



**City Light Review Panel Meeting  
Meeting Minutes**

**Date of Meeting: February 15, 2013**

MEETING ATTENDANCE					
Panel Members:					
Name		Name		Name	
David Allen	✓	Stan Price	✓	Debbie Tarry	✓
Tom Lienesch	✓	Julie Ryan	✓	Eugene Wasserman	✓
Chris Roe	✓	Sue Selman	✓	Eric Thomas	✓
Staff and Others:					
Jorge Carrasco	✓	Rashad Morris	✓	Paula Laschober	✓
Maura Brueger	✓	Councilmember O'Brien	✓	Kirsty Grainger	✓
Kim Kinney	✓	Phil West	x	Rollin Fatland	✓
Suzanne Hartman	✓	Jim Baggs	✓	Garry Crane	✓
Jeff Bishop	✓	DaVonna Johnson	x	Nina Sidneva	✓
Karen Reed	✓	Saroja Reddy	x	Glenn Atwood	✓
Tony Kilduff	✓	Cameron Keyes	✓		

**Call To Order**

The meeting was called to order at 1:00 p.m.

Karen Reed welcomed everyone to the meeting and began with a review and approval of the agenda. The agenda was approved.

**Approval of Minutes**

The meeting participants reviewed the draft meeting minutes of January 22, 2013. The minutes were approved as submitted.

**Presentations / Information**

Congratulations were given to City Light for achieving a great result with J.D. Power and Associates for the 2013 Utility Business Customer Satisfaction Study. City Light was ranked #1 in the West among midsize utilities, based on customer survey ratings; the ranking puts SCL at #1 among all midsize utilities, nationally. The survey is conducted with customers from 95 utilities that have more than 25,000 business customers. For all utilities, regardless of size, City Light was ranked #3 nationally. City Light's highest rankings by our business customers include the categories of power quality and reliability, price, billing and payment, and communications.

There was no public comment offered for today's meeting.  
Kim advised there were no emails received to the Review Panel's general mailbox.



## City Light Review Panel Meeting Meeting Minutes

Maura Brueger presented information on two of the strategic initiatives – Effective Communications & Engagement and Strengthen Ratepayer Outreach in Rate Process. The goal of the first initiative is to improve engagement between the Review Panel and policymakers and help inform Council and Mayor oversight of the strategic plan. The deliverables will be the 2013 work plan, the communications plan for the Review Panel laying out how and when they will meet with Council and the Mayor. Staff will provide a draft communications plan at the next Review Panel meeting.

The “Strengthen Ratepayer Outreach in Rate Process” initiative focuses externally with the goal of making the rate process more transparent and meaningful for stakeholders, and to take steps to institutionalize this. The next step on this initiative is to bring to the Review Panel samples of other comparable utility’s ratepayer process and best practices (this is scheduled for April).

The group discussed the possibility of having a “Paperless Option” for our meetings. Kim Kinney will confer with the Review Panel members to determine preference & provide a paperless option to those who want it.

Jim Baggs introduced the Residential Customer Characteristics Survey (RCCS) presentation. The RCCS presented today is about 4 years old. Some of the usage characteristics have probably changed. This RCCS was prepared to understand the market for residential energy efficiency – it was not really designed to provide detailed information for rate design purposes. The goal of the survey was to gain a better understanding of how residential customers use electricity. Jim then turned the presentation over to Glenn Atwood. He reported on the number of residential accounts, the building types, electric space heat saturation, and water heat saturation as well as some of the other inputs (appliances, electronics, lighting, windows, insulation) contributing to energy use. The RCCS found that 51% of the residential accounts in SCL service territory are single-family units; the balance are multiplexes (2-to 4-units) or multifamily (5+ units).

Different housing types consume different amounts of electricity per household, with single family households consuming significantly more than households in multiplex or multifamily residences, although the differential is much smaller when considering single family homes that have non-electric space heat. Energy efficient appliances have helped to reduce energy use in households, but the utility is seeing higher plug loads (with the proliferation of more consumer electronics).

Glenn observed that SCL has been fairly successful in getting multifamily owners to partner with us to do some upgrades regarding energy efficiency. Most housing development in the past few years has been in the multi-family sector which is more energy efficient. He described some of the current programs City Light and the Office of Housing are doing to promote more work on energy efficiency. Some programs have been aimed at getting building owners to go beyond code to make their buildings as efficient as possible.

Glenn provided an informational link to the Panel for further details on the report.



## City Light Review Panel Meeting Meeting Minutes

The RCCS Report link is: [http://www.seattle.gov/light/Conserve/Reports/Evaluation\\_15.pdf](http://www.seattle.gov/light/Conserve/Reports/Evaluation_15.pdf)<sup>1</sup>

The RCCS Tables link is: [http://www.seattle.gov/light/Conserve/Reports/Evaluation\\_16.pdf](http://www.seattle.gov/light/Conserve/Reports/Evaluation_16.pdf)

Next, the group turned their attention to residential rate design and the discussion on possible/potential rate design policy changes. Karen reminded the Panel of the task at hand, (per ordinance 123256 creating the Panel) that once every 3 years, the Panel is asked to assess City Light's rate design to ensure it is sending appropriate signals to customers to use energy efficiently. Karen thanked the Panel members for forwarding questions and ideas on residential rate ideas in advance so staff could be prepared for today's discussion.

Jeff Bishop encouraged the Panel to focus on policy issues around rate design. He noted that residential rates compose 34% of the utility's load and 86 – 90% of customers in number. He referred to the handout in the packet showing a national study of regional differences in the price elasticity of demand for energy. He explained that if the price elasticity was expressed as a "-0.2", that would mean that for every 10 percent increase in electricity prices, usage would be expected to fall by 2 percent. The study shows that Washington State has a mid-range level of price elasticity of demand, compared to other states and that overall, nationally, demand for electricity is relatively inelastic. Jeff noted that residential consumption patterns are not closely correlated with income and that price is just one factor affecting electricity use.

Paula Laschober, City Light's Finance Director, delivered an overview recapping SCL's current residential rate structure and provided analysis back to the Panel on their suggestions for designing other rate structures (suggestions included: a single block rate; customer charges set at 80% or 100% of marginal cost; price for all electricity consumed charged a higher rate once a certain level is exceeded; setting block rates based on individual customer usage). She referred the meeting participants to her handout for which the finance group analyzed single block rates, minimum/customer charges set at 80% or 100% of marginal cost, and three-block options and she explained what the subsequent customer bill impacts may be. The group discussed: the policy goals behind the current residential rate structure; other policy goals that could be considered in structuring residential rates; the desirability of changing the basis for pricing the customer service charge; whether multiple block rates were desirable; different approaches to setting block rates; and different ways to promote residential conservation.

Among the policy goals proposed with respect to residential rates were: meeting revenue requirements; customers paying the cost of the service they receive without subsidy; encouraging conservation; providing low-income rate assistance; encouraging consumption awareness and

---

<sup>1</sup> *Energy use per household size* (# of persons): figure 294

Report (graph): p. 134

Tables (detailed numbers): p. 392

*Energy use per dwelling size* (square foot): figure 291

Report (graph): p. 132

Tables (detailed numbers): p. 386



## City Light Review Panel Meeting Meeting Minutes

simplicity/transparency. The group observed that the policy goals identified can often be in conflict with one another, and that there may be several ways to achieve any given policy goal.

It was generally agreed that effective price signals are those that customers observe and are likely to act upon. It was further agreed that rate changes should be deployed in a predictable and orderly manner.

The group had varying opinions on the impact of price signals as a means to encourage residential conservation, and the desirability of having more than one block rate for power.

The group asked for a definition for the "base service charge." Paula Laschober advised that the "base service charge" covers 50% of the marginal customer costs such as processing bills, answering phone calls, opening and closing accounts, uncollectibles and meter reading (but not the actual meter). Jorge Carrasco noted that SCL's base service charge is relatively low compared to that charged by others in the region. There was general consensus that the base service charge should be increased to be closer to the marginal cost of customer service for residential customers, in order to increase revenue certainty.

Please refer to **Attachment A-1** which summarizes in greater detail the rate policy discussion.

A Panel Member question was asked if there might be a rate structure where you could base it on individual proportional historical energy use? Jeff stated that it would be a major administrative challenge to set rates based on individual proportional historical energy use. He noted that perhaps down the road when AMI is in place, there may be a way to try to move towards this goal.

Jorge commented that the goal behind SCL's current tiered rate structure was the policy assumption that tiered rates would promote energy efficiency. We have not been able to measure how effective tiered rates are in promoting residential conservation, but we do know that demand is relatively inelastic.

Jeff Bishop reviewed the new iteration for the Work Plan, which includes a timeline showing when topics will be addressed over the course of the year, and key decision points.

### **Action Items**

The utility will come back to the Panel with more detail on the communication and outreach milestones of the plan.

The Panel asked if the utility could provide more information on the 12,000 people who are the high users. The utility will report back to the Panel on this.

### **Adjournment**

There being no further business, the meeting was adjourned at 4:10 p.m.

## City Light Review Panel

### Write-up of 2/15/13 Panel Discussion on Residential Rates

#### I. What Policy Goals should be incorporated in Residential Rate Design?

- *Noted: In most cases, there are multiple ways to achieve policy goals.*

Goals identified in discussion (items marked with an asterisk (\*) were **not** consensus items

- A. Meet revenue requirements.
- B. Everyone should pay the full cost of providing power to them—no subsidies \*
  - a. *Is a price signal a subsidy?*
- C. Encourage conservation.
  - a. This is a major goal behind current rate structure.
- D. Low income household rate assistance
- E. Encourage consumption awareness
- F. Simplicity / transparency
- G. “Signals” built into rates should be meaningful—*observed* by the ratepayers, ratepayers *can act* on them, *and do act*.
- H. Rates should be predictable.
- I. Changes to rates should be implemented in an orderly way

#### II. Base Service Charge (BSC)

- A. **Current rate structure:**
  - a. **BSC** set to recover 50% of marginal cost of administration of accounts.
  - b. Does not include cost of the meter.
  - c. Generates about \$20M of \$273M of total residential revenue requirement
  - d. Lower than the charge imposed by peer utilities.
- B. **Consensus Policy Position: Panel will continue discussion of the desirability of increasing the BSC over time.**
  - a. Rationale for increasing the BSC over time:
    - i. Increases revenue recovery certainty.
      1. Other Tools that Could accomplish this same objective:
        - a. De-coupling of rates
      - ii. It provides an incentive to control administrative costs
    - b. Downsides to this recommendation:
      - i. Reduces the size of the price signal for conservation.
- C. **Next Steps**
  - a. Staff will model the rate impact of increasing this over the 6-year rate period to various levels (80%, 100%)
  - b. **Make Policy Recommendation.**
    - i. **Does Panel want to set a policy target as to *how high* the BSC should be raised (% of marginal cost? *Over what period of years?*)**

### III. Block Rates

#### A. Current rate structure:

- a. 2 rate blocks, ascending (higher the use, the higher the cost of the energy in the block)

#### B. Consensus Policy Position: City Light should retain an ascending block structure (TBD: how many blocks, relative size)

##### a. Rationale for keeping ascending block structure:

##### i. Encourages conservation\*

1. *Conflicting opinions: Some panel members observe demand is somewhat inelastic, so unclear how much conservation is served by ascending rates. Others note that there is still some measurable elasticity and the price signals are a meaningful tool to promote conservation.*

##### 2. Other tools that could accomplish this same objective:

- a. Conservation programs

##### b. Downsides to this recommendation:

##### i. Inequitable to some renters (particularly renters in single family homes).

1. Can this be addressed through other programs, and/or with use of smart meters?

##### ii. Complicates utility bills.

##### iii. Questionable whether residents actually respond to the price signals being sent now.

#### C. Next Steps.

- a. Information request: do we know who the highest users of electricity amongst residential customers are, and if so, can that tell the most effective way to address our policy goal of reducing conservation?
- b. **Determine number and relative size of blocks**

### IV. Block Rates: How Many? How Sized and Priced?

#### A. Current rate structure:

- a. 1<sup>st</sup> block is sized at a "lifeline" level.
  - i. (Summer: 1-300 kWh; Winter: 1-480 kWh)
- b. 2<sup>nd</sup> block is priced at 2.3X lifeline rate.

#### B. Discussion:

- Can the first block be set based on individual proportional historical use? (Administratively very complex)
- Three Tiered rate modeled would substantially shift cost to highest users.
  - Will this send a strong price signal that will be heard and acted upon?
  - Downside: cumbersome/complicated

- Two blocks make sense to some, but should the first block size be increased beyond a “lifeline” rate level? Perhaps increased to the point where it would most effectively encourage conservation?
- Should charges for all power consumed flip to the higher block rate once a consumer exceeds the first block? (“tripwire”)
  - Downside: difficult to predict/control, major cost impact on residents if it happens

**C. Next Steps: Panel Deliberation**

- a. **Should the size of the first block be adjusted? How? Why?**
- b. **Should a third block be added? At what level? Why?**
- c. **Should the pricing of these blocks be adjusted? How? Why?**

**V. Seasonal Rates—Keep? Adjust?**

**A. Current rate structure:**

- a. There are summer and winter rates. The block *rates* are same, but in the winter the first block size is increased by 60% to a cap of 480 kWh (up from 300 kWh)

