Specific Issues for Potential Consideration by City Light Review Panel in its 2012 Rate Policy Work (Per Ordinance 123256)

4.(d) Review changes to City Light's rates not already authorized by the Seattle Municipal Code and provide an opinion to the Mayor and the Council on the adequacy and prudence of such rate changes in light of adopted planning assumptions and financial policies	4.(e) Assess City Light's rate design to ensure that rates send the appropriate signals to customers to use electricity efficiently (in 2nd year or earlier and at least once every 3 years)	4.(f) Assess City Light's implementation of marginal cost allocation among customer classes to ensure that it provides a fair allocation of costs among customer classes and takes account of changes in costs and consumption (in 2nd year or earlier and at least once every 3 years)
Once a strategic plan is adopted, a revenue requirement for the planning years is implicitly also adopted. The overall revenue requirement establishes the average rate change.	Residential rate design: block structure, size and number of blocks, relationship of energy charges for each block, and continuation of base service charge	Allocation of low income rate assistance (currently allocated by shares derived from sum of all other measured marginal costs)
	Time-of-use rates for Large and High Demand classes: relationship between peak and off-peak demand and energy charges.	Allocation of conservation expense (currently allocated based on marginal energy cost shares)
	Customer charge for all customer classes (now just residential) to cover some fixed costs, offsetting the effects of reduced loads due to aggressive energy efficiency investments.	Allocation of Net Wholesale Revenue (currently allocated based on sum of shares of all other revenue requirement categories in dollars).

Bill Impacts for Example Commercial/Industrial Customers

High Demand Business (e.g. steel mill, cement plant) (~17,000,000 kWh and ~60,000 kW per month)	**Average Rate Change (2013-2018)**	**Average Change in Monthly Bill**	**Average Change in Annual Bill**
Current level of service (baseline)	4.10%	$44,705	$536,465
New efficiencies	3.70%	$40,222	$482,665
Strategic initiatives (preferred option)	4.70%	$52,676	$632,110
More aggressive reliability investments	5.00%	$55,908	$670,892
Bolder environmental initiatives	5.10%	$57,100	$685,200

Large Business (e.g. hotel, biotech) (~2,800,000 kWh and ~5,500 kW per month)	**Average Rate Change (2013-2018)**	**Average Change in Monthly Bill**	**Average Change in Annual Bill**
Current level of service (baseline)	4.10%	$7,731	$92,768
New efficiencies	3.70%	$6,955	$83,465
Strategic initiatives (preferred option)	4.70%	$9,109	$109,308
More aggressive reliability investments	5.00%	$9,668	$116,014
Bolder environmental initiatives	5.10%	$9,874	$118,488

Medium Business (e.g. bank, restaurant, church) (~4,700 kWh, 50 kW per month)	**Average Rate Change (2013-2018)**	**Average Change in Monthly Bill**	**Average Change in Annual Bill**
Current level of service (baseline)	4.10%	$16	$189
New efficiencies	3.70%	$14	$170
Strategic initiatives (preferred option)	4.70%	$19	$223
More aggressive reliability investments	5.00%	$20	$237
Bolder environmental initiatives	5.10%	$20	$242

Small Business (e.g. bakery, jeweler, salon) (~1,600 kWh per month)	**Average Rate Change (2013-2018)**	**Average Change in Monthly Bill**	**Average Change in Annual Bill**
Current level of service (baseline)	4.10%	$5	$60
New efficiencies	3.70%	$4	$54
Strategic initiatives (preferred option)	4.70%	$6	$70
More aggressive reliability investments	5.00%	$6	$75
Bolder environmental initiatives	5.10%	$6	$76

2012 Timeline for Review Panel for Rate Design and Marginal Cost Allocation Input

Review Panel Meetings	**Latest date to provide <u>actionable</u> input to…**	**Budget/Rate Dates**	**Budget/Rate Actions**
Feb. 24			
Mar. 29			
Apr. 4th week			
May 4th week			
June 4th week	City Light re cost allocation/rate design	July 9	City Light sends proposed 2013-14 budget and revenue requirements to City Budget Office (i.e., Mayor)
July 4th week	CBO/Mayor re cost allocation, rate design		
		Mid-August	City Light sends proposed cost allocation and rates to City Budget Office (Mayor)
Aug. 4th week		End August	Mayor sends his proposed budget to print
Sept. 4th week	Council re cost allocation, rate design	~ Sept. 24	Mayor makes his budget speech to Council (i.e., official budget/rates proposal to Council)
Oct. 4th week			
		Late Oct.	Council makes budget/rates decisions
		~ Nov. 19	Council approves 2013-14 budget and rates

Specific Issues for Potential Consideration by City Light Review Panel in its 2012 Rate Policy Work (Per Ordinance 123256)

RATE DESIGN

1. Residential Rate Design to send appropriate signal for electricity efficiency

Charges (cents)	Current Rate Schedule example	Alt. 1-2nd block closer to MC	Alt. 2- Add 3rd block at MC	Alt. 3-Higher 2nd block, no BSC
Per kWh				
First Block 300 kWh Apr-Nov 480 kWh Oct-Mar	4.76	3.50	3.00	3.00
Second Block Added kWh < x	9.87	10.50	9.00	12.00
Third Block kWh> 1st+2nd blocks			11.00	
Per Day				
Base Service Charge	11.92	11.92	11.92	0

2. Large/High Demand Rate Design to send appropriate signal for electricity efficiency

Charges (cents)	Current Rate Schedule example	Alt. 1-Peak kWh closer to MC	Alt. 2- Peak kWh at MC	Alt. 3-Peak kW at MC of Xformer
Per kWh (cents)				
Off-Peak	4.52	2.50	2.00	2.50
Peak Mon-Sat 6 am-10 pm	6.68	9.50	10.00	10.50
Per kW (cents)				
Off-Peak	26	26	26	26
Peak	98	98	98	30
Per Day ($)				
Minimum	34.21	34.21	34.21	34.21

3. Customer charge for all customer classes to cover more/some fixed costs

Charges	Current Residential Rate Schedule example	Alt. 1-Higher BSC (Customer Charge)
Per kWh (cents)		
First Block 300 kWh Apr-Nov 480 kWh Oct-Mar	4.76	3.00
Second Block Added kWh < x	9.87	9.87
Third Block kWh> 1st+2nd blocks		
Base Service Charge: cents/day	11.92	40.00
Equiv. to Customer Charge: $/month	$3.58	$12.00
Monthly Bill for 800 kWh/month, Oct-March	$58	$58

Charges	Current Large General Service Rate Schedule example	Alt. 1-Add a Customer Charge
Per kWh (cents)		
Off-Peak (40% kWh)	4.52	4.26
Peak (60% kWh) Mon-Sat 6 am-10 pm	6.68	6.68
Per kW (cents)		
Off-Peak (0%)	26	26
Peak (100%)	98	98
Minimum Charge: 34.21/day = $/month	$1,026.30	
Customer Charge: $/month		$1,026.30
Monthly Bill for 1M kWh, 1,000 kW	$59,000	$59,000

Note: Any change to the structure of rate schedules changes who pays higher bills and who pays lower bills within a rate class.

MARGINAL COST ALLOCATION

1. Allocation of Low Income Rate Assistance portion of Revenue Requirement

Example (Current Method)

Revenue Requirement Category	Marginal Costs Used for Allocation
Energy (production, purchased power, long-distance transmission, conservation)	Energy cost shares
Substations	Substation cost shares
Wires and transformers	Wires and transformer cost shares
Meters	Meter cost shares
Low-income assistance	Shares of total above allocated costs

MC Categories-Shares	Residential	Small Business	Large Business
Energy	40%	25%	35%
Substations	30%	35%	35%
Wires & Transformers	40%	30%	30%
Meters	70%	20%	10%
Low Income Assistance	?	?	?

MC Categories	MC Dollars (millions)	Residential	Small Business	Large Business
Energy	$300	$120.0	$75.0	$105.0
Substations	$10	$3.0	$3.5	$3.5
Wires & Transformers	$50	$20.0	$15.0	$15.0
Meters	$10	$7.0	$2.0	$1.0
Total MC $ above	**$370**	**$150.0**	**$95.5**	**$124.5**
Total % MC $		40.54%	25.81%	33.65%
Low Income Asst %		40.54%	25.81%	33.65%
Low Income Rev Req $	$5	$2.03	$1.29	$1.68

Possible Alternative Methods:

a. Allocate Low Income Revenue Requirement just to Residential customers.

b. Other?

2. Allocation of Conservation portion of Revenue Requirement

Example (Current Method)

Revenue Requirement Category	Marginal Costs Used for Allocation
Energy (production, purchased power, long-distance transmission, conservation)	Energy cost shares

MC Categories-Shares	Residential	Small Business	Large Business
Energy	40%	25%	35%

Revenue Requirement Category	RR Dollars (millions)	Residential	Small Business	Large Business
Conservation	$35	$14	$8.75	$12.25

Possible Alternative Methods:

a. Allocate Conservation Revenue Requirement to customer classes where investments occur.

b. Other?

3. Allocation of Net Wholesale Revenue credit

Example (Current Method)

MC Categories-Shares	Residential	Small Business	Large Business
Energy	40%	25%	35%
Substations	30%	35%	35%
Wires & Transformers	40%	30%	30%
Meters	70%	20%	10%

Revenue Requirement Categories	RR Dollars (millions)	Residential	Small Business	Large Business
Energy	$242	$96.80	$60.50	$84.70
Substations	$8	$2.40	$2.80	$2.80
Wires & Transformers	$42	$16.80	$12.60	$12.60
Meters	$8	$5.60	$1.60	$0.80
Low-Income Asst	$5	$2.03	$1.29	$1.68
Total RR $ above	**$305**	**$123.63**	**$78.79**	**$102.58**
% RR $ = NWR Credit %		40.53%	25.83%	33.64%
Net Wholesale Revenue	-$50	-$20.27	-$12.92	-$16.81
Net Revenue Req	**$255**	**$103.36**	**$65.87**	**$85.77**

Possible Alternative Methods:

a. Allocate NWR credit by marginal cost Energy shares (more credit to large consumers, less to small consumers such as residential and small business)

b. Other?