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**Divided Report for Council Bill 118194
For Consideration at Full Council on October 06, 2014**

Overview

Council Bill 118194 would establish new City Light electricity rates for 2015 and 2016.

On September 24, 2014, by a vote of two to one, the Energy Committee voted to recommend passage of the bill by the Full Council.

Yes: O'Brien and Clark.

No: Sawant (Committee Chair).

History of the legislation

The Mayor presented this legislation to the Council pursuant to Resolution 31529, which adopted City Light's 2015-2020 Strategic Plan and requested that the Executive submit a rate proposal for 2015 and 2016 in support of the Plan. Resolution 31529 was adopted by the Council on June 30, 2014 by a vote of 8-0 (Clark excused).

Majority Position (O'Brien and Clark)

The Council adopted City Light's 2015-2020 Strategic Plan by a unanimous vote of the members present in the full knowledge that supporting it would require a rate increase for 2015 and 2016. The Council has, through passage of numerous rates ordinances and adoption of several rate policy resolutions, indicated its support for City Light's principle of allocating costs to customer groups on the basis of the costs they impose on the utility. Council Bill 118194 is consistent with the Council intent on this matter and should be passed by the Full Council.

While the Council endorses the principle that customers should pay the cost of the service they receive—except for low-income residential customers who, as allowed by state law, are subsidized by all other rate payers—it is prudent to review the implementation of that principle and the Council intends to conduct that review in 2015.

Minority Position (Sawant)

Council Bill 118194 will increase electricity rates for ordinary residential customers by an average of 4.4% over each of the next six years. The economic context for these rate increases could not be worse for working people: rents in Seattle average \$1,485 and are rising faster than in any other major U.S. city, the cost of gas and food is higher than ever, and mass transportation and public health are facing cuts while utility rates are also expected to rise. To make matters worse, working people are still reeling from the effects of the Great Recession, which destroyed thousands of middle class jobs and replaced them with low wage jobs. I cannot accept a rate ordinance which further burdens working people by increasing their electricity rates and overall cost of living any more.

My opposition to Council Bill 118194 is strengthened by the existence of a perfectly viable alternative to raising electricity rates for working people. The cost allocation method that Seattle City Light currently employs divides City Light's revenue requirements among a variety of rate classes, including residential customers and several types and sizes of business and general service customers. The end result of this division is that residential customers are charged significantly more on average for electricity than large corporations like Boeing and Nucor Steel. For example, in 2013 residential customers would have been charged \$67.28 or \$0.0841 per kWh to run an 800 kWh per year refrigerator. By contrast, Boeing would have been charged \$43.76 or \$0.0547 per kWh to run that same refrigerator.

There is a relatively simple solution that would not only reduce rates for residential customers, but would also bring City Light closer to fulfilling its charter as a public institution. If all of the aforementioned rate classes were merged into a single rate class, then residential customers would pay less, big corporations would pay more, and City Light would generate the same amount of revenue. The cost to small businesses would be unaffected by this change. City Light is doing good work as an electricity provider. By ensuring that working families do not pay more per unit, City Light could claim with more legitimacy to be serving the public interest rather than corporate interests.

Significant environmental reasons also exist to justify changing the electricity rate structure. Corporations take their bottom lines very seriously. Charging extremely low electricity rates gives them little incentive to invest in energy conservation; it is more economical to waste electricity. The argument that corporations deserve lower rates because they are bulk customers suffers from a similar contradiction. It ignores the fact that City Light is not a for-profit company, but rather a public utility. We do not want to incentivize waste in order to maximize profit. We want to create an effective incentive to conserve. Merging the rate classes to considerably raise electricity rates for corporations would do just that.

If one were to go by the usual words of other Councilmembers, it would appear that a proposal to create a more progressive electricity rate structure would garner considerable support from them. At some time or another, most Councilmembers have expressed frustration with and blamed Republicans for Washington's regressive tax structure. Yet when Councilmember Licata and I proposed an employee head tax as a progressive alternative to a regressive, sales-tax-driven measure to fund public transportation, other Councilmembers said it was not the right time. Now they say it is also not the right time to study a progressive change to the electricity rate structure. Nor do I suppose it will be a good

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time for a progressive change to the utility rate structure either. If Councilmembers are actually against ordinary working people paying proportionately more taxes than corporations and super-wealthy people, then at some point in time they will have to vote in favor of progressive tax measures and against regressive ones. Otherwise their progressive sentiments have little practical value.

I have gotten very positive feedback from working people in Seattle on my resolution to explore a progressive change to the electricity rate structure, based on merging rate classes in order to reduce rates for residential customers. Furthermore, fighting for a fair rate structure is part of my larger commitment to use my position as Councilmember to advocate for the interests of working people. There are many talented engineers and analysts who can help with this. Nonetheless, no other Councilmember on the Energy Committee was willing to take the side of ordinary working people, and vote for a proposal which could in the future cause corporations to pay the same electricity rates as ordinary customers.

That leaves Councilmembers with no alternative to Council Bill 118194, which increases residential customers' electricity rates by more than 25% over the next six years. I cannot support this rate increase on working class constituents, who are already struggling to make ends meet. I will be voting no. If other Councilmembers also vote no, it would signal support for my progressive changes to City Light's rate structure. It would warrant a special meeting of the Energy Committee to revisit rates and return to full council before the end of the year with a proposal that fulfills City Light's obligation to serve the public interest, provide a strong conservation incentive to corporations, and offer desperately needed economic relief to working people at the same time. I strongly urge other Councilmembers to vote no on Council Bill 118194.