

Rates 101

The Basics and Beyond

Information for Residential Customers

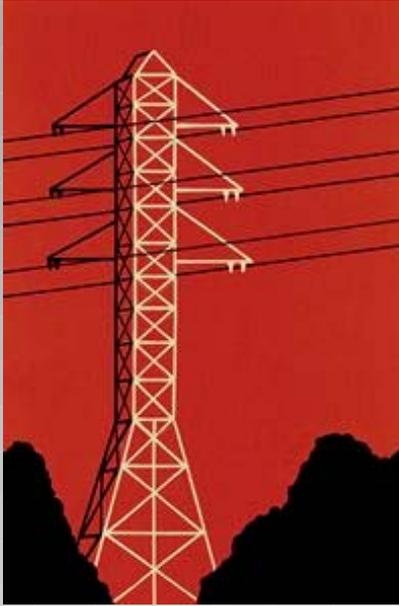
Mark V. Dombroski

Finance Director



Seattle City Light

Seattle City Light Quick Facts



- ◆ **City Light is a 100-year old municipally-owned electric utility**
- ◆ **City Light serves customers by producing, transmitting and distributing power**
- ◆ **The Superintendent is appointed by the Mayor and confirmed by the Council**

- ◆ **City Light operates with 4 internal business units**
 - **Power Supply & Environmental Affairs**
 - **Customer Service & Energy Delivery**
 - **Financial Services**
 - **Human Resources**



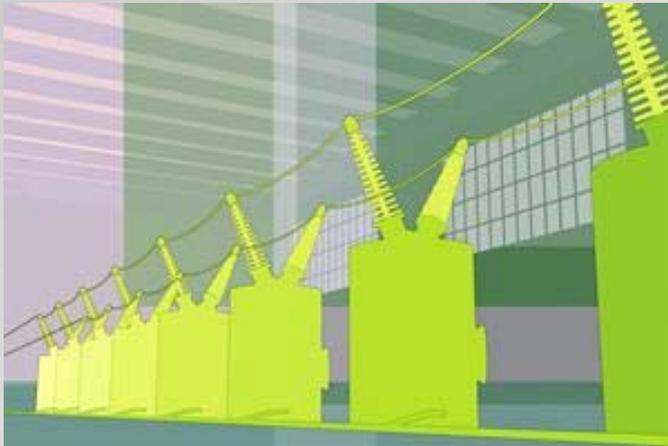
Seattle City Light

Seattle City Light Quick Facts

- ◆ Service territory is 131.3 square miles
- ◆ 333,560 residential and 36,939 commercial customers served in 6 cities and unincorporated King County
- ◆ Owns and operates 7 hydroelectric plants with 1,900 MW of capacity
- ◆ Maintains 650 miles of high-voltage transmission lines and 3,130 miles of distribution lines
- ◆ Operates 14 principal substations
- ◆ Approximately 1,600 employees



Seattle City Light Power System



Seattle City Light's Diablo Dam

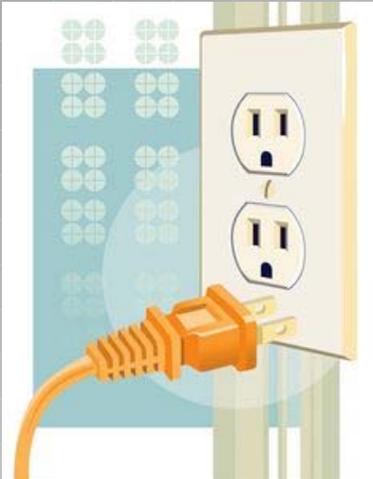


Seattle City Light

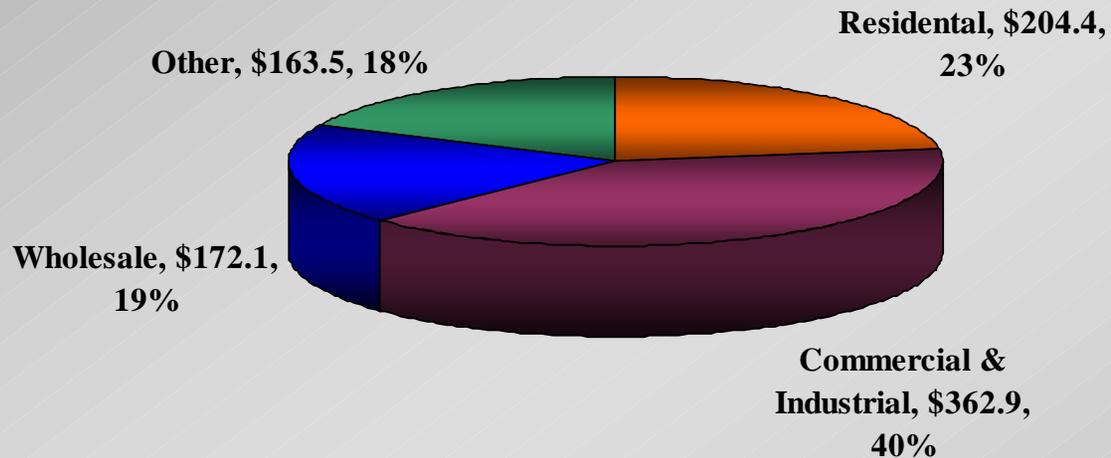
Seattle City Light's Boundary Dam



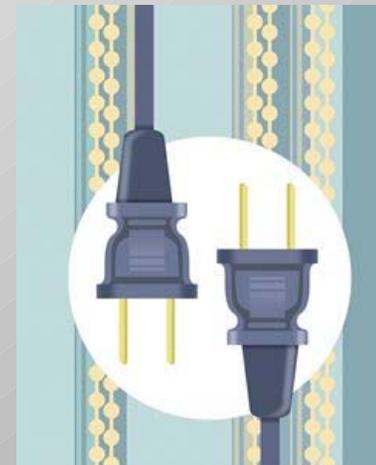
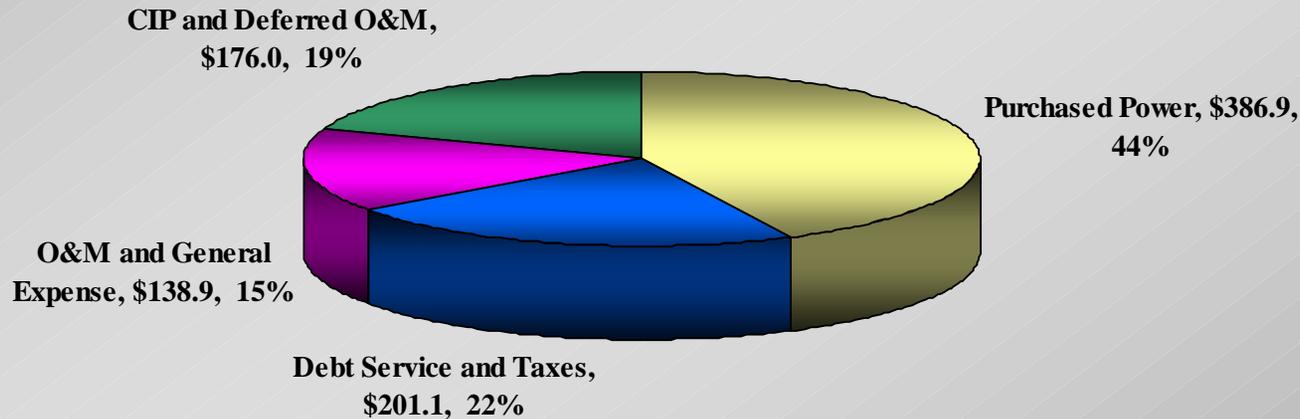
Seattle City Light - 2006 Projections



Sources of Revenue



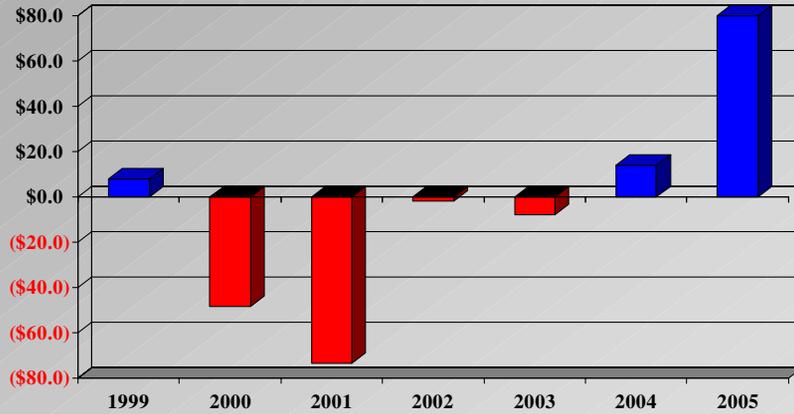
Uses of Revenue (Budget)



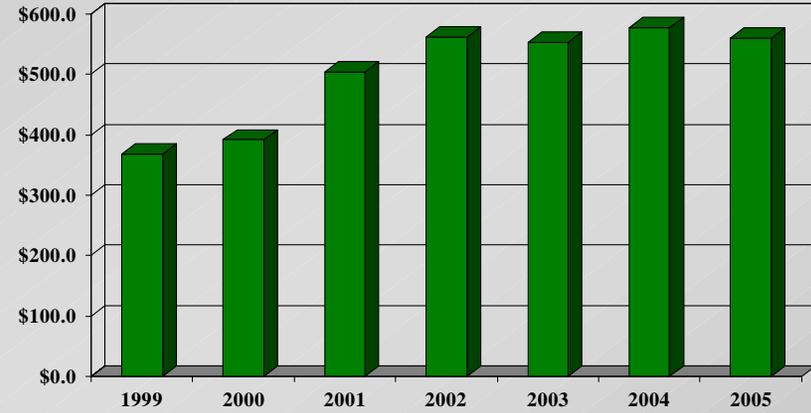
Seattle City Light

Seattle City Light - Financial Snapshot

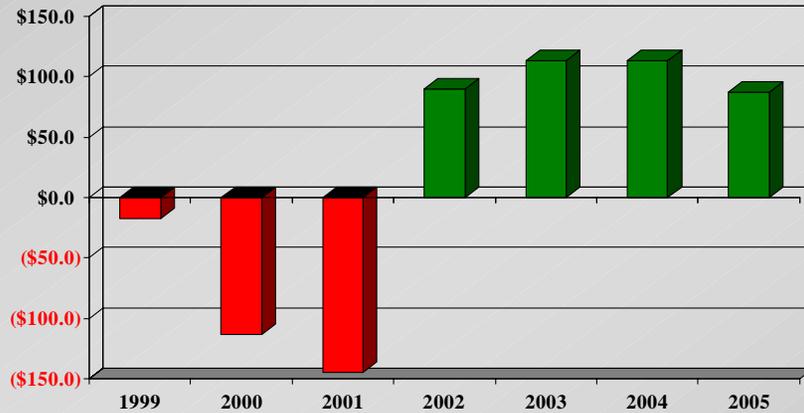
Net Income



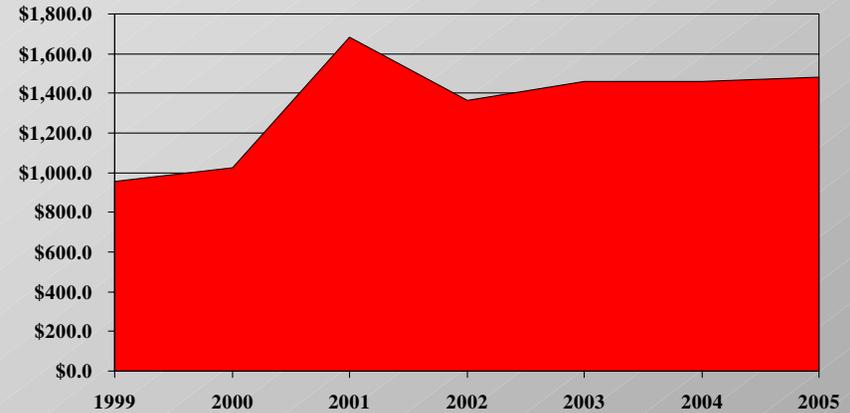
Retail Revenue



Net Wholesale Revenue

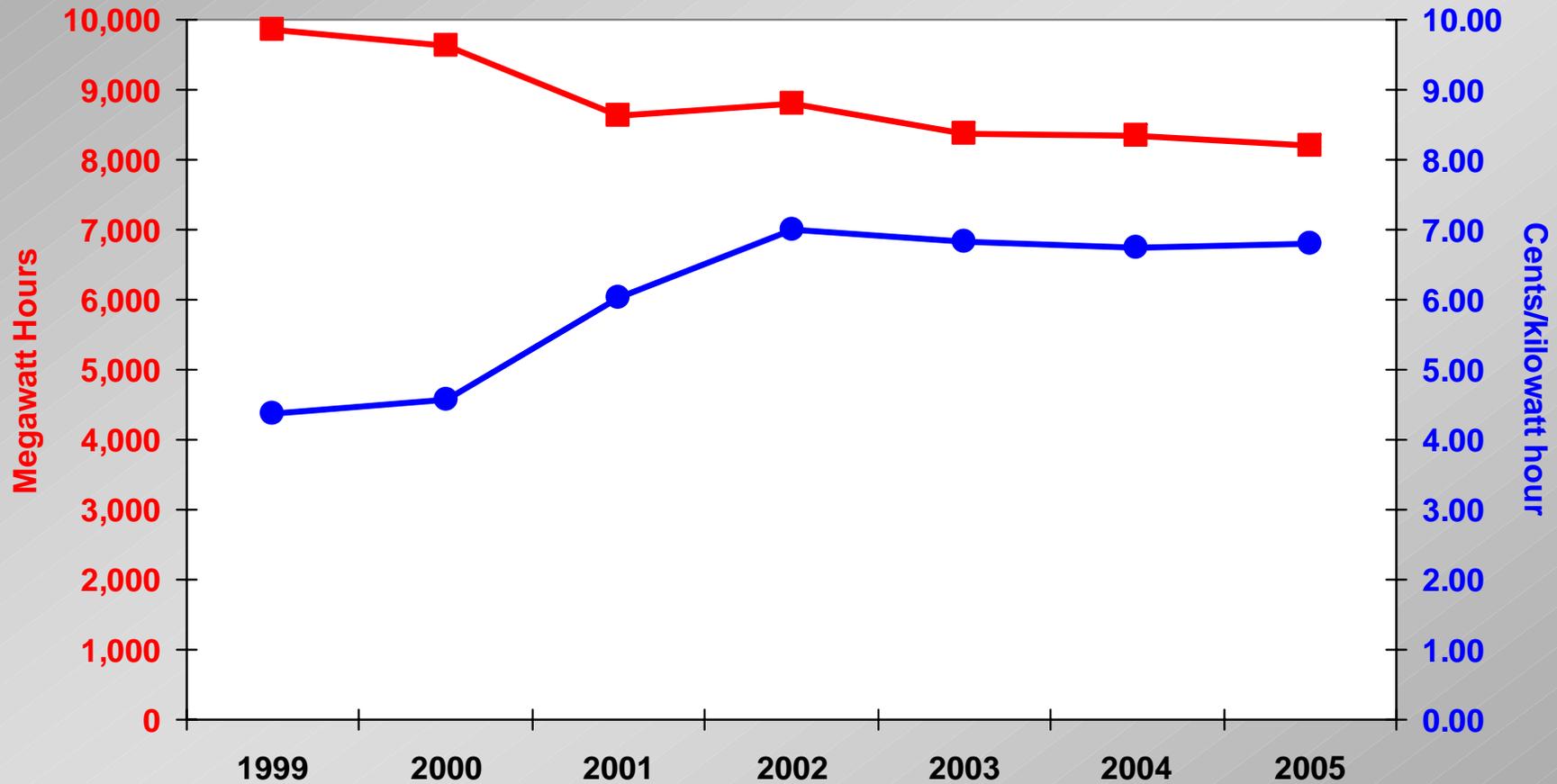


Long-Term Debt



Seattle City Light - Rate Trends

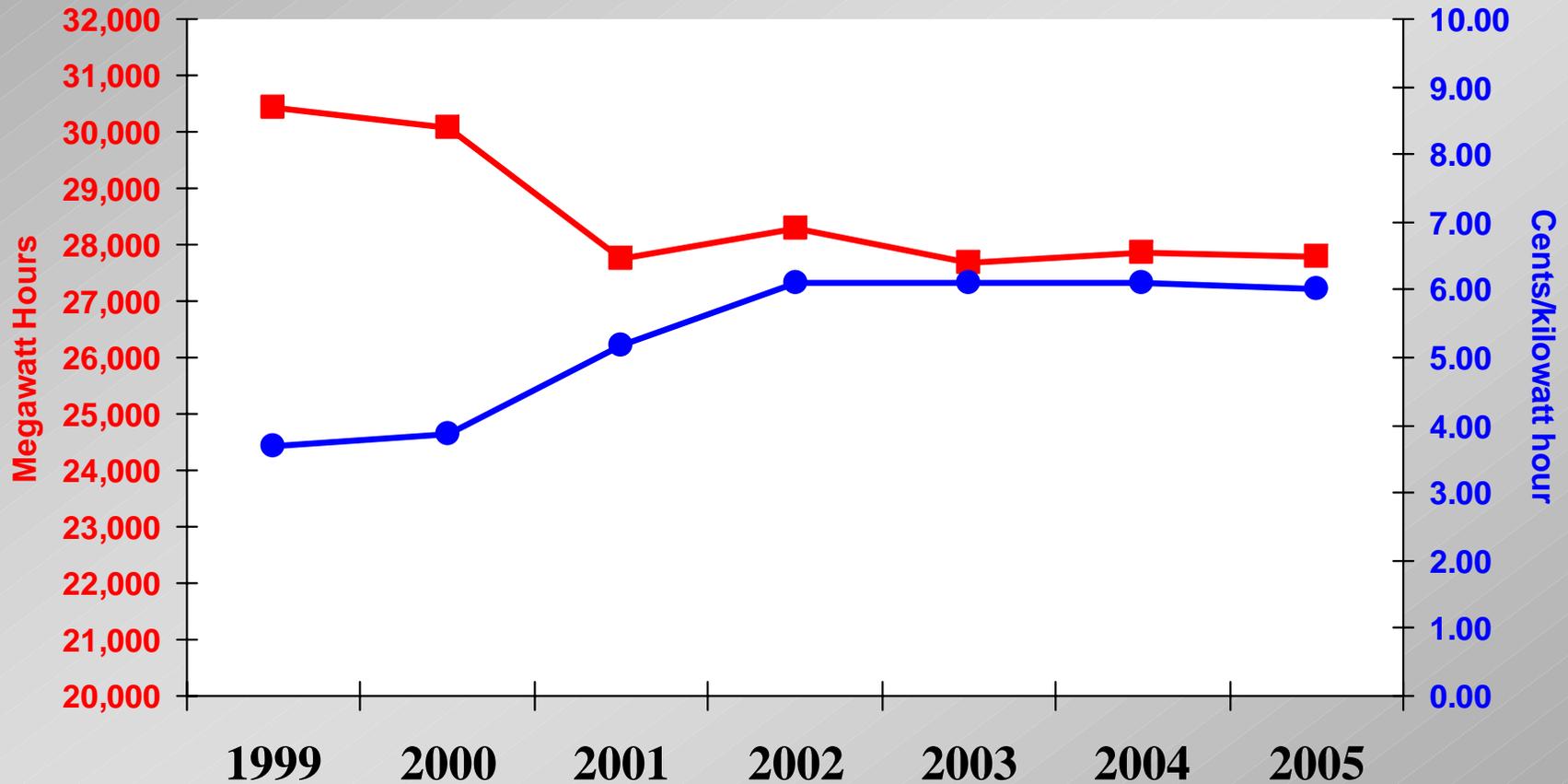
Seattle Average Residential Rates



Seattle City Light

Seattle City Light - Rate Trends

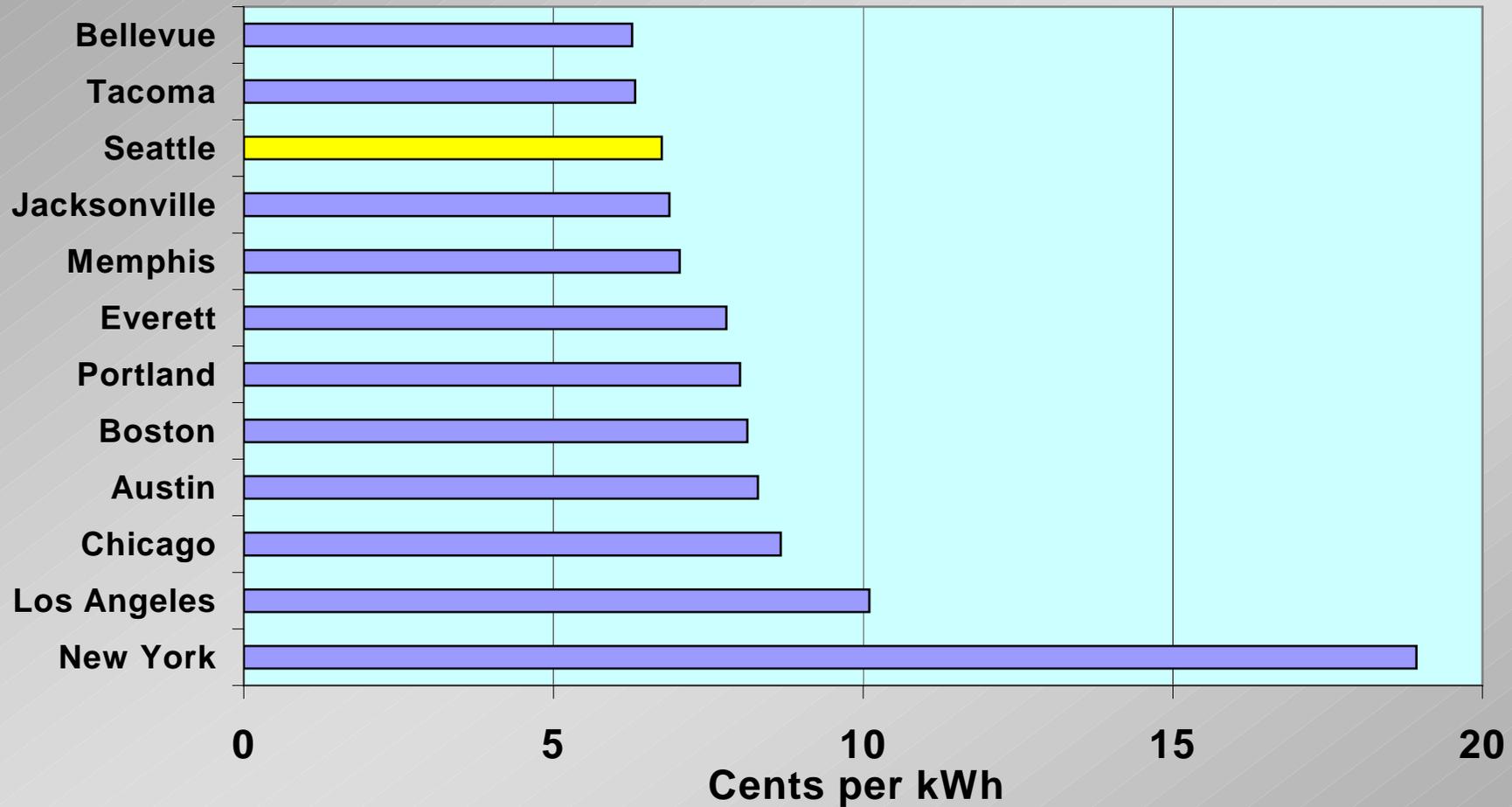
Seattle Average Small General Service Rates



Seattle City Light

Seattle City Light - Rate Trends

Comparison of 2004 Average Residential Rates per kWh by City



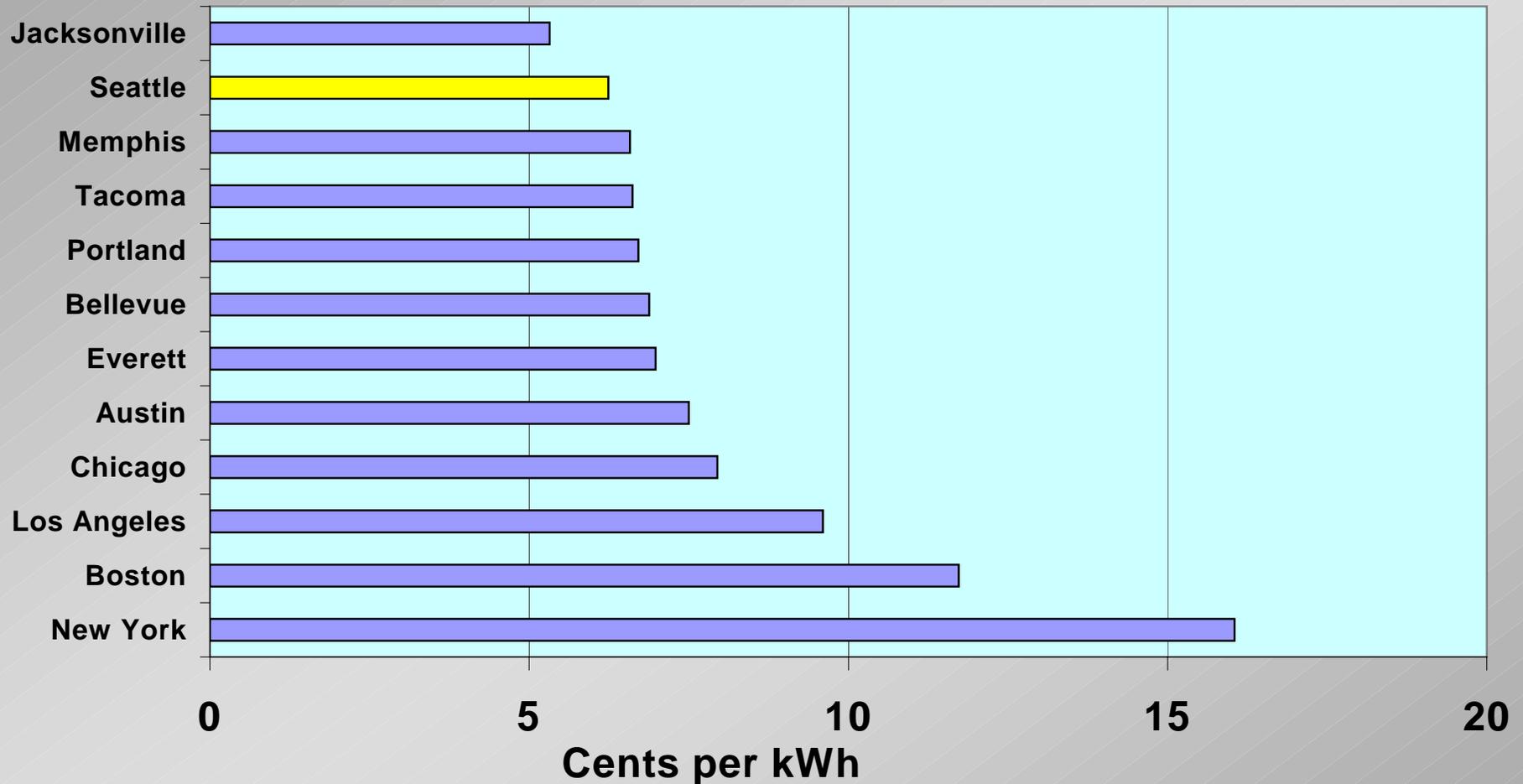
Source: Edison Electric Institute Typical Bills & Average Rates Report - Winter 2004



Seattle City Light

Seattle City Light - Rate Trends

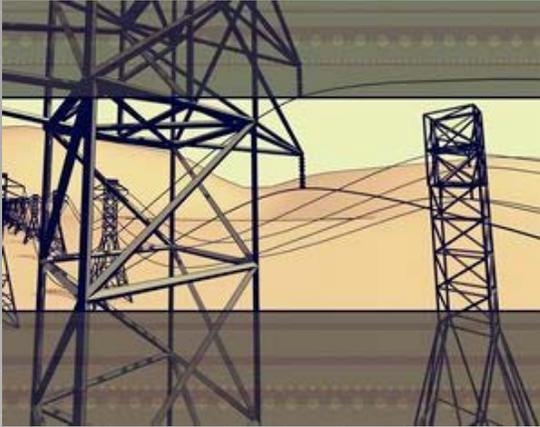
Comparison of 2004 Average Commercial Rates per kWh by City



Source: Edison Electric Institute Typical Bills & Average Rates Report - Winter 2004



Seattle City Light



Seattle City Light Rate Review Process

- ◆ **Setting electrical rates is an art that requires forecasting the future, balancing competing interests, and meeting financial goals.**
- ◆ **The process of setting rates involves both economic analyses as well as public policy decision making.**

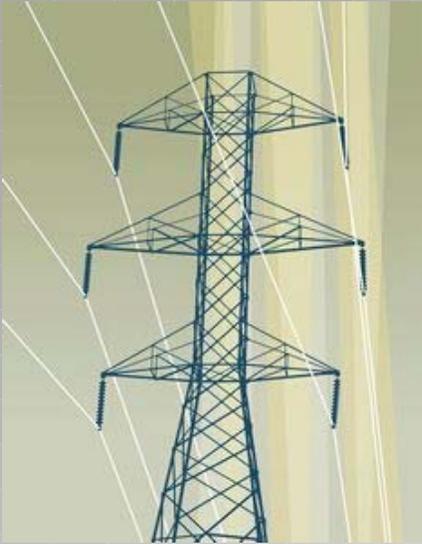




Seattle City Light Rate Making Objectives

- ◆ Electric utility rates should be **sufficient** to meet the City Light Department's revenue requirements, while charging the **lowest possible cost to the ratepayer over the long run**.

Resolution Number 30685: Adopting long-term rate setting objectives and electric rate policies for the City Light Department, adopted June 21, 2004.



Seattle City Light Rate Making Objectives

- ◆ Rates should be based on the **costs of service** to the customer. Rates should reflect changes in the costs of service over time.

Resolution Number 30685: Adopting long-term rate setting objectives and electric rate policies for the City Light Department, adopted June 21, 2004.



Seattle City Light Rate Making Objectives

- ◆ Rates should reflect a **fair apportionment** of the different costs of providing service among groups of customers.

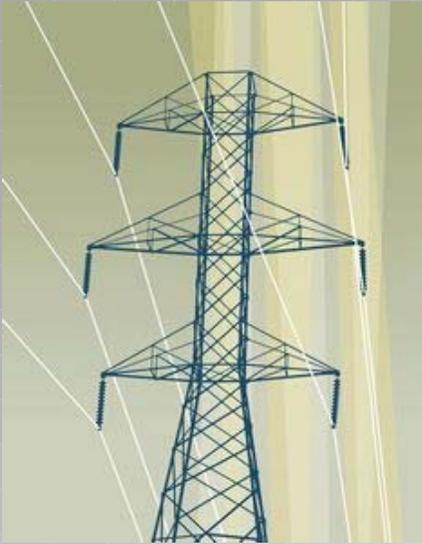
Resolution Number 30685: Adopting long-term rate setting objectives and electric rate policies for the City Light Department, adopted June 21, 2004.



Seattle City Light Rate Making Objectives

- ◆ Rates should **provide incentives** for cost effective conservation of electricity and the efficient use of electric power resources.

Resolution Number 30685: Adopting long-term rate setting objectives and electric rate policies for the City Light Department, adopted June 21, 2004.



Seattle City Light Rate Making Objectives

- ◆ **Rate levels and rate structures should be changed in an orderly manner over time.**

Resolution Number 30685: Adopting long-term rate setting objectives and electric rate policies for the City Light Department, adopted June 21, 2004.



Seattle City Light Rate Making Objectives

- ◆ Revenue recovery from rates should **promote financial stability**, consistent with financial policies of the City Light Department, as adopted by the Seattle City Council.

Resolution Number 30685: Adopting long-term rate setting objectives and electric rate policies for the City Light Department, adopted June 21, 2004.



Seattle City Light Rate Making Objectives

- ◆ Citizens should be ensured **clear and understandable information** and opportunities for meaningful citizen **participation** in the City's rate decision process.

Resolution Number 30685: Adopting long-term rate setting objectives and electric rate policies for the City Light Department, adopted June 21, 2004.

Seattle City Light

Three Steps to Rate Making



Step 1: Revenue Requirements Analysis

The analysis of the revenues required to meet City Light operating and maintenance expenses, and to finance a portion of the City Light Capital Improvement Program consistent with financial policies.

Seattle City Light

Three Steps to Rate Making



Step 2: Cost of Service and Cost Allocation Report

The analysis of distributing the revenue required by City Light to customer classes so that the revenues recovered from each customer class are based on the cost to serve it.

For Example...

- ◆ **Jim's Independent Grocery consumes 30,000 kWh per month. To sell this 30,000 kWh, City Light must maintain:**
 - One meter
 - One bill
 - One power pole and service connection
- ◆ **Jim's home is on a street with 30 other homes, each of which consumes 1000 kWh per month (total consumption is the same) . To sell this 30,000 kWh, City Light must maintain:**
 - 30 meters
 - 30 separate bills
 - 10 power poles
 - 30 service connections
- ◆ **It costs City Light less per kWh to serve Jim's store**
 - Rates are set to recover costs, so...
 - His store is charged a lower rate than his home



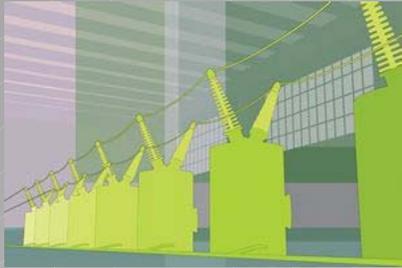
Seattle City Light

Three Steps to Rate Making



Step 3: Rate Design Report

The process of shaping rates, charges and credits for each customer class so that the customers in each class not only contribute their portion of City Light's revenue requirements but also receive appropriate price signals consistent with City policies, e.g., higher prices for higher consumption and during high-cost periods to encourage conservation.



Seattle City Light 2006 Rate Review Issues

The 11 issues for the 2006 rate review are primarily matters of allocation. Many of the issues have competing interests and appear in more than one group.

Equity

Network rates
Suburban rates
Streetlight rates
New large loads
Power factor charge
Interruptible rates
Distribution capacity reservation charges
Pole attachment rates
Low-income rates

Efficiency

Seasonal rates
Low-income rates

Stability

Network rates
Streetlight rates

Revenue Sufficiency

New large loads
Interruptible rates
Variable rate schedules

