SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
Seattle City Light	Carsten Croff	Greg Shiring

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the City Light Department; amending rates, terms, and conditions for the use and sale of electricity supplied by the City Light Department for 2024, 2025, and 2026; and amending Sections 21.49.020, 21.49.030, 21.49.052, 21.49.055, 21.49.057, 21.49.058, 21.49.060, 21.49.065, 21.49.083, 21.49.085, and 21.49.086 of the Seattle Municipal Code.

Summary and Background of the Legislation:

This ordinance codifies new 2025 and 2026 rates for all City Light retail customers. The rates reflect an average 5.4% increase on January 1st in both 2025 and 2026 as outlined in City Light's 2025-2030 Strategic Plan.

The new rates also reflect an updated cost of service study, resulting in different average rate increases by customer classes due to changes in the cost of service and consumption profiles. Below are the 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			4.7%	6.8%			5.9%
2026	**Residential**	**Small**	**Medium**	**Large**	**High Demand**	**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%

One area that had an impact on all customer classes was a revised allocation to customer service costs to better reflect the actual time and resources being spent serving each class. This resulted in customer costs proportionally increasing more for non-residential customers than for residential customers.

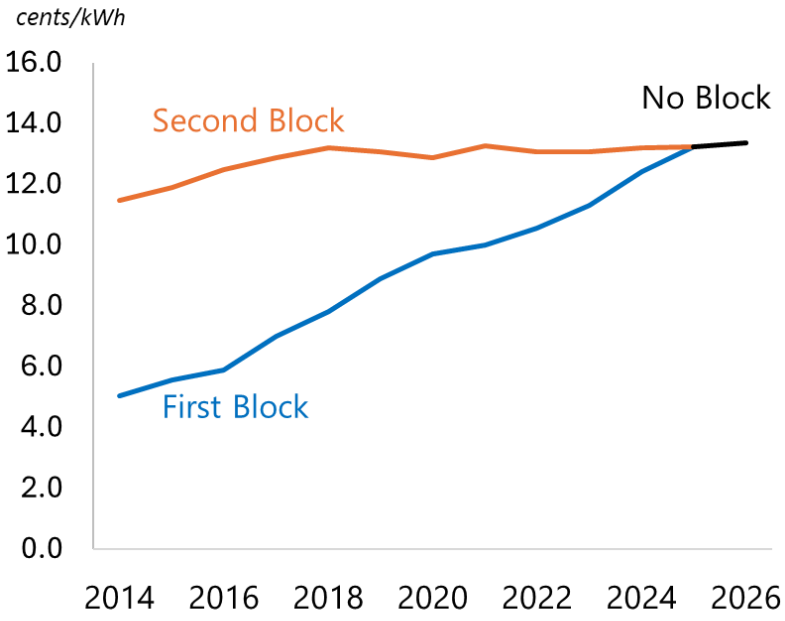
Residential customers have slightly lower than average increase from the proportionally lower increases in customer costs and distribution costs. **Small** and **Medium** General service customers have slightly higher than average increases from proportionally higher increases in customer costs. **Large** General Service Customers had a slightly higher than average increase also due to higher increases in customer costs. In addition, Large Network Customers had a larger increase due to a reduction in their monthly billing demand, which means less revenue is currently being collected from them than anticipated, requiring a larger increase to recover their fair share of costs (for additional context they also had the lowest rate increases in 2023-2024 of all customer classes). **High Demand** customers have a lower-than-average increase due to slightly below average increases in energy costs and distribution costs. **Street lights** have the highest average increase primarily from direct costs assigned to Streetlights to recover streetlight-specific infrastructure costs. Capital work for streetlights has grown in recent years. In 2022 and 2023, the streetlight Capital Improvement Program (CIP) was around $30 million, and the annualized recovery of these direct costs is the main driver for the higher increase in streetlight rates.

Rate Design
The new rates also build on the following policy/strategy recommendations developed in the 2019 rate design study jointly completed by City Light and the City Light Review Panel:

1. Adjust the calculation of basic customer charges to reflect the fixed costs associated with serving individual customers.
    - Fixed customer charges were introduced in 2023 for non-residential customers (previously only residential customers had fixed customer charges). Rates in this ordinance continue to gradually increase the fixed charges in 2025 and 2026.

2. Introduce time of use rates on a voluntary basis, to help manage City Light's power demands at peak times and give customers options to reduce their costs.
    - Opt-in TOU rates were codified for 2024 but only previous rate pilot customers have been placed on them.
    - TOU rates for 2025 have a similar structure to the adopted 2024 TOU rates.
    - City Light is completing the technology investments that will allow full scale deployment and expects to offer these optional rates in mid-2025.

3. Adjust residential block rates to be closer to actual cost and facilitate other rate design concepts.
    - Since 2014 City Light has been collapsing the difference between its legacy block rates (see the chart below).
    - The new rates transition away from a block structure to flat energy rate for all kWh starting in 2025.
    - Since there is no demonstrated relationship between income and consumption this transition will not adversely impact lower-income customers. The Utility Discount Program (60% bill discount) continues to be the most effective option to help with affordability.
    - The new residential rate structure supports the following rate design goals identified in the 2019 study: transparency, revenue sufficiency, decarbonization, customer choice and rates that are more stable and predictable.



Residential Rates	2024	2025	2026
Monthly Base Charge	$8	$9	$12
Energy Charge, per kWh		13.2¢	13.4¢
First Block	12.4¢		
Second Block	13.2¢		

Ordinance 126677, which set City Light rates for 2023 and 2024, simplified how rate schedules for customers outside the City of Seattle are codified. All customers outside of the City of Seattle are assigned the Suburban rate schedule and then the rates will be adjusted for franchise differentials, municipal taxes and undergrounding charges based on which jurisdiction the customer receives service in. This ordinance removes the old rate schedules for each jurisdiction.

SMC 21.49.086.C sets the (NWR) forecast used in the Rate Stabilization Account (RSA) at levels used for rates and budgeting. In alignment with the values used in the 2025-2030 Strategic Plan NWR planning levels are set at $25 million in 2025 and $55 million in 2026. The increased amount in 2026 is reflective of anticipated new renewable resources that will increase City Light's expected surplus power sales.

This ordinance also renames the current Large Solar Program and expands eligibility to other renewable energy systems. To more fairly compensate for exported energy, it also transitions from compensating exported energy at an annual rate to separate monthly rates.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ☐ **Yes** ☒ **No**

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? ☒ **Yes** ☐ **No**

Expenditure Change ($); General Fund	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**
Expenditure Change ($); Other Funds	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**

Revenue Change ($); General Fund	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**
		$3,490,406	$7,298,541	$7,371,066	$7,501,501
Revenue Change ($); Other Funds	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**
		$58,173,434	$121,642,344	$122,851,093	$125,025,022

Number of Positions	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**
Total FTE Change	**2024**	**2025 est.**	**2026 est.**	**2027 est.**	**2028 est.**

3.a. Appropriations

☐ **This legislation adds, changes, or deletes appropriations.**

3.b. Revenues/Reimbursements

☒ **This legislation adds, changes, or deletes revenues or reimbursements.**

Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	**Dept**	**Revenue Source**	**2024 Revenue**	**2025 Estimated Revenue**
Light Fund	City Light	Retail Revenue		$58,173,434
		TOTAL		$58,173,434

Revenue/Reimbursement Notes:

3.c. Positions

☐ **This legislation adds, changes, or deletes positions.**

3.d. Other Impacts

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.
No.

If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.
N/A

Please describe any financial costs or other impacts of *not* implementing the legislation.
Not implementing the legislation would reduce the funding available to support City Light's 2025 and 2026 operations and would significantly impede the utility's ability to meet its financial performance targets and/or level of service to its customers.

4. OTHER IMPLICATIONS

a. Please describe how this legislation may affect any departments besides the originating department.
It will impact electricity rates paid by City departments and also increase the utility tax paid to the General Fund (see above estimate).

b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.
No

c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.

i. **How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.** This legislation results in increases to all retail customers' electric rates and associated bills. Customers participating in the Utility Discount Program receive a 60% discount on their bills.

ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.
N/A

iii. What is the Language Access Plan for any communications to the public?
To increase accessibility for as many members of our community as possible, City Light will carry out the activities in the Strategic Plan and share information from the rate ordinance in accordance with City Light's Language Access Plan. SCL commits to budgeting the time and resources required for translation and interpretation services, consulting with the Office of Immigrant and Refugee Affairs to ensure outreach materials and strategies are inclusive and culturally appropriate while seeking to implement customer suggestions for improvement whenever possible.

d. Climate Change Implications

i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.
No

ii. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.
No

e. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)? What mechanisms will be used to measure progress towards meeting those goals?
NA

5. CHECKLIST

☐ **Is a public hearing required?**

☐ **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?**

☐ **If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**

☐ **Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

6. ATTACHMENTS

Summary Attachments: None.