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TO: Seattle City Light Superintendent, Jorge Carrasco
CC: Mayor Greg Nickels, Energy & Environmental Policy Chair & Council Member Jean Godden, & Committee Members Jim Compton & David Della

BOMA's Comments: Seattle City Light's Public Workshops on Rates and Policy Network Rates

Notes: SCL Workshop Attendees 4/13/05
By: Rod Kauffman, BOMA Exec (206-622-8924)

BOMA opposes any escalation in Network Rates:

Background: In 2000, the City of Seattle became the first major municipality in the U.S. to institute a separate rate class for "Network" customers mostly located in the Downtown Core Business District. Specifically, City Light created a new downtown network rate for its medium and large General Service customers.

City Light defines the "network" as an electrical distribution configuration where there are both high load densities and a critical need for reliability, such as downtown Seattle. Specifically, the City Light rate proposal defines the "network" as the core downtown business district north of King and Jackson, South of Denny, east of Elliot Bay, and West of Interstate.

"Network general service" means service to any general service customer that is provided through an underground distribution network supplied by the Broad Street, Massachusetts Street or Union Street Substations, except for service to customers who are certified by Seattle City Light as having predominantly residential use of electricity.

SCL Network Rates Policy:
City Light's current treatment of the Network Rates classification is arbitrary and inequitable and the justification for the existence of the rate differential as well as the magnitude of the rate remains an open question in our view.

<u>No further increase in Network rates should be considered</u>.

Absent acceptance of a "no further increase in Network Rate policy" decision, any further increase in Network rates should be <u>spread across all commercial customers as is done with 100% of residential network rate customers – including those in the network but not being charged network rates.</u>

The jobs that are created and supported in the downtown network and the tax base that accrues to the benefit of all in the City is justification alone to spread any further adjustment of network rates in the commercial Large and Medium network rate schedule across all commercial rate classes as was the previous policy and practice in rate design.

Since this policy was adopted, electricity rates for some of City Light's customers that are in the "Network" have been increased 12-15% over non-Network customers. City Light has stated that this represents about 50% of the "higher cost of service" to these customers. Therefore, any decision to "capture" the other 50% would result in rate increases of another 12-15% to the selected group of downtown network ratepayers. This rate group has seen increases of 64% since 2000 and another 12-15% would increase those rates to 76% to 79% or more than the rates in 2000.

Rates in Seattle are now in excess of similar office and commercial properties in Bellevue and Puget Sound Energy's grid. Any further rate increase to Seattle's network customers would drive a distinctive disadvantage to locating or keeping businesses in Seattle. Commercial lease rates for class A CBD businesses in Seattle and Bellevue are virtually the same at present time. Raising network CBD rates another 12-15% is a significant factor when trying to sign a tenant to space in our city.

Further Comments:
Not all SCL customers in the network have been charged at this new rate even though they "benefit" from the same "advantages" as customers being charged these network rates. In addition, there are networks in other places in the City that are not being subjected to the network rate.

City Light's policy is to charge all customer classes the true cost of service through the rate structure. However, SCL established higher network rates based on SCL's estimates of the "true cost of service" to only the downtown commercial network customers – a specific set of customers within targeted customer classes, while at the same time summarily excusing a significant number of other customers within all customer classes from paying for the benefits of network service they were receiving in downtown and other network systems in the city (or more accurately, spreading those costs across the entire class of rate payers).

The assignment of a premium rate structure seems based more on geographic boundaries rather than the nature of the identified premium service. From an engineering perspective, the network extends well beyond the geographic boundaries of the downtown network as defined in City Light's new network rate structure. It therefore stands to reason that if *all* loads that are receiving the benefits network service were to be appropriately included in a network rates structure, there would be a material reduction in medium and large General Service customers network rates (or perhaps provide a reason to spread these costs across a larger class).

The segregated class of customers that are subject to City Light's network rates pay, over time, a disproportionate and unreasonable share of allocated system costs relative to those customers' contribution to system load growth.

We believe that the current network rate structure will lead to an inefficient use of the downtown network system and promote increased commercial urban development in City Light's "non-network" service areas. Electrical feeders in these areas have portions consisting of overhead lines, which are less costly to maintain and operate and are less reliable than the downtown underground network feeders. While overhead structures may be less costly to maintain and operate, it is clear from City Light documentation that customers in these areas receive the benefits of network service. It seems that the determining factor for network reliability is more a component redundancy and not whether the components are underground or overhead.

Electrical feeders in these areas serve both network and non-network customers so that it is difficult to separate network from non-network costs. However, if the justification of network rates is to recover costs from those that directly receive the benefits, than more effort should be made to identify such costs.

BOMA remains committed to further dialogue and participation.

Sincerely,

Rodney S. Kauffman

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