SEATTLE CITY COUNCIL
CENTRAL STAFF

September 4, 2024

MEMORANDUM

To: Sustainability, City Light, Arts and Culture Committee

From: Eric McConaghy, Analyst

Subject: Council Bill 120856: Seattle City Light Rates 2025 and 2026

On September 6, 2024, the Sustainability, City Light, Arts and Culture Committee (Committee) will discuss Council Bill (CB) 120856. CB 120856 would codify the 2025 and 2026 Seattle City Light (SCL) retail customer rates for power in the Seattle Municipal Code (SMC) 21.49, consistent with the Strategic Plan adopted and rate path endorsed by the Council via Resolution (RES) 32139 on September 3, 2024. CB 120856 would also amend subsections of SMC 21.49 in other aspects related to retail rates.

This memorandum identifies and describes primary changes to the SMC in the proposed legislation (the "key take-aways") and provides some background.

CB 120856: Key Take-aways

New Rates

- Codifies new retail rates for all SCL customers for 2025 and 2026;
- Codifies municipal utility taxes, franchise rate differentials, and undergrounding charges for 2025 and 2026;
- Shifts to a flat energy rate for all electricity for residential customers, away from block rates starting in 2025; and
- Updates the Large Customer Solar Export Rate beginning in 2025.

Technical Changes

- Renames Time-of-Day rates to Time-of-Use (TOU) rates;
- Makes TOU rates for net metering customers after SCL updates the billing system;
- Removes obsolete rate schedules for customers outside of Seattle;
- Updates the net wholesale revenue forecasts for 2025 and 2026; and
- Updates definitions.

More about Retail Rates

SCL's proposed rate changes for 2025 and 2026 would increase by 5.4 percent on January 1 of each year for all retail customer classes on average, per the endorsed rate path. SCL has calculated the proposed rate changes for each customer class based on the cost of service and use of power per customer class. These rate changes therefore vary by customer class. Table 1, prepared by SCL, provides a summary of average rate increases by customer class for reference.

Table 1: Average Rate Increases by Customer Class

2025	Residential	Small	Medium	Large	High Demand	Street Lights	System Average
All areas	4.3%	5.8%	5.7%	6.2%	4.4%	9.4%	**5.4%**
Non-Network	4.3%	5.8%	6.0%	5.7%	4.4%	9.4%	5.1%
Network[1]			4.7%	6.8%			5.9%
2026	**Residential**	**Small**	**Medium**	**Large**	**High Demand**	**Street Lights**	**System Average**
All areas	4.9%	5.8%	5.9%	6.0%	4.6%	8.8%	**5.4%**
Non-Network	4.9%	5.8%	5.9%	5.2%	4.6%	8.8%	5.3%
Network			5.9%	6.9%			6.5%

SCL proposes rate changes that incorporate revised cost of service evaluations per customer class. The effect would be to improve the fit between the actual time and resources being spent serving each class and the charged rates. These changes would proportionally increase rates more for non-residential customers than for residential customers.

The proposed rate changes for street lighting stand out from the other proposed rate changes. The City of Seattle, other public jurisdictions, and private customers pay SCL according to these rates for the service of street lighting. The proposed rate increases for 2025 and 2026 result mostly from increases in streetlight-specific infrastructure costs.

The proposal would complete SCL's collapsing of the existing block rates into a single, flat rate for residential customers. Currently, residential customers pay according to two block rates. The first block is the lower rate with a 10 kWh per day threshold in the summer (April – September) and a 16 kWh per day threshold in the winter (October – February). When a customer's use exceeds the threshold for the first block, the customer pays the slightly higher rate of the second block.

Since 2014, the successive rate ordinances have codified rate changes that have being closing the gap in cost between the first and second block rates. SCL proposes this change to better capture the revenue necessary to support these customers and to provide greater transparency to the customer on their bills. SCL estimates the proposed rates would increase the monthly bills for residential customers by about four dollars. For residential customers enrolled in the Utility Discount Program, the increase would be about two dollars.

The proposal would rename the code section and program provided therein from "Large Solar Program" to "Large Customer Renewable Generation Program." This name change would correspond with the expansion of the program to include other kinds of renewable electricity generation in addition to solar generation. Via the Program, SCL credits customers according to the codified export rates based on the electricity that the customer transfers (exports) to the utility from their customer-owned equipment (such as solar panels).

[1] *Network* general service means service to any general service customer which is provided through an underground distribution network supplied by the Denny, Broad Street, Massachusetts Street, or Union Street Substations, except for service to customers who are certified by the Department as having predominantly residential use of electricity (SMC 21.49.020.)

The changes would also increase the generation limit of systems eligible to participate in the Program from two megawatts (mW) to five mW. The proposal would remove the credit schedule for Large Customer Renewable (formerly Solar) Export Rates that became effective in 2023. The new credit schedule for export rates would be effective on January 1, 2025, and would vary by month rather than being fixed at the same amount. SCL intends the monthly change in the export rate to more fairly compensate participating customers.

More about Technical Changes

Time-of-use (TOU) rates allow customers to save money by using power during identified time periods that are less expensive. SCL expresses these time periods like other electric utilities regarding the period peak usage – the time of use with the greatest demand. SCL reports that the utility is completing the technology improvements that will allow full scale deployment of TOU and expects to offer these optional rates broadly in mid-2025.

Currently, the SMC uses the term “Time-of-Day” rates for TOU rates. The proposal would rename Time-of-Day rates to TOU rates, consistent with industry practice, without changing most of the provisions for the rates. The definition of the three time periods with varying pricing would remain the same: Off-Peak, Mid-Peak, and Peak. TOU (as renamed) rates would continue to be available to residential, small general service and medium general service customers and for commercial charging of electric vehicles for medium and large general service customers.

The provisions for TOU rates would be modified for net metering customers. SCL’s Net Metering program provides kilowatt hour (kWh) credits on the SCL electric bill for energy that a customer produces, typically with solar electric generation. Excess solar energy that isn't immediately needed by the customer flows onto SCL's grid and is added to the account's kWh credit balance as measured by the customer’s net meter (hence the name of the program), lowering future bills.

The SMC currently provides that customers can only take advantage of TOU rates if they have a fully functioning advanced (electronic) meter and are not enrolled in the net metering program. The proposed change would allow net metering customers to opt-in to TOU pending SCL’s completion of necessary updates to its billing system.

SCL’s previous rate ordinance (Ordinance 126677) reorganized how rates for all customers (residential and commercial classes) outside Seattle were defined in the SMC by retiring separate rate schedules for customers in jurisdictions outside Seattle after 2022. Via this change, a new Suburban (outside Seattle) rate schedule was applied to these customers beginning January 1, 2023. Concurrent with this change, code provisions were included to adjust rates for Suburban customers by multipliers based on applicable municipal utility taxes, franchise rate differentials, and undergrounding charges specific to the customers’ locations.

The proposed changes in CB 120856 would complete this transition by removing the obsolete references to the classes of customers outside of Seattle that no longer apply past 2022. These rate schedules are no longer applicable and SCL proposes to remove them from the SMC.

CB 120856 would update SCL's forecasts for Net Wholesale Revenue (NWR) for 2025 and 2026 at values that SCL used for rate setting and budgeting. SCL used the proposed forecasts for NWR in 2025 of $25 million and $55 million in the calculations informing the 2025-2030 Strategic Plan and rate path. SCL estimates the more than doubling of the forecast from 2025 to 2026 based on the SCL's anticipation of acquiring new renewable generation that will increase City Light's expected surplus power sales in the wholesale energy markets. For more information, please refer to the discussion of NWR and the Rate Stabilization Account in the Central Staff memorandum on Resolution 32139.

Next Steps

The Committee will likely continue discussion and could vote on CB 120856 on September 20. If the Committee votes to recommend approval of CB 120856 on September 20, then Council could vote on the CB as soon as October 1, 2024.

cc: Ben Noble, Director
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