City Light Review Panel and Stakeholder Outreach Meeting Minutes

Date of Meeting: October 9, 2018

MEETING ATTENDANCE **Panel Members:**					
Names		Name		Name	
Gail Labanara	√	David Allen	√	John Putz	√
Sara Patton	√	Patrick Jablonski	√		
Thomas Buchanan	X	Leon Garnett	√		
Staff and Others:					
Jim Baggs	X	Greg Shiring	√	Karen Reed (Consultant Contractor/RP Facilitator)	√
Leigh Barreca	√	Eric McConaghy	√	Richard Cuthbert	√
Robert Cromwell	√	Calvin Chow	X	Jenny Levesque	√
Paula Laschober	√	Michael Maddox	√	Josh Czebotar	√
Maura Brueger	√	Kiersten Grove	X	Joni Bosh	√
Kirsty Grainger	√	Maria Coe	√	Alex Tsimerman	√
Kim Kinney	√	Vas Duggirala	√	Marguerite Richard	√
Kathleen Wingers	√	Jeremy Keller	√	Jordan Morse	√
Jordan Wagner	√	Mattelyn Thorpe	√	Stan Price	√
Joe Malaspino	√	Dave Gering	√	Carsten Croff	√
Jessica Rose	√	Craig DeLalla	√	Ben Levie	√

Welcome Introductions. Patrick Jablonski convened the meeting at 11:05 AM.

Public Comment. Two members of the public asked to testify on matters other than rate policy.

Alex Tsimerman said that the City is stealing money from the people due to the problems with City Light bills and should give it back. He said the Panel members are crooks.

Marguerite. Richard said that the City Light has "shredded my life." She said that illegal acts are being taken against her. She has been complaining about the City for a long time. Her City Light Bill is nearing a $1000 for a small apartment and this is extortion. She said she doesn't understand how these things go on even with the programs in place.

Today's Agenda. Patrick made opening remarks about the role of the Panel. He shared that in August, City Council asked for a review with interested stakeholders on City Light's rate design. He advised that the meeting's focus was more towards a policy level, not towards developing a detailed rate proposal and that the Panel is advisory to the Mayor and Council. Panel members and City Light Staff present introduced themselves.

Safety Minute. Robert Cromwell spoke about the process for evacuating the building in an emergency.

Rates Overview. Kirsty Grainger gave a short overview presentation, speaking to the materials in the meeting packets. She noted that City Light hasn't done a major rate design change since the 1980s and that this discussion is timely now with the deployment of AMI and our new billing system. This allows us more tools in analyzing where we are and how to structure the framework for what we may do in the future. Robert added that we are interested in hearing from the stakeholders to also state the "why" behind their rate design recommendations in order to understand the implications and impacts.

Stakeholder Comments, Q & A.

Stan Price, Putnam Price. Stan introduced himself noting that he is a former co-chair of the City Light Review Panel. More important than rate design in his view is the long term revenue requirement for the utility and its trajectory. Rate design is not a panacea. It doesn't impact affordability: that is determined by the revenue requirements. The issue is how can rates transform the utility to be the utility we want for the future. Current rules and rates are 20th century. No utility will keep these old rules over time. The current rules reflect a traditional fixed-variable cost structure. Any redesign will create winners and losers, which is what makes this so difficult.
We universally want clean, resilient, reliable, flexible power with the lowest possible revenue requirements. We must resist the allure of just increasing fixed charges – this relieves the utility's anxiety but doesn't create transformative change. Instead, use decoupling. Use AMI to implement Time of Use (TOU) rates.
Energy Efficiency is important. We have flat demand. It makes it look like energy efficiency is not valuable. This is old thinking. Energy efficiency is a key part of a distributed energy management plan which will allow the utility to have reduced capital requirements and therefore reduce rates. An optimized capital investment program would help.

Q&A:

Q: *We have fixed charges. At what point do they become not helpful?* A: Flat load growth is ephemeral. The hydro system may change a lot in the next 20 years with climate change. A clean energy commitment is important. Electrification of transportation will also increase demand.
Q: *How will distributed energy work here since we have so little solar power?* A: We could have avoided the new substation investment if we'd been more strategic. Distributed energy resources could be an alternative to future investments like this.
Q: *Why does investing in distributed energy reduce the CIP? What percentage of City Light's infrastructure is applied to support aging infrastructure*. A: (SCL Staff) There is a lot of cost associated with new service connections. Some system expansion costs as well. But in large part the CIP is just maintaining what is there.
Q: *What other macro opportunities are on the table at this point?* A: That is a question for people like David Allen. The question is how to take these to scale.
Q: *Can you talk about decoupling opportunities? Would expanding the use of RSA monies to retail rates help or basically replicate decoupling? What do you think about that idea?* A: RSA funding requirements for covering fluctuations in wholesale revenue are very large as compared to the tweaks that would be needed to true up for fluctuations in retail sales.

Jeremy Keller, Resident, employed by Amaresco. Amaresco is an energy efficiency firm. Jeremy has two main points. First, rate design should be aligned with the City's sustainability goals. It should support being carbon neutral. How will rate design incentivize investment in transportation electrification? Rates should do this. There is not incentive at the higher end of residential electricity use to do this. You need 4 cent per kWh price to incentivize electric vehicles and heat pumps. The high end residential cost is around 13 cents per kWh.
The second point is that demand charges are bad. Customers never know when their peak demand happens and don't control it. Data on this is also very had to get. You will be able to get this information with AMI – to time the limit of power use. Customers need to know when peak demand charges go into play and at what hours of the day. City Light should provide more options for customers.

Mr. Keller would like to see multiple rate options considered and offered by City Light. Arizona utility was changing from a fixed fee to a minimum fee. This is not a burden.

Additional ideas offered by Mr. Keller included:

- TOU rates should be a default. This will help incentivize electric cars, which will create load growth in the near term.
- Have a traditional power option with a flat kWh rate.
- Offer a market rate package as well – the customers would bear the open market rate risk. This could help with slowing load growth.
- In the University area, find non-wire solutions to address growth in demand in this area.
- Stable revenue will be hard to achieve with electrification and climate change. The Utility will need to be flexible and give customers options. But don't do pilots: they are too short to allow for any return on investment.
- Finally, SCL needs to address PURPA in its rate structures.

Q&A:

Q: *What about peak demand notice to shift use time?* A: Customers don't have enough information. Instead, use critical peak pricing.
Q: *Market tracking rate idea—how would you implement this?* A: PGE has a market-based rate – you get 2 different bills, one for distribution from the Utility and a second from the energy supplier.
Q: *How do you give people notice?* A: This is more for commercial customers, not residential. It's an opportunity to shave load growth. This is standard in ISO markets elsewhere in the country.
Q: *How would you rate residential rate payer progress on conservation and what more do they want to do?* A: People support sustainability and want to do more. SCL's 2nd tier residential rate is extremely high at 13 cents per kWh. For TOU rates to work, you need a large delta between peak and off-peak prices to drive people to actually use TOU rates. The differential is not big enough now.

At this point the group took a 15 minute break.

Joni Bosh, Northwest Energy Coalition. Joni said she supported Stan Price's comment that the revenue requirement is paramount. This discussion is an opportunity to get granular on the data to analyze what will work. NWEC has submitted comments that identify the analyses they believe the City should conduct.

The priority goals in rate design should be promoting a clean, efficient, flexible utility.

Technology change continues. NWEC recommends:

- A different approach on addressing the debt service ratio with decoupling. The RSA is important—extend it to other categories and reduce the debt service requirement of the utility (suggested moving to a 1.5 debt service ratio.
- Doing separate rate analysis for single family and multi-family and a third for suburban versus urban ratepayers. Apply a discount to City residents. SCL is a service. City voters should get the benefits of it. SCL Customers are paying less than all classes of PSE customers.
- Apply PSE rates to City Light customers to unearth the size of subsidy in current rates.

- Oppose large fixed charges. There is no necessary connection of fixed costs to fixed charges in the rate structure. Increasing fixed charges hits low and moderate income customers and discourages distributed energy and conservation.
- The basic customer charge should only include the true customer costs. It should exclude things like collection costs—that is a volumetric item.
- TOU and decoupling should get a granular analysis.

Q&A

Q: *What costs should go into customer charge?* A: Costs that change based on the number of customers.
Joni went on to recommend:

- A review and enlargement of the lowest block of power, a capped 2nd block, and adding a critical peak block to incentivize customers to move to heat pumps and energy efficiency. The critical peak block should be narrowly defined.
- Oppose demand charges of any sort for residential customers. They cannot figure out their peak demand and manage it.
- Be hyper sensitive to low income impacts.

Q: *Do you support expanding the RSA to cover fluctuations in retail revenue?* A: I don't know, would have to analyze.

Jessica Rose, Sound Transit. Sound Transit has adopted a goal of being carbon neutral by 2050. This means electrifying their entire fleet. They want to see rate options for vehicle fleets, for example, having an electric vehicle rate for large fleets. Sound Transit will be evaluating how to transition its fleet in the next few years. The current SCL rates are not a good fit. Should explore options for customers with consistent load profiles (like light rail). They do not have the ability to use TOU rates, since they operate around the clock. Rates should continue to promote carbon neutrality.

Q&A

Q: *What specifically do you want?* A: There are options. California is phasing in demand charges over 5-10 years. Turnkey installation of electric vehicle infrastructure is helpful. Contracted rates are good. Have an EV rate. We need about half a megawatt to charge a bus in the middle of its route.
Q: (*for SCL) Have you explored the ability to install these large bus chargers?* A: No. It would be expensive. Co-location is key, since batteries in these buses do not last a day. We don't want to compromise efficiency of bus system just to put in battery stations en route. Something like that would have to be carefully mapped out.
Q: *Are there additional load estimates from converting Sound Transit's fleet to all electric buses?* A: Estimate roughly 60-80 million kWh/year for Sound Transit's fleet; King County Metro Transit's fleet is 5 times the size of Sound Transit's fleet.

Dave Gering, Manufacturing Industrial Council (MIC). The manufacturing and industrial sector remains a strong and important part of Seattle's economy. We are exporting a lot of fish-- that creates wealth. It's all from hydropower. There's a construction boom, this supports high paying jobs. There are 106,000 jobs in manufacturing inside the City limits. It's a large sector. How do we keep this sector? Expanding apprenticeship programs. MIC has a curriculum with 50 high schools in state. They have had great success with some Rainier Beach graduates going through their program. SCL should get into apprenticeships more. Do not apply decoupling to the manufacturing sector.

Q&A

Q: *Your key message is not to decouple rates for the manufacturing sector?* A: Yes.
Q: *Why?* A: It creates unpredictability in rates which is bad. You cannot treat manufacturers as captive customers. They will leave the area.
Q: *Who is SCL competing with, in terms of electricity costs?* A: It's global. But in fact, the local manufacturing base has been very stable here over the last 15-20 years. They haven't left.
Q: *Do you have rate design suggestions to address the risk of load change from manufacturing sector shifts?* A: Ask Nucor.

Patrick asked if there were any other people who would like to speak. There were none. He noted the next stakeholder input session will be on October 23. This is the first touch point with stakeholders; there will be a second one in the winter. Robert Cromwell said that attendees and speakers should feel free to submit additional comments.

The meeting adjourned at 1:10 PM