

Residential Rate Policy Discussion

Review Panel

March 27, 2013

Review: How City Light Sets Rates

Principles

- Recover costs
 - Rates are set to recover the revenue requirement.
- Equity
 - Rates reflect a fair apportionment of the different costs of providing service among customer classes (e.g. marginal cost of service, time of use rates).
- Efficient use of resources
 - Support conservation.
 - Rates should increase as consumption increases (block rates).
- Predictability for customers
 - Rates changed in an orderly way, ideally avoiding big jumps.

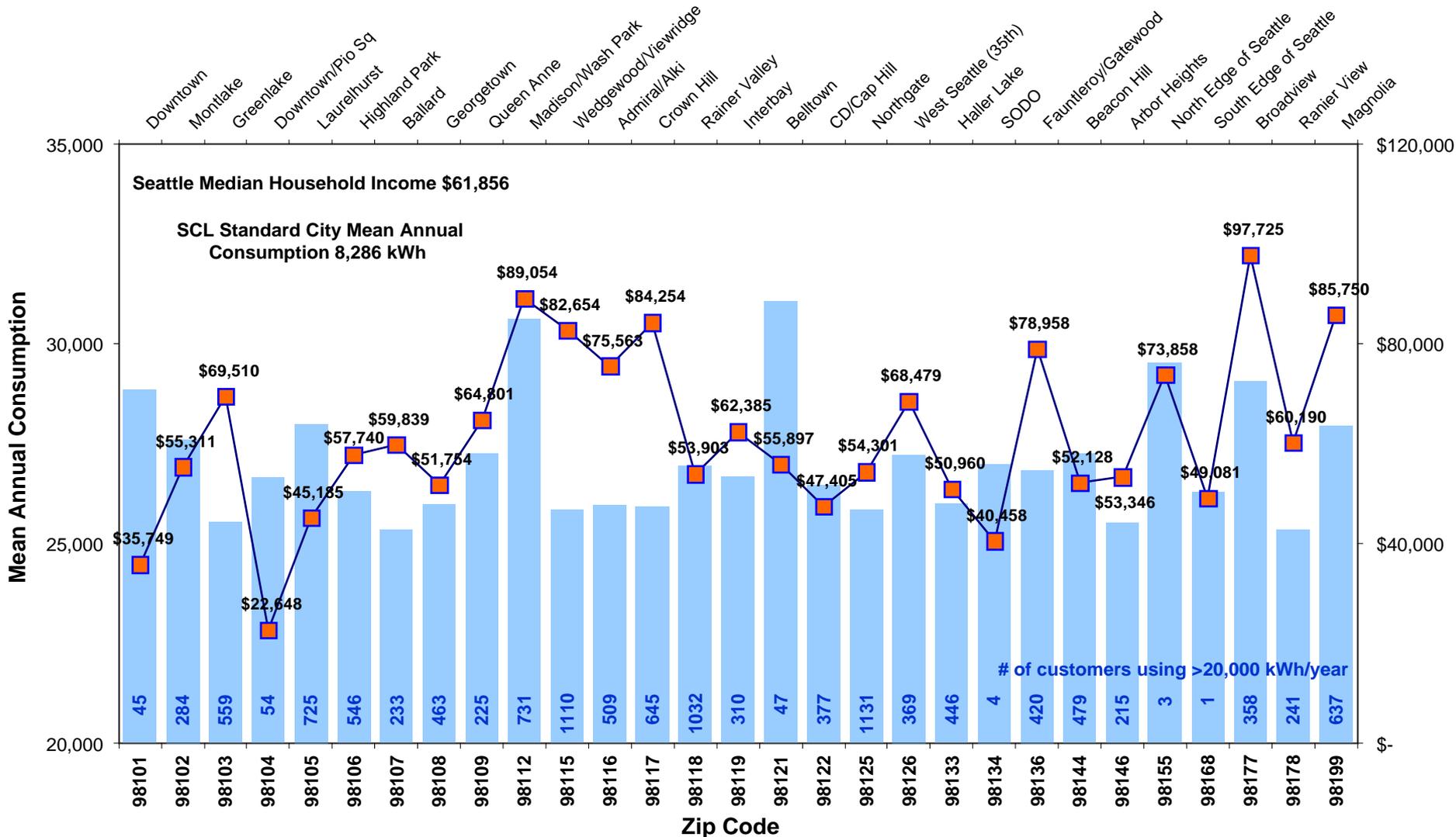
Policy

- Protecting vulnerable members of the community
 - Low income rate discount of at least 50%.

High Users: Customer Characteristics

- 4% of Residential Standard City customers use >20,000 kWh/year.
- High-use customers are found in 29 of 31 Seattle City zip codes.
 - Geographically diverse: high users found in north, middle and south.
 - Economically diverse: in high, middle and lower income communities.
 - Mostly single family dwellings (88%).
- Highest % of high users in zip codes (10-11%) in the outer corners of the city: Arbor Heights, Broadview, Rainier View.
- 9% of Low Income City customers use >20,000 kWh/year.
- High-use Low Income customers are found throughout the service area:
 - About 1,900 customers (~50% in Seattle)
 - 86% single family dwellings
- Of all City residential high users, 93% (12,199) are standard, 7% (976) are low income.

Mean Annual Consumption of SCL City Customers (over 20,000 kWh per year) and Median Household Income across Zip Code as reported by U.S. Census

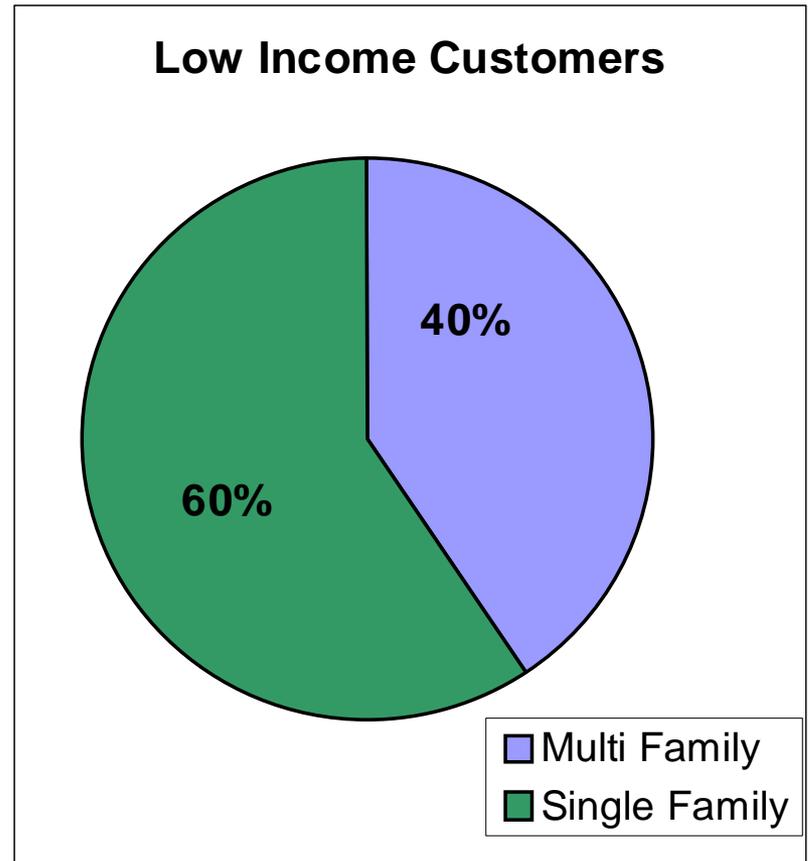
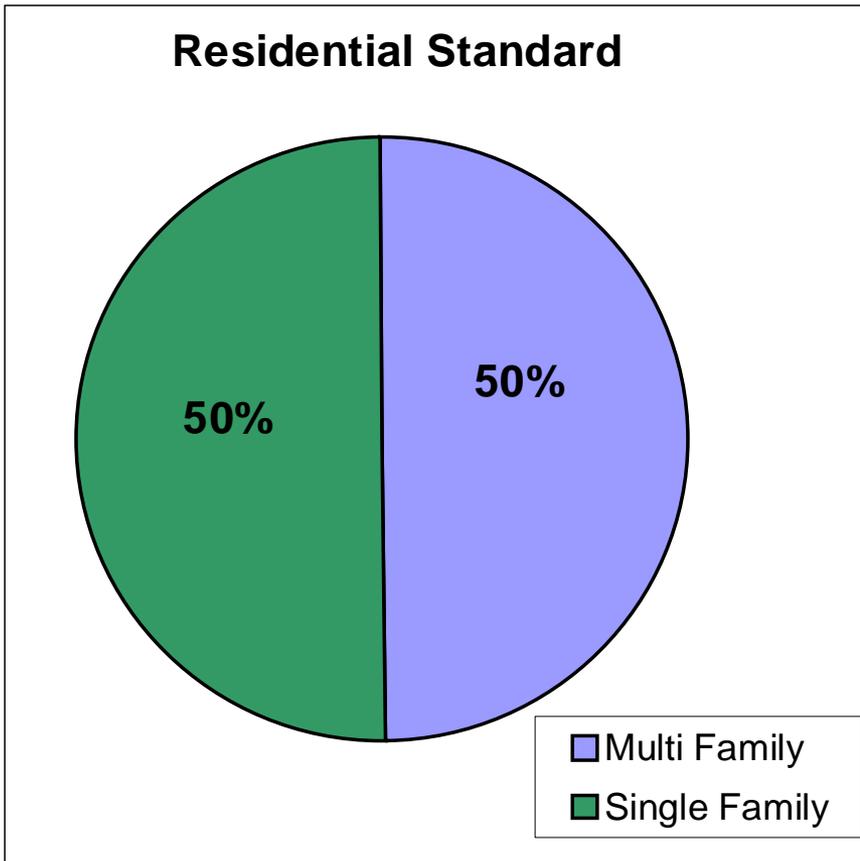


Source: U.S. Census 2007-2011 American Community Survey 5-Year Estimates



Customer Characteristics: Single and Multi Family Housing

(Note that low income customers reside in a higher percentage of SF housing, which helps account for their higher average energy use compared to standard customers.)



Residential Rates: City Light Proposal

- Goals:
 - Incorporate Review Panel input
 - Marginal cost to encourage conservation, improve equity
 - Stabilize revenue

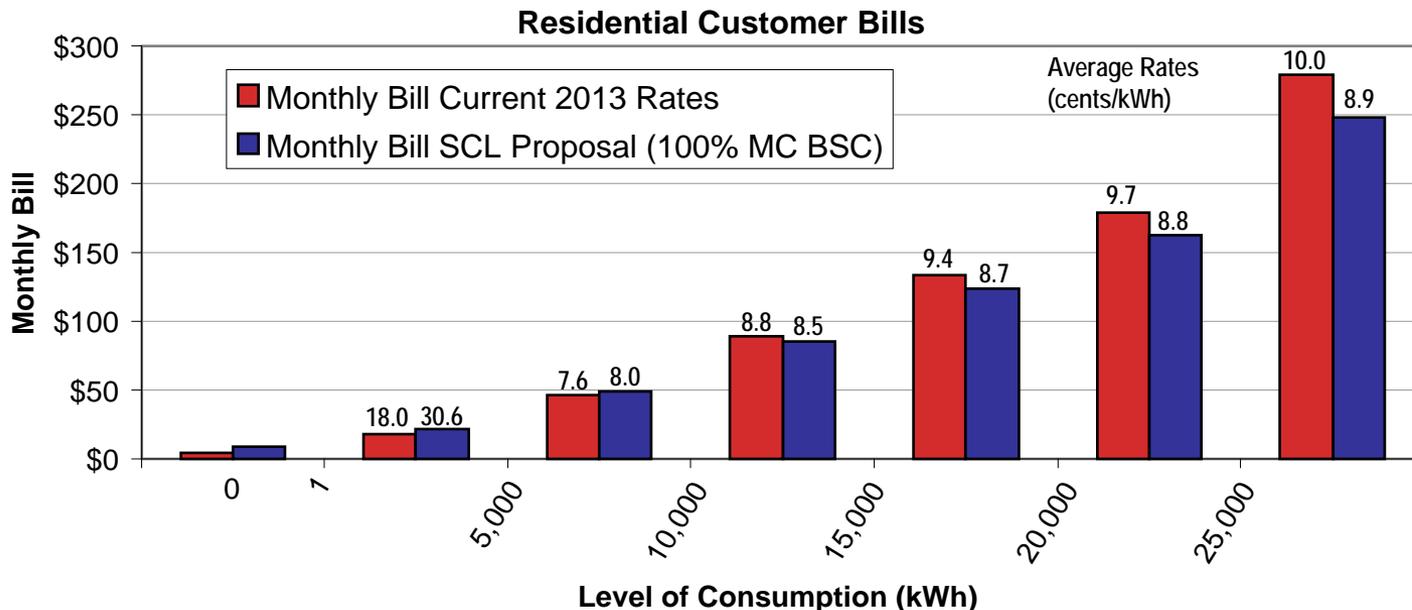
- Changes:
 - Base Service Charge (BSC) set at 100% of marginal customer cost
 - 2 blocks but simpler: 300 kWh/mo. all year (based on minimum needs)
 - 2nd block priced at marginal cost of energy and distribution

	Current		Proposed	
	Block Limit	Rate	Block Limit	Rate
<u>Summer</u>				
First Block (\$/kWh)	1-300 kWh	\$0.0466	1-300 kWh	\$0.0366
Second Block (\$/kWh)	> 300 kWh	\$0.1071	> 300 kWh	\$0.0919
<u>Winter</u>				
First Block (\$/kWh)	1-480 kWh	\$0.0466	1-300 kWh	\$0.0366
Second Block (\$/kWh)	> 480 kWh	\$0.1071	> 300 kWh	\$0.0919
Base Service Charge (\$/day)		\$0.1570		\$0.3141

Residential Rate Proposal: Bill Impact

Residential Standard City (RSC)

Annual Consumption	Percentage of Customers	2013 Monthly Bill		
		Current Rates	Proposed	Change
0 kWh	0.2%	\$4.78	\$9.55	\$4.78
1 to 5,000 kWh	30.3%	\$18.06	\$21.62	\$3.56
5,001 to 10,000 kWh	41.7%	\$46.25	\$48.55	\$2.30
10,001 to 15,000 kWh	17.2%	\$88.95	\$85.43	(\$3.52)
15,001 to 20,000 kWh	6.3%	\$133.45	\$123.64	(\$9.81)
20,001 to 25,000 kWh	2.5%	\$178.46	\$162.26	(\$16.20)
OVER 25,000 kWh	1.8%	\$278.62	\$248.21	(\$30.41)



Low Income Customer Benefits

- Low income rates were introduced in the 1980s, and the discount was gradually expanded so that it reached the target 50% in 1993.
 - Low Income customers were exempted from the large rate increases brought on by the 2000-2001 energy crisis, effectively increasing the rate discount to 60%, the level it is today.
- Today, many benefits are available to Low Income City Light customers.

Program	Benefit
Rate Discount Program	\$7,213,620
Emergency Low Income Assistance (ELIA)	\$380,230
Account Change Fee Waivers	\$6,128
Project Share	\$216,799
HomeWise (Conservation)	\$2,084,522
Administration Costs Paid to City HSD	\$545,442
Total 2012 Benefits for SCL Low Income Customers	\$ 10,446,741

- Expansion from current 13,500 to planned 28,500 (strategic initiative), assuming planned rate increases, will more than double the cost of City Light's Rate Discount Program to approximately \$20 million by 2018 (assuming 60% subsidy).

Low Income Rates: City Light Proposal

- Goals:
 - Achieve strategic initiative of expanding reach of Low Income program.
 - Soften rate impact of expanded program by reducing discount slightly.
- Proposed Change: 60% discount reduced to pre-energy crisis level of 50%.
 - Historical precedent.
 - Consistent with discount offered by Seattle Public Utilities (SPU).

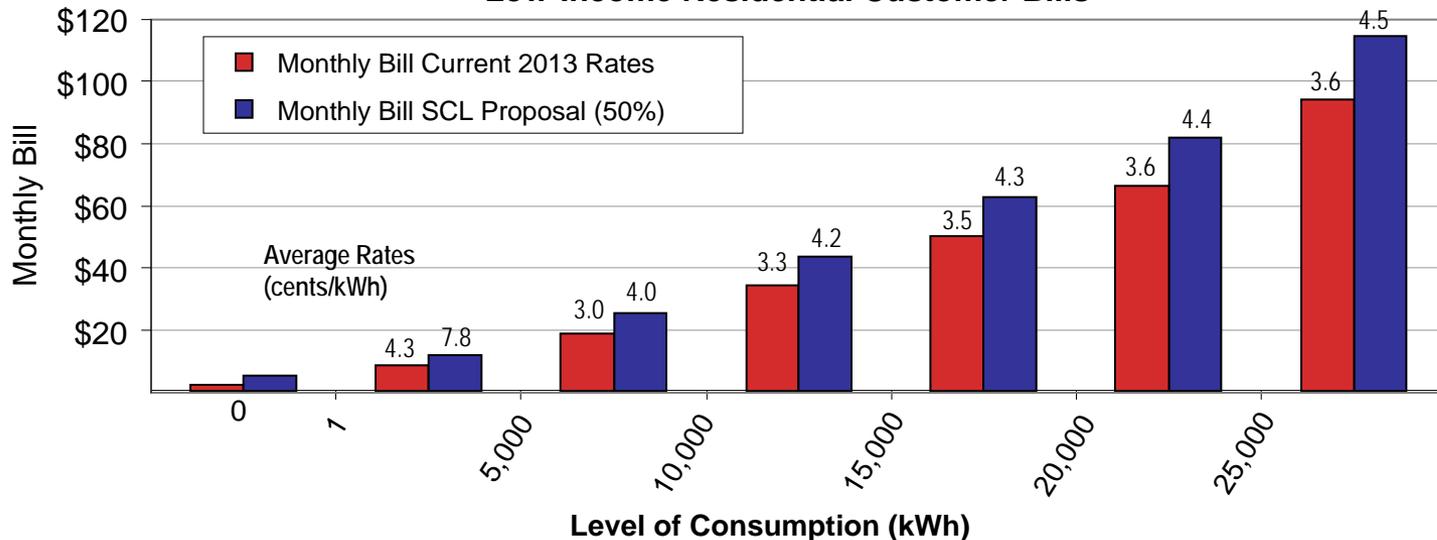
	Current		Proposed	
	Block Limit	Rate	Block Limit	Rate
Summer				
First Block (\$/kWh)	1-300 kWh	\$0.0198	1-300 kWh	\$0.0183
Second Block (\$/kWh)	> 300 kWh	\$0.0387	> 300 kWh	\$0.0460
Winter				
First Block (\$/kWh)	1-480 kWh	\$0.0198	1-300 kWh	\$0.0183
Second Block (\$/kWh)	> 480 kWh	\$0.0387	> 300 kWh	\$0.0460
Base Service Charge (\$/day)		\$0.0628		\$0.1571

Low Income Proposal: Bill Impacts (50% Subsidy)

Residential Low Income City (REC/RLC)

Annual Consumption	Percentage of Customers	2013 Monthly Bill		
		Current Rates	Proposed	Change
0 kWh	0.0%	\$1.91	\$4.78	\$2.87
1 to 5,000 kWh	16.3%	\$8.16	\$11.66	\$3.49
5,001 to 10,000 kWh	38.1%	\$18.50	\$24.88	\$6.38
10,001 to 15,000 kWh	24.0%	\$33.95	\$43.30	\$9.35
15,001 to 20,000 kWh	12.2%	\$49.89	\$62.25	\$12.36
20,001 to 25,000 kWh	5.2%	\$65.91	\$81.30	\$15.39
OVER 25,000 kWh	4.1%	\$93.51	\$114.10	\$20.60

Low-Income Residential Customer Bills



Low Income Program: Strategic Outlook

- Seattle's Low Income program is unparalleled in its range of coverage and generosity.
- Strategic Plan Initiative will further expand reach of Low Income program.
 - Target to enroll an average of 2,500 new eligible customers each year, doubling the size of program by 2018.
 - Introduce targeted outreach program for high-use low income customers to help them reduce their consumption by at least 15%. (At the proposed end block rate, the savings would be sufficient to offset bill increases due to lowered discount.)
- Low income program needs to be sustainable, providing support for low income customers at a level that does not unreasonably burden all our customers.
 - Moving to 50% discount would reduce 2018 cost of Low Income program from \$20 million to \$17 million.