



City of Seattle
Edward B. Murray, Mayor

Seattle City Light
Jorge Carrasco, General Manager and CEO

SEATTLE CITY LIGHT 2014 RESIDENTIAL RATE DESIGN

BACKGROUND

In 2012 Seattle City Light created a six-year Strategic Plan after wide-ranging discussions with customers and community advocacy groups. The process culminated in final approval from the Mayor and Seattle City Council. The Strategic Plan reflects what City Light's customers want and the values of the community it serves.

The Plan will help City Light deliver what customers want most: reliable energy at an affordable cost. Customers also want City Light to offer tools like mobile and online outage information; power consumption and comparison information; cost savings when they lower their energy use; community solar projects-where individuals can get credit on their bill. The Plan addresses all of these things, and more.

The Plan lays out a path to improve the safety record of City Light employees, manage an impending wave of retirements and improve the utility's ability to retain highly skilled workers. It also provides a strategy to increase efficiencies as well as benchmark Seattle City Light against its peer utilities.

The Plan also furthers City Light's rich tradition of environmental leadership. City Light is the nation's first carbon-neutral utility and is a leader in discovering new and innovative conservation strategies and fish-friendly operation of our hydroelectric projects.

City Light is set to meet the goals laid out in the Strategic Plan. The next step is to examine the utility's revenue structure to make certain rates are fair and predictable, as well as to ensure the utility's has a sustainable source of revenue in order to implement the Plan.

WHILE SERVICE NEEDS ARE INCREASING, ENERGY DEMAND IS NOT

For nearly 50 years, electricity consumption in the United States grew well above GDP. Since the mid 1990's, consumption has been consistently below GDP growth. In fact, environmental and conservation programs are changing the landscape in the Puget Sound area. Here are just a few reasons why:

- Customers care about saving energy and environmental stewardship.
- New building codes are lowering energy use. Some buildings are designed to reduce water and energy use by more than 75%.
- There are new efficiency standards for appliances as well as new technologies and software to better manage energy usage at home and office. Basic appliances, like televisions, are now 60% more efficient than just 3 years ago.

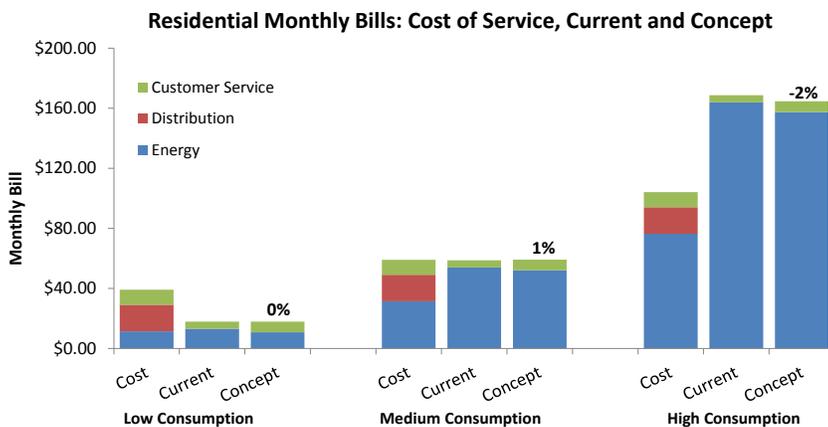
In fact, City Light projects that energy use will continue to go down for the foreseeable future. The challenge is that regardless of how much electricity is used, the utility must still pay to upgrade aging infrastructure, meet customer service demands and support environmental programs we all care about. While 46% of the cost of running the utility is fixed - the same regardless of how much electricity customers use - 93% of City Light's revenue comes from a shrinking source; the amount of energy our customers use. Historically, the utility has had enough revenue to pay for its fixed costs because electric use was relatively high. But, this structure is becoming more and more problematic.

WHAT'S NEXT?

One of the possible solutions being considered is a small structural change in how rates are determined. **For residential customers, there would be little change in how much they pay for energy use.**

Here's a summary of the concept:

- Remove seasonal price variations. This would make the first block of energy use, up to 300kWh/month, the same price all year - simplifying the rates and customer bills.
- Slight increase base service charge **RESULT:** 73% of residential customers would see an increase of less than \$1/month.
- Reduce the charge for energy use.



The intent is to make some adjustments to how prices are structured so that, in the long-term, they more fairly reflect the costs of providing services to customers.

The utility also wants to ensure fairness among its ratepayers. All of City Light's customers, no matter how much energy they use, require customer services for billing, meter reading, and online tools such as the outage management system. Some customers are paying a larger share of this fixed cost than others. A slight adjustment will help reduce these inequities.