

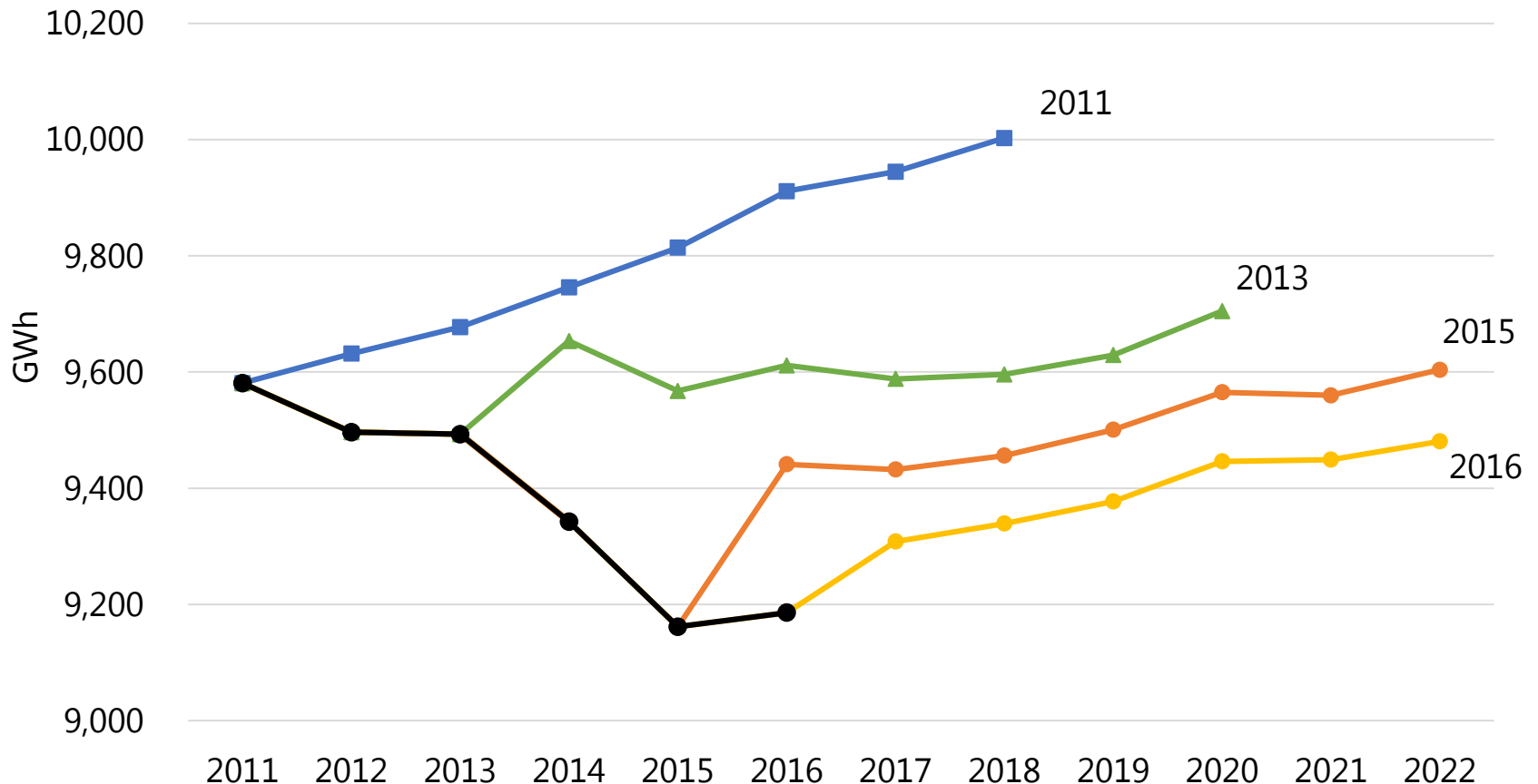


PATH TO REVENUE SUSTAINABILITY

Review Panel Meeting | October 24, 2017

Paula Laschober

RETAIL SALES FORECASTS HAVE BEEN TOO HIGH

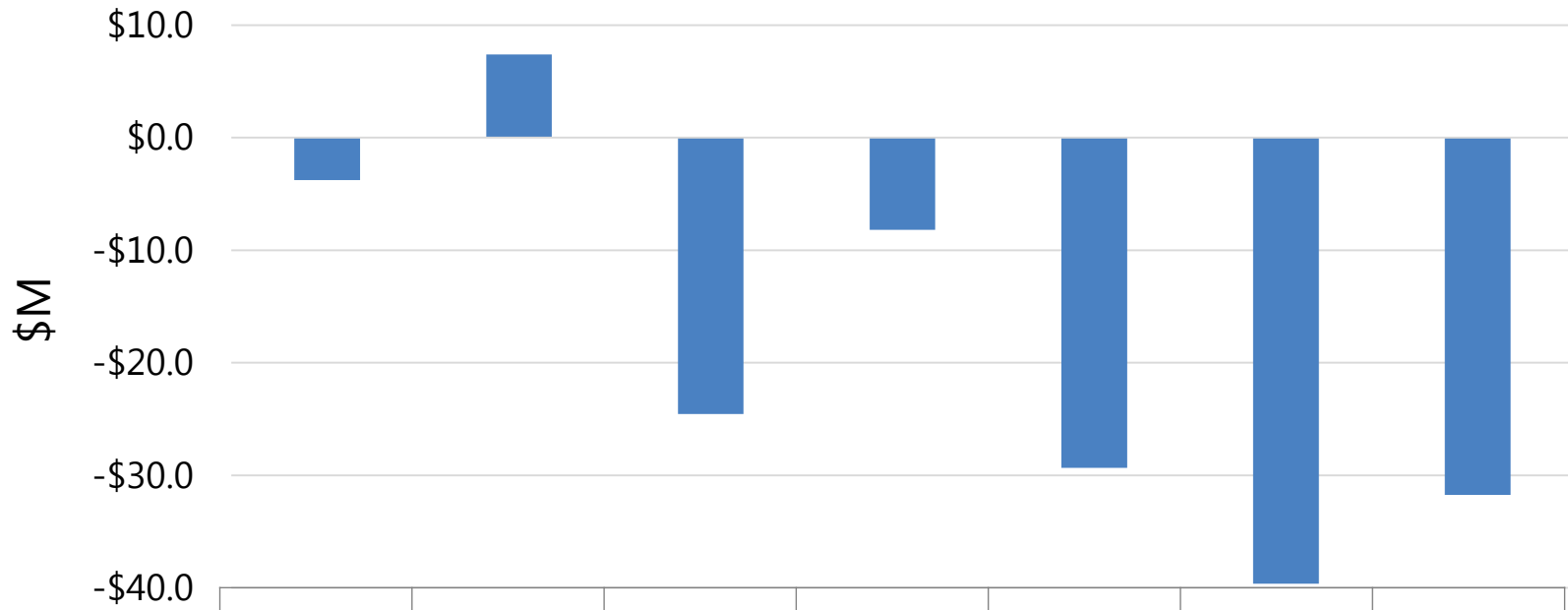


(Y Axis enlarged to show detail.)

Black Line = Actual Load
Colored Lines = Forecasts

WHY WE CARE-PERSISTENT REVENUE SHORTFALLS

Five Years of Retail Revenue Shortfalls = \$133 M



	2010	2011	2012	2013	2014	2015	2016
Actual less Plan	-\$3.8	\$7.4	-\$24.5	-\$8.2	-\$29.3	-\$39.6	-\$31.7
Percent Diff	-0.6%	1.1%	-3.6%	-1.2%	-3.9%	-5.1%	-3.9%

WHAT IS GOING ON?

Mild winters. Roughly half of 2014-2016 revenue impact due to mild weather.

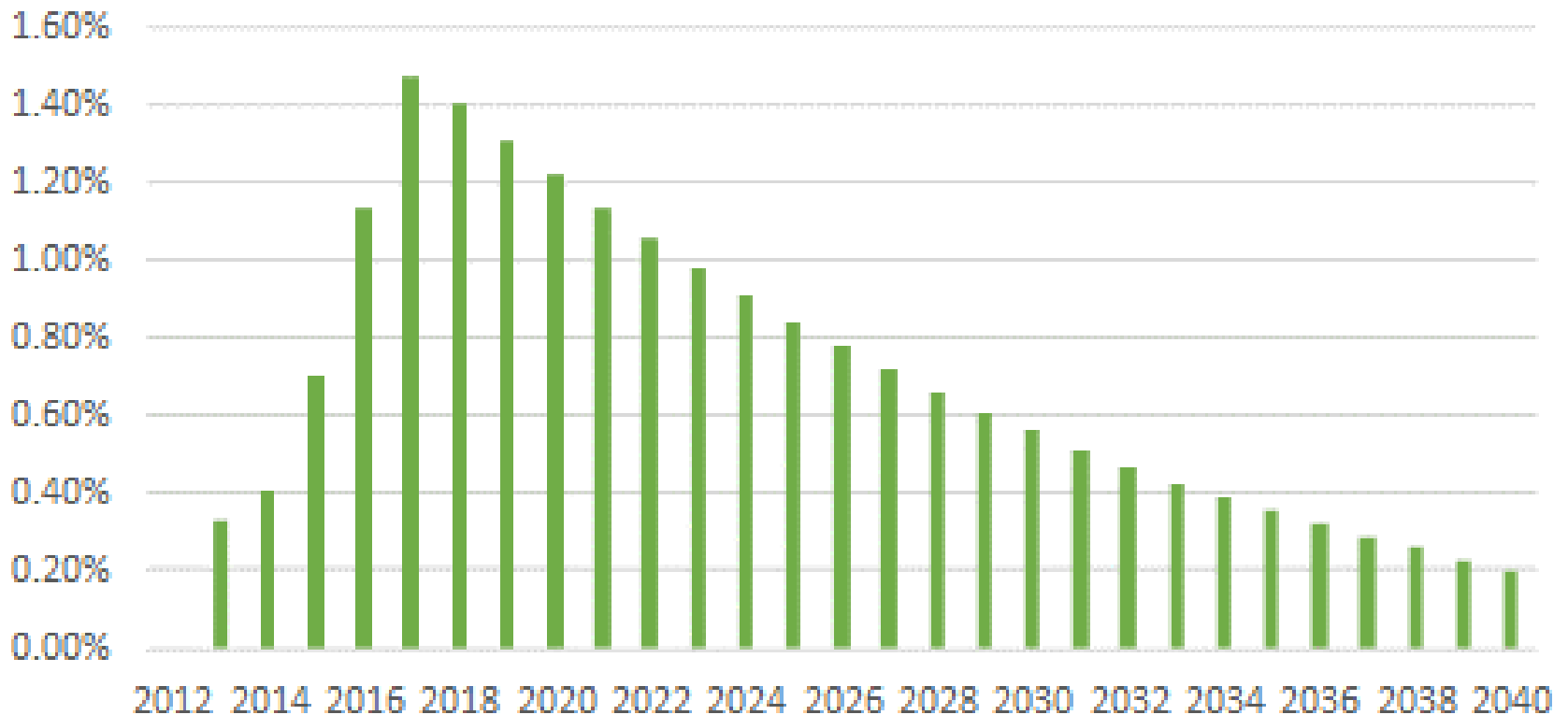
Efficiency. LEDs, appliances, building standards, and other technology improvements all contributing to lower energy consumption.

Addition of new customers each year is cushioning full impact.

Higher Rates. Residential rate structure magnifies \$ impact of each forecasted kWh unsold.

WHAT CITY LIGHT DID - INCREASED DEBT

Rate impact of additional principal + interest on debt



ADDRESSING THE ISSUE - RECOMMENDATION

What actions will improve our chances of collecting the right amount of revenue in the future?

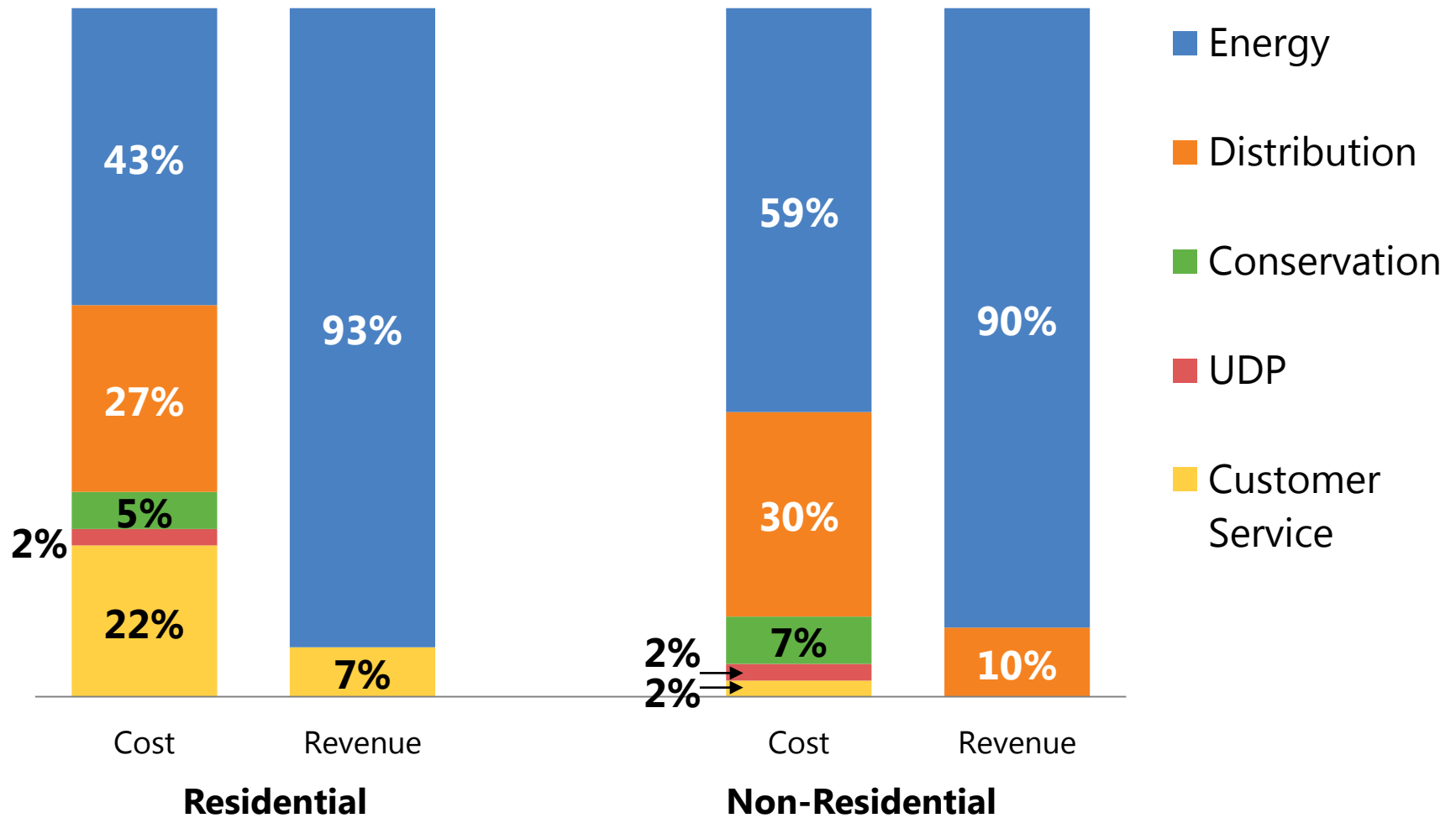
1. Fix Retail Sales Forecast:

- Improve (lower) retail sales forecast, get better at understanding customer characteristics and end-uses.
- Solves “level” problem only if exactly correct.

2. Restructure Rates:

- Make rates more transparent by showing energy, delivery, base service and public benefits charges.
- Gradually rebalance the ratio of fixed and variable rate components.
- Reduces “variability/under-collection” even if forecast is too high.

CITY LIGHT COSTS VS CURRENT RATES



RATE TRANSPARENCY – RESIDENTIAL EXAMPLE

Current:

	Rates	Revenue
Basic Charge (\$/mo)	\$5.05	\$20.9 M
First Block (¢/kWh)	7.8¢	\$108.3 M
Second Block (¢/kWh)	13.2¢	\$156.3 M
		\$285.4 M

Transparent:

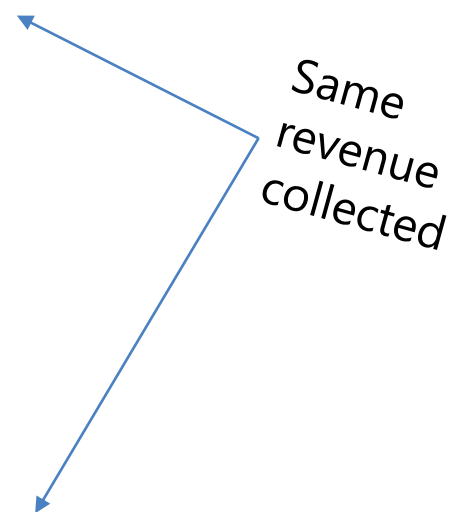
	Rates	Revenue
Basic Charge (\$/mo)	\$5.05	\$20.9 M
Energy (¢/kWh)	3.5¢	\$90.9 M
Delivery (¢/kWh)	5.9¢	\$151.0 M
Public Benefit (¢/kWh)	0.9¢	\$22.7 M
		\$285.4 M

Billing Determinants Annual

344,536 meters

1,384,464,079 kWh first block

1,184,108,740 kWh second block



RATE TRANSPARENCY – COMMERCIAL EXAMPLE

Current:

Energy (¢/kWh)
Demand (\$/kW)

Rates	Revenue
7.4¢	\$124.0 M
\$3.44	<u>\$14.8 M</u>
	\$138.8 M

Medium City Customers Billing Determinants Annual

2,323 meters
1,676,279,317 kWh
4,295,205 kW peak demand

Transparent:

Energy (¢/kWh)
Delivery (¢/kWh)
Public Benefit (¢/kWh)
Demand Charge (\$/kW)

Rates	Revenue
3.5¢	\$58.7 M
3.1¢	\$51.8 M
0.8¢	\$13.6 M
\$3.44	<u>\$14.8 M</u>
	\$138.8 M

Same
revenue
collected

LOW RETAIL SALES – RESIDENTIAL EXAMPLE

Current:

	Rates	Revenue
Basic Charge (\$/mo)	\$5.05	\$20.9 M
First Block (¢/kWh)	7.8¢	\$106.3 M
Second Block (¢/kWh)	13.2¢	\$134.4 M
		\$261.6 M

Transparent:

	Rates	Revenue
Basic Charge (\$/mo)	\$5.05	\$20.9 M
Energy (¢/kWh)	3.5¢	\$84.2 M
Delivery (¢/kWh)	5.9¢	\$139.8 M
Public Benefit (¢/kWh)	0.9¢	\$21.0 M
		\$265.8 M

Billing Determinants Annual 8% Lower Retail Sales Scenario

344,536 meters
1,359,543,726 kWh first block
1,018,333,516 kWh second block

**\$4.2M
more
revenue
collected
under
new rate
structure**



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

