

A&R Solar, Climate Solutions, Emerald Cities, Got Green, Latino Community Fund, MacDonald-Miller, NW Energy Coalition, NW Energy Efficiency Council, Puget Sound Sage, Robert K. Harmon & Company LLC, Washington Conservation Voters, Washington Environmental Council

July 24, 2017

Energy and Environment Committee
Seattle City Council
P.O. Box 34025
Seattle, WA 98124

Dear Chair Sawant, Councilmembers Juarez, Gonzalez and Bagshaw,

As the Council considers strategies to address City Light's revenue challenges we urge Council members to consider a variety of options for rate design changes before settling on any one approach. Utility rates and rate design affect not just how much electricity we use and how it's generated, but also raise questions about how the cost burden should be shared among customers and what the customer's role will be in shaping energy demand.

We understand the revenue trials facing City Light when wholesale market prices reduce revenue from sales of surplus power and demand for power from customers is flat, yet costs for maintaining and operating the electricity system for the City are rising. Utilities across the region and country are facing similar challenges. We all strive to have a more efficient, flexible and resilient utility and how revenue is collected and invested in energy services over the long-term is critical.

To date, City Light has presented a snapshot of its revenue issues, cost allocation assessment, and a brief overview of rate design options. As part of the Council's education and deliberation process, we strongly recommend this Committee work with the Regulatory Assistance Project (RAP) on rate design. RAP works with public and private utilities and governing boards all over the world and is uniquely qualified to speak to the many rate design approaches utilities have considered or implemented and what are the most effective strategies to meeting the needs of the City and its customers.

Some rate design approaches raise serious concerns in our minds, particularly ones that increase the fixed bi-monthly customer charge and decrease volumetric charges. This type of rate design can have a very negative impact on low and moderate-income households, and discourage the installation of distributed renewable power, such as solar. In addition, rate design that shifts more of the system costs into fixed charges will reduce energy efficiency. This will increase energy use over time and hence, could require more infrastructure over time. The result could raise costs for all customers. This type of rate design also removes

customer's ability to control their monthly bill, and to contribute to efforts to keep overall system costs low. Perhaps most importantly, it does not represent a fair accounting of the costs to serve a particular customer, because costs that vary with usage are now assigned uniformly across an entire class of customers. In fact, typically this type of rate design ends up costing low users the most in terms of increased monthly bills.

Here are some basic principles that should guide City Light and the Council's thinking when evaluating rate design changes.

1. Rates should be straightforward and understandable.
2. Rates should keep the utility viable and provide relatively stable cash flow and revenues from year to year.
3. Rates should be generally predictable, such that customers experience only minimal unexpected changes.
4. Rates should maintain fairness to all customer classes and should not unduly discriminate against any group of customers - no special rates, tariffs or fees should be created or imposed exclusively for distributed solar or other renewable customers in a rate class, either individually or as a class.
5. Rates should promote economic efficiency in the use of energy as well as competing products and services while insuring the level of reliability desired by customers.
6. Rates, combined with subsidy and discount programs, should be affordable so that all households have access to electricity.
7. Rates should recover system costs in proportion to how much electricity customers use, and when they use it and customers delivering power to the grid should receive full and fair value for the power delivered -- no more and no less.
8. Rates should encourage a clean, efficient energy system and maximize the value of new technologies, including beneficial electrification, to reduce greenhouse gas emissions and local air pollution.
9. Rate structures should be designed to balance long and short-term marginal value and reduce overall system costs and risks.

The groups signing this letter are eager to be involved in revenue stabilization and rate design discussions and want to help shape both the process and the outcomes. There are other rate design options to consider and we hope the Council will give full consideration to other options as alternatives to an increase in the fixed bi-monthly customer charge. Fixed customer charges should only cover individual customer-related costs (e.g. meter, service drop, meter reading, and billing and collecting).

This is a very important topic and one that deserves careful consideration and broad and inclusive participation. We look forward to working with the Council and City Light to find the best outcome for the City, customers and the environment. For your questions and follow-up please contact Nancy Hirsh, NW Energy Coalition at nancy@nwenergy.org or 206-621-0094.

Respectfully,

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