

Resolution 31351: SCL Rate Policies

| <i>Language from Resolution:</i> | <i>Notes:</i> |
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| Section 1. General Statement for Rate Setting Objectives | |
| <p>A. Conflict Among the Objectives The objectives are intended to provide a general policy framework that can be consistently applied to future rate reviews. Because some policy objectives may conflict with others, they should be considered in their entirety to strike an appropriate balance among them when establishing electric rates for customers of City Light.</p> | |
| <p>B. Efficiency Rates should be structured so as to encourage the efficient use of resources needed to provide electrical service. This theme will find explicit expression in the allocation of costs among customers and in the design of rates to collect the appropriate shares.</p> | |
| <p>C. Rate Predictability</p> <ul style="list-style-type: none"> (i) The level of base rates (that is, before surcharges) should be changed in an orderly way over time so as to avoid disproportionate rate changes in any given year. This goal is most likely to be accomplished through biennial updates to City Light’s strategic plan and financial policies which drive its revenue requirements and hence its rates. (ii) The structure of City Light rates should also change in an orderly way so as to avoid large changes for some customers or customer classes. Should changes in costs of service or rate design that disproportionately impact some customers or customer classes be deemed necessary to meet the goals of these policies, those changes may be phased in gradually to moderate the impact on the affected customers or customer classes. | |
| <p>D. Public Involvement City light should make available to its customers clear and understandable information about the level and structure of its rates and any proposed changes to them, and should provide its customers the opportunities for meaningful participation in the rate-making process.</p> | |
| Section 2 Revenue Requirements | |
| <p>City Light’s revenue requirements should be consistent with the strategic plan and financial policies adopted for it by the City Council, and electric rates should be sufficient to meet its annual revenue requirements.</p> | |
| Section 3 Cost Allocation | |
| <p>A. Marginal Cost of Service To encourage the efficient use of resources, rates should be based on the marginal cost of service to the customer, and should reflect changes in the marginal cost over time.</p> | |

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| <p>B. Equity Rates should reflect a fair apportionment of the different costs of providing service among groups of customers, generally referred to as “customer classes” or “customer rate classes.”</p> | |
| <p>C. Conservation Expense Since the City considers that conservation is a power resource, conservation expenditures shall be allocated to all customer rate classes.</p> | |
| <p>D. Low Income Rates and Bill Payment Assistance Expense The costs of providing low income rates and bill payment assistance to low-income residential customers shall be allocated to all customer rate classes.</p> | |
| <p>Section 4 Rate Design</p> | |
| <p>To further the City’s desire to encourage the efficient use of both power supply and power distribution resources , City Light’s base rates should be designed and structured to include the following principles:</p> | |
| <p>A. Higher Rates for Higher Consumption Where possible, rates should increase as consumption increases. This may be accomplished by establishing thresholds that define ever higher blocks of energy consumption, each block having a higher rate than the preceding block. Such increasing block rates are intended to encourage the efficient use of electricity. Should they be applied to classes other than Residential, the rate design should be carefully tailored to meet the Council’s objectives of encouraging the efficient use of electricity and encouraging economic growth.</p> | |
| <p>B. Demand Charges Rate schedules that include demand charges should not contain declining demand charges.</p> | |
| <p>C. Residential First Block The residential first block of electricity is intended to meet the essential needs of residential customers and should be priced at or below the average cost of service to those customers. Rates for subsequent blocks within the rate class should be set to recover any subsidy provided by the first block.</p> | |
| <p>D. Rate Discounts When a customer provides a portion of City Light’s service infrastructure (such as a transformer owned and maintained by the customer), or when the customer is metered on the utility’s side of the transformer (instead of the more usual customer-side metering), the customer will receive a discount on rates reflecting the reduction in cost of service to the utility.</p> | |
| <p>E. Time of Use Rates City Light shall implement time-of-use rates, whether seasonal, daily, or hourly, where such differentiation options are reasonably feasible.</p> | |
| <p>F. Low Income Rates In all of its actions, the City has an interest in protecting the most vulnerable members of the community. Rates for qualified low-income residential customers shall continue to be lower than regular residential rates by at least 50%.</p> | |