

CITY OF SEATTLE

RESOLUTION _____

..title

A RESOLUTION relating to the City Light Department; adopting a 2019-2024 Strategic Plan for the City Light Department and endorsing a six-year rate path required to support the Strategic Plan.

..body

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, adopted City Light’s 2013-2018 Strategic Plan and endorsed a six-year rate path that supported that plan; and

WHEREAS, Resolution 31383 also specified that City Light would review and update the Strategic Plan every two years, adding two years to and re-evaluating the remaining four years of the existing Strategic Plan; and

WHEREAS, Resolution 31529, adopted June 2014, adopted City Light’s 2015-2020 Strategic Plan Update and endorsed a six-year rate path that supported that plan, recognizing significant deviation of anticipated revenue through rates from the 2012 Plan; and

WHEREAS, Resolution 31678, adopted July 2016, adopted City Light’s 2017-2022 Strategic Plan Update and endorsed a six-year rate path that supported that plan, recognizing even more significant deviation of anticipated revenue through rates from the 2012 Plan; and

WHEREAS, Resolution 31678 requested that City Light prepare options for mitigating and preparing for the financial impacts of flat or declining retail load including changes to the utility’s approach to load forecasting as discussed in City Light’s response to Council’s 2015 Statement of Legislative Intent 4-1-A-2; and

1 WHEREAS, The ~~Strategic Plan~~ financial policies and forecasts ~~methods~~ behind the rate path
2 established by the 2019-2024 Strategic Plan, including a ~~existing financial policies,~~
3 ~~practices, and assumptions used in such forecasts,~~ should be periodically reviewed
4 ~~consistent in accordance with best practices and prudent financial management of the~~
5 ~~financial industry~~ 1.8% debt service coverage multiplier (among other assumptions),
6 ~~which has been the norm for many years and should be reviewed;~~ and

7 WHEREAS, Resolution 31678 signaled the Council's interest in working with City Light to
8 establish new strategies and approaches to hiring the next generation of skilled workers,
9 attracting and retaining a highly skilled workforce that reflects the diversity of our
10 community furthering the City of Seattle's commitment to Workforce Equity, increasing
11 outreach and recruitment within communities of color and historically marginalized
12 groups and developed partnerships with pre-apprenticeship programs identified in the
13 City's Project Hire program; and

14 WHEREAS, City Light must implement policies and practices to promote a work environment
15 free of discrimination and harassment, particularly gender-based and race-based
16 incidents; fostering a positive workplace culture where all employees are valued and
17 demonstrate mutual respect; and

18 WHEREAS, City Light has completed a review and revision of its retail sales forecasting
19 methodology that resulted in the amended forecasts reflected in the 2019 – 2024 Strategic
20 Plan; and

21 WHEREAS, City Light has reviewed and updated the Strategic Plan by: (a) reviewing changes
22 in its operating environment for the 2019-2024 period and making adjustments to remain

1 within the proposed rate path; and (b) adding a forecast of revenues, expenditures, and
2 investments for two additional years, 2023 and 2024; and

3 WHEREAS, City Light faces challenges that include: (a) new technologies transforming how
4 people use electricity; (b) declining retail energy consumption; (c) lower wholesale
5 energy market prices; (d) impacts of retirements and legacy work processes; and
6 (e) climate change and fostering clean, renewable energy sources; and

7 WHEREAS, Ordinance 123256 established the City Light Review Panel (“Review Panel”) to
8 represent City Light ratepayers and requires the Review Panel to review and assess City
9 Light’s strategic plans; and

10 WHEREAS, the Review Panel has reviewed City Light’s progress in carrying out the Strategic
11 Plan on a quarterly basis since 2013 and has also reviewed the Utility’s proposed changes
12 for the 2019-2024 Strategic Plan Update; and

13 WHEREAS, the Strategic Plan update included extensive customer engagement, with customer
14 and stakeholder group meetings, neighborhood open houses, limited-English-proficiency
15 customer outreach, a market research survey, and social media outreach; and

16 WHEREAS, the resulting Strategic Plan, which includes a six-year rate path, is a package of
17 initiatives and investments to improve customer service, increase rate predictability and
18 affordability, continue City Light’s commitment to conservation and environmental
19 leadership and invest in infrastructure and workforce to provide a consistent level of
20 service, reliability, and response; and

21 WHEREAS, the Seattle City Light Review Panel has offered specific action items for
22 consideration to help address core concerns with the proposed rate path, such as
23 deployment of additional staff to address the changing utility industry, undertaking a

1 holistic benchmark effort, considering the changing capital and infrastructure needs, and
2 planning for fiscal savings in its letter dated May 7, 2018 (Exhibit D) and reaffirmed in
3 its letter dated June 27, 2018 (Exhibit E); and

4 WHEREAS, the City of Seattle and Seattle City Light continue to remain focused on programs
5 that encourage conservation, and rate design can and should have a positive impact on
6 energy efficiency; and

7 WHEREAS, the City of Seattle and Seattle City Light remain committed to addressing
8 affordability, and ensuring greater and equitable access to the Utility Discount Program
9 and other City Light services; and

10 WHEREAS, the City Council has reviewed the Strategic Plan Update, the associated six-year
11 rate path, the recommendation of the Review Panel, and the results of customer and
12 stakeholder engagement; NOW, THEREFORE,

13 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE**
14 **MAYOR CONCURRING, THAT:**

15 Section 1. The City Council adopts the City Light Department’s (City Light) proposed
16 2019-2024 Strategic Plan (the “Strategic Plan”), a copy of which is attached to this ordinance as
17 Attachment A and incorporated by reference.

18 Section 2. To achieve the goals of the Strategic Plan, annual rate increases averaging 4.5
19 percent system-wide per year are anticipated over the period of 2019-2024. The following six-
20 year rate path for City Light rates is endorsed:

2019	2020	2021	2022	2023	2024	Average
5.8%	5.4%	3.6%	3.9%	4.0%	4.2%	4.5%

21 Section 3. The City Council requests that the executive submit the 2019-2020 City Light
22 Proposed Budget in support of the Strategic Plan.

1 Section 4. The City Council requests that the executive submit the 2019-2020 City Light
2 Rate Proposal in support of the Strategic Plan, reflecting the endorsed system rate increases of
3 5.8 percent in 2019 and 5.4 percent in 2020.

4 Section 5. The City Council requests that the Seattle City Light Review Panel and
5 General Manager make recommendations in consultation with community partners on an
6 updated rate design, which may include, but not be limited to, the following elements: coincident
7 peak/inclining block rate, voluntary time of use, more progressive rate blocks for residential
8 rates, rate blocks for small and medium general service customers, and/or other options to create
9 greater stability, while promoting conservation, distributed energy resources, and revenue
10 stability for City Light. In considering the various approaches, the Review Panel should
11 recognize that significant increases in fixed or flat charges that reduce the commodity price
12 signal are counter to the City’s goals of increasing energy efficiency, as well as have disparate
13 financial impacts on low- and moderate-income households, and will be strongly disfavored by
14 City Council as part of a final updated rate design ordinance.

15 An initial report to the City Council, including examination and review of other rate
16 designs from similarly sized utilities, should be presented no later than January 15, 2019, with
17 final recommendations due by April 1, 2019. Council shall consider implementation of
18 recommendations and legislative action to implement an update to rate design or the Strategic
19 Plan by July 15, 2019. This rate design update shall be conducted in consultation with
20 community partners including, but not limited to, signatories to the July 24, 2017, letter attached
21 as Exhibit F.

22 Any rate design update option should include information about potential impact on
23 revenue stability for the utility; assumed range and assumed average payment for each rate class,

1 along with difference from existing predictions of the rate path; evaluation of current financial
2 policies and practices, ~~debt service ratio~~, and comparison with ~~similarly sized~~similarly situated
3 utilities, and impacts on revenue requirements and rates; and any additional considerations that
4 may present themselves during public participation and process when reviewing rate design
5 options.

6 This analysis shall also include potential benefits, impacts on rates, and diminishing
7 returns from a Utility Discount Program (UDP) automatic-enrollment program. Such a program
8 may utilize a Memorandum of Understanding (MOU) or similar agreement with the Department
9 of Social and Health Services and/or other state agencies to allow the addresses of recipients of
10 state assistance programs to confirm enrollment for UDP automatically. This may also include
11 consideration and analysis of what actions would be required to create a sliding-scale UDP.
12 Additional outreach from City Light to Seattle Public Utilities (SPU) regarding impacts on SPU
13 rates should be included in this analysis.

14 Section 6. City Light will continue to review and update the Strategic Plan at least every
15 two years, adding two years to the Strategic Plan during even-numbered years and re-evaluating
16 the subsequent six-year rate path. City Light shall give at least annual reports on progress of
17 initiatives in the Strategic Plan to the Seattle City Council committee with oversight over City
18 Light. The next review and adjustment of the Strategic Plan will be finalized no later than 2020
19 and will encompass the years 2021 through 2026. This does not preclude mid-cycle adjustment
20 with implementation of updated rate design.

1 Adopted by the City Council the _____ day of _____, 2018,
2 and signed by me in open session in authentication of its adoption this _____ day of
3 _____, 2018.

4 _____
5 President _____ of the City Council

6 The Mayor concurred the _____ day of _____, 2018.
7 _____
8 Jenny A. Durkan, Mayor

9 Filed by me this _____ day of _____, 2018.
10 _____
11 Monica Martinez Simmons, City Clerk

12 (Seal)

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15 Attachments:
16 Attachment A - Seattle City Light 2019-2024 Strategic Plan
17 Attachment B - Appendix 1: 2019-2024 Strategic Plan Financial Forecast
18 Attachment C - Appendix 2: Summary of Customer and Stakeholder Outreach
19 Attachment D - Appendix 3: Review Panel Recommendations on 2019-2024 City
20 Light Strategic Plan (May 17, 2018, Review Panel letter)
21 Attachment E – June 26, 2018, Review Panel letter
22 Attachment F – July 24, 2017, coalition letter