

## **Interruptible Rates**

### **Is there a place for interruptible rates in our rate structure?**

#### **Background**

City Light has offered some form of interruptible rate since 1980. Prior to 1989, the provisions of such rates included varying discounts, hours and months of potential interruption, and buy-through penalties. The discounts were based on peaking contracts with other Northwest utilities. The ability to interrupt service was viewed as an alternative to the acquisition of peaking resources to meet peak demand. In 1986, because inexpensive power was available to meet peak load requirements, peaking contracts were no longer needed and the City Council voted to terminate the interruptible rates.

Rates implemented in June 1989 did not include an interruptibility discount but added the High Demand General Service class of customers (the largest Large General Service customers), who could be requested by City Light to interrupt their load voluntarily in an emergency. If the customer agreed to interrupt, City Light would waive the demand charges for the billing period in which interruption occurred. This provision is still a feature of High Demand rates. No interruptions have been requested.

City Light also has the right to interrupt or curtail service to any customer during an emergency declared by an appropriate civil authority, and also “when the Department, in its sole judgment, determines that the continued use of the loads would jeopardize the Department’s generation, transmission, or distribution system” [SMC 21.49.110 (V)].

Since January 2002, City Light has had a High Demand-Interruptible rate schedule which was initially available to all high demand general service customers. One customer (two accounts to November 2004, one since then) elected this rate under two special contracts, as authorized in Ordinance 120667 and SMC 21.49.058. In addition to the emergency interruptibility provisions noted above, this customer can be interrupted for economic reasons—that is, when the cost of wholesale power to City Light reaches a certain level (the trigger price). The customer is allowed to buy through the requested interruption at a higher cost. No interruptions were requested by City Light in 2002 and 2003. However, the contracts were renegotiated in April 2004, with a lower trigger price, and many interruptions were requested in 2004 and 2005. In almost all cases, the customer elected to buy through the requested interruption period. In 2002 and 2003, the customer received lower rates, but was required to repay that subsidy, in addition to the normal High Demand rates, beginning in 2004. Within the context of the renegotiation of April 2004, approximately three quarters of the subsidy amount was repaid, and new rates higher than the previous special rates but still lower than normal High Demand rates were implemented. Upon adoption of new High Demand rates (now projected for January 2006), the interruptible customer will be required to repay the subsidy calculated from April 22, 2004 to the end of the contract period, up to a maximum of 0.9 cents/kWh.

At present, City Light has enough low-cost resources and contracts at its disposal to meet system load under almost all weather and water conditions, and it expects to be a net seller of power for many years into the future. However, there could be extreme conditions which would cause the wholesale price of power on the West Coast market to rise to high levels during short periods when City Light needs to buy power to meet load or has the opportunity to sell power in the wholesale market at high prices. Analyses would have to be undertaken to determine the probabilities of occurrence and prices in such situations, but in general it might be advantageous for City Light to continue to have customers that would be interruptible for economic reasons, rather than for the purpose of meeting peak demand or dealing with emergencies.

**Alternatives:**

1. Establish interruptible rate provisions with lower rates or a discount, which would be available to all customers over a certain size that agree to be interrupted when the wholesale purchase price of electricity faced by City Light is higher than a certain amount.
2. Continue offering interruptible rates on a case by case basis via contract.
3. Offer neither interruptible contracts nor interruptible rate schedules/discounts.