

Dear Councilmember Mosqueda, etc.

We are pleased to deliver our final report to the Seattle City Council on Rate Design (Final Report) requested in Council Resolution 31819.

The discussion on the Initial Report to the Seattle City Council on Rate Design (Initial Report) at the Council Housing, Health, Energy and Work Rights Committee on February 21, 2019 was informative, helpful, and has shaped the final report that we are transmitting with this letter. Your response dated March 5, 2019, also provided significant feedback. We hope you will find that between the additions to the Final Report and the discussion in this transmittal letter, your concerns have been addressed. We look forward to meeting with you and the Committee after you have had time to review the Final Report.

First, it's important to reiterate that the task we were presented with in July 2018 via Resolution 31819 is large and highly technical. The rate design landscape is changing quickly, and we recognize that the things we can imagine today will pale compared with those under consideration in just a few short years. If "necessity is the mother of invention", then changes to the utility business model with respect to revenue recovery and rate design call for real and lasting creativity, innovation, and courage.

Shortly after embarking on this effort, the Review Panel responded to the Council and clarified the scope of work they planned to undertake, including the nature of the final report. The letter of August 23, 2019 indicated the Panel's intent to focus on rate policy, as opposed to rate design. The 2019-2024 Strategic Plan includes a strategic initiative on rate design, and we believe providing staff with policy statements to guide that work is the appropriate role of the Review Panel, particularly given the limited time the Review Panel would have with City Light's new General Manager.

Our policy analysis has focused on the "ends" we'd like to achieve through rate re-design, as opposed to the detailed or technical "means" of doing so. That said, we have also spent considerable time evaluating and discussing specific design elements and that work is included for your consideration.

Minimal changes have been made between the interim and the final report, but the Final Report contains added details of our seven near-term rate policy recommendations, adding:

- Insights from three residential customer focus groups
- Results incorporated from stakeholder input sessions
- Comparative analysis of other utilities (Cuthbert Report) and how these influenced policy recommendations
- Discussion of suggested policy paths that were ultimately not recommended

- Prospective rate pilot program details
- A high-level transition strategy and roadmap for moving the utility towards our vision for technologically and socially progressive rate design in the future

We hope that you will find these additions responsive to the specific information requests made in your March 5th letter.

Lastly, we noted that your letter called out the following broad priorities:

- Preserving incentives for off-peak use and energy efficiency
- Ideas and partnerships aimed at electrification of mass transit and fleets
- Continued support for low income households and affordability

We find strong alignment between your priorities and the work the Review Panel has completed to date. Transitioning to “time-of-use” (TOU) rates is a very likely “means” to the ends you’ve identified around decarbonization, efficiency, and affordability. Offering pilots in 2020 will allow us to learn what works best for our customers and to focus on customer education around the coming changes to rate design and how those rates appear on customers’ bills. We would expect TOU pricing to be “opt-in” thereby allowing customers to choose whether or not to remain on an updated version of our current block rates. In addition, staff is already engaged in conversation with both King County Metro Transit and the Port about the future and City Light’s interest in supporting decarbonization through electrification efforts in our community.

Electrification, and the increased loads associated with moving away from carbon-based fuels, will mean additional revenues for City Light, which is a significant and promising path forward towards long-term affordability.

In addition, the utility is committed to improving affordability through weatherization pilots serving income-qualifying households, as well as through connections between the Utility Discount Program and bill payment assistance. Although program specifics are under development, City Light is collaborating with community partners on a percentage-of-income payment plan program, which has been highly successful in other communities. We see rate design pilots as a way to complement the work currently being done to increase UDP participation and serve additional households.

We look forward to continuing to work with you and the rest of the Council as we develop rate design pilot projects and proposals for implementation in 2021. We appreciate the opportunity to be of service as City Light transforms itself into a utility of the future.

Thank you.