



1 B. Customer Payment of Costs of Service

2 Rates should be based on the costs of service to the customer, and should reflect changes in the  
3 cost of service over time.

4 C. Equity

5 Rates should reflect a fair apportionment of the different costs of providing service, such as  
6 providing energy or distribution, among groups of customers, generally referred to as “customer  
7 classes” or “customer rate classes.”

8 D. Efficiency

9 Rates should provide incentives for the efficient use of power and power distribution resources.  
10 This means that rates should be structured so that customers face price incentives to conserve  
11 energy and reduce peak capacity requirements.

12 E. Rate Predictability

13 The levels and structures of base rates (that is, before application of any surcharges) should be  
14 changed in an orderly manner over time, so as to avoid disproportionate rate changes in any  
15 given year for some customers or customer classes. For example, the results of changes in costs  
16 of service that might cause some customer classes to receive large rate increases whereas other  
17 classes would receive little or no rate increase could be phased in gradually.

18 F. Public Involvement

19 City Light customers should be provided clear and understandable information and opportunities  
20 for meaningful participation in the City’s electric rate decision process.



1 Section 2. Rate Design Policies

2 To further the City's desire to encourage the efficient use of both power and power distribution  
3 resources, City Light's base rates should be designed and structured to include the following  
4 principles:

5 A. Ascending Rates for Energy Blocks

6 Rates should be designed on the basis of ascending charges for increasing amounts, or blocks, of  
7 energy, where blocks are feasible.  
8

9 B. Demand Charges

10 Rate schedules with demand charge components should not contain declining demand charges.  
11

12 C. Residential First Block

13 The residential first block of electricity is intended to meet the essential needs of residential  
14 customers and should be priced at or below the average cost of service to those customers.  
15 Essential needs include the electricity used by a typical residential customer for cooking,  
16 refrigeration, and lighting.  
17

18 D. Rate Discounts

19 When a customer provides a portion of City Light's service infrastructure (such as a transformer  
20 owned and maintained by the customer), or when the customer is metered for technical reasons  
21 on the utility's side of the transformer (instead of the customer's side, like most customers) a  
22 discount from the customer's normal rates will be provided.  
23

24 E. Time-of-Use Rates

25 Cost-effective time-of-use rates, whether seasonal, daily, or hourly, shall be implemented where  
26 such differentiation options are feasible.  
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1 F. Low Income Rates

2 In all of its actions, the City has an interest in protecting the most vulnerable members of the  
3 community. Rates for qualified low-income residential customers shall continue to be lower than  
4 regular residential rates by at least 50%.

5 Section 3. Marginal Cost Allocation Among Customer Classes

6 The cost allocation methodology used by City Light shall allocate energy, demand, and customer  
7 costs of providing electric service among customer classes in a manner that is equitable and  
8 consistent with the rate setting objectives listed in Section 1 of this resolution.  
9

10 A. Marginal Cost of Service Study

11 City Light rates shall be based on a marginal cost-of-service study, which shall be the primary  
12 basis for allocating the costs of providing electric services among the customer classes.  
13

14 B. Gradualism Adjustments

15 If a change in the cost-of-service allocation results in extreme bill fluctuations for a particular  
16 customer class compared to other customer classes, a method of mitigating these bill impacts  
17 may be considered and implemented. Such mitigation may include gradually moving to rates  
18 based on full costs of service over two or more rate change periods.  
19

20 C. Conservation Expense

21 Since the City Council considers that conservation is a power resource, conservation  
22 expenditures shall be allocated to all customer rate classes.  
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24 D. Low Income Rates and Bill Payment Assistance Expense

25 The costs of providing low income rates and bill payment assistance to low-income residential  
26 customers shall be allocated to all customer rate classes.  
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Adopted by the City Council the \_\_\_\_ day of \_\_\_\_\_, 2012, and  
signed by me in open session in authentication of its adoption this \_\_\_\_\_ day  
of \_\_\_\_\_, 2012.

\_\_\_\_\_  
President \_\_\_\_\_ of the City Council

THE MAYOR CONCURRING:

\_\_\_\_\_  
Michael McGinn, Mayor

Filed by me this \_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
Monica Martinez Simmons, City Clerk

(Seal)



**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
Seattle City Light	Paula Laschober 684-3168	Calvin Chow 684-4652

**Legislation Title:** A RESOLUTION adopting a policy framework for City Light rate setting objectives, rate design policies, and marginal cost allocation among customer classes.

**Summary of the Legislation:** Long-term rate setting objectives and electric rate policies for the City Light Department that supersede, reaffirm, or refine the policies established by previous Resolutions 30685 and 30933.

**Background:** Council Resolutions 30685 of 2004 and 30933 of 2006 provided a general rate setting and cost allocation policy framework but were repealed by Resolution 31187 of 2010, and the City Council intends to adopt a similar policy framework for the Review Panel for its assessment of City Light's rate design and marginal cost allocation.

Please check one of the following:

- This legislation does not have any financial implications.**  
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**City of Seattle**  
Office of the Mayor

December 20, 2011

Honorable Richard Conlin  
President  
Seattle City Council  
City Hall, 2<sup>nd</sup> Floor

Dear Council President Conlin:

I am transmitting the attached proposed Resolution that establishes a general policy framework for City Light rate setting objectives, rate design policies, and marginal cost allocation among customer classes. Council Resolutions 30685 of 2004 and 30933 of 2006 previously provided these policies, but they were repealed by Resolution 31187 of 2010.

This Resolution specifies high-level policies that generally encourage objectives such as fair and equitable customer rates, efficient use of energy, and rate predictability. These objectives comprise a consistent set of principles that can be applied across future rate reviews. In the immediate future, the objectives outlined in this Resolution will provide a foundation for the City Light Review Panel's rate policy assessment in 2012.

Thank you for your consideration of this legislation. Should you have questions about the proposed policies for City Light rate setting, please contact Paula Laschober at 206/684-3168.

Sincerely,

Michael McGinn  
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

