

Summary and Fiscal Note

1. Legislation Summary

Department: Seattle City Light

Title: An ordinance relating to the City Light Department; establishing new retail rate schedules; establishing a new customer class and conditions of service for data centers whose electricity demand constitutes a new large load; modifying customer charges for service connections; modifying customer eligibility for residential rate assistance; augmenting the rate stabilization account mechanism; amending Sections 21.49.020, 21.49.030, 21.49.040, 21.49.052, 21.49.055, 21.49.057, 21.49.058, 21.49.060, 21.49.065, 21.49.083, 21.49.086, 21.49.110, and 21.49.130 of the Seattle Municipal Code; adding a new Section 21.49.059 to the Seattle Municipal Code; and repealing Section 21.49.081 of the Seattle Municipal Code.

Background:

This ordinance codifies new 2027 and 2028 rates for all City Light retail customers and implements policies around maintaining affordability and rate stability. Each section of the ordinance is outlined below.

Section 1: Adds definitions for new terms introduced in ordinance.

Sections 2, 4-7 & 9: Updating existing retail rates

Like many utilities in the Northwest and across the nation, Seattle City Light is facing increasing cost pressures. These are driven by aging infrastructure; the need for new generation, transmission, and technologies to manage growing demand; and broader economic factors such as inflation, tariffs, supply chain disruptions, and rising wages.

At the same time, energy sources, energy costs and customers' energy use are changing quickly. Regional energy demand is projected to grow 30% over the next decade because of rapid electrification, shifting climate conditions and expanding digital demand. Additional revenue is required in 2027 and 2028 to pay for wages and materials inflation, rising power costs, funding the capital plan and modest levels of highly prioritized new investments. This legislation increases average retail rates by 9.5% in both 2027 and 2028.

The rate schedules in this legislation are aligned with 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.

Average Annual Rate Increases

	Residential	General Service				Downtown Network		Street Lights	System Average
		Small	Medium	Large	High Demand	Medium	Large		
2027	9.5%	9.5%	9.4%	9.7%	9.1%	7.4%	7.3%	27.2%	9.5%
2028	9.5%	9.5%	9.5%	9.7%	9.0%	8.5%	8.1%	20.9%	9.5%

Key highlights of the cost of service results:

1. Residential and Non-Network General Service customers have increases at or near the system average of 9.5%.
2. Network General Service customers have increases slightly below the system average due to proportionally lower increases in network maintenance and investments. (Network customers still have average rates roughly 20% higher than non-network customers.)

3. Street light rates will increase significantly more than the system average

because:

- a. Street light rates recover maintenance and capital costs specific to streetlight infrastructure, in addition to energy and delivery costs.
- b. Both capital and operating costs for street lights have risen sharply in recent years.
- c. Vandalism and wire theft of streetlights have increased streetlight maintenance costs.

Rate Design

The only material rate design change is an increase in the customer charge for each rate class. By 2028 the customer charge will recover 100 percent of customer-related costs, including metering, billing and customer service. Full cost recovery of the customer charge has been an objective since 2019 when City Light and the Review panel jointly conducted a [Rate Design Study](#). Because customer-related costs are being shifted out of the per-kilowatt-hour rate and into the fixed customer charge, customers with lower-than-average usage will experience a higher percentage bill increase than those who use more energy.

A typical residential customer should expect an increase to their monthly bill of about \$10 in 2027 and another \$10 in 2028. Customers participating in Seattle's Utility Discount Program will see monthly bill increases of approximately \$4 in 2027 and another \$4 in 2028.

Section 3: Expands eligibility for the City's Utility Discount Program. This change is a key strategy to reduce the energy burden, improve affordability, and ensure the

transition to a clean-energy future does not exacerbate inequities for households least able to absorb higher utility costs. This legislation increases the income eligibility threshold from 70% of the State Median Income to 60% of the Area Median Income, therefore expanding eligibility by roughly 30,000 customers. The Utility Discount Program offers a 60% bill discount to income-eligible customers.

Section 8: Creates a new large load rate class that applies to new large data centers.

Key elements include:

- Applies to data centers with new or expanded service of 10 megavolt-amperes (MVA) or greater, roughly the equivalent load of 2,000 homes.
- Rates will reflect the full cost of procuring and delivering the power needed to serve these loads.
- Customers must sign a service agreement that guarantees full responsibility for costs until the expiration of the contract term.
- Customers will be placed in a queue until the utility has the necessary infrastructure and power supply needed to serve them.

The central principle of this policy is affordability. As a publicly-owned, not-for-profit utility, City Light's goal is to make sure the cost of running the system is allocated equitably among the people and businesses who depend on it. Existing customers, large and small, have been investing in that system for decades through their rates, and those investments belong to the community. Some large loads, particularly data centers, are highly portable. They can and do relocate when economics shift, which would potentially leave existing customers responsible for costs incurred on their behalf. Serving a large new customer means securing new power supply and power purchased today costs significantly more than City Light's legacy resources. Creating a new rate class for new large data centers and charging them the marginal cost it takes to serve them protects existing customers' investments and helps avoid potentially large and unnecessary rate increases in the future.

Section 10: Increases Duct and Vault Rental Rates (CPI inflation) and Pole Attachment Rates (existing methodology based on average pole costs and operating costs).

Section 11: Rescinds the Bonneville Power Administration (BPA) passthrough mechanism because BPA-related costs will be incorporated into the expanded RSA.

Section 12: Updates the compensation for any energy exported by large renewable generators. Prices are based on forward market prices. In general, wholesale prices have come down significantly since the last rate case.

Section 13: Updates the size and operating rules of the Rate Stabilization Account (RSA) mechanism. The RSA is a cash reserve that buffers net power cost volatility from wholesale market purchases and sales. In 2023, events demonstrated the RSA's current size is not large enough to manage today's level of wholesale uncertainty and

other power cost risks, including weather impacts to retail load. This legislation expands the RSA into a more comprehensive power cost adjustment, while preserving its core functionality.

Highlights of the changes include:

- Expanding the RSA to buffer all variable power costs, not just short-term wholesale activity
- Creating a retail sales adjustment so that when actual retail sales differ from planned retail sales, the difference is multiplied by the portion of the adopted retail rate that covers net variable power costs and transferred to/from the RSA
- Increasing the target size of RSA from \$100M to \$150M
- Increasing the maximum balance from \$125M to \$200M
- Updating Surcharge Rules
 - 1st surcharge trigger increases from \$75M to \$120M and remains at 2%
 - 2nd surcharge trigger increases from \$50M to \$80M and the surcharge increases from 4% to 5% (reflecting the larger amount needed to refill)
 - Surcharges are sized based on percentage of the system average rate, so all customers pay the same cents/kWh surcharge.

There is no direct impact to 2027 and 2028 retail rates from updating the size and operating rules of the RSA. The Utility plans to deposit approximately \$20-\$30 million in January 2027 to bring the RSA to, or close to, its \$150 million target size.

Section 14: Amends electric service connection provisions to require customers with new or expanded services to pay for transformers and related equipment. This aligns

with the utility's policy that customers pay for new infrastructure needed to serve their additional load.

Section 15: Provides authority for SCL to enter into service agreements with data centers that are new large load customers and sign contracts for new power and transmission for terms up to 20 years.

2. Capital Improvement Program (CIP)

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

a. Revenue Change to General Fund

2026	2027 est.	2028 est.	2029 est.	2030 est.
	\$6,860,000	\$14,467,000	\$14,506,000	\$14,726,000

b. Revenue Change to Other Funds

2026	2027 est.	2028 est.	2029 est.	2030 est.
	\$114,327,000	\$241,121,000	\$241,759,000	\$245,441,000

3b. 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	2026 Revenue	2027 Estimated Revenue
General Fund (00100)	N/A	Utility Tax		\$6,860,000
Light Fund (41000)	Seattle City Light	Electricity Rates		\$114,327,000

TOTAL 2026 Revenue	TOTAL 2027 Estimated Revenue
	\$121,187,000

Revenue/Reimbursement Notes:

3d. Other Financial Impacts

a. Does this legislation create any other financial impacts for The City of Seattle, such as direct or indirect costs, one-time or ongoing, that aren't mentioned above? If yes, please explain these impacts.

The General Fund Streetlight Bill will increase \$4-\$5 million per year.

b. If the legislation has costs that can be covered within the current budget, explain how. Does the department have extra resources in its budget to handle these costs? Or does the department need to shift resources away from other work to handle these costs?

c. What financial costs or other impacts might happen if this legislation is not implemented?

City Light would not have the funds it needs to provide current service levels to customers. Significant cuts to services and/or reliance on debt beyond City Light's financial policies would be required.

d. How might this legislation affect other City departments besides the one that proposed it?

The legislation will impact electricity rates paid by City departments and also increase the utility tax paid to the General Fund (see above estimate).

4. Other Impacts

a. Does this legislation require a public hearing?

Yes

No

b. Does this legislation require a notice to be published in The Daily Journal of Commerce and/or The Seattle Times?

Yes

No

c. Does this legislation affect a piece of property? No

d. Race and Social Justice Initiative impacts:

1. How does this legislation affect vulnerable or historically disadvantaged communities? How did you come to this conclusion? Please consider both impacts within City government (like employees and internal programs) and 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. This legislation also expands the income eligibility of participating in the Utility Discount Program from 70% of the State Median Income to 60% of the Area

Median Income, increasing access to the program for approximately 30,000 customers.

2. Please attach any Racial Equity Toolkits or other racial equity analyses used to develop or assess this legislation.

3. What is the Language Access Plan for communicating with the public about this legislation?

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, and seeking to implement customer suggestions for improvement whenever possible.

e. Climate change impacts:

1. **Emissions:** Will this legislation significantly increase or decrease carbon emissions? Attach any studies or materials that inform your answer. NA

2. **Resiliency:** Will this legislation make Seattle more or less able to adapt to climate change? If it reduces resiliency, explain what can be done to lessen the impact.

Increased retail revenue resulting from this legislation will provide funding for many areas of climate change resiliency including wildfire mitigation, demand side programs like demand response and customer solar and support for electrification of vehicles and buildings. Appropriations for these items will be included in future proposed budgets as part of the annual budget process.

f. If this legislation creates a new program or expands an existing one, what are the long-term, measurable goals? How will this legislation help achieve those goals? What methods will be used to track progress? NA

SCL 2027-2028 Retail Rates SUM

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g. Does this legislation create a non-utility CIP that involves shared funding with a non-City partner or organization? No