



JULY 15, 2022

# 2023-2024 Retail Rate Summary

## COST OF SERVICE SUMMARY

The cost of service study allocates the total revenue requirement across customer classes. It has been four years since a cost of service study was completed. Below are the average rate increases by customer class. The system-wide average increase of 4.5% in each year corresponds with the Adopted Strategic Plan.

2023	Total	Residential	Small	Medium	Large	High Demand
Non-Network	4.7%	5.7%	5.6%	3.9%	4.4%	2.7%
Network	1.4%			1.7%	1.2%	
<b>System-wide</b>	<b>4.5%</b>					
2024	Total	Residential	Small	Medium	Large	High Demand
Non-Network	4.8%	5.0%	4.7%	4.7%	4.6%	4.7%
Network	1.4%			1.7%	1.2%	
<b>System-wide</b>	<b>4.5%</b>					

- Residential and small general service customers have higher rate increases primarily because of higher customer and delivery costs, which make up a larger proportion of their bills and increased proportionally more than energy costs.
- The increases for Downtown network customers are lower due to reduced work on network infrastructure compared to past years.
- Network rates remain well above those for other customers (around 25% higher).
- High demand customers have a lower-than-average 2023 rate increase due to changes in consumption patterns and lower growth in energy costs, which make up a higher proportion of their bills.

## RATE DESIGN SUMMARY

The new rates incorporate the below policy and strategy recommendations based on the 2019 rate design study that was jointly completed by City Light and the City Light Review Panel. These recommendations include:

1. Introducing a base service charge for non-residential customers starting in 2023.
2. Introducing optional time-of-day (TOD) rates for residential, small general service and medium general service customers in 2024 and optional commercial charging rates for medium and large general service customers.

***Residential Rates***

Residential rates reflect gradually increasing the base service charge and putting the remaining increase through the first block charge, leaving the second block rate unchanged. This is consistent with City Light’s approach to residential rate design over the past 6 years. The monthly base service charge is increased from \$6 in 2022, \$7 in 2023 and then \$8 in 2024. This represents less than 50% recovery of full customer costs through the base service charge. Full customer costs include metering, billing, collecting payments and providing customer service.

***Non-Residential Rates***

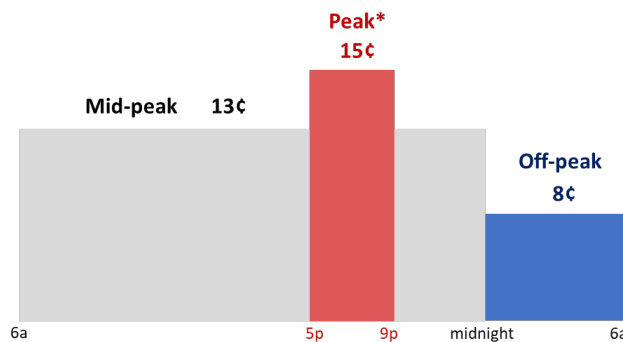
For all non-residential customers, the new base service charges are set to recover 25% of full customer costs in 2023 and 50% in 2024. The adjustment of expanding basic service charges to all customers does not raise additional revenue for City Light but shifts to a more equitable way to charge for the services that all customers receive, regardless of the amount of usage.

Except for introducing a base service charge, the rate design for small general service and medium general service customers remains unchanged. Demand charges for medium general service customers continue to be set at 20% of the marginal distribution costs.

Large general service and high demand general service rates are already on default time-of day rates. The new 2023 and 2024 rates gradually increase the peak energy rates and decrease the off-peak energy rates to provide stronger price signals for customers to shift usage to off-peak periods, consistent with the optional time-of-day rates. The time periods for peak and off-peak rates remain unchanged. Demand charges continue to be set at 20% of the marginal distribution costs.

***Optional Pricing Programs***

Optional Time of Day rates will be available in 2024 to all residential and small and medium general service customers that have a fully functional advanced interval meter and are not on the net metering program. These rates provide more choice to customers in how they manage their electricity bills and further support electrification. The TOD rates are a three-period rate that is similar in format to the current TOD pilot rates. A graphic of the residential TOD rate is shown below.



*No peak on Sunday/Holiday*

Optional Commercial Charging rates will be available to all medium and large general service customers in 2024 that have a meter that is primarily dedicated to electric vehicle charging. These rates are similar to TOD rates but have slightly higher volumetric charges and no demand charge. This rate is intended to help encourage transportation electrification as demand charges can seem punitive to public and fleet EV charging when there is a low penetration of electric vehicles. A demand charge will gradually be phased in as EV penetration increases.

This ordinance also simplifies how rate schedules for customers outside the city of Seattle are codified. Currently, almost all jurisdictions have their own rate schedule. Starting in 2023 all customers outside of the city of Seattle will be assigned the suburban rate schedule and rates will be adjusted for franchise differentials, municipal taxes and undergrounding charges based on which jurisdiction the customer receives service. This will reduce the amount of individual rate schedules and simplify the introduction of optional rates. For billing purposes we will continue to use the individual rate schedules until the billing system can be updated for these changes. For 2023, customer bills will look the same with each franchise city having its own rate.