

**CITY OF SEATTLE**

**RESOLUTION 32007**

A RESOLUTION related to the City Light Department, adopting a 2022-2026 Strategic Plan for the City Light Department and endorsing the associated five-year rate path.

WHEREAS, in consultation with the Mayor and the City Council, the City Light Department (“City Light”) initiated the strategic planning process in 2010 to provide more transparency and accountability for decision-making within City Light; and

WHEREAS, Resolution 31383, adopted July 2012, approved City Light’s 2013-2018 Strategic Plan and six-year rate path, and directed the utility to review and update the Strategic Plan every two years, adding two years to the Strategic Plan and re-evaluating the remaining four years of the existing Strategic Plan; and

WHEREAS, since 2012, City Light has revised and updated its Strategic Plan biennially, and has provided annual reports on the progress of Strategic Plan initiatives to the appropriate City Council committee; and

WHEREAS, the 2020 strategic planning process was impacted by COVID-19 and related pandemic response efforts, and the original 2021-2026 Strategic Plan has been amended to be a 2022-2026 Strategic Plan that covers a five-year period (Attachment 1 to this resolution); and

WHEREAS, City Light intends to resume a six-year planning cycle and deliver an updated 2023-2028 Strategic Plan in the spring of 2022; and

WHEREAS, City Light has developed a five-year plan and rate path that supports our commitment to delivering affordable, reliable electricity in an environmentally responsible way to our customers and the communities we serve. It also lays the

1 foundation, a shared vision, and the path forward to meeting our customers’ emerging  
2 needs and becoming the utility of the future; and

3 WHEREAS, City Light faces challenges that include continuing need for investments in our  
4 infrastructure; evolving customer expectations; declining retail energy consumption;  
5 impacts of retirements and legacy work processes; and climate change and fostering  
6 clean, renewable energy sources; and

7 WHEREAS, City Light conducted extensive outreach regarding the Strategic Plan, with  
8 customer and stakeholder group meetings, neighborhood open houses, limited-English-  
9 proficiency customer outreach, a market research survey, and social media outreach; and

10 WHEREAS, the resulting 2022-2026 Strategic Plan, which includes a five-year rate path, is a  
11 package of initiatives and investments to respond to industry challenges, improve the  
12 customer experience, strengthen our infrastructure to support decarbonization, ensure  
13 financial stewardship and affordability, and reflect a post-COVID environment by  
14 effecting organizational change, promoting diversity and inclusion, as well as  
15 contributing to The City of Seattle’s vision for our city while providing our customers  
16 with affordable, reliable, and environmentally responsible energy services; and

17 WHEREAS, per Ordinance 123256, the City Light Review Panel (“Review Panel”) is charged  
18 with representing City Light ratepayers and with reviewing and assessing City Light’s  
19 strategic plans; and

20 WHEREAS, since 2013 the Review Panel has reviewed City Light’s progress in carrying out the  
21 Strategic Plan on a quarterly basis and has also reviewed the Utility’s proposed changes  
22 for the 2022-2026 Strategic Plan; and

1 WHEREAS, the Seattle City Light Review Panel has identified several issues facing City Light  
2 in the next few years including the growing accounts receivables balance, a need for  
3 modernization of the electric grid, rising labor costs, continued need to respond to our  
4 region’s deeply held environmental values, and continued financial vigilance and reduced  
5 dependence on debt financing to keep electric service affordable in its letter dated May  
6 14, 2021 (Attachment 2); and

7 WHEREAS, the City Council has reviewed the Strategic Plan Update, the associated five-year  
8 rate path, the recommendation of the Review Panel, and the results of customer and  
9 stakeholder engagement; NOW, THEREFORE,

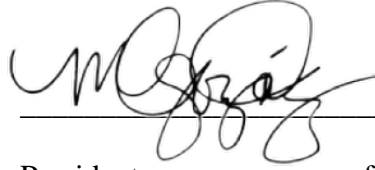
10 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE**  
11 **MAYOR CONCURRING, THAT:**

12 Section 1. The City Council adopts City Light’s 2022-2026 Strategic Plan (the “Strategic  
13 Plan”), a copy of which is attached to this resolution as Attachment 1 and incorporated by  
14 reference.

15 Section 2. To achieve the goals of the Strategic Plan, the annual rate increases for the  
16 following five years as shown in the table below are endorsed.

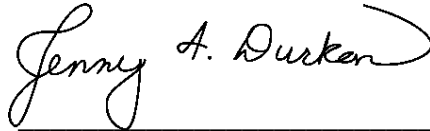
2022	2023	2024	2025	2026
3.9%	3.8%	3.8%	3.0%	3.0%

1           Adopted by the City Council the 12th day of July, 2021,  
2 and signed by me in open session in authentication of its adoption this 12th day of  
3 July, 2021.

4 

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

6           The Mayor concurred the 16th day of July, 2021.

7 

8 Jenny A. Durkan, Mayor

9           Filed by me this 16th day of July, 2021.

10 

11 Monica Martinez Simmons, City Clerk

12 (Seal)

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14  
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16 Attachments:  
17 Attachment 1 - Seattle City Light 2022-2026 Strategic Plan  
18 Attachment 2 - City Light Review Panel Comment Letter on Proposed 2022-2026 Seattle City  
19 Light Strategic Plan



Seattle City Light

# RECOVER REFOCUS RESTART

2022–2026 Strategic Plan

# RECOVER, REFOCUS, RESTART

Over 900,000 people in the Seattle area rely on Seattle City Light every day to keep their homes comfortable, businesses operating, and communities vibrant. It is our responsibility and privilege to provide our customers power that is reliable, affordable, and environmentally responsible.

Like many things in 2020, our strategic planning process stopped abruptly when COVID-19 hit. We quickly pivoted to focus on the immediate safety and health of our community, customers, and employees.

I am so proud of the work done by Seattle City Light staff. They quickly learned new ways to work, from virtual meetings to new work-safety requirements. In a time filled with fear and uncertainty, they stayed focused on taking care of our customers, neighbors, and their colleagues. They made sure people were safe, helped those who were struggling to pay, and maintained progress on critical projects.

Now, with a hopeful eye to the future, we have returned to our strategic plan. We know times are still uncertain, and that our region's recovery is likely to be sporadic. But the plan is our North Star compass, keeping us oriented to where we ultimately intend to be.

As a public utility, our goals are defined by our customers and the communities we serve. The public has made clear they expect us to deliver affordable, reliable electricity in an environmentally responsible way. They also count on us to handle any crisis that comes along while we meet their evolving needs. That's why we need a shared vision, institutional flexibility, and more than one path to becoming the utility of the future. I believe this plan defines our destination while maintaining the flexibility we will need to deal with the uncertainty ahead.

A strategic plan is no substitute for values. I'm proud of Seattle City Light and the values we share with the communities we serve. We will continue to deliver reliable energy to our customers while working to also improve the environment, advance equity, achieve excellence, put customers first, and take care of our employees. We are honored to be a force for the Seattle area's recovery as we work together to build a more equitable, sustainable future.

Thank you,



Debra Smith  
General Manager & CEO

## About Seattle City Light

Seattle City Light, a department of the City of Seattle, is one of the nation's largest publicly owned utilities in terms of the number of customers served. Our customers include the cities of Seattle, Shoreline, Burien, Lake Forest Park and portions of Normandy Park, Tukwila, Renton, SeaTac, and unincorporated King County.

We are funded by customer revenue, not taxes, and governed by the elected leaders of the City of Seattle.

As a recognized national leader in energy efficiency and environmental stewardship, Seattle City Light provides low-cost, reliable, and environmentally responsible electric power. We meet over half of our customers' electric needs from hydropower dams owned and operated by Seattle City Light. Most of the remaining power comes from hydropower purchased from the Bonneville Power Administration and investments in renewable and conservation resources. We are proud to offer our customers some of the lowest electricity rates in the nation.

## BY THE NUMBERS

<b>Service Area Population:</b>	<b>955,116</b>
<b>Customers</b>	
<b>Residential:</b>	<b>429,690</b>
<b>Non-residential:</b>	<b>51,398</b>
<b>Personnel (FTE):</b>	<b>1,793</b>
<b>Meters:</b>	<b>482,608 (95% Advanced Meters)</b>
<b>Distribution Circuit Miles:</b>	<b>Looped Radial: 2,340   Network: 267</b>
<b>Major Substations:</b>	<b>16</b>
<b>Commercial/Industrial Power Transformers:</b>	<b>56</b>
<b>Network Distribution Circuit Miles:</b>	<b>309</b>
<b>Peak Use, MW:</b>	<b>1,757</b>
<b>Annual Energy Savings from Conservation, KWh:</b>	<b>83,046,206</b>

### WHY THIS IS A FIVE-YEAR PLAN

Typically, Seattle City Light's strategic plans cover six-year periods. However, due to COVID-19, our planning process was delayed in 2020 and this plan was revised from a six-year (2021-2026) to a five-year (2022-2026) period.

We'll resume the six-year planning cycle with the 2023-2028 Strategic Plan.

# OUR MISSION

Seattle City Light provides our customers with affordable, reliable, and environmentally responsible energy services.

## VISION

Create a shared energy future by partnering with our customers to meet their energy needs in whatever way they choose.

## VALUES

**CUSTOMERS FIRST:** We believe customer service is everyone's job. We pledge to be approachable, respectful, and responsive in providing products and services that our customers want and need.

**ENVIRONMENTAL STEWARDSHIP:** We care about the environment and we are dedicated to enhancing, protecting, and preserving it for future generations.

**EQUITABLE COMMUNITY CONNECTIONS:** We are proud to be a local, community-owned utility. We are visible and actively involved in the communities we serve. We are rooted in our commitment to racial diversity, social justice, and the equitable provision of services to all.

**OPERATIONAL AND FINANCIAL EXCELLENCE:** We strive for excellence, are forward-focused, and seek new and innovative solutions to meet the challenges of today and tomorrow. We prioritize our investments and operating choices to build upon our strong financial foundation and solid, reliable infrastructure.

**SAFE AND ENGAGED EMPLOYEES:** We actively practice our commitment to employee and public safety. We treat each other with kindness and respect, are personally accountable, and work effectively in teams.





# FROM PANDEMIC TO PROGRESS: CITY LIGHT SUCCESSSES

In 2020, the utility faced extraordinary challenges — the coronavirus pandemic, the shuttering of businesses and massive job losses, dangerous air quality, and heightened calls to address racial disparities and injustice. Throughout these difficult times, the utility adapted to provide safe work environments for its employees, maintain essential services to customers, and learn from the experience to build a stronger utility moving forward.

## Responded to COVID-19

We mobilized quickly and comprehensively to continue delivering services during a severe public health, economic, and social crisis. Our employees found new ways to adapt their work—from rethinking how crews deploy to setting up home offices (often next to home-school “classrooms”). We also restricted planned outages to reduce impacts to customers.

COVID-19 forced us to adjust plans and practices to respond to new norms and changing demands for service. Our workforce was agile, resilient, and caring. In the face of great uncertainty and distress, we honored our mission, lived by our values, and provided help to the most vulnerable among us.

## Advanced Our Carbon-Neutral Transportation Future

The utility’s Transportation Electrification Strategic Investment Plan identifies what’s necessary to expand transportation electrification to meet our carbon-neutral goal. The plan describes how data and community and stakeholder input will help build an equitable and electrified transportation system.

The plan is already in action. We’re working with King County Metro and Washington State Ferries to build the necessary electrical infrastructure to support public transit electrification. This will significantly benefit communities that rely on public transit and will reduce air and noise pollution where impacts are greatest. We’ve expanded electric vehicle charging infrastructure, invested in electrification of our fleet, and started constructing a charging depot for municipal and private fleets. We are also piloting time-of-day rates that enable transportation electrification by encouraging off-peak vehicle charging for residential and commercial customers.

We’ll build on these existing commitments to develop future offerings to support equitable electric transportation for all and reduce emissions across the region.



## Made Customer Service More Personal and Convenient

We are committed to continually improving our service to customers. As customer expectations and technologies change, so must our business practices. We've transformed many important customer services, such as launching a Business Customer Service Center pilot program that provides concierge services and developing an online customer portal. The portal includes improved account management tools and the ability for customers to see and respond to real-time usage data. This means customers can easily open and close accounts through self-serve options and businesses have tools to make their work easier.

## Invested in Critical Infrastructure and Assets

We continue to make strategic, reliability-enhancing investments in our generation, transmission, and distribution systems.

Hydropower is clean, carbon-free energy and provides about half of our customers' power. We upgraded our hydroelectric generation with improvements in dam safety and long-term system and facility planning.

The replacement of aging wooden utility poles was particularly important and challenging in 2020 due to the need to limit planned outages. Thanks to committed crews and staff, we were able to significantly accelerate our pole replacement schedule and develop a robust strategy to replace poles that require long-duration permitting efforts.

Additionally, we invested in undergrounding facilities along the Seattle waterfront and added capacity for light rail.

## Joined the Western Energy Imbalance Market

City Light joined the Western Energy Imbalance Market (WEIM) in 2020. This advanced market system automatically finds low-cost energy to serve real-time consumer demand across the West. WEIM enhances grid reliability and generates cost savings for participating utilities. In addition to providing economic advantages, the market improves the integration of renewable energy, which leads to a cleaner, greener grid. The City Light team successfully entered WEIM during an unusually challenging time and our first year of participation has had positive financial results.

## Earned the Highest Reliable Power Provider Designation from the American Public Power Association (APPA)

In 2020, City Light was one of only 47 utilities to earn the Diamond Reliable Public Power Provider (RP3)<sup>®</sup> designation from the APPA. This award recognizes public power utilities for proficiency in reliability, safety, workforce development, and system improvement. This three-year designation shows the utility's dedication to safety, reliability, and sound business practices.

## UTILITY RELIEF FOR CUSTOMERS IN RESPONSE TO COVID-19

In coordination with the City of Seattle, City Light:

- Provided more flexible payment plans
- Helped eligible residential customers self-certify for Utility Discount Program
- Reached out to small businesses with delinquencies to offer flexible payment plans
- Waived interest charges/late fees on delinquencies for eligible businesses
- Expanded emergency assistance to help with high balances



# STRATEGIC PLAN PERFORMANCE METRICS

The strategic plan uses performance metrics to track progress and provide insights that allow us to refine our work. Overall, we're making good progress, but there's more work to be done. Here are a few examples of how our work benefits the utility, customers, and the community:

	2016	2017	2018	2019	2020	TARGET 2021
<b>RELIABILITY</b>						
Outage Duration: SAIDI (in minutes) <sup>1</sup>	61.0	64.5	58.3	71.9	67.0	64.3
Outage Frequency: SAIFI <sup>2</sup>	0.50	0.40	0.50	0.50	0.49	0.47
Generator Availability	83.8%	81.5%	89.1%	84.1%	77.1%	81.4%
Miles of Line Trimmed <sup>3</sup>	553	417	373	408	323	400
<b>CLEAN ENERGY</b>						
Energy Efficiency Incremental Average Megawatts (aMW) <sup>4</sup>	14.0	15.4	14.4	13.0	10.5	10.8
<b>SOCIAL JUSTICE</b>						
Utility Discount Program Participants	28,000	33,000	31,924	34,028	42,094	n/a <sup>5</sup>
Purchases from Women & Minority Business Enterprises (\$ millions)	\$15.20	\$14.00	\$11.50	\$13.00	\$19.70	\$16.37
<b>FINANCE</b>						
Debt Service Coverage	1.70	1.90	1.80	2.10	1.73 <sup>6</sup>	1.79

<sup>1</sup> SAIDI – System Average Interruption Duration Index (average total number of minutes per year of sustained outage per customer served)

<sup>2</sup> SAIFI – System Average Interruption Frequency Index (average number of times a customer's electric service was interrupted in the year)

<sup>3</sup> Tree trimming and vegetation management as measured by transmission line miles

<sup>4</sup> Measures our performance toward reaching our state-mandated energy savings target. In 2020, in-home services were suspended for safety due to COVID-19.

<sup>5</sup> There is no Utility Discount Program or Emergency Low-income Assistance Program target for 2021. Instead, the focus will be on improving the application process and removing barriers to apply—thereby increasing the number of new enrollees.

<sup>6</sup> Unaudited

# LOOKING FORWARD

Our customers rely on us to keep the power on, no matter the situation. To do this, we need a clear vision of where we want to go and plans for how to get there. These plans must continually adapt to changes in our community, the industry, and the world.

Our values, mission, and vision shape all our planning. They reflect who we are, why we're here, and what we aspire to. Our vision is where we are headed and our source of inspiration.

The strategic plan guides us on our path. It's our North Star—a navigational aid to help us get to our destination. The plan takes a high-level, longer-term view; it identifies our key strategic assets, and it leverages these assets to help us navigate uncertainty.

The strategic plan informs other detailed and more frequently updated plans.

Our annual workplan sets service and performance goals and guides our day-to-day operations. Financial plans such as the Capital Improvement Program, rate trajectory, and budget help us manage our resources wisely.

## SEATTLE CITY LIGHT STRATEGIC PLAN 101:

- WHAT?** A framework for making informed decisions to meet current and future needs of Seattle City Light and its customers.
- WHO?** Seattle City Light's executive team leads the planning effort with input from the Seattle City Light Review Panel, City of Seattle policymakers, community members, business representatives, customers, employees, and other stakeholders.
- WHY?** Disruption is the new normal. Pandemics, climate change, evolving customer needs, new technologies, and a generational wave of retirements are just a few of the disruptive forces creating major challenges for our industry.

# OUR PLANNING PROCESS



# COMMUNITY VOICES

## We Heard From You

Seattle City Light uses insights from customers and the community to inform our strategic planning and daily work.

In March and April 2021, Seattle City Light met with 11 stakeholder groups to present the utility's draft 2022-2026 Strategic Plan. This included the City Light Environmental Advisory Board, members of the City of Seattle's Environmental Justice Committee, the Seattle Renters' Commission, representatives from the utility's franchise cities, members of the NW Energy Coalition, representatives from the Seattle 2030 District and Business Owners and Management Association, representatives from the Multi-Service Center and Hopelink, and representatives from the utility's managed accounts.

Several presentations were given to Seattle City Light staff — including presentations to our Race and Social Justice Change Team — and a Virtual Town Hall was held on April 15, which was open to the public.

In total, City Light engaged with over 200 individuals who brought a variety of perspectives to each discussion about the priorities presented in the plan.

### AREAS OF INTEREST EXPRESSED

- Having a greater voice in the direction of new City Light programs
- Seeing City Light programs and initiatives roll out at a quicker pace
- Supporting City Light's plan to control debt

### OPPORTUNITIES IDENTIFIED

- Aligning City Light's customer-facing programs with other City of Seattle departments
- Reimagining City Light's bill assistance programs to help those in need who may not be served by existing programs
- Looking at energy burden holistically and reimagining assistance options
- Lifting up and supporting environmental justice work already underway at the community level

## ENDING INSTITUTIONAL RACISM IN GOVERNMENT

City Light takes its lead from the City-wide Race and Social Justice Initiative to end institutional racism in government. The initiative's long-term goal is to change the underlying system that creates race-based disparities to achieve racial equity in our community. Developing a utility-wide culture of learning around identity and power is essential to making equitable decisions in how we work with each other and customers. City Light's commitment to advance race and social justice continues building on efforts to:

- embed equity in utility decisions by strengthening our use of the Racial Equity Toolkit;
- identify and remove barriers to equitable employee and customer experiences; and
- deepen staff education, engagement, and leadership development around our collective practice of anti-racism.

## City Light Review Panel

The City Light Review Panel<sup>7</sup> provides advice and recommendations to the Mayor and City Council on the utility's strategic plan and rates. The panel includes representatives from private, public, and nonprofit sectors, utility experts, business leaders, and community representatives. They meet with City Light leaders regularly and provide valuable input that helps shape the development of the strategic plan and other efforts.

- Leon Garnett (Chair)**, Low-Income Customer Advocate
- Mikel Hansen (Co-Chair)**, Commercial Customer Representative
- Anne Ayre**, Industrial Customer Representative
- Scott Haskins**, Utility Financial Analyst
- Sara Patton**, Nonprofit Energy Efficiency Advocate
- John Putz**, At-Large Customer Representative
- Tim Skeel (pending confirmation)**, Economist

<sup>7</sup> The Seattle City Light Review Panel was created March 22, 2010, through City Council Ordinance Number 123256. There are currently two panel vacancies—the residential customer and suburban franchise cities representatives.



Community Solar Project, Jefferson Park

OUR BUSINESS STRATEGIES ARE BROAD, MULTI-YEAR AREAS OF FOCUS THAT WILL HELP US ACHIEVE OUR VISION.

# IMPROVE THE CUSTOMER EXPERIENCE

The energy industry is evolving, and as it does, customers will benefit from more customized services.

Although Seattle City Light has always kept the customer at the heart of our work, changing expectations, as well as emerging needs, mean we need to do even more. We are focused on engaging with our customers and helping employees see the impact of their actions from the customers' perspective.

When we listen to our customers and act on what we hear, we are better able to anticipate needs, deliver excellent service, and help our customers make smart energy choices that help them and the planet.

## Projects, Initiatives, Activities:

### INTEGRATE THE 'VOICE OF THE CUSTOMER' INTO OUR ORGANIZATIONAL CULTURE:

We will make use of customer research and engage with and equip our employees with the tools, skills, and support they need to prioritize customer needs and make "Customers First" a reality.

**STRENGTHEN AND FIX CORE CUSTOMER SERVICES:** Service delivery will be improved by redesigning old processes (e.g., implement Advanced Meter Infrastructure Phase 2, identify and resolve customer pain points through the multi-year "Service-to-Bill Process Improvement Project," which includes appropriately resourcing customer engineering services and improving service delivery timelines).

**EXPAND CUSTOMER SERVICE OPTIONS:** To meet customers' individual needs, we will develop new programs and services. For example, we will grow programs such as the business customer service center pilot, offer new energy efficiency programs, and provide public and residential home charging pilots. We'll also work with community partners and the City of Seattle to increase the effectiveness of our utility bill assistance programs.

## OBJECTIVE:

- Consistently meet customers' needs by providing employees with the opportunities and training required to deliver targeted and responsive solutions

## SUCCESS MEASURES:

- Customer satisfaction scores from industry experts and our own research (e.g., J.D. Power rating and Seattle City Light longitudinal benchmarking survey)



# CREATE OUR ENERGY FUTURE

Our energy future is based on carbon-free renewable resources. However, moving away from fossil fuels will require significant commitments and partnerships. New infrastructure is needed to ensure electricity can be accessed wherever and whenever people need it. Similarly, customers will need more options for accessing and paying for electricity.

Our energy future must also have robust safeguards in place to prevent and mitigate against serious and evolving threats. Our city and society rely on the electric system to deliver essential services that, in turn, support other critical sectors such as financial services, communications, transportation, and other utilities. This makes us a top target for attack. We must be vigilant in continually tracking risks, addressing vulnerabilities, and securing our assets.

## Projects, Initiatives, Activities:

**FUND AND IMPLEMENT THE ‘UTILITY NEXT’ PORTFOLIO:** Utility Next will enable projects needed to achieve Seattle’s clean energy vision. This includes transformation of our grid while also contributing to the long-term economic recovery and clean energy development of our region. Projects in this portfolio will modernize the grid, support large-scale renewables and storage, expand transportation electrification, prepare the workforce to meet the needs of the future, reinvent large capital projects, and advance building electrification.

**IMPLEMENT GRID MODERNIZATION ROADMAP:** Our carbon-free future depends on the electrification of transportation and other economic sectors; and this requires a stronger, smarter grid to handle the increased consumption. The roadmap will show us the way forward and prioritize investments needed to support electrification and increase grid flexibility, automation, reliability, and resiliency.

**IMPLEMENT ELECTRIFICATION PLANS:** We will develop, offer, and implement programs authorized by the Transportation Electrification Strategic Investment Plan, meet building electrification objectives that are consistent with City policies and codes, and support the development of the clean energy workforce.

**INTEGRATE DISTRIBUTION SYSTEM AND RESOURCE PLANNING:** The Integrated Resource Plan will be aligned and incorporated into other complementary planning efforts, including transmission and distribution planning, environmental planning, and the Clean Energy Transformation Act (CETA) Implementation Plan.

**DEMONSTRATE LEADERSHIP AND COLLABORATION:** We will lead long-term regional decarbonization and electrification planning efforts, collaborate to ensure the capacity and availability of carbon-free generation resources, and support the development of regional solutions. As part of Skagit River Hydroelectric Project relicensing, we will partner with government agencies, sovereign Tribes, and regional stakeholders on environmental studies and mitigations to continue to deliver environmentally responsible, safe, and renewable energy.

## OBJECTIVES:

- Build and maintain a smart, resilient, flexible, dynamic, and reliable grid infrastructure
- Prepare for the increased integration of distributed energy resources and more customer options
- Work to reverse historic inequities and avoid collateral harm to underserved populations by intentionally prioritizing their needs as we create our energy future

## SUCCESS MEASURES:

- Increased load and revenue associated with electrification
- Penetration of automation on our grid
- Reduction of emissions in Environmental Justice communities



# DEVELOP WORKFORCE & ORGANIZATIONAL AGILITY

Our industry is transforming quickly, and so are our customers' needs. Our products and services must keep pace. Seattle City Light employees are essential to this evolution, which is why we must continue to build their skills, create a supportive and diverse culture, provide them with the right tools and resources to help them succeed and stay safe, and make sure there's a talent pipeline to fill and promote the jobs of the future.

Our jobs aren't easy—and some are very dangerous—so making sure our workforce is well trained and prepared is critical.

Investing in our people and processes will pay off for customers through increased accountability, new efficiencies, better customer service, and new service offerings.

## Projects, Initiatives, Activities:

**INSTITUTIONALIZE ORGANIZATIONAL CHANGE MANAGEMENT:** A formal change management program will be established to provide consistent structure, standards, training, coaching, and resources. This will help employees successfully adapt to and master changes in job functions, business processes, and technology usage.

**BUILD AN AGILE WORKFORCE:** Our work in this area will include anticipating new strategic staffing needs, providing training and development opportunities that prepare employees for the future, supporting the culture change needed for future success, and building a workforce that reflects our community's diversity.



## OBJECTIVE:

- Foster an organization that is nimble, adaptive, and responsive and cultivate a workforce with the skills and knowledge to advance social justice

## SUCCESS MEASURES:

- Workforce development and culture metrics (e.g., diversity, recruitment, employment, promotion, and retention measures, and employee culture survey results)
- Development of foundational and equitably distributed resources and training to do their jobs successfully

# ENSURE FINANCIAL HEALTH & AFFORDABILITY

Financial stability is essential to everything we do. Responsible financial planning makes it possible to develop innovative energy solutions, plan for critical investments, and keep our rates affordable.

Some of this work is internally focused, with a long-term debt strategy and improved budget monitoring. But when we make progress in these areas, our customers benefit with more choices and stable and affordable prices.

## Projects, Initiatives, Activities:

**CONTROL RATE INCREASES:** While City Light’s rates need to keep up with costs to keep the lights on, the utility is committed to holding rate increases to a trajectory that resembles inflation. To do this, we will restructure our project tracking and improve budget management to drive accountability. This will allow us to lower labor costs and right-size the capital program. Because prudent debt management is crucial for affordability in the long term, City Light will work with the Review Panel to develop targets and policies to inform our capital financing strategies.

**PRICE SERVICES FOR THE FUTURE:** In our new energy future, clean energy technologies will power our homes and businesses, small generation sources, like solar, will become more common, and transportation electrification will continue to grow. The way we structure our rates needs to adapt to the new energy future, too. Building on new technology from advanced meters and billing system upgrades, City Light will continue to deliver the strategies outlined in our 2018 Rate Design Report by rolling out new pricing options that encourage decarbonization and grid flexibility while also helping residents and businesses manage their energy costs.

**ROAD TO RECOVERY:** Stable revenues are essential to sustain our financial health and deliver affordable electricity. As City Light prepares to restart credit and collections after a five-year hiatus, we need to review and update our policies, services, and practices. At the same time, we must be transparent, fair, and mitigate the impacts of racial and economic barriers. We recognize that many of our customers are still struggling in the wake of the COVID pandemic and we will work diligently to ensure that those facing financial hardships are aware of and have meaningful access to assistance.

## OBJECTIVE:

- Support long-term affordability in Seattle by offering rates that are transparent, understandable, reasonable, equitable, and consistent for all customers, including vulnerable populations. This commitment includes developing a sustainable and predictable approach to setting rates over time.

## SUCCESS MEASURES:

- Rate path delivered according to current and prior strategic plan commitments
- A debt service coverage ratio of 1.8 or higher
- Capital financed 60 percent or less by debt





# WE POWER

“We Power”<sup>8</sup> refers to our core function as a utility in providing electricity services to customers. This is central to all we do and reflects the core mission of our workforce.

As we work on the new efforts outlined in this strategic plan, we will remain committed to our core business operations and delivering value to our customers in Seattle and our franchise cities.

## OBJECTIVES:

- Continue to advance our mission to provide our customers with affordable, reliable, and environmentally responsible energy services
- Prioritize diversity, equity, and inclusion in all that we do
- Actively manage and mitigate the constraints, risks, and uncertainty of operating in a COVID-adjusted environment

## SUCCESS MEASURES:

- Operational dashboards will track performance metrics for each line of business



<sup>8</sup> “We Power” reaches beyond the City of Seattle. We also serve customers in Shoreline, Burien, Lake Forest Park and portions of Normandy Park, Tukwila, Renton, SeaTac, and unincorporated King County.



# KEEPING CUSTOMER BILLS AFFORDABLE AND STABLE

City Light's rates are designed to collect the revenue needed to maintain existing and planned operations while also moving forward on the strategies, programs, and investments in this plan. Our revenues must cover debt service, operations and maintenance, and costs associated with delivering power. As a public-owned utility, customer affordability is a key driver to our financial planning and actions.

## Factors Driving Rates

**INFRASTRUCTURE INVESTMENTS** — These are the costs for capital work and to repay bonds taken out to fund past, present, and future capital programs. Major capital projects currently in progress include replacing utility poles, Boundary Hydroelectric Project licensing mitigation, and Skagit River Hydroelectric Project relicensing.

**DEBT SERVICE COVERAGE** — Debt service coverage measures the ability of an organization to use its operating income to repay all its debt obligations, including repayment of principal and interest on short-term and long-term debt. City Light financial policy (Resolution 31187) requires us to have debt service coverage well above (1.8 times) what is required to pay our debt obligation. Our strong financial record gives us a favorable bond rating and lower borrowing costs.

**OPERATIONS AND MAINTENANCE, TAXES, AND OTHER** — These are the costs to run the utility and maintain our plants and equipment. This broad category includes costs associated with power production, distribution and transmission, customer services, and administrative support.

**POWER COSTS** — These are the costs to purchase power and the transmit electricity. These costs can vary dramatically due to climate and market forces. More snowpack in the mountains gives us more hydro resources, for example. By the same token, drought may reduce our revenue. City Light's largest purchase power contract is with the Bonneville Power Administration.

**DECLINING RETAIL DEMAND** — The decline in electricity consumption creates upward pressure on rates. Our current rate structure is primarily based on how much electricity our customers use; if customers use less electricity, the utility collects less revenue. Maintaining the power infrastructure is very capital intensive, and these fixed costs do not shrink with less energy use. That reality can be at odds with our long-standing ethic around conservation and the wise use of electricity. Looking into the future, the electrification of transportation and buildings offers new opportunities for load growth to reduce upward rate pressure. City Light's current load forecast is shown in the chart on page 27.

# PLANNING FOR FUTURE DEMAND

Forecasting future demand for electricity is very important so City Light can balance supply and demand and minimize our bulk electricity costs.

Even as the Seattle region has experienced explosive growth over the past decade, City Light customers' energy consumption has been trending downward due to advancements in energy efficiency.

In 2020, COVID-19 struck and stay-home orders were enacted across the region. City Light saw a deep drop in demand for electricity as commercial spaces across our predominantly urban service territory emptied. City Light saw a sharp reduction in demand for electricity from offices, schools, universities, and places of gathering like churches and theaters. While residential demand for electricity increased some due to telework, this increase was surpassed by commercial load decline. The timeline for economic recovery from the pandemic, particularly in the downtown core, will be a key driver for Seattle-region electricity demand during the upcoming five-year planning horizon.

Looking further into the future, City Light sees electrification of buildings and transportation as key to stabilizing demand for electricity. The speed at which our region moves away from fossil fuels through changing building codes, adoption of electric vehicles, and other climate change policy all have the potential to significantly impact City Light's future retail demand. (See chart below.)

## SEATTLE CITY LIGHT RETAIL SALES FORECAST

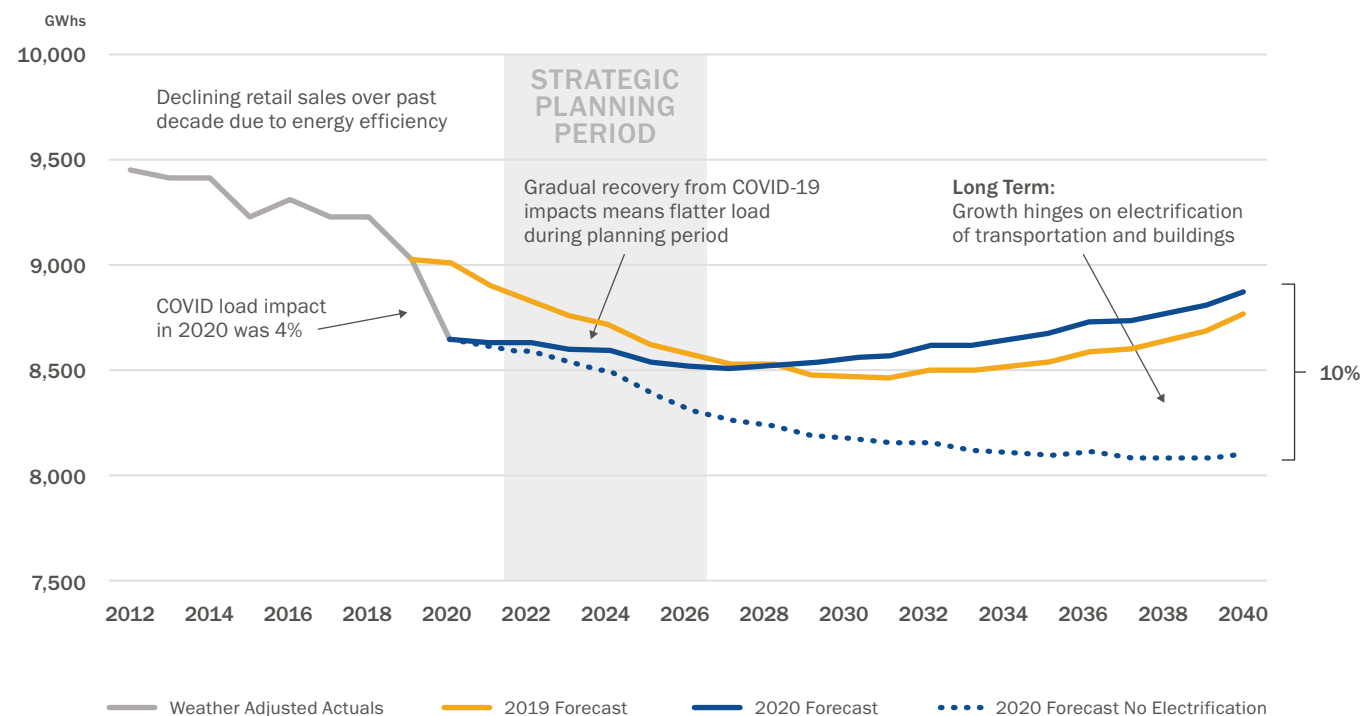


Photo Credit: Hugo C. Ludeña

# FUNDING THE PLAN: OUR 5-YEAR RATE PATH

Seattle City Light is committed to providing strong, secure, and flexible energy infrastructure so all our customer-owners have access to reliable and affordable electricity, whenever they need it and wherever they are.

We have a long history of doing just that. Yet, looking ahead, we must confront major challenges, including the pandemic response, permanent changes to the way people work, and economic recovery. These challenges will exacerbate the need to balance essential investments with our shared financial reality.

In line with our commitment to keeping rate increases low, Seattle City Light recommends the rate path shown in the table below, to ensure the utility can deliver the best customer service in an affordable, equitable, reliable, and environmentally responsible manner.

The strategic plan proposes a five-year rate path that increases 3.5 percent annually, on average.

## PROPOSED RATE INCREASE SUMMARY

	2022*	2023	2024	2025	2026	AVG
Annual Increase	3.9%	3.8%	3.8%	3.0%	3.0%	3.5%

\* Rate approved by Seattle City Council in March 2021.

The table below shows potential bill impacts as examples only. Customers who decrease their consumption through energy efficiency measures will experience smaller bill impacts. Conversely, as customers electrify their homes and vehicles, they will see increased City Light bills, while petroleum and natural gas costs come down.

## CUSTOMER BILL IMPACT EXAMPLES: MONTHLY INCREASE PER YEAR

BILL EXAMPLE	2021	2022	2023	2024	2025	2026
	AVG. BILL	INCREASE				
Residential*	\$76.77	\$3.00	\$3.04	\$3.18	\$2.61	\$2.68
Residential-UDP (60% Discount)	\$30.71	\$1.20	\$1.22	\$1.27	\$1.04	\$1.07
Small Commercial (Car Wash)	\$465	\$18	\$18	\$19	\$16	\$16
Medium Commercial (Retail)	\$7,436	\$290	\$294	\$308	\$252	\$259

\* Assumes a typical residential customer using 634 kWh/month

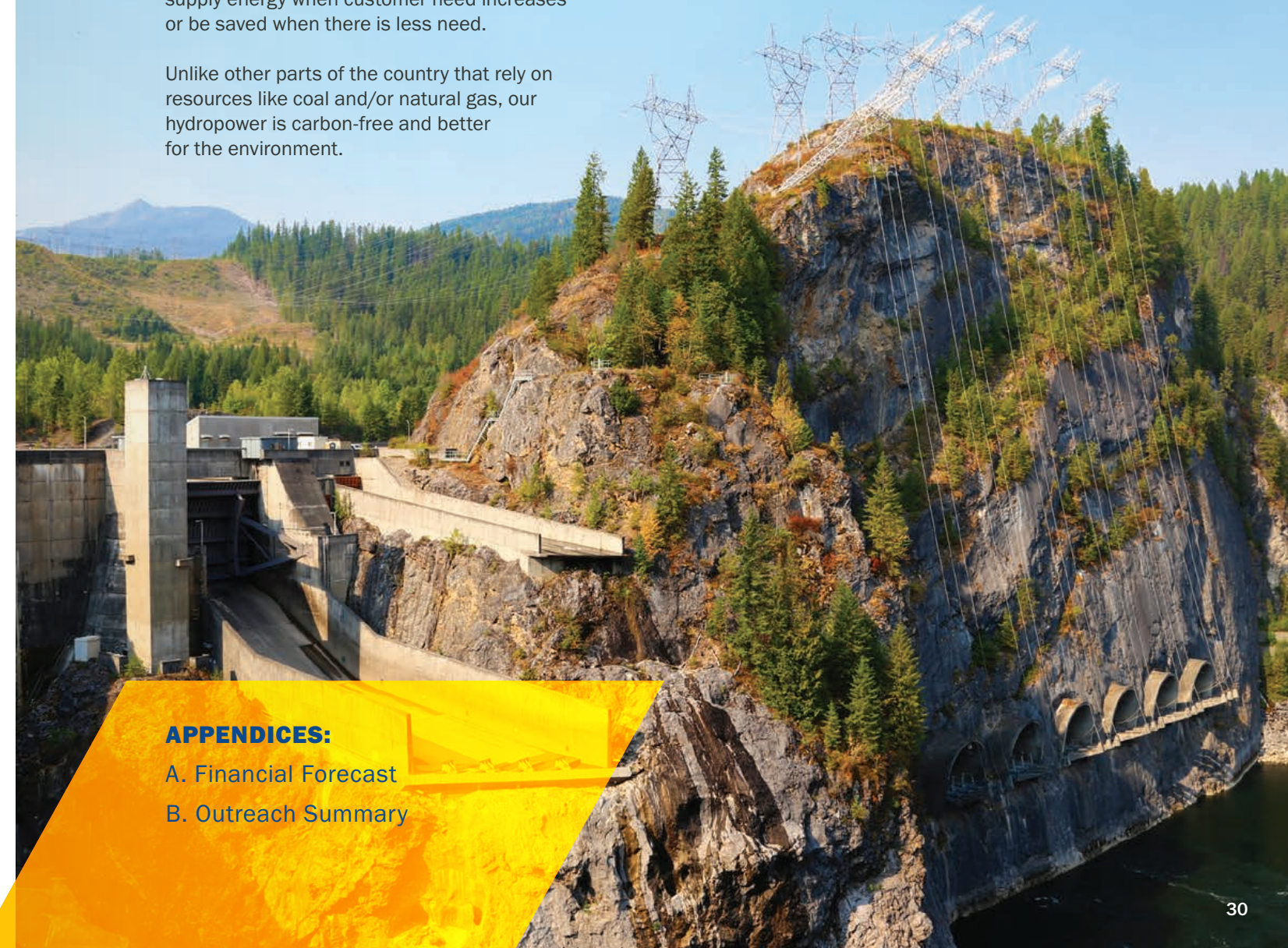
# HYDROPOWER: MEETING CUSTOMERS' NEEDS FOR CLEAN, RELIABLE ENERGY

While new, renewable energy sources like wind and solar power are extremely important to our carbon-free future, they are only available when the wind is blowing and the sun is shining. This limits their ability to provide electricity every day.

Seattle City Light is fortunate to have a clean and always-available resource — hydropower. The reservoirs created by our hydroelectric dams store water that can be drawn down to supply energy when customer need increases or be saved when there is less need.

Unlike other parts of the country that rely on resources like coal and/or natural gas, our hydropower is carbon-free and better for the environment.

Hydropower isn't "free"— it impacts fish and the nearby environment. That's why we work diligently to steward a healthy watershed with good facility operations and mitigation efforts that support fish, forests, and wildlife. We are proud of the work we have done so far and are planning the next generation of improvements.



## APPENDICES:

- A. Financial Forecast
- B. Outreach Summary



Seattle City Light



Seattle City Light

[seattle.gov/light](http://seattle.gov/light)

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## 2022-2026 Strategic Plan Financial Forecast

### EXECUTIVE SUMMARY

This document details the financial assumptions behind the 3.5% average rate path established by the 2022-2026 Strategic Plan (the "Plan"). The proposed rate path provides the revenue required to deliver on City Light's Strategic goals outlined in the Plan.

Average rates are derived by dividing the revenue requirement by retail sales. On average the revenue requirement is increasing by a little over \$30M (3.3%) and retail sales are decreasing by 0.3%.

### RATE INCREASE SUMMARY

	2021	2022	2023	2024	2025	2026	Avg
Revenue Requirement	919.3	955.6	989.0	1,026.2	1,050.2	1,079.1	
Annual Increase		3.9%	3.5%	3.8%	2.3%	2.8%	3.3%
Retail Sales GWh	8,637	8,633	8,607	8,600	8,542	8,520	
Annual Change		-0.1%	-0.3%	-0.1%	-0.7%	-0.3%	-0.3%
Average Rate, ¢/kWh	10.65	11.07	11.49	11.93	12.29	12.67	
<b>Annual Increase</b>		<b>3.9%</b>	<b>3.8%</b>	<b>3.8%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.5%</b>

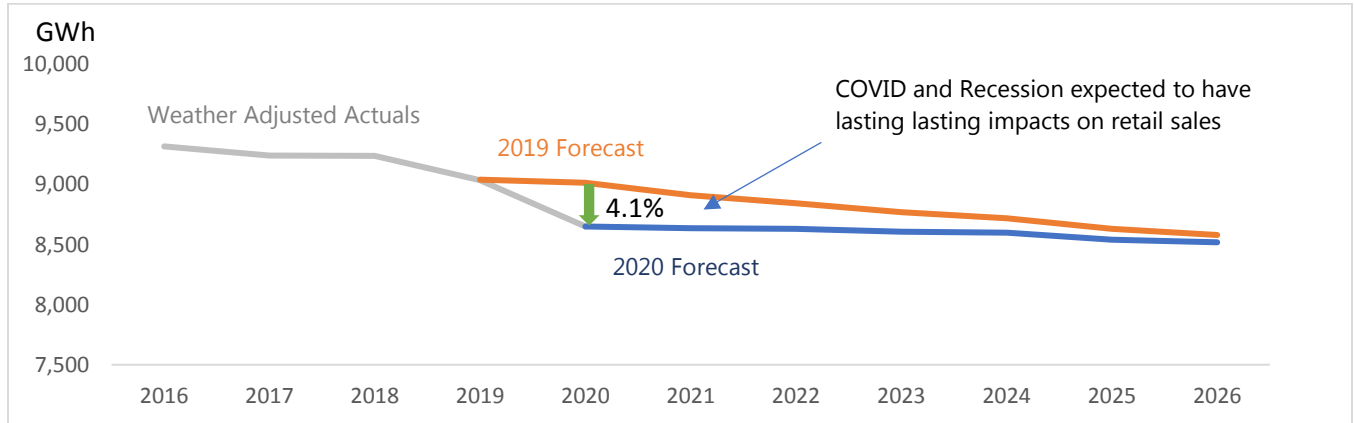
Below is a table of bill impacts assuming each customer receives the annual rate increase noted above and maintains a consistent level of consumption. These impacts are examples only and will change after the retail rate design process is completed for each year. Customers who decrease their consumption through energy efficiency measures will experience smaller bill impacts.

### CUSTOMER BILL IMPACT EXAMPLES

	Monthly Bill		Monthly Increase				
	2021	2022	2023	2024	2025	2026	AVG
Residential (634 kWh/mo.)	\$76.77	\$3.00	\$3.04	\$3.18	\$2.61	\$2.68	\$2.90
UDP Residential (60% Discount)	\$30.71	\$1.20	\$1.22	\$1.27	\$1.04	\$1.07	\$1.16
Small Commercial-Car Wash	\$465	\$18	\$18	\$19	\$16	\$16	\$18
Medium Commercial-Retail Store	\$7,436	\$290	\$294	\$308	\$252	\$259	\$281
Large Industrial-Stone	\$23,550	\$920	\$933	\$977	\$800	\$821	\$890
Large Commercial-Hospital	\$94,607	\$3,695	\$3,747	\$3,923	\$3,212	\$3,298	\$3,575
Large Commercial-Education	\$1,990,939	\$77,754	\$78,851	\$82,561	\$67,594	\$69,399	\$75,232

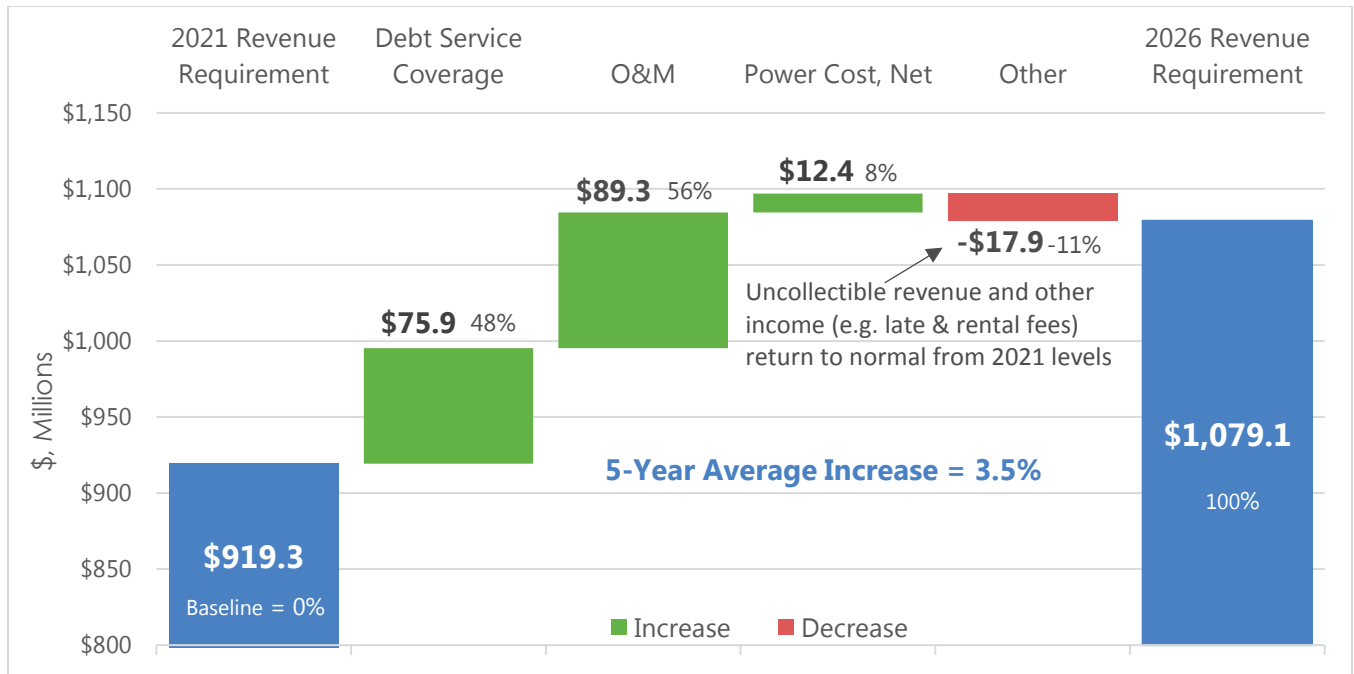
The COVID pandemic and associated recession significantly reduced City Light’s retail sales to commercial customers in 2020, and this was only partially offset by increased residential sales. The recovery is expected to last several years and, as a result, City Light’s retail sales are expected to be relatively flat through 2026.

**RETAIL SALES FORECAST**

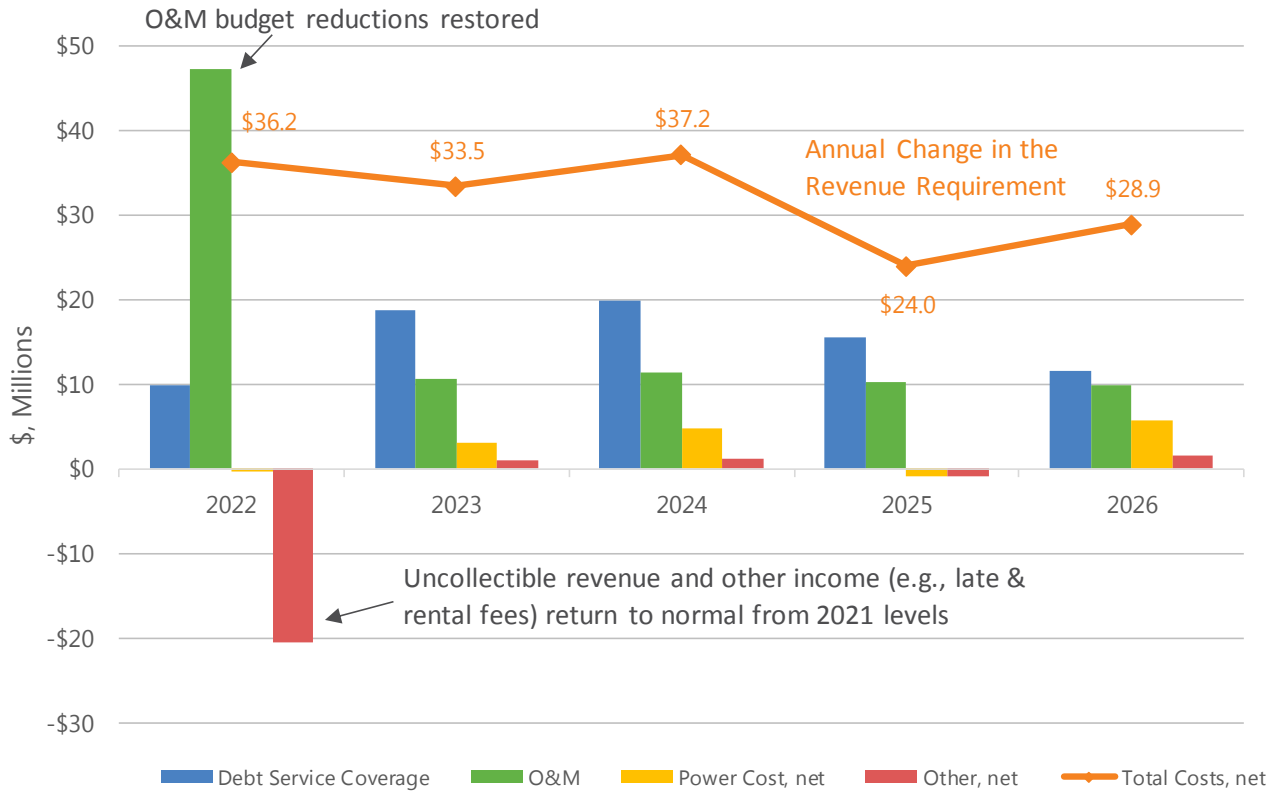


The below charts and table summarize City Light’s revenue requirements for 2022-2026

**REVENUE REQUIREMENT DRIVERS CUMULATIVE 2022-2026**



### RETAIL REVENUE REQUIREMENT ANNUAL GROWTH DRIVERS 2022-2026



### RETAIL REVENUE REQUIREMENT SUMMARY

\$, Millions	2022	2023	2024	2025	2026
<b>Revenue Requirement</b>	955.6	989.0	1,026.2	1,050.2	1,079.1
<b>Debt Service Coverage</b>					
Debt Service	234.5	244.4	256.6	254.1	256.8
Additional Coverage*	188.0	196.4	204.1	222.2	231.1
<b>Operations &amp; Maintenance (O&amp;M)</b>					
Baseline 2022 O&M	339.0	339.0	339.0	339.0	339.0
Inflation and REC Growth**	-	10.6	22.0	32.2	42.1
<b>Net Power Costs</b>					
Power and Wheeling Contracts	234.5	237.7	242.3	241.2	246.7
Net Wholesale Revenue (NWR)	(40.0)	(40.0)	(40.0)	(40.0)	(40.0)
Power Related Revenues, Net	(17.1)	(17.1)	(17.0)	(16.8)	(16.5)
<b>Other</b>					
Taxes, Payments and Uncollectibles	56.1	57.9	59.9	61.4	64.0
Miscellaneous Revenue	(39.4)	(39.8)	(40.8)	(43.2)	(44.2)
<b>* Debt Service Coverage</b>	1.80	1.80	1.80	1.87	1.90
** Inflation on existing O&M and incremental renewable energy credit (REC) investments to meet I-937 requirements. Additional detail is included in the O&M section.					



## Drivers of 2022-2026 Revenue Requirements and Rates

### 1. Debt Service and Debt Service Coverage

- Funds historic and future capital investments
- Increases on average \$15 million per year
- \$1.7 billion 2022-2026 net capital requirements (\$338 million per year)
  - 43% expected to be funded with operating cash

### 2. Operating and Maintenance (O&M)

- 2022 O&M - \$30 million 2021 budget reductions restored plus inflation
- Cost increase of around \$11 million per year during 2022-2026
- Inflation around 3% per year
- Sets overall spending target
  - City Light will continue to make resource and organizational adjustments to deliver on strategic initiatives and core services

### 3. Net Power Cost

- In total, net power costs are expected to remain relatively stable
  - Around 1% growth per year on average
- Bonneville Power Costs are the largest single component at over \$200 million
  - Expected to increase a little over 2% per year
  - Actual 2022 BPA costs are currently expected to come in below the planning values used in this forecast, and any savings will be passed along to City Light customers<sup>1</sup>

### 4. Other Revenues/Costs<sup>2</sup>

- Not a large driver, expected to remain stable over planning period
- Uncollectible revenue expected to return to typical levels in 2022
  - At higher levels in 2020 and 2021 due to pandemic and recession

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<sup>1</sup> Based on BPA's preliminary 2022-2023 rate proposal and purchase volumes. Any cost differences will be passed through to City Light customers with the BPA passthrough mechanism. BPA is expected to announce a final rate decision in July 2021.

<sup>2</sup> Other Costs include state taxes, franchise payments and uncollectible revenue, which tend to grow in proportion to retail revenue. Miscellaneous revenue comes from a variety of fees and service charges, as well as from interest earnings; only minor growth in these revenues is anticipated.

**INTRODUCTION**

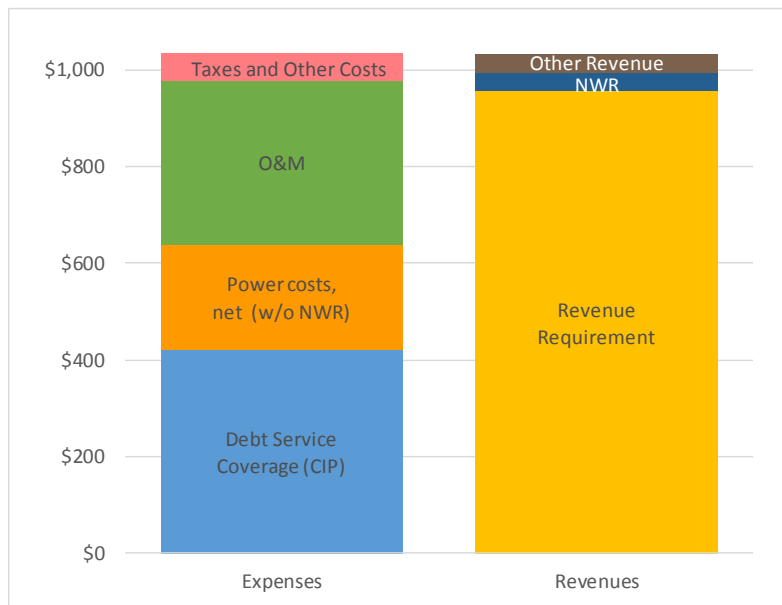
The 2022-2026 Strategic Plan builds on the 2019-2024 Strategic Plan Update (also called the 2018 Strategic Plan), extends the horizon an additional two years to 2026 and shortens the Plan horizon to five years. The 2021-2026 Strategic Plan was postponed while the Utility focused on COVID-19 related issues. The 3.6% rate increase that was originally anticipated for January 1, 2021 was canceled to help mitigate the economic impacts of COVID-19 on ratepayers. However, on March 29, 2021 Seattle City Council approved a 3% rate increase effective April 1, 2021, along with the removal of the current 3.0% Rate Stabilization Account (RSA) surcharge.<sup>3</sup> The net result is no impact on expected customer bills for the remainder of 2021. At the same time, Seattle City Council approved an across-the-board 3.9% rate increase for all rate classes, effective Jan 1, 2022, which is reflected in this plan.

This document details the assumptions that determine the average retail rate path for the years 2022-2026. Average retail rates are not actual billed rates but are the ratio of the revenue requirement to retail sales and represent the average impact to customer bills, assuming their consumption is constant.

$$average\ rate\ \left(\frac{\$}{kwh}\right) = \frac{revenue\ requirement\ (\$)}{retail\ sales\ (kwh)}$$

The revenue requirement is the amount of retail revenue that must be collected to balance revenues with expenses, given current effective financial policies. The chart below illustrates how the revenue requirement is sized to meet expenses.

**REVENUES AND EXPENSES (2022 FORECAST, \$MILLIONS)**



<sup>3</sup> A 1.5% RSA surcharge was implemented August 2016 and an additional 1.5% surcharge (3% total) was implemented November 2019. The RSA returned above its \$100 million target in Q1 2021 and the surcharges were set to roll off in Q2.

Following is a short description of each primary component of the revenue requirement. These are discussed in detail in the following sections of this document.

#### Debt Service Coverage

- The cost of debt-funded capital investments (including deferred expenses such as programmatic conservation and superfund remediation) as recovered over time.
- Per policy, debt service coverage is set at or above 1.8 times the annual debt service obligation.
- The additional funds in debt service coverage above those needed to pay principal and interest obligations cash-fund a portion of the current year capital requirements, so they are not all debt financed.
- In efforts to mitigate the amount of future debt issued, the targeted debt coverage was increased in 2025 and 2026 to 1.87 and 1.90, respectively.

#### O&M

- Includes cash-related expenses for all O&M costs excluding taxes, purchased power and wheeling (purchased transmission).
- All non-capitalized labor costs are included in this category.
- Includes inflation assumptions, additional program funding requirements, as well as mitigating cost reductions.

#### Power, Net

- Purchased power costs and wheeling costs, net of power revenues.
- Includes revenues from surplus power sales net of purchases, also called net wholesale revenue.
- Does not include costs of operating owned generation (e.g. Skagit, Boundary hydro projects), these are part of O&M.

#### Other

- Includes tax payments, franchise payments and uncollectible revenue, net of miscellaneous revenues.

This document concludes with a short discussion of the retail sales forecast, which is the denominator in the average rate formula.

#### **DEBT SERVICE COVERAGE (CIP, DEFERRED O&M AND BONDS)**

Debt service coverage represents the cost of capital spending, as recovered over time. Net capital requirements are comprised of the capital improvement program (CIP) plus expenses deferred (such as programmatic conservation<sup>4</sup> and superfund remediation), less capital contributions, which are payments from outside sources that offset capital expenses.

$$\text{Net Capital Requirements} = \text{CIP} + \text{Deferred O\&M} - \text{Capital Contributions}$$

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<sup>4</sup> Incentives paid to acquire energy efficiency savings. These costs are deferred and amortized over 20 years.

Net capital requirements are not a direct component of the revenue requirement but determine the amount of debt (bonds) that must be issued. The principal payments on outstanding debt and associated interest expense make up debt service.

City Light's debt service coverage policy (established by Resolution 31187) calls for setting rates to yield sufficient revenue net of expenses to cover annual debt service obligations by at least 1.8 times. Since the additional amount required for debt service coverage is not an actual expense, these funds are typically allocated to City taxes<sup>5</sup> and current year capital expenditures, which reduces the size of future bonds.

The capital expenditures forecast is based on the 2021-2026 CIP Plan that was adopted in 2020 for the 2021 budget process. It differs from the CIP Plan (budget) in that the timing of spending is adjusted to reflect projected cash outflows, and amounts are reduced by a 10% assumed under-expenditure. Capital expenditures also includes deferred O&M, which is treated like CIP.

#### CAPITAL EXPENDITURES FORECAST

\$ Millions	2022	2023	2024	2025	2026
2021-2026 Adopted CIP	337.1	356.4	343.9	340.5	339.2
Deferred O&M	34.7	34.5	36.3	37.1	39.2
<b>Total Capital Expenditures</b>	<b>371.8</b>	<b>390.9</b>	<b>380.1</b>	<b>377.7</b>	<b>378.4</b>

The next table summarizes capital requirements and funding sources. Capital contributions include third-party funding for capital expenses such as service connections and reimbursements for certain transportation projects. They are included in the forecast as a credit to total capital requirements. Capital funding from operations reflects cash drawdowns and may represent net operating proceeds from the current or previous year(s). Bond issuances totaling about \$1.0 billion to support 2022-2026 capital requirements will bring total outstanding debt to almost \$3.0 billion by 2026.

Per financial policy, the six-year CIP should be funded with at least 40% operating cash. Cash funding over the five year period is projecting to be around 43%, with years 2022-2024 coming in slightly under the 40% target and years 2025-2026 exceeding the target, primarily from increasing the targeted debt service coverage.

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<sup>5</sup> Taxes paid to the City of Seattle are considered junior lien to debt service. They are not included in the taxes category when calculating the revenue requirement.

**CAPITAL REQUIREMENTS AND FUNDING**

<b>\$, Millions</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Capital Requirements, net					
CIP	337.1	356.4	343.9	340.5	339.2
Programmatic Conservation	29.6	29.9	30.2	30.5	30.8
Other Deferred O&M	5.1	4.7	6.1	6.7	8.4
Capital Contributions	(43.9)	(41.1)	(40.3)	(41.0)	(44.7)
<b>Total</b>	<b>327.9</b>	<b>349.7</b>	<b>339.9</b>	<b>336.7</b>	<b>333.7</b>
Capital Funding					
Operations	128.2	133.1	133.1	155.8	170.8
Bond Proceeds	199.8	216.7	206.7	180.9	163.0
<b>Total</b>	<b>327.9</b>	<b>349.7</b>	<b>339.9</b>	<b>336.7</b>	<b>333.7</b>
<b>Total Debt Outstanding</b>	<b>2,702</b>	<b>2,791</b>	<b>2,876</b>	<b>2,936</b>	<b>2,996</b>

Capital requirements determine the size of future bond sales and resulting debt service. The bond size shown below is slightly higher than bond proceeds shown above to account for issue costs and required deposits into the bond reserve fund. Debt service assumptions for bonds issued in 2022 and later assume a 30-year term at a 5.0% interest rate. The existing debt service schedule has sizable decreases in 2025 and 2026 that provide City Light leadership with an opportunity to increase the debt service coverage target in 2025 and 2026 while mitigating the rate impacts to customers.

**BOND SALES AND DEBT SERVICE, \$MILLIONS**

	<b>Bond Size</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Existing <sup>1</sup>		223.0	219.5	217.2	200.9	191.4
2021 (Aug) <sup>2</sup>	200	11.5	11.5	11.5	11.5	11.5
2022 (Aug) <sup>3</sup>	206		13.4	13.4	13.4	13.4
2023 (Aug) <sup>3</sup>	223			14.5	14.5	14.5
2024 (Aug) <sup>3</sup>	213				13.8	13.9
2025 (Aug) <sup>3</sup>	187					12.1
2026 (Aug) <sup>2</sup>	169					
<b>Total</b>		<b>234.5</b>	<b>244.4</b>	<b>256.6</b>	<b>254.1</b>	<b>256.8</b>
<b>Debt Service Coverage (1.8x)</b>		<b>422.0</b>	<b>439.9</b>	<b>461.8</b>	<b>457.5</b>	<b>462.3</b>
<sup>1</sup> As of December 2020, <sup>2</sup> Fixed Rate Issue (30 year / 4.0%), <sup>3</sup> Fixed Rate Issue (30 year / 5.0%)						

## OPERATING AND MAINTENANCE (O&M)

Operating and maintenance expenses (O&M) are the costs associated with day-to-day operations. O&M is a large and diverse category of costs that includes functions such as power production; distribution and transmission system operation and maintenance; customer services such as billing and meter reading; and administrative support. This forecast defines O&M as excluding purchased power, wheeling and taxes, which are included in separate categories.

The basis for the 2022-2026 O&M forecast is the 2022 Endorsed O&M budget,<sup>6</sup> which is then inflated by expense type. The 2022 O&M budget restores the \$30 million of one-time reductions taken in 2021. The average annual inflation rate applied to O&M is around 3.0% and represents the increased cost of providing the same level of services as in 2022. The table below lists the inflation assumption for each O&M cost category.

### BUDGET O&M INFLATION BY CATEGORY

\$, millions	2022	2023	2024	2025	2026
Labor <sup>3</sup>	148.6	153.9	158.9	164.1	169.5
Labor Benefits <sup>2</sup>	67.3	69.3	71.3	73.2	75.3
Non-Labor <sup>1</sup>	86.3	88.5	90.6	92.6	94.7
Transfers to City <sup>3</sup>	70.6	73.1	75.5	78.0	80.6
Operating Supplies <sup>1,5</sup>	11.9	12.2	12.5	12.8	13.1
Overhead Credits <sup>3,6</sup>	(47.5)	(49.2)	(50.8)	(52.5)	(54.2)
<b>Total Inflated Budget</b>	<b>337.2</b>	<b>347.8</b>	<b>358.0</b>	<b>368.2</b>	<b>378.9</b>
<sup>1</sup> CPI Growth <sup>4</sup>		2.5%	2.3%	2.2%	2.3%
<sup>2</sup> CPI Growth + 0.5%		3.0%	2.8%	2.7%	2.8%
<sup>3</sup> CPI Growth + 1.0%		3.5%	3.3%	3.2%	3.3%
Avg Growth All O&M		3.1%	2.9%	2.9%	2.9%
<sup>4</sup> City of Seattle Budget Office January 2021 CPI-W Forecast for King and Snohomish Counties					
<sup>5</sup> Includes IT equipment and software; fuel costs; and inventory material for distribution and generation systems.					
<sup>6</sup> Overhead expenses associated with the Capital Improvement Program (CIP) are removed from the O&M budget and included as capital expenditures.					

There are numerous adjustments made to the 2022 O&M budget to make it consistent with financial reporting and policies. The following table details these changes. It shows the relationship between the inflated O&M budget and the O&M forecast.

<sup>6</sup> In 2020 Seattle City Council only adopted a 2021 budget and did not endorse a 2022 budget as they typically do with a biannual budget. This 2022 O&M budget reflects the budget that was submitted to and endorsed in 2020 by the City's Budget Office.

## O&amp;M ADJUSTMENTS DETAIL

<b>\$, millions</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Inflated 2022 Budget	337.2	347.8	358.0	368.2	378.9
<i>adjustments</i>					
REC Expense <sup>1</sup>	12.2	12.2	13.5	13.6	13.6
Intertie Expense <sup>1</sup>	1.1	1.1	1.1	1.2	1.2
PNCA Payment <sup>1</sup>	1.9	1.9	1.9	1.9	1.9
Solar Tax Credit <sup>2</sup>	1.6	1.6	1.6	1.6	0.8
Engineering OH (excl from budget)	(5.0)	(5.1)	(5.1)	(5.2)	(5.2)
Under Expenditure <sup>3</sup>	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
<b>Total O&amp;M</b>	<b>339.0</b>	<b>349.6</b>	<b>361.0</b>	<b>371.2</b>	<b>381.1</b>
2022 O&M Baseline	339.0	339.0	339.0	339.0	339.0
Inflation and REC growth	-	10.6	22.0	32.2	42.1
<b>Total O&amp;M</b>	<b>339.0</b>	<b>349.6</b>	<b>361.0</b>	<b>371.2</b>	<b>381.1</b>
<sup>1</sup> Items that are budgeted as purchased power budget but recognized as O&M in financial statements -Renewable Energy Credits (RECs) required to meet regulatory requirements, 2022 reflects the purchase of Stateline RECs under a new, REC-only contract. -Maintenance costs associated with ownership of the 3 <sup>rd</sup> AC intertie. -Payments for the Pacific Northwest Coordination Agreement (PNCA) related to the compensation for the benefits of upstream storage at the Boundary project.					
<sup>2</sup> Passthrough of the production tax credit, offset as a credit to state taxes					
<sup>3</sup> Remove \$10 million per year to reflect an assumption of budget under-expenditure.					

**POWER COSTS, NET**

This category includes all costs and revenue associated with the purchase and sale of electricity, wheeling (purchased transmission) and associated ancillary power management services.

City Light's power portfolio is a relative constant. Except for expiration of the Stateline contract in 2022 and the Grand Coulee contracts in 2024 through 2026, no major contract changes and no new resources are currently expected in this plan. However, City Light's power portfolio is a dynamic process, and new resource acquisitions could be pursued before 2026 based on many factors including power market outlooks, reliability studies and customer programs. Below is a table outlining long-term power and wheeling costs.

## LONG-TERM POWER AND WHEELING CONTRACTS

\$, Millions	2022	2023	2024	2025	2026
BPA Power <sup>1</sup>	160.4	163.5	164.5	167.6	169.2
Priest Rapids <sup>2</sup>	1.5	1.4	1.3	1.2	1.1
Grand Coulee <sup>3</sup>	7.6	7.8	7.5	1.7	1.5
Lucky Peak <sup>4</sup>	9.1	9.3	9.5	9.8	10.0
Stateline <sup>5</sup>	1.7	0.0	0.0	0.0	0.0
Columbia Ridge <sup>6</sup>	6.4	6.5	6.7	6.8	6.9
King County West Point <sup>6</sup>	2.4	2.4	2.5	2.6	2.6
High Ross <sup>7</sup>	0.4	0.4	0.4	0.4	0.5
BPA Wheeling <sup>8</sup>	44.0	45.2	48.7	50.0	53.8
Other Wheeling <sup>9</sup>	1.0	1.0	1.0	1.0	1.0
<b>Total LT Power &amp; Wheeling</b>	<b>234.5</b>	<b>237.7</b>	<b>242.3</b>	<b>241.2</b>	<b>246.7</b>

<sup>1</sup>Assumes BPA bills remain at same level in 2022 as in 2021 and increase 1.3% per year on average during 2023-2026. BPA rates updated October 1st of odd-numbered years.

<sup>2</sup>Priest Rapids costs are expected to decline because City Light's share of the project will shrink as Grant County PUD's load grows.

<sup>3</sup>Reflects City Light's apportioned allotment of production O&M costs, growing with inflation. Some contracts start expiring in 2024 and all will expire by 2026.

<sup>4</sup>Reflects production O&M cost growing with inflation.

<sup>5</sup>The Stateline contract expires at the end of 2021 with the last payment in 2022. City Light has already contracted to receive RECs from the Stateline Project starting in 2022 (which are included in O&M) but will not continue to purchase the power.

<sup>6</sup>Cost inflates per contract terms.

<sup>7</sup>Expenses for the High Ross contract reflect a small level of O&M costs. City Light stopped making capital payments in 2020.

<sup>8</sup>Assumes BPA costs stay at current levels and increase 5% per year on average during 2023-2026.

<sup>9</sup>Forecast assumes Lucky Peak transmission costs are transferred to a third party as part of a renewed exchange agreement through 2026.

City Light's largest contract is with the Bonneville Power Administration (BPA). For planning purposes, the 2022 BPA costs are assumed to continue at 2021 levels. After BPA announces its final rates for fiscal years 2022-2023, any differences between 2022 actual costs and the costs based on the 2022 assumptions below will be passed-through or credited to City Light customers via the BPA pass-through mechanism (SMC 21.49.081). A credit to City Light retail rates is currently anticipated based on BPA's preliminary rate proposal and City Light's declining purchase volume due to its lower retail load. BPA power and wheeling bills are assumed to increase around 2.2% per year during 2023-2026, with the rate changes effective in October of odd years.



**BPA DETAIL**

<b>\$ Millions</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Wheeling	44.0	45.2	48.7	50.0	53.8
Block	204.4	208.7	213.2	217.6	223.0
<b>Total BPA Costs</b>	<b>160.4</b>	<b>163.5</b>	<b>164.5</b>	<b>167.6</b>	<b>169.2</b>
Annual Change		2.1%	2.2%	2.1%	2.5%

Power revenues are comprised of Net Wholesale Revenue, other miscellaneous power revenues, and long-term power sale obligations. The following table details these assumptions.

**POWER REVENUES, NET DETAIL**

<b>Power Revenue, Net (\$ in millions)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Net Wholesale Revenue <sup>1</sup>	40.0	40.0	40.0	40.0	40.0
Power Contracts					
Article 49 to PO County	2.7	2.8	2.8	2.9	2.9
Priest Rapids	1.6	1.6	1.5	1.4	1.1
BPA Credit for South Fork Tolt	2.9	2.9	2.8	2.8	2.7
BPA Residential Exchange Credit	-	-	-	-	-
Power Marketing Net <sup>2</sup>	7.8	7.8	7.8	7.8	7.8
Transmission Sales <sup>3</sup>	2.0	2.0	2.0	2.0	2.0
Total Power Related Revenues, net	17.1	17.1	17.0	16.8	16.5
<b>Total Power Revenue, Net</b>	<b>57.1</b>	<b>57.1</b>	<b>57.0</b>	<b>56.8</b>	<b>56.5</b>

<sup>1</sup> Net Wholesale Revenue (NWR) is the revenue from selling surplus energy on the wholesale market, net of purchases for load balancing. The NWR value is a round number set by policy and influenced by the current outlook of NWR based on expected prices and normal hydro conditions. Any differences between actual and planned NWR are buffered through the Rate Stabilization Account.

<sup>2</sup>Power marketing revenues (net of purchases) are earned from sales of ancillary services associated with generation and transmission assets, such as reserve capacity sales. Assumes Lucky Peak exchange premiums of \$2M per year through 2026.

<sup>3</sup>Assumes \$1M of revenue from the resale of BPA point-to-point transmission and \$1M from the resale of 3<sup>rd</sup> AC transmission capacity.

## OTHER COSTS AND MISCELLANEOUS REVENUES

This "other" category is made up of costs and revenues such as taxes, interest income and fees for retail services.

### OTHER COSTS (TAXES, PAYMENTS AND UNCOLLECTIBLES) DETAIL

\$, Millions	2022	2023	2024	2025	2026
State Taxes <sup>1</sup>	41.3	42.6	44.1	45.2	47.3
Franchise Payments and Other Taxes <sup>2</sup>	7.5	7.8	8.1	8.3	8.5
Uncollectible Revenues <sup>3</sup>	7.2	7.5	7.7	7.9	8.1
<b>Total Other Costs</b>	<b>56.1</b>	<b>57.9</b>	<b>59.9</b>	<b>61.4</b>	<b>64.0</b>

<sup>1</sup> State taxes are 3.8734% of retail revenues, plus some other revenues and contributions. Not included are City taxes, which are 6% of total taxable revenues but do not directly impact the revenue requirement because they are junior to debt service. They are treated as a "below the line" expenditure and are deducted from the additional 0.8x debt service coverage, reducing the amount of current year operating proceeds going to capital requirements.

<sup>2</sup> Payments associated with franchise contracts with the cities of Burien, Lake Forest Park, SeaTac, Shoreline, and Tukwila. Franchise payments range from 4% to 6% of total retail revenue in each franchise territory. City Light also pays Lake Forest Park a 2% public utility tax that is passed through to customers in that jurisdiction as an addition to their rates. Other taxes are miscellaneous taxes (e.g., B&O tax) to other jurisdictions where the utility has operations.

<sup>3</sup> Uncollectible revenue is assumed to be 0.75% of retail revenues.

### MISCELLANEOUS REVENUE SOURCES DETAIL

\$, Millions	2022	2023	2024	2025	2026
Non-Base Rate Retail Revenue <sup>1</sup>	5.0	5.2	5.3	5.5	5.6
Other Revenue <sup>2</sup>	23.6	24.3	25.0	27.3	28.0
Suburban Undergrounding <sup>3</sup>	4.1	4.1	4.1	4.1	4.1
Property Sales <sup>4</sup>	1.2	1.2	1.3	1.3	1.3
Interest Income <sup>5</sup>	6.8	6.8	6.9	6.9	7.0
Operating Fees & Grants	0.4	0.0	0.0	0.0	0.0
Net RSA Transfers <sup>6</sup>	(1.8)	(1.8)	(1.8)	(1.9)	(1.9)
<b>Total Other Revenue Sources</b>	<b>39.4</b>	<b>39.8</b>	<b>40.8</b>	<b>43.2</b>	<b>44.2</b>

<sup>1</sup> Non-base rate retail revenue includes revenues from retail customers for services or programs that are not dictated by the revenue requirement. Examples include elective green power programs, distribution capacity charges and power factor charges.

<sup>2</sup> Other revenue includes a broad range of income sources, such as late payment fees, payments for damages to property, transmission tower attachments, distribution pole attachments and account change fees.

<sup>3</sup> Suburban undergrounding revenues are collected from customers in certain suburban cities for the repayment of discretionary municipal undergrounding of parts of their distribution system.

<sup>4</sup> Property sales based on historical averages. No large sales are assumed in this forecast.

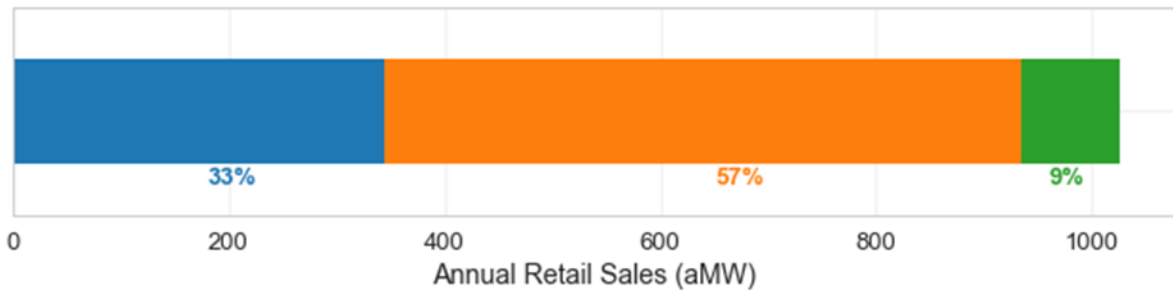
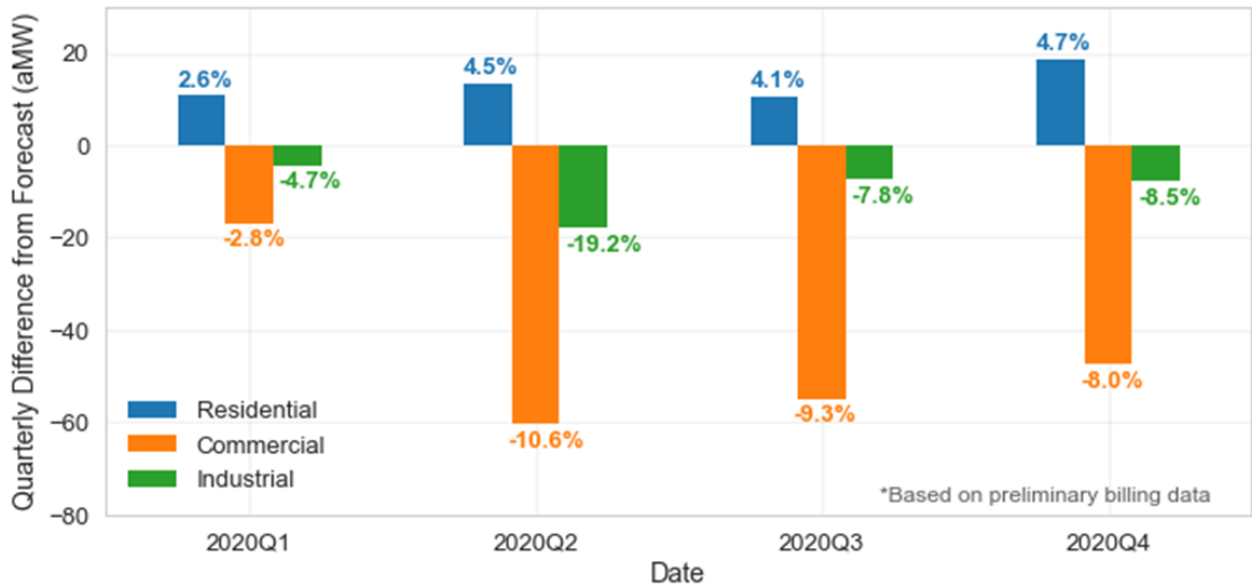
<sup>5</sup> Interest income assumes City Cash Pool cash holdings accrue interest at an annual rate of 1.5%.

<sup>6</sup> RSA transfers are the deposit into the RSA net of any RSA surcharge revenue. They primarily reflect interest earned by the RSA.

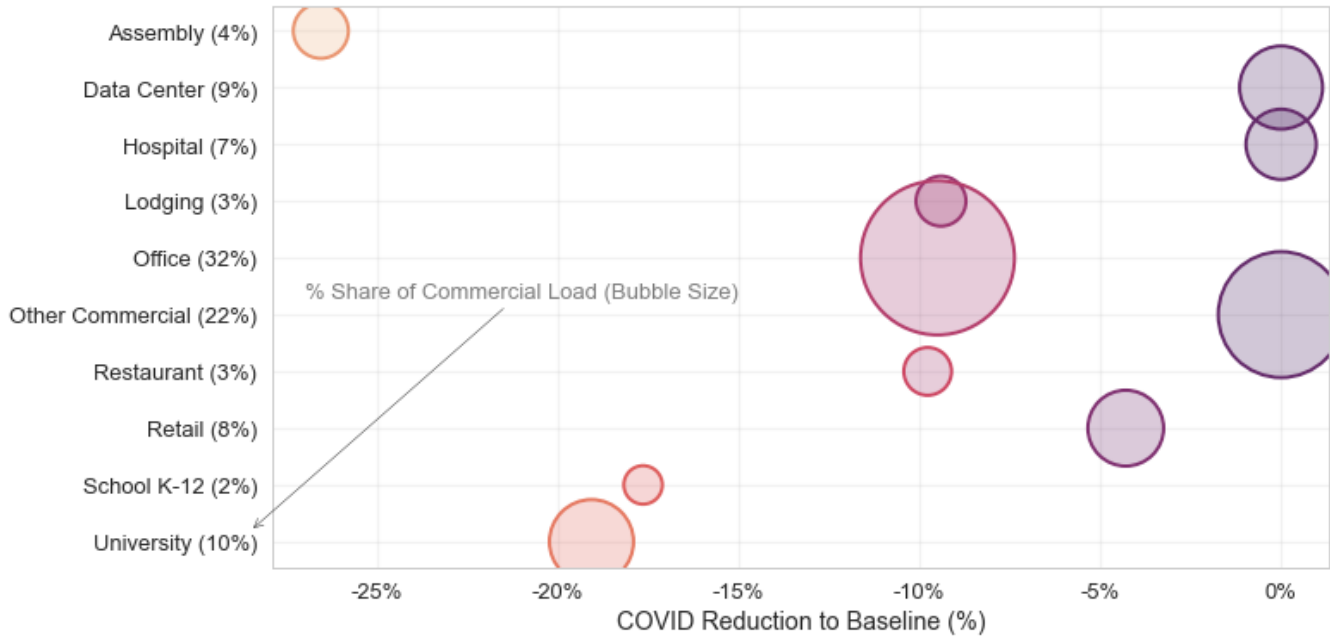
**RETAIL SALES**

The forecast of retail sales is based on City Light’s 2020 official load forecast, which assumes a gradual recovery from the COVID-driven load reduction in 2020. Non-residential retail sales were significantly reduced in 2020 due to the pandemic-related recession and public health measures. This was partially offset by increased residential sales due to customers spending more time in their homes. Places where large amounts of people gather (concert venues, theaters, places of worship, etc..) had the most reduction while segments like hospitals and data centers had minimal change. Office space, which makes up approximately one third of commercial load was reduced by roughly 10%.

**COVID Impacts on Retail Sales**



### COVID Impacts by Commercial Segment



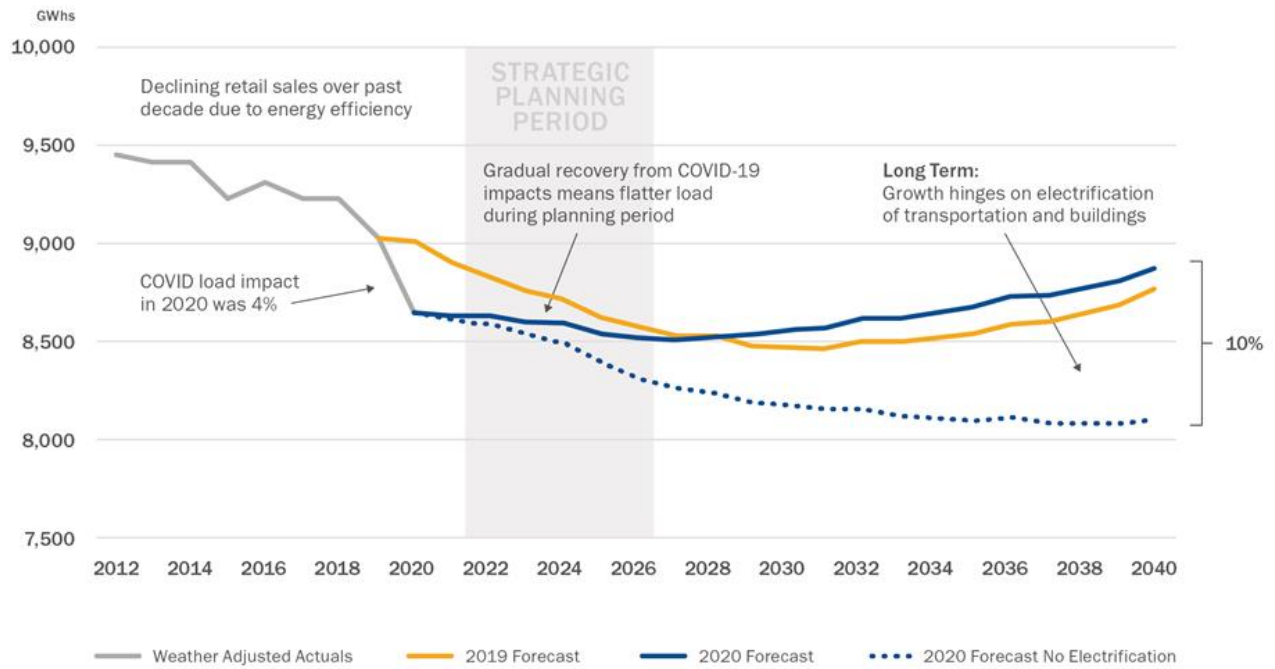
The current forecast projects most of this lost load will gradually return over the next few years. Energy efficiency investments by both the Utility and customers are expected to continue to reduce sales. However, gradually bringing back most of the lost load during the pandemic will offset some of the impacts of energy efficiency, resulting in a flatter load outlook compared to previous forecasts. The current forecast projects retail sales to decline 0.3% per year on average.

### RETAIL SALES FORECAST

	2022	2023	2024	2025	2026
GWh					
Residential	3,008	2,973	2,956	2,933	2,928
Small and Medium	3,363	3,372	3,380	3,361	3,350
Large and High Demand	2,262	2,262	2,264	2,249	2,241
Total	8,633	8,607	8,600	8,542	8,520
Annual change					
Residential	-1.4%	-1.2%	-0.6%	-0.8%	-0.1%
Small and Medium	0.6%	0.3%	0.2%	-0.6%	-0.3%
Large and High Demand	0.9%	0.0%	0.1%	-0.7%	-0.4%
Total	-0.1%	-0.3%	-0.1%	-0.7%	-0.3%

In the long-run electrification of transportation and buildings is expected to gradually add retail sales, leading to modest growth in the second half of the 20-year forecast. However, the rate at which customers convert to electricity for their energy needs is very uncertain and City Light will continue to research this topic closely.

### Long-Term Retail Sales Forecast

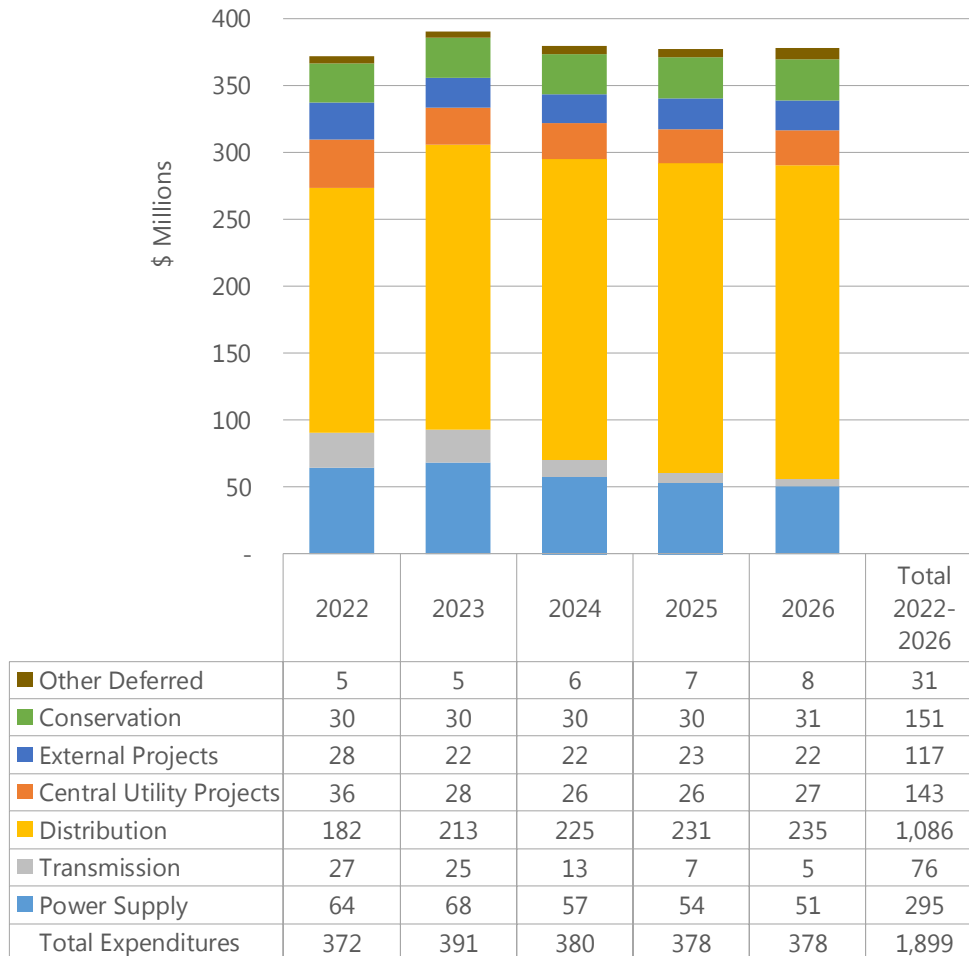


**APPENDIX A: CAPITAL REQUIREMENTS DETAIL**

**CIP**

The following bar chart is a graphical depiction of the forecasted capital expenditures from the 2021-2026 adopted CIP. The forecasted capital requirements are anticipated to be lower than recent history. The capital requirements between 2016-2020 averaged \$410 million annually, which includes 2020 with lower than usual capital expenditures due to the impacts of COVID.

**CAPITAL REQUIREMENTS FORECAST: BASED ON 2021-2026 ADOPTED CIP**



Key infrastructure projects planned during 2022-2026 include the following:

- The underground and overhead equipment replacements, which include replacing older distribution equipment that is nearing the end of its useful life, is overloaded or no longer has available parts.
- The overhead equipment replacement project also includes the accelerated wood pole replacement program.

- Other key projects include the overhead and underground electric power service connections for Medium General Service and various protection, mitigation and enhancement activities that will fulfill the requirements for the 2013 FERC license and settlement agreement at Boundary.

**MAJOR CIP PROJECTS 2022-2026 SPENDING, \$MILLIONS**

*Included in 2021-2026 Adopted CIP Budget*

8353: Underground Equipment Replacements	209.2
8351: Overhead Equipment Replacements	199.2
8366: Medium Overhead and Underground Services	93.7
6987: Boundary - Licensing Mitigation	83.2
9969: Software Replacement Strategy (Distribution)	57.6
7125: Denny Substation Transmission Lines	55.2
8363: Network Additions and Services: Broad Street Substation	53.2
9239: Transportation Electrification	51.8
8404: Denny Substation - Network	50.7



# 2022-2026 Strategic Plan Outreach Summary

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## **Executive Summary**

In accordance with Resolution 31463, adopted in September 2013, Seattle City Light engaged with customers and stakeholders to offer opportunities for these groups to provide input on the 2022-2026 Strategic Plan. Outreach efforts for the Strategic Plan began in early 2020, when the intent was to publish a six-year plan in line with the normal cadence of City Light's strategic planning process. However, when the COVID-19 pandemic arrived in our region in March 2020, progress on the next strategic plan was halted in order to attend to the more pressing needs of our community, staff, and business.

When the planning process resumed in early 2021, outreach for the new plan resumed as well. In March and April 2021, City Light presented our 2022-2026 Strategic Plan to community groups and hosted a Virtual Town Hall open to the general public. We created a 2022-2026 Strategic Plan Executive Summary document and made the summary and presentation slides available online for those who were unable to attend one of the outreach sessions.

Top priorities that City Light heard in our outreach conversations included:

- Affordability and predictability of rates
- Mixed feelings around electrification
- Customer involvement in utility decision making
- Positive reactions to debt strategy

Some of the business strategies and programs identified in the 2022-2026 Strategic Plan will be multi-year efforts. We anticipate using the feedback we received to inform planning and implementation for 2022 and beyond. City Light plans to continue the conversations with stakeholder groups. The outreach efforts we initiated for the 2022-2026 Strategic Plan will lead to more ongoing, mutually beneficial relationships with community-based organizations and stakeholder groups going forward.



## **Outreach Methods**

### *Stakeholder Meetings*

City Light contacted 16 stakeholder groups offering them an opportunity to hear information about the 2022-2026 Strategic Plan. City Light presented our high-level business strategies for the plan and asked attendees to provide input. Of the groups contacted, 11 expressed interest in engaging in the process. Stakeholder meetings were arranged for City Light leadership to present an overview of the Business Strategies and answer questions from the group. Over 150 individuals participated in these stakeholder meetings, bringing a variety of perspectives on the strategies laid out in the plan. Following the meetings, stakeholders were encouraged to send any feedback to [SCL\\_StrategicPlan@seattle.gov](mailto:SCL_StrategicPlan@seattle.gov).

### *Virtual Town Hall*

To encourage participation from community members who may not have been able to attend a stakeholder meeting, we offered a Virtual Town Hall open to the public. The town hall was held on April 15, 2021, from 6:00-7:30pm, on Webex. City Light General Manager and CEO, Debra Smith, presented information on the 2022-2026 Strategic Plan and answered questions from the audience. Community members were encouraged to send any additional questions and feedback to [SCL\\_StrategicPlan@seattle.gov](mailto:SCL_StrategicPlan@seattle.gov).

### *Online Materials*

City Light shared information about the Strategic Plan on our website. The 2022-2026 Strategic Plan Executive Summary was posted on our website and on our Powerlines blog. The stakeholder presentation was posted on the website. The executive summary and a sample stakeholder presentation are included at the end of the outreach summary for your reference.

### *Employee Outreach*

In addition to the public outreach, City Light leadership presented information about the 2022-2026 Strategic Plan to City Light managers and supervisors and to the City Light Race & Social Justice Initiative (RSJI) Change Team. Employees were invited to attend the virtual town hall on April 15. A Strategic Plan update was shared with employees in the Network Newsletter and on the SCL Hub (City Light's internal employee website).

### *Customer Experience Outreach*

Since the previous Strategic Plan was adopted, City Light has engaged with customers about the Utility Discount Program and the new Utility Services Website. For these efforts, City Light worked with customers to understand the barriers they face when interacting with the utility, and we have begun implementing changes to eliminate these barriers.

## Stakeholder Meetings and Virtual Town Hall

### Summary of Meetings

Date	Stakeholder Group	Key Questions/Comments	Number of Attendees
3/18/2021	City Light Environmental Advisory Board	<ul style="list-style-type: none"> <li>• City Light should work to be more agile and roll out new programs more quickly</li> <li>• Questions about rate design</li> </ul>	12
3/30/2021	Environmental Justice Committee members, Office of Sustainability and Environment staff	<ul style="list-style-type: none"> <li>• We need to think about affordability beyond just “energy burden”</li> <li>• Need more support for those who don’t qualify for “low income” programs but who still need assistance</li> <li>• City Light needs to connect with work already being done at the community level</li> <li>• Need more support for assistance program applications</li> <li>• Align with other City departments to better serve the community</li> <li>• Need meaningful mitigations for impacts on environmental justice communities</li> </ul>	6
4/5/2021	Seattle Renters’ Commission	<ul style="list-style-type: none"> <li>• Would like City Light to consider a warning period before rates increase</li> <li>• Provide more information around rate structure</li> <li>• Consider changing our schedule so that rate increases in January aren’t occurring during the middle of “peak energy use season”</li> <li>• Make sure our projects to benefit the community don’t just benefit wealthy residents</li> </ul>	9
4/6/2021	Franchise Cities	<ul style="list-style-type: none"> <li>• Interest in electrification of infrastructure—EV charging stations, facilities, proactively planning for future needs</li> <li>• Better coordination on multigovernmental projects and CIP projects</li> <li>• Support infrastructure improvements that will improve power quality and future development in their city</li> </ul>	7
4/8/2021	NW Energy Coalition	<ul style="list-style-type: none"> <li>• Interested in how advanced meters can improve the customer experience</li> <li>• How do we encourage energy efficiency and manage loads at the same time?</li> <li>• As we move to more time-of-day (TOD) pricing, how does that affect those who cannot shift their usage?</li> <li>• Very supportive of electrification; NWEK would like to see City Light be a leader in this area</li> </ul>	19

Date	Stakeholder Group	Key Questions/Comments	Number of Attendees
4/12/2021	Seattle 2030 District, Business Owners and Management Association (BOMA)	<ul style="list-style-type: none"> <li>• Interest in speeding up the implementation of new energy efficiency incentives for businesses and being involved in development/decision making process</li> <li>• Electrification is not necessarily a positive word for BOMA due to the challenges of modifying existing buildings</li> <li>• Concerns about electrification happening too fast without enough homework being done</li> <li>• Want to see commercial real estate represented more in our outreach efforts</li> <li>• Glad to hear about efforts to control debt and ensure financial health</li> </ul>	5
4/15/2021	Staff from Multi-Service Center and Hopelink	<ul style="list-style-type: none"> <li>• Want information in the plan around resuming shutoffs for non-payment; want to be kept in the loop so they can be prepared to serve customers</li> <li>• Would like greater freedom of information around customer data so they can better reach all eligible customers for assistance programs</li> <li>• Looking forward to ongoing opportunities to partner with City Light</li> </ul>	27
4/15/2021	Virtual Town Hall (open to the public)	<ul style="list-style-type: none"> <li>• Questions around re-training workforce to work on electrification in the coming years so that current employees aren't left behind</li> <li>• How do we ensure that we are building a diverse workforce? What does success in this area look like?</li> <li>• Interest in ensuring those who have been traditionally underserved are part of our future plans</li> <li>• Interest in incentives around building electrification, advocating for building electrification</li> </ul>	16
4/29/2021	Key Customers	<ul style="list-style-type: none"> <li>• High level of interest in incentives to electrify existing buildings</li> <li>• Questions and concerns about grid stability and ability to handle the increased load resulting from electrification</li> <li>• Want increased access to their energy use data</li> <li>• Asked about opportunities to partner with City Light on mutually beneficial projects</li> <li>• Support infrastructure improvements that will improve power quality</li> </ul>	65
<b>Total Attendees</b>			<b>166</b>

## *Key Findings*

### **Affordability and Predictability of Rates**

Customer bills remain a high priority across all stakeholder groups. Stakeholders expressed interest in understanding how their rates are currently structured, how rates might be structured in the future, and how City Light can ease transitions to higher or different rates. Customers would like to see a clear explanation when rates are going to change, and they ideally would like rates to increase at a time of year when energy use is not at its peak. Customers also had questions about how advanced meters will impact rates and improve the customer experience.

Residential customers emphasized the need to reimagine some of our bill assistance programs to help those who currently “fall through the cracks” of existing programs. Feedback included encouraging City Light to look at energy burden more holistically and reimagine what assistance programs can look like to benefit the most people who need help.

### **Mixed Feelings Around Electrification**

Stakeholders from environmentally focused groups applauded City Light’s plans for increased electrification and urged the utility to be a leader in bringing the region along with us.

However, for others, there were concerns. Business owners are apprehensive about the high costs associated with retrofitting existing buildings to conform with new electrification standards and pushed for more incentives for converting to electric. Some business representatives noted that they would support a modest rate increase to fund more commercial incentives. These customers also had questions about how City Light’s electrical grid will be able to handle the increased load that will come with more electrification. Commercial customers are eager to see City Light continue to make improvements to our infrastructure so that their power supply is more reliable and consistent.

Environmental justice community members want to ensure that electrification does not come at the expense of their communities through unintended impacts. These representatives would like to see pathways to green jobs and opportunities for Black, Indigenous, and People of Color (BIPOC) community members not only to start jobs at City Light, but to advance through the utility.

### **Customer Involvement in Utility Decision Making**

Commercial and residential customers alike would like to be included in decision making at City Light earlier in the process, when their input can shape the outcomes. One idea for improving customer service in this area is to align our customer-facing programs with other

City departments to maximize accessibility and minimize confusion in the community. If given a seat at the table, customers can advise on environmental justice work already underway at the community level. This would allow City Light (and other City departments) to focus on finding ways to lift up and support existing grassroots programs.

Business customers shared a strong desire for City Light to be quicker to roll out new incentives for energy efficiency projects. These customers would also like to have a greater voice in determining what the incentives will be. They noted that sometimes the bureaucracy involved in City Light processes prevents customers from getting the help they need in a timely manner. Business customers would like more opportunities to partner with City Light to develop mutually beneficial solutions.

### **Positive Reaction to Debt Strategy**

Overall, stakeholders were pleased and relieved to hear about City Light's plan to control debt and right-size the capital improvement program. They appreciate that City Light leadership understands the need to control costs. This strategy is reflected in the lower five-year rate trajectory included in the plan.

## **Customer Experience Outreach**

### *Background*

A core commitment for both the 2019-2024 and 2022-2026 Strategic Plans is improving the customer experience. This cannot be done without working directly with our customers to understand the challenges they face when interacting with City Light. Efforts to modernize and improve the customer journey by making the Utility Discount Program more accessible and launching the new Utility Services Website are highlighted here.

### *Utility Discount Program Updates*

Until early 2020, applying to the City's Utility Discount Program (UDP) required submitting verification of income and waiting 4-6 weeks for approval. This need for income verification was a barrier to many who would benefit from accessing the heavily discounted utility rates. A pilot program was launched in March 2020, as an emergency response measure, in which customers could self-certify if they were eligible to enroll in the program.

When the COVID-19 pandemic arrived in Seattle, Mayor Durkan mandated the UDP self-certification option be made available online for all residential customers in City Light's service territory. In 2020, the UDP self-certification process received over 13,800 unique applications (approved applications during this time totaled more than 11,000). During 2020, UDP saw a net increase in enrollment of 8,558 households, from 34,028 in 2019 to 42,586 in 2020. The difference between the approved applications and the net enrollments reflects the ongoing trend of UDP-eligible households withdrawing from the program even as new households join. The terminations are primarily due to customers moving out of City Light's service area.

City Light continues to work to provide customers with more options. In 2021, City Light, along with Seattle Public Utilities (SPU), Human Services Department, and Seattle IT, will be launching a new Utility Assistance Programs online application process. This online application will provide access to City Light and SPU emergency assistance programs for residential customers. The online, automated system is intended to provide a single, streamlined process for all customer assistance programs. This is one way we can continue to improve the customer experience.

### *New Utility Services Website*

Another area where City Light worked closely with our customers was in the development of our new Utility Services Website (in collaboration with SPU). The new Utility Services Website gives customers access to new payment options, options to start and stop service, views of their energy usage, and the ability to manage their utility accounts.

These features are only useful if they are simple and easy to use. To ensure usability, 22 tests were completed. Using a prototype that emulated the real site, customers walked through several scenarios to ensure they were able to complete tasks intuitively. These scenarios included activities such as changing service type or looking up rate information. Additional accessibility testing, including colorblind functionality and mobile compatibility, was also conducted.

### **Conclusion and Next Steps**

Our outreach efforts have informed the development of the 2022-2026 Strategic Plan. Over the next five years, we will continue the conversations that we have started with community-based organizations, stakeholder groups, and customers. Some of the business strategies and programs identified in the 2022-2026 Strategic Plan will be multi-year efforts. We anticipate using the feedback we received from our outreach efforts to inform planning and implementation for 2022 and beyond.





# Seattle City Light

## EXECUTIVE SUMMARY 2022–2026 STRATEGIC PLAN

Over 900,000 people in the Seattle area rely on Seattle City Light every day to keep their homes running, businesses operating, and communities vibrant. It is our duty—and our greatest source of pride—to provide our customers power that is affordable, reliable, safe, and environmentally responsible.

Like many things in 2020, our Strategic Planning process was halted abruptly when the COVID-19 pandemic struck our region. At that time, we recognized the need to pause this long-term planning effort and focus on the immediate safety and wellbeing of our community, customers and employees.

Now, with a hopeful eye to the future, we have returned to our Strategic Plan with the new perspective that the challenges of the past year have given us. The 2022–2026 Strategic Plan

highlights our ongoing commitment to providing essential energy services and outlines our pathways to building a shared energy future with the communities we serve.

The new City Light Strategic Plan is a five-year plan that focuses on building stronger relationships with our customers, improving core service areas, and preparing our utility and our region for large-scale, long-term changes to the energy industry.

Key activities such as grid modernization, technology upgrades, partnerships with customers, and business process improvements will put us in the best possible position to help the Seattle area recover from the pandemic and build a more equitable, sustainable future for all of us.



## BUSINESS STRATEGIES:



### Improve the Customer Experience

We will meet the needs of our customers by empowering our employees to deliver targeted solutions in a consistently responsive way. Using information gathered from our customers, we will develop programs and services to meet their individual needs and redesign old processes to strengthen and improve core service delivery. We will empower our employees to fulfill our “Customers First” commitment.



### Create our Energy Future

To prepare for the future, we will build and maintain smart, resilient, flexible, dynamic, and reliable grid infrastructure that will support long-term decarbonization and electrification efforts. We will prepare for greater integration of distributed energy resources and increased customer options. We will work to reverse historical inequities and avoid unintended harm to historically underrepresented populations by intentionally prioritizing their needs as we create our energy future.



### Develop Workforce and Organizational Agility

As we prepare for major transformations in our industry and the environment in which we operate, we will foster an organization that is nimble, adaptable, and responsive. We will cultivate an agile, accountable, and inclusive workforce that reflects the diversity of our community to meet our organization’s emerging needs. We will implement a robust, cross-functional business process framework in consistent, scalable, and data-driven ways.



### Ensure Future Financial Stewardship and Affordability

We will support long-term affordability in Seattle by offering rates that are transparent, understandable, reasonable, equitable and consistent for all customers, including vulnerable populations. This commitment includes developing a sustainable and predictable approach to setting rates over time, one that continues to encourage efficient use of the products and services we provide. We will reform our capital prioritization process to deliver a capital plan that is prudent, efficient, and community focused.



### We Power Seattle

City Light will continue to advance our mission of providing our customers with affordable, reliable, and environmentally responsible energy services. We will prioritize diversity, equity, and inclusion in all that we do and we will actively manage and mitigate the constraints, risks, and uncertainty of operating in a COVID-adjusted environment.

### Connect with Us

To learn more about the 2022-2026 Strategic Plan, visit [seattle.gov/city-light/about-us/strategic-plan-and-review-panel](https://seattle.gov/city-light/about-us/strategic-plan-and-review-panel). Feedback and comments can be sent to [SCL\\_StrategicPlan@seattle.gov](mailto:SCL_StrategicPlan@seattle.gov).



# City Light 2022–2026 Strategic Plan

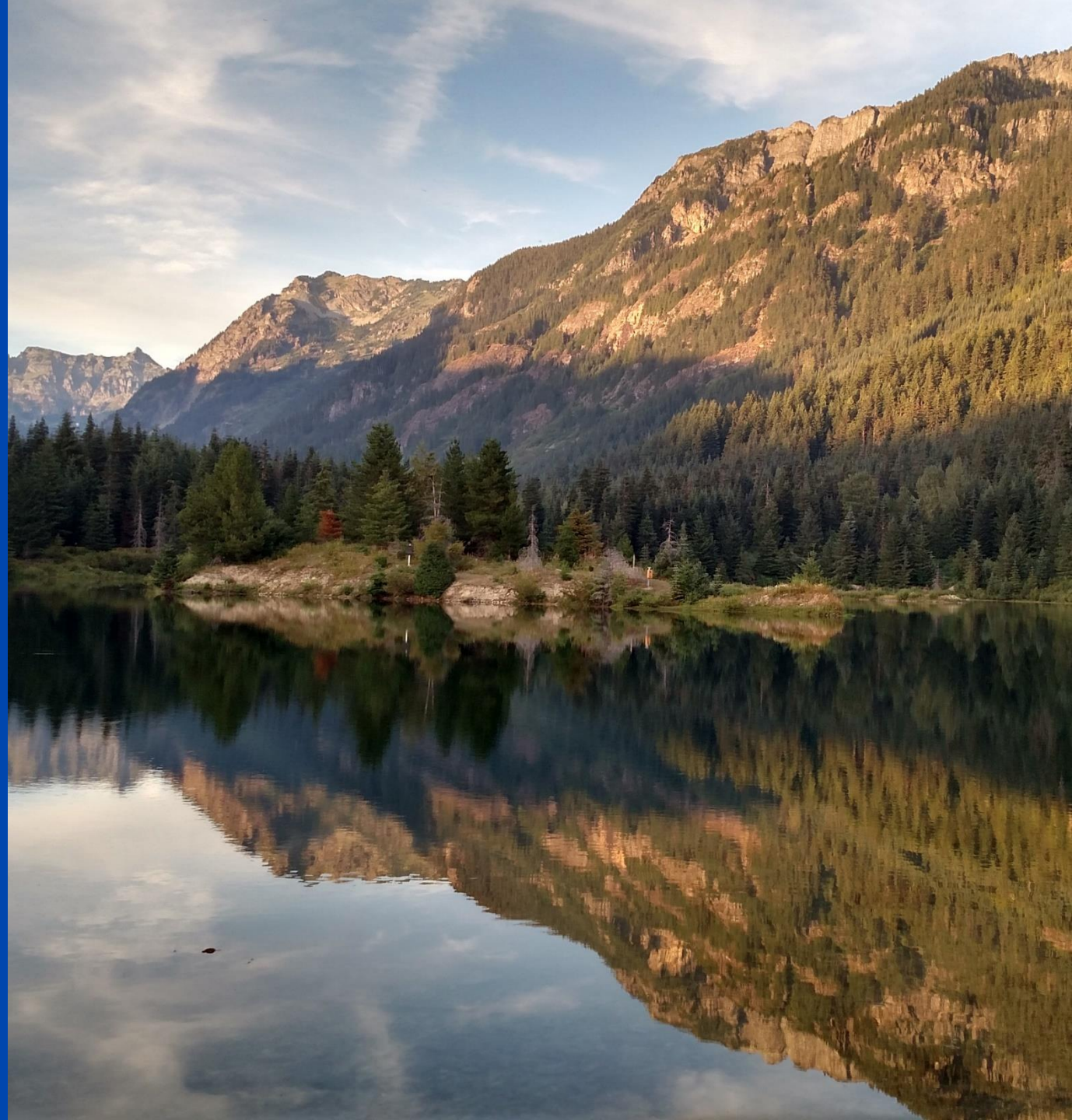
## Stakeholder Presentation



**Seattle City Light**

**WE POWER SEATTLE**

# Plan Foundations



# This is Our Fifth Strategic Plan

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1. 2013–2018 (First Seattle City Light Strategic Plan)  
The plan is updated every 2 years:
2. 2015–2020
3. 2017–2022
4. 2019–2024
5. **2022–2026 Strategic Plan\***

\*2021–2026 plan drafted but not completed due to COVID-19

# Guiding our Path – City Light Mission, Vision & Values

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## Mission

Seattle City Light provides our customers with affordable, reliable and environmentally responsible energy services.

## Vision

Create a shared energy future by partnering with our customers to meet their energy needs in whatever way they choose.

## Values



**Customers First**



**Environmental Stewardship**



**Equitable Community Connections**



**Operational and Financial Excellence**



**Safe and Engaged Employees**

# 2022-2026 Strategic Plan



**Seattle City Light**



# Strategic Plan Business Strategies

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Improve the Customer Experience



Create our Energy Future



Develop Workforce and Organizational Agility



Ensure Future Financial Stewardship and Affordability



We Power



# Improve the Customer Experience

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## Objective:

Consistently meet customers' needs by providing employees opportunities to deliver targeted and responsive solutions.



## Success Measures:

- + Improvement in customer satisfaction scores as measured by benchmark scores, industry experts and our own research (e.g., J.D. Power rating and Seattle City Light longitudinal benchmarking survey)

# Improve the Customer Experience

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## Projects, Initiatives and Activities:

1. **Integrate the “Voice of the Customer” into our organizational culture** – Make use of customer research and equip our employees with the tools, skills and support they need to prioritize customer needs and make “Customers First” a reality.
2. **Strengthen and fix our core customer services** – Redesign old processes to improve service delivery.
3. **Expand customer service options** – Using the information gathered from our customers, develop programs and services to meet their individual needs.



# Create our Energy Future

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## Objective:

Build and maintain smart, resilient, flexible, dynamic and reliable grid infrastructure; prepare for increased integration of distributed energy resources and increased customer options; and work to reverse historical inequity and avoid collateral harm to underserved populations by intentionally prioritizing their needs as we create our energy future.



## Success Measures:

- + Increased load/revenue associated with electrification
- + Penetration of automation on our grid
- + Reduction of emissions in Environmental Justice Communities

# Create our Energy Future

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## Projects, Initiatives and Activities:

1. [Fund and implement the “Utility Next” Portfolio](#) – Deliver new programs to achieve Seattle’s vision of a clean energy future.
2. [Implement grid modernization roadmap](#) – Prioritize investments needed to support electrification and increase grid flexibility, automation, reliability and resiliency.
3. [Implement electrification plans](#) – Develop, offer and implement programs authorized in the Transportation Electrification Strategic Investment Plan.
4. [Integrate distribution system and resource planning](#) – Integrate and align the Integrated Resource Plan with other complementary planning efforts.
5. [Demonstrate leadership and collaboration](#) – Lead planning and support development of long-term regional decarbonization and electrification solutions and collaborate to ensure capacity and availability of carbon-free generation resources.



# Develop Workforce and Organizational Agility

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## Objective:

Foster an organization that is nimble, adaptable and responsive and cultivate a workforce empowered to support social justice



## Success Measures:

- + Workforce development and culture metrics (e.g., diversity, recruitment, employment, promotion and retention measures, and employee culture survey results)
- + Development of foundational and equitably distributed resources and training to do their jobs successfully

# Develop Workforce and Organizational Agility

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## Projects, Initiatives and Activities:

1. **Build an agile workforce** – Anticipate new strategic staffing needs, provide training and development opportunities that prepare employees for the future, support the culture change needed for future success, and build a workforce that reflects our community's diversity.
2. **Institutionalize organizational change management** – Establish a new change management program to provide consistent structure, standards, training, coaching and resources. This program will help employees successfully adapt to and master changes in job functions, business processes, and technology usage.



# Ensure Future Financial Stewardship and Affordability

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## Objective:

Support long-term affordability in Seattle by offering rates that are transparent, understandable, reasonable, equitable and consistent for all customers, including vulnerable populations. This commitment includes developing a sustainable and predictable approach to setting rates over time.



## Success Measures:

- + Rate path delivered according to Strategic Plan commitments
- + A debt service coverage ratio of 1.8 or higher
- + Capital financed 60% or less by debt

# Ensure Future Financial Stewardship and Affordability

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## Projects, Initiatives and Activities:

1. **Control rate increases** – Hold rate increases to a trajectory that resembles inflation. To do this, we will restructure our project tracking and improve budget management to drive accountability. This will allow us to lower labor costs and right-size the capital program.
2. **Price services for the future** – Building on new technology from advanced meters and billing system upgrades, City Light will continue to deliver new pricing options that encourage decarbonization and grid flexibility while also helping residents and businesses manage their energy costs.





# We Power

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## Objective:

Even as we prepare for the future, City Light will continue to advance our mission of providing our customers with affordable, reliable and environmentally responsible energy services. We will prioritize diversity, equity and inclusion in all that we do and will actively manage and mitigate the constraints, risks and uncertainty of operating in a COVID-adjusted environment.



## Success Measures

- + Operational dashboards will be developed for each line of business. These will facilitate data-driven discussions, decisions and actions around our core business functions.

# Rate Path



# Compare Strategic Plan Rate Increases

	2019	2020	2021	2022	2023	2024	2025	2026	AVG
2019-2024 Strategic Plan	5.8%	5.4%	3.6%	3.9%	4.0%	4.2%			4.5%
2022-2026 Strategic Plan			3.0%	3.9%	3.8%	3.8%	3.0%	3.0%	3.5%



***Approved by Seattle City Council in March 2021***

*A 3.0% increase taking effect April 1, 2021 was approved to offset RSA surcharges which were lifted concurrently. The net impact for customers is rates for 2021 that are unchanged from 2020 levels.*

*A 3.9% increase was also approved for implementation on January 1, 2022. Note, an upcoming BPA Passthrough rate adjustment is expected to offset a portion of this increase – utility staff estimate the net increase will be ~2.4%.*

# Questions and Comments



Seattle City Light



# THANK YOU

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**Seattle City Light**

[SCL\\_StrategicPlan@seattle.gov](mailto:SCL_StrategicPlan@seattle.gov)

Honorable Jenny A. Durkan  
May 14, 2021  
Page 4

**Seattle City Light Review Panel**

c/o L. Barreca, Seattle City Light  
P.O. Box 32023 Seattle, WA 98124-4023  
[CLRP@seattle.gov](mailto:CLRP@seattle.gov)

May 14, 2021

Mayor Jenny A. Durkan  
The City of Seattle  
600 Fourth Avenue  
P.O. Box 94749  
Seattle, WA 98124-4749

**RE: City Light Review Panel Comment Letter on Proposed 2022-2026 Seattle City Light Strategic Plan**

Dear Mayor Durkan:

This letter presents our comments on the proposed Seattle City Light (City Light) Strategic Plan for 2022-2026 (the Plan) in fulfillment of our duties as members of the City Light Review Panel set forth in Ordinance 124740.

We are pleased to endorse the Plan and support its adoption as presented. In a quickly evolving landscape, this Plan presents a comprehensive, ambitious and strategic set of goals that we believe are well suited to the challenges faced by City Light and its customers. This letter offers our further thoughts and suggestions to you and the utility moving forward.

At the outset, we want to thank General Manager and CEO Debra Smith for her exceptional leadership of the utility. She and her team have been very supportive of the Panel's role and have engaged with us transparently; they bring welcome and positive change to the utility.

**Successes and Challenges since adoption of the 2018 Strategic Plan**

Reflecting on how City Light has been impacted since the last Strategic Plan was approved three years ago, the COVID pandemic is at the top of the list of disruptions. It caused a sharp decline in electricity usage and a need to significantly adjust how City Light operates. City Light responded quickly and creatively. Employees worked in new ways and launched new efforts to assist customers. Reliability of our electric service was preserved throughout. The entire City Light team should be commended for their success here.

Nearly a year and a half since the beginning of the pandemic, the speed and nature of the economic recovery we all hope for is unclear. Due to the uncertainty of the pandemic, delivery of the Plan was delayed by a year – it is a 5-year plan, rather than the 6-year plans we have worked on with City Light before. We think the delay was the right move.

Successes we observe since issuance of the last strategic plan include:

- Positive changes in leadership at the top and across the utility.
- Increased participation in the Utility Discount Program.
- Pilot programs launched to test new rate design components including the Energy Equity Rate Pilot, Residential Time of Day (TOD) Pilot, Commercial TOD project and the Demand Response Rate Pilot.
- Improved load forecast methodology.
- Launching of the transportation electrification initiative.
- City Light remains in a strong financial position, with an AA bond rating that helps keeps the rate of borrowing low.

The Plan provides a vision, goals, and high-level initiatives to address several challenges facing City Light in the next few years. The Panel believes there are several pressing issues facing City Light; we identify these challenges below, as they each relate to one of the Plan's five "business strategies." Our comments below are not prioritized and are presented in the order in which the Business Strategies are presented in the Plan.

#### **Business Strategy: Improve the Customer Experience**

- Race and Social Justice. There is a need for a more robust social justice and equity response in all government does.
- Growing receivables. In the last year, 20% of City Light's residential customers and 14% of its commercial customers have gone into arrears on their electricity bills.

#### **Business Strategy: Create our Energy Future**

- Grid Modernization. City Light's aging electrical grid lacks the flexibility to provide many of the next generation of products and services that customers are beginning to expect.
- Balancing Policy Goals. The utility will need to balance financial and policy support for energy efficiency (reducing demand for electricity) with the new building electrification effort designed to increase demand for electricity.

#### **Business Strategy: Develop Workforce and Organizational Agility**

- Focus on Labor Costs. Negotiations have recently been completed with the IBEW to bring City labor costs for line workers in sync with recently approved significantly higher wages in our neighboring electrical utilities. These are critical workers in a competitive hiring environment; this new contract will impact operating costs going forward.

#### **Business Strategy: Ensure Financial Health and Affordability**

- Keeping Electric Service Affordable. We are very pleased that the Plan proposes an annual average rate increase over the next 5 years of 3.5% per year -- significantly lower

than the 4.5% annual average in the 2018-2024 Strategic plan. Moving forward, keeping rates at this reduced path will require continued vigilance.

- Rightsizing City Light's Capital Improvement Plan While Ensuring Assets are Maintained. The Panel would like to see a reduction in the rate pressures created by City Light's large annual debt repayment obligations. While use of debt financing does increase affordability in the short term, over time, over dependence on debt will overburden the organization financially. We look forward to working with management to examine alternative ways of financing ongoing system investments. City policy requires City Light to fund its capital improvements with at least 40% operating cash, with the balance coming from borrowing: issuing debt. Funding debt service coverage remains the largest single rate driver for City Light in the 2022-2026 Plan.
- Declining Retail Demand. City Light is continuing to experience year over year declines in the demand for electricity, and there is a major question mark about how and when commercial demand for electricity, in particular, will recover as we move beyond the COVID pandemic. City Light's reliable and comparably low-cost electricity is a critical foundation for our economy, and economic development helps boost revenues for the City in many areas.
- Rate Design. City Light's outdated rate structure under-recovers fixed per customer costs and lacks time of use rates or interruptible rates (the latter two items are under study in pilot projects). Revisions to the utility's rate structure have been put on hold by COVID and we hope will be taken up by the City later this year.
- Reserve Fund Targets. The potential benefits to ratepayers from reducing the target reserve levels in the Rate Stabilization Account (RSA) should be seriously considered. The RSA was established to offset variability in wholesale power revenues that today are a much smaller dollar amount annually than was the case when the RSA was established.

#### **Business Strategy: We Power (maintaining core utility functions)**

- Environmental Stewardship. We see a continued need to respond to our region's deeply held environmental values in the operation of the City's hydroelectric assets.

The Panel intends to be fully engaged with City Light on all these challenges moving forward. Success of the Plan will be based on execution; in filling in the details around the high-level initiatives presented and identifying and tracking meaningful metrics to measure success. Due to the consideration of so many interconnected variables, this Strategic Plan contains fewer tactical elements than previous plans. There is tremendous work ahead, and we support the goals laid out in the Plan. The utility will need to be nimble as the uncertainties before us are significant – particularly as to the pace of transportation electrification, and the shape of the economic recovery.



## Conclusion

The world in which City Light operates is changing rapidly. The Strategic Plan addresses this uncertainty in many ways, positioning the utility to respond effectively to a range of current and future challenges, all with a significant reduction in the annual growth of electric rates as compared to the prior strategic plan.

We are pleased to support this new Strategic Plan and we look forward to working with the utility on its implementation. We thank CEO Debra Smith, her staff team, as well as the staff from the City Council and Budget Offices all of whom support the work of the City Light Review Panel. It is a pleasure to work with such dedicated, excellent public servants. We thank you, Mayor Durkan, and the Council, for your continued support of our efforts as citizen volunteers serving on the Review Panel, and for your work on behalf of the ratepayers of City Light.

We would welcome the opportunity to speak with you and the City Council about the recommendations in our letter.

Sincerely,

## Members of the City Light Review Panel<sup>1</sup>



**Leon Garnett**  
Panel Chair  
Panel Position #7  
Low Income Customer Advocate



**Mikel Hansen**  
Panel Vice-Chair  
Panel Position #5  
Commercial Customer Representative



**Anne Ayre**  
Panel Position #6  
Industrial Customer re  
Representative



**Scott Haskins**  
Panel Position #2  
Utility Financial Analyst



**Sara Patton**  
Panel Position #3  
Non-profit Energy Efficiency  
Advocate



**John Putz**  
Panel Position #8  
At-Large Customer  
Representative



**Tim Skeel<sup>2</sup>**  
Panel Position #1  
Economist

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<sup>1</sup> We sign this letter in our individual capacities, not as representatives of our employers. Please note there are currently two vacancies on the panel: Position #4, residential customer, and Position #9, suburban franchise area representative.

<sup>2</sup> Appointment pending.