

## Draft transmittal letter and work plan for rate design project.

v. 8.8.18

Councilmember Teresa Mosqueda  
and Members, CREUDA Committee  
Seattle City Council

RE: SCL Review Panel Proposed Rate Design Update Work Plan in response to Council Resolution 31819

Dear Councilmember Mosqueda and Members of the CREUDA Committee:

With this letter, we transmit the City Light Review Panel's proposed work plan for accomplishing the rate design update project outlined in Council Resolution 31819. We appreciate the Council's willingness to allow us to take the lead on this effort.

Having reviewed the text of Resolution 31819, we think it is important to clarify the scope of work we plan to undertake, and the nature of our response. The Council Resolution lays out a broad array of subject matter and a very short time line in which to conduct this work. As a lay citizen panel—not composed of electric industry rate design experts – we will be responding to your request *at a policy level*. The Panel normally meets only once per month and we will increase our number of meetings between now and next April in order to respond to your request, which we are willing to do.

However, even with doubling the amount of meeting time, we believe it will be necessary to narrow the frame of subject matter that we tackle. Specifically, we do not anticipate revisiting the revenue requirement for the Utility (that is confirmed in the approved strategic plan), and we do not anticipate re-examining the methodology to allocate costs between ratepayer classes. We will instead focus on *alternative policy approaches to designing electric rates applied to various customer classes*. Also, we propose to allow the interdepartmental team tasked with re-examining the current Utility Discount Program to take the lead on that issue, and we will provide our input to them at the point in their work plan that it is needed.

The Council has requested an initial report from the Panel by January 15, 2019. The Panel intends this initial report to include a summary review of rate design in other similar utilities, based on data generated by the Utility, together with a summary of stakeholder input and ideas we hear this fall, a proposed “problem statement,” and a statement of “goals and objectives” related to rate design.

We will seek to provide our final report outlining our rate design policy priorities by April 1, 2019, including a statement of the Panel's preferred rate design tools to accomplish those priorities. Additional work will be necessary beyond our report to develop a detailed rate

design proposal: the Utility expects to pick up that work next spring after you have an opportunity to respond to our report.

We note that the new General Manager for City Light has not been selected, and he or she may bring a very different perspective to these issues that could require adjustment in our schedule.

Also, with respect to stakeholder outreach, we will be reaching out to the signatories of the letter to Councilmember Sawant dated July 24, 2018, and will also reach out to other constituencies that City Light has traditionally engaged in the development of its strategic plans. We will have limited time to hear from these groups *in person*, but written comments can supplement any presentation and discussion with us.

We enclose a two page outline of our proposed work plan for this project. This work plan is structured to enable us to provide you a thoughtful response, focusing on policy issues, and consistent with the Panel's role as a "lay" group of citizen volunteers. We will be sharing both this proposed work plan, and this letter, with the stakeholders submitting the July 24 letter.

We would be glad to speak with you about the work plan further. Given the short timeframe for this project, we have already begun work.

Sincerely,

Patrick Jablonski  
Chair of the SCL Review Panel

Gail Labanara  
Vice-Chair of the SCL Review Panel

CC: Honorable Jenny Durkan  
Deputy Mayor David Moseley  
James Baggs, Interim General Manager, SCL  
SCL Review Panel Members

## SCL Review Panel Rate Design Update Proposed Work Plan

The table below shows how the City Light Review Panel proposes to accomplish the Rate Design Update Work Plan established by Council Resolution 31819. The Panel normally meets 1 time per month, but will need to meet more frequently in order to accomplish the work plan outlined by Council.

**Blue text** notes major deliverables. *Italicized text* highlights stakeholder outreach/engagement work.

<p><b>July 2018</b> <i>(completed)</i></p> <p><i>1 meeting</i></p>	<ul style="list-style-type: none"> <li>• Review Council resolution on strategic plan, rate design update work plan</li> <li>• Discuss scope and focus of effort</li> <li>• Review draft outline of work plan and offer suggestions</li> <li>• Review 2017 letter from stakeholders</li> <li>• <u>Briefing</u>: Rate Design 101</li> </ul>
<p><b>August</b></p> <p><i>1 meeting</i></p>	<ul style="list-style-type: none"> <li>• Review schedule and work plan of Utility Discount Program (UDP) interdepartmental team and discuss with them how Panel can best engage</li> <li>• Approve <b>proposed rate design update work plan</b> and transmittal letter to Council, Mayor</li> <li>• Review and discuss current SCL conditions to develop <b>draft problem statement</b> for rate design update work plan</li> <li>• Review and discuss range of <b>goals and objectives</b> related to rate design.</li> <li>• <i>Initial stakeholder outreach conducted by SCL staff on behalf of Panel—informing them of project, goals, timing for input, and seeking feedback</i></li> <li>• <u>Briefing</u>: Rate Design 201</li> </ul>
<p><b>September</b></p> <p><i>2 meetings</i></p>	<ul style="list-style-type: none"> <li>• Brainstorming <b>draft goals and objectives</b> related to rate design</li> <li>• Continued discussion, action: adopt <b>draft problem statement</b></li> <li>• <u>Briefing</u>: Review of major components of rate design alternatives—what are the tools, how they are used, what impacts do these tools have, what are the trade-offs.</li> <li>• Identify <b>list of key questions</b> on which to seek stakeholder input, further information</li> <li>• Confirm <b>scope for SCL’s research on comparable utilities</b> requested by Council as part of the rate design update project</li> <li>• <i>Confirm next steps in stakeholder outreach (who contacted, process for engagement with Panel)</i></li> </ul>
<p><b>October</b></p> <p><i>2 meetings</i></p>	<ul style="list-style-type: none"> <li>• <i>Two 3-hour sessions where <b>Panel hears from stakeholder group representatives</b>, responding to list of questions in writing and in person. Additional written input that cannot fit into these sessions will be taken and considered.</i></li> </ul>
<p><b>November</b></p> <p><i>2 meetings</i></p>	<ul style="list-style-type: none"> <li>• <i>Additional stakeholder input session if needed.</i></li> <li>• Panel discussion:             <ul style="list-style-type: none"> <li>○ Identify key points of agreement/ disagreement amongst stakeholders.</li> <li>○ Agree upon major takeaways/themes from stakeholder input.</li> </ul> </li> <li>• <u>Briefing</u>: review draft of <b>comparative utility rate design report</b></li> </ul>

	<ul style="list-style-type: none"> <li>• Consider refinements to <b>draft problem statement</b> based on stakeholder input, comparative utilities rate design report.</li> <li>• Consider refinements to <b>draft goals and objectives statement</b> based on stakeholder input</li> <li>• Discuss/Identify Panel key points of agreement, disagreement, and remaining questions.</li> <li>• Provide direction to staff to prepare <b>interim report</b> to Council.</li> </ul>
<b>December</b>  <i>1 meeting</i>	<ul style="list-style-type: none"> <li>• Review, edit and approve contents of <b>interim report</b> to Council, to include: <ul style="list-style-type: none"> <li>○ Report on comparable utilities (prepared by SCL staff)</li> <li>○ Report on input from stakeholders</li> <li>○ Draft statement goals and objectives related to SCL rate design</li> <li>○ Draft problem statement</li> </ul> </li> <li>• Deliberations on rate design preferred approaches.</li> </ul>
<b>January</b>  <i>1 or 2 meetings</i>	<ul style="list-style-type: none"> <li>• Deliberations on rate design preferred approaches</li> <li>• Develop <b>presentation to Council on interim report</b></li> <li>• <i>Outreach to stakeholders on interim report, process for providing additional input if desired.</i></li> <li>• <b>[Interim Report Due to Council by January 15]</b></li> </ul>
<b>February</b>  <i>1 or 2 meetings</i>	<ul style="list-style-type: none"> <li>• Deliberation on rate design preferred approaches</li> <li>• <i>Opportunity for Additional Stakeholder input to Panel</i></li> </ul>
<b>March</b>  <i>1 or 2 meetings</i>	<ul style="list-style-type: none"> <li>• Review <b>draft report to Council</b> and provide direction to finalize.</li> <li>• Develop <b>presentation to Council on Panel recommendations</b></li> </ul>
<b>April</b>	<ul style="list-style-type: none"> <li>• Present to Council</li> <li>• <b>[Final Report Due to Council by April 1]</b></li> </ul>