

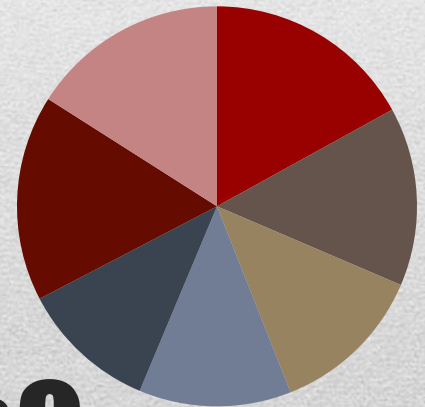


Cost Allocation

Different Rates for Different Customers








Office of Councilmember Sawant, Sept. 2014

- 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:

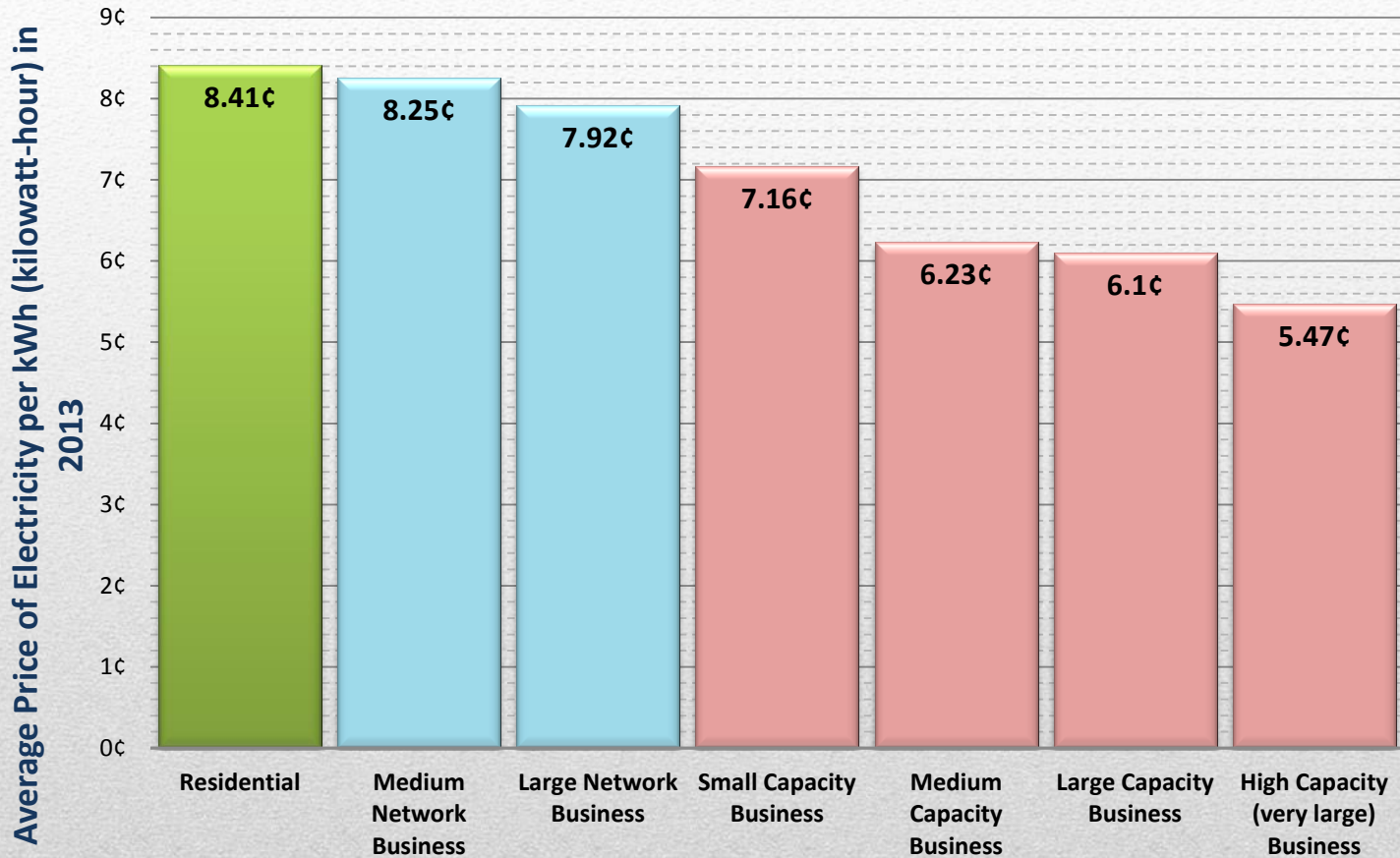
-  Residential
-  Small Capacity Business
-  Medium Capacity Business
-  Large Capacity Business
-  High Capacity Business (largest)
-  Medium Capacity Network Business
-  Large Capacity Network Business

What is Cost Allocation?

| 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¢ |

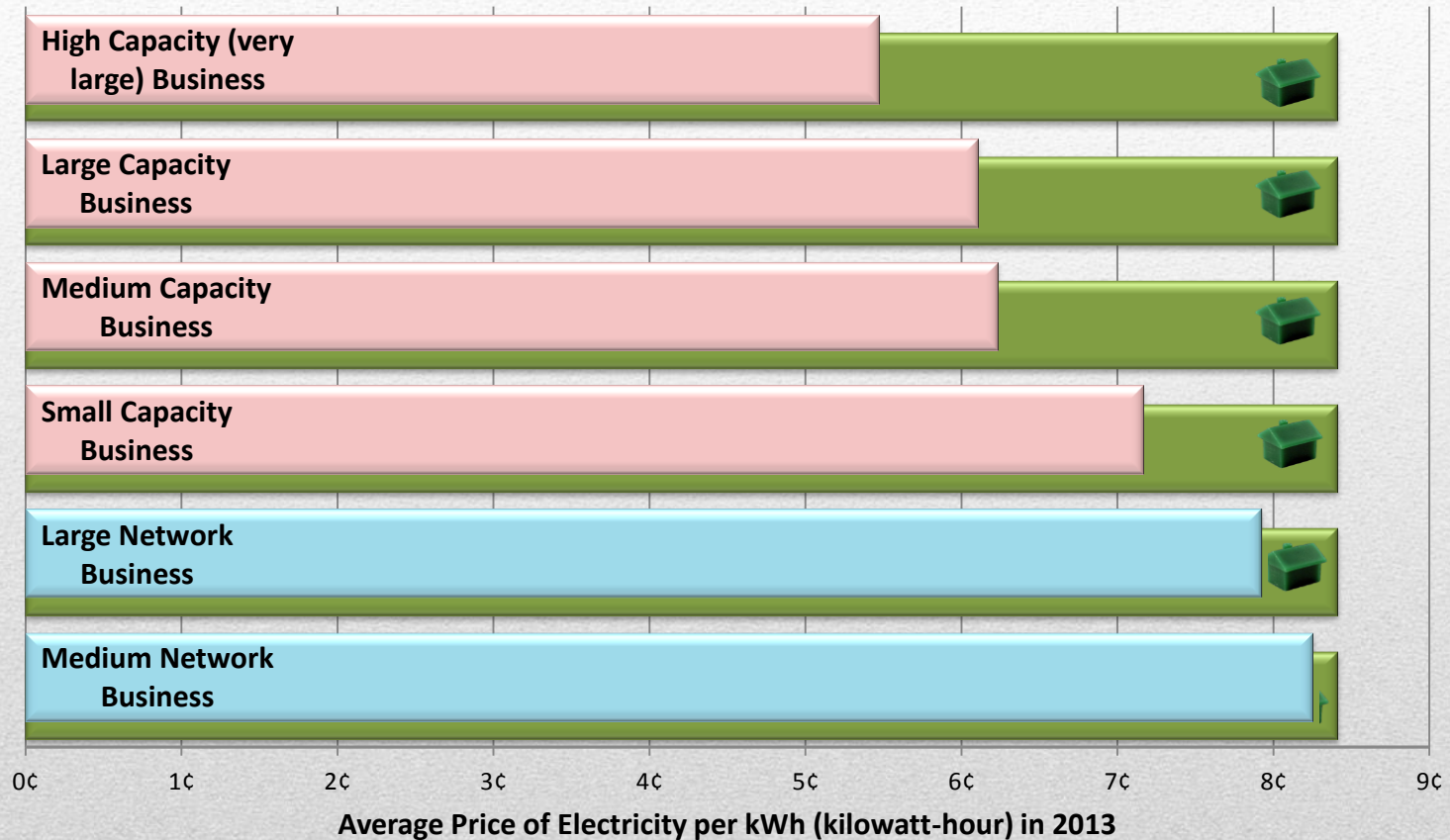
2013 Average Rates

What City Light Charges Different Classes of Customers



2013 Average Rates

Corporate Electricity Rates vs. Residential Rates



2013 Average Rates

Residential Customer



\$67.28/year

Big Business



\$43.76/year

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

What You Paid

Residential Customer



\$9.21/year

Big Business

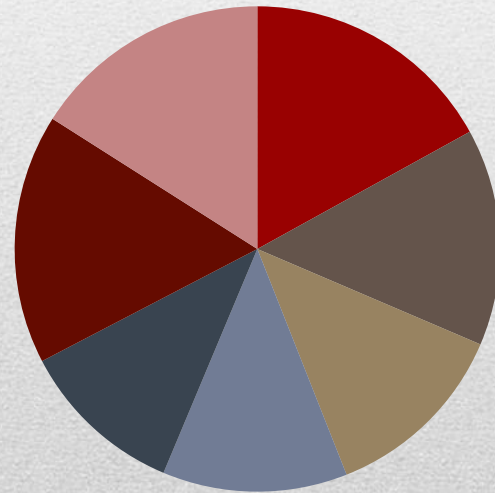


\$5.99/year

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

What You Paid

- 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.



Cost Divisions

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.

Neighborhood Areas & Census Block Groups (2000)

City Clerk's Office
Neighborhood Map Atlas

Department of Neighborhoods
City of Seattle
March 4, 2004



NOT OFFICIAL NEIGHBORHOOD BOUNDARIES
FOR THE CITY OF SEATTLE.
FOR INTERNAL REVIEW AND DISCUSSION ONLY.
IN THE CONTEXT OF S2 NP AND OTHER REQUESTS
FOR INFO AT THE "NEIGHBORHOOD LEVEL."

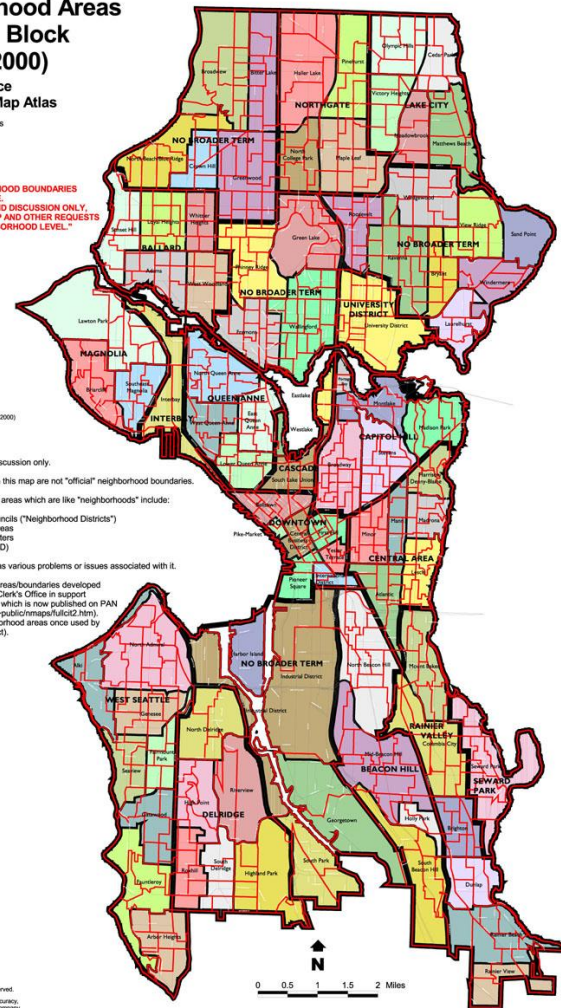
Census Block Groups (2000)
Arterials

Notes:

1. For internal review and discussion only.
2. The boundaries shown on this map are not "official" neighborhood boundaries.
3. Other defined geographic areas which are like "neighborhoods" include:
 - a) Census Tracts
 - b) Neighborhood District Councils ("Neighborhood Districts")
 - c) Neighborhood Planning Areas
 - d) Urban Villages/Urban Centers
 - e) Population Sub-areas (DPD)
 - f) City Sectors

However, each geography has various problems or issues associated with it.

4. Based on neighborhood areas/boundaries developed by SPU ITGIS and the City Clerk's Office in support of a neighborhood map atlas which is now published on PAN (<http://clerk.ci.seattle.wa.us/~public/maps/atl2.html>). Derived, in part, from neighborhood areas once used by the Seattle DCD (now defunct).



mapdata/seattle/atl2.html

Cost Divisions

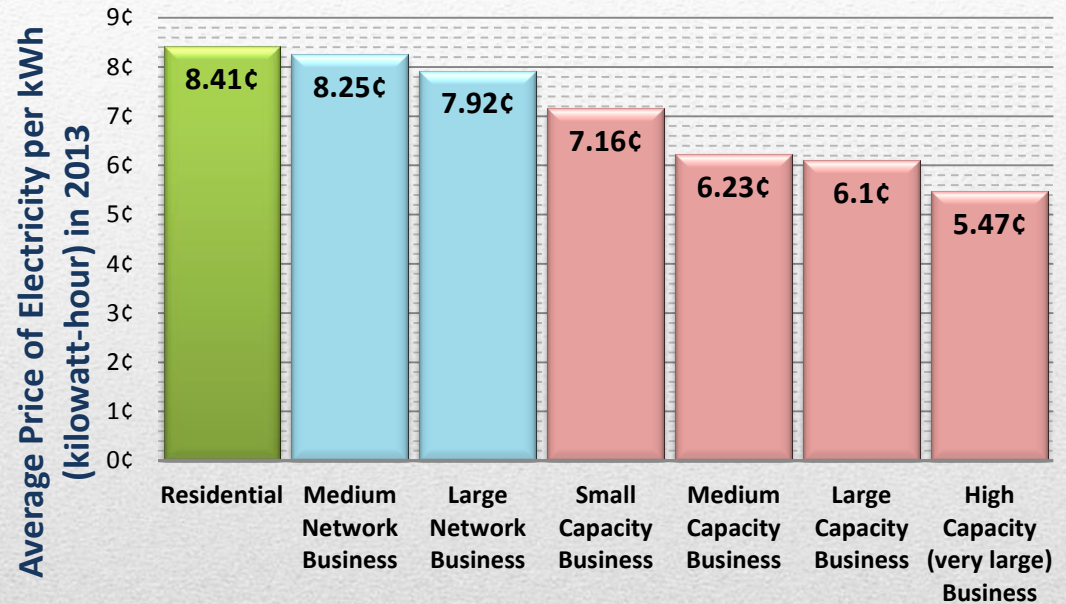
- ❑ Option 1: Keep the Cost Allocation Formula unchanged.
 - This would result in regular people facing the rate increases in the strategic plan.
- ❑ Option 2: Attempt to Change the Cost Allocation Formula to be more balanced.
 - This would require a study to do legally.
- ❑ Option 3: Make all of Seattle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

What Can Be Changed

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 City Light Charges Different Classes of Customers



2013 Average Rates

What Can Be Changed