

Seattle City Light Strategic Plan 2023-2028

Economic Development,
Technology & City Light
Committee Briefing

June 22, 2022



2023-2028 Strategic Plan Proposed Council Review

- June 22nd: EDT&CL Committee Presentation
 - 2023-2028 Strategic Plan (SCL Presentation)
 - Review Panel comment letter
 - Q&A*
- July 13th: EDT&CL Committee follow up
 - Review Response to Council Questions (Council Staff/SCL)
 - EDT&CL Committee Vote
- July 12th or July 19th : Final Action @ Full Council
 - 2023-2028 Strategic Plan Adoption



**SCL is available between Committee meetings to address Council questions/concerns*

What is the City Light Strategic Plan?

- Strategic Plan

- Process established by Council Ordinance in 2010
- Six-year view of priorities, initiatives, and measures
- Six-year rate path, foundation for biennial budget and retail rates

- City Light Review Panel

- Provides input on Strategic Plan & Rate Design
- Represent various customer groups and areas of expertise
- Nine volunteer panel members
 - Five members appointed by the Mayor
 - Four members nominated by City Council
 - Staggered three-year terms



* Due to pandemic 2022-2026 SP was a five-year plan

Guiding our Path – City Light Mission, Vision & Values

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

Focusing on our Community's Values

- 2021 and 2022 - 10 stakeholder group presentations
 - Total 180+ attendees
- 10 strategy planning meetings with the City Light Review Panel
- Community and employee outreach
 - Customer surveys
 - Clean Energy Future Survey - 4,500+ responses
 - Residential Customer Satisfaction Survey - 3,300+ responses
 - Employee meetings, employee survey, and City Light internal communication channels
 - Online materials

Commitment to Diversity, Equity & Inclusion

- Development of the Strategic Plan and the 2023 budget was done in partnership with the SCL Race and Social Justice Initiative Change Team.
 - Equity Labs held with project managers. The goals of these sessions:
 - To refine the equity outcome(s) of a project, initiative or activity
 - To identify marginalized stakeholders (most impacted by systems of oppression)
 - To consider and plan for the true costs (time/talent/treasure) of equity interventions



From Pandemic to Progress: City Light Success



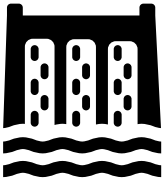
Delivering power in extreme weather



Creating shelter for unhoused neighbors



Earning a place on the Smart Electric Power Alliance clean energy leaderboard



Greening up our community



Expanding access to electric vehicle and transit charging



2023 – 2028 Strategic Plan Update



Strategic Plan Business Strategies



Improve the Customer Experience



Create our Energy Future



Develop Workforce and Organizational Agility



Ensure Financial Stewardship and Affordability



We Power

Improve the Customer Experience



Objective:

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

Projects, Initiatives and Activities:

1. Integrate the "Voice of the Customer" into our organizational culture
2. Strengthen and fix our core customer services
3. Expand customer service options

Create our Energy Future



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.

Projects, Initiatives and Activities:

1. Implement Grid modernization roadmap
2. Develop and implement electrification plans
3. Fund and implement the "Utility Next"
4. Develop integrated distribution, transmission and generation resource planning framework
5. Provide leadership to develop a coordinated Western energy market

Develop Workforce and Organizational Agility



Objective:

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

Projects, Initiatives and Activities:

1. Build an agile workforce
2. Implement organizational change management program
3. Continued implementation of the Utility Technology Roadmap

Ensure Financial Stewardship and Affordability



Objective:

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

Projects, Initiatives and Activities:

1. Control rate increases
2. Price services for the future
3. Implement road to recovery

We Power



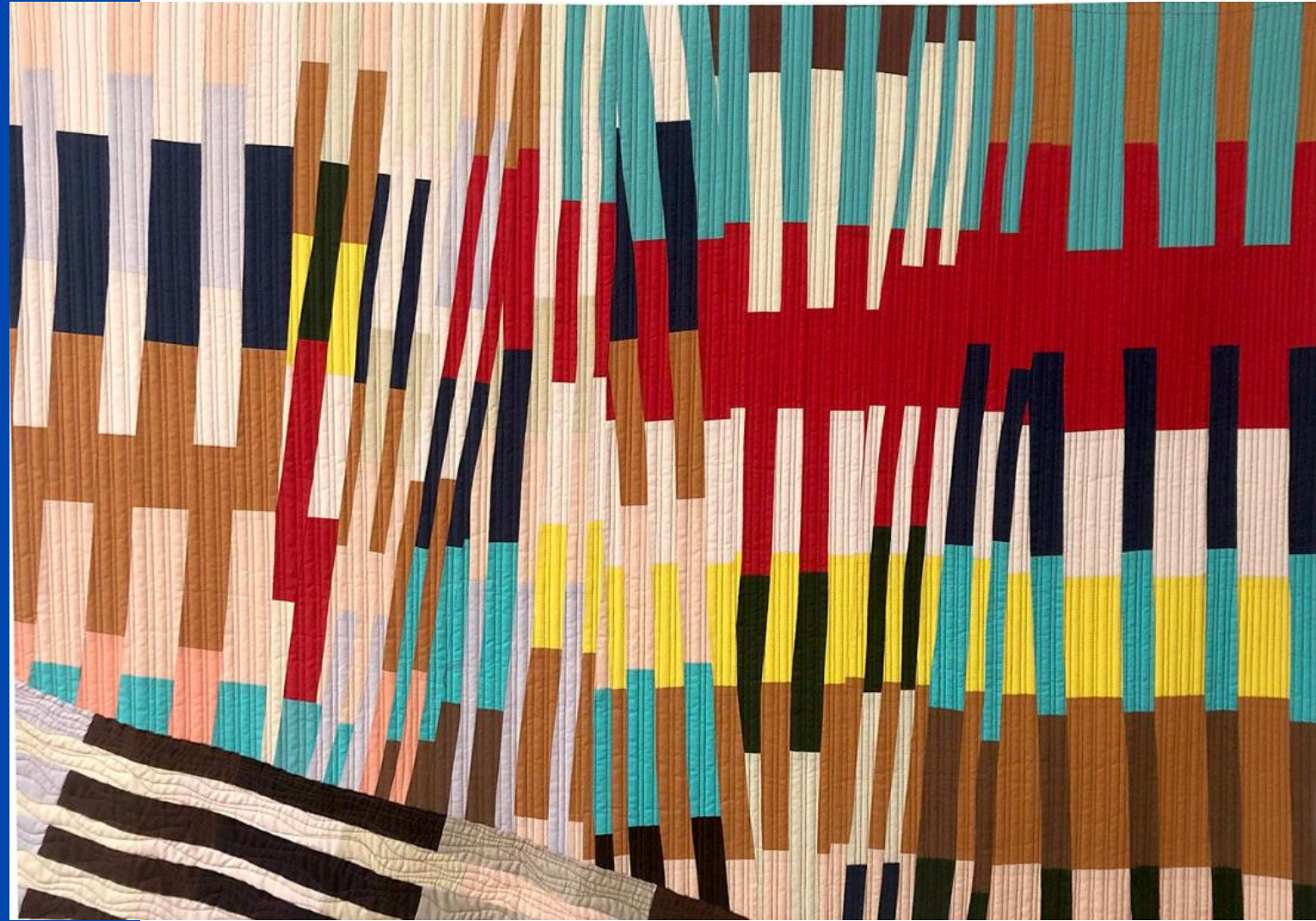
Objective:

“We Power” refers to our core mission as a utility—to provide our customers with affordable, reliable, and environmentally-responsible energy services. This is central to all we do, and our organizational values describe the way employees deliver on that core purpose.

Our commitment to our core business operations and delivering value to our customers includes:

- Provide our customers with the energy services they need by maintaining our key assets and infrastructure.
- Prioritizing diversity, equity, and inclusion in all that we do.
- Actively managing and mitigating the constraints, risks, and uncertainty of operating in a COVID-adjusted environment.

Retail Rates

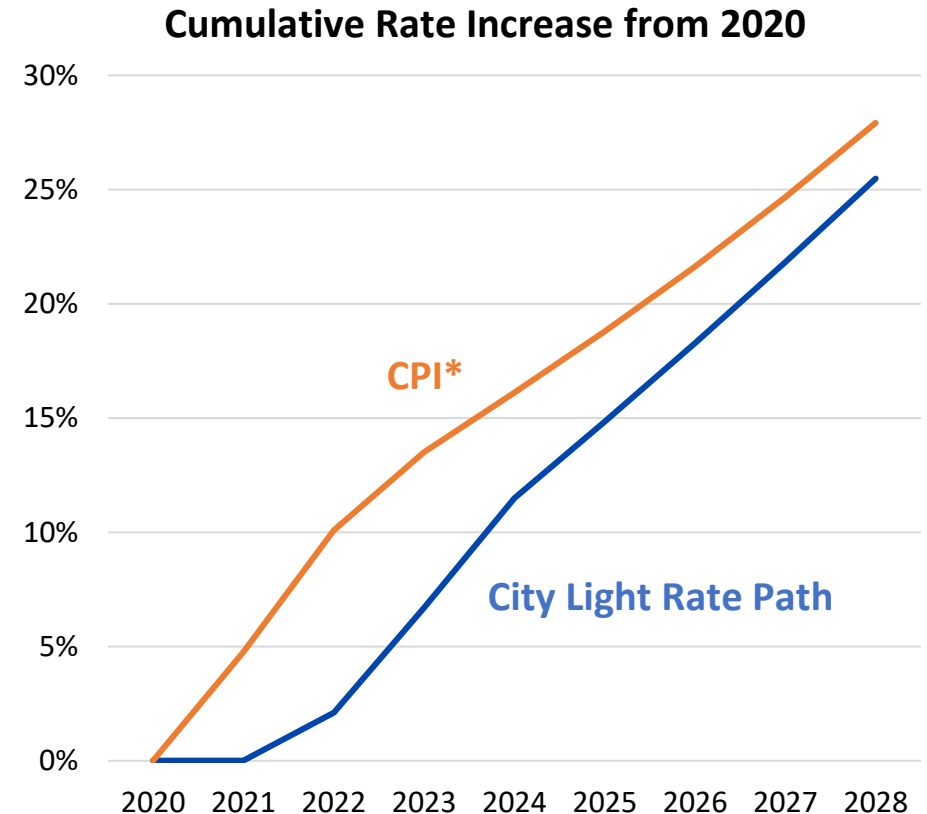


Strategic Plan Rate Path

- Strategic Plan includes a six-year financial forecast that describes costs, revenues and rate trajectory (Appendix A)
- Financial forecast rate path tracks with inflation

	2023	2024	2025	2026	2027	2028	AVG
Average Annual Rate Increase	4.5%	4.5%	3.0%	3.0%	3.0%	3.0%	3.5%

Higher due to high inflation



*CPI = Consumer Price Index Outlook published by City of Seattle Office of Economic and Revenue Forecasts

Sample Customer Bill Impacts

Impact on monthly bill

Bill Example	2022	2023	2024	2025	2026	2027	2028
Residential*	\$81	+\$4	+\$4	+\$3	+\$3	+\$3	+\$3
Residential - UDP (60% Discount)	\$32	+\$1	+\$2	+\$1	+\$1	+\$1	+\$1
Small Commercial - Car Wash	\$474	+\$21	+\$22	+\$16	+\$16	+\$16	+\$17
Medium Commercial - Retail Store	\$7,562	+\$341	+\$356	+\$248	+\$255	+\$263	+\$271

	2022	2023	2024	2025	2026	2027	2028
Strategic Plan Rate Path		4.5%	4.5%	3.5%	3.5%	3.5%	3.5%

**Based on the average residential consumption of 650 kWh per month. City Light bills residential customers every two months, so these amounts are approximately half of what a customer would see on each bill.*

Example bills are for illustrative purposes only. Actual customer bills will vary based on cost-of-service variations between customer classes and individual customer usage characteristics.

Bill Payment Support

For **Income Eligible** Customers

- 1. Utility Discount Program** – Ongoing
60% bill discount
- 2. Emergency Bill Assistance Program** –
Up to \$1,000 annual credit for all households
extended through 2023
CB 120328 passed 5/24/2022
- 3. Federal LIHEAP** – Up to \$1,000 annual for
heating expenses
- 4. NEW! Washington State Arrears
Funding** - One-time funding for customer
debt accrued during COVID

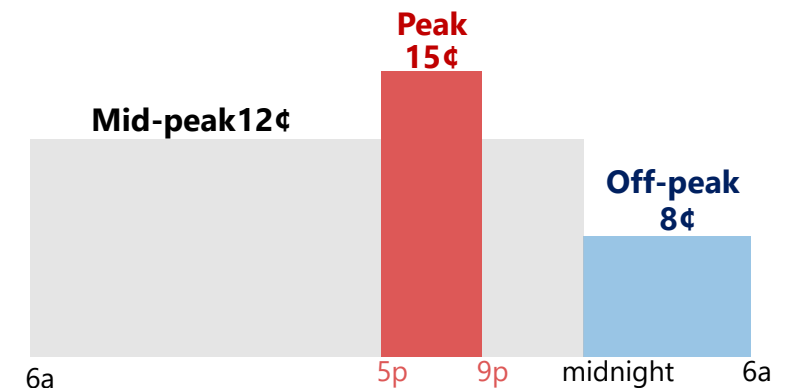
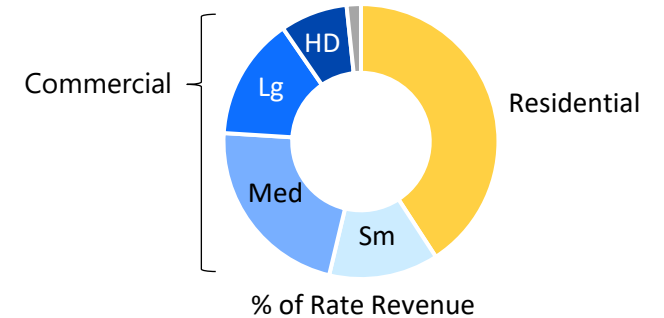
For **All** Customers

- 1. Expanded repayment options** - flexibility for
customers behind on their bills
 - **NEW!** Long-term Payment Plan option - up to 3
years for residential, 2 years for most commercial
 - Short-term Payment Plan - up to 60 days to
repay, choose repayment frequency
- 2. Late fee waiver** extended to June 30, 2023 CB
120327 passed 5/24/2022



What's Next: Full Rate Ordinance Later This Summer

- Strategic plan is the foundation for City Light's budget and rates
 - Rate ordinance codifies retail rates for 2023-2024 that align with biennial budget
- Rate process starts with Strategic Plan rate path, then incorporates cost of service and rate design
 - Final increases for customers/customer classes will vary from 4.5% average
 - Cost of service assigns costs to customer rate classes
 - Rate design sets schedule of fees and charges
- Exciting rate design updates to prepare for a clean energy future
 - Building on recommendations from 2019 Rate Design Report* and rate pilot successes
 - Starting in 2023: basic customer charge for all customers
 - **Coming in 2024: New time-of-day rate option** for all residential and small/medium business customers



* Commissioned by Council Resolution 31819, see Clerk File 321222

Q&A



QUESTIONS AND COMMENTS?

"Salmon Spawning" Maynard Jr. Johnny, 2008

Thank you!



Seattle City Light



SUPPLEMENTAL SLIDES

2023 and 2024 Rates

Currently Under Development

- Few specifics available

Last Full Cost of Service Study was in 2018

- Distribution Costs and Customer Costs Increasing More than Energy Costs

New Rate Design Elements:

1. Introduce a customer charge (fixed charge) for all non-residential customer
2. Opt-in Time-of-Day Rates for Residential, Small General Service and Medium General Service Customers

Current (2022) General Service Rates

	Small	Medium	
Rate Schedule	City	City	Network
Rate Code	SMC	MDC	MDD
Energy (\$/kWh)	0.1075	\$0.0815	\$0.1006
Demand (\$/kW)	-	4.17	8.97
Base Service Charge (\$/Day)	-	-	-
Minimum Bill (\$/Day)	0.42	\$1.33	\$1.33
Transformer Investment (\$/kW)	0.28	\$0.28	\$0.28

	Large GS		High Demand
Rate Schedule	City	Network	City
Rate Code	LGC	LGD	HDC
kWh Peak (\$/kWh)	\$0.0930	\$0.1067	\$0.0882
kWh Off-peak (\$/kWh)	\$0.0606	\$0.0698	\$0.0575
kW Peak (\$/kW)	\$4.00	\$8.71	\$4.00
kW Off-Peak (\$/kW)	\$0.28	\$0.28	\$0.28
Base Service Charge (\$/Day)	-	-	-
Minimum Bill (\$/Day)	\$31.47	\$31.47	\$96.97
Transformer Investment (\$/kW)	\$0.28	\$0.28	\$0.28

City Light Rates 101: Three Steps

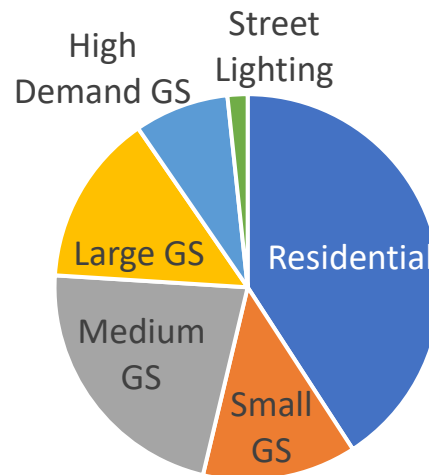
1. Revenue

- How much revenue do we need to collect from retail customers
- Needs to cover all operating expenses and debt service, plus a portion of capital costs (target > 40%)

$$\begin{aligned} &+ \text{Operating Expenses} \\ &- \text{Other Revenue Sources} \\ &+ \text{Debt Service} \\ &+ \text{Capital Funding from Operations} \\ &= \text{Revenue Requirement} \end{aligned}$$

2. Cost of Service

- How much it costs to serve each type of customer
- Allocates the revenue requirement to each customer class based on relative cost of service.



% of Total Revenue Requirement
GS = General Service (non-residential)

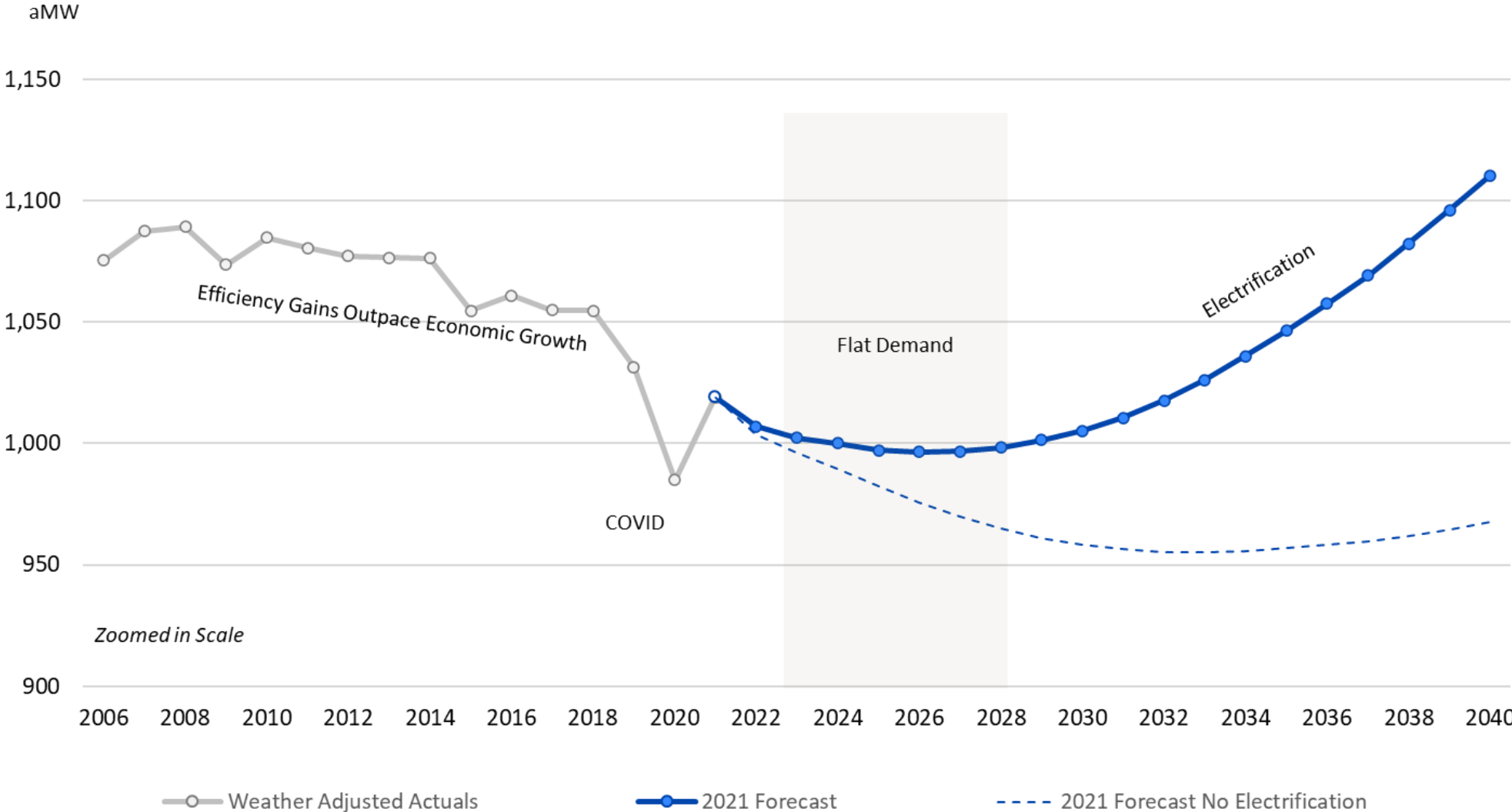
3. Rate Design

- How the revenue will be collected from customers
- Rates and charges designed to collect the revenue requirement from each class
- Customer classes have different rate designs to achieve different objectives

Common Rates

- Per kilowatt hour (kWh) energy charge
- Per kilowatt (kW) demand charge: based on monthly peak use (measures max stress put on distribution equipment)
- Fixed charge – Fixed amount per bill regardless of consumption

Retail Sales Forecast



Cost Drivers

