



Rate Design Proposal

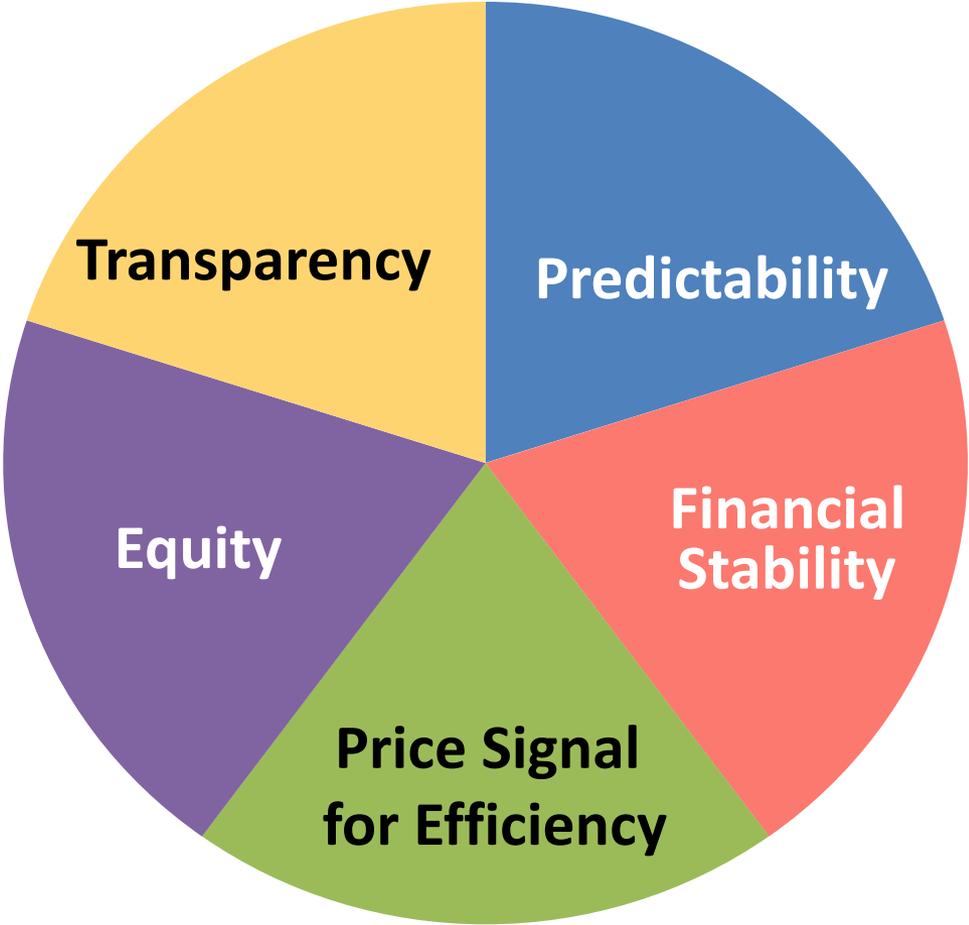
Review Panel Meeting

March 19, 2014

WHAT WILL WE ACHIEVE TODAY?

- Understand the rate design feedback received during public outreach
- Understand the rate design proposal for 2015-2016
- Understand the Utility's long-term vision for rate design
- Arrive at a Review Panel recommendation for 2015-2016

REFRESH ON GOALS FOR RATE DESIGN



Feedback from Public Outreach

What did our customers say?

FEEDBACK FROM PUBLIC OUTREACH

- **Rate predictability is important to us**
- **Support increasing fixed cost recovery, base service charge**
- **Support demand charge increase but consider pace**
- **Retain incentives for conservation**
- **Concerns over decreasing the low income discount to 50%**

Rate Design Proposal for 2015-2016

GOALS OF SCL'S FINAL RATE DESIGN PROPOSAL

Deliver on goals set forth by the Review Panel for the Rate Design Review

Place the utility on a path to achieve the goal of increased financial stability

Incorporate customer feedback from public outreach

RATE DESIGN FINAL PROPOSAL HIGHLIGHTS

- 1. Increase fixed cost recovery while maintaining a price signal for energy that continues to incent conservation.**
 - Implement base service charge
 - Increase recovery of distribution costs via demand charge
 - But at a more gradual pace than initial concept
- 2. Maintain Utility Discount Program (UDP) subsidy at 60%.**
- 3. Implement Time of Use rates.**

RESIDENTIAL & LOW INCOME RATE DESIGN

<i>Residential - City</i>	BSC (per month)	First Block	End Block	Block	UDP
2013	\$4.71	\$0.0466	\$0.1071	Seasonal	60%
Concept	\$7.07	\$0.0292	\$0.1025	Same all year	50%
Final Proposal	\$7.07	\$0.0292	\$0.1025	Same all year	60%

75% of Customer MC

Much lower first block buffers BSC increase

Slightly lower end block approximates MC

*Proposed and Concept rates are for illustrative purposes based on existing 2013 rates and do not include rate increases nor cost of service changes which will be reflected in actual 2015-2016 rates.

SMALL GENERAL SERVICE RATE DESIGN

<i>Small - City</i>	BSC (per month)	Energy
2013	\$7.80 (minimum)	\$0.0716
Concept	\$49.80	\$0.0497
Final Proposal	\$28.76	\$0.0589

100% of Customer MC
+
50% of Distribution MC

100% of Customer MC
+
25% of Distribution MC

*Proposed and Concept rates are for illustrative purposes based on existing 2013 rates and do not include rate increases nor cost of service changes which will be reflected in actual 2015-2016 rates.

MEDIUM AND LARGE GENERAL SERVICE RATE DESIGN

<i>Medium - City</i>	BSC (per month)	Demand (\$/kW)	Energy (\$/kWh)
2013	\$0*	\$2.13	\$0.0566
Concept	\$18.60	\$5.95	\$0.0460
Final Proposal	\$18.60	\$4.48	\$0.0500

**minimum charge not actively billed*

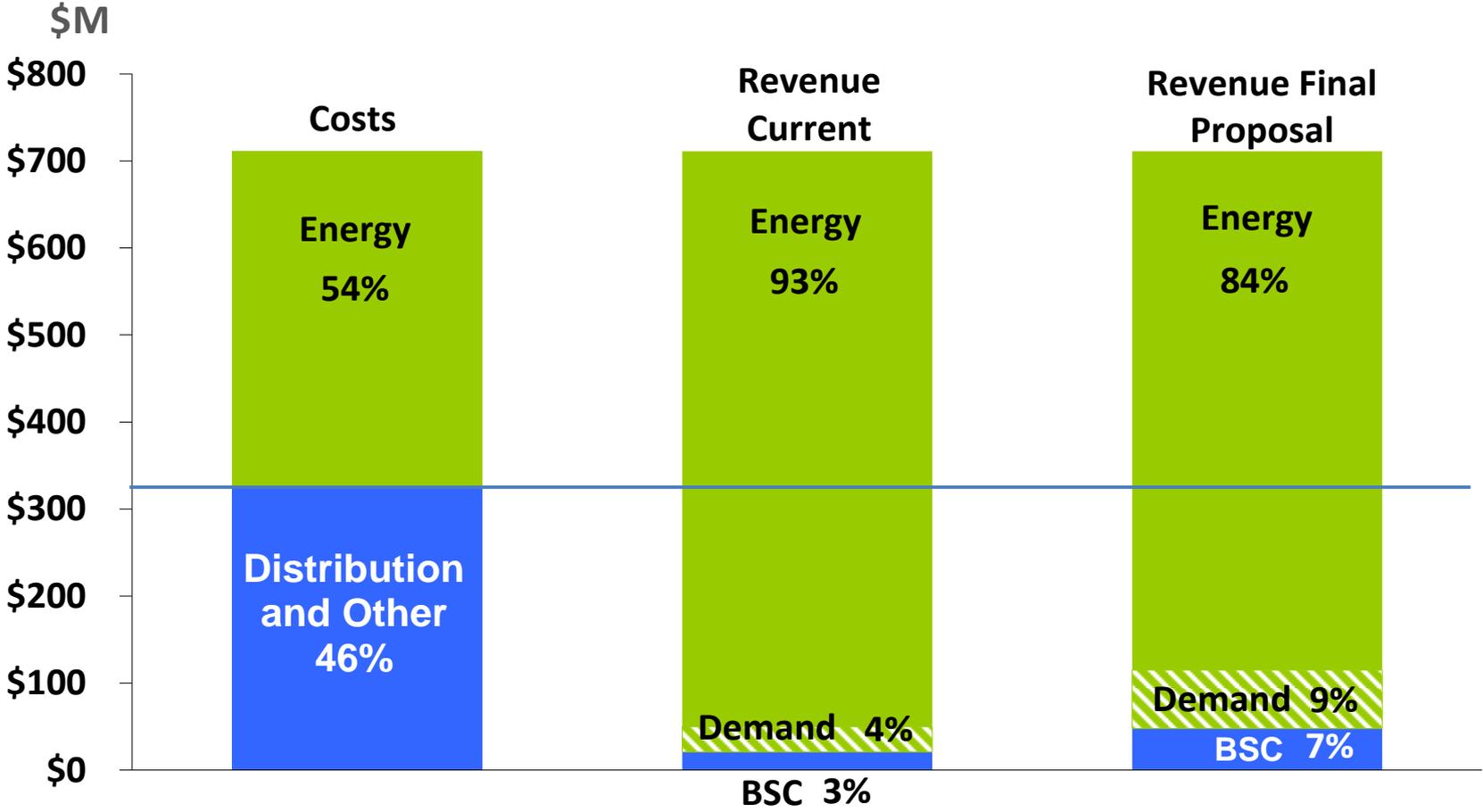
100% of Customer MC

50% of Distribution MC

38% of Distribution MC

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FIXED AND VARIABLE COMPONENTS: FINAL PROPOSAL



Long-Term Strategy for Rate Design

LONG-TERM GOALS OF SCL RATE DESIGN STRATEGY

Base Service Charge: All customers pay a monthly base service charge equal to 100% of the marginal cost of customer service (e.g. billing, account maintenance, meter reading).

Demand Charge: All customers pay for 50% of distribution marginal cost through demand charges (or BSC).

Time of Use Rates: All other costs are recovered through variable energy charges priced higher at peak times (at marginal energy cost, or higher) than at off peak times.

LONG TERM RATE DESIGN STRATEGY: RESIDENTIAL

	2013-2014	2015-2016	2017-2018	2019-2020	2021-2022
% Customer MC In BSC	50%	75%	100%	100%	100%
% Distribution MC In Infrastructure Charge (or BSC)	0%	0%	10%	30%	50% or implement small demand charge
Energy Charge		Lower first block rate	Block rate to bridge into TOU	Implement TOU rates	TOU rates

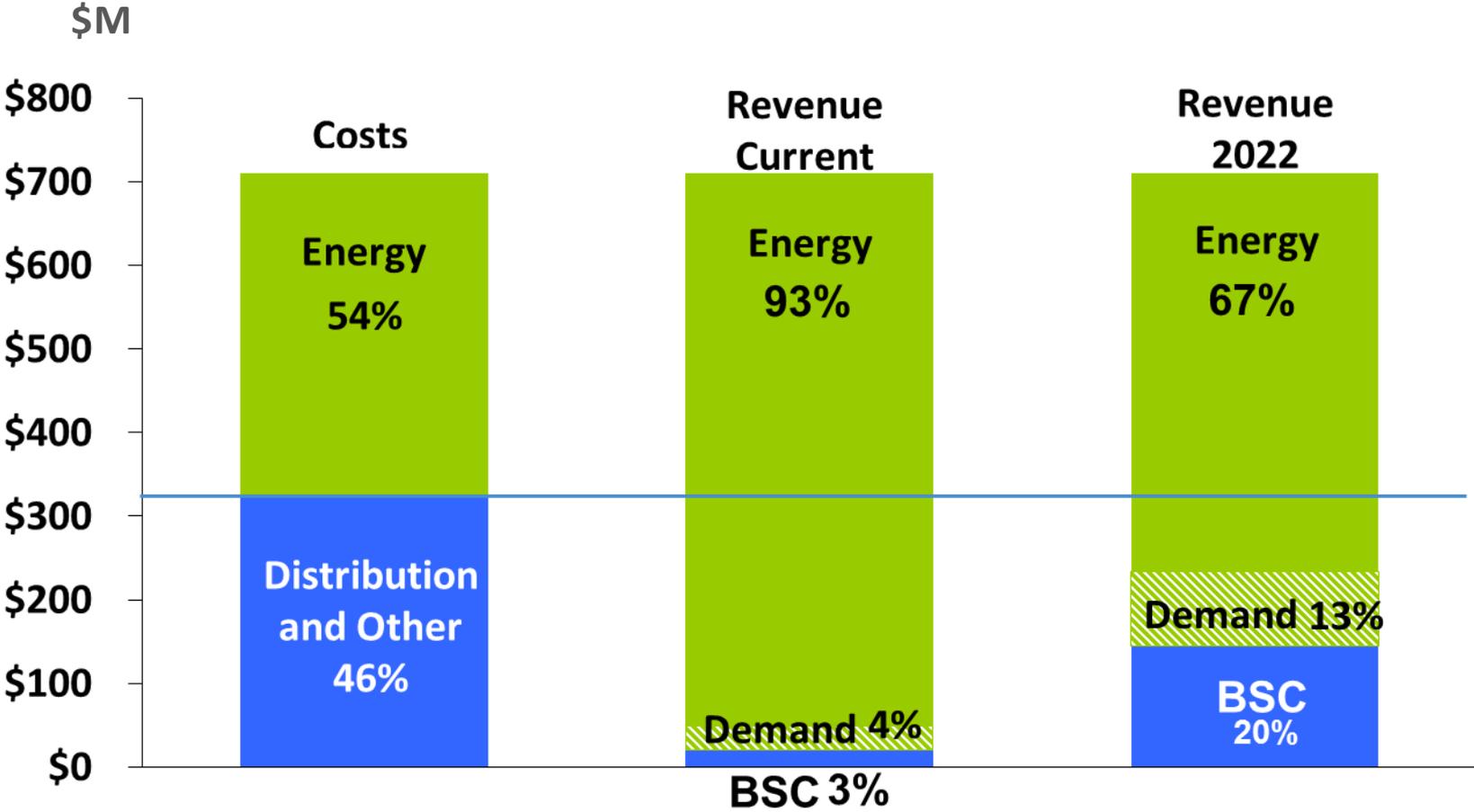
LONG TERM RATE DESIGN STRATEGY: SMALL GENERAL SERVICE

	2013-2014	2015-2016	2017-2018	2019-2020	2021-2022
% Customer MC In BSC	Minimum Charge Only	100%	100%	100%	100%
% Distribution MC In Infrastructure Charge (or BSC)		25%	40%	50%	50% or implement small demand charge
Energy Charge		Reduce energy rates	Reduce energy rates	Implement TOU rates	TOU rates

LONG TERM RATE DESIGN STRATEGY: MEDIUM, LARGE, HIGH DEMAND GENERAL SERVICE

	2013-2014	2015-2016	2017-2018	2019-2020	2021-2022
% Customer MC In BSC	Minimum Charge Only	100%	100%	100%	100%
% Distribution MC In Demand Charge	~16%	38%	50%	50%	50%
Energy Charge		Reduce energy rates	Reduce energy rates	TOU rates for all	TOU rates

LONG TERM STRATEGY: FIXED AND VARIABLE MIX IN 2022



Panel Discussion

