

Wholesale Rate Study Background and Potential Schedule

February 6, 2014 Operating Board

Wholesale rates were last set in 2011 covering 2012-2014, and now rates need to be developed for 2015-2017. At their most basic, there are only four components to wholesale rates:

- Take 1) Regional (or subregional) costs
- add/subtract 2) Prior years' true-up balance
- divide result by 3) Demand
- adjust due to 4) Changes in rate structure (not applicable for 2015-2017)

Part of the 2015-2017 rate study process will be to spend time going over these components with the Operating Board as the rate study progresses. Below is a preliminary schedule that incorporates more time for this than in the past.

Another step in the process is a review by an "independent rate consultant" selected by Seattle in consultation with the Operating Board. Below the schedule is a list of four potential independent rate study consultants. Two of the four are companies that are well known for their work on water rates, and two are smaller local firms that specialize in electric rates but might be interesting alternatives considering that any consultant will be primarily guided by the wholesale contracts. None of the firms have yet been contacted about interest or availability, as SPU wanted initial Operating Board feedback first.

Preliminary Schedule

February Operating Board

- SPU to provide preliminary rate schedule
- Board to provide feedback on independent rate consultants

March Operating Board

- Finalize rate consultant selection
- Wholesale rates and finance 101

April Operating Board

- SPU/Rate consultant to provide initial inputs, such as preliminary budget & demand forecasts

May Operating Board

- Continue from April (as needed)

June Operating Board

- Provide preliminary results/report

July Operating Board

- Continue from June
- Update results if needed based on Strategic Business Plan

Aug 1

- Mail final report to Utilities

Sept Operating Board

- Formal transmittal to Operating Board

Sept+

- City of Seattle Council process

Rate Study Consultants

Leidos

- Formerly SAIC Energy, Environment & Infrastructure, formerly RWBeck
- Reviewed the 2005-2006 and 2006-2008 Wholesale rate studies
- Not used to review 2009+ studies simply from a desire for a “fresh set of eyes,” not because of their performance
- From their website, same rates staff are still located in Seattle

CDM Smith

- SPU has experience with CDM, but only on engineering side
- Has a local office, but would need to confirm that Seattle office handles rate studies
- From a quick internet search, their main rate consultant is now located in Atlanta

Lands Energy Consulting

- Local firm that does a variety of work for electric and natural gas utilities, including rate studies
- SPU has not used this firm before

D. Hittle & Associates

- Another local firm that specializes in electric utilities, including rate studies
- SPU has not used this firm before