

# Review Panel Meeting

## April 30, 2013



Discussion on  
Residential Standard and Low Income  
Rate Design Policy

# Today's Presentation

- Follow up to questions from March 27 meeting
  - Standard residential
  - Low-income residential

# Questions on Standard Residential Rates

1. Show bill impacts of SCL proposal but getting there gradually over 2-3 years?
2. Show SCL proposal applied to 2018 bills?
3. Alternative Proposal: Adjust SCL Proposal to make bill impacts more similar to current bills across levels of consumption? (Change “tilt”)

# Review:

## City Light Proposal for Standard Residential Rates

- Base Service Charge (BSC) set at 100% of marginal customer cost
  - Improves equity and revenue stability
- 2nd block priced at marginal cost (rate is currently 117% of marginal cost)
  - Brings second block rate back in line with policy of setting rates based on marginal cost.
- Simplify by eliminating seasonality: first block 300 kWh/month all year
  - Household energy use declining; 300 kWh consistent with minimum use.

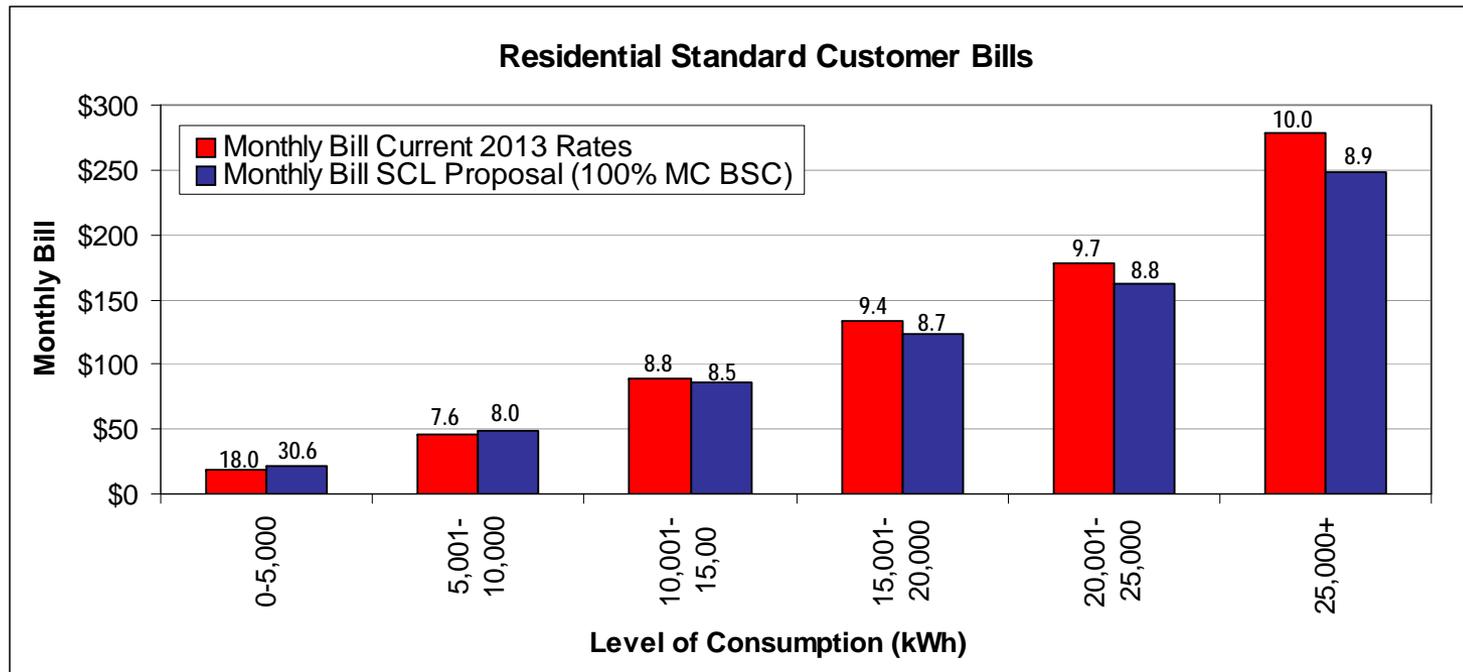
	Current		Proposed	
	Block Limit	Rate	Block Limit	Rate
<b><u>Summer</u></b>				
First Block (\$/kWh)	1-300 kWh	\$0.0466	1-300 kWh	\$0.0366
Second Block (\$/kWh)	> 300 kWh	\$0.1071	> 300 kWh	\$0.0919
<b><u>Winter</u></b>				
First Block (\$/kWh)	1-480 kWh	\$0.0466	1-300 kWh	\$0.0366
Second Block (\$/kWh)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

# Review:

## SCL Proposal Bill Impacts

Residential Standard City (RSC)

Annual Consumption	Percentage of Customers	2013 Monthly Bill			
		Current Rates	Proposed	Change	% Change
0 to 5,000 kWh	30.6%	\$17.95	\$21.53	\$3.58	19.9%
5,001 to 10,000 kWh	41.7%	\$46.25	\$48.55	\$2.30	5.0%
10,001 to 15,000 kWh	17.2%	\$88.95	\$85.43	(\$3.52)	-4.0%
15,001 to 20,000 kWh	6.3%	\$133.45	\$123.64	(\$9.81)	-7.4%
20,001 to 25,000 kWh	2.5%	\$178.46	\$162.26	(\$16.20)	-9.1%
OVER 25,000 kWh	1.8%	\$278.62	\$248.21	(\$30.41)	-10.9%



# SCL Proposal with Gradualism

## □ Year 2015:

- Increase Base Service Charge to 75% of customer costs
- End block rate set at 105% of marginal cost
- No seasonal blocks; 300 kWh first block all year

## □ Year 2016:

- Reach desired structure
- Includes Base Service Charge is 100% of customer costs
- End block rate set at marginal cost
- No seasonal blocks; 300 kWh first block all year

# Bill Impacts

## SCL Proposal w/ Gradualism

Bill Impacts SCL Proposal							
Annual Consumption	2015 Monthly Bill Current	2015 Monthly Bill Proposed	\$ Change	Percentage Change	2016 Monthly Bill Proposed	\$ Change	Percentage Change
0 to 5,000 kWh	\$19.70	\$23.82	\$4.12	20.9%	\$24.96	\$24.75	4.8%
5,001 to 10,000 kWh	\$51.08	\$53.73	\$2.65	5.2%	\$56.30	\$56.25	4.8%
10,001 to 15,000 kWh	\$98.40	\$94.54	(\$3.86)	-3.9%	\$99.08	\$99.12	4.8%
15,001 to 20,000 kWh	\$147.72	\$136.82	(\$10.90)	-7.4%	\$143.40	\$143.47	4.8%
20,001 to 25,000 kWh	\$197.60	\$179.56	(\$18.04)	-9.1%	\$188.20	\$188.29	4.8%
OVER 25,000 kWh	\$308.61	\$274.67	(\$33.94)	-11.0%	\$287.89	\$288.00	4.8%

Bill Impacts with SCL Proposal and Gradualism							
Annual Consumption	2015 Monthly Bill Current	2015 Monthly Bill Proposed	\$ Change	Percentage Change	2016 Monthly Bill Proposed	\$ Change	Percentage Change
0 to 5,000 kWh	\$19.70	\$21.70	\$1.99	10.1%	\$24.96	\$24.85	15.0%
5,001 to 10,000 kWh	\$51.08	\$53.15	\$2.08	4.1%	\$56.30	\$56.26	5.9%
10,001 to 15,000 kWh	\$98.40	\$96.02	(\$2.39)	-2.4%	\$99.08	\$99.10	3.2%
15,001 to 20,000 kWh	\$147.72	\$140.42	(\$7.30)	-4.9%	\$143.40	\$143.45	2.1%
20,001 to 25,000 kWh	\$197.60	\$185.30	(\$12.30)	-6.2%	\$188.20	\$188.26	1.6%
OVER 25,000 kWh	\$308.61	\$285.18	(\$23.43)	-7.6%	\$287.89	\$287.97	0.9%

# Residential Bills in 2013 & 2018

<b>Rates \$/kWh</b>		<b>CURRENT 2013</b>	<b>CURRENT 2018</b>	<b>SCL PROPOSAL 2018</b>
Summer First Block	1-300 kWh	\$0.0466	\$0.0593	\$0.0464
Summer Second Block	over 300 kWh	\$0.1071	\$0.1361	\$0.1166
Winter First Block	1-480 kWh	\$0.0466	\$0.0593	same
Winter Second Block	over 480 kWh	\$0.1071	\$0.1361	as summer
Base Service Charge (\$/day)		\$0.1570	\$0.1918	\$0.3985

Current Methodology							
Annual Consumption	% of Customers	2013 Monthly Bill	2018 Monthly Bill	Bill \$ Increase Over 5 Years	Bill % Increase Over 5 Years	Avg Bill \$ Increase Per Year	Avg Bill % Increase Per Year
0 to 5,000 kWh	30.6%	\$17.95	\$22.60	\$4.65	25.9%	\$0.93	5.2%
5,001 to 10,000 kWh	41.7%	\$46.25	\$58.57	\$12.32	26.6%	\$2.46	5.3%
10,001 to 15,000 kWh	17.2%	\$88.95	\$112.84	\$23.88	26.8%	\$4.78	5.4%
15,001 to 20,000 kWh	6.3%	\$133.45	\$169.39	\$35.93	26.9%	\$7.19	5.4%
20,001 to 25,000 kWh	2.5%	\$178.46	\$226.58	\$48.12	27.0%	\$9.62	5.4%
OVER 25,000 kWh	1.8%	\$278.62	\$353.86	\$75.24	27.0%	\$15.05	5.4%

SCL Proposal							
Annual Consumption	% of Customers	2013 Monthly Bill	2018 Monthly Bill	Bill \$ Increase Over 5 Years	Bill % Increase Over 5 Years	Avg Bill \$ Increase Per Year	Avg Bill % Increase Per Year
0 to 5,000 kWh	30.6%	\$17.95	\$27.30	\$9.35	52.1%	\$1.87	10.4%
5,001 to 10,000 kWh	41.7%	\$46.25	\$61.59	\$15.34	33.2%	\$3.07	6.6%
10,001 to 15,000 kWh	17.2%	\$88.95	\$108.38	\$19.43	21.8%	\$3.89	4.4%
15,001 to 20,000 kWh	6.3%	\$133.45	\$156.86	\$23.41	17.5%	\$4.68	3.5%
20,001 to 25,000 kWh	2.5%	\$178.46	\$205.86	\$27.40	15.4%	\$5.48	3.1%
OVER 25,000 kWh	1.8%	\$278.62	\$314.91	\$36.29	13.0%	\$7.26	2.6%

\* The rate of inflation from 2013-2018 is 15%, an average of 2.4% per year.

# Alternative Proposal

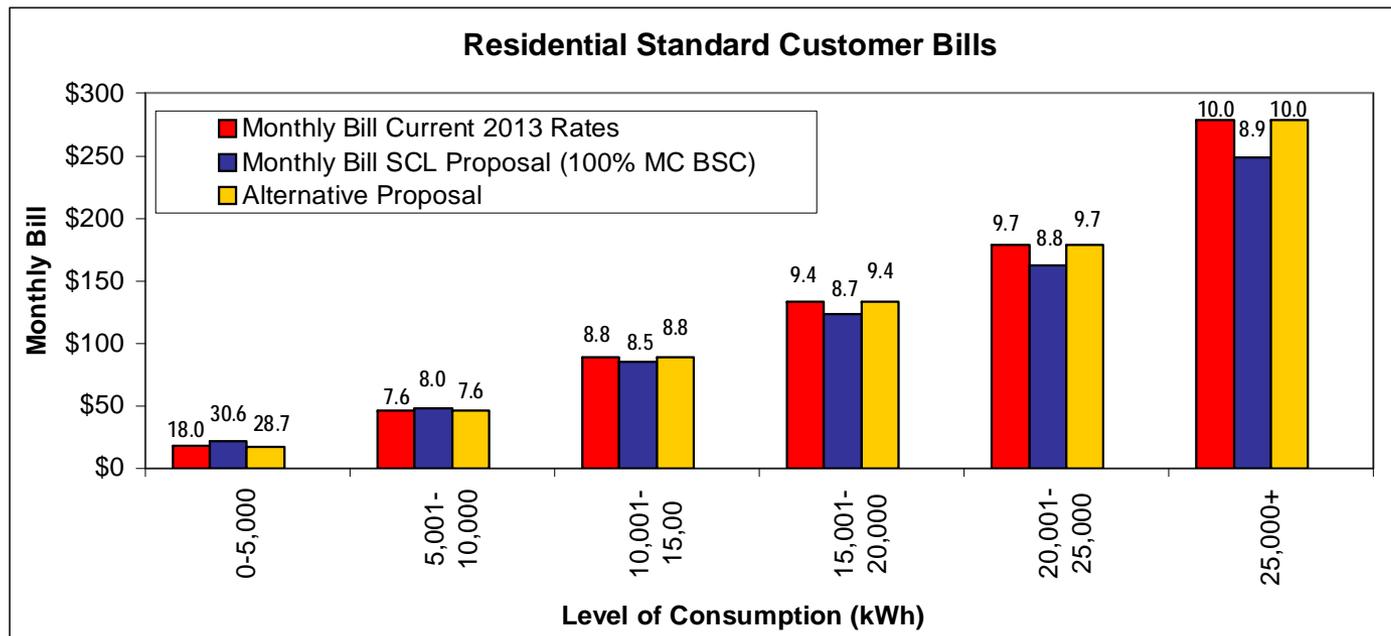
- Keep Base Service Charge at 100% of customer costs.
- Lower first block rate and increase second block rate such that bill changes for customers are minimized.

	Current		Alternative	
	Block Limit	Rate	Block Limit	Rate
<b><u>Summer</u></b>				
First Block (\$/kWh)	1-300 kWh	\$0.0466	1-300 kWh	\$0.0133
Second Block (\$/kWh)	> 300 kWh	\$0.1071	> 300 kWh	\$0.1071
<b><u>Winter</u></b>				
First Block (\$/kWh)	1-480 kWh	\$0.0466	1-300 kWh	\$0.0133
Second Block (\$/kWh)	> 480 kWh	\$0.1071	> 300 kWh	\$0.1071
Base Service Charge (\$/day)		\$0.1570		\$0.3141

# Alternative Proposal: Bill Impacts

Residential Standard City (RSC)

Annual Consumption	Percentage of Customers	2013 Monthly Bill			
		Current Rates	Alternative	Change	% Change
0 to 5,000 kWh	30.6%	\$17.95	\$17.03	(\$0.92)	-5.1%
5,001 to 10,000 kWh	41.7%	\$46.25	\$46.29	\$0.04	0.1%
10,001 to 15,000 kWh	17.2%	\$88.95	\$89.12	\$0.17	0.2%
15,001 to 20,000 kWh	6.3%	\$133.45	\$133.62	\$0.17	0.1%
20,001 to 25,000 kWh	2.5%	\$178.46	\$178.62	\$0.16	0.1%
OVER 25,000 kWh	1.8%	\$278.62	\$278.77	\$0.16	0.1%



# Review:

## SCL Low Income Rate Discount Proposal

- Soften rate impact of expanding low income program (strategic initiative) by reducing discount from 60% to 50%.
  - Historical precedent - discount was 50% before energy crisis.
  - Consistent with discount offered by Seattle Public Utilities (SPU).
  
- Compared with other utilities, SCL's Low Income rate discount program is unparalleled in its range of coverage and generosity.
  - In addition to rate discount, conservation and emergency assistance is also available.

	Current		Proposed	
	Block Limit	Rate	Block Limit	Rate
<b><u>Summer</u></b>				
First Block (\$/kWh)	1-300 kWh	\$0.0198	1-300 kWh	\$0.0183
Second Block (\$/kWh)	> 300 kWh	\$0.0387	> 300 kWh	\$0.0460
<b><u>Winter</u></b>				
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

# Conservation Programs for Low Income Customers

- HomeWise Weatherization program
  - Customers receive free energy audit, work is carried out at free or very low cost.
  - Rental property owners must sign a covenant that promises that they will continue to rent to low income tenants for a period of time.
  - First-year energy savings are expected to be 0.9 to 1.0 million kWh.
- Powerful Neighborhoods Direct Install program
  - Targets neighborhoods identified by census and other data to be lower income, and low income multifamily buildings. (Not specifically limited to low income.)
  - Installs efficient light bulbs and arranges for the installation of efficient showerheads.
  - Expected energy savings of 4.9 million kWh in 2013. Activities in 2014 and beyond are not known at this time.
- Energy saved from these two programs translates to about \$198,240 in annual savings for Low Income customers or \$13.15 per customer. (Based on 2013 rates)
- SCL low income outreach initiative will also distribute conservation measures and information and make referrals to available programs.

# Assistance Available to Low-Income Residents

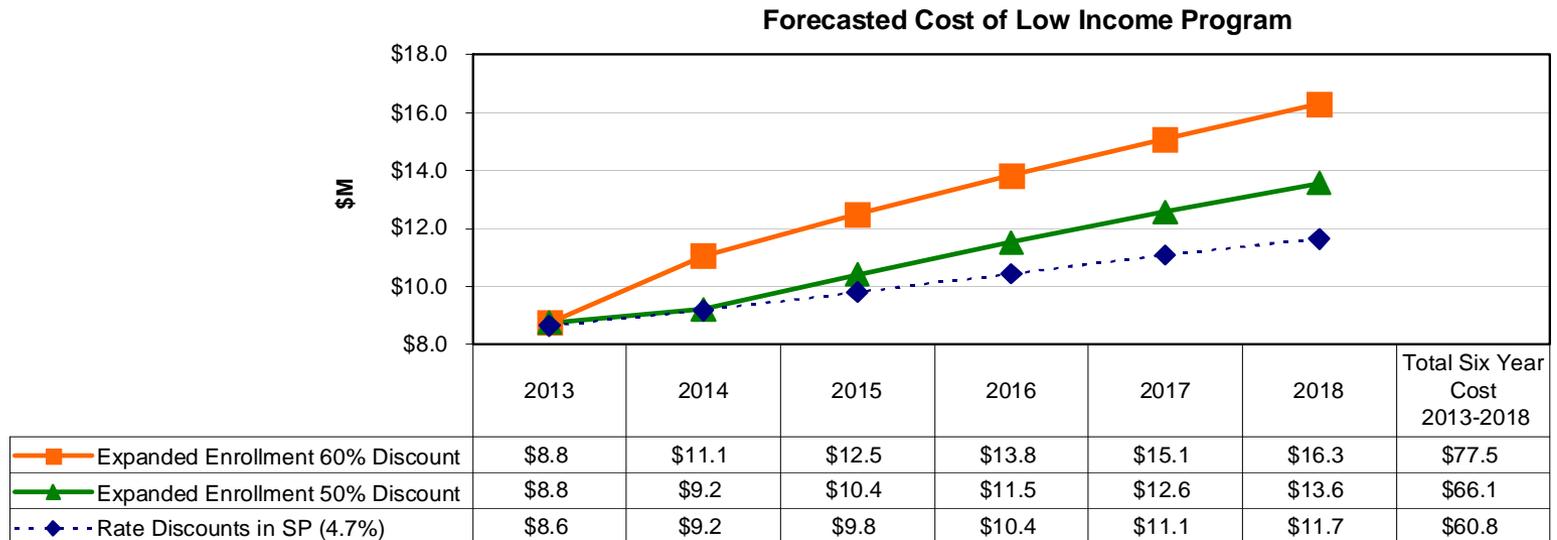
Various kinds of assistance and services are available to Low Income Seattle Residents to help offset energy bills.

<b>Program</b>	<b>Benefit</b>
Rate Discount Program	\$8,600,000
Emergency Low Income Assistance (ELIA)	\$380,230
Account Change Fee Waivers	\$6,128
Project Share (donation funded)	\$216,799
Administration Costs (Paid by SCL to City HSD)	\$545,442
HomeWise Weatherization Program (SCL Funded)	\$2,300,000
HomeWise Weatherization Program (PSE, State/Federal Funded)	\$3,000,000
Powerful Neighborhoods Direct Install Program*	\$1,000,000
PSE Help Emergency assistance (For natural gas customers)	\$1,000,000
<b>Total Energy Assistance for Low Income Seattle Residents</b>	<b>\$17,048,599</b>

\* Not limited to low income customers, but geographically targeted to lower income areas and affordable housing providers.

# Low Income Program

- Success of the SP initiative would increase enrolled Low Income customers from 13,340 in 2012 to over 22,000 by 2018.
  - Because this initiative was added towards the end of the strategic planning process, the rate impact of expanded enrollment was not incorporated in the 4.7% rate trajectory.



- Estimated six-year cost saved from reducing the subsidy level from 60% to 50% is \$11.5 million.

## Next meeting:

# Rate Design to Encourage Energy Efficiency

- Review characteristics of City Light rates that promote efficiency
  - Cost Allocation and Rates based on marginal costs
  - Time-of-use (TOU) rates (Large/High Demand)
  - Demand charges (Med/Large/HD)
  - Two-block structure (Residential)
- Present findings of best practices study
- Discuss potential rate design policies to further encourage efficiency