

September 8, 2022

MEMORANDUM

To: Economic Development, Technology and City Light Committee
From: Eric McConaghy, Analyst
Subject: Council Bill 120411: Seattle City Light Rates 2023 and 2024

On September 14, 2022, the Economic Development, Technology and City Light Committee (Committee) will discuss and possibly vote on [Council Bill \(CB\) 120411](#). CB 120411 would codify the 2023 and 2024 Seattle City Light (SCL) retail customer rates for power in the Seattle Municipal Code (SMC) 21.49, consistent with the Strategic Plan and rate path adopted via [Resolution \(RES\) 32056](#) in July 2022. CB 120411 would also amend subsections of SMC 21.49 in other aspects related to retail rates. During the [Committee meeting](#) on August 10, 2022, City Light staff presented and described the proposal¹.

This memorandum identifies and describes primary changes to SMC in the proposed legislation (the “key take-aways”), outlines the recommendations of the City Light Review Panel (Review Panel) regarding the proposal, and provides some background.

CB 120411: Key take-aways

New Rates

1. Codifies new retail rates for all SCL customers for 2023 and 2024²;
2. Establishes a base charge for non-residential customers beginning 2023;
3. Establishes optional, Time-of-Day (TOD) rates for residential, small general service and medium general service customers beginning 2024;
4. Establishes optional, TOD rates for commercial charging of electric vehicles for medium and large general service customers beginning 2024;
5. Updates the Large Customer Solar Export Rate beginning in 2023;

Technical Changes

6. Reorganizes rate schedules for non-City customers;
7. Updates 2022 rate schedules to match effective rates charged since January 2022; and
8. Makes technical changes related to definitions.

¹ Direct link to video [online](#), jump to 1:17:52 for the presentation

² Rate changes are effective on January 1 of each year.

More about New Rates

CB 120411 would increase the rates by 4.5 percent across all classes of retail customers³ in the SMC for 2023 and 2024. The rate changes for customer classes would vary based on the cost of service and use of power per customer class. Table 1 (below), prepared by City Light, provides a summary of average rate increases by customer class for reference.

Table 1: Average Rate Increases by Customer Class

2023	Total	Residential	Small	Medium	Large	High Demand
Non-Network	4.7%	5.7%	5.6%	3.9%	4.4%	2.7%
Network	1.4%			1.7%	1.2%	
System-wide	4.5%	6.0%	5.6%	3.3%	3.4%	2.7%
2024	Total	Residential	Small	Medium	Large	High Demand
Non-Network	4.8%	5.0%	4.7%	4.7%	4.6%	4.7%
Network	1.4%			1.7%	1.2%	
System-wide	4.5%	5.3%	4.7%	4.0%	3.0%	4.7%

SCL estimates the proposed rates would increase the monthly bills for residential customers five dollars or less. For, residential customers enrolled in the Utility Discount Program the increase would be two dollars or less.

In electric power utility billing, a base service charge is billed to a customer whether the customer has used any power during the billing cycle or not. The base service charge is intended to recoup some portion of the full cost to provide electrical service separately from the energy charges. City Light incurs costs for activities such as meter reading, billing, and customer service regardless of customers' consumption of energy.

CB 120411 would start base service charges for non-residential customers in 2023. The intention of the proposed change is to make transparent the base cost of providing electrical service to non-residential customers, as it has been for residential customers, while beginning to recover some of the full costs to provide service.

Under this proposal, in 2023, the proposed non-residential base service charge would recover 25 percent of full customer costs and in 2024 it would recover 50 percent. For comparison, the proposed residential rates for 2023 and 2024 would include base service charges that would recover about 42 percent of full customer costs.

Time-of-day rates allow customers to save money by using power during identified time periods that are less expensive. City Light expresses these time periods like other electric utilities with regard to the period peak usage – the time of day with the greatest demand. The proposal would define three times-of-day, with charges to customers that opt-in increasing in this order: Off-Peak, Mid-Peak, and Peak.

³ City Light sells surplus power in the wholesale markets.

The new, optional time-of-day rates would 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 beginning 2024. To take advantage of time-of-day rates, customers must have a fully functioning advanced (electronic) meter and may not be enrolled in the net metering program.⁴ The SMC currently includes default (not optional) time-of-day rates (Off-Peak and Peak) for Large General Service and High Demand General Service customers.

After engaging with stakeholders, City Light delivered a report regarding updates to the [Large Solar Program](#) to the City Council in August of 2021 consistent with the requirements of the ordinance establishing the Large Solar Program, [Ordinance 125903](#). The report, filed as [Clerk File 322098](#), recommended updates to the Large Solar Export Rate and changes to qualifying customers based on the specifications solar installations for the export rate. CB 120411 would codify the recommended changes.

More about Technical Changes

The proposed legislation would also reorganize how rates for all customers (residential and commercial classes) outside Seattle are shown in the SMC. CB 120411 would retire the separate rate schedules for customers outside Seattle. Instead, a Suburban rate schedule would apply to these customers beginning January 1, 2023. Rates for suburban customers would be adjusted by multipliers based on applicable municipal utility taxes, franchise rate differentials, and undergrounding charges specific to the customers' locations.

City Light purchases power and transmission capacity to meet customer demands under contract with the Bonneville Power Administration (BPA). [SMC 21.49.081](#) allows City Light to pass through BPA costs automatically without legislating new rates in the SMC. A BPA pass through credit went into effect January 1, 2022, effectively reducing all customer rates. CB 120411 would update the 2022 rates to match the effective rate.

City Light Review Panel Recommendations

In their letter to the Council dated August 25, 2022 (Attachment 1), the Review Panel confirmed their support for the rate proposal embodied in CB 120411. They noted that the proposed legislation is consistent with the policy recommendations of City Light's and the City Light Review Panel's 2019 rate design study ([Clerk File 321222](#)).

Additionally, the Review Panel called for City Light to conduct "a planned and rigorous public outreach and education effort" to explain the changes to rates and to answer customer questions. And the Review Panel expressed their wish to monitor impacts of the rate changes on revenue and to advise on any future rate adjustments accordingly.

⁴ City Light's net metering program allows a customer to generate electricity for their own use, sell the excess to the Department and purchase any deficit from the Department. Think solar panels on a residence providing power to the residence with purchased power rounding out any need and sometimes generating surplus to sell to the utility.

Background

The Council adopted [RES 31383](#) in 2012 specifying that City Light would update the utility's six-year Plan every two years, adding two years to the Plan, re-evaluating the remaining four years and revising the subsequent, six-year rate path. The City Light Review Panel (Review Panel) is charged with representing City Light ratepayers and with reviewing and assessing City Light's strategic plans and rates ([Ordinance \(ORD\) 123256](#)).

Following the guidelines of RES 31383, every two years the Council and Mayor typically adopt an updated City Light Strategic Plan and associated rate path by resolution in advance of passing an ordinance to establish new retail rates in the Seattle Municipal Code for all classes of customers later in the same year. City Light prepares its budget based on the codified rates.

As mentioned above, the City adopted City Light's Strategic Plan and rate path in July. Following, City Light sought the Mayor's approval for the rate ordinance. After review, the Executive transmitted CB 120411 to Council. If approved, the anticipated ordinance will change the retail rates for all types of customers identified in [Seattle Municipal Code \(SMC\) 21.49](#).

Next Steps

If the Committee votes to recommend approval of CB 120411 on September 14, then Council could vote on the CB as soon as September 20, 2022.

Attachments:

1. City Light Review Panel Letter to Council dated August 25, 2022

cc: Esther Handy, Director
Aly Pennucci, Deputy Director
Brian Goodnight, Lead Analyst

Seattle City Light Review Panel

c/o L. Barreca, Seattle City Light
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August 25, 2022

Honorable Debora Juarez, Council President
And Members of the City Council
The City of Seattle
600 Fourth Avenue
P.O. Box 94749
Seattle, WA 98124-4749

RE: Confirming SCL Review Panel Support for the SCL Rate Design Proposal

Dear Council President Juarez and Members of the City Council:

On behalf of the Seattle City Light Review Panel, I write to confirm that the Panel supports the policy proposals in the City Light Rate Design Proposal (“Rate Design Proposal”) now before you, specifically: (1) the gradual increase in fixed basic service charges for residential customers; (2) the introduction of a fixed basic service charge for non-residential customers; and (3) the introduction of voluntary time of use rates for both residential and additional commercial customers.

Per Council Ordinance 12470 approved in 2015, the Review Panel is charged to “review changes to City Light’s rates not already authorized by the City Code and provide an opinion to the Mayor and Council on the adequacy and prudence of rate changes in light of adopted planning assumptions and financial policies.” Ordinance 12470 further states: “The Council continues to expect the Panel to provide the Mayor and the Council with analyses and recommendations on significant elements of the strategic plan including but not limited to ...[r]ate design...and to submit its recommendations to the Mayor and the Council...”

The Rate Design Proposal before you is consistent with the policy recommendations and near-term priorities presented in the Rate Design Report submitted jointly to the City Council by the Panel and City Light GM/CEO Debra Smith in the spring of 2019. Although only two of the current Panel members were on the Panel when that report was being developed, we have reviewed the report’s rate design policies and near-term priorities and have had an opportunity to ask questions of SCL staff. The current Panel endorses the eight policy goals within that 2019 Rate Design Report and confirms that we believe that those goals are advanced by the SCL rate design proposals now before you. We were not involved in the development of the details of the Rate Design Proposals and do not opine on them.

We offer a few thoughts below to explain our policy support for these proposals.

First and foremost, these proposals are about changing the way that City Light collects the revenue needed for its operations---they are not intended to increase the amount of revenue collected.

Addressing the three key policy changes proposed:

1. Gradual increase in fixed based service charges for residential customers. City Light's current residential charges are among the lowest in the state and do not come close to covering the actual cost of meter reading, billing, and customer service. By gradually shifting more of these fixed costs into an increased fixed charge rate component, rates will be more transparent as to the actual costs incurred by SCL on behalf of customers, and the existing subsidy provided by high-energy use residential customers (which include many low-income as well as other residential customers) to low-energy use customers will be reduced.

There may be a very modest increase in some residential customer bills from this proposal. That said, SCL has one of the most general low-income electricity rate discount programs in the country, offering a 60% discount to qualifying households. We concur with City Light that assistance programs, such as the Utility Discount Program, are the most efficient tool to address affordability.

2. Introduction of a fixed basic service charge for non-residential customers. The policy reasons for our support of this proposal are similar to those stated above with respect to residential fixed charges. City Light incurs these charges every day on behalf of customers. Rather than hide the cost of this in the energy rate, bills will be more transparent, and customers will pay their fair share of costs. This is an industry standard practice.

3. Introduction of voluntary Time-of-Day (TOD) rates for both residential and additional commercial customers. For the first time in many years, City Light's demand forecast projects significant increased demand for power over the next two decades. Much of this will be a result of electrification of transportation, advancing the City's Climate Agenda. City Light's portfolio of energy will need to grow to meet this demand, primarily through increased renewable energy—energy assets that are generally more expensive than SCL's existing hydropower-heavy energy portfolio. In this situation, TOD rates perform two important roles:

- First, TOD rates allow customers greater control over their bills by enabling purchase of power at lower costs at certain times of the day (including but not limited to the ability to charge electric vehicles at lower cost at night--- for both residents and commercial customers);
- Second, to the extent that customers embrace this tool, it will help City Light reduce its peak power demand, reducing the need to purchase expensive market rate power to meet those peaks.

City Light's large and high-demand customers already have TOD rates. The current Rate Design Proposal will extend TOD rates on a voluntary basis to both residential customers and those in the small and medium commercial rate tiers. In addition, TOD charging rates are proposed for commercial customers in the medium and large tiers to enable reduced costs for recharging electric vehicle fleets.

Reduced cost for customers at certain times means that costs for other customers will increase --- with net zero impact on City Light revenue collections. However, given the importance of the City's Climate Agenda, we think that these shifts are appropriate and that affordability issues are best addressed through programs including but not limited to the Utility Discount Program.

Finally, while supporting the rate increase and associated cost allocation and rate design changes recommended in the rate proposal, there are a couple further brief comments the Panel would like to make. First, we support a planned and rigorous public outreach and education effort to explain the new rate changes, their rationale, and address questions that arise from customers. Second, while the changes in structure are intended to be revenue neutral, the Panel wishes to continue to monitor impacts of the changes closely and advise on any further revisions as part of future rate adjustments.

Ordinance 12470 outlining the Panel's roles requires us to offer both majority and minority positions held by the panel on rate design (and other) issues. The Panel met on August 25 and those in attendance unanimously endorsed this letter.

We thank you for the opportunity to offer our comments on the Rate Design Proposal and your continuing support of the SCL Review Panel.

On behalf of the entire SCL Review Panel,



Mikel Hansen
Chair, SCL Review Panel

cc: Honorable Bruce Harrell
Debra Smith, GM/CEO City Light
Eric McConaghy, City Council Central Staff