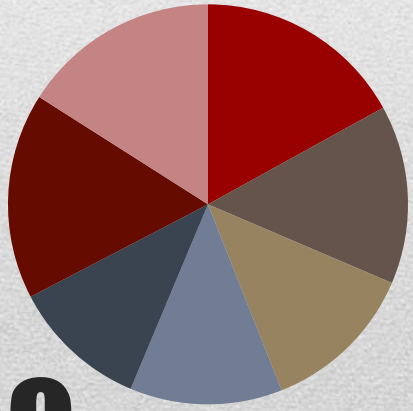
Cost Allocation

Different Rates for Different Customers

Office of Councilmember Sawant, Sept. 2014

What is Cost Allocation?

- City Light, by state law, can only charge its customers to recover the cost of doing business.
- Customers are divided into “classes.”
- Each customer class is charged what is necessary to recover the costs of delivering electricity to that class.
- As a result, customers in different classes, are charged different amounts.



What is Cost Allocation?

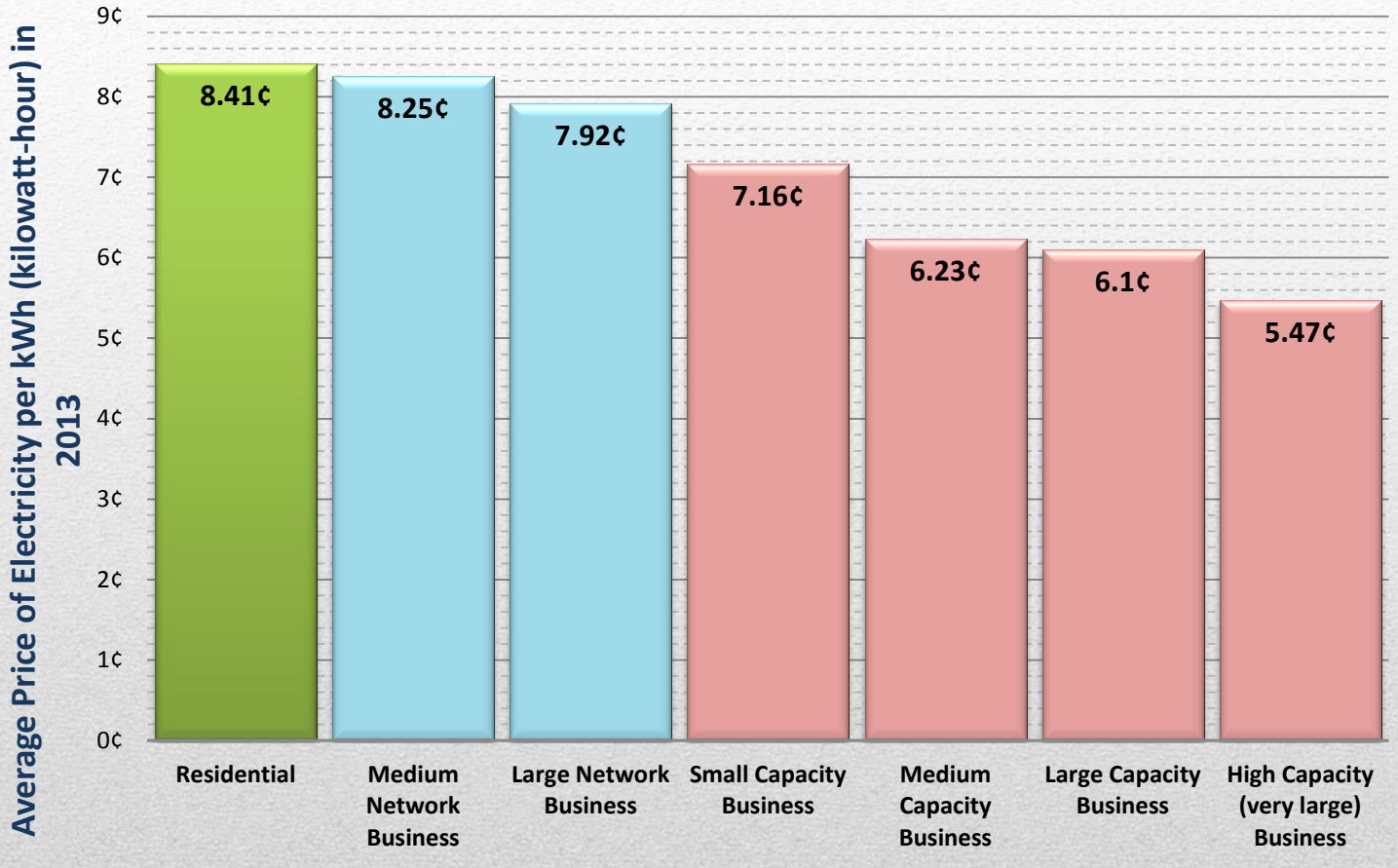
Main Customer Classes:

- Residential
- Small Capacity Business
- Medium Capacity Business
- Large Capacity Business
- High Capacity Business (largest)
- Medium Capacity Network Business
- Large Capacity Network Business

2013 Average Rates

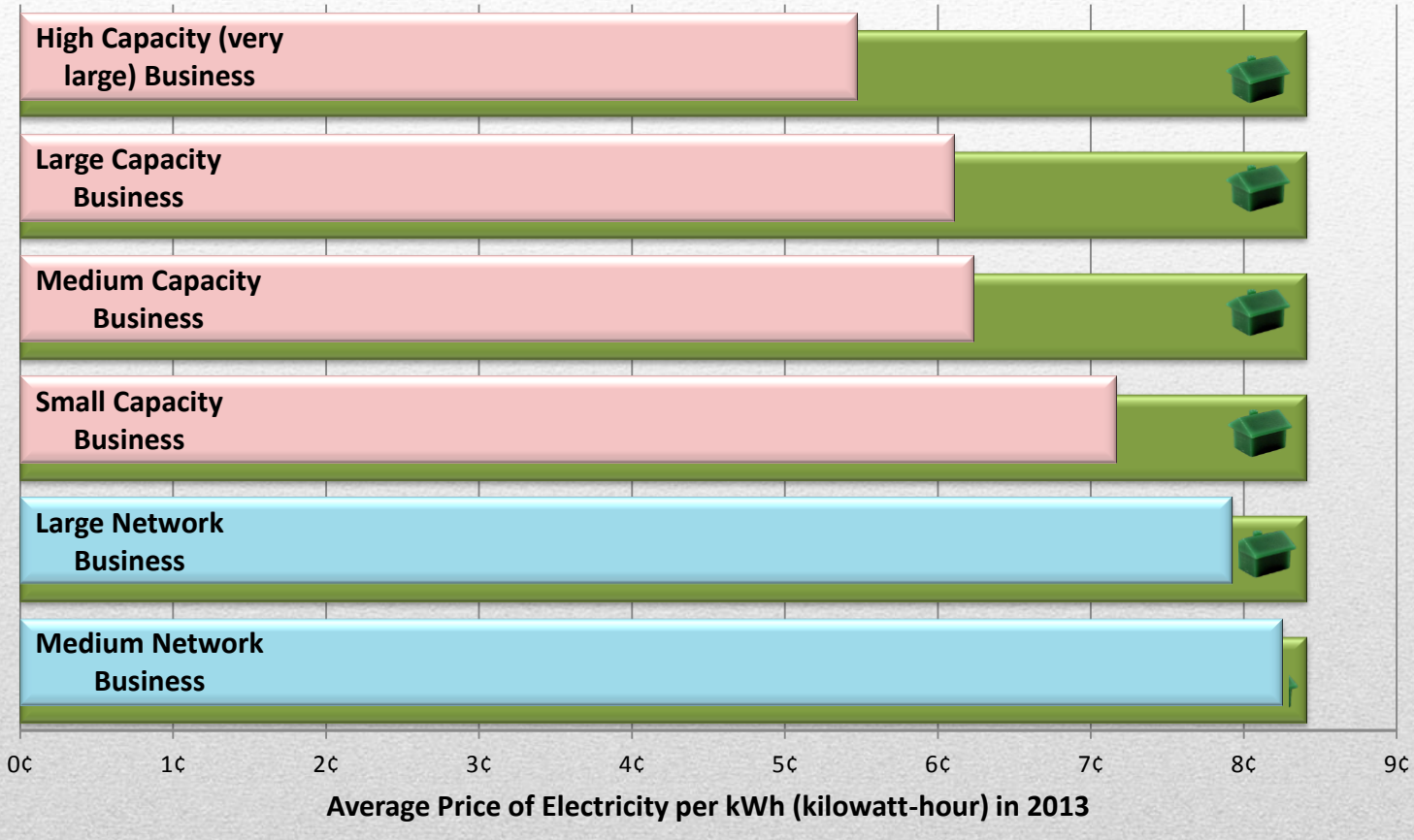
Customer Type	Price per kWh
Residential	8.41¢
Small Capacity Business	7.16¢
Medium Capacity Business	6.23¢
Large Capacity Business	6.10¢
High Capacity Business (very large)	5.47¢
Medium Capacity Network Business	8.25¢
Large Capacity Network Business	7.92¢

What City Light Charges Different Classes of Customers



2013 Average Rates

Corporate Electricity Rates vs. Residential Rates



2013 Average Rates

What You Paid

Residential Customer	Big Business
	
$67.28/year	**$43.76/year**

*Based on an example refrigerator that uses 800 kWh/year.

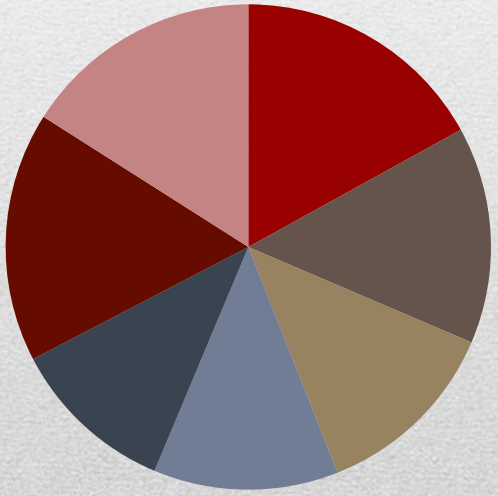
What You Paid

Residential Customer	Big Business
	
$9.21/year	**$5.99/year**

*Based on a 60W bulb used 5 hours/day.

Cost Divisions

- Providing power to the people of Seattle is why City Light exists.
- Not all customers are paying the same amount.
- Where we draw the lines between classes changes what people pay.



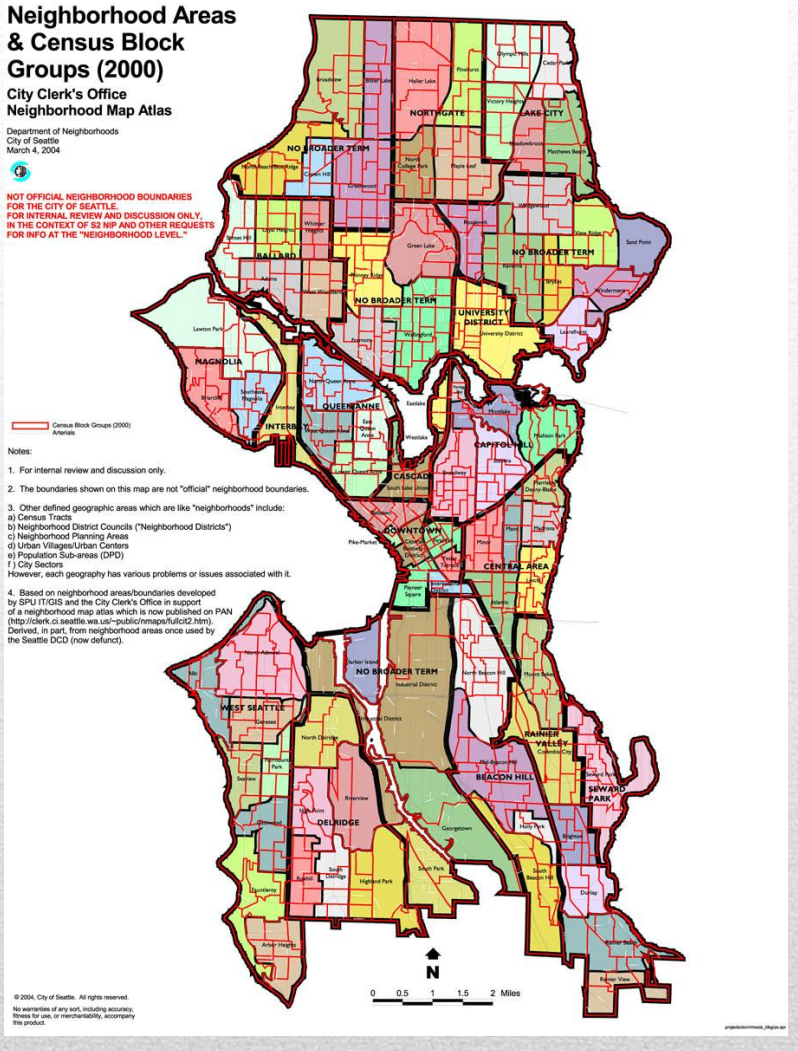
Single Family Homes

Apartment Buildings

If single family homes and multifamily homes were different classes, single family homes would have higher rates.

Cost Divisions

If rate classes were divided by neighborhood, some neighborhoods would inevitably pay more than others.



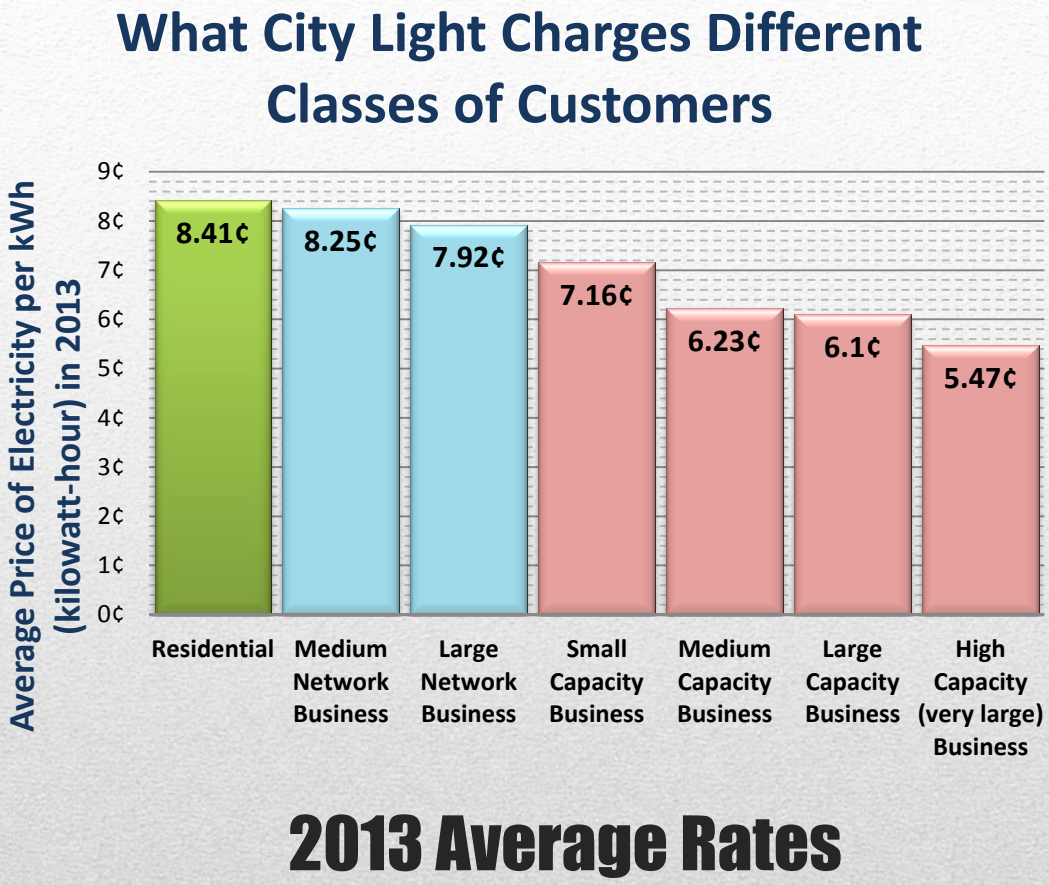
Cost Divisions

What Can Be Changed

- Option 1: Keep the Cost Allocation Formula unchanged.
  - This would result in regular people facing the rate increases in the strategic plan.
- Option 2: Attempt to Change the Cost Allocation Formula to be more balanced.
  - This would require a study to do legally.
- Option 3: Make all of Seattle one big rate class.
  - Residential customers would have a rate decrease.
  - Big Business would have to pay much more.

If all Seattle were one big rate class, average rates would be:

- **8.1¢ per kWh in 2015**
- **8.5¢ per kWh in 2016**



What Can Be Changed