

Seattle City Light
Rate Review
2006
Discussion Topics
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Network Rates – City Light recovers 50% of the differential between network and non-network distribution costs from approximately 500 medium and large customers served by the downtown network. That differential was increased from 0% to 25% in 1999 and increased again in 2002 to the present level. Small businesses and residential customers in the downtown network pay the City’s standard rate. Network costs not recovered from network customers are allocated across all other rate classes.

Suburban Rates – In addition to customers within the City of Seattle, Seattle City Light provides power to Burien, Lake Forest Park, SeaTac, Shoreline and Tukwila. Per agreements with these cities the utility can charge those communities up to 8% more on the power portion of rates for electricity (and 6% more on the distribution portion of rates in the case of Tukwila). These agreements require the utility to remit a consideration of 6% on the power portion (plus 6% on the distribution portion in the case of Tukwila) of the retail sales to those cities. City Light is permitted to assess a rate differential on suburban customers and set the differential at the maximum allowed under the agreements. Changes to rates made since early 2001 have not maintained the full differential because they have been made in the form of additions or subtractions of across-the-board cents per kilowatt-hour.

Low-Income Rates – City Council resolution 30685, dated 6/21/04, established that low-income rates should be restored to 50% of standard residential rates over several rate periods. During the 1999 rate review process, City Light set low-income rates at 50%. However, during the energy crisis of 2001 the utility increased rates for residential customers by 57% but did not increase low-income rates proportionally. As a result, low-income rates are approximately 40% of standard residential rates.

Streetlight Rates – When new costs of streetlight service were calculated in 1999 for 2000-2002 rates (2002 currently in effect), it was clear that the proposed streetlight revenue requirement would result in a substantial streetlight rate increase. City Light mitigated the impact somewhat within its cost allocation process and in addition the City Council mandated that no customer class could have an increase greater than 9% (gradualism policy). Consequently current streetlight rates are substantially lower than the cost of service.

New Large Loads – To protect the utility from the threat of stranded investment New Large Load Ordinance 120111 was adopted in 2000. It requires customers that request the addition of 12.5 MVA or more to reimburse City Light for the cost of new

distribution line and substation capacity. New large customers are able to avoid the charge by breaking up their load and currently no customer has been assessed such a charge.

Power Factor Charge – Reactive power is not billed as either kW or kWh under normal rates. To charge customers for reactive power City Light uses a power factor charge. This charge has not been changed since 1984. To avoid this charge a customer can install corrective equipment called capacitors. The current charge is not sufficient to encourage customers with low power factor to install, or even maintain, their own capacitors. Low power factor creates voltage problems that affect other customers.

Interruptible Rates – All High Demand customers can elect interruptible rates via customized contracts. Since 2002, City Light has had a contract with one customer for interruptibility when wholesale energy rates reach a certain level. It may be mutually beneficial to both large customers and City Light to establish an interruptible rate schedule with similar conditions that would provide standard criteria for all qualified customers selecting the option.

Seasonal Rates – The Energy Policy Act of 2005 mandates that electric utilities must offer time-based rate schedules that reflect the cost of generating and purchasing electricity at the wholesale level to each customer class. City Light had seasonal rates prior to the 2001 energy crisis. The utility converted to year-round rates equal to the higher winter rates early that year in order to increase revenue needed for extremely expensive energy purchases necessary to serve customer loads.

Distribution Capacity Reservation Charge – Some larger customers in non-network areas have requested that City Light reserve a portion of a separate distribution feeder to carry their load if their normal feeder service goes down. The utility does not have an existing rate to charge these customers for reserving the capacity that could potentially be used to serve other customers.

Pole Attachment Rates – Various customers use utility poles to attach wires and devices for non-electrical purposes, e.g., to provide communications and television signals. City Light collects rental fees through its pole attachment rates. Those pole attachment rates have not changed since 2002 and are now significantly lower than the cost of service.

Variable Rate Schedules – Since 1996, City Light has offered rate schedules for High Demand customers that allow them to receive energy at market-indexed rates rather than the fixed High Demand rate schedule. Since market rates are higher than High Demand rates and the risk of significant bill fluctuations is also higher, no customers have elected to be served under these schedules since 1998.