



COSTS AND REVENUE

June 13, 2017 Energy and Environment Committee Meeting

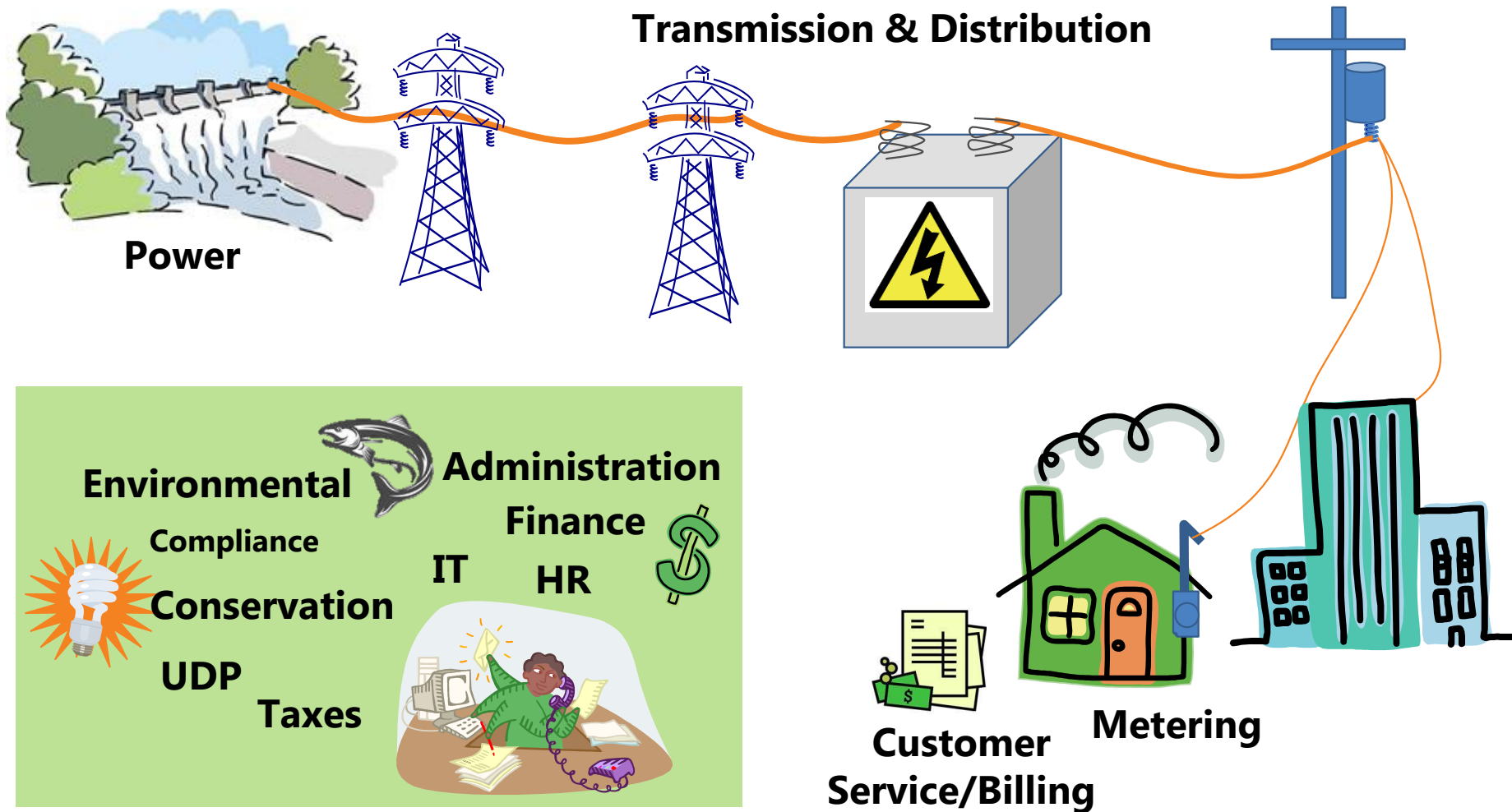
Tony Kilduff, Council Central Staff

Kirsty Grainger, City Light Finance Director

AGENDA

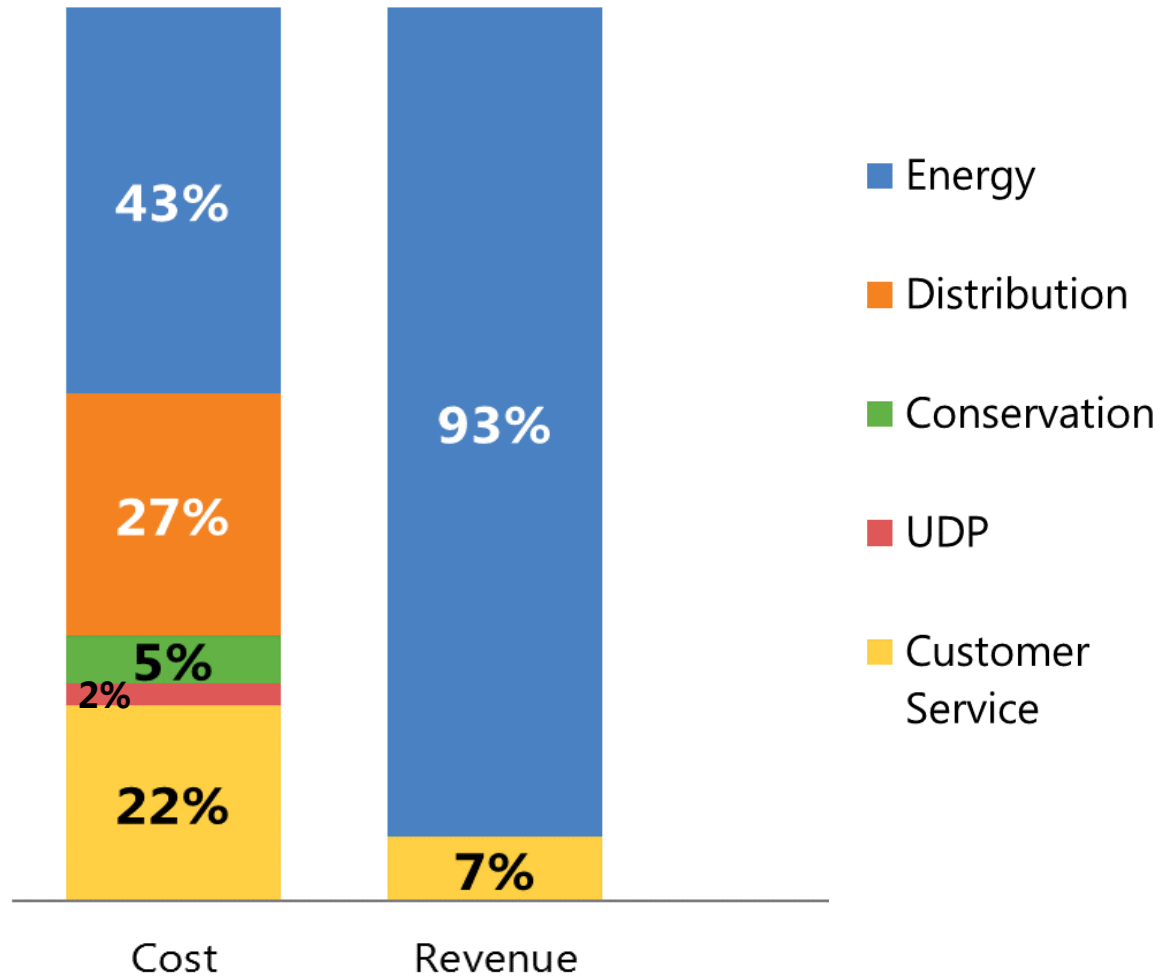
- Last time: declining retail sales, \$133M shortfall
- Today: costs and revenue
- Future presentations:
 - Retail sales forecast improvements
 - Options for stabilizing revenues
 - True-up mechanisms
 - Rate design
 - Electrification (revenue) opportunities

ELECTRIC SERVICE



COSTS VS REVENUE

Residential Service Cost vs Rate Revenue



RESIDENTIAL RATE STRUCTURE

Residential City*	
Base Service Charge	16.61 ¢/day ~\$5/month
First Block** (\$/kWh)	7.82 ¢/kWh
End Block (\$/kWh)	13.20 ¢/kWh

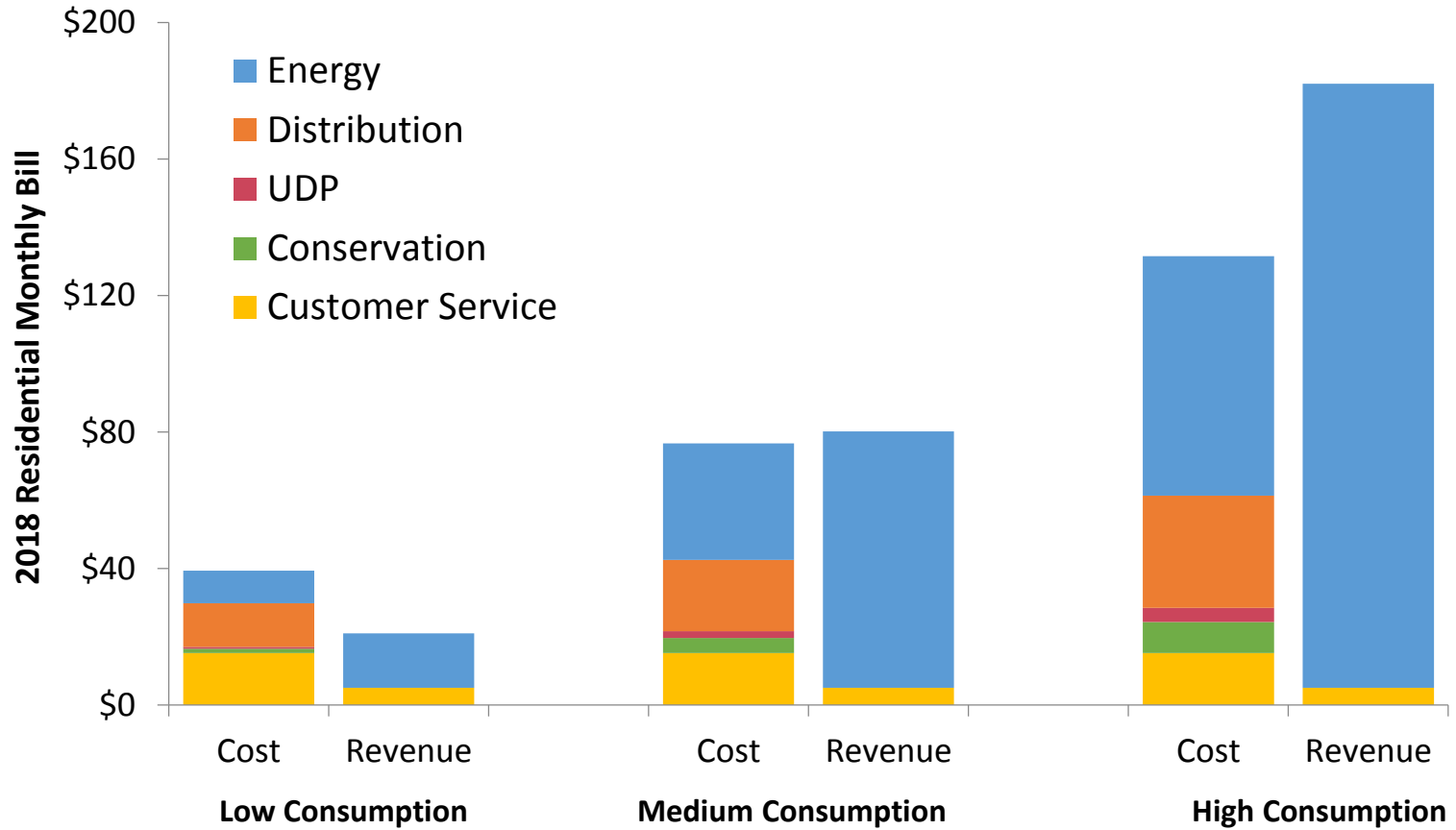
**2017 rates with 1.5% RSA surcharge*

*** First block kWh: 480 winter, 300 summer*

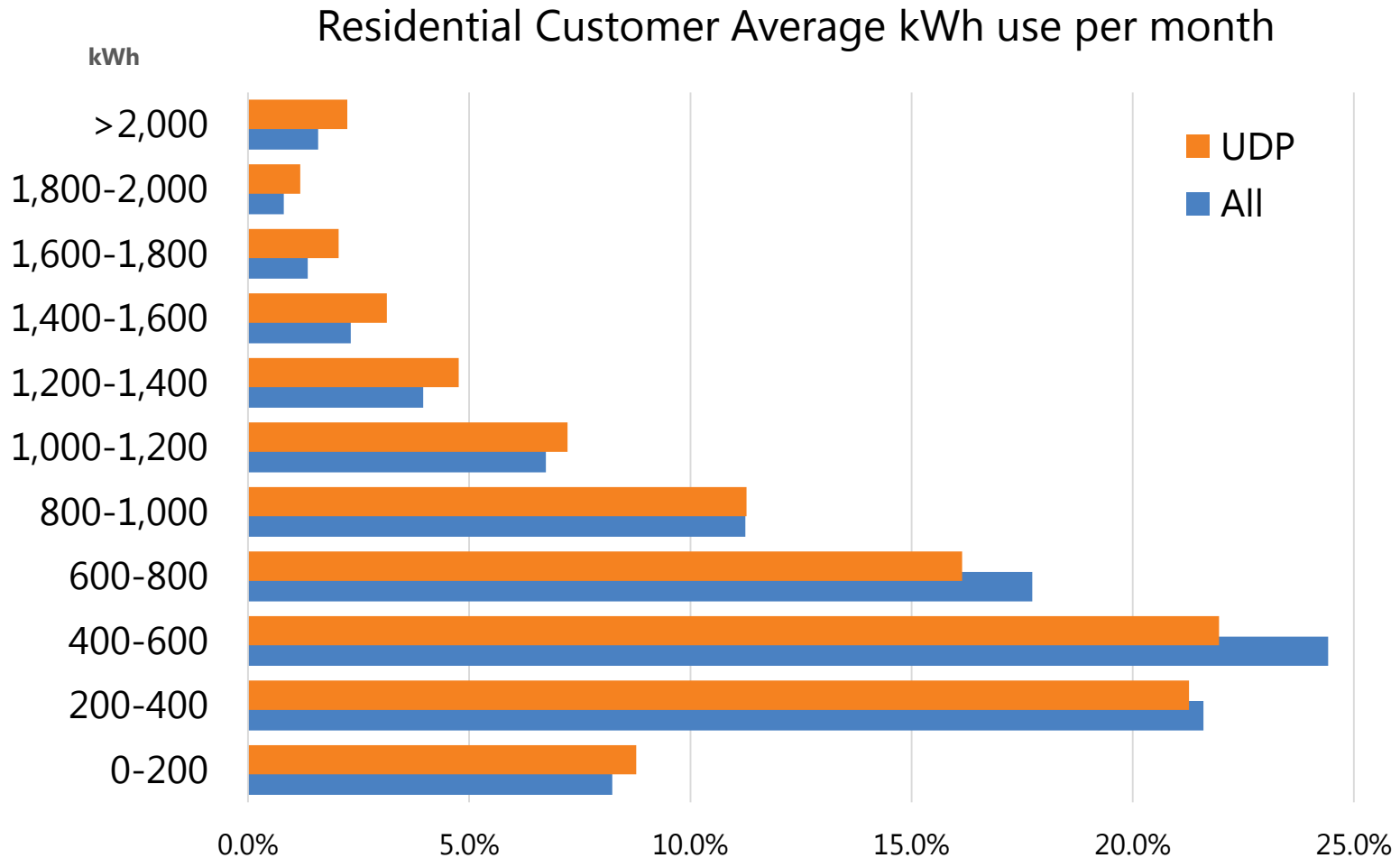
Reminder: Rates are set to generate just enough revenue to recover costs.

COST AND RECOVERY

Cost of Service and Cost Recovery



RESIDENTIAL CUSTOMER USE PROFILE



WHERE ARE THE HIGH* USERS?

**top 10% of residential customers*

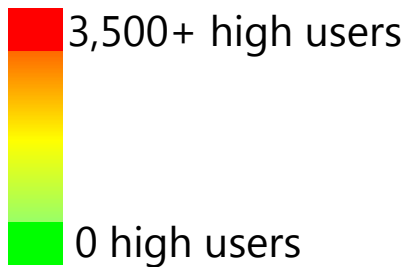
Shoreline/Bitter Lake

Lake Forest Park

Ravenna/Wedgwood

Columbia City/Rainier Valley

Tukwila



REVENUE IMPACT OF EFFICIENCY

13¢ /kWh residential rate

- 2¢ /kWh wholesale price

- 1¢ /kWh taxes

10¢ /kWh cost not recovered



- Gap between retail rate and wholesale market value has widened, amplifying revenue recovery impact of each kWh (not) sold.
- Better forecasting will help, but won't completely solve revenue volatility problem.

INCREASING PER-CUSTOMER CHARGES

Why people like this idea:

- More bill/revenue certainty
- Spreads fixed costs more evenly

Why people dislike this idea:

- Lower price incentive for conservation
- Longer pay-back for solar installation
- Impacts for low use (\neq low income) customers

TAKEAWAYS

- Electric service more than just electricity
- Flat/declining retail sales
 - Revenue uncertainty/shortfalls
 - Rate pressure
- Future discussion: rate policy options
 - Rate design
 - True-up mechanisms



Seattle City Light
is dedicated to
delivering
customers
affordable,
reliable, and
environmentally
responsible
electricity services.