. This would raise rates approximately two percent for customers located within Burien city limits.

2. Automatic Bonneville Power Administration Cost Adjustment

City Light pays Bonneville Power Administration (BPA) for power and the transmission of power. This proposed legislation would amend [SMC 21.49.081](#) to change how City Light handles the automatic BPA cost adjustment that is triggered when BPA changes the rates charged to City Light.

Currently, SMC 21.49.081 provides that when BPA implements changed (new) rates for power and/or transmission services, City Light must calculate the difference between the cost estimate of BPA payments under the new rates and the cost estimate under the old rates for the subsequent 12-month period. Then, City Light must adjust rates for all City Light customers by a consistent, fixed per-kilowatt hour (kWh) amount such that the identified cost difference, including taxes, is collected from or credited to customers over the subsequent 12-month period. City Light must make the adjustment as soon as practical after BPA changes rates.

C.B. 119633 would change how City Light handles an automatic BPA cost adjustment by:

- Defining a "material difference" as a change to City Light's cost estimate for BPA services for the subsequent 12-month period amounting to more than \$1.5 million;
- Using the material difference as the threshold to implement the automatic cost adjustment; and
- Providing City Light three months from the start of the BPA rate change to implement the rate adjustment for City Light customers, rather than as soon as practical.

3. Charging station rental fees

Finally, Council Bill 119633 would add a new code section to the SMC establishing that:

- Electric vehicle charging facilities operated by City Light may be used by any member of the public;
- City Light shall design fees for use of such charging facilities to recoup the capital and operating cost of the charging equipment, plus the cost of electricity as determined by the relevant retail rate, plus appropriate taxes and overhead cost; and
- City Light may structure rental fees for using the charging facilities in any way that reflects cost of service, including per kilowatt hour (kWh), per minute, or flat fee.

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 119633 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