



# SEATTLE CITY COUNCIL

## Sustainability, City Light, Arts and Culture Committee

### Agenda

Friday, August 16, 2024

9:30 AM

Council Chamber, City Hall  
600 4th Avenue  
Seattle, WA 98104

Tanya Woo, Chair  
Cathy Moore, Vice-Chair  
Tammy J. Morales, Member  
Rob Saka, Member  
Dan Strauss, Member

Chair Info: 206-684-8808; [Tanya.Woo@seattle.gov](mailto:Tanya.Woo@seattle.gov)

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**SEATTLE CITY COUNCIL**  
**Sustainability, City Light, Arts and Culture**  
**Committee**  
**Agenda**  
**August 16, 2024 - 9:30 AM**

**Meeting Location:**

Council Chamber, City Hall , 600 4th Avenue , Seattle, WA 98104

**Committee Website:**

<https://www.seattle.gov/council/committees/sustainability-city-light-arts-and-culture>

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This meeting also constitutes a meeting of the City Council, provided that the meeting shall be conducted as a committee meeting under the Council Rules and Procedures, and Council action shall be limited to committee business.

Members of the public may register for remote or in-person Public Comment to address the Council. Details on how to provide Public Comment are listed below:

Remote Public Comment - Register online to speak during the Public Comment period at the meeting at

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Online registration to speak will begin one hour before the meeting start time, and registration will end at the conclusion of the Public Comment period during the meeting. Speakers must be registered in order to be recognized by the Chair.

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Pursuant to Council Rule VI.C.10, members of the public providing public comment in Chambers will be broadcast via Seattle Channel.

*Please submit written comments at [Council@seattle.gov](mailto:Council@seattle.gov) or at least two business hours prior to the meeting at Seattle City Hall, Attn: Council Public Comment, 600 4th Ave., Floor 2, Seattle, WA 98104. Business hours are considered 8 a.m.-5 p.m., Monday through Friday. The deadline is 4:30 p.m. the business day before a meeting with a*

*start time of 9:30 a.m.*

*Please Note: Times listed are estimated*

**A. Call To Order**

**B. Approval of the Agenda**

**C. Public Comment**

**D. Items of Business**

1. [Res 32139](#) **A RESOLUTION related to the City Light Department, adopting a 2025-2030 Strategic Plan Update for the City Light Department and endorsing the associated six-year rate path.**

Attachments: [Att 1 - Seattle City Light 2025–2030 Strategic Plan Update](#)  
[Att 2 - 2023 City Light Debt Strategy](#)  
[Att 3 - City Light Review Panel Comment Letter](#)

Supporting Documents: [Summary and Fiscal Note](#)  
[Presentation](#)  
[Central Staff Memo \(8/2/24\)](#)  
[Updated Seattle City Light UDP Fact Sheet \(8/13/24\)](#)  
[Seattle City Light Memo](#)  
[Amendment 1](#)  
[Amendment 2](#)

**Briefing, Discussion, and Possible Vote**

**Presenters:** Kristy Grainger, Siobhan Doherty, and Maura Brueger, Seattle City Light; Eric McConaghy, Council Central Staff

2. [Res 32130](#) **A RESOLUTION relating to the City Light Department; endorsing City Light’s Wholesale Energy Risk Management Policy (“WERM Policy”), which governs wholesale energy,**

transmission, and ancillary services trading, including renewable energy credits and greenhouse gas offsets; establishing the WERM Policy as the guiding policy for managing risks related to wholesale energy, ancillary services, renewable energy credits, and greenhouse gas offsets within the City Light Department; and superseding Resolution 31616.

Attachments: [Att 1 - Wholesale Energy Risk Management Policy](#)

Supporting

Documents: [Summary and Fiscal Note](#)

[Presentation \(7/15/24\)](#)

[Central Staff Memo \(8/16/2024\)](#)

[Presentation \(8/16/2024\)](#)

**Briefing, Discussion, and Possible Vote**

**Presenters:** Kristy Grainger, Siobhan Doherty, and Raman Vishwanathan, Seattle City Light; Eric McConaghy, Council Central Staff

3. [CB 120840](#) **AN ORDINANCE relating to the City Light Department; amending Section 21.49.100 of the Seattle Municipal Code to authorize electric vehicle charging stations to submeter electricity.**

Supporting

Documents: [Summary and Fiscal Note](#)

[Presentation](#)

**Briefing, Discussion, and Possible Vote**

**Presenters:** Jacob Orenberg, Craig Smith, Angela Song, and David Logsdon, Seattle City Light

## E. Adjournment



Legislation Text

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**File #:** Res 32139, **Version:** 1

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**CITY OF SEATTLE**

**RESOLUTION \_\_\_\_\_**

A RESOLUTION related to the City Light Department, adopting a 2025-2030 Strategic Plan Update for the City Light Department and endorsing the associated six-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 generally 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, City Light continues the two-year update planning cycle and is delivering an update with the 2025 -2030 Strategic Plan Update (Attachment 1 to this resolution); and

WHEREAS, City Light’s rates and revenue requirement are governed by financial policies adopted in Resolution 31187; and

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

WHEREAS, since 2013 the Review Panel has reviewed City Light’s progress in carrying out the Strategic Plan

on a quarterly basis and has also reviewed the Utility's proposed changes for the 2025-2030 Strategic Plan Update; and

WHEREAS, in 2023 the Review Panel endorsed a new City Light Debt Strategy (Attachment 2 to this resolution), which establishes targets and guidelines to supplement the financial policies adopted in Resolution 31187; and

WHEREAS, the Strategic Plan is foundational to the development of City Light's budget and establishing a six-year rate path that supports budgeted programs and activities; and

WHEREAS, City Light conducted extensive outreach regarding the Strategic Plan, with customer and stakeholder group meetings, customer surveys, and employee engagement groups; and

WHEREAS, the resulting 2025-2030 Strategic Plan Update, which includes a six-year rate path, is a framework of strategies that respond to industry challenges, effect organizational change, promote diversity and inclusion, and further the Mayor's Vision for Seattle. The 2025-2030 Strategic Plan Update expands on the five business strategies included in the 2023-2028 Strategic Plan adopted in 2022. The five business strategies are: 1) Improve the Customer Experience, 2) Create our Energy Future, 3) Develop Workforce and Organizational Agility, 4) Ensure Financial Health and Affordability, and 5) We Power, which highlights our core mission of providing customers with affordable, reliable, and environmentally responsible energy services; and

WHEREAS, the Review Panel, in its letter dated May 20, 2024 (Attachment 3 to this resolution), supports the Strategic Plan Update and associated rate path. The Review Panel has identified several challenges facing City Light in the next few years, including growing customer demand from building and transportation electrification resulting in an increased need to find cost-effective clean energy resources, a backlog in service connections, a labor market in which it is difficult to attract employees without the ability to offer competitive salaries, and the need to maintain the large capital infrastructure. The Review Panel believes that City Light is well positioned, but still faces future challenges as noted; and

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

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

Section 1. The City Council adopts City Light’s 2025-2030 Strategic Plan Update (the “Strategic Plan”), a copy of which is attached to this resolution as Attachment 1 and incorporated by reference.

Section 2. To achieve the goals of the Strategic Plan and Debt Strategy, the annual rate increases for the six years shown below are endorsed:

2025	2026	2027	2028	2029	2030
5.4%	5.4%	5.0%	5.0%	5.0%	5.0%

Adopted by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2024, and signed by me in open session in authentication of its adoption this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_

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

The Mayor concurred the \_\_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_

Bruce A. Harrell, Mayor

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_  
Scheereen Dedman, City Clerk

(Seal)

**Attachments:**

Attachment 1 - Seattle City Light 2025-2030 Strategic Plan Update

Attachment 2 - 2023 City Light Debt Strategy

Attachment 3 - City Light Review Panel Comment Letter on Proposed  
2025-2030 Seattle City Light Strategic Plan Update





# POWERING AHEAD

STRATEGIC PLAN UPDATE 2025-2030



# MESSAGE FROM THE GENERAL MANAGER



The energy landscape is rapidly transforming, presenting monumental challenges for the public utilities sector. We are facing rising wholesale energy prices, more frequent extreme weather events caused by climate change, and the impacts of low-water flow on our hydroelectric generation capacity.

At the same time, customer demand is escalating quickly. Retail demand from building electrification is growing three times faster than we projected in 2022 and transportation electrification demand has increased 70% above 2022 estimates. In a matter of years, demand will outpace energy savings from efficiency.

Seattle City Light, a leader in clean energy and environmental stewardship, is primed to meet these challenges, and the Strategic Plan is our guide. It keeps us pointed toward our long-term goals, helps us navigate uncertainties, and reinforces our commitment to deliver affordable, reliable, and environmentally responsible energy services.

We develop a full strategic plan every six years and update it every two years to incorporate input from City Light’s Review Panel, customers, and stakeholders, adjust for new forecasts, and report our progress.

This 2025–2030 Strategic Plan Update reflects what we’ve learned since 2022 and reiterates our commitment to developing our workforce; identifying cost-saving opportunities; investing in infrastructure; incorporating new technologies; and enhancing cyber security. It also includes bold initiatives to meet the challenges ahead, like technology expansions that integrate renewable energy and demand response programs to reduce strain on the grid.

Like many public power utilities, City Light is undergoing an expansive—and expensive—transformation. This Strategic Plan Update calls for rate increases to produce enough revenue to cover rising costs. As a not-for-profit utility, we work hard to keep rates affordable. We also offer utility assistance programs for customers with limited incomes.

I am honored to lead City Light and to share this Strategic Plan Update with you. With this plan we will continue to power our region and build a more equitable and sustainable future, while maintaining the flexibility to adapt in an evolving energy landscape.



**Dawn Lindell**  
General Manager/CEO  
Seattle City Light

# MISSION, VISION, AND VALUES

Our mission, vision, and values help to define and guide who we are, where we are going, and what is most important to focus on in the work we do every day.

## 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.

# ACCOMPLISHMENT HIGHLIGHTS

City Light continues to make significant progress on its strategic priorities. Below are key accomplishments that highlight just a few of the ways we have supported our customers and community, invested in our people and processes, managed our resources wisely, and built a strong energy future.

## Spent \$12+ Million to Assist Customers Who Struggled to Pay Bills

City Light remains committed to helping customers who are facing financial challenges. In 2022, we distributed \$9,756,600 in state pandemic funds to 16,990 customers to help reduce past-due balances. We also distributed \$1,056,200 through our Emergency Bill Assistance program and \$2,706,400 in Low-Income Home Energy Assistance Program funds. In 2023, we allocated another \$880,000 in state funds to help low- and moderate-income residential customers who were receiving help from utility bill assistance programs.

Additionally, as part of our shared commitment to meeting customers' needs, we partnered with Seattle Public Utilities to launch a newly designed online application process for the City of Seattle Utility Discount Program called the Utility Assistance Program. Consolidating three separate applications into one created a simplified approach that provides customers with a more straightforward process and a better user experience.

## Gave Customers New Tools to Understand and Manage Their Energy Use

City Light has continued to roll out enhancements to our Utility Services Website since it was introduced in 2020. Most recently, we have made daily electricity usage data available, giving customers the information they need to understand their household energy use and make decisions for cost-saving energy adjustments.

## Collaborated with Partners to Steward the Skagit River Watershed and Plan for the Future of the Skagit Hydroelectric Project

City Light's Skagit River Hydroelectric Project is a series of three dams that make up 20% of our power portfolio. In April 2023, we submitted a final license application to the Federal Energy Regulatory Commission detailing plans to operate the Skagit River Hydroelectric Project for the next 50 years. The final license application is a significant milestone and represents years of collaboration among Treaty Tribes, Canadian First Nations, federal and state regulatory bodies, environmental groups, and nearby communities. The application is a complete and comprehensive plan that balances the need for renewable energy with the need to respect Tribal interests and be good stewards of the ecosystem.

# ACCOMPLISHMENT HIGHLIGHTS



## Advanced Transportation Electrification

The electrification of transportation is key to reducing carbon emissions and combating climate change. In 2023, we launched incentive programs and technical support for businesses transitioning to electric fleets and multifamily customers looking to install EV chargers at their properties.

We have completed our pilot program to install 131 Multifamily Level 2 EV chargers and 31 curbside charging stations at neighborhood locations across the city. We also joined statewide partners in unveiling the first electric bus in the Amtrak National Network.

## Supported Green Energy in the Community

In 2023, City Light invested \$785,000 in renewable energy credits through the Green Up Community program, which incentivizes the installation of new rooftop solar energy hosted by affordable housing, local nonprofits, and public entities. The goal is to help them reduce operating costs, allowing them to focus on their respective missions to provide quality services to meet the needs of our community. Green Up is funded by a voluntary renewable energy credit (REC) purchasing program in partnership with the Washington State Housing Finance Commission's (WSHFC) Sustainable Energy Trust.

## Refined Our Wildfire Risk Reduction Strategy

Climate change is making wildfires more frequent and intense. To address the escalating challenge of wildfire, we refined our Wildfire Risk Reduction Strategy. Released in August 2023, the strategy prioritizes minimizing potential damage through risk reduction plans that deter wildfire occurrences while ensuring we are prepared to respond effectively and recover quickly when fires occur. We applied the strategy during the 2023 Sourdough Fire near our Skagit Hydroelectric Project facilities to maintain operations and monitor infrastructure so that customers experienced little to no impact from the fire.

## Improved the Customer Experience

City Light is committed to improving the customer experience. In 2022 and 2023, City Light secured the highest business customer satisfaction index score among midsize electric utilities in the Western United States in the J.D. Power 2023 Electric Utility Business Customer Satisfaction Study<sup>SM</sup>.



## Expanded the Energy Heroes Program

During the 2022–2023 school year, we expanded our Energy Heroes program. We taught more than 2,000 students at 17 schools in our service area about electrical safety, energy conservation, and all things renewable. We also completed a pilot for a new high school workshop on electrification and equity. Since 2008, Seattle City Light has provided the Energy Heroes educational program to classrooms across our service area. We've been hard at work helping students learn the ins and outs of electrical safety, energy conservation, renewable energy, and more.

## Welcomed a New Tenant to the Denny Substation

In late 2023, we celebrated the opening of a newly designed and built-out section of the Denny Substation in South Lake Union. YouthCare, a nonprofit youth homelessness services provider, will use the space to provide education and workforce development services for young people experiencing homelessness.

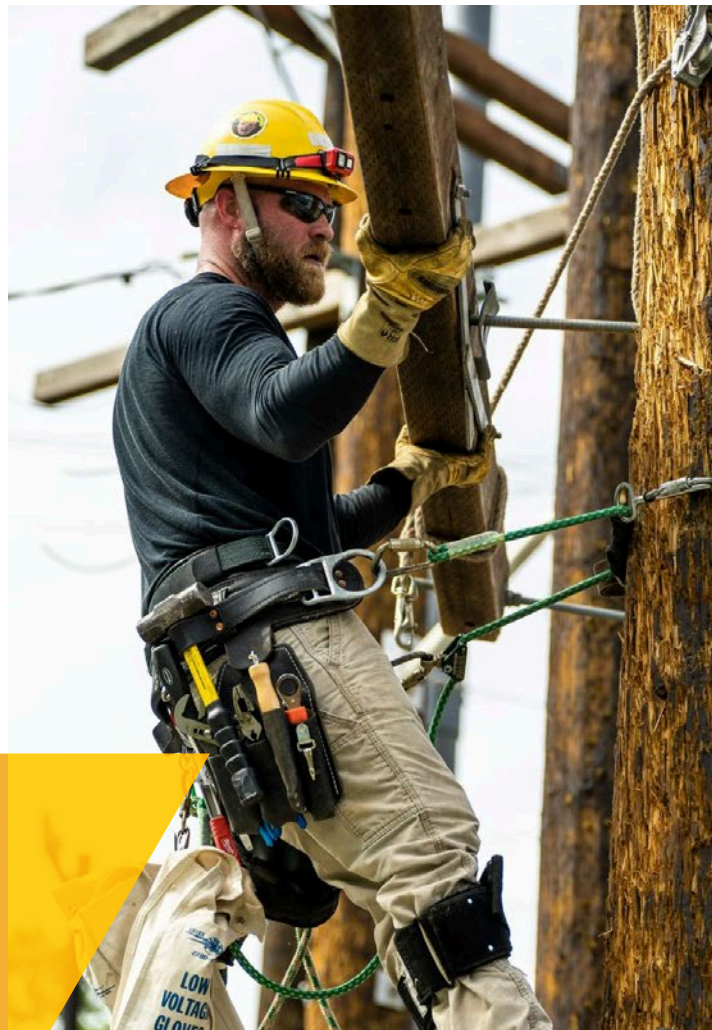
## Expanded Access to Recreational Opportunities

In the summer of 2023 we opened two new overlook areas in northern Pend Oreille County, home to City Light's Boundary Dam Hydroelectric Project. The Peewee Falls and Riverside Canyon overlooks make breathtaking views accessible to the public with new restroom facilities, picnic tables, ample parking, and gravel walking trails with easy grades. Future improvements will include the completion of a trail that links the two new overlooks, which has been officially named *słqqaxs č čaxíwłk*<sup>SM</sup> (the Salmon Passage Trail) in consultation with the Kalispel Tribe of Indians.

## Gave Back to the Community

City Light's employee-led fundraising efforts brought in thousands of dollars to support important community causes. Our annual Toys for Tots holiday drive brought in a record \$11,000 and filled 91 bags with toys—our most successful toy drive to date.

# STRATEGIC PRIORITIES



Our strategic priorities support our mission, vision, and values and reinforce our commitment to operational excellence and customer service. While our business strategies remain unchanged from the previous update, the way we define success has evolved. As we plan for the future of providing customers with affordable, reliable, and environmentally responsible energy services, we are focusing on outcomes—why we do what we do. The sections that follow describe the outcomes City Light aims to reach in the coming years along with examples of our work in each area.

- 1 Improve the Customer Experience**
- 2 Create Our Energy Future**
- 3 Develop Workforce & Organizational Agility**
- 4 Ensure Financial Health & Affordability**
- 5 We Power**

# 1 IMPROVE THE CUSTOMER EXPERIENCE

We prioritize our customers and strive to tailor our services to meet their needs and exceed expectations. That's why we're investing in improvements that will make our services more accessible and provide more options. Whether we're enhancing our programs or introducing new ones, our goal is to better serve our customers. Our work in this area strives to deliver the following outcomes:

## Deliver Programs Aligned with Customer Priorities

City Light is focused on enhancing our understanding of customers' needs so we can offer products and services that make a difference in their lives.



### Initiative Highlight: Customer Insights

We are enhancing our Voice of the Customer program by expanding and improving our data collection to deepen our understanding of customer preferences and inform our work. We are also increasing internal engagement with the program through briefings, workshops, and feedback opportunities, ensuring employees have the information necessary to design and deliver services and programs that match customers' needs.

## Decrease Unplanned Outages in Service Areas That Experience Above-Average Outage Rates

Some regions of City Light's service area experience above-average power outages. We are committed to changing that.



### Initiative Highlight: Outage Management System

We are updating our Outage Management System, including increasing our capacity to collect and analyze outage data. This will improve our awareness of the health of our power grid and help us identify and respond to outage trends.

## Provide More Predictable Service Connection Timelines

City Light is committed to providing customers awaiting service connections with timelines that allow them to plan accordingly.



### Initiative Highlight: Service to Bill

City Light's Service to Bill program uses data from a comparative study of peer utilities to inform our Residential Electric Service Connection timelines strategy. We are also continuing our work to better communicate service delivery expectations and create a more transparent application process, and we are exploring ways for customers to request early design guidance before starting a project or submitting an application.

# 2 CREATE OUR ENERGY FUTURE

The future of energy is arriving ahead of schedule and is dramatically impacting the energy landscape. Disruptive forces have accelerated, and we must be prepared to address climate change, a shift from using fossil fuels to clean electricity, and an increase in electricity demand from electric vehicles and building standards. These changes impact our infrastructure from generation to how we connect to your home or business. We are improving our systems and infrastructure to meet our capacity needs now and in the future. Our work in this area strives to deliver the following outcomes:

## Secure a Diverse Mix of Long-Term Energy Resources to Meet Growing Demand

We aim to have enough different energy sources to keep up with growing needs and future growth. This will help people make the switch to electricity for transportation and buildings. We are preparing with the help of long-term planning and trying new ideas like demand response.

## Support Customer Adoption of Transportation and Building Electrification

Making the switch to electricity for transportation and buildings will be a tremendous change. We are committed to equitably supporting all customers, big and small, in their decarbonization efforts.

## Improve Energy Delivery Infrastructure to Meet Current and Future Capacity Needs

Creating our energy future depends on ensuring our infrastructure can meet evolving needs. Our grid must support a two-way flow of electricity as well as increased demand from electrification and severe weather events.



**Initiative Highlight: Long-term Energy Portfolio**

City Light is considering a broad set of resources to incorporate into our resource portfolio, including different types of storage technologies, geothermal, solar, and onshore and offshore wind. The Integrated Resource Plan will inform future acquisition of new electric generation or storage projects.



**Initiative Highlight: Transportation Electrification**

Our Transportation Electrification work offers customer programs that provide technical support, as well as charger incentives. City Light also owns and operates public chargers for our customers and aims to bring community-focused projects to residents.



**Initiative Highlight: Grid Modernization**

As our world and environment change, the grid must keep up. We will ensure the grid is reliable, resilient to impacts from climate change, and secure from cyberattacks by updating grid infrastructure, integrating renewable energy resources, and accommodating new technologies.



# 3 DEVELOP WORKFORCE & ORGANIZATIONAL AGILITY

As our industry and customers rapidly change, we must invest in our people and processes to enable them to respond, adapt, and thrive. We are creating a flexible and responsive organization by focusing on change management, training, and new technology. Our efforts aim to attract, train, and keep talented staff. We want to see higher employee engagement, more career opportunities, and staffing that supports our organizational priorities. Outcomes of our work in this area will include:

## Increase Employee Engagement

We're focused on increasing employee satisfaction across the organization. We will use our employee survey to identify ways to support employees and managers through the many changes to our work.



### Initiative Highlight: Organizational Change Management

City Light is creating a Change Management Community of Practice to provide opportunities for continuous learning, knowledge sharing, and collaboration in support of a more engaged and motivated workforce. We aim for this initiative to spark creative solutions and foster a culture of innovation that benefits the entire organization.

## Provide Opportunities for Career Mobility

We're focused on supporting our employees at every stage in their career, ensuring they have the tools and resources they need to explore opportunities and take on new roles.



### Initiative Highlight: Performance Development

City Light's performance development work will provide managers with the performance tools and resources needed to help employees achieve their career goals within the organization. We aim to foster an environment where employees can flourish in their current role, while preparing them for future career exploration and growth within the utility.

## Prioritize Our Work and Staff It Accordingly

Our recruitment strategy, particularly in trades, will help us ensure we have the right people to help us perform our work and deliver essential services.



### Initiative Highlight: Attract, Train, and Retain

City Light will develop a comprehensive talent recruitment, training, and retention strategy to help the organization become a top choice for prospective employees and align our hiring practices with emerging market and talent trends. This work will include assessing the utility's staffing needs, forecasting hiring trends, and designing data-driven recruitment strategies.

# 4

## ENSURE FINANCIAL HEALTH AND AFFORDABILITY

Financial stability is crucial to our future. It allows us to create innovative energy solutions, invest in critical infrastructure, and keep our rates affordable. We are dedicated to supporting long-term affordability in Seattle. This means having rates that are understandable and fair for everyone, especially those who are more vulnerable. We are committed to setting rates in a way that is sustainable and predictable over time. We're also offering new pricing options to help people manage their energy costs better. Our outcomes in this area include:

### Reduce Volatility in Power Supply Costs

To reduce volatility in power costs and improve rate stability for customers, we will adapt our internal risk, forecasting, monitoring, and contracting practices to respond to changes in the wholesale power market.



#### Initiative Highlight: Market Risk Management

Increasingly severe weather events, growing demand, and the region's changing energy supply mix make markets more dynamic and increase City Light's financial risk. We will update our power marketing practices to mitigate risks and optimize the value of our resource portfolio. We will also pursue participation in new markets, allowing us to efficiently use our power generation and transmission assets to integrate new green resources like wind and solar.

### Allocate Resources to Balance Growing Energy Costs and Customer Expectations

Adjusting our resourcing strategies to better match customer priorities is a win-win. For example, time-of-use pricing rewards customers who use electricity when power is cheaper and demand is lower, with lower rates. Customers enjoy cost savings, and we all benefit from reduced strain on the electric grid.



#### Initiative Highlight: Renewable Plus

City Light's Renewable Plus program will offer large customers a "bundled" renewable energy product—solar/wind energy (kWh) along with the associated Renewable Energy Certificates—to help meet their sustainability and climate goals. The program will include new solar resources located in the Pacific Northwest, with an online target date of 2025. Customers will sign 15-year Participation Agreements and will receive the bundled product once projects are complete and generating power.

### Limit Energy Burden on Customers

Lastly, we'll continue supporting and improving programs that help ensure customers can afford their utility bills and get assistance when they need it.



**What is "Energy Burden"?** The share of annual household income used to pay annual home energy bills. A household that pays 6% or more of its income on energy costs is considered a high energy burden household. City Light is committed to ensuring a low energy burden and that all customers have access to clean, affordable electricity no matter their financial circumstances.

#### Initiative Highlight: Utility Assistance Programs

Upon completion of a comprehensive evaluation of the City of Seattle's Utility Assistance Programs, City Light will begin implementation of program redesign initiatives aimed at re-centering customer needs in our income-qualified service offerings. This includes intentional and systematic changes to eliminate barriers of access to programs, increase enrollment and retention of eligible customers, and drive down customer energy burden to help customers keep current on their utility bills.

# 5 WE POWER

“We Power” refers to our core mission as a utility—to provide affordable, reliable, and environmentally responsible energy services to our customers. This drives everything we do, and our values guide us in achieving this goal. Our commitment to our core business operations and delivering value to our customers includes: providing the energy services our customers need by taking care of our key assets and infrastructure; prioritizing diversity, equity, and inclusion; and managing and mitigating the challenges, risks, and uncertainties of a changing world. City Light’s “We Power” outcomes include the following:

## Enhance Our Response to the Environmental Impacts of Climate Change

We’re implementing initiatives to ensure we continue to have a reliable power supply in a changing environment.



### Initiative Highlight: Wildfire Reduction and Mitigation Strategy

We are committed to reducing wildfire risks by implementing City Light’s Wildfire Risk Reduction Strategy. The strategy, completed in 2023, addresses the potential for our assets and infrastructure to cause wildfires and be impacted by them. Key elements include risk assessment and mitigation, including actions such as grid hardening and vegetation management; emergency management to monitor for high-risk weather conditions; stakeholder engagement; coordination with emergency management agencies and municipalities; and governance and accountability.

## Efficiently Manage Operations to Comply with Expanding Regulations

As we plan for the future of providing affordable, reliable, and environmentally responsible energy services, we commit to meeting regulatory obligations such as dam safety and emissions requirements.



### Initiative Highlight: Emissions Regulation Compliance

City Light must comply with a variety of local, state, and federal policies related to climate change and greenhouse gas emissions. We will manage compliance as a holistic program to help ensure the reduction of City Light’s greenhouse gas emissions, minimize compliance costs, optimize our portfolio of resources, and capitalize on opportunities.

## Enhance Technology and Cyber Security to Adapt to the Rapidly Evolving Energy Landscape

We are investing in technology and cyber infrastructure enhancements to ensure we continue to be responsive and resilient to the challenges presented by a changing energy landscape.



### Initiative Highlight: Distributed Energy Resource Management System

City Light’s Distributed Energy Resource Management System is an essential technology for establishing a grid that supports the two-way exchange of energy between the utility and our customers. This will allow us to manage the operation of distributed energy resources such as solar panels, wind turbines, and energy storage systems—all key to decarbonizing the energy sector. It will also manage the charging and discharging of electric vehicles and other energy storage systems, supporting both vehicle and building electrification and enhancing grid stability.

# FINANCIAL REQUIREMENTS & RATE PATH

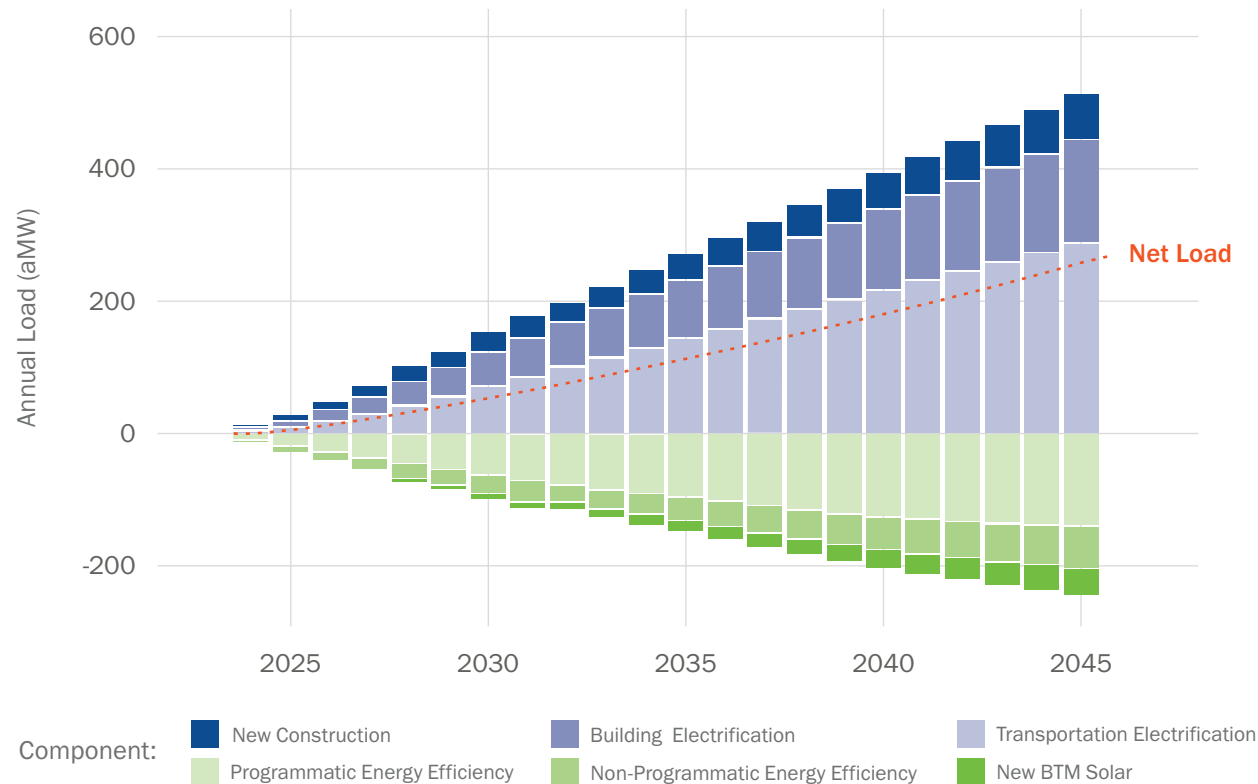
Seattle City Light's revenue requirements and rates are expected to increase as the projected pace of electrification intensifies.

## Factors Impacting Rates

City Light's cost to provide reliable service is increasing due to growing customer demand spurred by building and transportation electrification; securing additional power resources to meet growing load and to ensure reliability; anticipating costs associated with relicensing the Skagit Hydroelectric Project; and incorporating wage and materials inflation.

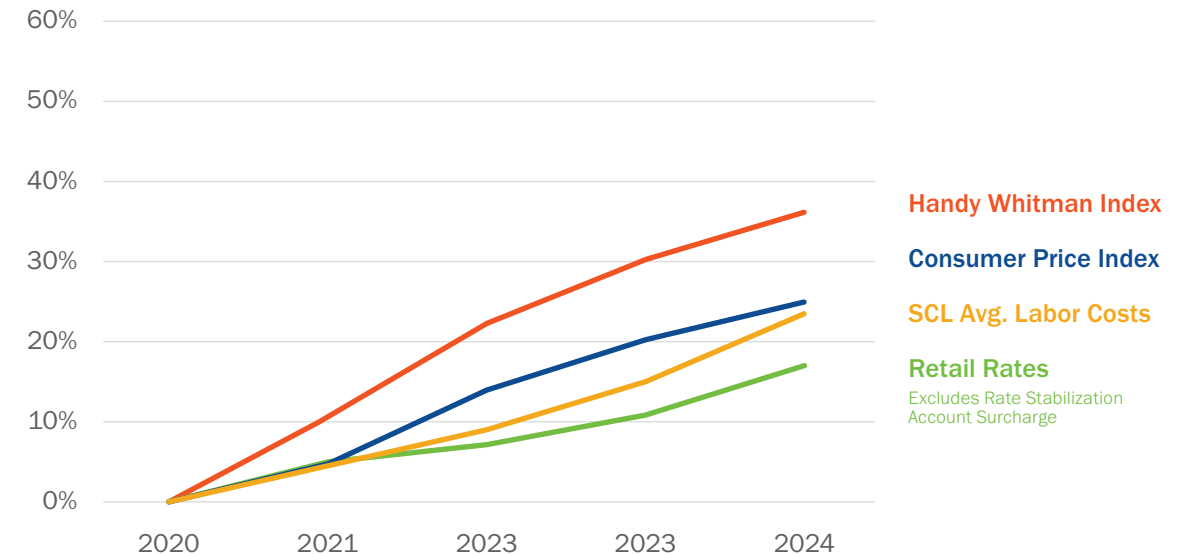
## Load Growth

This chart shows the drivers that pushing retail load up or down compared to 2023 levels. Electrification of buildings and transportation is expected to drive significant load growth in the coming years.



## Cumulative Rate Increases and Inflation

Retail rates have not kept pace with increasing costs for labor and materials, particularly in the energy industry.



## Cost Management Savings

City Light recognizes the challenges rate increases present to our customers and community, and we continue to identify cost savings and cost avoidance opportunities wherever possible. For example, City Light's Hiring Advisory Team evaluates every position request, including backfills for existing positions, to ensure the utility uses each position for the best, highest purpose. The utility's Capital Governance & Oversight Committee performs a similar function for City Light's Capital Improvement Program.

## Rate Path

As a public utility, City Light operates to benefit the public – you are our shareholders. This means we spend ratepayer money carefully and we drive down costs through prudent management. While we remain committed to managing costs, we cannot meet the increasing financial pressures of higher power costs, electrification, and the impact of new regulatory requirements without also raising rates.

This Strategic Plan Update results in a rate path of 5.4% increases annually for the first two years and 5% annually for the remaining four years.

2025	2026	2027	2028	2029	2030
5.4%	5.4%	5.0%	5.0%	5.0%	5.0%

## Bill Impact

For 2025 and 2026, the 5.4% percent increase translates to about \$4.88 a month for a typical residential bill or \$1.95 a month for a typical residential Utility Discount Program (UDP) bill.

CUSTOMER BILL IMPACT EXAMPLES	Monthly Bill 2024	Monthly Increase					AVG	
		2025	2026	2027	2028	2029		2030
Residential (630 kWh/month)	\$87.99	\$4.75	\$5.01	\$4.89	\$5.13	\$5.39	\$5.66	\$5.14
Residential - UDP (60% Discount)	\$35.20	\$1.90	\$2.00	\$1.96	\$2.05	\$2.16	\$2.26	\$2.06
Small Commercial (Car Wash)	\$515	\$28	\$29	\$29	\$30	\$32	\$33	\$30
Medium Commercial (Retail Store)	\$8,298	\$448	\$472	\$461	\$484	\$508	\$534	\$484
Large Industrial (Cement)	\$27,060	\$1,461	\$1,540	\$1,503	\$1,578	\$1,657	\$1,740	\$1,580
Large Commercial (Hospital)	\$105,206	\$5,681	\$5,988	\$5,844	\$6,136	\$6,443	\$6,765	\$6,143
Large Commercial (Education)	\$2,311,844	\$124,840	\$131,581	\$128,413	\$134,834	\$141,576	\$148,654	\$134,983

## Affordability

Access to affordable electricity for everyone is our goal. As a community-based electric utility, rates include funding for income-based bill discount programs, emergency bill repayment resources, and outreach to historically excluded communities, so all customers can access help when they need it.



# REVIEW PANEL

The Seattle City Light Review Panel is comprised of nine members drawn from among City Light’s customers and stakeholders, to review and assess City Light’s strategic plan and provide an opinion on the merits of the plan and future revisions to it to the Mayor and the City Council.

**Timothy Skeel**  
Consultant, Economics and Asset Management  
Position 1: Economist

**John Putz**  
Senior Strategist, The Energy Authority  
Position 2: Financial Analyst

**Kerry Meade**  
Executive Director, Building Potential  
Position 3: Nonprofit Energy Efficiency Advocate

**Leo Lam**  
Chief Executive Officer, WEVE Design  
Position 4: Residential Customer Representative

**Mikel Hansen**  
Chief Operating Officer, Sabey Corporation  
Position 5: Commercial Customer Representative

**Amy Altchuler**  
Director of Sustainability, First Mode  
Position 6: Industrial Customer Representative

**Oksana Savolyuk**  
Energy Program Director, Multi Service Center  
Position 7: Low-Income Customer Representative

**Di Do**  
Vice President of Marketing & Communications, NorthStar Energy  
Position 8: At-Large Customer Representative

**Joel Paisner**  
Partner, Ascent Law Partners, LLP  
Position 9: Suburban Franchise Representative

# APPENDICES

[Financial Forecast](#)   [Outreach Summary](#)

Visit the [Seattle City Light Strategic Plan website](#) to learn more. ▶



**Seattle City Light**

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# 2025-2030 Strategic Plan Update 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, the 2023-2028 Strategic Plan Update, and the 2025-2030 Strategic Plan Update. Outreach efforts for the new six-year Strategic Plan began in early 2020, when the intent was to publish a plan in 2021 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 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 six-year 2022-2026 Strategic Plan to community groups and hosted a virtual town hall open to the public. We created a 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.

For the 2025-2030 Strategic Plan Update, City Light engaged with over 130 customers and stakeholders. We continue to build on previous outreach efforts. As some of the business strategies and programs identified in the 2022-2026 Strategic Plan and 2023-2028 Strategic Plan Update are multi-year efforts, we continue to reference the feedback we received earlier to inform planning and implementation for 2024 and beyond. City Light plans to continue discussions with customers and stakeholder groups to inform program plans going forward. The outreach efforts we initiated for the 2022-2026 Strategic Plan are leading to ongoing, mutually beneficial relationships with community-based organizations and stakeholders as we continue moving forward over the next six years.

## **Outreach Methods**

### *Residential Customer Satisfaction Survey*

In October 2023, the Seattle City Light Residential Customer Satisfaction Survey was conducted using both phone and text-to-online formats. City Light provided the research consultant with a list of 462,304 customers, from which a random representative group of respondents were contacted via home phone (to take the survey over the phone) or via cell phone (sent a text with a link to take the survey online). The random-sample format was conducted from October 5-12, 2023. The sample size was 620 residential customers.

An overwhelming majority (81%) of residential customers are satisfied with the overall service they receive from City Light (54% very satisfied and 27% somewhat satisfied). Reliability of service is the main reason most customers are satisfied. A majority of customers rate City Light positively for almost every service area tested (providing reliable service, being responsive and friendly, having affordable rates, keeping customers informed, providing clean power, helping reduce energy use, and being active in the community).

Of the 17% of residential customers who are not satisfied, they reported that cost is the primary concern. Outages, billing issues, and customer service are second-tier concerns.

Customers continue to rank providing carbon-free power as their highest priority. Providing quality customer service, keeping customers informed about changes that can affect them, and helping customers manage their energy use continue to be the second-tier priorities for most residential customers.

The survey results show that customers are most likely to interact with City Light first via website (to pay their bill online or to find information) and second by phone. Most customers are satisfied with getting answers to their questions and service needs resolved, regardless of which method of communication is used.

Customers are more aware of programs for billing and payment assistance than programs to help save energy, money, and the environment. Lack of awareness of these programs is higher among People of Color and residents that are new to the Seattle area.

Customers in every demographic group have positive perceptions of solar, wind, and hydropower energy from dams.



### *Community Engagement with Seattle Environmental Justice Communities Report*

In 2023, Kambo Energy Group, a social enterprise company that designs and delivers turn-key energy solutions for environmental justice communities on behalf of utilities, interviewed and engaged with over a dozen influential community leaders from environmental justice communities across the greater Seattle region. Community leaders were largely concerned with affordability. The Kambo report demonstrates that City Light customers need support to understand their bills. Households need help understanding their bills, especially when the bill is high. City Light has an opportunity to improve messaging and communications to help customers understand their bills. Community-based organizations often provide assistance to help households navigate systems and pay their bills online.

It was further highlighted that the Utility Discount Program (UDP) has inherent barriers that prevent residents from participating. Community-based organizations (CBOs) that offer UDP support can build awareness and support the households they work with to participate in the program, however, leaders shared concerns that households who are not connected to these CBOs can't access UDP, either because they do not know about the program or because they do not have the digital and literacy skills needed to apply.

### *Clean Energy Future Survey*

The Clean Energy Transformation Act (CETA) commits Washington to an electricity supply free of greenhouse gas emissions by 2045. Clean electricity will allow Washington residents and businesses to power their buildings and homes, vehicles, and appliances with carbon free resources, such as wind and solar. Reductions in fossil fuel use will improve the health of communities, grow the economy, create family-sustaining jobs, and enable the state to achieve its long-term climate goals.

The law provides safeguards to maintain affordable rates and reliable service. It also requires an equitable distribution of the benefits from the transition to clean energy for all utility customers and adds and expands energy assistance programs for income-eligible customers.

In August 2021, Seattle City Light sent out a Clean Energy Future survey to 180,000 residential customers via email. The total number of responses that City Light received was 4,522. The survey questions were informed by CETA equity indicators as well as other utility-wide initiatives including the Transportation Electrification Strategic Investment Plan, the Clean Energy Implementation Plan, the Integrated Resource Plan, and the 2022-2026 Strategic Plan that had been recently adopted.

A vast majority of respondents were concerned about climate change. All demographics listed reducing climate change impacts, reducing reliance on fossil fuels, and reducing environmental impacts as the three most important benefits of achieving 100% clean energy by 2045. The main concerns with achieving 100% clean energy were a mixture of four responses: bill increases, negative impacts of clean energy technology, reliability of service, and construction impacts. More than 80% of respondents believe that City Light's power supply is less than 90% renewable and 41% of respondents believe less than 50% is renewable.

When asked about transportation, more than half of respondents listed a personal vehicle as their main form of transportation. Low-income customers and renters are the most likely to use public transportation. The main concerns when choosing transportation were a mix between ease of access to home/work, commute time, options to reach destination, and cost.

When asked how comfortable respondents were in transitioning to all electric in their daily life (electric cooking, electric heat, electric vehicle, etc.), more than half responded with 'very comfortable', and about a quarter responded somewhat comfortable. Renters are the most comfortable transitioning to all electric in their daily lives.

### *Customer Experience Outreach*

City Light has continued to engage with customers to understand the barriers they face when interacting with the utility. A core commitment for the 2022-2026 Strategic Plan and 2023-2028 Strategic Plan Update was to improve the customer experience. This cannot be done without working directly with our customers to understand the challenges they face when interacting with City Light.

In 2022, City Light, Seattle Public Utilities (SPU), Human Services Department (HSD), and Seattle IT launched a new Utility Assistance Programs online application process. This online application provides access to City Light and SPU emergency assistance programs for residential customers. The online, automated system provides a single, streamlined process for all customer assistance programs. This is one way we can continue to improve the customer experience.

Efforts are underway to modernize and improve the customer journey by making the Utility Discount Program more accessible for income-eligible customers. City Light and SPU continue to add new features to the Utility Services Website to enhance self-serve options and the overall customer service experience.

## Stakeholder Meetings

City Light presented at two annual forums and contacted four stakeholder groups offering an opportunity to hear more information about the 2025-2030 Strategic Plan Update. Stakeholder meetings were arranged for City Light leadership to provide an overview of the strategic priorities and answer questions. Over 130 individuals participated in these stakeholder meetings. City Light heard a variety of perspectives and gathered feedback about the strategies presented in the plan. A summary of the stakeholder meetings and key findings are presented on the following pages.

### Stakeholder Meetings

#### Summary of Meetings

Date	Stakeholder Group	Key Questions/Comments	Number of Attendees
October 25, 2023	Annual Key Customer Forum	<ul style="list-style-type: none"> <li>• High level of interest and concern about rate increase</li> <li>• Questions about how long it will take to refill the Rate Stabilization Account to \$100 million</li> <li>• Concerns and questions about how City Light is actively preparing to diversify generation resources to address climate change and future hydropower uncertainty</li> </ul>	51
October 30, 2023	Annual Franchise City Forum	<ul style="list-style-type: none"> <li>• Interest in more robust marketing for City Light programs that customers and businesses in the franchise cities can take advantage of</li> <li>• Question about network and non-network services</li> <li>• Questions about upcoming projects and what impacts may be to ratepayers</li> <li>• How to show customers benefits of electrification initiatives despite concerns and hesitation from the general public</li> </ul>	18
March 8, 2024	Community Action Agencies	<ul style="list-style-type: none"> <li>• Concerns about City Light rates</li> <li>• Look at energy burden more holistically</li> <li>• Re-evaluate utility assistance programs</li> <li>• Start a committee to work together to identify solutions for income-eligible customers</li> </ul>	7
March 18, 2024	NW Energy Coalition	<ul style="list-style-type: none"> <li>• Questions about how City Light plans to meet higher demand due to electrification</li> <li>• Questions about market power purchases and long-term planning for future resource needs</li> <li>• Questions about make-ready incentives for EV chargers</li> <li>• Questions about what City Light needs from the state legislature to help set policy</li> </ul>	31

Date	Stakeholder Group	Key Questions/Comments	Number of Attendees
March 26, 2024	Building Owner and Managers Association (BOMA)	<ul style="list-style-type: none"> <li>Concerns surrounding condition of existing, aging infrastructure</li> <li>Predictable service connection timelines and rate predictability is important</li> <li>Concern about load growth and City Light’s ability to respond</li> <li>Since downtown network rate is higher, customers would like to see accountability for what the higher rates are used for</li> <li>Interest in incentive programs to help businesses fund the move to electrification</li> </ul>	13
March 27, 2024	Franchise Cities	<ul style="list-style-type: none"> <li>Question about grid modernization</li> <li>Question about grid security</li> <li>Ensure adequate power that aligns with franchise city plans for development/redevelopment</li> <li>Adequate capacity for electrification, particularly support for electric vehicles</li> <li>Support delivery of franchise city capital projects</li> </ul>	11
<b>Total Attendees</b>			<b>131</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.

#### **Additional Programs and Interest in Solar**

According to the Clean Energy Future Survey, customers have interest in additional programs and education surrounding renewable energy, electric vehicles, and solar power. The top area of interest was the development of solar in our region, most notably solar incentives, residential solar, solar education, and community solar programs.

#### **Building Awareness of Utility Incentives**

Residential customers expressed interest in receiving personalized and educational messaging related to utility rebates and incentives. Overall, customers would like to learn more about incentives and receive information to help homeowners and renters save energy and adopt new energy technologies (such as electric vehicles and solar panels).

#### **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.

### *Employee Outreach*

In addition to public outreach, City Light leadership presented information about the 2025-2030 Strategic Plan Update to City Light managers and supervisors and to the City Light Employee Advisory Group. A Strategic Plan update was shared with employees in the internal employee newsletter and on the SCL Hub (City Light's internal employee website).

### **Conclusion and Next Steps**

Our outreach efforts have informed the development of the 2025-2030 Strategic Plan Update. Over the next six years, we will continue the conversations that we have started with community-based organizations, customers, and stakeholder groups. Some of the business strategies and programs identified in the 2025-2030 Strategic Plan Update will be multi-year efforts. We anticipate using the feedback we received from our outreach efforts to inform planning and implementation for 2024 and beyond.

## 2025-2030 Strategic Plan Update Financial Forecast

### EXECUTIVE SUMMARY

This document details the financial assumptions behind the rate path established by City Light’s 2025-2030 Strategic Plan Update (the “Plan”). The proposed rate path provides the revenue required to deliver the goals outlined in the Plan.

Average rates are derived by dividing the revenue requirement by retail sales. City Light’s revenue requirement is increasing around \$77 million (6.1%) per year and retail sales are growing by almost 1% per year.

### RATE INCREASE SUMMARY

	2024 <sup>1</sup>	2025	2026	2027	2028	2029	2030
Revenue Requirement, \$M	\$1,091	\$1,147	\$1,217	\$1,291	\$1,379	\$1,460	\$1,555
Annual Increase		5.1%	6.1%	6.0%	6.9%	5.8%	6.5%
Retail Sales GWh	9,099	9,075	9,134	9,225	9,388	9,463	9,602
Annual Change		-0.3%	0.6%	1.0%	1.8%	0.8%	1.5%
Average Rate, ¢/kWh	12.0	12.6	13.3	14.0	14.7	15.4	16.2
<b>Annual Increase (Rate Path)</b>		<b>5.4%</b>	<b>5.4%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>

<sup>1</sup>2024 values are current planning values using current consumption profiles and retail rates (RSA surcharge is excluded).

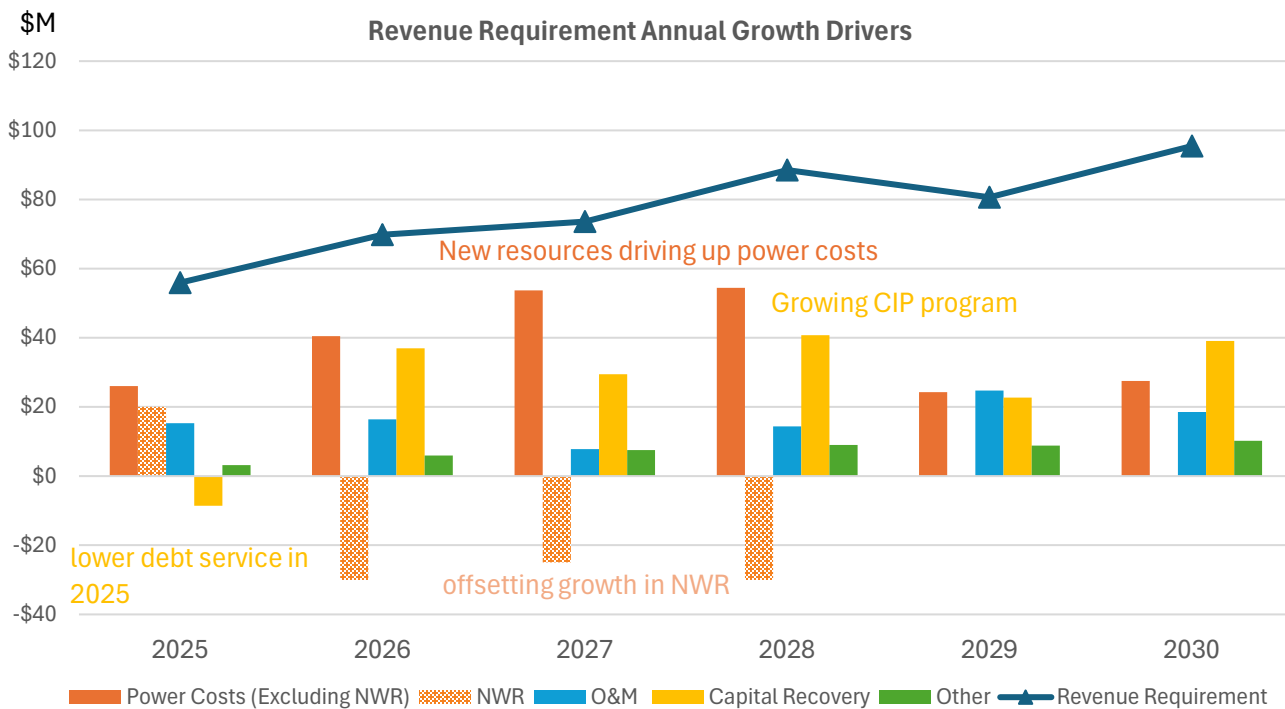
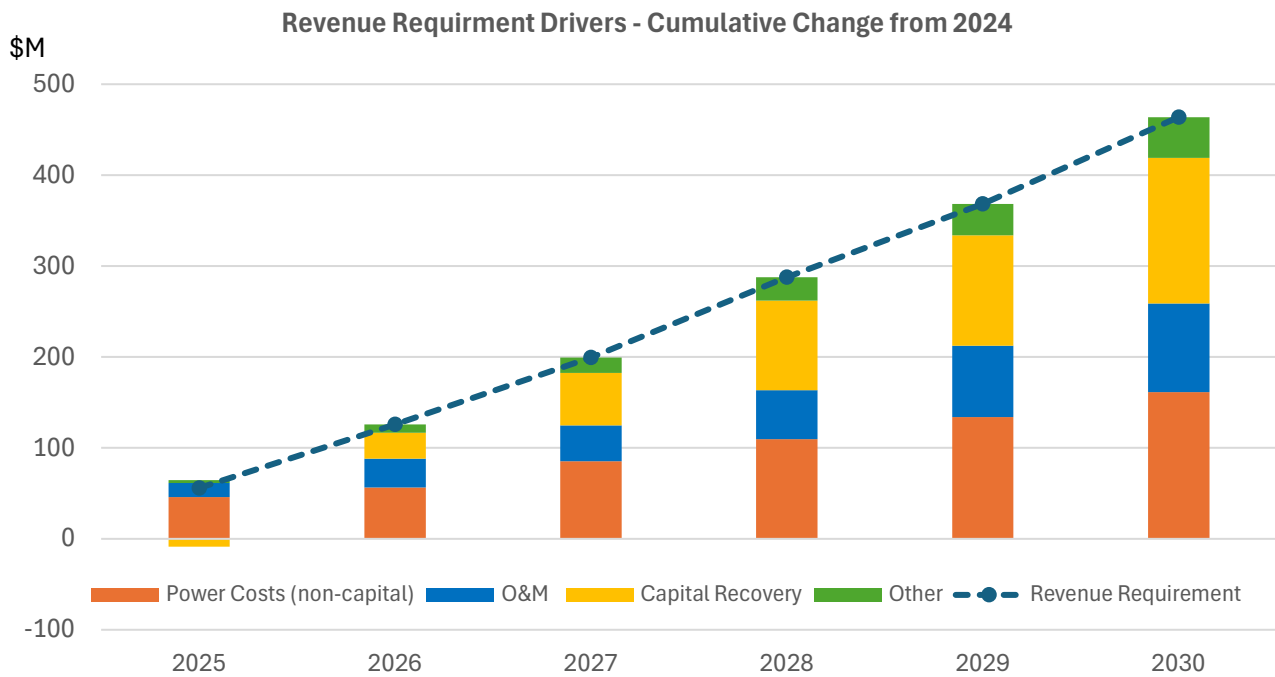
Below is a table of bill impacts assuming each customer receives the annual rate increase noted above and maintains a consistent level of consumption. These impacts are examples only and will change after the cost of service and rate design process is completed for each year. Customers who decrease their consumption through energy efficiency measures will experience smaller bill impacts. Monthly bills for a typical residential customer are expected to grow around \$5 every year, making the total annual increase around \$60 per year.

### CUSTOMER BILL IMPACT EXAMPLES

	Monthly Bill	Monthly Increase						
	2024	2025	2026	2027	2028	2029	2030	AVG
Residential (630 kWh/month)	\$87.99	\$4.75	\$5.01	\$4.89	\$5.13	\$5.39	\$5.66	\$5.14
Residential - UDP (60% Discount)	\$35.20	\$1.90	\$2.00	\$1.96	\$2.05	\$2.16	\$2.26	\$2.06
Small Commercial - Car Wash	\$515	\$28	\$29	\$29	\$30	\$32	\$33	\$30
Medium Commercial - Retail Store	\$8,298	\$448	\$472	\$461	\$484	\$508	\$534	\$484
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Large Commercial-Hospital	\$105,206	\$5,681	\$5,988	\$5,844	\$6,136	\$6,443	\$6,765	\$6,143
Large Commercial-Education	\$2,311,844	\$124,840	\$131,581	\$128,413	\$134,834	\$141,576	\$148,654	\$134,983

The below charts and table summarize City Light's revenue requirements for 2025-2030.

### REVENUE REQUIREMENT DRIVERS 2025-2030





### RETAIL REVENUE REQUIREMENT SUMMARY

	2024	2025	2026	2027	2028	2029	2030
<b>Revenue Requirement</b>	\$1,091	\$1,147	\$1,217	\$1,291	\$1,379	\$1,460	\$1,555
<b>Capital Recovery</b>							
Debt Service	\$246	\$241	\$252	\$241	\$258	\$267	\$264
Revenue Available for Capital & Liquidity*	\$168	\$164	\$190	\$230	\$254	\$268	\$310
<b>Operations &amp; Maintenance (O&amp;M)</b>							
2024 O&M Baseline	\$372	\$372	\$372	\$372	\$372	\$372	\$372
Inflation	\$18	\$29	\$43	\$55	\$68	\$81	\$94
Renewable Energy Credits	\$0	\$1	\$0	-\$6	-\$6	-\$6	-\$8
New Programs	\$0	\$3	\$7	\$8	\$10	\$21	\$28
<b>Net Power Costs</b>							
New Resources	\$0	\$8	\$49	\$99	\$147	\$147	\$164
Other Power and Wheeling Contracts	\$260	\$275	\$274	\$277	\$282	\$305	\$311
Net Wholesale Revenue (NWR)	-\$45	-\$25	-\$55	-\$80	-\$110	-\$110	-\$110
Power Related Revenues, Net	-\$19	-\$16	-\$16	-\$15	-\$14	-\$13	-\$7
<b>Other Revenues/Costs</b>							
Taxes, Payments and Uncollectibles	\$136	\$140	\$144	\$153	\$163	\$174	\$185
Miscellaneous Revenue	-\$44	-\$44	-\$43	-\$44	-\$45	-\$47	-\$48

\*This is the amount of operating revenue that is available to cash fund the capital program or add to overall liquidity

### Drivers of 2025-2030 Revenue Requirements and Rates

#### 1. Capital Recovery

- Funds historic and future capital investments.
  - Capital requirements expected to increase significantly.
  - 43% of 2025-2030 capital requirement expected to be funded with revenue/operating cash.
  - Also includes cash to support increased liquidity per new debt strategy. (See Appendix A)
- Debt service expected to have moderate growth as the utility issues debt over time.
  - Payments on new debt exceed payments on retired debt.

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

- Based on 2024 adopted O&M budget and expected to grow greater than CPI inflation.
- Increased 2024 labor costs around 11% as a placeholder for anticipated labor costs not included in the Adopted 2024 budget.
  - The 2024 Adopted Budget assumed a cumulative cost of living adjustments (COLA) of around 6.4% for 2023 and 2024.
  - The COLA agreement with the coalition of labor unions was 9.7% cumulative for 2023 and 2024. Many job classes are expected to have additional wage adjustments.
- Base O&M expected to grow a little under 1% higher than CPI per year.
- Additional funds to cover additional market-based wage adjustments and support new programs.

3. Net Power Costs

- Bonneville (BPA) power and transmission costs are the largest single component at over \$225 million; BPA power and transmission costs are expected to increase around 3% per year on average.<sup>1</sup>
- New power resources required to meet resource adequacy targets. Planning assumption is \$164 million for roughly 235 aMW 2030 for a combination of solar, wind, battery storage and transmission.
- NWR planning value decreased to \$25 million in 2025 but gradually grows as the utility adds more renewable resources.

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

- Not a large driver, taxes grow proportionally with revenue.

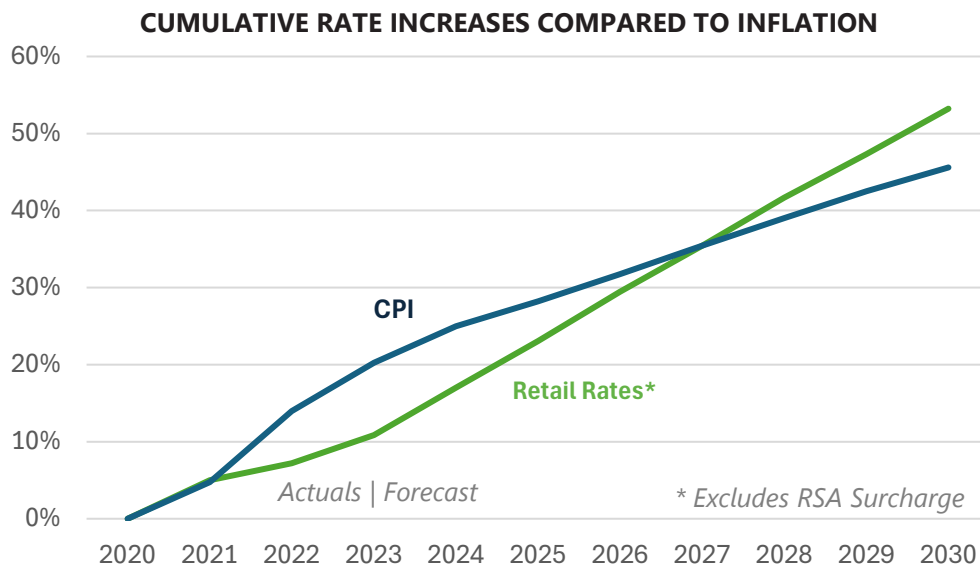
**Inflation Outlook**

Price inflation continues to put upward pressure on costs. The below table shows recent actual CPI inflation along with a forecast through 2030.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>CPI*</b>	4.8%	8.8%	5.5%	3.9%	2.6%	2.8%	2.8%	2.6%	2.5%	2.2%

*\*Consumer Price Index, Source: City of Seattle Office of Economic and Revenue Forecasts*

CPI inflation is not a perfect indicator of total cost pressures faced by an electric utility. However, it can be a useful indicator of how City Light retail rate/bill increases compare with other cost increases faced by customers. The below chart shows that cumulative rate increases from 2020 are expected to be less than CPI inflation through 2027. For the period 2020-2030 retail rate increases are expected to grow around 6% more than CPI inflation.



<sup>1</sup>Once BPA announces final record of decision for fiscal year 2026 rates, any material cost differences between the planning values and expected BPA bills with final BPA rates will be passed through to City Light customers with the BPA passthrough mechanism.

<sup>2</sup> Includes city and 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 interest earnings.

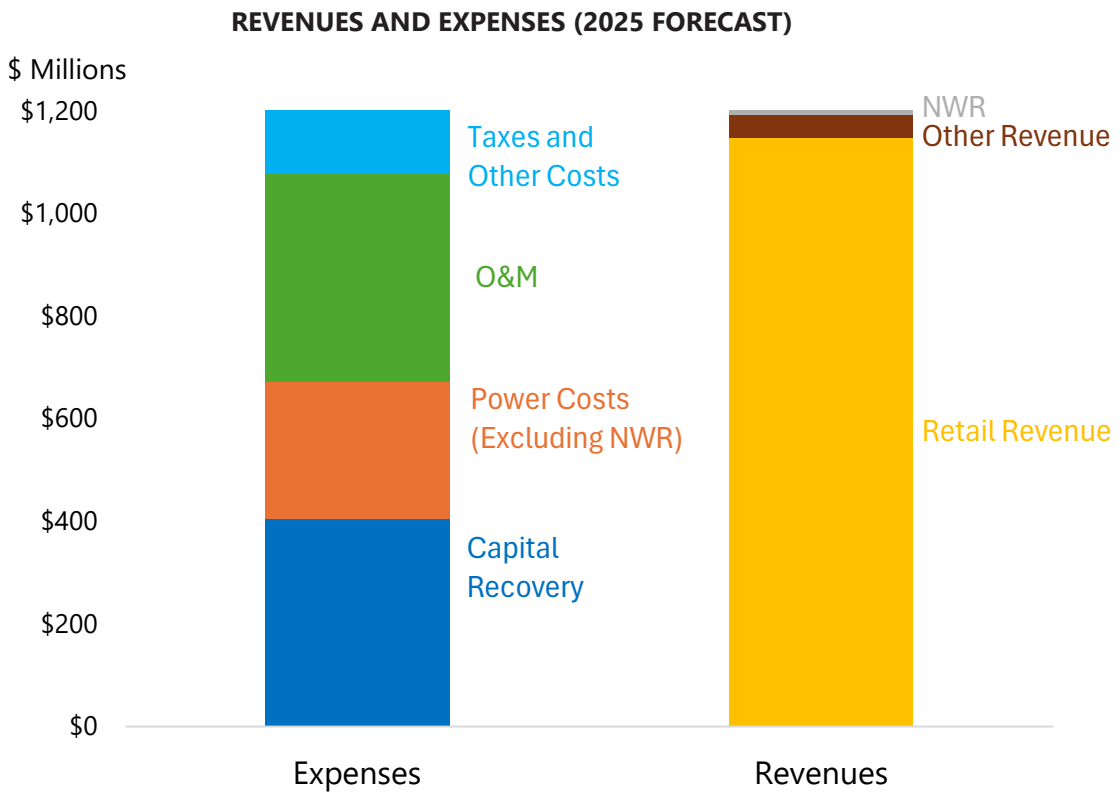
**INTRODUCTION**

The 2025-2030 Strategic Plan Update (the Plan) builds on the 2023-2028 Strategic Plan approved in July 2023. The Plan extends the horizon an additional two years to 2030.

This document details the assumptions that determine the average retail rate path for the years 2025-2030. 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 financial policies. The chart below illustrates how the revenue requirement is sized to meet expenses.



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

#### Capital Recovery

- Includes the cost of debt-funded capital investments (debt service payments) and funds a portion of the current capital requirement, so they are not all debt financed.
- Per policy, retail revenue should be sized to achieve at or above 1.80 times the annual debt service obligation.
- For this planning horizon, debt coverage is higher than 1.80x every year so as to meet the policy of revenue-funding greater than 40% of the 6-year CIP (See Appendix A).

#### O&M

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

### **CAPITAL RECOVERY (CIP AND BONDS)**

Capital recovery reflects the cost of capital spending, as recovered over time. Net capital requirements are comprised of the capital improvement program (CIP) less capital contributions, which are payments from outside sources that offset capital expenses.

$$\text{Net Capital Requirements} = \text{CIP} - \text{Capital Contributions}$$

Net capital requirements are not a direct component of the revenue requirement but, along with financial policies, determine the amount of debt (bonds) issued and the amount of net capital requirements funded with operating cash. The principal payments on outstanding debt and associated interest expense make up debt service.

Net capital requirements, along with financial policies, also help determine the amount of debt (bonds) issued and the amount of CIP funded with operating revenue. City Light's current financial policies (established by Resolution 31187) calls for setting rates to yield sufficient revenue net of expenses to cover annual debt service obligations by 1.8 times and fund at least 40% of the capital program with operating revenue over a six-year average. Both conditions are met when sizing the revenue requirements for this Plan.

The capital expenditures forecast is based on the 2024-2029 Adopted CIP Plan and adds additional costs to account for increases for labor and material costs, as well as placeholders for new capital cost pressures including relicensing the Skagit hydro generation project and supporting electrification of buildings and transportation. The 2030 CIP is sized based on the size of the projected capital plan in 2028 and 2029. The CIP forecast used to set

rates also 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.

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 and 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 during the 2025-2030 planning period total around \$1.5 billion and will bring total outstanding debt to over \$3.5 billion by 2030. The average funding of the 2025-2030 net capital requirements with operating proceeds is 43%, slightly above the 40% target.<sup>3</sup>

### CAPITAL REQUIREMENTS AND FUNDING

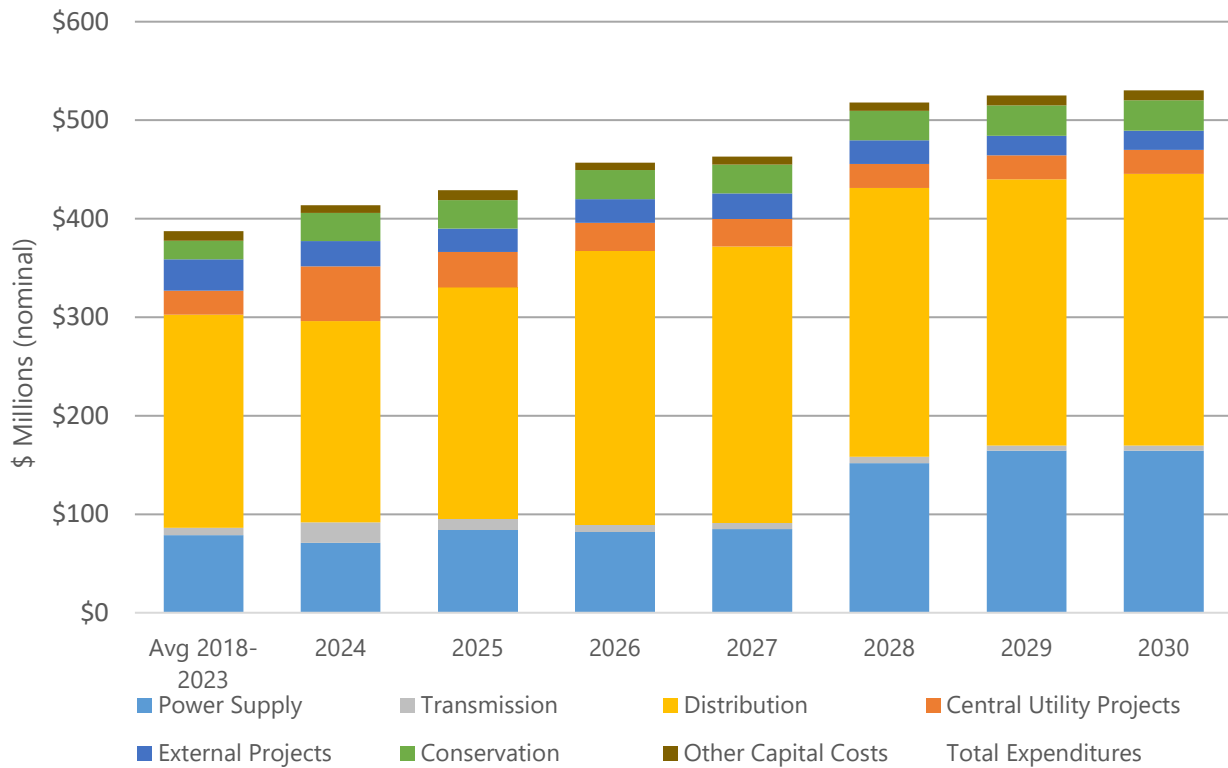
<b>\$, Millions</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Capital Requirements							
Adopted CIP	\$414	\$404	\$397	\$398	\$398	\$425	\$400
Additions		\$25	\$60	\$65	\$120	\$100	\$130
Total CIP	\$414	\$429	\$457	\$463	\$518	\$525	\$530
Capital Contributions	-\$64	-\$43	-\$42	-\$44	-\$46	-\$49	-\$49
<b>Total Net Capital Requirements</b>	<b>\$349</b>	<b>\$385</b>	<b>\$414</b>	<b>\$419</b>	<b>\$472</b>	<b>\$476</b>	<b>\$481</b>
Capital Funding							
Bond Proceeds	\$194	\$292	\$230	\$273	\$262	\$247	\$194
Operations	\$156	\$93	\$185	\$146	\$209	\$229	\$287
<b>Total</b>	<b>\$349</b>	<b>\$385</b>	<b>\$414</b>	<b>\$419</b>	<b>\$472</b>	<b>\$476</b>	<b>\$481</b>
Total Debt Outstanding	\$2,713	\$2,888	\$3,017	\$3,177	\$3,325	\$3,467	\$3,549

### MAJOR CIP PROJECTS INCLUDED IN THE 2024-2029 ADOPTED CIP

<b>Master Project Number and Description</b>	<b>Six-year Total Spend, \$M</b>
8351: Overhead Equipment Replacements	\$269.4
2250: Energy Efficiency	\$187.7
8353: Underground Equipment Replacements	\$158.5
8333: Distribution System Replacements	\$157.2
8366: Medium Overhead and Underground Services	\$144.8
8630: Network Systems	\$118.0
8370: Network Services	\$116.3
8452: Pole Attachments	\$108.8
6987: Boundary Licensing Mitigation	\$101.4
3133: Environmental Cleanup	\$71.3

### CAPITAL IMPROVEMENT PLAN

<sup>3</sup> The average 2025-2030 capital funding from operations is calculated by taking the total 2025-2030 funding from operations (\$1,095 million) and dividing by the total 2025-2030 Net Capital Requirements (\$2,647 million) to get 41%.



Capital requirements determine the size of future bond sales and resulting debt service, and the sales are timed to ensure sufficient liquidity to provide at least 150 days of operating cash on hand. 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. All bond issues are assumed to have a 30-year term. Borrowing costs are assumed to be 4.5% in 2024 and 5.0% in 2025-2030. Debt service payments on the 2030 bond issue are assumed to start in 2031, so there is no direct impact on debt service during the planning period from the 2030 debt issue. In efforts to smooth the rate path, debt service coverage is allowed to fluctuate year to year but managed at an overall level that meets the six-year target of 40% or greater capital funding from operations.

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

	Bond Size	2025	2026	2027	2028	2029	2030
Existing <sup>1</sup>		\$228	\$220	\$194	\$193	\$185	\$166
2024 (Aug) <sup>2</sup>	\$200	\$12	\$12	\$12	\$12	\$12	\$12
2025 (Aug) <sup>3</sup>	\$299		\$19	\$19	\$19	\$19	\$19
2026 (Aug) <sup>3</sup>	\$236			\$15	\$15	\$15	\$15
2027 (Aug) <sup>3</sup>	\$275				\$18	\$18	\$18
2028 (Aug) <sup>3</sup>	\$264					\$17	\$17
2029 (Aug) <sup>3</sup>	\$248						\$16
Total Debt Service		\$241	\$252	\$241	\$258	\$267	\$264
Debt Service and Coverage		\$476	\$515	\$549	\$595	\$622	\$667
Debt Service Coverage ratio		1.98	2.04	2.28	2.31	2.33	2.53

<sup>1</sup>As of December 2023, <sup>2</sup>Fixed Rate Issue (30 year/4.5%), <sup>3</sup>Fixed Rate Issue (30 year/5.0%)

**OPERATIONS AND MAINTENANCE (O&M)**

Operations 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 separate categories.

The basis for the 2025-2030 O&M forecast is the 2024 Adopted O&M budget, which is then increased each year to reflect rising costs. An \$18 million placeholder was added to the 2024 Adopted Budget to reflect emergent market-based labor cost increases. The annual cost increase is between 3% and 4% per year and is around 0.6% higher than CPI inflation on average. Specific funding in certain areas may change as resource and organizational adjustments are made to deliver on the strategic initiatives and core services.

**BUDGET O&M INFLATION BY CATEGORY**

<b>\$, Millions</b>	<b>2024<sup>1</sup></b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Labor	\$186	\$194	\$202	\$210	\$218	\$226	\$234
Labor Benefits	\$78	\$80	\$83	\$85	\$88	\$91	\$94
Overhead Credit	-\$64	-\$66	-\$69	-\$71	-\$74	-\$77	-\$79
Non-Labor	\$112	\$114	\$117	\$120	\$122	\$125	\$128
Transfers to City	\$90	\$92	\$96	\$99	\$102	\$105	\$108
Total Inflated O&M Budget	\$401	\$414	\$429	\$442	\$456	\$470	\$484
Annual Change		\$12	\$15	\$13	\$14	\$14	\$15
Annual Change %		3.1%	3.6%	3.1%	3.1%	3.1%	3.1%

<sup>1</sup> 2024 reflects current forecast

There are numerous adjustments made to the O&M budget values to produce O&M financial forecast values consistent with financial reporting and policies. These adjustments are outlined in the below table. Proposed incremental program funding in 2025 and 2026 is expected to primarily support increased capabilities around power planning and new markets, power line clearance, cyber security and wildfire management. Additional program funding is included the out years forecast to reflect anticipated emergent cost pressures to be addressed in future budget cycles. The following table details the adjustments and shows the relationship between the inflated O&M budget and the O&M forecast.

## O&M ADJUSTMENTS DETAIL

\$, Millions	2024	2025	2026	2027	2028	2029	2030
Inflated 2024 Budget	\$401	\$414	\$429	\$442	\$456	\$470	\$484
Adjustments							
add I937 RECs (included in PP budget) <sup>1</sup>	\$13	\$14	\$13	\$7	\$7	\$7	\$5
add Intertie included in wheeling budget <sup>1</sup>	\$1	\$1	\$1	\$1	\$1	\$1	\$1
subtract Engineering OH not included in budget	-\$6	-\$6	-\$7	-\$7	-\$7	-\$7	-\$8
Subtract under expenditure assumption <sup>2</sup>	-\$20	-\$21	-\$21	-\$22	-\$23	-\$23	-\$24
add New and expanded programs <sup>3</sup>	\$0	\$3	\$7	\$8	\$10	\$21	\$28
Total O&M	\$390	\$405	\$422	\$429	\$444	\$468	\$487
Adopted 2024 O&M Budget	\$372	\$372	\$372	\$372	\$372	\$372	\$372
Changes from 2024							
Inflation	\$18	\$29	\$43	\$55	\$68	\$81	\$94
REC Costs	\$0	\$1	\$0	-\$6	-\$6	-\$6	-\$8
New and Expanded Programs	\$0	\$3	\$7	\$8	\$10	\$21	\$28

<sup>1</sup> Renewable Energy Credits (RECs) and maintenance costs associated with ownership of the 3rd AC intertie are budgeted as purchased power but recognized as O&M in financial statements. RECs required to meet state regulations are expected to decrease in the out years as City Light brings on more renewable energy.

<sup>2</sup> Assumes 5% of the O&M Budget will remain unspent.

<sup>3</sup> Includes cost projections for new and expanded programs including power planning and new markets, demand side management programs and support, increases in cyber security and wildfire management and additional placeholder spending for the out years.

## POWER COSTS, NET

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

Current projections reflect the expiration of the Columbia Basin Hydro contracts in 2024 through 2026 and the acquisition of new resources from 2025 onward. The volume of new resources now projected to be acquired in 2027 and later is significantly higher than it was in the previous Strategic Plan (2023-2028). The resource acquisition plan includes a mix of solar and wind generation, as well as utility scale battery storage. New resource acquisitions may be pursued in greater or lesser quantities than currently planned based on factors including power market outlook, reliability studies and customer programs. The costs of new power resources are partially offset by increases in planning values for Net Wholesale Revenue. Below is a table outlining long-term power and wheeling costs.



## LONG-TERM POWER AND WHEELING CONTRACTS

\$, Millions	2024	2025	2026	2027	2028	2029	2030
BPA Power <sup>1</sup>	\$162	\$179	\$175	\$177	\$172	\$191	\$193
BPA Wheeling <sup>2</sup>	\$66	\$68	\$71	\$74	\$77	\$80	\$83
New Resources <sup>3</sup>	\$0	\$8	\$49	\$99	\$147	\$147	\$164
Lucky Peak <sup>4</sup>	\$9	\$10	\$10	\$10	\$11	\$11	\$11
Other Wheeling <sup>5</sup>	\$4	\$5	\$5	\$5	\$14	\$15	\$15
Columbia Ridge <sup>6</sup>	\$7	\$7	\$7	\$7	\$5	\$4	\$4
King County West Point <sup>6</sup>	\$2	\$3	\$3	\$3	\$3	\$3	\$3
Priest Rapids <sup>7</sup>	\$1	\$1	\$1	\$1	\$1	\$1	\$1
High Ross <sup>8</sup>	\$0	\$0	\$0	\$0	\$1	\$1	\$1
Columbia Basin Hydro <sup>9</sup>	\$8	\$2	\$2	\$0	\$0	\$0	\$0
<b>Total LT Power &amp; Wheeling Contracts</b>	<b>\$260</b>	<b>\$283</b>	<b>\$323</b>	<b>\$376</b>	<b>\$429</b>	<b>\$452</b>	<b>\$475</b>

<sup>1</sup> Assumes that BPA base power rates increase around 2% on average every year. Changes to purchase volumes, load shaping rates and a 3-year Fiscal Year 2026-2028 BPA rate period make the annual changes to the BPA bill non-uniform.

<sup>2</sup> Assumes BPA wheeling costs increase 4.5% annually on average and purchased transmission volumes gradually grow.

<sup>3</sup> New Resources identified to meet resource adequacy targets in the 2022 Integrated Resource Plan. The planning values include a mix of solar and wind resources including transmission and also utility scale battery storage. The new resources are expected to provide around 234 aMW by 2028.

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

<sup>5</sup> Forecast assumes Lucky Peak production is brought to load in all years and City Light pays for the transmission.

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

<sup>7</sup> Priest Rapids costs are expected to decline because City Light's share of the project will shrink as Grant PUD's load grows.

<sup>8</sup> Expenses for the High Ross contract reflect a small level of O&M costs. City Light stopped making capital payments in 2020.

<sup>9</sup> Reflects City Light's apportioned allotment of production O&M costs, growing with inflation. Contracts start expiring in 2024 and all will expire by 2026.

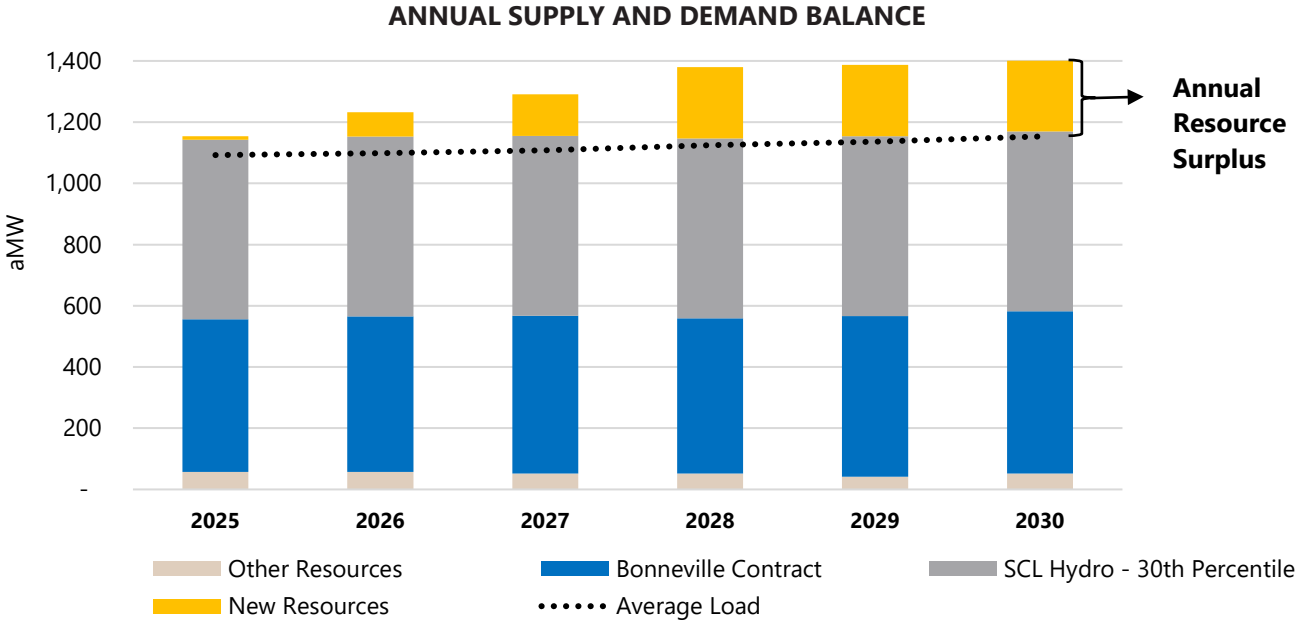
City Light's largest contracted power purchase is with the Bonneville Power Administration (BPA). BPA power and wheeling bills are complex and based on many factors including City Light load, BPA base rates, BPA's load shaping charges and BPA's rate setting periods. In general, BPA sets rates every two years and new rate periods start in October of odd years. However, BPA will have a 3-year rate period for fiscal years 2026-2028 to align with the start of the new contract period in October 2028. For planning purposes this forecast reflects the same product and contract terms as before in the new contract period. Once BPA announces its record of decision for BPA rates for FY 2026-2028, City Light's 2026 BPA power and transmission bills under the new rates will be compared to the planning values in this report. Any material differences will be automatically implemented in rates per the BPA pass-through mechanism (SMC 21.49.081).

### BPA DETAIL

\$ Millions	2024	2025	2026	2027	2028	2029	2030
Block Power Costs	\$162	\$179	\$175	\$177	\$172	\$191	\$193
Transmission (Wheeling) Costs	\$66	\$68	\$71	\$74	\$77	\$80	\$83
<b>Total BPA Costs</b>	<b>\$227</b>	<b>\$247</b>	<b>\$246</b>	<b>\$251</b>	<b>\$249</b>	<b>\$271</b>	<b>\$276</b>
BPA Block Purchases, GWh	4,325	4,363	4,448	4,514	4,459	4,602	4,601
BPA Transmission Purchases, MW	2,241	2,241	2,241	2,241	2,391	2,391	2,391

Long-term purchased power acquisitions are expected to exceed retail load growth, on a volumetric basis. Because new wind and solar resources are intermittent, additional resources will be required to ensure that retail demand can be reliably met under varying conditions. Also, City Light’s peak load is projected to increase faster than average load, further increasing firm resources needs to reliably meet load under stress conditions (typically extreme weather events).

The below chart shows City Light’s annual resource mix and retail load. Production from owned hydro generation facilities is uncertain and varies significantly year-to-year. For planning purposes, this forecast assumes the 30<sup>th</sup> percentile of hydro generation from the years 2001-2023. New power resource acquisitions are expected to increase the overall volume of surplus power available to be sold on the wholesale market. Net Wholesale Revenue is the revenue from selling surplus energy, net of purchases for load balancing.



Planning values for revenues from surplus power sales, or Net Wholesale Revenues (NWR) are summarized in the table below. The NWR value for 2025 is \$20M lower than 2024 to reflect recent observed trends towards dry conditions, weather anomalies, and more dynamic market activity, which appear to be deteriorating revenues City Light is able to realize from sales of surplus power. NWR is projected to grow as new resources come online, however given evolving markets and climate change, there is a great deal of risk around this assumption. Variations in surplus electricity sales (NWR) are mitigated by the Rate Stabilization Account (RSA), a cash reserve and rate mechanism designed to insulate customers from wholesale market and weather risk. Any differences between actual NWR and these planning values will be transferred to/from the RSA (SMC 21.49.086).

WHOLESALE REVENUES, NET							
\$, Millions	2024	2025	2026	2027	2028	2029	2030
NWR	\$45	\$25	\$55	\$80	\$110	\$110	\$110

Power related revenues are comprised of long-term power sales, net revenues from sales of ancillary market services, and transmission sales. The following table details these assumptions.

### POWER RELATED REVENUES, NET

\$, Millions	2024	2025	2026	2027	2028	2029	2030
Power Contracts							
Delivery to Pend Oreille County <sup>1</sup>	\$4	\$4	\$4	\$4	\$4	\$5	\$0
Priest Rapids <sup>2</sup>	\$5	\$1	\$1	\$1	\$1	\$0	\$0
BPA Credit for South Fork Tolt	\$3	\$3	\$3	\$3	\$2	\$0	\$0
Power Marketing Net <sup>3</sup>	\$5	\$5	\$5	\$4	\$4	\$4	\$4
Transmission Sales <sup>4</sup>	\$3	\$3	\$3	\$3	\$3	\$3	\$3
<b>Total Power Related Revenues, net</b>	<b>\$19</b>	<b>\$16</b>	<b>\$16</b>	<b>\$15</b>	<b>\$14</b>	<b>\$13</b>	<b>\$7</b>

<sup>1</sup> Current agreement ends in 2029.

<sup>2</sup> Reflects Reasonable Portion contract with Grant PUD. Decreases in the out years to under \$500k.

<sup>3</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.

<sup>4</sup> Short-term transmission sales. Includes resale of BPA point-to-point transmission and 3rd 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	2024	2025	2026	2027	2028	2029	2030
City Taxes <sup>1</sup>	\$68	\$71	\$73	\$77	\$83	\$87	\$93
State Taxes <sup>2</sup>	\$49	\$49	\$51	\$54	\$58	\$62	\$66
Franchise Payments and Other Taxes <sup>3</sup>	\$11	\$11	\$11	\$12	\$13	\$13	\$14
Uncollectible Revenues <sup>4</sup>	\$8	\$9	\$9	\$10	\$10	\$11	\$12

<sup>1</sup> City taxes, which are 6% of retail revenues, plus some other revenues.

<sup>2</sup> State taxes are 3.8734% of retail revenues, plus some other revenues and contributions.

<sup>3</sup> Payments associated with franchise contracts with the cities of Burien, Lake Forest Park, SeaTac, Shoreline, Tukwila and King County (expected to be approved in 2022). Franchise payments range from 4% to 6% of total retail revenue in each franchise territory. Franchise payments for King County are assumed to start at 8% effective April 2022 and decrease to 6% in 2026 and thereafter. Also includes a utility tax passthrough for Normandy Park and Lake Forest Park and other miscellaneous taxes (e.g., B&O tax) to other jurisdictions where the utility has operations.

<sup>4</sup> Uncollectible revenue is assumed to be 0.75% of retail revenues.

#### MISCELLANEOUS REVENUE SOURCES DETAIL

\$, Millions	2024	2025	2026	2027	2028	2029	2030
Non-Base Rate Retail Revenue <sup>1</sup>	\$6	\$6	\$7	\$7	\$7	\$7	\$7
Other Revenue <sup>2</sup>	\$21	\$22	\$22	\$23	\$23	\$24	\$24
Suburban Undergrounding <sup>3</sup>	\$2	\$2	\$2	\$2	\$2	\$2	\$2
Property Sales <sup>4</sup>	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Interest Income <sup>5</sup>	\$9	\$10	\$11	\$11	\$12	\$12	\$12
Operating Fees & Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net RSA Transfers <sup>6</sup>	\$4	\$3	\$0	\$0	\$0	\$0	\$0
<b>Total Other Revenue Sources</b>	<b>\$44</b>	<b>\$44</b>	<b>\$43</b>	<b>\$44</b>	<b>\$45</b>	<b>\$47</b>	<b>\$48</b>

<sup>1</sup> Non-base rate retail revenue includes revenues from retail customers for services or programs which 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. These revenues are expected to increase over time, mostly growing with inflation.

<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.

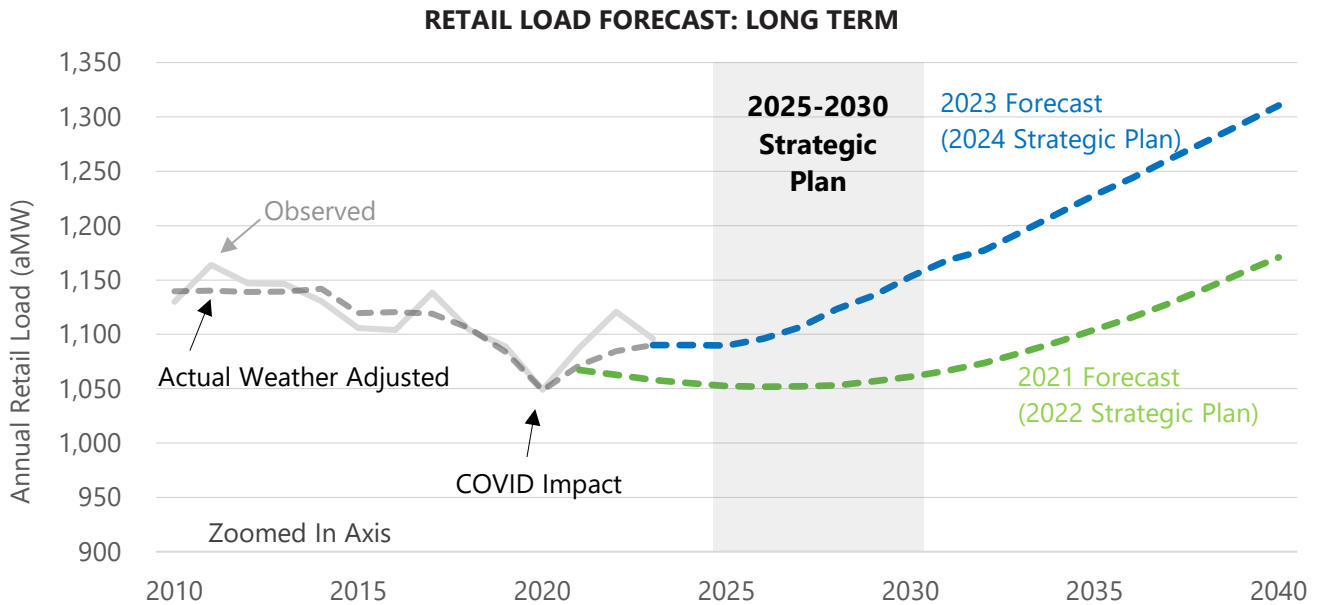
<sup>4</sup> Property sales based on historical averages. No large sales are assumed in this forecast.

<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.

## RETAIL SALES

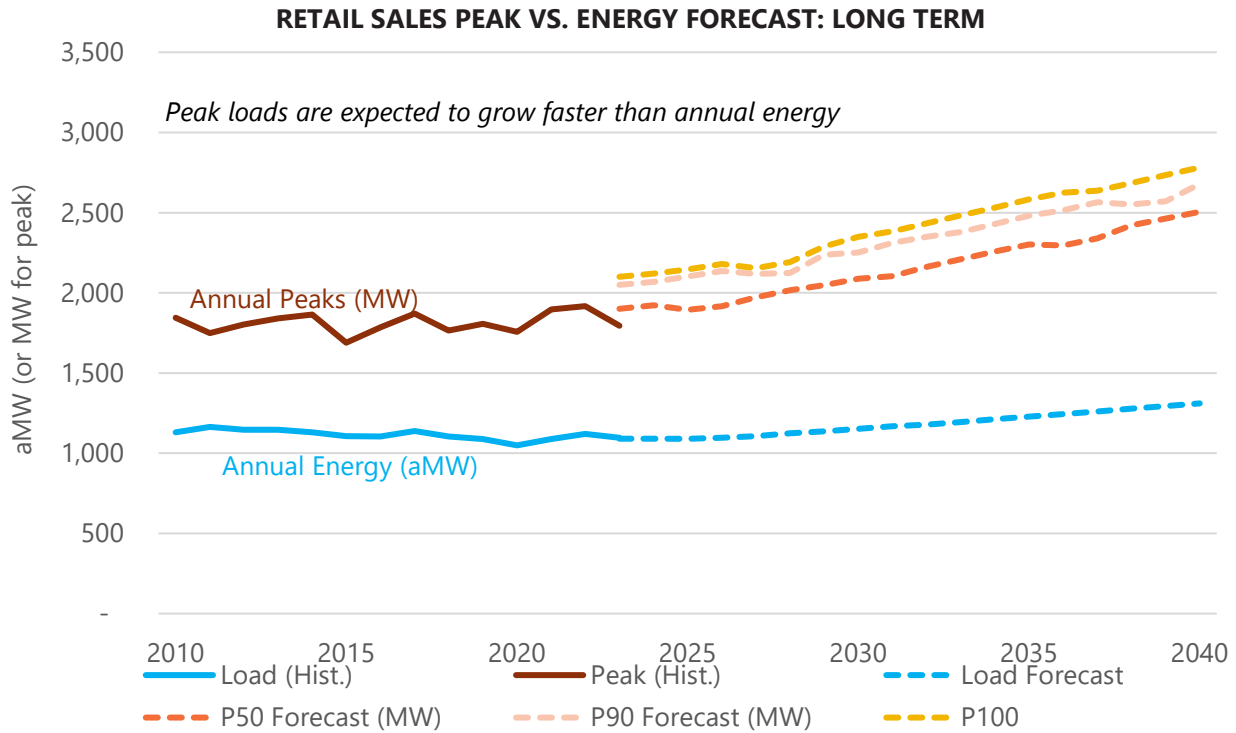
The forecast of retail sales is based on City Light’s 2023 official load forecast, which predicts load growth of 5.5% from 2024 to 2030. Energy efficiency investments by both the Utility and customers are expected to continue to reduce sales and outpace new load from economic growth. However, electrification of transportation and buildings is expected to gradually bring on more load, resulting in material load growth during the Strategic Planning period. The amount and timing of new electrification load is very uncertain and will continue to be studied. The below chart shows retail load is expected to be significantly higher than assumed in the previous Strategic Plan.



### RETAIL SALES FORECAST BY CUSTOMER CLASS: 2024-2030

GWh	2024	2025	2026	2027	2028	2029	2030
Residential	3,144	3,147	3,161	3,187	3,226	3,234	3,269
Small and Medium	3,557	3,540	3,570	3,613	3,695	3,740	3,809
Large and High Demand	2,398	2,388	2,403	2,425	2,468	2,489	2,523
<b>Total</b>	<b>9,099</b>	<b>9,075</b>	<b>9,134</b>	<b>9,225</b>	<b>9,388</b>	<b>9,463</b>	<b>9,602</b>
Annual change							
Residential		0.1%	0.4%	0.8%	1.2%	0.3%	1.1%
Small and Medium		-0.5%	0.8%	1.2%	2.3%	1.2%	1.8%
Large and High Demand		-0.4%	0.6%	0.9%	1.8%	0.9%	1.4%
<b>Total</b>		<b>-0.3%</b>	<b>0.6%</b>	<b>1.0%</b>	<b>1.8%</b>	<b>0.8%</b>	<b>1.5%</b>

As City Light customers continue to electrify vehicles and buildings, peak load is expected to grow faster than average energy consumption. In general, City Light sizes its energy, transmission and distribution requirements to reliably meet peak load and, given the long planning and construction timelines, capacity expansions need to be in place before the load growth arrives. Revenue is primarily recovered by energy sales so higher growth in peak load can add more cost pressure than is brought in by additional retail revenue, driving up average retail rates. The below chart shows the growth in peak load (P50 = 50<sup>th</sup> percentile, P90 = 90<sup>th</sup> percentile and P100 = 100<sup>th</sup> percentile or max load).



## APPENDIX A: RATE SETTING TARGETS AND GUIDELINES AND DEBT STRATEGY

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Producing and delivering electricity to customers requires a significant amount of physical infrastructure, making electrical utilities among the most capital-intensive industries. Designed to last multiple decades, this infrastructure and its associated installation require large upfront costs. City Light uses long-term debt as a tool to help spread out the cost recovery of these long-lived assets, which enables it to provide lower and more stable retail rates to its customer-owners.

Part of implementing City Light's 2023-2028 Strategic Plan is developing an official strategy for developing an optimal mix of funding for the capital plan and managing the growth in overall debt. As part of this process, in 2023 City Light reviewed its current policies and practices and proposed changes to its rate setting targets and strategies to supplement City Light's existing policies. The additions will provide flexibility when setting rates, ensure adequate annual financial performance and manage the amount of outstanding debt.

### Current Financial Policies (established in 2010 by Resolution 31187)

1. *Rate Setting Guideline:* It is the policy of the City of Seattle to set electric rates for the City Light Department at levels sufficient for it to achieve a debt service coverage ratio of 1.8.
2. *Debt Policy:* The City Light Department will manage its capital improvement program so that on average over any given six-year capital improvement program it will fund 40% of the expenditures with cash from operations.

### Supplemental Targets and Guidelines

1. Updating the target debt service coverage
  - at least 1.80x in any given year and the 6-year rolling average greater than 1.90x.
2. Refining the target for funding of the capital plan from operating cash
  - Six-year average operating cash funding of *net* capital requirements greater than 40%.
3. Introducing a leverage target
  - Debt-to-fixed asset ratio less than 60%.
4. Introducing a liquidity target
  - Days cash on hand is greater than 150 days.
5. Allow for temporary flexibility
  - Suspension of capital funding and leverage targets is permissible for up to 5 years under exceptional circumstances.<sup>4</sup> Requires written letter to City Council stating the current situation and the plan for returning into compliance with all financial policies.

In addition to setting new targets, the 2023 debt strategy also proposed exceeding the debt service coverage and capital funding targets in the 2025-2030 Strategic Plan in order to provide more financial buffer if projected capital costs increase significantly in the future. The financial forecast at the time indicated that the utility would be able to significantly exceed the 40% capital funding from operations target without large rate increases. However, two primary factors have changed in the financial forecast that caused City Light to revisit how much it proposes to exceed the financial targets by.

1. Significant increases in the amount and cost of planned new renewable energy resources required to reliably meet load.

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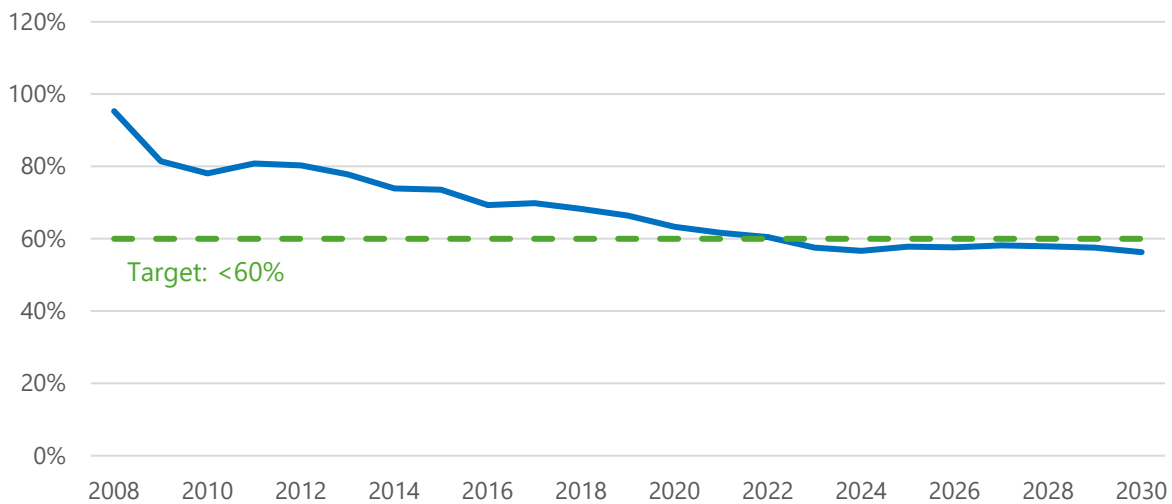
<sup>4</sup> An example of a possible exceptional circumstance is if City Light decided to build and own a large amount of new renewable power generation over a short period of time, which would require a significant amount of capital.

- The expected capital requirements are much larger, primarily from significantly higher anticipated relicensing costs, supporting electrification of buildings and vehicles and higher labor costs.

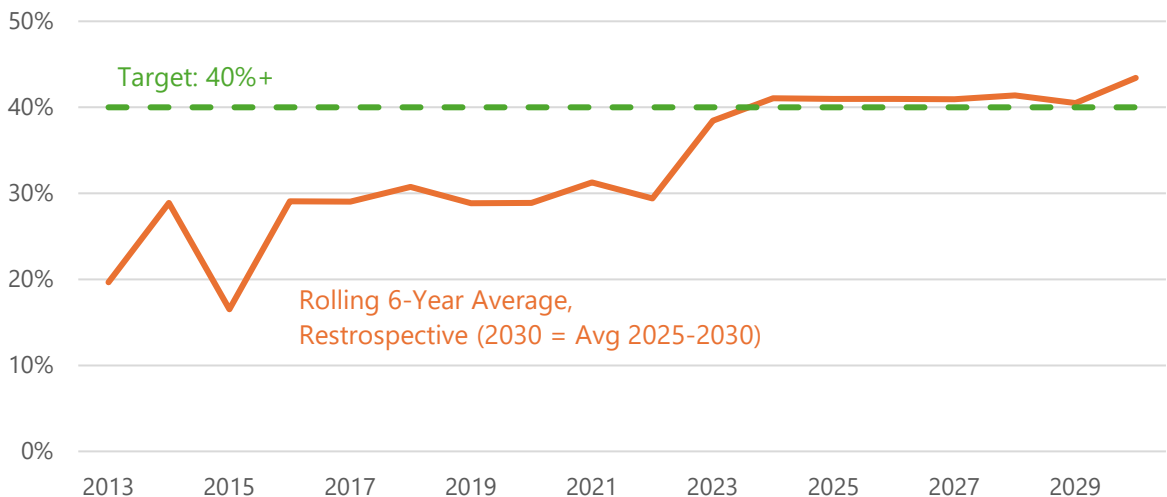
Both factors have added significant rate pressure. The current financial forecast shows City Light only slightly exceeding the capital funding target at 43% from operations, which is achieved with approximately 5% annual rate increases. In many ways the high capital cost scenarios that the utility was looking to buffer against are now the expected case. Increasing the portion of the expected capital requirements higher than 43% would require additional retail rate increases over 5% per year. In evaluating affordability for both current and future customers, City Light proposes that the current 43% is a sufficient trade-off between affordability and debt management. In future Strategic Plan updates, there may be more room to increase the percentage of the capital funding from operations to build more buffer to handle years of large capital outlays.

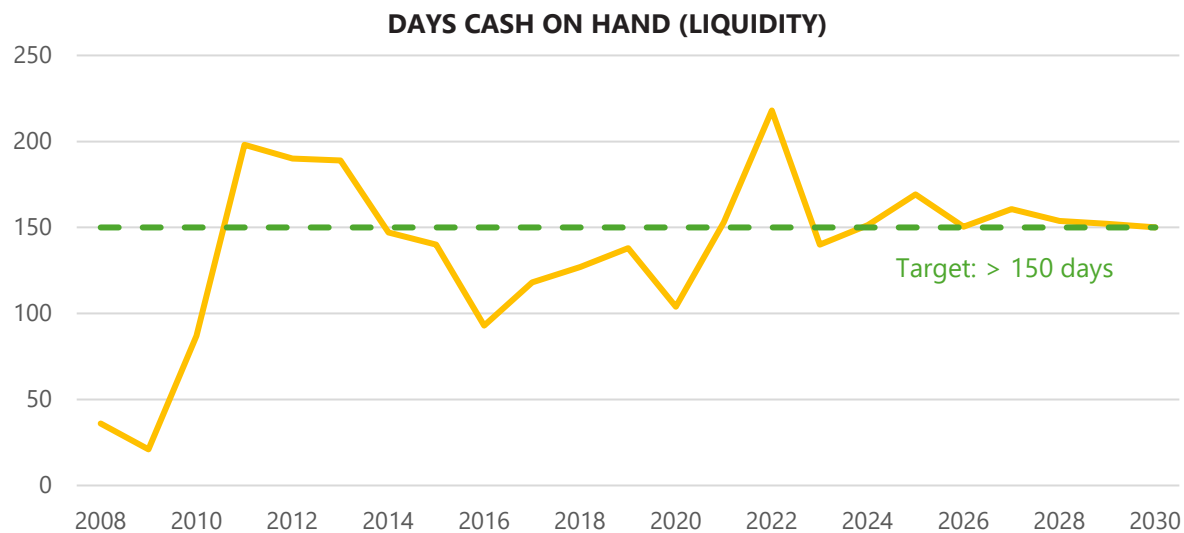
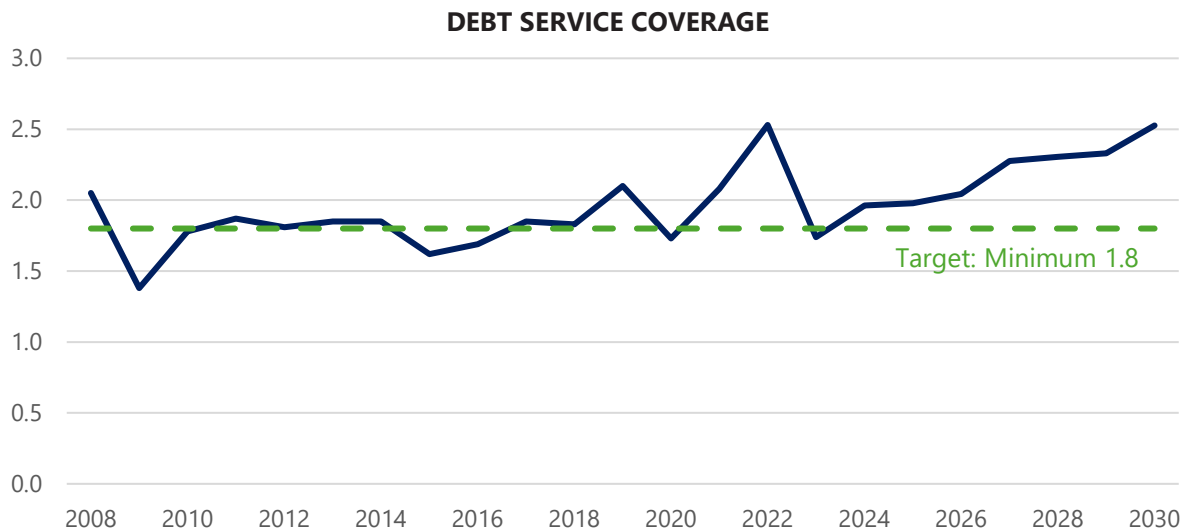
The below charts show the history and forecast of the financial metrics included in the proposed financial policies. The Revenue Requirements and associated rate path outlined in this report meet all the new proposed financial policies and overall put the utility in a much stronger financial position when compared to the past 20 years.

### DEBT TO FIXED ASSET RATIO



### CAPITAL FUNDING WITH OPERATING CASH





### METRIC CALCULATIONS

Debt Service Coverage = (Operating Revenues – Operating Expenses + Cash Adjustments. + City Taxes<sup>5</sup>) / Debt Service

Debt-to-Fixed Asset Ratio = Long-Term Debt / (Plant in Service net of Accumulated Depreciation + Construction Work in Progress)

Capital Funding from Operations = 6 Year Operating Funding / (6 Year CIP – 6 Year Contributions)

Days Cash on Hand = (Operating Account + RSA) / ((Operating Expenses – Depreciation and Amortization<sup>6</sup>) / 365)

<sup>5</sup> Because City Light is part of the City of Seattle, taxes paid to the City of Seattle are considered junior lien to debt service and are not included in the taxes category when calculating debt service coverage.

<sup>6</sup> Also includes amortization (non-cash) amounts in operating expenses (i.e., hydro relicensing, energy efficiency)





## 2023 CITY LIGHT DEBT STRATEGY

### EXECUTIVE SUMMARY

Part of implementing City Light's 2023-2028 Strategic Plan is developing an official strategy for developing an optimal mix of funding for the capital plan and managing the growth in overall debt. As part of this process, City Light reviewed its current policies and practices and proposes changes to its rate setting targets and strategies. The proposed changes will provide flexibility when setting rates, ensure adequate annual financial performance and manage the amount of outstanding debt. The proposed changes to the rate setting targets and guidelines include:

1. Updating the target debt service coverage
  - *at least* 1.80x in any given year and the 6-year rolling average greater than 1.90x.
2. Refining the target for funding of the capital plan from operating cash
  - Six-year average operating cash funding greater than 40% of *net* capital requirements.
3. Introducing a leverage target
  - Debt-to-fixed asset ratio less than 60%.
4. Introducing a liquidity target
  - Days cash on hand is greater than 150 days.
5. Allow for temporary flexibility
  - suspension of capital funding and leverage targets is permissible for up to 5 years under exceptional circumstances.

The proposed rate setting targets serve as a minimum backstop to control debt. City Light's specific strategy for the next Strategic Planning period (2025-2030) is to exceed these targets when establishing the rate path. Doing so will further decrease City Light's reliance on debt and also provide more financial buffer if projected capital costs increase in the future. Using City Light's current financial forecast and stress tests indicate that City Light can absorb a significant amount of higher capital costs and still meet the proposed financial targets with only a modest impact to rates.

### INTRODUCTION

Producing and delivering electricity to customers requires a significant amount of physical infrastructure, making electrical utilities among the most capital-intensive industries. This infrastructure, designed to last multiple decades, and associated installation require large upfront costs. City Light uses long-term debt as a tool to help spread out the cost recovery of these long-lived assets, which enables it to provide lower and more stable retail rates to its customer-owners.

The two primary ways public utilities fund their capital needs is by paying with operating cash or issuing debt. There is no right mix; each utility must determine how it uses debt based on individual factors, and debt practices may change over time. In general, too much reliance on debt can result in increased borrowing costs or prevent access to the bond market. Too little reliance on debt may disproportionately shift cost recovery for long-lived assets to current customers (i.e., higher retail rates in the near term).

City Light currently has some of the highest credit ratings among public utilities (Aa2 Moody's, AA S&P), providing it access to among the lowest available interest rates. The average effective interest rate over the past decade has been around 3.5%. Low borrowing costs can incentivize carrying a slightly higher debt burden, all else equal.

The City of Seattle has a debt policy that governs the use and terms of issuing debt for all City departments, including City Light. One of the main functions of the City's policy is to outline the legal requirements for issuing debt, such as the type of expenses for which debt may be used. The City's policies do not specifically address managing the Utility's overall debt burden. City Light has financial policies that outline targets for setting rates and sizing the capital program that indirectly manage debt. City Light's current specific financial policies call for: (1) setting rates to achieve 1.80x coverage and (2) managing the size of the 6-year capital program so that funding from operations is 40% or greater.

During City Light's 2023-2028 Strategic Planning process the City Light Review Panel encouraged City Light to develop an official strategy to manage the Utility's growing amount of outstanding debt. In response, City Light included developing a debt strategy as part of its business strategy for ensuring financial health and affordability within the Adopted 2023-2028 Strategic Plan.

City Light has reviewed its current policies and practices around debt issuance and while the current financial policies do a reasonable job at managing debt, they can be augmented in a new framework to improve overall debt management. The proposed debt strategy serves as a guideline for managing the overall amount of outstanding debt, as well as the amount of the capital program that's funded with debt. The strategy establishes debt-related metrics and associated targets used to manage debt. It also allows for flexibility in certain circumstances. The debt strategy is not a comprehensive set of financial policies used to put a ceiling on the size of the capital program but is used within the Strategic Planning framework to help guide the use of debt to achieve the desired balance between service levels and affordability for both current and future customers.

This paper outlines City Light's proposed Debt Strategy. First, it identifies and defines debt-related metrics and selects the optimal mix of metrics to manage to. Then it reviews how select metrics compare to peer utilities. Next, it proposes targets and guidelines for the metrics to be used to manage debt. It then provides an example of how the strategy would work with a significantly larger capital program (i.e., stress test). Finally, it lists the next steps forward.

## DEBT RELATED METRICS

There are many types of debt-related metrics that provide context for an entity's outstanding debt amount and its general ability to make debt payments in the short and long run. This section describes some of the different categories of debt-related metrics. It also provides City Light's proposal for what primary metric to track and manage to for each category.

**Financial Leverage** refers to the relative amount of obligation or debt an entity has. A leverage ratio is a measure of financial leverage and provides a relative level of debt when compared to another financial metric. A leverage ratio helps determine if an entity is carrying too much overall debt based on its individual circumstances. It is important to look at outstanding debt relative to other characteristics because it helps provide context for the size of overall debt based on the size of an entity, often in terms of assets and/or revenues.

Common financial leverage metrics include:

1. Debt-to-Assets Ratio = Total Debt / Total Assets

2. Debt-to-Fixed Assets Ratio = Total Debt / Fixed Assets<sup>1</sup>
3. Debt-to-Equity Ratio = Total Debt / Total Equity
4. Debt-to-Capital Ratio = Total Debt / Total (Total Debt + Total Equity)
5. Asset-to-Equity Ratio = Total Assets / Total Equity

*Recommendation:* City Light proposes to use Debt-to-Fixed Asset Ratio as its primary leverage metric. All leverage metrics convey a slightly different measurement and no single metric is best for all utilities. The debt to fixed asset ratio most closely reflects the amount of outstanding debt relative to the level of infrastructure currently in service. It provides an approximate measure of the proportion of total infrastructure in service that has been funded with debt and ties closely with the associated Capital Funding Target (discussed later in this section). It is also a metric commonly used by rating agencies.

**Coverage** refers to an entity's ability to pay its financial obligations. A coverage ratio is a measure of available funds to pay its annual debt obligation. In general, a higher coverage ratio indicates a greater ability for an entity to meet its current financial obligations while a lower ratio indicates a lower ability. A few coverage ratios include:

1. Interest coverage ratio: The ability of an entity to pay its annual interest expense (only) on its debt

$$\text{Interest Coverage} = \text{Net Revenue} / \text{interest expense}$$

2. Debt service coverage ratio: The ability of an entity to pay its annual debt obligations, including repayment of both principal and interest

$$\text{Debt Service Coverage} = \text{Net Revenue} / \text{Debt Service}$$

3. Cash coverage ratio: The ability of an entity to pay its annual interest expense with its cash balance

$$\text{Cash Coverage} = \text{Cash} / \text{interest expense}$$

*Recommendation:* City Light proposes continuing to use debt service coverage ratio as its primary coverage metric. This metric is the mostly widely used in public power and is also the primary coverage metric used by rating agencies.

**Liquidity** refers to funds that can be made readily available to satisfy ongoing cash flow requirements, including debt. Some common types of liquidity metrics include:

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

$$\text{Quick Ratio} = (\text{Cash} + \text{Accounts Receivables} + \text{Marketable Securities}) / \text{Current Liabilities}$$

$$\text{Days Cash on Hand}^2 = \text{Unrestricted Cash} / ((\text{Annual Operating Expenses} - \text{Depreciation}) / \text{Days in Year})$$

*Recommendation:* City Light proposes to continue to use days cash on hand (DCOH) as a primary liquidity metric since it is the most common liquidity metric used by rating agencies. This metric does not count the City's cash pool that is available to City Light for 90 days in an emergency without legislation and longer with legislation.

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<sup>1</sup> Fixed Assets generally include undepreciated plant. City Light also includes Construction Work in Progress to smooth out the impacts of large projects.

<sup>2</sup> City Light, Moody's and S&P include the RSA as unrestricted cash for the purposes of calculating this metric.

**Capital Funding Target** measures the percentage of the capital program funded with operating cash. The City of Seattle does its capital planning on a 6-year basis, so this funding target is a 6-year metric that corresponds to the planning timeframe. The measure evaluates how much of the net capital requirements (i.e., the amount City Light is responsible for funding) are funded by operating cash and how much is funded by issuing debt. The capital funding target is closely related to the debt-fixed-asset ratio as they both measure the relative level of debt to the capital.

The calculation is as follows:

$$\text{Capital Funding} = \text{Funding from Operations} / (\text{Total Capital Requirements} - 3^{\text{rd}} \text{ Party Capital Contributions})$$

### Summary

City Light's proposed debt-related financial metrics are:

1. Debt Service Coverage
2. Debt-to-fixed assets ratio
3. Days Cash on Hand
4. Percentage of capital funding from operations (over 6 years)

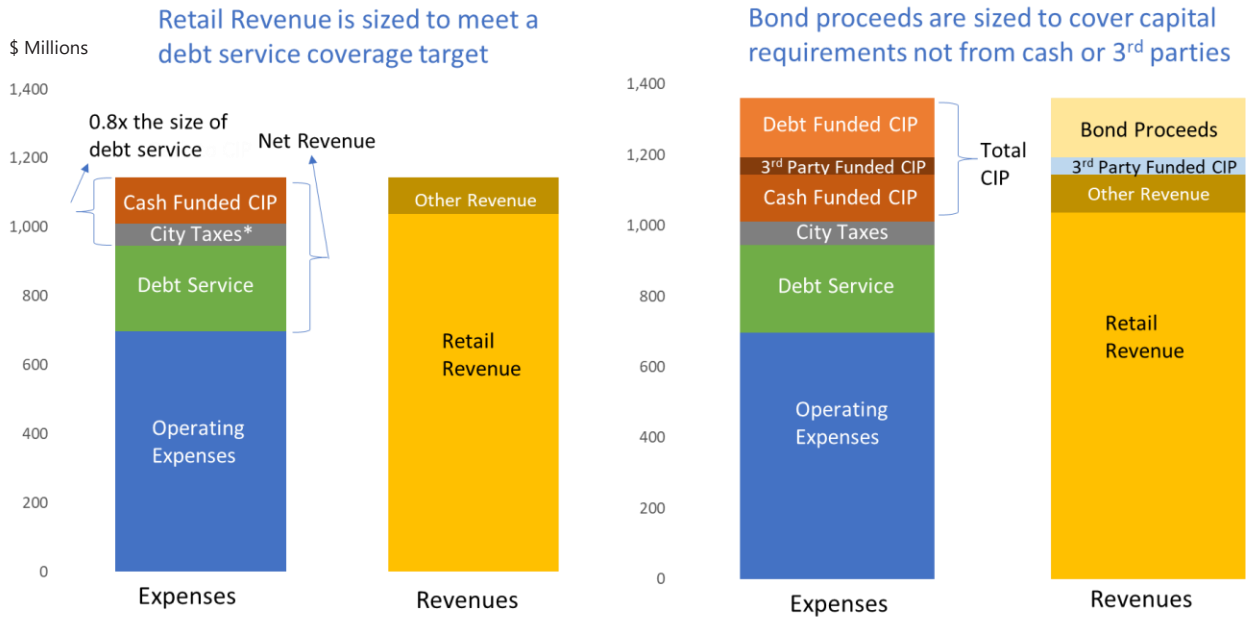
### HOW THE PROPOSED FINANCIAL METRICS ARE RELATED

City Light's proposed metrics are inter-related. The most notable relationship is debt service coverage and cash funding of the capital program as the debt service coverage level drives the amount of operating cash available for the capital program. Net Revenue is the difference between operating revenues and operating expenses. After Net Revenue is used to pay debt service and City taxes<sup>3</sup>, the residual is used for cash funding of the capital program. Bond proceeds are sized to cover the remainder of capital requirements. Figure 1 shows an example that helps illustrate this relationship.

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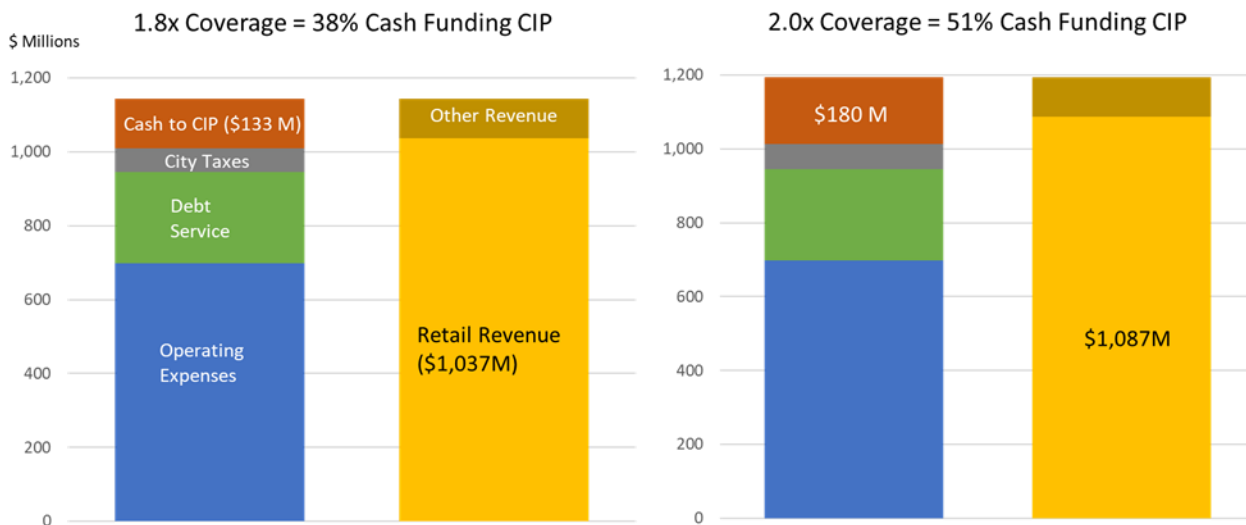
<sup>3</sup> Under City Light's bond ordinances, City taxes have not been included in operating expense for the calculation of debt service coverage since City Light is a department within the City of Seattle and the payments made to the general fund are considered second lien to debt service.

**Figure 1**



Therefore, higher debt service coverage will increase the amount of operating cash going to the capital program. Figure 2 illustrates how different debt service coverage levels impact the amount of operating cash available for the capital program. Under current conditions 0.2x higher coverage leads to around \$50 million more operating cash available for the capital program. This example shows coverage increasing by solely increasing retail revenue (retail rates); however, it is possible to achieve higher coverage with a combination of reductions to operating costs and increases to retail revenue.

**Figure 2**



In general, higher coverage means less use of debt. It follows that higher coverage, over time, will result in a lower leverage (debt-to-fixed asset ratio). Since the leverage metric is looking at total debt and total fixed assets the impact from higher coverage in any individual year will be small but sustained higher coverage will gradually

decrease the debt-to-fixed asset ratio. Maintaining higher cash balances (higher liquidity) will increase the reliance on debt as more operating cash is being held in reserve than put towards the capital program. At current operating expense levels an increase in 50 days cash on hand requires holding on to \$106M more cash. This \$106M could have been used to reduce the amount of future debt issued. Permanently increasing the DCOH target will result in a one-time impact of increased borrowing.

**PEER COMPARISONS OF PROPOSED METRICS**

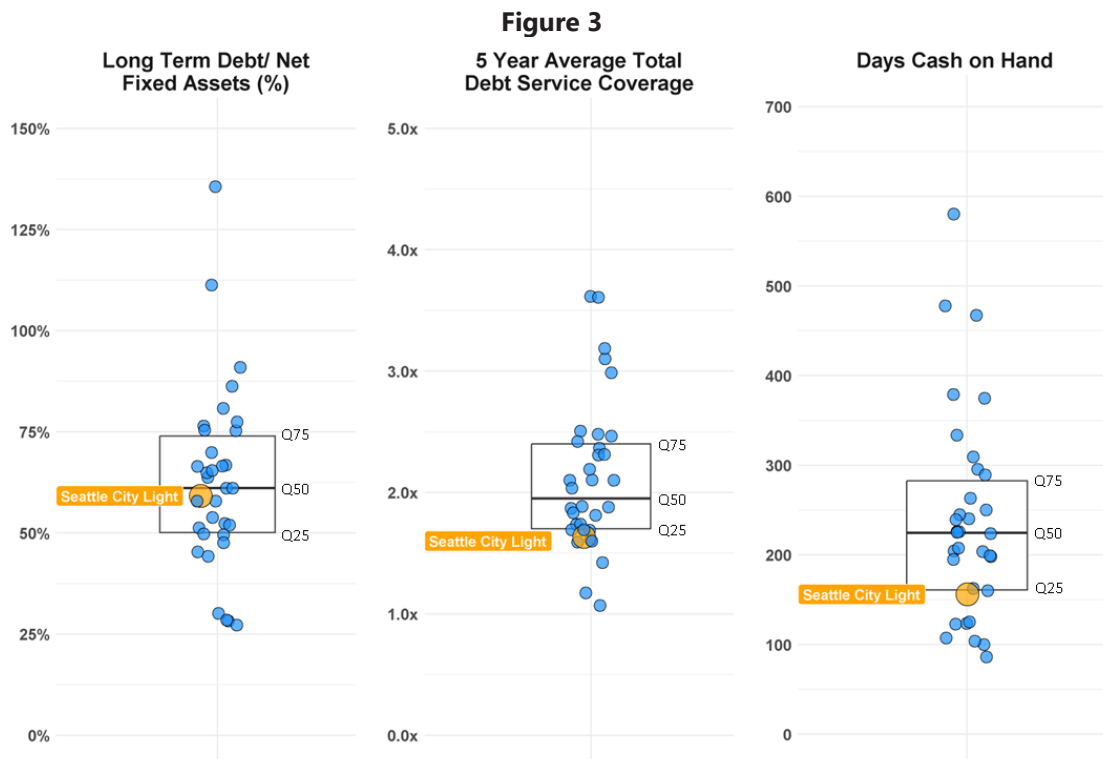
Figure 3 shows comparisons of City Light with 34 peer public utilities for the proposed metrics.<sup>4</sup> The summary includes:

**Debt-to-Fixed Assets:** City Light is currently close to average compared to other utilities.

**Debt Service Coverage:** City Light is on the lower side, just under the 25<sup>th</sup> percentile<sup>5</sup>

**Days Cash on Hand:** City Light is on the lower side, just under the 25<sup>th</sup> percentile

More discussion on City Light’s relative comparison will be included in the debt strategy proposal section.



<sup>4</sup> Data from Moody’s Municipal Financial Ratio Analysis (MFRA) system as of October 18, 2022. Reflects public utilities with greater than \$200M annual O&M expense who generate 20% or more of their own power requirements and rating in the “A” category or higher (34 utilities in total).

<sup>5</sup> Moody’s calculation for Total Annual Debt Service Coverage = Net Revenues divided by regular Total Annual Debt Service. This is slightly lower than City Light’s calculation of the metric, which removes City taxes when calculating net revenue. For reference removing city taxes from current the debt service coverage calculation adds approximately 0.25x coverage (1.90x is around 1.65x with City taxes included in the DSC calculation).

## DEBT STRATEGY PROPOSAL

City Light's debt strategy is intended to provide a flexible framework that serves as a guideline for the overall amount of outstanding debt, as well the amount of the capital program that's funded with debt. The strategy establishes metrics and associated minimum targets to help manage debt.

City Light believes it is on the right path of gradually reducing its reliance on debt. In City Light's Adopted 2022-2028 Strategic Plan the rate path was set using a debt service coverage above the existing 1.80x target (six-year average 1.93x). The higher coverage along with managing the size of the capital program resulted in a planning value of funding 40% of the capital program with operating cash. In addition, the current financial outlook has improved since the Adopted 2023-2028 Strategic Plan was developed and current projected capital funding levels from operations are over 40%.

However, while the recent Strategic Plan has put the Utility on the right path, there is no formal debt management strategy that will help guide future plans, ensuring strong financial stewardship for current and future City Light customers.

City Light's proposed debt strategy is summarized as follows:

- (1) Update the Debt service coverage target so that rates are set to achieve *at least* 1.80x in any given year and the Utility maintains a 6-year rolling average value greater than 1.90x.
- (2) Update Capital Funding target to have greater than 40% of the 6-year average net capital requirements funded with operating cash
  - a. Achieved through a combination of capital program prioritization and cost controls and above target debt service coverage, if needed
- (3) Introduce a liquidity target of over 150 Days Cash on Hand for setting rates and sizing bond issues.
- (4) Introduce a leverage target of less than 60% debt-to-fixed asset ratio.

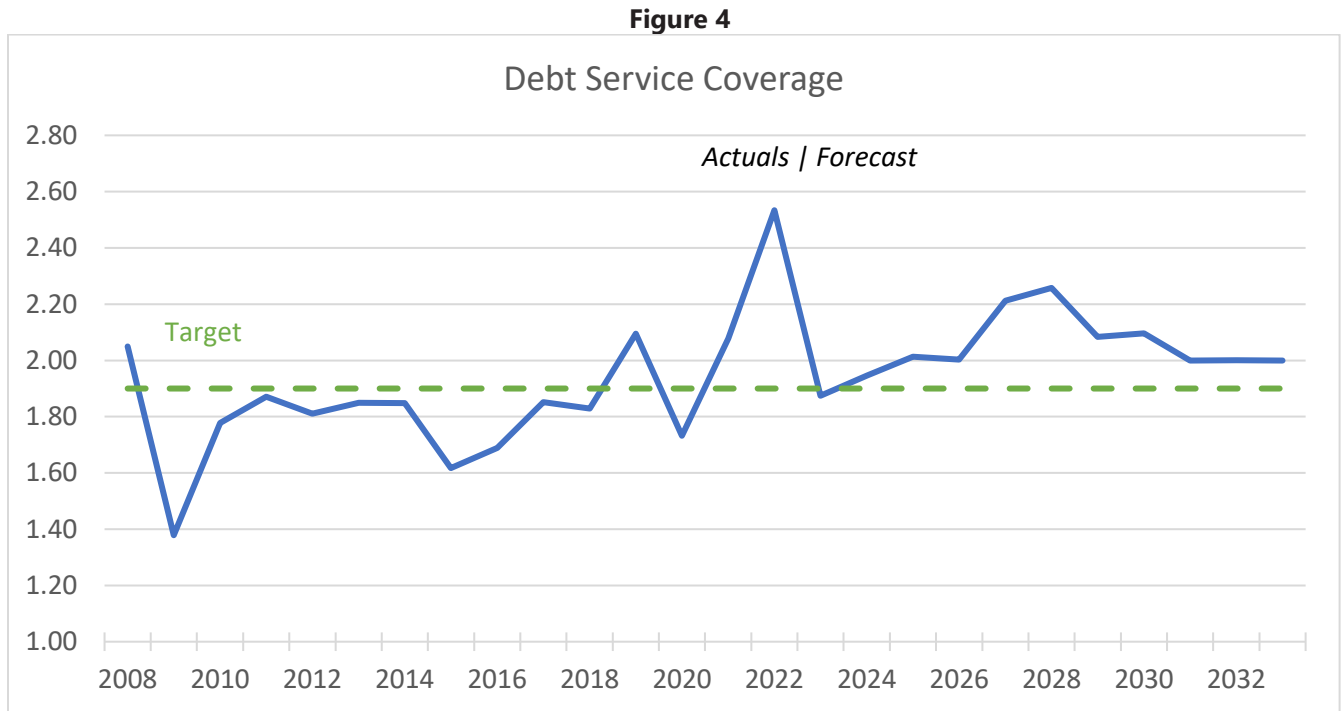
Each component is discussed more below.

**Debt Service Coverage.** The proposed target of averaging at least 1.90x coverage is a small but material improvement to City Light's current official coverage target of 1.80x each year. In addition, not having a fixed target each year allows for flexibility to smooth out rate impacts over multiple years, including ramping up coverage in anticipation of years of high capital costs. Also, a sustained average coverage of 1.90x is a minimum; actual debt service coverage used to set rates may be higher to meet City Light's other financial policy targets and/or strategic goals.

City Light has relatively low debt service coverage, especially when compared to utilities with similar credit ratings. While City Light's historical coverage is lower than many of its peers, it has many other favorable credit strengths and historically has maintained its high credit rating without ranking in the top half of utilities for debt service coverage (median = 1.95x). In general, higher coverage does mean less debt. However, there is a tradeoff with increasing rates. Every 0.1x increase in coverage means about roughly 2.5% higher customer rates in the near term. The proposed 1.90x or higher coverage on a sustained basis strikes a good balance between financial performance and affordability.

While the policy target is an average of 1.90x per, City Light's specific strategy will be to try to exceed the target and achieve closer to 2.0x coverage on average over the next Strategic Planning period (2025-2030), so long as it can continue to do so with inflation-like rate increases. City Light's annual debt service is currently expected to be

relatively flat over the next Strategic Plan period, providing an opportunity for sustained higher coverage alongside modest inflation-like rate increases, all else equal. Figure 4 shows City Light’s debt service coverage history and current forecast.

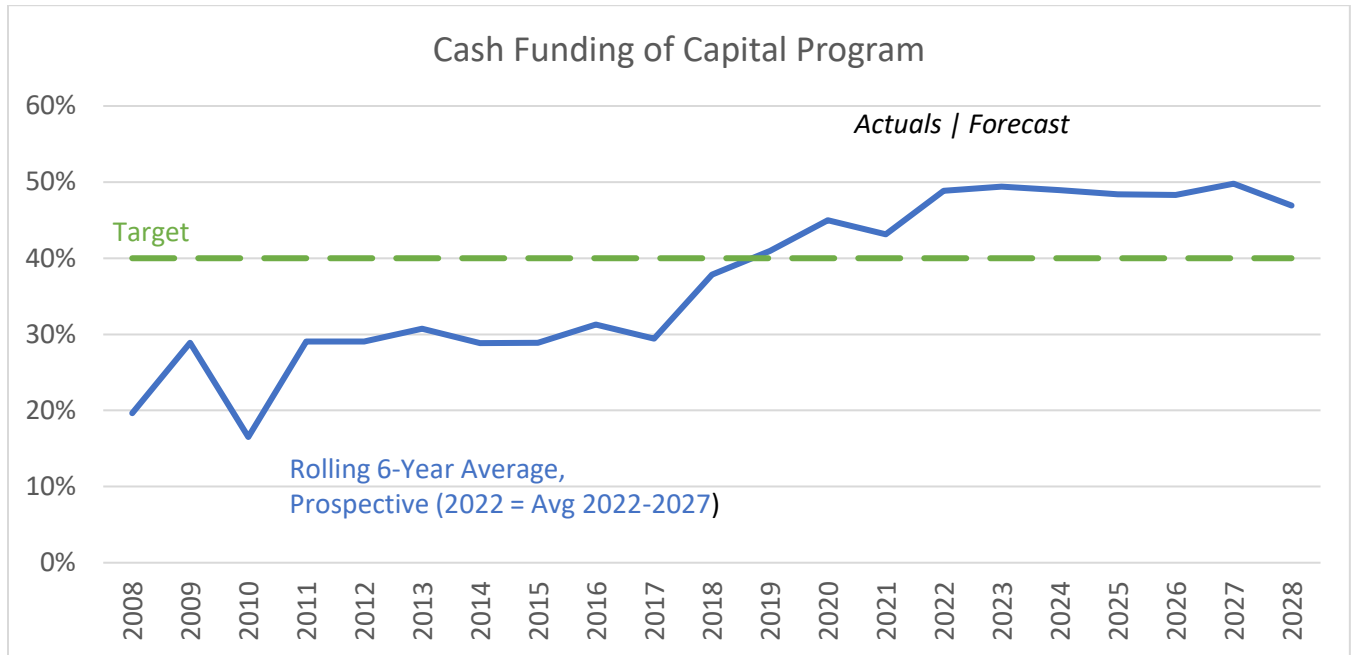


**Capital Funding Target.** The proposed target is similar to the current policy. The material change is that the funding target is defined as *net* capital requirements, which are after third party contributions. Net capital requirements are the amount of the capital requirements that the Utility is responsible for funding (either through operations or issuing debt). In addition, meeting the 40% funding from operations target can be achieved by a combination of capital program prioritization and cost controls and increasing coverage above the debt service coverage target. The current policy only lists managing the size of the capital program, which may not always be possible given investments required to meet targeted service levels.

The 40% cash funding policy target is a minimum amount. City Light’s strategy will be to achieve greater than 45% in the 2025-2030 Strategic Plan so that the Utility will be able to absorb years of large capital requirements without having to significantly raise rates to meet the 40% minimum funding target. Figure 5 shows City Light’s capital funding history and current forecast.

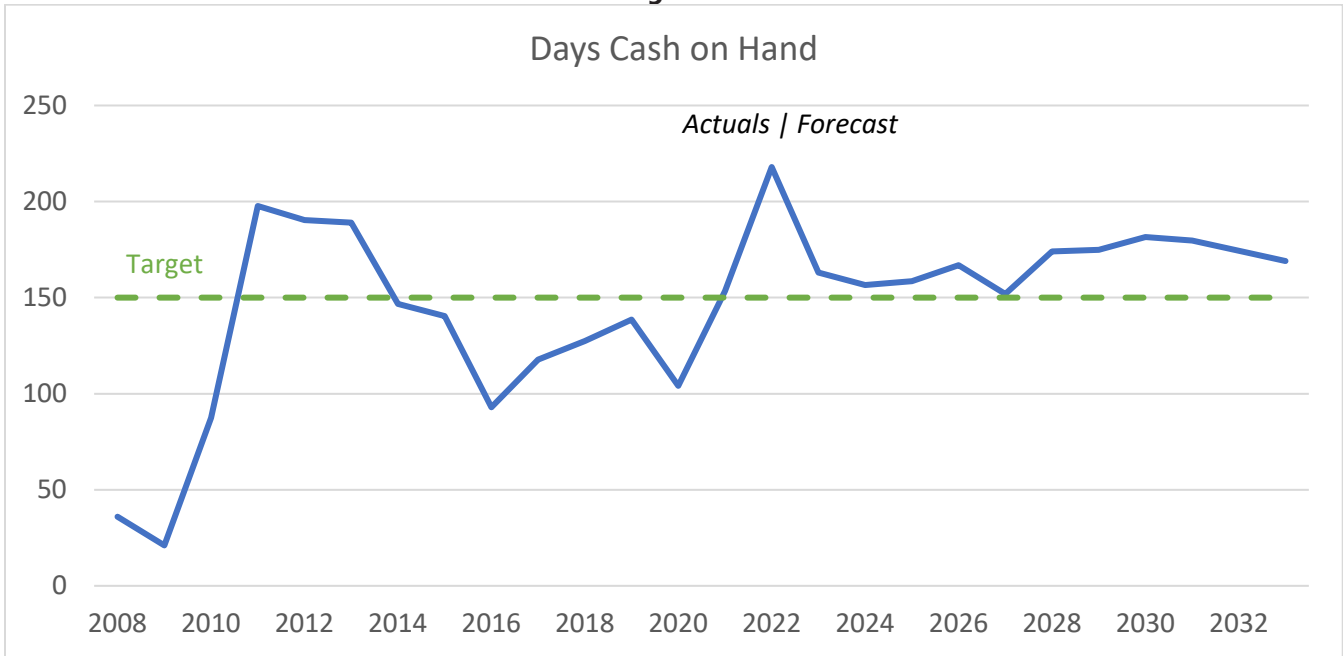
**Figure 5**





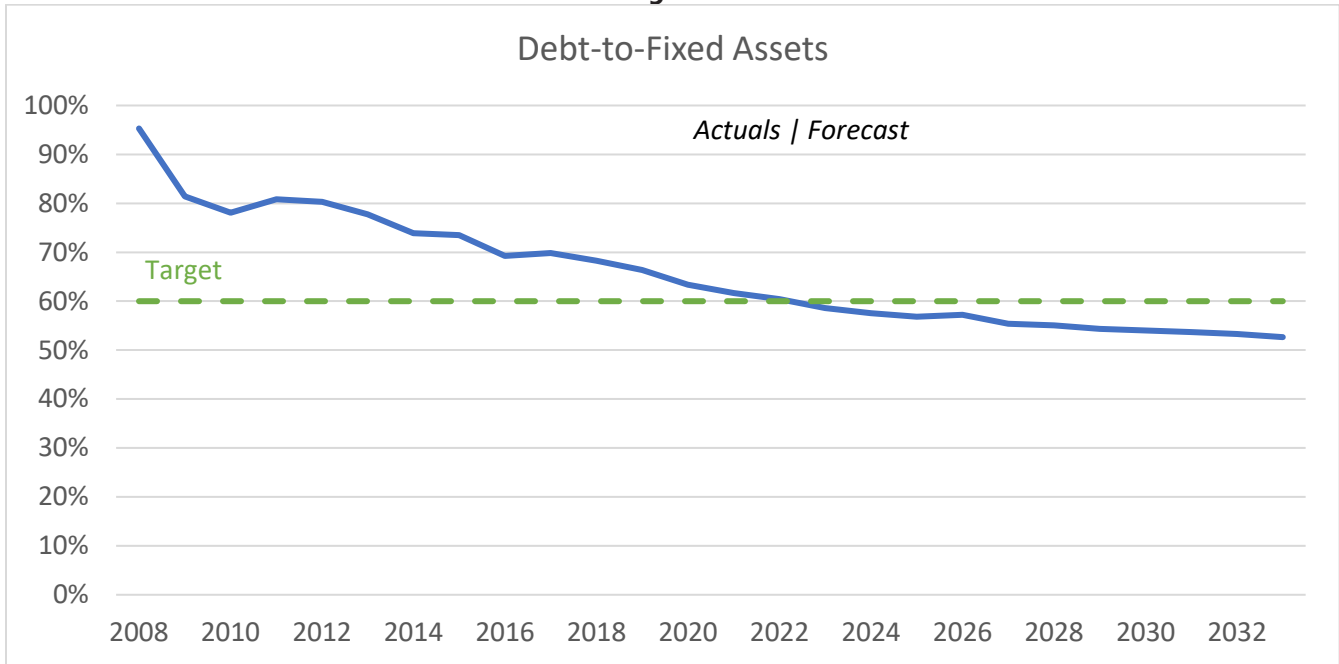
**150 Days Cash on Hand.** This is a new metric for City Light as the Utility does not currently have an official liquidity target to plan to. Rating agencies typically look at a DCOH metric and note City Light is on the low side compared to similarly-rated utilities. 150 days would be an improvement from historical averages and provide more buffer in years of unexpected cash flow shortages. Since City Light has access to the City’s consolidated cash pool in an emergency it doesn’t need to carry as much liquidity as other comparably-rated utilities. There is an opportunity cost of carrying higher liquidity as the alternative of reducing debt issuance would result in lower overall costs since long-term borrowing rates are generally higher than short term interest rates. Therefore 150 days will provide sustained improved liquidity but limit the cost of doing so. Figure 6 shows City Light’s DCOH history and current forecast.

**Figure 6**



**Debt-to-Fixed Asset Ratio.** City Light does not currently have an official leverage metric against which it plans and manages. As mentioned previously, out of all the leverage metrics, the debt-to-fixed assets ratio most closely complements the 40% capital funding target, which is forward-looking. Including a leverage metric as a partner metric to the capital funding target will ensure that the relative amount of debt outstanding is also controlled for. Setting the metric target to less than 60% ensures a manageable debt burden. The strategy will be to gradually bring down the metric below 60% so as to have room to allow it to increase in years of very large capital outlays. City Light has operated with debt-to-fixed capital ratio greater than 60% for many years and still maintained a strong credit rating. However, it will be more prudent to operate with lower debt burden going forward. Figure 7 shows City Light’s historical and forecast debt-to-fixed assets ratio

**Figure 7**



**ADDITIONAL FLEXIBILITY**

The proposed debt strategy framework allows the Utility to adjust to changing situations. In general, the strategy outlines that City Light should attempt to out-perform each metric target so that it has the required buffer to accommodate years of potential high capital costs without requiring sudden large rate increases to meet its financial targets. However, there could be instances where additional flexibility could be required.

An example of this is if City Light decided to build and own new renewable power generation resources, which would require a significant amount of additional capital. If owning (and debt funding) a generating resource will lead to lower customer rates in the long run the Utility should not avoid ownership because of a large upfront rate increase required to meet financial targets. Therefore, there may be justification to relax the leverage and capital funding targets temporarily, if needed, to allow the Utility to gradually ramp up rates over time.

In most situations the Utility will have sufficient advance notice of new, large capital spending and can gradually increase rates in preparation. However, if there is not enough lead time or if there are other significant rate pressures, the Utility should maintain flexibility to respond to these exceptional circumstances. For example, the Utility might relax its leverage targets for a major one-time expenditure, and would document in writing for City Council what the exceptional circumstance is and how it plans to come back into compliance within a certain number of years and would provide annual reports until compliance is achieved.

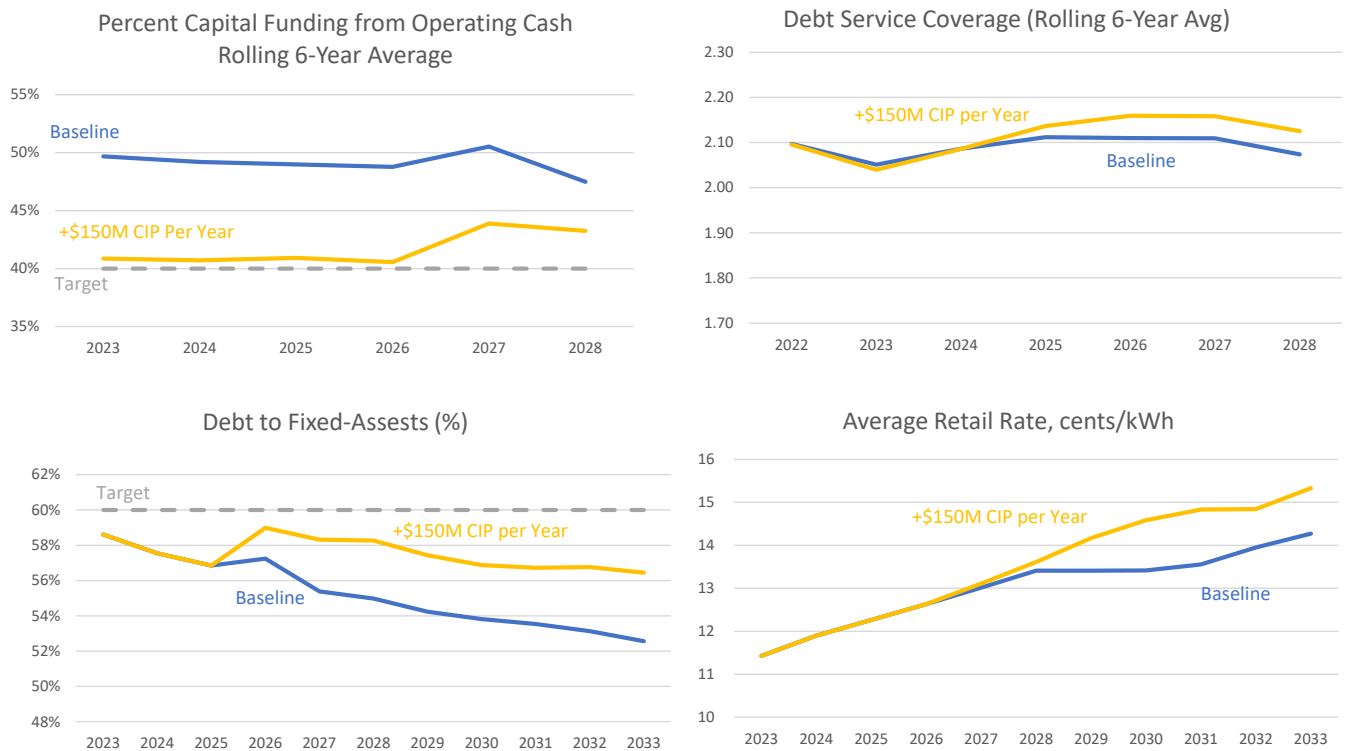
### STRESS TEST – SIZE OF THE CAPITAL PROGRAM

A stress test was conducted to see how the size of the capital plan would impact City Light’s debt strategy. Under the current financial forecast the Utility is in a strong position to absorb higher capital costs without increasing rates significantly higher than inflation while still meeting the proposed debt targets (>40% capital funding from operations and a debt-fixed-asset ratio <60%).

A number of different capital plan scenarios were run. The most extreme scenario is shared for illustrative purposes. This scenario assumes \$150M higher annual capital costs than the baseline each year starting in 2027. For context, \$150 million is roughly a third of the size of the baseline (2023-2028 Adopted CIP Plan)

Under the \$150M larger capital plan scenario a modest increase in coverage (above baseline) is required to keep the 6-year capital funding target above 40%. The higher coverage along with the higher debt service results in around 8% higher average retail rates over the timeframe. The debt-to-fixed asset ratio was able to remain under the 60% target with no additional intervention above what was required for the 6-year capital funding target. Figure 8 shows the results of the stress test.

**Figure 8**



## DEBT STRATEGY NEXT STEPS

The debt strategy proposes establishing new metrics and targets to provide additional guardrails for prudent debt management. The proposed metrics and targets supplement City Light’s existing financial policies. The proposed next steps are as follows:

The new metrics and targets will be used in the development of the 2025-2030 Strategic Plan rate path. Specifically retail revenue should be set at sufficient levels so that:

- Debt service coverage is *at least* 1.80x in any given year and the 6-year rolling average is greater than 1.90x.
- Operating Cash funding is greater than 40% of net capital requirements.
- Days Cash on Hand is greater than 150 days.
- Debt-to-fixed asset ratio is less than 60%.

While the new targets help provide guardrails, the proposed strategies for the specific values used to set retail rates are dynamic and may evolve between Strategic Plan updates based on a variety of factors. The selected metrics will also need to be periodically evaluated and possibly adjusted over time.

## 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 20, 2024

Mayor Bruce Harrell  
The City of Seattle  
600 Fourth Avenue  
P.O. Box 94749  
Seattle, WA 98124-4749

### **RE: City Light Review Panel Comment Letter on Proposed 2025-2030 Seattle City Light Strategic Plan Update**

Dear Mayor Harrell:

This letter presents the City Light Review Panel (Panel) comments on the proposed Seattle City Light (City Light) Strategic Plan Update for 2025-2030 (the Plan). Consistent with Ordinance 124740, the Panel has met monthly to track progress on the 2022 Strategic Plan update and provide input to the 2024 Plan. We are pleased to endorse the 2024 Plan and support its adoption as presented.

While the rate path in the Plan is higher than has been proposed in the last few Plans, we believe it to be reasonable and appropriate given the challenges facing the utility. However, there are a number of uncertainties in the forecast, Therefore, if costs decline from the originally projected levels, the Panel would like to revisit the rate path with City Light.

In this endorsement letter, we have noted City Light's recent achievements as well as what is changing for City Light and its customers. We considered these factors carefully when evaluating the Plan.

## City Light Achievements

In the past two years, City Light has been focused on the five Strategic Priorities. Several highlights worth noting are below.

To effectively Create Our Energy Future, City Light met the milestones identified in the Transportation Electrification Strategic Investment Plan that was approved by the City Council in 2020. It has installed electric charging infrastructure consisting of 131 Multifamily Level 2 EV chargers and 31 Curbside charging stations. And City Light plans to install public DC Fast

Charging projects in Shoreline and Morgan Junction, as well as replacing obsolete public charging systems. Additionally, City Light developed an internal Grid Modernization Plan to understand what investment in transmission and distribution will be needed to maintain system reliability and to serve future load. City Light has also actively participated in a regional planning forum (the Western Resource Adequacy Program) to plan resources for future load growth and more economically dispatch resources across the region.

Taking steps to Improve the Customer Experience, City Light distributed approximately \$10.6 million in state pandemic funds to help reduce past-due balances for customers in 2022 and 2023, as well another \$3.7 million in Emergency Bil Assistance and Low-Income Home Energy Assistance Program funds. City Light also improved the customer application process for the Utility Assistance Program. And City Light worked on the Time Of Use program which is anticipated to go live in early 2025. With its new Time of Use program, City Light will be able to offer customers more control over energy management.

As part of Develop Workforce and Organizational Agility, City Light launched an organizational change management program to help employees be ready for the future. City Light also continued work on the Utility Technology Roadmap, to right-size and appropriately scale investment in technology initiatives.

Under Ensure Financial Health and Affordability, City Light developed and successfully executed a Road to Recovery strategy that reduced aging receivable risk and stabilized revenues. City Light updated its financial policies with more conservative credit metrics and a debt management strategy that should allow it to maintain its high credit rating and allocate infrastructure costs equitably across current and future customers. These are all material achievements and important to position the Utility to continue to serve the community and its customers.

With respect to We Power, in response to the risk posed to transmission lines and the Skagit facility by wildfire in the North Cascades in summer 2023, City Light completed its Wildfire Risk Reduction Strategy. The strategy focused on the risk of City Light assets causing a wildfire and assessed the risks to City Light assets from a wildfire.

## What is Changing for City Light and its Customers?

The Panel's objective has been to understand the fundamental drivers to the Plan's rate path. In short, City Light is facing a significantly different future than two years ago.

### Create Our Energy Future

The transition to renewable energy to meet carbon-free goals has increased the cost of power supply. Unfortunately, new clean energy resources are predominantly intermittent energy resources (wind and solar) that are not always available because of weather variability and time

of day. At the same time, City Light's load forecast has a steeper demand growth over the next decade, in large part, from building and transportation electrification. The net effect will be much higher costs in the rate path, as City Light plans energy and capacity to serve future load.

City Light is not alone in this, there is industry-wide competition to find cost-effective clean energy resources and peer utilities are undertaking innovative approaches to managing customer load and influencing customer demand. The Panel supports City Light's efforts to invest in technology upgrades and software and labor procurement that will allow the utility to keep pace with its peers. The Panel supports City Light's efforts to explore all options to cost-effectively meet customer demand with energy and capacity. In addition, exploring cost effective energy efficiency, tools to reduce demand will be valuable. The Panel hopes that City Light's time of use program will support demand reduction and distributed resources, such as demand response programs, grid-interactive efficient buildings (GEBs), and virtual power plants (aggregated distributed energy resources supported by customer based solar and batteries).

### Improve the Customer Experience

Customers' needs are changing, but in diverse ways. Customers want smarter solutions, personalized service, more information about their energy use, and a credible information source about available programs, solar options, tax incentives, and rebates. Other customers are- or will be- electrifying their homes, as Washington State phases out natural gas space and water heating.

Commercial customers are undergoing building improvements to comply with state and city building standards. And given state laws to phase out vehicle emissions, City Light has new transportation electrification customers in mass transit, port operations, fleet vehicles, and personal vehicles. Therefore, City Light will need to pursue a range of strategies to effectively serve diverse customer interests.

City Light has experienced persistent backlogs in new service connections. Therefore, the Panel supports City Light's outcome to improve predictability of service connection timelines.

To help customers understand the significant changes facing the utility, City Light will need to prioritize customer engagement, through education and outreach services. Additionally, the Panel has asked City Light to focus on equity and affordability for marginalized communities. Average customer income has not been rising as quickly as inflation. The Panel suggests expanded bill assistance, easier access to programs, a tiered income program, and expanded outreach to target customers.

### Develop Workforce & Organizational Agility

The Panel urges City Light to continue driving toward a culture of nimbleness. Given the uncertainty of the speed of demand growth and the cost to serve load, SCL must be ready to adapt for unexpected challenges.



The Panel supports the new General Manager's initiative to rebuild the organization. City Light has not been allowed to offer competitive salaries, despite being one of the nation's largest municipal utilities located in a region with a very high cost of living. It will be important to address compensation disparities and consider any cultural issues that may be leading to unwanted attrition and inability to attract new employees. The Panel recommends City Light, and the City address the salary issue to recruit and retain the talented employees needed to fulfill the goals of the Strategic Plan.

Technology continues to evolve rapidly while cyber security risks are escalating. Therefore, the Panel also supports initiatives to invest in workforce development to transition to new technology applications.

### Ensure Financial Health & Affordability

City Light emerged from the pandemic in a stable financial position. However, in 2023, City Light drew down the financial reserves in the Rate Stabilization Account (RSA). Low hydro production and extreme weather demand forced City Light to procure short-term power supply when wholesale market prices were at historically elevated levels. In addition to higher power supply costs, City Light faces other cost pressures. City Light managed annual rate increases below the level of inflation in recent years, but that will be difficult to sustain in the future. Material costs - exacerbated by supply chain challenges - are rising faster than the cost of inflation. And interest rates have risen, which increases debt costs as City Light makes investments. Given the lack of RSA reserves and the combined effect of rising power supply and materials costs, the Panel concurs with the conservative planning criteria City Light embedded in the rate path.

City Light has proposed a higher rate path than was proposed in the prior Plan. We believe that the forecast is reasonable, based upon these external factors. However, we would encourage City Light to take steps to minimize as much as feasible the extent of these rate increases going forward, by determining how to best manage its existing and future portfolio of generation assets for energy and capacity needs and by designing rates to incentivize peak demand reduction. The Panel supports City Light's related Market Risk Management initiative in the Plan.

Finally, City Light is submitting a debt strategy as an Appendix to the Strategic Plan. The Panel supports SCL's adoption of the more robust debt management metrics in the debt strategy.

### We Power

The policy and regulatory landscape continue to be complicated. And weather events are increasingly severe. Given the regulatory and weather uncertainty, City Light will need to plan investment diligently to not only meet increasing demand, but to make its delivery system more resilient. City Light must preserve its valuable hydro resources that provide critical balancing and storage, further enabling carbon free resources. The Panel supports continued maintenance of the distribution system and City Light's relicensing work on the Skagit hydro project.

It will be important for City Light to plan investment carefully, to avoid potential stranded investment if reality differs from the forecast. A diversified approach to planning and investment is more valuable than ever. The Panel will look to City Light to maintain a rigorous risk-based planning and review process to ensure expenditures deliver value to customers and the community.

## Conclusion

In conclusion, City Light is better positioned than many other utilities, but still faces future challenges. Given the uncertainty regarding the speed and pace of demand growth, changing regulatory requirements, new energy resource technologies, and severe weather events, the Panel supports City Light's conservative planning approach. City Light will need to access capital while it carefully managing resources (customers' trust, a committed workforce, its clean energy resources, and its reliable delivery system).

We thank our new General Manager, the previous General Manager, the City Light 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. They are dedicated, knowledgeable, and transparent. Under the direction of the former General Manager, the Panel saw an important cultural shift at the utility toward greater inclusion and transparency with the Panel. We are confident that, under the new General Manager, this will continue.

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>



**Leo Lam**  
Chair  
Panel Position #4  
Residential Customer  
Representative



**Joel Paisner**  
Co-Chair  
Panel Position #9  
Suburban Franchise  
Representative



**Timothy Skeel**  
Panel Position #1  
Economist

---

<sup>1</sup> We sign this letter in our individual capacities, not as representatives of our employers.



**John Putz**  
Panel Position #2  
Financial Analyst



**Kerry Meade**  
Panel Position #3  
Non-Profit Energy  
Efficiency Advocate



**Mikel Hansen**  
Panel Position #5  
Commercial  
Customer  
Representative



**Amy Altchuler**  
Panel Position #6  
Industrial Customer  
Representative



**Oksana Savolyuk**  
Panel Position #7  
Low Income Customer  
Representative



**Di Do**  
Panel Position #8  
At-Large Customer  
Representative

**SUMMARY and FISCAL NOTE**

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
Seattle City Light	Leigh Barreca	Greg Shiring

**1. BILL SUMMARY**

**Legislation Title:**

A RESOLUTION related to the City Light Department, adopting a 2025–2030 Strategic Plan Update for the City Light Department and endorsing the associated six-year rate path.

**Summary and Background of the Legislation:**

This resolution adopts City Light’s 2025-2030 Strategic Plan Update. It also endorses the six-year rate path required to generate the revenue to support the project and initiatives described in the strategic plan and instructs City Light to prepare the 2025-2026 proposed budget and rates accordingly. The rate path is informed by the City Light Debt Policy which establishes targets and guidelines to supplement the adopted financial policies. The Debt Strategy was endorsed by the City Light Review Panel in 2023.

2025	2026	2027	2028	2029	2030	Average
5.4%	5.4%	5.0%	5.0%	5.0%	5.0%	5.1%

**2. CAPITAL IMPROVEMENT PROGRAM**

Does this legislation create, fund, or amend a CIP Project?  Yes  No

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

Does this legislation have financial impacts to the City?  Yes  No

**3.d. Other Impacts**

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.

**If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.**

Yes, the adoption of the Strategic Plan endorses a six-year rate trajectory, which reflects cost and revenue assumptions implicit in this rate assumption, which will inform future budget proposals and rate legislation.

**Please describe any financial costs or other impacts of *not* implementing the legislation.**

None

#### **4. OTHER IMPLICATIONS**

**a. Please describe how this legislation may affect any departments besides the originating department.**

No affect to other departments

**b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**

No

**c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**

**i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

City Light takes its lead from the City-wide Races and Social Justice Initiative (RSJI) to end institutional racism in government. When deciding how to implement the programs, initiatives, and activities laid out in the Strategic Plan, City Light will continue to center equity in our work and offer services to vulnerable and historically underrepresented communities consistent with City policy.

**ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.**

**iii. What is the Language Access Plan for any communications to the public?**

To increase accessibility for as many members of our community as possible, we will carry out the activities in the Strategic Plan in accordance with City Light’s Language Access Plan. We commit to budgeting the time and resources required for translation and interpretation services. We will consult with the Office of Immigrant and Refugee Affairs to ensure our outreach materials and strategies are inclusive and culturally appropriate, and we will seek to implement customer suggestions for improvement whenever possible.

**d. Climate Change Implications**

- i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**

Not directly, but the Strategic Plan does include programs such as building and transportation electrification that would impact/decrease carbon emissions.

- ii. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle’s resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

Not directly, but the Strategic Plan does include programs such as electrification, grid modernization and wildfire risk management effort that would impact climate resiliency.

- e. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program’s desired goal(s)? What mechanisms will be used to measure progress towards meeting those goals?**

This legislation does not include any specific new initiatives or programmatic expansion. The progress towards meeting the goals described in the Plan will be measured through the development of and reporting on monthly performance metrics for each defined goal.

**5. CHECKLIST**

- Is a public hearing required?**
- Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?**
- If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**
- Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

**6. ATTACHMENTS**

**Summary Attachments:** None.

# 2025 – 2030 Strategic Plan

Sustainability,  
City Light,  
Arts & Culture  
Committee

July 15, 2024



# Agenda

Welcome | Dawn Lindell  
General Manager & CEO

Strategic  
Plan | Leigh Barreca  
Manager, Strategic  
Planning & Performance

Rate  
Outlook | Kirsty Grainger  
Chief Financial Officer

Q&A



## Seattle City Light





# What is the City Light Strategic Plan?

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



# City Light Review Panel

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- Nine-member volunteer Panel representing customers and partners
- Appointed by Council or Mayor, charter set by Resolution
- Panel guides and provides input on strategic planning, financial planning, and rate proposals



Leo Lam  
Residential Cust. Rep  
Panel Chair



Joel Paisner  
Suburban Cities Rep  
Panel Co-Chair



Kerry Meade  
Non-Profit Energy  
Efficiency Rep



Tim Skeel  
Economist



Thien-Di Do  
Member at Large



Oksana Savolyuk  
Low-Income Cust. Rep



John Putz  
Financial Analyst

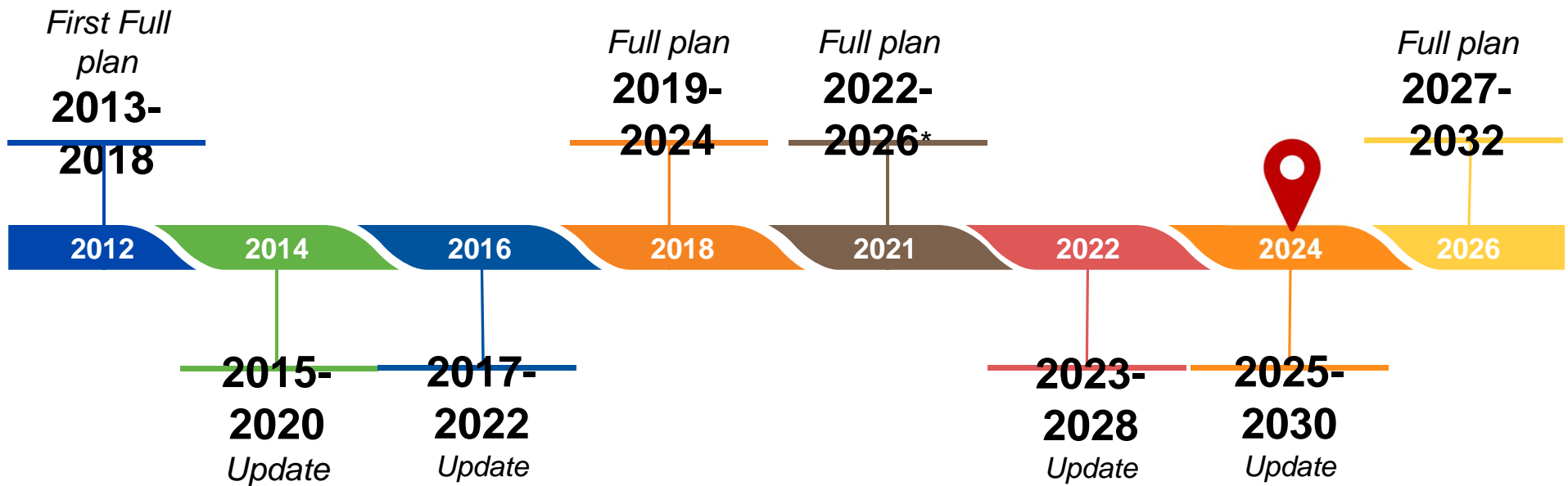


Mikel Hansen  
Commercial Cust. Rep



Amy Altchuler  
Industrial Cust. Rep

# Strategic Plan Cycles



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

# Commitment to Diversity, Equity & Inclusion

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- Strategic plan & rate path informed by large utility planning efforts
  - Planning efforts include community engagement & racial equity review
- RSJI Project Team reviewed and made recommendation for budget change requests (BCR).



# Focusing on our Community's Values

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- Six stakeholder group presentations offered in 2023 and 2024, 131+ attendees
- 16 hours of strategy planning meetings with the City Light Review Panel
- Customer outreach via survey
- Employee outreach: meetings & online materials through City Light internal communication channels

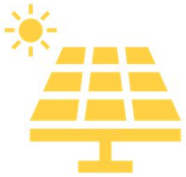


## Some Key Things we Heard

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Everyone cares about the affordability and predictability of rates



Many are interested in renewable energy, especially solar incentives



People want to learn more about available rebates and incentives



Customers and employees want to be involved



# POWERING AHEAD

STRATEGIC PLAN UPDATE 2025-2030

 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 Financial Stewardship and Affordability



We Power



# Priority: Improve the Customer Experience

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## Outcomes:

- Deliver programs aligned with customer priorities.
- Decrease unplanned outages in areas experiencing above-average outage rates.
- Provide more predictable electric service connection timelines.

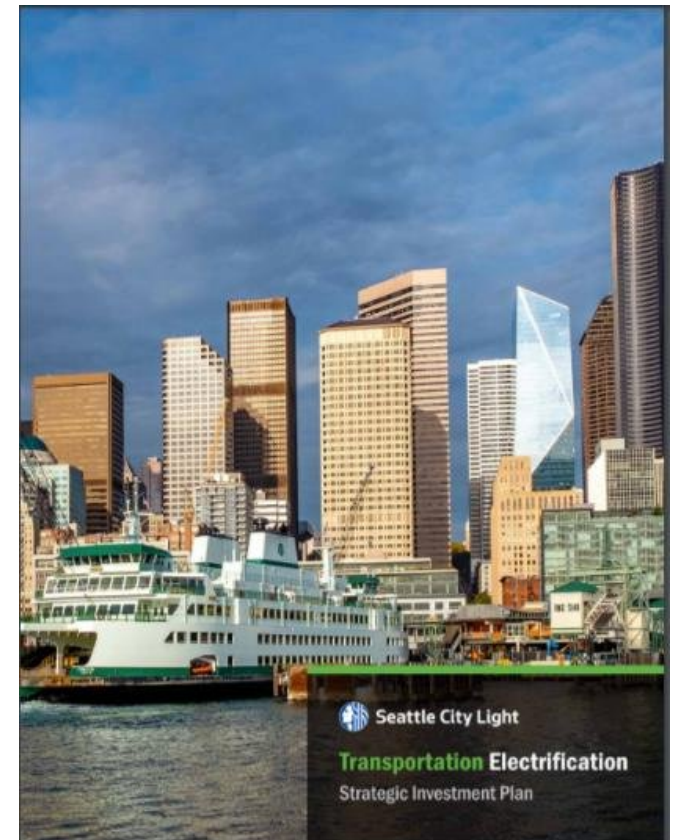


# Priority: Create our Energy Future

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## Outcomes:

- Secure a diverse mix of long-term energy resources to meet growing demand.
- Support customer adoption of transportation & building electrification.
- Improve energy delivery infrastructure to support current & future capacity needs.



# Priority: Workforce & Organizational Agility

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Outcomes:

- Increase employee engagement.
- Provide opportunities for career mobility.
- Prioritize our work & staff it appropriately.



# Priority: Financial Stewardship & Affordability

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## Outcomes:

- Reduce volatility in power supply costs.
- Allocate resources to balance growing energy costs & customer expectations.
- Limit energy burden on customers.



# Priority: We Power

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## Outcomes:

- Enhance our response to climate change.
- Efficiently manage operations to comply with expanding regulations.
- Enhance technology to adapt to evolving energy landscape.



# Rate Path



# Six-Year Rate Path

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Rate Increases	3.0% <sup>1</sup>	2.1% <sup>2</sup>	4.5%	5.6% <sup>3</sup>						
2022 Strategic Plan Update					3.0%	3.0%	3.0%	3.0%		
2024 Strategic Plan Update					5.4%	5.4%	5.0%	5.0%	5.0%	5.0%

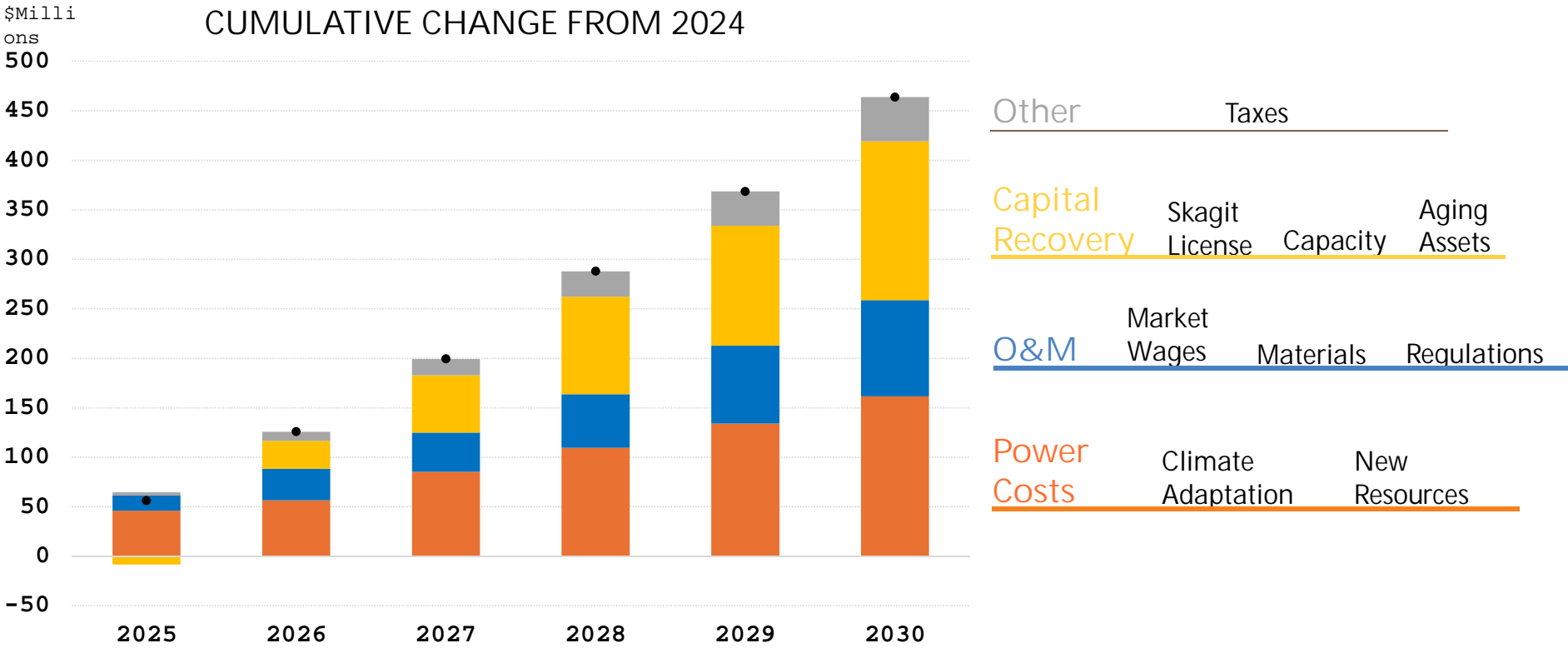
An increase of 5.4% translates to about \$5 per month for a typical residential customer.

<sup>1</sup> 3.0% increase legislated for 2021 was offset by an RSA surcharge rolling off, resulting in a net impact for customers of 0.0%.

<sup>2</sup> The original 3.9% legislated base rate increase was reduced due to a BPA passthrough credit.

<sup>3</sup> The legislated 4.5% base rate was increased due to BPA passthrough. Concurrently, 4.0% RSA surcharge took effect, resulting in a total impact for customers of 9.8%.

# Cost Pressures Driving Up Rates





# Clean Energy Transformation – New Regulations

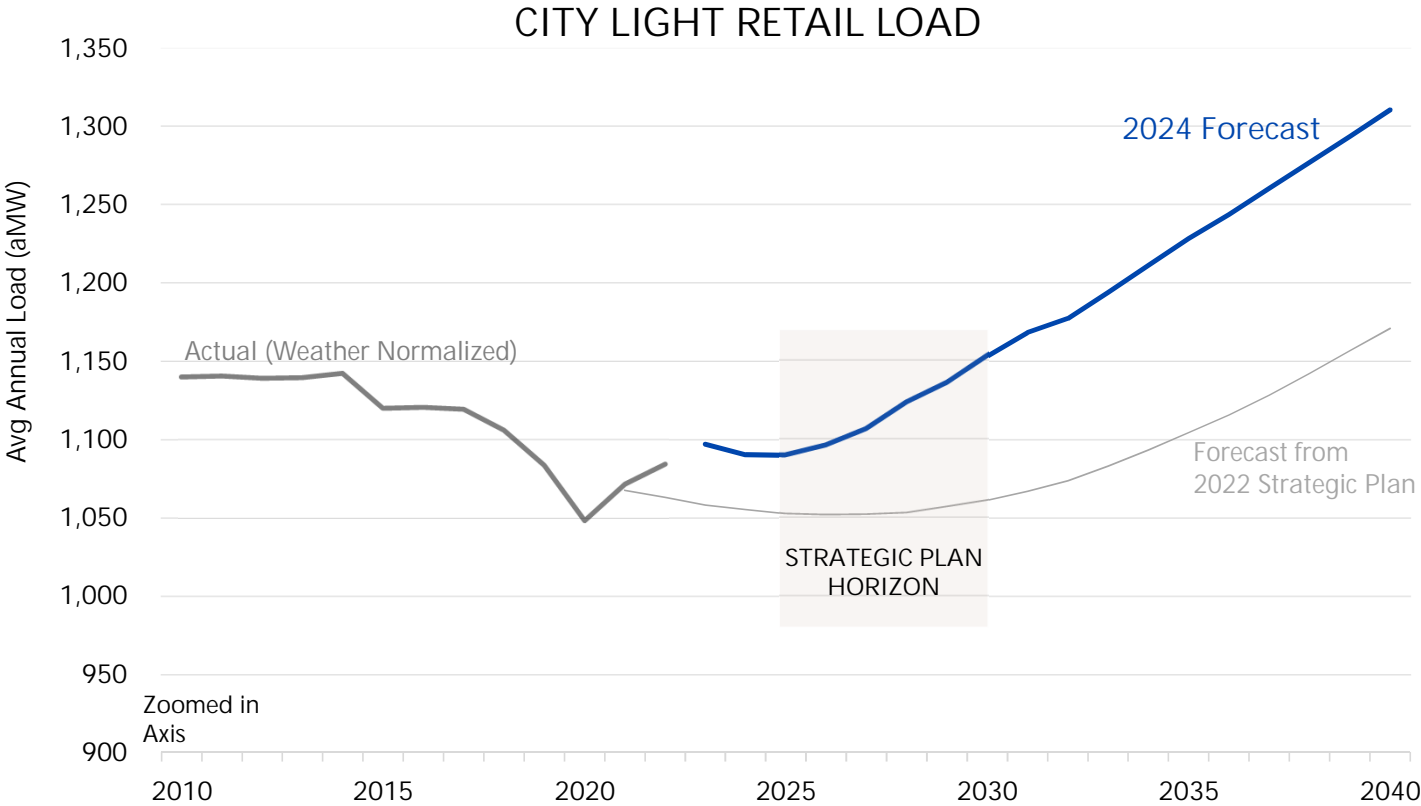
New clean energy policies have altered the utility marketplace for electricity, materials, and skilled labor.



Washington State Clean Energy Transformation Act (CETA)



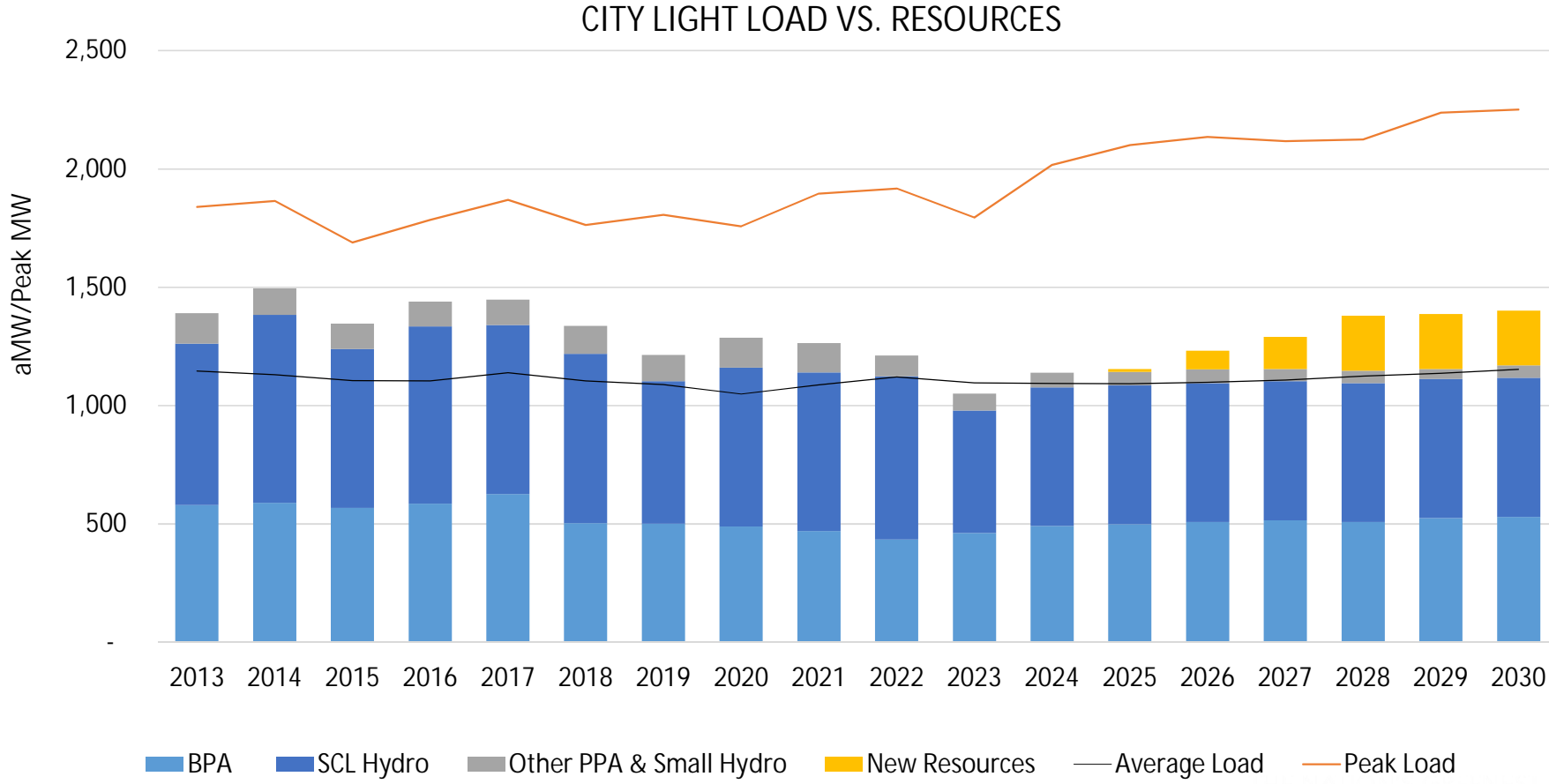
# Growing Electricity Demand



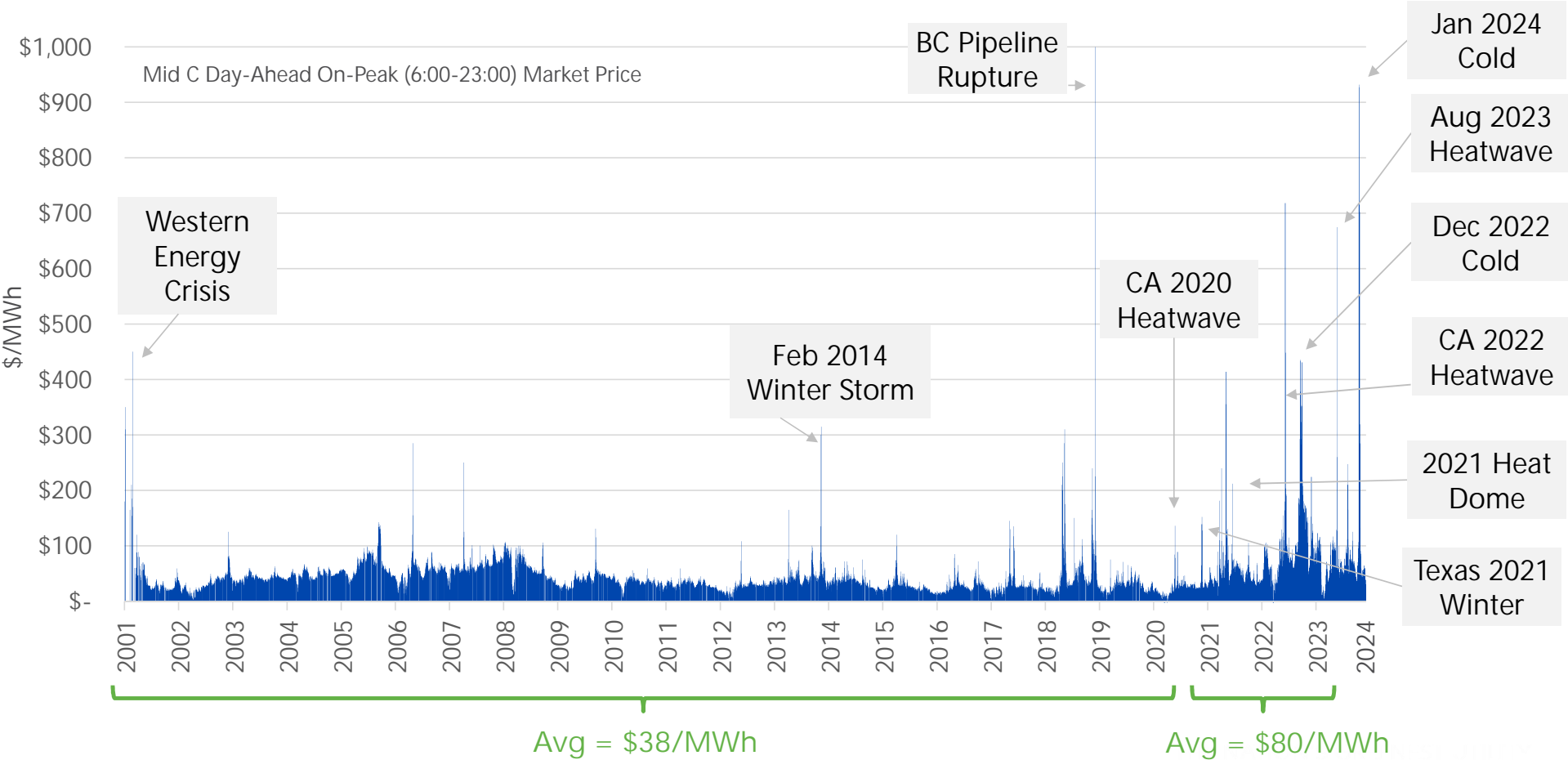
Load is now expected to rise faster than previously forecast.

New resources, transmission, and peaking capacity will be needed to meet this future demand.

# New Power Resources will be Needed



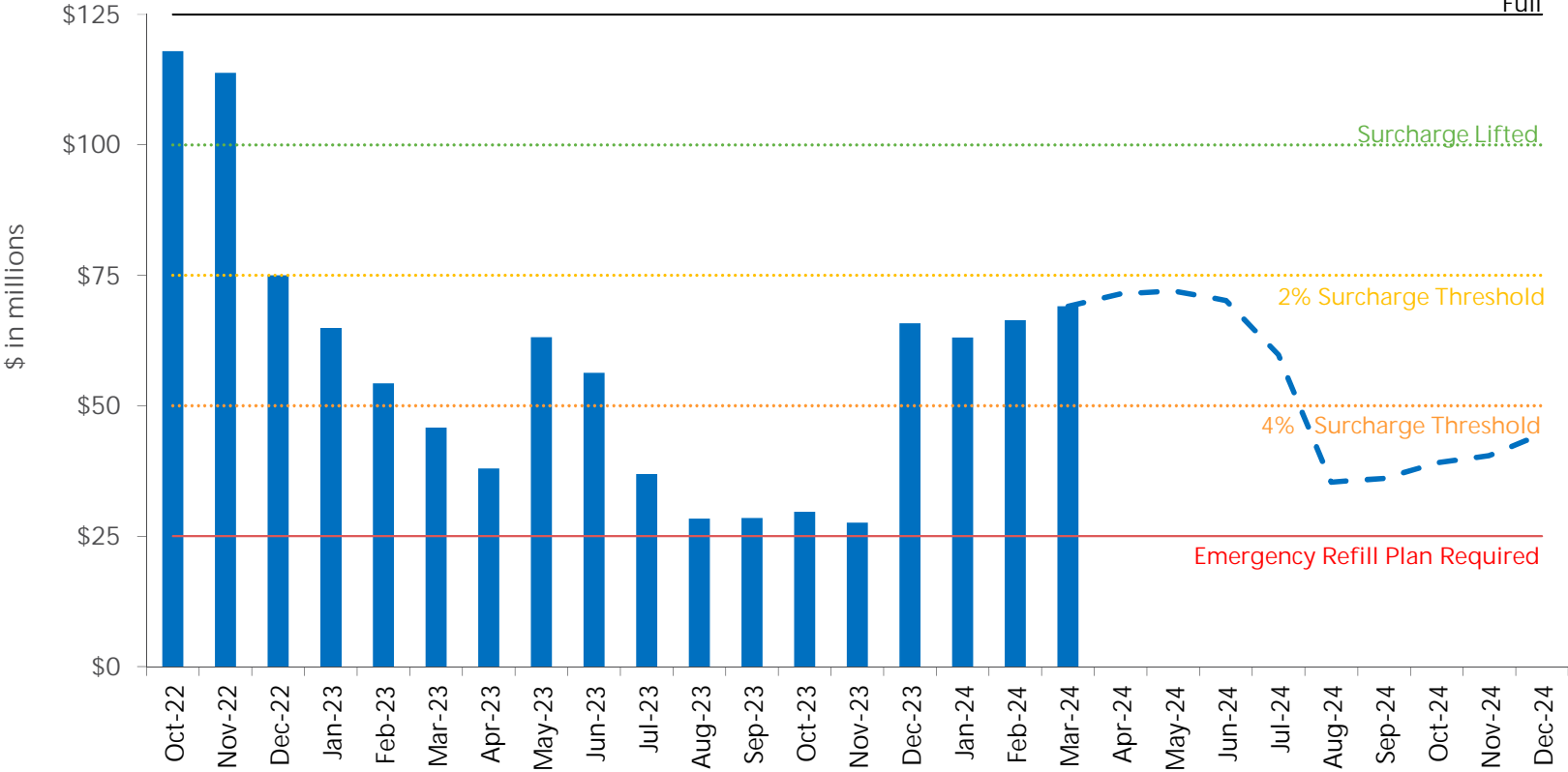
# Rising Power Prices + Volatility



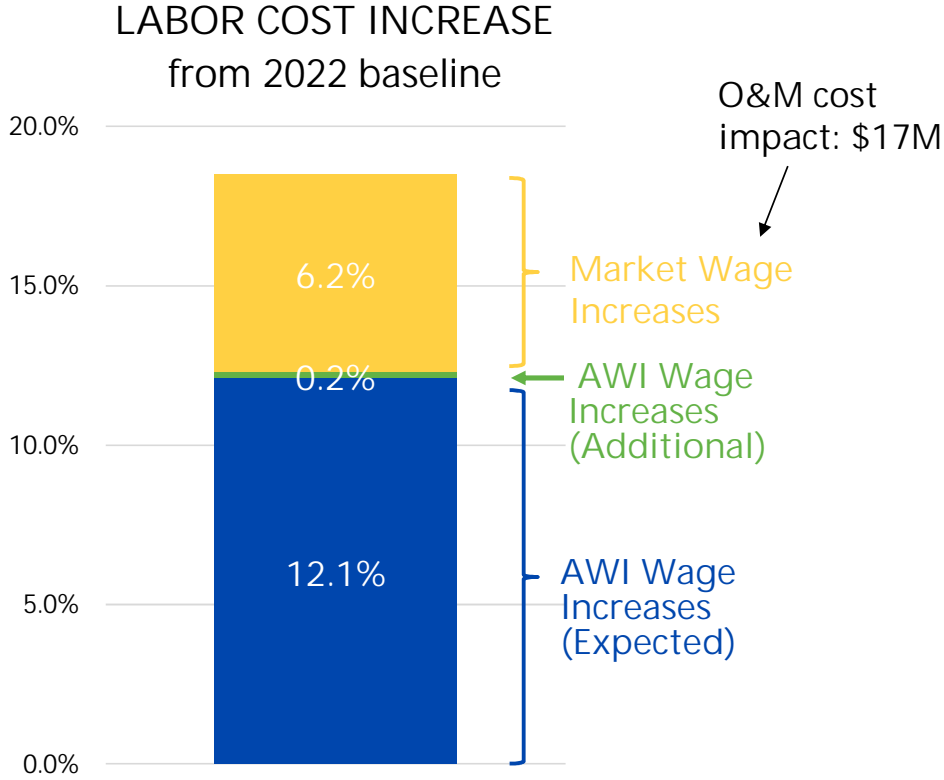
# City Light's Cash Reserves are Depleted

RATE STABILIZATION ACCOUNT (RSA) RESERVE BALANCE

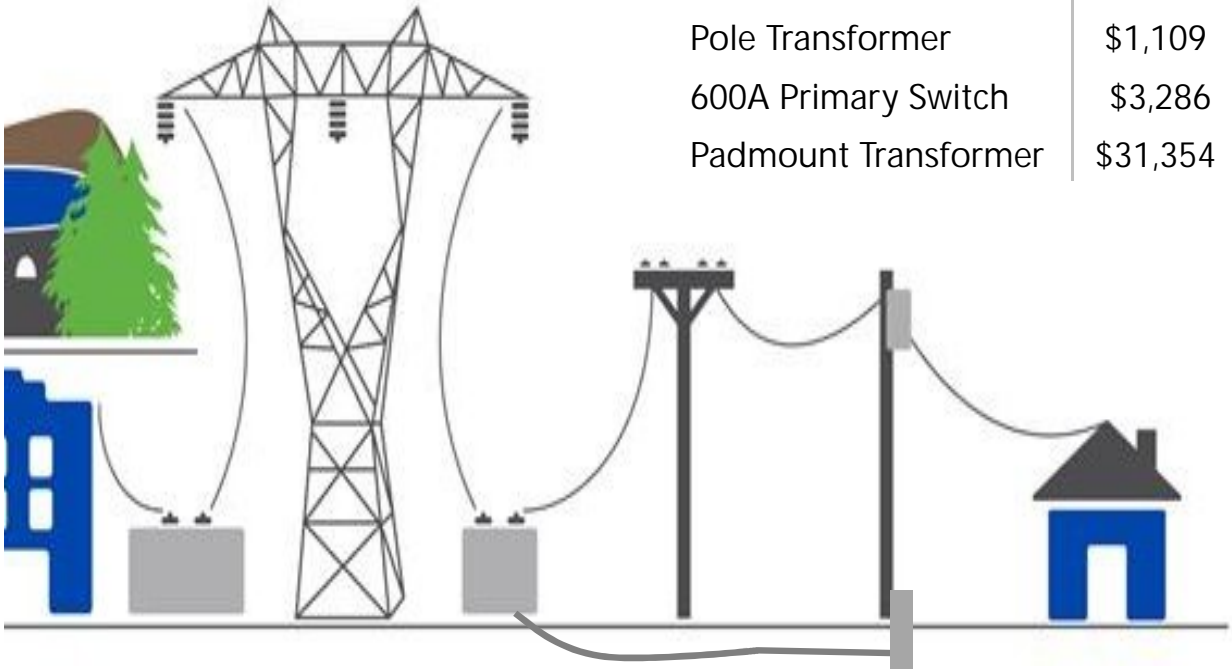
Full



# Catching Wages up to Market



# Increasing Prices and Lead Times for Materials



Component	Price			Lead Time (weeks)	
	2019	2024	Increase	2019	2024
1' Underground Cable	\$0.62	\$1.47	239%	16-39	26-52+
50' Wood Pole	\$939	\$1,598	170%	1-2	4-6
Pole Transformer	\$1,109	\$2,276	205%	16-26	43-60
600A Primary Switch	\$3,286	\$5,337	162%	9-12	18-22
Padmount Transformer	\$31,354	\$75,329	240%	16-38	43-120

# Summary: 2025 Rate Increase Drivers

	2025
Rate Increase from Last Strategic Plan (A)	3.0%
Cost Impact (B)	
Power Cost Increases	+3.7%
Net Wholesale Revenue Reduction	+1.9%
O&M (Inflation Impacts)	+1.6%
Other (Primarily Taxes)	+0.9%
Capital Recovery	<u>-1.0%</u>
Cost Subtotal	+7.1%
Revenue Impact (C)      Higher Load/Retail Sales	-4.7%
Rate Increase in New Strategic Plan (A+B-C)	5.4%



# Higher Rate Increases Across the Region

## RESIDENTIAL RATE INCREASES & PROPOSALS

Utility	2023	2024	2025	2026	Avg
Seattle City Light	3.4%	5.5%	5.4%	5.4%	4.9%
Tacoma Power	3.9%	3.9%	5.0%	5.0%	4.5%
Puget Sound Energy	8.7%	1.7%	6.9%	9.6%	6.7%
Snohomish PUD	2.0%	5.8%	?	?	3.9%
Portland General	0.0%	18.0%	7.4%	?	8.5%
Avista - Washington	5.0%	2.0%	13.8%	6.7%	6.9%

# Being Good Stewards

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Highlights of 2023 Cost Savings, Recovery & Leveraged Funding	Estimated Amount
BPA Refunded Power Costs	\$30.9M
Waterfront Project Savings	\$14.0M
Deployment of New Customer Payment Plan Option	\$3.0M
DOE Port of Seattle Hydrogen Grant Funding	\$1.3M
DOE Affordable Mobility Platform Grant	\$1.3M
Transmission Tower Landslide Mitigation Grant	\$1.0M
Other (e.g., grants, IT inventory management, member & early bird training discounts, etc.)	\$4.9M
<b>Total</b>	<b>\$56.4M</b>

# Supporting Affordability for All

## For Income-Eligible\*



60% off all bills  
Utility Discount Program



Credits on past due bills  
Emergency Bill Assistance  
Program



\$1,000 for heating expenses  
Federal LIHEAP



\$200 bill credit  
Washington Families Clean  
Energy Credits **NEW!**

## For Anyone



Option to pay a set  
amount each bill, that  
readjusts once a year  
Budget Billing Program



60 days to catch up on  
past due bills  
Flexible Repayment Plan

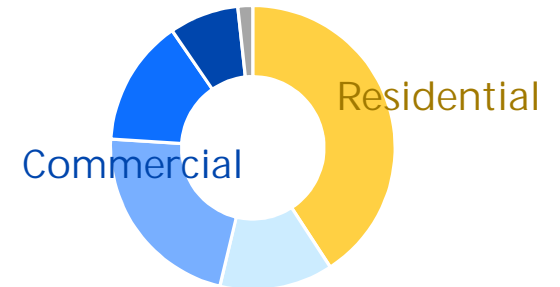


\* Coming soon: income eligibility limit will rise from 70% of state median to 80% of area median!

# What's Next: Rates and Budget Proposal

- Strategic plan informs the budget proposal and 2025-2026 rates.
  - Rate Ordinance transmitted in August.
- Final rate increases for customers/customer classes **will vary from the 5.4% average.**
  - Rate-making entails assigning cost recovery to customer classes, then adjusting the various fees and charges (i.e., rates) to collect for costs.
  - Rate goals are 1: recover the right amount of revenue, and 2: customers all pay their fair share.

ASSIGNING COST RECOVERY TO CUSTOMER CLASSES



ADJUST ALL FEES & CHARGES (RATES)



# Q&A

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"Salmon Spawning" Maynard Jr. Johnny, 2008

QUESTIONS AND COMMENTS?

Thank you!



July 26, 2024

## MEMORANDUM

**To:** Sustainability, City Light, Arts and Culture Committee  
**From:** Eric McConaghy, Analyst  
**Subject:** City Light's 2025-2030 Strategic Plan Update and Rate Path (RES 32139)

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On Friday, August 2, 2024, the Sustainability, City Light, Arts and Culture Committee (Committee) will discuss and possibly vote on a recommendation to Council regarding [Resolution \(RES\) 32139](#). RES 32139 would adopt the [proposed 2025-2030 Strategic Plan Update \(Plan\)](#) for the City Light Department (City Light) and endorse the associated rate path.

During the meeting of the Committee on July 15, Leo Lam, the Chair of the City Light Review Panel (Review Panel), shared the Review Panel's support for the proposed Plan and rate path. Following, City Light briefed the Committee regarding the Plan, and the Committee began discussion.

This memorandum provides high-level takeaways and relevant background information, highlights key aspects of the proposed Plan and the rate path, outlines the Review Panel's comments, describes City Lights' customer assistance programs, and offers next steps.

### Take-aways:

- City Light proposes rate increases commensurate with the rising revenue requirement necessary to operate the utility;
- The Review Panel in their [letter to the Mayor and Council](#) support the proposed Plan and rate path;
- If Council adopts Resolution 32139, then the Executive would transmit the 2025-2026 rates ordinance later this summer;
- The actual rate increases for different classes of customers would vary from the average, annual rate increases based on the cost to serve each customer class; and
- Examples of monthly increases over previous years' bills for 2025 and 2026<sup>1</sup> include:
  - Residential – \$3 - 4 and
  - Residential in Utility Discount Program (UDP) – \$1 - 2

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<sup>1</sup> Calculated from actual rates based the average rate. Source: City Light's preview of proposed rates [presented to the Review Panel on July 17](#)

## Background

City Light follows Council's guidance regarding the frequency of Plan updates and associated rate paths. The Council adopted [RES 31383](#) in 2012 specifying that City Light would update the utility's six-year Plan every two years, adding two years to the Plan, re-evaluating the remaining four years and revising the subsequent, six-year rate path.

The nine-member Review Panel is charged with representing City Light ratepayers and with reviewing and assessing City Light's strategic plans ([Ordinance \(ORD\) 123256](#)). The Review Panel convenes monthly with City Light staff in support of their deliberations. The Review Panel considered City Light's Plan and rate path over a series of meetings leading to their letter recommending adoption of the proposed Plan and endorsement of the rate path. This memo outlines their comments below.

Consistent with RES 31383, Council typically adopts an updated City Light Strategic Plan and associated rate path by resolution in advance of passing an ordinance to establish new retail rates in the Seattle Municipal Code (SMC) for all classes of customers later in the same year. City Light prepares its budget based on the codified rates.

If Council adopts RES 32139, then City Light will seek the Mayor's approval of rates for City Light customers for 2025 and 2026 based on the rate path. The Mayor would transmit the ordinance codifying the rates to Council for consideration.

Council's approval of the rates ordinance would establish the 2025 and 2026 retail rates for all classes of customers identified in [SMC 21.49](#). City Light would apply the new retail rates to billing beginning January 1, 2025.

Council last adopted a Plan and rate path for City Light in 2022 via [Resolution 32056](#). Subsequently, Council established the 2023 and 2024 City Light customer rates via [Ordinance 126677](#).

## Key aspects of Plan and Rate Path

City Light's proposed Plan identifies and describes the collection of strategies the utility will pursue to deliver electricity services to its customers. City Light continues to organize the utility's activities described in this updated Plan under five, named business strategies:

- Improve the Customer Experience;
- Create Our Energy Future;
- Develop Workforce and Organizational Agility;
- Ensure Financial Health and Affordability; and
- We Power



The rate path is the year-by-year sequence of average rate increases for all City Light customers for the six-year period of the Plan. City Light proposes a rate path with 5.4 percent increases annually for the first two years and 5 percent annually for the remaining four years to generate the revenue required to pay City Light’s costs to deliver services.

City Light calculates the average rate for<sup>2</sup> each year as the total revenue required for operation and maintenance and capital improvements (revenue requirement) divided by total retail sales. City Light communicates the change in the average rate from one year to the next in percent change.

As described above, the year-by-year sequence of average percent change in rates for the period of the Plan is known as the rate path. For example, in the adopted 2023 – 2028 rate path the increase in rates from 2024 to 2025 is 3.0 percent. In the proposed 2025 – 2030 rate path, the increase from 2024 to 2025 would increase 5.4 percent instead.

As the revenue requirement increases, so does the average rate unless the increase in retail sales keeps pace with the increase in the revenue requirement. Note also that increased retail sales mean City Light must provide more electricity and this, in turn, can increase the revenue requirement.

In the 2025-2030 Strategic Plan Update Financial Forecast,<sup>3</sup> City Light reports that the revenue requirement is increasing around \$77 million (6.1 percent) per year and retail sales are growing by almost 1 percent per year. It follows that City Light is proposing a rate path with increases in average rates for each year.

*Table 1. Comparison of City Light’s adopted and proposed rate paths*

<b>Rate Paths compared</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Adopted 2023-2028 increases	4.5%	4.5%	3.0%	3.0%	3.0%	3.0%	n/a	n/a
Proposed 2025-2030 increases	n/a	n/a	5.4%	5.4%	5.0%	5.0%	5.0%	5.0%

<sup>2</sup> **Average rate**, in \$ per kilowatt hour (kwh) = **Revenue requirement** in \$ / **retail sales** in kwh

<sup>3</sup> Appendix to the 2025 – 2030 Strategic Plan Update.

Table 1 compares the 2023 – 2028 rate path to the proposed 2025 - 2030. The average rate increases for each year in the proposed rate path are greater than those of the adopted 2023 – 2028 rate path. City Light proposes the higher retail rate increases to meet the updated assessment of cost factors including purchased power, operations and maintenance (O&M), capital improvement, and taxes:

- Purchased power: higher wholesale power prices, lower hydroelectric generation, and greater demand (load growth)
- O&M: offering market wages, inflation in costs for materials to maintain infrastructure, and regulatory compliance for conservation and renewable power resources (wind and solar)
- Capital improvement: upfront cash to pay for capital projects and debt service to cover principal and interest payments on bonds
- Taxes: in general, a ten percent revenue tax

Recent Council actions related to ongoing costs for City Light include approval of the Building Emissions Performance Standard (BEPS) via [Ordinance 126959](#) in December 2023 and authorization of the execution of collective bargaining agreements between the City of Seattle and the International Brotherhood of Electrical Worker Local 77 via [Ordinance 127047](#).

Average rates are not actual rates. City Light would translate them from representations of average impact on customers' bills to actual rates in the subsequent rate ordinance after Council endorses the 2025 – 2030 rate path.

Furthermore, City Light's billed rates may also be increased or decreased from the actual (codified rates) by the Rate Stabilization Account (RSA) surcharge<sup>4</sup> and the Bonneville Power Administration (BPA) cost adjustment<sup>5</sup>. City Light must apply (and remove) the RSA surcharge to customers' bills under financial conditions related to net wholesale revenue as specified in the SMC, see the RSA surcharge discussion below. City Light must pass-through changes in costs of power purchases from BPA as an adjustment to customers' bills, more below.

The purpose of the RSA, established by [Ordinance 121637](#) and most recently amended by [Ordinance 126677](#) in 2022, is generally to cope with fluctuations in City Light's net wholesale revenue. City Light receives net wholesale revenue (NWR) from sales of power in energy markets that is surplus to the needs of City Light's retail customers. In general, City Light's operating and capital budgets rely on retail revenue, wholesale revenue and borrowed money (bond sales).

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<sup>4</sup> [SMC 21.49.086](#)

<sup>5</sup> [SMC 21.49.081](#)

Whenever NWR during any month of the year falls below the amount allocated in the forecast for that month, then the SMC requires that City Light transfer the amount of the shortfall from the RSA to the Light Fund. If monthly NWR exceeds the forecasted amount, then City Light must transfer the excess from the Light Fund to the RSA.

The SMC provides for the replenishment of the RSA with funds from surcharges added to retail rates when the RSA balance is less than specified thresholds. When the amount in the RSA is \$75 million or less on either March 31 or Sept 30, City Light must impose a surcharge on all retail customer bills equal to 2 percent of base rates and deposit the proceeds from the surcharge into the RSA. Once imposed, the surcharge remains in effect until the amount in the RSA reaches \$100 million.

The SMC requires an additional surcharge of 2 percent (for a total of 4 percent) when the RSA is drawn down below \$50 million. As above, the surcharge remains in effect until the amount in the RSA reaches \$100 million. Surcharges may be initiated twice per year, on either January 1 or June 1 and they should be lifted within 90 days of when the month-end balance has reached the relevant threshold.

City Light purchases about a third of its energy from BPA, a federal power-marketing administration, to meet retail customer demand (load). Every other year, BPA updates its rates and purchase amounts. The SMC provides an automatic BPA power cost adjustment (also known as a “pass-through”) that City Light must apply to rates to accommodate changes in BPA costs greater than \$1.5 million over 12 months. City Light sets the amount of the BPA cost adjustment upwards or downwards such that the cost difference, including taxes, is collected from or credited to customers over the subsequent 12-month period from the onset of the rate adjustment.

City Light added the required RSA surcharge and BPA cost adjustment at the same time as the utility implemented new rates on Jan. 1, 2024. In addition to the planned 4.5 percent base rate increase adopted by City Council via [Ordinance 126677](#), the utility applied the two automatic surcharges: 4 percent for the RSA surcharge and just over percent for the BPA pass-through. For City Light’s customers overall, average increase resulting was 9.8 percent.<sup>6</sup>

The resulting bill increase for a typical residential customer was about \$9 per month and about \$4 per month for customers enrolled in the Utility Discount Program (UDP). The BPA pass-through will persist until City implements new rates as anticipated for January 1, 2025. The RSA surcharge will persist until the RSA balance is restored to \$100 million. City Light projects the RSA 2024 end-of-year balance at approximately \$43 million.

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<sup>6</sup> See City Light’s Powerline blogpost: <https://powerlines.seattle.gov/2023/10/12/2024-rate-surcharges/>

## City Light Review Panel’s Comments

The Review Panel in their letter to the Mayor and Council endorsed the Plan, supported its adoption, and believed the proposed rate path to be “...reasonable and appropriate given the challenges facing (City Light).” The Review Panel acknowledged that City Light is facing increasing costs (outlined above) and its need to adjust rates accordingly.

In their wide-ranging commentary, the Review Panel includes support for City Light’s investments in labor and technology to become more cost-effective in managing customer demand (load) and in seeking energy efficiency. They also recognize the utility’s need to improve the predictability of timelines for new service connections. And they highlight the need to meet customer’s needs related to accelerating shifts to building and transportation electrification.

They also ask City Light to focus on equity and affordability, noting that average customer income has not been rising commensurate with inflation. The Review Panel suggests that City Light pursue “expanded bill assistance, easier access to programs, a tiered income program (for bill assistance), and expanded outreach to target customers.”

## Customer Assistance

City Light and Seattle Public Utilities (SPU) provide the Utility Discount Program (UDP) to assist qualified low-income residential utility customers with the costs of utility services provided by the City. In addition to UDP support, City Light and SPU offer emergency assistance to help customers pay delinquent bills via their respective Emergency Bill Assistance and Emergency Assistance Program. Both utilities also offer bill payment plan options to help customers budget bill payments and catch-up on past due amounts.

Among the assistance programs, the UDP is the most significant means to assist income-qualifying customers with their utility costs. To be eligible for the UDP, the total household income for the low-income customer must not exceed 70 percent of the current state median income<sup>7</sup>. Enrolled UDP customers receive a 60 percent discount on City Light bills and a 50 percent discount on SPU bills. City Light customers can enroll in utility assistance and other affordability programs at <https://www.seattle.gov/assistance-and-discounts>.

The latest reported data show that UDP enrollment increased from approximately 17,000 in 2014 to over 36,000 in 2024. There are about 82,000 UDP-eligible households within the City of Seattle, and about 126,000 UDP-eligible households within City Light’s entire service territory. City Light and SPU may propose raising the threshold on the UDP program to 80 percent of area median income<sup>8</sup> consistent with energy assistance provisions of Washington State’s [Clean Energy Transformation Act](#) as soon as the first quarter of 2025. The change would require Council’s approval by ordinance.

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<sup>7</sup> \$85,140 for a family of four in 2024

<sup>8</sup> \$100,900 for a family of four in 2024

## **Next Steps**

The timing of Council's decision on the proposed Plan and rate path resolution sets up subsequent consideration of the City Light rate ordinance for 2025 and 2026. If the Committee votes on a recommendation on the resolution on August 2, then the Council could take final action on Resolution 32139 as soon as August 13.

cc: Ben Noble, Director  
Yolanda Ho, Supervising Analyst

JULY 2024

INTERNAL

## Utility Discount Program

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### PROGRAM BUSINESS OBJECTIVE

Seattle City Light (SCL) is committed to ensuring all customers have access to clean, affordable electricity no matter their financial circumstances. The Utility Discount Program strives to help income-eligible residential customers who are struggling to pay their electricity, water, and waste utility bills across City Light service areas by offering discounted billing. In addition to Seattle, City Light service areas include parts of Shoreline, Lake Forest Park, Unincorporated King County, Burien, Renton, Tukwila, SeaTac and Normandy Park.

### PROGRAM OVERVIEW

The Utility Discount Program (UDP) provides bill assistance for income-eligible customers. Households with incomes at or below 70% of State Median Income (SMI) adjusted for household size are offered a discount of 60% on their SCL bills. All income-eligible customers who receive a Seattle Public Utilities' (SPU) bill will receive a 50% discount on their water, sewer, and solid waste services from Seattle Public Utilities. UDP customers whose Seattle Public Utilities services are paid by a landlord or homeowner's association may receive credits for water, sewer, and solid waste services on their City Light bill.

### ELIGIBILITY

An applicant is eligible for UDP if the applicant is an adult household member (18 years or over), is the primary City Light residential service account holder and the combined income of all adult household members does not exceed 70% of SMI adjusted for the number of individuals in the household. UDP is open to all customers regardless of their citizenship status, race, gender, ethnicity, or ability. City employees do not ask about citizenship status and serve all customers regardless of immigration status.

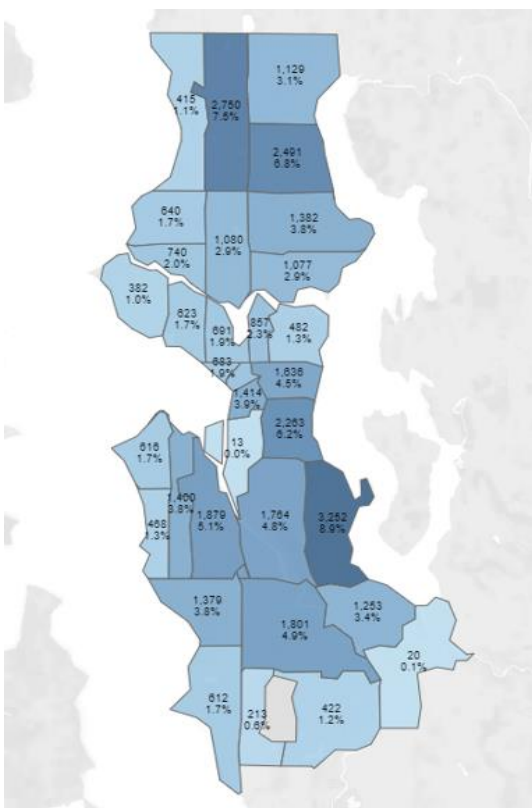
SCL and SPU contracts with the Human Services Department (HSD) to implement key elements of UDP. HSD's team of Program Intake Representatives ensure customers meet eligibility requirements for UDP, as well as being responsible for recertifying customer eligibility (every two years for standard households, three years for elder-only [65+] households). As part of this MOA, HSD also supports UDP outreach and marketing efforts.

2024 Income Eligibility:

(Maximum monthly/yearly household income before taxes and deductions)

People in household	Utility Discount Program (Monthly)	Utility Discount Program (Yearly)
1	\$3,689	\$44,268
2	\$4,825	\$57,900
3	\$5,960	\$71,520
4	\$7,095	\$85,140
5	\$8,230	\$98,760
6	\$9,366	\$112,392
Each Additional	+ \$213	+ \$2,556

UDP Enrollment by Zip Code/Council District (July 2024):



**PROGRAM KEY CONTACTS**

Program Manager: Thor Peterson

Financial Assistance Portfolio Manager: Melissa Bookwalter

**GOVERNANCE**

The Utility Discount Program is governed by SMC 21.49.040, SCL DPP (III-428), City of Seattle Ordinance 125171, and SPU Director’s Rule CS-700. SCL and SPU also maintain the MOA with HSD described above for

program implementation. In addition, a Utility Assistance Steering Committee comprised of SCL, SPU and HSD leadership and staff help to inform and align program and policy changes across departments.

## FAST FACTS

<b>Portfolio Segment</b>	Financial Assistance
<b>Enrollment</b>	<b>36,614</b> Customers, Residential
<b>Snapshot July</b>	
<b>2024 YTD:</b>	
<b># Staff (SCL)</b>	SA: 1.5
<b>(HSD)</b>	PIR: 17 SUP: 1 MGR: 0.5
<b>(SPU)</b>	SA: 1
<b>Eligibility</b>	70% SMI
<b>Product/Offer</b>	Discount on bi-monthly utilities
<b>Application</b>	Administered by HSD: <u>Online</u> , Phone, Email, In-Person, Mail
<b>Process</b>	<a href="https://seattle.gov/human-services/services-and-programs/utility-discount-program">https://seattle.gov/human-services/services-and-programs/utility-discount-program</a> .
<b>Administration</b>	Internal
<b>Launch</b>	1982

## ENROLLMENT ENHANCEMENT STRATEGIES

According to the Mayor’s Innovation and Performance team’s Household Eligibility Estimator approximately 126,000 households within SCL’s service territory are eligible for UDP under current 70% SMI income



guidelines. SCL, SPU and HSD increased enrollment in the Utility Discount Program (UDP) from approximately over 36,000 in 2024 enrollment. Strategies for increasing enrollment pathways and reducing barriers:

**Leveraging Categorical Enrollment** (also called cross-enrollment) relies on third-party verification of program eligibility, reducing the need for customers to repeatedly provide income documentation for means-tested programs. Categorical enrollment is typically underpinned by data sharing agreements that allow for exchange of enrollee lists of one-off verification of a household's enrollment status UDP currently uses the following types of categorical enrollment:

- **Auto-enrollment** leverages large lists of households enrolled in other income-eligible programs for bulk enrollment in UDP and uses an opt-out enrollment model shown to dramatically increase enrollment rates. Currently, SCL maintains an auto-enrollment agreement with the Seattle Housing Authority (SHA) for SHA residents and households holding SHA Housing Choice Vouchers (HCV) in private-market housing. Seattle Housing Authority provides an annual global list of SHA residents and HCV holders to SCL for bulk enrollment of new customers and extension of eligibility for existing UDP enrollees. SCL also receives a weekly list of new residents and move-outs from SHA to help keep UDP enrollment current. SCL is seeking additional auto-enrollment opportunities with affordable housing providers and exploring options for partnerships with organizations managing means-tested health care and tax relief programs.
- **The UDP Express Application** allows residents in affordable housing units to allow representatives of the housing provider to verify the applicant's UDP eligibility. In this individual (as opposed to bulk), opt-in process initiated by the applicant, an abbreviated two-page application is completed by both the resident and the housing provider representative. Like Auto-Enrollment, UDP Express relies on agreements with the associated housing providers to ensure enrollee eligibility, and its use could be expanded beyond affordable housing providers.
- **Streamlined enrollment** is an opt-in enrollment mode that utilizes a customer or household's active status in one means-tested program with equal or less-stringent household income requirements as evidence of eligibility in another program. UDP currently allows evidence of active enrollment in Supplemental Nutrition Assistance Program (SNAP) as qualification for UDP enrollment. Customers can provide their SNAP benefits verification letter or SNAP ID or Social Security Number to allow a UDP program intake representative to verify the applicant's SNAP enrollment status in the Washington Department of Social and Health Services' Benefits Verification System database. No additional eligibility documentation is required. Streamlined enrollment could be expanded to many other federal, state, and City programs beyond SNAP.

**Self-Attestation** allows an applicant to attest to their household's eligibility for the UDP benefit. UDP has not fully implemented self-attestation to date. However, in response to the financial disruption caused by the COVID-19 pandemic, UDP temporarily relied on a household's self-attestation of income for eligibility rather than submission and program verification of documentation prior to receiving benefits. This resulted in over 20,000 unique applications to the program between March 2020 and January 2022. The current program evaluation described below identifies actions to continue to increase enrollment and remove income verification barriers which may have caused many customers to drop from UDP in addition to their circumstances changing after COVID-19.

**Utility Assistance Programs Automation (UAPA) system** launched in 2022, allowing customers to enroll in all three utility assistance programs: UDP, SCL Emergency Bill Assistance (EBA) and SPU Emergency Assistance

Program (EAP) with a single customer-facing online application. On the UAPA back-end, a single household object for each applicant allows for simplification of eligibility documentation across the Utility Assistance programs.

**Targeted outreach and cross-promotion** - when a program targets enrollment outreach to a group of households identified as likely eligible through specific indicators like the household's participation in another income-eligible program.

- **Affordable Seattle Executive Order 2023-05:** SPU, Department of Education and Early Learning (DEEL), Seattle Parks and Recreation (SPR), the Office of Sustainability and Environment (OSE) and the Seattle Department of Transportation (SDOT) and additional city departments each operate programs that help income-qualified residents. Each program has different income eligibility criteria; however, all include income verification processes, and we are committed to finding options for cross-enrollment. The UDP team is an active participant in this work with these departments through the Affordable Seattle IDT to develop data-sharing consent language so that a resident's application to one program serves as an application to all other citywide programs.
- **Community Connectors at Foodbanks:** HSD contracts with 10 foodbanks and community-based organizations to help communities access programs such as UDP. Community Connectors promote the program to their clients, assist community members in filling out the UDP application and help submit income verifying documentation.
- **Ongoing communications** activities include in-person outreach at community events, some outreach examples include at the 2024 Summer Food Service Programs (SFSP) Kick-off Event at Jefferson Park in Beacon Hill, Northgate Community Center 18th Anniversary, Impact Schools Family Carnival in Tukwila and Byrd Barr's Neighborhood Block Party in the Central District. Promotional materials continue to be available at over 60 public facilities throughout the city (Community Centers, Libraries, Customer Service Centers) and shared out through City Departments newsletters, outreach to Community Based Organizations and direct communications to customers in arrears.

## EXPANSION OPPORTUNITIES

Current projects and/or strategies that may help to increase UDP program participation:

**(1) Utility Assistance Programs Evaluation (June 2024):** A recent program evaluation with over 70 recommendations to streamline operations and increase program participation is being incorporated into a workplan due by December 2024. One key recommendation is to raise income eligibility limits to 80% Area Median Income (AMI) from 70% State Median Income (SMI) to increase access and enrollment, helping to remove many barriers for customers. Program redesign work hopes to center customers with the highest energy burden and include an attestation pathway for program enrollment.

2024 Income Eligibility						
70% State Median Income				80% Area Median Income		
Household Size	Gross Yearly Income	Household Size	Gross Monthly Income	Household size	Gross Yearly Income	Gross Monthly Income
1	\$44,268	1	\$3,689	1	\$77,700	\$6,475
2	\$57,900	2	\$4,825	2	\$88,800	\$7,400
3	\$71,520	3	\$5,960	3	\$99,900	\$8,325
4	\$85,140	4	\$7,095	4	\$110,950	\$9,246
5	\$98,760	5	\$8,230	5	\$119,850	\$9,988
6	\$112,392	6	\$9,366	6	\$128,750	\$10,729
7	\$114,936	7	\$9,578	7	\$137,600	\$11,467
8	\$117,492	8	\$9,791	8	\$146,500	\$12,208
9	\$120,048	9	\$10,004	9	\$155,350	\$12,946
10	\$122,604	10	\$10,217	10	\$164,200	\$13,683

Source: SMI: Washington State Dept of Social and Health Service  
 AMI: Seattle Housing Authority  
<https://www.seattlehousing.org/housing/sha-housing/eligibility/income-level-low-income-public-housing>

**(2) Washington State Department of Commerce Clean Energy Credits (September 2024):** As part of the Climate Commitment Act, WA State Department of Commerce is providing SCL \$19,131,893.35 to distribute to 90,876 customers \$200 in Clean Energy Credits per customer households at or below 80% Area Median Income. Funds must fully be distributed by 9/15/24. SCL plans to automatically apply this credit to approximately 40,000 households of residential customers who currently or previously participated in any of the following on or after January 1, 2022: Participation in the Utility Discount Program; recipient of financial assistance from LIHEAP, Emergency Bill Assistance, or Project Share; Previous or current participant in an SCL payment arrangement or payment plan. Customers who are receiving this credit may also qualify for UDP and will have opportunities to enroll for ongoing bill assistance through SCL Communications Team outreach.

JULY 30, 2024

**TO**

Council Member Tanya Woo, Chairperson, Sustainability, City Light, Arts & Culture Committee

**FROM**

Dawn Lindell, General Manager/CEO

**SUBJECT**

2025-2030 Strategic Plan Update – Response to Council Questions

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Thank you for the opportunity to address your questions for Seattle City Light regarding the 2025-2030 Strategic Plan Update, including the 6-year rate path.

The 2025-2030 Strategic Plan Update reflects what we've learned since 2022 and reiterates our commitment to developing our workforce; identifying cost-saving opportunities; investing in infrastructure; incorporating new technologies; and enhancing cyber security. It also includes bold initiatives to meet the challenges ahead, like technology expansions that integrate renewable energy and demand response programs to reduce strain on the grid.

**QUESTIONS & SEATTLE CITY LIGHT'S RESPONSES****1. Could we have all the key assumptions driving the increased rates compared to other rate scenarios modeled?**

There are three key cost assumptions that are driving the need for increased rates compared to previous scenarios: power costs, operating costs, and capital costs.

First, **Power Costs** are increasing. Wholesale prices for electricity have more than doubled compared to the previous decade, and rising power costs are the single largest cost pressure on rates. Seattle City Light is fortunate to get low-cost power from hydroelectric dams and from Bonneville Power Administration, but we need to buy new (and expensive) clean energy resources to reliably meet the growing demand for electricity in Seattle. Our load forecast, which was developed in partnership with industry expert EPRI, captures projected growth from electrification of heating and transportation that in the past was powered by oil or gas. We are projecting that peak load will grow 7% by 2030 and 16% by 2035. To reliably meet customer

demand, new resources are required before this new demand comes online. Below are the new renewable resource assumptions included in the Strategic Plan.

	2025	2026	2027	2028	2029	2030
New Resources, average annual Megawatts (aMW)	11	80	136	233	233	233
New Resources, \$ Millions	\$8	\$49	\$99	\$147	\$147	\$164

High power prices, exacerbated by more frequent extreme weather events and pervasive drought conditions, have drained the City Light’s Rate Stabilization Account (RSA), our cash reserve for purchasing electricity on the market. The RSA is close to empty, which triggered an automatic 4% rate surcharge that went into effect in January 2024. The increased rates reflect hydro estimates more consistent with the last five years of actual performance in wholesale market purchases/sales, which will help the RSA refill. The 4% surcharge will automatically end when the RSA is refilled to \$100M.

The second key assumption is the rising operating costs for **wages and materials**. Wages for many City Light employees fell behind market in the wake of the pandemic. The City has recently reached agreements with labor unions to adjust wages for many employees so that they are more competitive with those offered by other local public utilities like Tacoma Power and Snohomish PUD. This is important because City Light needs to pay a fair market wage to attract and retain staff, particularly in skilled electric utility trades like line workers and system operators. In key segments, City Light’s vacancy rates are above 15%, which has an impact on our service levels and response rates. Material costs are also much higher than in the previous rate scenario. Prices for wires, poles, transformers and many other materials needed to maintain the electrical system have grown 2-3x since 2019. For the longer term, investments are needed to bolster our cyber security, make technology upgrades to enable participation in evolving wholesale power markets, and to support customers’ interest in electrification.

Finally, City Light must make **investments in electrical infrastructure**, which are expected to increase our Capital Plan and create significant rate pressure in the years beyond this next biennium. Construction costs have risen, driven by higher wages and material costs. A new federal license to operate the Skagit Project is expected to require significant capital investments in the vicinity of that hydroelectric project. On the energy delivery side, new capacity will be needed to meet electrification demands, and City Light is also behind in addressing aging existing assets like its direct buried underground cable.

Further details on assumptions can be found in the appendices of the 2025 – 2030 City Light Strategic Plan Update (linked at the end of this memo)

**2. Could we have a breakdown of each customer category and how the 5.4% increase would impact each of their rates?**

Yes- later this summer, City Light will transmit to City Council for consideration a rate ordinance that sets specific rates for each customer class. While the legislation has not yet been formally transmitted, the rate design work is complete and has been shared with stakeholders, including the City Light Review Panel.

For the residential customer class, rate increases will be lower than the 5.4% system average; they will be 4.3% in 2025 and 4.9% in 2026. Most “General Service” commercial/industrial customer bills will increase between 4% and 7% each year. The below table shows bill increases for example customers.

**Example Bill Impacts (monthly)**

	2024	2025	2026
	Monthly Bill	Increase	
<b>Residential Customer Examples</b>			
Avg Home - 634 kWh	\$89	\$4	\$4
Avg Home UDP Participant - 60% discount	\$35	\$2	\$2
Typical Apartment/Condo - 463 kWh	\$66	\$4	\$4
High User - 1,180 kWh	\$161	\$4	\$5
<b>Commercial/Industrial Customer Examples</b>			
Small Commercial - Car Wash	\$874	\$48	\$42
Medium Commercial – Grocery Store	\$3,419	\$211	\$232
Large Industrial- Cement	\$25,429	\$1,585	\$1,718
Large Commercial-Hospital	\$147,628	\$7,477	\$7,622

**3. What alternative funding sources or cost-saving measures have been explored to avoid or minimize rate increases? What are the potential partnerships or grants that have been considered?**

City Light is actively pursuing grant opportunities to offset not only the cost of electrification for our customers, but also to offset costs to replace our aging infrastructure.

Below are ten grants that City Light has been awarded, which will supply funding for various projects and betterments without impacting rates.

<b>Granting entity</b>	<b>What the grant is for</b>	<b>Amount</b>
US Dept of Agriculture	Gorge Debris Boom	\$4,125,000
WA Dept of Commerce	Metaline EV Charging Program	\$340,000
WA Dept of Commerce	WA Families Clean Energy Credits	\$19,143,507
US Dept of Interior National Park Svc	Georgetown Steam Plant	\$500,000
Washington State Historical Society	Georgetown Steam Plant	\$727,500
Washington State Historical Society	Georgetown Steam Plant	\$749,810
WA Dept of Ecology	Lower Duwamish Waterway - Oversight remedial Action	\$1,294,000
Dept of Energy	Connected Communities, EPRI	\$552,000
FEMA via. WA State Military Department	SCL Cedar River Watershed Defensible Space Phase 1 project	\$198,900
WA Dept of Commerce	HEAR Program via. Office of Sustainability and Environment	\$3,181,094 <i>a portion is allocated to City Light</i>

City Light has submitted five different US Department of Energy Section 247 Hydro Power grant applications, a GRIP (grid resilience and innovation partnerships) grant application for \$50M, and a federal Cyber Security grant valued at nearly \$500 thousand in collaboration with the DOE and American Public Power Association. The grant awards are scheduled to be announced in the fall.

City Light expects to participate in the State of Washington’s carbon market which will be an additional source of revenue to offset the costs of electrification. The amount and timing of these revenues is dependent on the outcome of carbon offset auctions that have yet to be scheduled.

City Light is pursuing partnerships with other City departments to improve our services without increasing costs. One such partnership is a 2-year pilot with the Department of Neighborhoods to do outreach. Through this partnership, we will be working with DON to reach customers with whom we have had little to no contact in the past. Input from a broader range of customers and stakeholders will help us provide services more efficiently and effectively.

**4. What steps are being taken to improve operational efficiency and reduce waste? How will these improvements help in controlling costs and preventing future rate increases?**

City Light never stops looking for opportunities to reduce waste and improve efficiency. Over the past two budget cycles (4 years), we have saved over \$41 million by shifting budgeted spending to address areas of risk and high priority needs such as cyber security and physical security, without increasing our overall costs.

In addition to our work in controlling costs via our budgeting, in the last year we achieved \$56.4 million in savings from refunds, grants and process improvements. We will continue seeking ways to save ratepayer dollars.

<b>Highlights of 2023 Cost Savings, Recovery &amp; Leveraged Funding</b>	<b>Estimated Savings</b>
BPA Refunded Power Costs	\$30.9M
Waterfront Project Savings	\$14.0M
Deployment of New Customer Payment Plan Option	\$3.0M
DOE Port of Seattle Hydrogen Grant Funding	\$1.3M
DOE Affordable Mobility Platform Grant	\$1.3M
Transmission Tower Landslide Mitigation Grant	\$1.0M
Other (e.g., grants, IT inventory management, member & early bird training discounts, etc.)	\$4.9M
<b>Total Savings</b>	<b>\$56.4M</b>

City Light intends to continue pursuing grant opportunities, and we are bolstering our investment in Lean Six Sigma techniques to improve business processes. We will persist in finding as many ways as we can to make the most of each rate payer dollar.

Finally, many of the costs described in this strategic plan are investments in ensuring City Light customers can access reliable, and low-cost electric services for many years to come. For example, investing in refilling the Rate Stabilization Account helps to keep it strong so it can continue to protect ratepayers from the unavoidable financial risks City Light is exposed to in the wholesale market. Securing new firm energy resources will help reliably meet demand, reduce risk of outages, and avoid cost overruns during extreme weather events. And investing in cyber security measures helps protect our technology assets from financially catastrophic attacks.



## 5. What would it take for the RSA surcharge to drop off to help lower rates for customers?

When the RSA is refilled to \$100M, the RSA surcharge will automatically drop off, which will translate to lower rates for all customers. A big determinant of the speed of refill of the RSA is the weather. City Light's hydro dams usually yield the best value when there is ample precipitation and good snowpack accumulation in the winter, which allows the spring runoff to stretch into the summer. This water year has been dry, and the RSA balance has not made progress towards recovery. The next water year starts in September; depending on the hydro and market conditions, it is possible that the RSA surcharge could drop off in 2025, or in 2026, or it may persist longer.

### Media Coverage Summary

<https://www.komonews.com/news/local/seattle-city-light-plans-54-rate-hike-in-2025-amid-rising-costs-and-demand-seattle-city-councils-sustainability-city-light-arts-culture-committee-prices-wages-inflation-economy-energy-revenue>

<https://www.seattletimes.com/seattle-news/politics/seattle-city-light-rates-to-increase-as-utility-struggles-with-supply-demand/>

<https://www.fox13seattle.com/news/seattle-city-light-increase-rates>

### Attachments:

Utility Discount Program (UDP) Fact Sheet

[2025 - 2030 City Light Strategic Plan Update and Financial Forecast](#)

### Amendment 1 Version 1 to RES 323139 - SCL 2025–2030 Strategic Plan Update

**Sponsor:** Councilmember Moore

Modify City Light’s 6-year rate path

**Effect:** This amendment would modify Seattle City Light’s (SCL’s) 6-year rate path for the years 2027 through 2030 as proposed in Resolution (RES) 32139. Instead of the rate increase of 5 percent for each of the years, the rate increase would be 5.4 percent for each year, the same as the proposed increments for the years 2025 and 2026.

The rate path is the year-by-year sequence of annual rate increases for all SCL customers for the six-year period of the Strategic Plan. SCL proposes a rate path with 5.4 percent increases annually for the first two years and 5 percent annually for the remaining four years to generate the revenue required to pay SCL’s costs to deliver services.

The annual rates in the rate path are not actual rates. SCL would translate them from representations of average impact on all customers’ bills to actual rates in the subsequent 2025 – 2026 rate ordinance after Council endorses the 2025 – 2030 rate path. This amendment would not change the actual rates that SCL would propose for 2025 and 2026.

Amend Section 2 of RES 32139 as follows:

Section 2. To achieve the goals of the Strategic Plan and Debt Strategy, the annual rate increases for the six years shown below are endorsed:

2025	2026	2027	2028	2029	2030
5.4%	5.4%	<del>5.0%</del>	<del>5.0%</del>	<del>5.0%</del>	<del>5.0%</del>
		<u>5.4%</u>	<u>5.4%</u>	<u>5.4%</u>	<u>5.4%</u>

## Amendment 2 Version 1 to RES 323139 - SCL 2025–2030 Strategic Plan Update

**Sponsor:** Councilmember Moore  
Reporting on Increasing Utility Discount Program Enrollment

**Effect:** This amendment would request that Seattle City Light (SCL), in cooperation with Seattle Public Utilities (SPU), the Human Services Department (HSD), and other City departments as appropriate, conduct a thorough review of the City’s activities intended to increase enrollment of eligible customers in the Utility Discount Program (UDP). Further, the amendment would set deadlines for the initial and complete reports of the review on December 31, 2024, and April 1, 2025 respectively.

Among the assistance programs, the UDP is the most significant means to assist income-qualifying customers with their utility costs. To be eligible for the UDP, the total household income for the low-income customer must not exceed 70 percent of the current state median income. Enrolled UDP customers receive a 60 percent discount on SCL bills and a 50 percent discount on SPU bills.

The latest reported data show that UDP enrollment increased from approximately 17,000 in 2014 to over 36,000 in 2024. There are about 82,000 UDP-eligible households within the City of Seattle, and about 126,000 UDP-eligible households within SCL’s entire service territory. SCL and SPU may propose raising the threshold on the UDP program to 80 percent of area median income consistent with energy assistance provisions of Washington State’s [Clean Energy Transformation Act](#) as soon as the first quarter of 2025. The change would require Council’s approval by ordinance.

Add a new Section 3 to RES 32139 as follows:

Section 3. With the intent to achieve full Utility Discount Program (UDP) enrollment by December 31<sup>st</sup>, 2027, the City Council requests that Seattle City Light (SCL), in partnership with Seattle Public Utilities (SPU), the Human Services Department (HSD), and other City departments as appropriate, conduct a thorough analysis of the City’s activities intended to increase enrollment of eligible customers in the UDP. The reporting from the UDP analysis should at a minimum: document the City’s performance in enrolling income-qualifying customers in the UDP over the past five years; recommend modifications to the City’s UDP implementation activities and eligibility qualifications intended to increase enrollment; estimate

Eric McConaghy  
Sustainability, City Light, Arts and Culture Committee  
August 14, 2024  
D3

staffing changes and budgetary impacts; and forecast enrollment increases that could result from near-term changes to the City's UDP enrollment activities by June 1, 2025, and June 1, 2026. Furthermore, Council requests that the reporting quantify the staffing changes and budgetary impacts estimated for each ten-percent increase in UDP enrollment from current enrollment to full enrollment.

SCL should file an initial report on the UDP analysis with preliminary findings with the City Clerk no later than December 31, 2024. Council recognizes that SCL, SPU, HSD, and other partner departments intend to complete a workplan to increase UDP participation by the end of 2024. Council requests that SCL file the expected workplan with the City Clerk either simultaneously with or as a part of the initial report on the UDP analysis. SCL should file the final, comprehensive report with the City Clerk no later than April 1, 2025.



Legislation Text

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**File #:** Res 32130, **Version:** 1

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**CITY OF SEATTLE**

**RESOLUTION \_\_\_\_\_**

A RESOLUTION relating to the City Light Department; endorsing City Light’s Wholesale Energy Risk Management Policy (“WERM Policy”), which governs wholesale energy, transmission, and ancillary services trading, including renewable energy credits and greenhouse gas offsets; establishing the WERM Policy as the guiding policy for managing risks related to wholesale energy, ancillary services, renewable energy credits, and greenhouse gas offsets within the City Light Department; and superseding Resolution 31616.

WHEREAS, to economically provide electricity to its customers, the City Light Department (“City Light”) routinely engages in the buying and selling of wholesale energy products; and

WHEREAS, City Light’s participation in the wholesale energy markets inherently exposes it to various risks, including market and credit risks; and

WHEREAS, utility industry best practices mandate that City Light adhere to a clear and binding policy statement to effectively manage these risks; and

WHEREAS, these industry best practices further stipulate that such policies should receive approval from an independent governing body, such as City Light’s Risk Oversight Council, and endorsement by City Light’s General Manager and Chief Executive Officer; and

WHEREAS, the periodic review and amendment of risk management policies are essential for good governance and oversight; and

WHEREAS, the Wholesale Energy Risk Management Policy was initially adopted by the City Council on September 8, 2008, by Resolution 31053; and

WHEREAS, the Environmental Attributes Management Policy was initially adopted by the City Council on June 7, 2010, by Resolution 31216; and

WHEREAS, the Wholesale Energy Risk Management Policy was updated by the City Council on August 9, 2010, with the passage of Resolution 31230; on May 14, 2012, with the passage of Resolution 31365; and on September 3, 2013, with the passage of Resolution 31467; and

WHEREAS, the Wholesale Energy Risk Management Policy was updated and the Environmental Attributes Management Policy was superseded on September 28, 2015, with the passage of Resolution 31616; and

WHEREAS, the attached Wholesale Energy Risk Management Policy contains updates including confirmation of City Light’s General Manager and Chief Executive Officer as final authority to commission and approve any changes to policy; enhancing purpose, scope, strategy, roles and responsibilities; and moving technical details from the policy to the procedures manual where appropriate; NOW, THEREFORE,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR**

**CONCURRING, THAT:**

Section 1. The Wholesale Energy Risk Management Policy (“Policy”), as developed by the City Light Department’s (“City Light”) management and attached to this resolution as Attachment 1, is endorsed by the City Council and is established as City Light’s policy governing the conduct of wholesale energy risk management. The Policy attached as Attachment 1 supersedes the policies endorsed by Resolution 31616, which contained the last update to relevant City Light policies.

Adopted by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2024, and signed by me in open session in authentication of its adoption this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_

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

The Mayor concurred the \_\_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_

Bruce A. Harrell, Mayor

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_

Scheereen Dedman, City Clerk

(Seal)

Attachments:  
Attachment 1 - Wholesale Energy Risk Management Policy



# Seattle City Light

WHOLESALE ENERGY RISK MANAGEMENT POLICY

2023



# DOCUMENT REVIEW HISTORY

Date	Reviewed by	Document Amended Y/N	Version No.	Reference Documents
7/1/2019	ROC	N	V1	
7/1/2019	F&OS/ROD	Y	V2 - Remove PCRA&SP on page 9.	Email on 6/30/19
6/1/2021	ROC	Y	2021 V1	Emailed on 5/27/21
6/22/2022	ROC	Y	2022 V1	Presented on 6/22/22
7/1/2023	ROC		2023 v1	

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**PREAMBLE**

This Wholesale Energy Risk Management Policy (“WERM Policy” or “Policy”) was prepared by the City Light Department’s Risk Oversight Division (“ROD”) to provide a comprehensive framework to manage risk surrounding wholesale energy marketing activities. This Policy has been distributed internally within the City Light Department, the Seattle City Council (“City Council”), the Mayor’s Office, and with others that may be affected by its implementation.

WERM Policy requires approval by Seattle City Light’s Risk Oversight Council (“ROC”) and endorsement by General Manager/Chief Executive Officer (“GM/CEO”). Upon such approval, this WERM Policy would be made effective by the Director of Risk Oversight.

Raman Vishwanathan  
Risk Oversight Director  
Seattle City Light,  
Effective Date: July 1, 2023

## INTRODUCTION

The City of Seattle, by and through its City Light Department (“City Light”) operates a municipal electric utility providing electrical power to Seattle, Washington and parts of its metropolitan area, including all of Shoreline and Lake Forest Park and parts of unincorporated King County, Burien, Normandy Park, SeaTac, Renton and Tukwila. It is the 10<sup>th</sup> largest public utility in the United States and the first municipal utility in the US to own and operate a hydroelectric facility. In 2005, it became the first electric utility in the United States to fully offset all its carbon emissions and has remained carbon neutral every year since. City Light is charged with operating its power supply resources, transmission agreements, and electric system to meet the power needs of its customers.

City Light’s supply of power exceeds its retail demand on an annual basis, under all but the most extreme low water conditions. This excess power is sold in the wholesale power market, and the revenue generated is used to offset costs that would otherwise be borne by City Light’s retail ratepayers. However, City Light faces significant uncertainty regarding both the quantity of energy available to the utility (due to its reliance on hydroelectric generation) and the prices prevailing in the wholesale power market. These uncertainties result in financial risk for the utility and its ratepayers.

City Light can sell its surplus power in the “spot market” as this surplus power becomes available, or it can sell its anticipated surplus in the “forward market” for future delivery. Both practices involve risks. Waiting to sell surplus power in the spot markets exposes City Light to the possibility of selling at low prices if the wholesale market is flush with power. Selling surplus power in the forward market at a known, fixed price mitigates this risk, but exposes City Light to the possibility of having to purchase power at unfavorable prices to meet these forward commitments (as well as retail demand) in the event actual supplies turn out to be less than projected at the time the forward sale was executed.

Because of the nature of its customers’ demands and power supply portfolio, City Light will experience imbalances between the two and must therefore transact in the wholesale energy markets for energy services and products to reliably serve its customers. The elements outlined below are designed to establish the framework for City Light to manage the risks that are inherent in the wholesale energy markets in which it participates. These policies specify the procedures through which risk metrics are established and set forth, a set of rules to guide decisions concerning the sale and purchase of energy and related products. This document describes the organizational structure in place to support these marketing activities and provides a clear statement of roles and responsibilities of City Light’s divisions and personnel.

This WERM Policy governs all wholesale market activities entered into under the authority of Seattle Municipal Code Section 21.49.130 that may impact the financial risk profile of City Light. Consistent with the authority granted to City Light’s GM/CEO by the stated municipal code, the GM/CEO approves this WERM Policy and affirms the authority and responsibility of the GM/CEO and his/her designees to comply with it.

## PURPOSE

City Light's energy supply portfolio consists of approximately 88% hydroelectric, 5% nuclear, 4% wind, 1% natural gas, 1% biogas. It owns and operates a total of seven hydro facilities and maintains long-term power supply contracts with the Bonneville Power Administration ("BPA").

Hydro uncertainty, coupled with wholesale energy market price volatility, leads to significant variability in City Light's net wholesale revenue from the sale of surplus energy. These uncertainties result in financial risk for the utility and its ratepayers.

The WERM Policy establishes parameters for managing risks inherent in the wholesale energy marketing and mitigating financial impact. The WERM Policy specifies the purpose, scope, and strategy including, procedures and standards necessary to ensure that City Light's financial risk exposures associated with wholesale purchase and sale activities are properly managed, and that the appropriate segregation of duties are in place.

The WERM Policy was created with the following objectives in mind:

- 1) Clearly define for all stakeholders the guiding principles, limitations, and expectations governing wholesale energy transactions;
- 2) Ensure that actions impacting wholesale energy transactions are accurately measured, approved, and relayed consistently; and
- 3) Require comprehensive analysis of all wholesale energy transactions to systematically identify, monitor, mitigate, and report associated risk exposures.

## SCOPE

This WERM Policy provides the general framework and guidelines within which the various divisions in City Light are to operate. The associated Procedures Manual, referred to as the Wholesale Energy Risk Management Procedures Manual, outlines specific procedures and provides detailed guidance for these divisions adhere to. Key City Light divisions are identified in the WERM Procedures documents. Descriptions of physical transactions commonly utilized are maintained in the Procedures Manual.

The specific operating procedures and parameters for implementing this WERM Policy are detailed in the Procedures Manual to be reviewed and approved by the ROC (See "Responsibilities"). All City Light employees in relevant functional areas are expected to comply with and acknowledge their understanding of both this WERM Policy and the associated Procedures Manual as it applies to their current position.

The activities included in the WERM Policy and identified as "wholesale energy" include all energy/power, transmission capacity, ancillaries (spin/non-spin reserves, frequency response, ramping up/down, etc.), all structured transactions with various components of energy, transmission & ancillaries, weather derivatives (if any), all tradeable products with environmental attributes (e.g., RECs, carbon, or other offsets). All the above are for any term including long-term contracts.

## STRATEGY

City Light's principal objective is to ensure that it meets its retail customer demand obligation while protecting ratepayer interests. To do so, City Light hedges its risk exposure by buying and selling physical energy and associated products in the wholesale energy markets. The primary objective of City Light's hedging practices is to ensure a high certainty of meeting load and obtaining the best possible value for its surplus assets while meeting reliability standards and environmental requirements.

Forward hedging strategies aim to maximize risk-adjusted expected revenues from the sale of surplus energy while meeting reliability, environmental, and recreational constraints. Wholesale energy activities should also generate additional value from City Light's generation portfolio, with due consideration of risk.

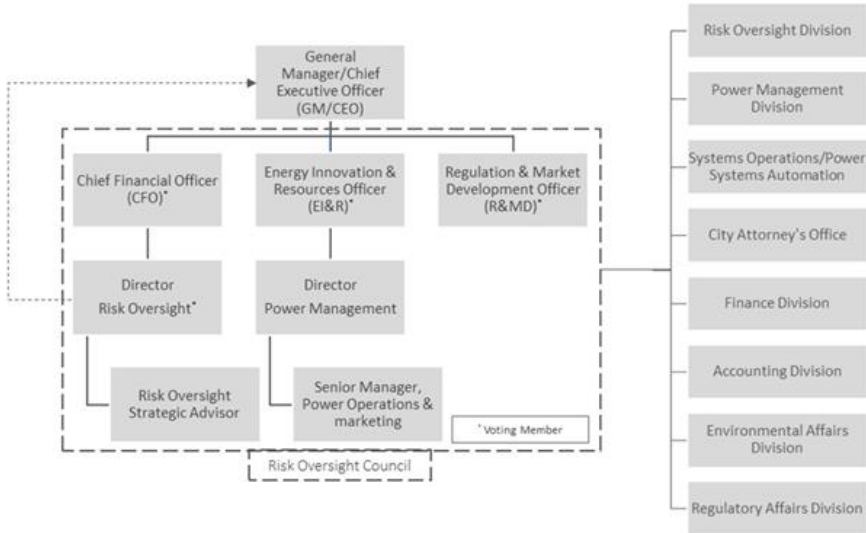
The Tolerance Limits are used to make sure any forward hedging proposal meets this tolerance limit. The ROC may update the risk metric and any associated limits with proper notification to the relevant authorities.

To safeguard its financial integrity, City Light will actively manage its credit risk by carefully selecting counterparties and determining the extent of transactions with each.

# ORGANIZATIONAL STRUCTURE

The following chart describes the risk management structure of the Wholesale Energy activities at City Light.

Seattle City Light  
Energy Risk Management Organization



# RESPONSIBILITIES

City Light’s General Manager/Chief Executive Officer (GM/CEO) ensures that ROC oversees compliance with the WERM Policy. The GM/CEO is responsible for ensuring policy compliance, including adequate internal controls, and monitoring, and making final risk management decisions. The Director of Risk Oversight’s responsibilities include leading the ROC and communicating with Chief Financial Officer (CFO), setting limits on risk and credit thresholds, and suspending counterparty transactions. The Director of Risk Oversight will have a dotted-line reporting responsibility to the GM/CEO to ensure checks and balances.

Responsibilities in the Policy related to wholesale transactions are divided using the Front-Middle-Back Office model. This segregates wholesale marketing activities into Power Marketing (“Front Office”), Risk Oversight & Wholesale Settlement (“Middle Office”), and Accounting (“Back Office”) functions.

Risk Oversight Council (“ROC”), a body within City Light established by this WERM Policy that reports to the GM/CEO will commission, review and approve any revisions to this policy and specific operating procedures and parameters for implementing this WERM Policy are detailed in the Procedures Manual. ROC is the primary body responsible for implementing the management and functions of this WERM Policy.



## **1) FRONT OFFICE**

The Front Office is comprised of the Power Management Division (PMD). This cross functional office is responsible for hedging strategy and planning development, market analytics, hydrological forecasting, transaction execution, deal entry, administration of contracts relating to long-term resources, including Renewable Energy Credits and carbon products, for originating, tracking, and managing all long-term contracts throughout the transaction life cycle. Power Operations and Marketing (“POM”) is the group within the PMD that transacts in the physical wholesale energy market as needed to balance the supply of electricity energy to demand and to mitigate the risks inherent in managing the system. The PMD is led by the Director of Power Management.

## **2) MIDDLE OFFICE**

The Risk Oversight Division (ROD) serves as the Middle Office. It provides day-to-day continuous independent risk management and oversight functions at City Light. Some of the group’s responsibilities include reviewing and valuing transactions, developing, and using quantitative tools and models for portfolio optimization and transactions evaluation, development of appropriate risk metrics, validation of all models that have the potential to impact power marketing decisions, managing credit risks, supporting wholesale settlements, wholesale deal valuation and transaction review. The Director of the ROD reports directly to the CFO, and to the GM/CEO on a regular basis.

## **3) BACK OFFICE**

The Back Office is comprised of a section of the Accounting Division. It is responsible for liaising with City treasury, transaction billings/ invoicing, receipts, and payments administration.

## **4) GENERAL MANAGER / CHIEF EXECUTIVE OFFICER (“GM/CEO”)**

Concerning wholesale energy risk management efforts, the GM is responsible for the following:

- a) Ensuring compliance with this WERM Policy;
- b) Ensuring adequate internal controls exist to safeguard City Light’s financial integrity and its retail customers with respect to wholesale energy purchases and sales activities;
- c) Maintaining an organizational structure that ensures that all wholesale energy activities are monitored by City Light staff not directly involved in executing the transaction;
- d) Resolving ROC vacancies in the best interests of the Utility while preserving the segregation of duties necessary for adequate oversight;
- e) Making final decisions on risk management issues; and
- f) Reviewing and endorsing the recommendations to the City Council as presented by the ROC.

## 5) ROLE OF RISK OVERSIGHT DIRECTOR

Regarding wholesale energy risk management efforts, the Risk Oversight Director is responsible for the following:

- a) Serve as the Chair of the ROC and lead meetings;
- b) Brief the GM on City Light's risk exposure and ROC actions on a regular basis and as-needed;
- c) Ensure that portfolio risks are computed at prescribed frequency, and that they are communicated to all relevant stakeholders in a timely manner to facilitate business decisions;
- d) Ensure development of appropriate risk control and reporting protocols and any exceedances are communicated to ROC;
- e) Along with the PMD, review, revise and approve the WERM Procedures when applicable;
- f) Recommend to CFO, for approval, counterparty credit limit threshold defined as the maximum secured and unsecured credit limit that may be extended to any individual counterparty;
- g) Recommend to CFO and to ROC the methodology used to establish appropriate credit for counterparties; and
- h) Suspend transacting with a counterparty at any time due to concerns about the counterparty's credit-worthiness or ability to fulfill the terms of a proposed or pending transaction and inform CFO and ROC.

## 6) ROLE OF RISK OVERSIGHT COUNCIL ("ROC")

The ROC is the primary body within City Light with the authority and responsibility for implementing the wholesale energy risk management and oversight function of this Policy and leading City Light's energy risk management efforts on a path of continuous improvement.

The ROC shall be comprised of four voting members and four non-voting members. Director of Risk Oversight (*Chair*), Chief Financial Officer (CFO) (Acting Chair), Regulation & Market Development Officer, Energy Innovation & Resources Officer, shall each have a single vote on matters that are put forward at ROC for a decision. The three non-voting members are Director of Power Management, the Manager of Power Marketing, and Risk Oversight Strategic Advisor.

The ROC shall meet no less than twice per calendar month. Attendance at ROC meetings shall be mandatory for appointed members. For a ROC meeting to be held, there needs to be at least four members in attendance, of which three will need to be voting members or their designees but limited to no more than two voting designees.

Member attendance shall be recorded in the ROC meeting minutes. Any member of the ROC can request an emergency meeting of the ROC to address circumstances or issues that may require immediate attention.

At least three voting members, or their designees, must participate in the ROC meeting to

vote and approve a proposed action. In the event a voting member is unable to attend a ROC meeting in person or by telephone, the member may designate an alternate to attend and vote in their absence, including one of the non-voting members. The Chair of ROC has the authority to reject a designee in issues that he/she deems appropriate. If any two of the voting members, or their designees, are not present at a ROC meeting, a vote on a proposed action cannot take place. The ROC will make decisions and take actions by a simple majority vote. If the ROC reaches an impasse that cannot be addressed through a vote, the Chair will refer the issue to the GM/CEO by the end of the next business day for resolution.

In cases where a member of the ROC leaves the employment of City Light, the Chair of ROC or the GM/CEO will resolve the ROC vacancy by making an interim appointment at his/her discretion.

The Director of Risk Oversight will act as secretary to the ROC or will delegate such responsibilities and will document all meetings and actions taken by the ROC in meeting minutes that will be distributed to ROC members for their review and acceptance. The Chief Financial Officer will officiate as the acting-chair in the absence of the Chair. Notes/Minutes approved by the ROC will be distributed by the Director of Risk Oversight to the GM/CEO, ROC members, and when requested, to the Mayor, and the City Council central staff.

The specific responsibilities of the ROC are as follows:

- a) Review and approve wholesale transactions as outlined in the Procedures Manual which supports this Policy;
- b) Commission and review the Procedures Manual associated with this Policy and changes to it;
- c) Review and approve transactions outlined in the Procedures Manual, including the Hedging Strategies, be implemented by the PMD;
- d) Approve, upon the recommendation of the ROC chair, the methodology used to establish counterparty credit limits;
- e) Monitor and assess compliance with this Policy and associated procedures;
- f) Discuss and pre-approve risk metrics and limit exceptions, when appropriate;
- g) Discuss and resolve Policy and Procedures violations or exceptions and taking corrective action to minimize related losses or increased risks as appropriate;
- h) Review this Policy annually and inform the GM/CEO of any changes by July 1<sup>st</sup>;
- i) Discuss elements of wholesale energy risk management best practices and develop a City Light opinion of their specific practicality;
- j) Conduct other activities relevant to the implementation and oversight of this Policy and related procedures;
- k) Provide a timely summary of ROC accomplishments for the past year and setting of goals for the upcoming year to the GM/CEO by end of Q1;
- l) Ensure the continual improvement in City Light's risk management, risk analytics and oversight functions; and
- m) Review and approve expected, recurring, and material changes to all modeling inputs used by the ROC to ensure that market, operational and credit risks are accurately quantified;

## CHANGES TO POLICY

Any changes to this WERM Policy must be approved by ROC and endorsed by the GM/CEO and the GM may evaluate, modify, approve or reject any and all changes to the WERM Policy.

## EXCEPTIONS

Occasionally, opportunities may present themselves for engaging in wholesale energy activities that weren't initially considered during the drafting of the WERM Policy. Provided that these new activities do not conflict with the provisions of the WERM Policy, a request for approval must be submitted to the ROC, addressing the following elements:

- a) All risks associated are identified and understood;
- b) The economics of the activity can be valued according to a methodology that can be documented, is repeatable and is statistically valid;
- c) Contract terms are unambiguous and have been reviewed and approved by the City's Attorney's Office;
- d) Support staff involved have received adequate training and demonstrate familiarity with the product; and
- e) Customer impact, accounting, and regulatory issues (if any) associated with the product have been identified and addressed.

## CONFIDENTIALITY

The WERM Policy is intended as a document that can be distributed to the public. The associated Procedures however contain proprietary information are treated with greater scrutiny, subject to applicable laws. Distributing the Procedures Manual should have the explicit approval of the ROC and the endorsement of the General Manager.

## PRINCIPLES

The principles supporting this WERM Policy are as follows:

- a) **Monitor and Communicate:** Successful management of the price and volumetric risks faced by City Light requires analysis, monitoring, and communication;
- b) **Procedures Manual:** City Light GM/CEO will delegate to the ROC for its Chair to endorse risk management Procedures Manual for wholesale energy activities that reflects a standardized approach to the identification, analysis, evaluation, treatment, communication and monitoring of risks. Prior to the endorsement by Chair of ROC, the Procedures Manual with details of transactions, limits, evaluation methods, limits, procedures and exceptions should be clearly defined, and approved by the - the Director of Risk Oversight and Director of Power Management;

- c) **External Review.** From time to time, but not to exceed five years, City Light will commission a qualified outside consultant to perform and report on the evaluation of wholesale energy risk management activities;
- d) **Internal Review:** On a yearly basis and to coincide with the accounting audit schedule, City Light will conduct an internal audit of the wholesale energy activities to ensure that these activities are in line with this Policy;
- e) **Address Customer's Demands.** City Light will meet demand at the highest level of certainty and will not engage in speculative transactions;
- f) **Transact Within Limits.** City Light will - transact within established limits, and transactions will be verified and recorded, exceptions can be made with appropriate approvals;
- g) **Physical Transactions.** All activities will be tied to physical resources.
- h) **Measure Risk Exposure.** Statistical models will be utilized to produce a metric to protect the utility against the worst outcomes;
- i) **Minimize Negative Outcomes.** City Light will minimize negative cash flow consequences deriving from activities included in this WERM Policy;
- j) **Avoid Negative Results (i.e. Surprises).** City Light will inform City Council on the performance of the activities related to wholesale energy on an ongoing basis to avoid surprises that may negatively impact the financial position of the utility;
- k) **Capable Staff.** City Light will hire, train and retain competent staff to design, implement, review and report on the performance of the wholesale energy activities;
- l) **Adequate Infrastructure.** City Light will procure, maintain and update adequate infrastructure to measure, report and communicate wholesale energy activities;
- m) **Separation of Duties.** City Light's GM/CEO will ensure clear segregation of duties, reporting lines, and impartiality between functions and personnel who originate transactions and manage risk, and those who analyze, monitor and report risk.
- n) **Senior Management Oversight.** A group made up of senior City Light managers will oversee the wholesale energy activities. This group will constitute itself as the Risk Oversight Council;
- o) **Explicit Compliance with Policy and Procedures.** All employees and chain of command related to the Wholesale Energy activities will be intimately familiar with the WERM Policy and the Procedures Manual;
- p) **Term of Wholesale Energy Activities.** Except for long-term contracts, the Wholesale Energy Trading activities will not exceed a term of 60 months;
- q) **Driven by an Optimal Hedge Model and Metric.** An optimal hedge position will be calculated every two weeks for the current year and monthly for the following year. City Light will ensure its position remains within the Risk Limit, aligned with the expected optimal portfolio, as defined by the Wholesale Revenue at Risk (WRaR),

calculated at a high confidence level. Any exceptions will be handled according to the procedures approved by the ROC;

- r) **Maximize Value of Wholesale Energy.** The wholesale energy activities will be guided by a methodology that optimizes the expected wholesale revenue;
- s) **Establish Limits for Wholesale Energy Activities.** Wholesale energy activities will be limited by a dollar limit reflective of the maximum risk City Light will tolerate for the deviation from the expected optimal portfolio; This dollar limit will be term-dependent, and the annual dollar limit will be allocated into each month;
- t) **Establish and Review Limits Yearly for the Term.** ROC will calculate and recommend to the GM/CEO a dollar limit for the different terms under consideration. As part of the on-going Hedging Strategy updates, the ROC will revisit and review the established limits as market condition changes;
- u) **Record Keeping.** All wholesale energy transactions will be recorded in the official system of record daily, and periodic risk and policy compliance reports will be delivered to the ROC, GM/CEO, Mayor and the City Council's central staff; and
- v) **Reporting.** Reporting will include policy compliance, violations or exceptions, resources and expected load, and forward positions. Models and inputs for valuation and risk measurement shall be subjected to a regular validation and a change control process, which are detailed in the Procedures Manual.

## ACKNOWLEDGEMENT

Name	Title	Sign & Date
Mike Haynes	Interim General Manager/CEO	
Kirsty Grainger	Chief Financial Officer	
Raman Vishwanathan	Director, Risk Oversight	
Siobhan Doherty	Director, Power Management	
Nhung Mach	Strategic Advisor, Risk Oversight	
Drew Grissom	Senior Manager, Power Operations and Marketing	

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## SUMMARY and FISCAL NOTE

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
City Light	Raman Vishwanathan	Gregory Shiring

### **1. BILL SUMMARY**

#### **Legislation Title:**

A RESOLUTION relating to the City Light Department; endorsing City Light’s Wholesale Energy Risk Management Policy (“WERM Policy”), which governs wholesale energy, transmission, and ancillary services trading, including renewable energy credits and greenhouse gas offsets; establishing the WERM Policy as the guiding policy for managing risks related to wholesale energy, ancillary services, renewable energy credits, and greenhouse gas offsets within the City Light Department; and superseding Resolution 31616.

#### **Summary and Background of the Legislation:**

To efficiently provide electricity to its customers, City Light actively participates in buying and selling wholesale energy products. These transactions expose City Light to various risks, including market and credit risks. To address these risks, City Light has established a comprehensive set of policies and procedures (WERM Policy) which are regularly reviewed and updated by both internal and external reviewers as needed. Any changes to the WERM Policy must be approved by City Light’s Risk Oversight Council (a body within City Light established by the WERM Policy that reports to the GM), with final approval from City Light General Manager/Chief Executive Officer (“GM/CEO”).

This resolution supports further amendments to the WERM Policy. Notable updates include:

1. confirmation of City Light GM/CEO as the final authority to commission and approve any changes to WERM Policy;
2. enhancing the policy’s purpose, scope, strategy, roles, and responsibilities; and
3. relocating technical details from the policy document to the procedures manual for clarity

The WERM Policy specifies the purpose, scope, and strategy including, procedures and standards necessary to ensure that City Light’s financial risk exposures associated with wholesale purchase and sale activities are properly managed, and that the appropriate segregation of duties are in place.

The WERM Policy is drafted with the following objectives in mind:

1. To articulate clearly to all participants and interested parties the principles, restrictions and expectations surrounding Wholesale Energy activities;
2. To ensure that any action affecting Wholesale Energy activities is consistently quantified, authorized, and communicated; and
3. To establish the requirement that all Wholesale Energy activities be analyzed to identify, monitor, control and report on the risk exposures associated with such activities.

City Light’s GM/CEO ensures that the Risk Oversight Council (“ROC”), oversees compliance with the WERM Policy including establishment of adequate internal controls and monitoring, and making final risk management decisions.

Additionally, the responsibilities of City Light Chief Financial Officer (“CFO”) includes communicating with the GM/CEO, proactively working with the ROC, Risk Oversight Director and Power Management Director in overseeing wholesale portfolio risk, evaluating transactions, establishing risk limits and credit thresholds.

The Director of Risk Oversight, as Chair of the ROC, has a dotted-line reporting responsibility to the GM/CEO to ensure checks and balances. Responsibilities in the WERM Policy related to wholesale transactions are divided using the Front-Middle-Back Office model. This segregates wholesale marketing activities into Power Marketing (“Front Office”), Risk Oversight & Wholesale Settlement (“Middle Office”), and Accounting (“Back Office”) functions.

The specific operating procedures and parameters for implementing the WERM Policy are detailed in the WERM Procedures and Manual and is periodically reviewed and approved by ROC, the primary body responsible for implementing the management and functions of WERM Policy.

**2. CAPITAL IMPROVEMENT PROGRAM**

Does this legislation create, fund, or amend a CIP Project?  Yes  No

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

Does this legislation have financial impacts to the City?  Yes  No

**4. OTHER IMPLICATIONS**

- a. **Please describe how this legislation may affect any departments besides the originating department.**  
No, this legislation does not affect other departments.
- b. **Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**  
No.
- c. **Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**  
None
  - i. **How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

ii. **Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.**

iii. **What is the Language Access Plan for any communications to the public?**

**d. Climate Change Implications**

None

i. **Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**

ii. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle’s resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

e. **If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program’s desired goal(s)? What mechanisms will be used to measure progress towards meeting those goals?**

None

**5. CHECKLIST**

- Is a public hearing required? No**
- Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required? No**
- If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies? No**
- Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization? No**

**6. ATTACHMENTS**

**List Summary Attachments (if any):**



# **Resolution 32130**

## ***Update to Wholesale Energy Risk Management (WERM) Policy***

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SUSTAINABILITY, CITY LIGHT, ARTS & CULTURE COMMITTEE  
JULY 15, 2024

# Wholesale Energy Risk Management (WERM) Policy

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The WERM Policy is the City's *plan of action* for City Light to *mitigate financial risk* resulting from City Light's necessary participation as a buyer and seller of *wholesale energy and related products*.

# History

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**2008:** Resolution 31053 - City adopts the original WERM Policy in the aftermath of the Western Energy Crisis

**2015:** Resolution 31616 - Most recent and 5<sup>th</sup> adoption of WERM Policy update

*The updates have kept pace with City Light's development of sophisticated and well-balanced set of internal roles and committee structures to ensure that appropriate risk policies are developed, implemented, and monitored*

# Resolution 32130 – WERM Policy Update

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- City Light briefed the Committee on March 13, 2024
- Central Staff and City Light staff have cooperated to revise the update to the WERM Policy to better incorporate Council's interests

# WERM Policy Update Version 2

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1. Council's authority to adopt amendments to the WERM Policy;
2. Regular financial risk status reports to Council and their frequency;
3. Annual internal audits;
4. Need assessment and scoping for independent audit every five years; and
5. Affirmative responsibility to report to the City Council and the Mayor any failure to implement WERM Policy that has created a significant and material financial risk to City Light:
  - General Manager/ Chief Executive Officer
  - Chief Financial Officer
  - Director of Risk Oversight
  - City Light's internal audit team



# Amendments

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- Two amendments sponsored by Councilmember Woo
- Amendment 1 would replace the transmitted version of the WERM Policy (Version 1) with Version 2
- Amendment 2 would revise the language of recitals in RES 32130 to accurately describe the effects of Version 2. *The Committee should only consider this amendment if the Committee approves Amendment 1*

# Questions?

August 8, 2024

## MEMORANDUM

**To:** Sustainability, City Light, Arts and Culture Committee  
**From:** Eric McConaghy, Analyst  
**Subject:** City Light's Wholesale Energy Risk Management Policy Update (RES 32130)

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On Friday, August 16, 2024, the Sustainability, City Light, Arts and Culture Committee (Committee) will discuss [Resolution \(RES\) 32130](#) and proposed amendments to the resolution. RES 32130 would adopt an update to Seattle City Light's (SCL's) Wholesale Energy Risk Management (WERM) Policy.

City Light briefed the Committee on March 13, 2024, on the WERM Policy update. Since then, Central Staff and City Light Risk Oversight staff have cooperated to revise the update to the WERM Policy to better incorporate Council's interests. The amendments would replace the updated WERM Policy as introduced (Version 1) with a revised version (Version 2) and would modify recital language in the resolution to correspond with this new version. See Attachments 1 and 2 to this memo.

This memo provides (1) background on the WERM Policy; (2) a description of Version 2 of the WERM Policy update; and (3) the amendments to RES 32130 for the Committee's consideration.

### Background

City Light faces significant uncertainty regarding both the quantity of energy, or supply, available to the utility and the prices prevailing in the wholesale energy market. The uncertainties in quantity and price of electrical energy result in financial risk for the utility and its customers.

City Light meets the electricity demands of its retail customers (rate payers) with the electricity City Light supplies from its own generating facilities and with electricity that City Light purchases wholesale from various parties.

City Light's supply of power resources is overwhelmingly generated by hydropower (about 88 percent) and approximately 50 percent of that is supplied by four (of its total seven) hydroelectric projects owned and operated by City Light. Most of the remaining hydropower is purchased utilizing a combination of long-term/short-term contracts and other market transactions.

Hydroelectric output of electricity varies by season in relatively predictable patterns and by specific weather at all times of the year. Hydropower generation is also limited by operating restrictions related to factors such as: downstream flow, fish habitat conditions, recreational opportunities, and management of generation system components.

City Light can generate electricity in surplus of its needs to meet retail customer demand throughout most, but not all, of the year. City Light sells this surplus in the wholesale market and uses the resulting revenue to offset costs that would otherwise be borne by City Light's retail customers through higher electricity rates.

City Light purchases wholesale electricity to meet retail customer demand that exceeds supply when hydropower is limited, typically during December and from mid-July to mid-September. Not surprisingly, City Light's retail demand and wholesale demand both vary seasonally and may vary significantly due to extreme weather. Although, in recent years, climate change has significantly impacted this seasonal pattern including the overall generation from its hydro facilities.

To directly address the significant uncertainty regarding both the quantity of energy available to the utility (due to its reliance on hydroelectric generation and varying demand) and the prices prevailing in the wholesale power market, City Light buys and sells physical energy (electricity) and associated products in the wholesale energy markets. While City Light's principal objective is to ensure that it meets its retail customer demand obligation, it tries, when possible, to do so in a way that generates additional value from its generation portfolio, with due consideration of risk.

Utility industry best practices require that City Light adheres to a clear and binding policy to manage these risks and that City Light's independent governing body adopt, and City Light's GM/CEO endorses the policy. Consistent with best practice, Council first adopted the WERM Policy on September 8, 2008, by Resolution 31053.

Periodic review and amendment of risk management policies are essential for good governance and oversight. Therefore, City Light and the Mayor have proposed, and the Council has adopted updates to WERM Policy via five, separate resolutions since initial adoption, most recently via [Resolution 31616](#) in 2015.

### **Amendments to Resolution 32130**

The City adopted the original WERM Policy in the aftermath of the Western Energy Crisis. In the more than twenty years since the West Coast energy crisis led to a comprehensive review of City Light's risk management practices, the utility has developed a sophisticated and well-balanced set of internal roles and committee structures to ensure that appropriate risk policies are developed, implemented, and monitored.

As noted above, during that period City Light has proposed and Council has adopted a number of updates since the policy was first established. These updates have come in tandem with the development of City Light's financial risk management capability.

Consistent with this practice, City Light recently proposed a set of revised policies (Version 1). This revision included a suite of technical changes. Central Staff has reviewed these changes and generally found them appropriate to the current state of City Light's financial risk management.

At the same time, and as described below, Central Staff identified a number of modifications that we thought would help enhance Council's oversight role in City Light's approach to risk management. In collaboration with City Light Risk Oversight, Central Staff revised the utility's proposal to make those changes, as well as to reorganize and clarify portions of the WERM Policy.

Most significantly, City Light's original proposal would have removed Council's final authority to adopt amendments to WERM Policy. Version 2 includes policy language to maintain Council's oversight as the governing body for City Light consistent with best practices. In addition, Version 2 includes policy language to require reporting and auditing commensurate with the technical flexibility granted to City Light Risk Oversight in the updated WERM Policy.

Through a collaborative process, Central Staff and City Light Risk Oversight reworked aspects of the Policy in this regard. Version 2 would:

1. Maintain Council's authority to adopt amendments to the WERM Policy as in current policy but not included in Version 1;
2. Specify the minimum details of regular financial risk status reports to Council and their frequency;
3. Require internal auditing of City Light's risk management practices annually;
4. Require need assessment and scoping for independent audit of City Light's risk management practices every five years; and
5. Establish an affirmative responsibility of City Light's General Manager/ Chief Executive Officer, Chief Financial Officer, Director of Risk Oversight, and City Light's internal audit team to report to the City Council and the Mayor any failure to implement WERM Policy that has created a significant and material financial risk to City Light.

The reporting and auditing requirements were added and/or modified to ensure that Council has a mechanism for ensuring City Light's ongoing compliance with what have become a very technical set of requirements. The Council and its staff cannot realistically be experts in these technical nuances, so it makes sense to invoke and require reviews by subject matter experts. The affirmative reporting requirement reinforces this basic approach.

### Council Action on Resolution 32120

On August 16, the Committee may vote on two amendments to Resolution 32130 sponsored by Councilmember Woo. Amendment 1 would replace the transmitted version of the WERM Policy (Version 1) with Version 2, described on page three.

Amendment 2 would revise the language of recitals in RES 32130 to accurately describe the effects of Version 2. The Committee should only consider this amendment if the Committee approves Amendment 1 to RES 32130.

### **Next Steps**

If the Committee votes to approve adoption of RES 32130 as transmitted or as amended in Committee on August 16, then Council could take final action on the legislation as soon as September 3.

### **Attachments:**

1. Amendment 1 to RES 32130: Replace Version 2 for Version 1 of WERM Policy Update (WERM Policy, Version 2, attached)
2. Amendment 2 to RES 32130: Modify Recitals Corresponding to Version 2

cc: Ben Noble, Director  
Yolanda Ho, Deputy Director  
Calvin Chow, Lead Analyst

CS Memo Attachment 1 – Amendment 1to RES 32130

**Amendment 1 Version 1 to RES 32130 - SCL WERM Policy RES**

**Sponsor:** Councilmember Woo

*Replace Version 1 of Attachment 1 with Version 2*

Effect: This amendment would replace Attachment 1 to Resolution 32130 with a revised version of the attachment. Specifically, this would replace Version 1 of the Wholesale Energy Risk Management (WERM) Policy with Version 2. Version 2 is attached to this amendment.

In collaboration with City Light Risk Oversight, Central Staff composed Version 2 to enhance Council’s oversight of City Light’s wholesale energy risk management, as well as to reorganize and clarify portions of the WERM Policy compared to Version 1.

City Light’s original proposal would have removed Council’s final authority to adopt amendments to WERM Policy. Version 2 includes policy language to maintain Council’s oversight as the governing body for City Light consistent with best practices. In addition, Version 2 includes policy language to require reporting and auditing commensurate with the technical flexibility granted to City Light Risk Oversight in the updated WERM Policy. Version 2 would:

1. Maintain Council’s authority to adopt amendments to the WERM Policy as in current policy but not included in Version 1;
2. Specify the minimum details of regular financial risk status reports to Council and their frequency;
3. Require internal auditing of City Light’s risk management practices annually;
4. Require need assessment and scoping for independent audit of City Light’s risk management practices every five years; and
5. Establish an affirmative responsibility of City Light’s General Manager/ Chief Executive Officer, Chief Financial Officer, Director of Risk Oversight, and City Light’s internal audit team to report to the City Council and the Mayor any failure to implement WERM Policy that has created a significant and material financial risk to City Light.

Attachment 1 – WERM Policy, Version 2



# Seattle City Light

WHOLESALE ENERGY RISK MANAGEMENT POLICY

2024



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# DOCUMENT REVIEW HISTORY

Date	Reviewed by	Document Approved Y/N	Version No.	Reference Documents
08/06/2008	ROC	Y	2008 v1	Electronic Vote:
09/08/2008	Seattle City Council	Y	2008 v1	Resolution #31053
07/05/2010	ROC	Y	2010 v1	Electronic Vote:
08/11/2010	Seattle City Council	Y	2010 v1	Resolution #31230
05/01/2012	ROC	Y	2012 v1	ROC Meeting
05/14/2012	Seattle City Council	Y	2012 v1	Resolution #31053
03/12/2013	ROC	Y	2013 v1	Electronic Vote:
09/16/2013	Seattle City Council	Y	2013 v1	Resolution #31467
09/23/2015	ROC	Y	2013 v2	Electronic Vote:
10/05/2015	Seattle City Council	Y	2015 v2	Resolution #31616
05/03/2019	ROC	Y	2019 v2	Electronic Vote
07/11/2024	ROC	Y	2024 v2	Electronic Vote
Date TBD	Seattle City Council	Y	2024 v2	Resolution 32130

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# PREAMBLE

The Seattle City Light (City Light) Department’s Risk Oversight Division (ROD) in collaboration with City Council Central Staff composed the following Wholesale Energy Risk Management Policy (“WERM Policy” or “Policy”). The WERM Policy provides the risk management governance framework for City Light in its objective to mitigate risks resulting from its necessary participation as a buyer and seller of wholesale energy and related products.

City Light’s Risk Oversight Council (ROC) approved the WERM Policy, the City Light General Manager/Chief Executive Officer (GM or GM/CEO) endorsed them, and the Council adopted them via resolution with the Mayor concurring. After adoption, the Director of Risk Oversight (“Director”) made the WERM Policy effective.

The Director has distributed the effective WERM Policy internally within the City Light Department, to the Seattle City Council (“Council”), the Mayor’s Office, and with others that may be affected by their implementation.

Raman Vishwanathan  
Director of Risk Oversight  
Seattle City Light  
Effective Date: TBD

# WERM POLICY OVERVIEW

## Background and Purpose

City Light faces significant uncertainty regarding both the quantity of energy, or supply, available to the utility and the prices prevailing in the wholesale energy market. The uncertainties in quantity and price of electrical energy result in financial risk for the utility and its customers.

City Light meets the electricity demands of its retail customers with the electricity City Light supplies from its own generating facilities and with electricity that City Light purchases wholesale from various parties. City Light is the 10th largest public utility in the United States and the first municipal utility in the US to own and operate a hydroelectric facility.

City Light's supply of power resources is overwhelmingly generated by hydropower (about 88 percent) and approximately 50 percent of that is supplied by four (of its total seven) hydroelectric projects owned and operated by City Light. Most of the remaining hydropower is purchased utilizing a combination of long-term/short-term contracts and other market transactions.

Hydroelectric output of electricity varies by season in relatively predictable patterns and by specific weather at all times of the year. Hydropower generation is also limited by operating restrictions related to factors such as: downstream flow, fish habitat conditions, recreational opportunities, and management of generation system components.

City Light can generate electricity in surplus of its needs to meet retail customer demand throughout most, but not all, of the year. City Light sells this surplus in the wholesale market and uses the resulting revenue to offset costs that would otherwise be borne by City Light's retail customers through higher electricity rates.

City Light purchases wholesale electricity to meet retail customer demand that exceeds supply when hydropower is limited, typically during December and from mid-July to mid-September. Not surprisingly, City Light's retail demand and wholesale demand both vary seasonally and may vary significantly due to extreme weather. Although, in recent years, climate change has significantly impacted this seasonal pattern including the overall generation from its hydro facilities.

To directly address the significant uncertainty regarding both the quantity of energy available to the utility (due to its reliance on hydroelectric generation and varying demand) and the prices prevailing in the wholesale power market, City Light buys and sells physical energy (electricity) and associated products in the wholesale energy markets. While City Light's principal objective is to ensure that it meets its retail customer demand obligation, it tries, when possible, to do so in a way that generates additional value from its generation portfolio, with due consideration of risk.

Utility industry best practices require that City Light adheres to a clear and binding policy to manage these risks and that City Light's independent governing body adopt, and City Light's GM/CEO endorses the policy. Consistent with best practice, Council first adopted the WERM

Policy on September 8, 2008, by Resolution 31053.

Periodic review and amendment of this WERM Policy is essential for good governance and oversight. This update includes:

- reorganizing and clarifying policy statements;
- reinforcing the process to amend the Policy;
- separating WERM Policy from City Light's WERM Procedures that implement the Policy;
- revising the timing and reporting requirements of internal and external audits of City Light wholesale energy risk management; and
- establishing an affirmative responsibility of the GM/CEO, the Chief Financial Officer (CFO), Director, and City Light's internal audit team to report the City Council and the Mayor any failure to implement WERM Policy that has created a significant and material financial risk to City Light.

The updated WERM Policy is organized into the following sections:

- Scope;
- Objectives for Wholesale Energy Transacting;
- Roles, Responsibilities and Organization;
- Identify Risk and Establish Risk Limits;
- Monitoring and Compliance;
- Reporting;
- Auditing and Management Oversight;
- Amendments to WERM Policy; and
- WERM Procedures

The basic structure of the WERM Policy defines a set of minimal organizational and operational requirements for City Light; documents a set of internal reporting and external auditing standards to ensure compliance with those requirements; and lastly, describes how the WERM Policy will be implemented and how it can be modified when circumstances so dictate.



# POLICY FRAMEWORK

## 1. Scope

Seattle City Light (City Light) experiences imbalances between retail customer demand for electricity and the utility’s power supply and therefore must transact in the wholesale energy markets for energy services and products to reliably serve its customers. The WERM Policy is the City’s plan of action for City Light to mitigate financial risk resulting from City Light’s necessary participation as a buyer and seller of wholesale energy and related products.

### 1.1: WERM Policy applies to all wholesale trading activities

The WERM Policy applies to the entirety of City Light’s wholesale market activities entered under the authority of Seattle Municipal Code (SMC) 21.49.130. The activities included in the WERM Policy and identified as “wholesale energy” include all energy/power, transmission capacity, ancillary services (spin/non-spin reserves, frequency response, ramping up/down, etc.), all structured transactions with various components of energy, transmission & ancillary services, weather derivatives (if any), all tradeable products with environmental attributes (e.g., RECs, carbon, or other offsets). All the above are for any term including long-term contracts.

## 2. Objectives for Wholesale Energy Transacting

The basic objectives of City Light’s energy transactions are to meet its customers’ energy needs in a cost-effective manner but do so within the context of uncertain energy generation and complex wholesale energy markets that can add significant financial risk.

### 2.1: Meet Retail Customers’ Demand

City Lights transacts in wholesale energy markets as authorized by Seattle Municipal Code 21.49.130 to ensure sufficient supply of energy resources to meet retail customers’ demand for electricity continuously and reliably for electricity at the lowest possible cost.

### 2.2: Seek Fair Value for Assets

When transacting in wholesale energy markets, City Light shall seek to obtain the best possible value for the wholesale energy and related assets under its control, including:

1. energy/power;
2. transmission capacity;
3. ancillaries (spin/non-spin reserves, frequency response, ramping up/down, etc.);
4. all structured transactions with various components of energy; transmission & ancillaries;
5. weather derivatives (if any); and
6. all tradeable products with environmental attributes (e.g., RECs, carbon, or other offsets).

All the above apply to transactions of any term, including long-term contracts as authorized by ordinance. In seeking the maximum value of its energy-generating and transmission assets, City Light will consider all relevant financial risks, operational, maintenance, and capital costs

related to the transactions, and overall market conditions.

### 3. Roles, Responsibilities, and Organization

In the more than twenty years since the West Coast energy crisis led to a comprehensive review of City Light’s risk management practices, the utility has developed a sophisticated and well-balanced set of internal roles and committee structures to ensure that appropriate risk policies are developed, implemented, and monitored. As described in this document, the current WERM Policy acknowledges the importance of these roles and structures, as well as the interplay among them, and formally establishes their ongoing performance as a fundamental requirement for City Light.

#### 3.1: Segregation of duties, lines of reporting and incentives

One of the most basic and fundamental best practices in managing risks is to formally separate risk-related responsibilities that can stand in conflict with one another.

The “Front-Middle-Back Office” model standard in the electrical utility industry provides for segregating Wholesale Marketing activities into Power Marketing (“Front Office”), Risk Oversight & Wholesale Settlement (“Middle Office”), and Accounting (“Back Office”) functions. Accordingly, City Light should clearly segregate duties, lines of reporting, and incentives between and among these three functions.

At City Light, the Power Supply Business Unit (PSBU) has the role of the Front Office. This cross functional office is responsible for Hedging Strategy and Planning development, market analytics, hydrological forecasting, transaction execution, deal entry, administration of contracts relating to long-term resources, including Renewable Energy Credits and Carbon products, for originating, tracking, and managing all long-term contracts throughout the transaction life cycle. Power Operations and Marketing is the group within the PSBU that transacts in the wholesale energy markets as needed to balance the supply of electricity energy to demand and to mitigate the risks inherent in managing the system. The PSBU is led by the Power Supply Officer (PSO).

The Risk Oversight Division (ROD) serves as the Middle Office. It provides day-to-day continuous independent risk management and oversight functions at City Light. Some of the group’s responsibilities include reviewing and valuing transactions, developing and using quantitative tools and models for portfolio optimization and transactions evaluation, development of appropriate risk metrics, validation of all models that have the potential to impact power marketing decisions, managing credit risks, supporting wholesale settlements, wholesale deal valuation and transaction review. The Director reports directly to the CFO and to the GM/CEO on a regular basis.

The Back Office is comprised of a section of the Accounting Division. It is responsible for liaising with City treasury, transaction billings/ invoicing, receipts, and payments administration.

The subsections that follow provide additional detail and specific requirements regarding these relative roles, with a specific emphasis on the Middle Office’s risk management duties.

### 3.2: ROC Risk Oversight Council (ROC)

While the day-to-day work of the Front, Middle, and Back offices must be segregated, City Light’s senior management must maintain a view across all these functions and must ensure that they are functioning effectively and efficiently. Accordingly, the GM/CEO shall establish and maintain the Risk Oversight Council (ROC) as the body made up of senior City Light managers with authority and responsibility for implementing the WERM Policy and leading City Light’s energy risk management efforts on a path of continuous improvement.

The ROC shall be comprised of officers, directors and managers from work groups directly related to wholesale energy trading activities and shall comprise of voting and non-voting members, each having a single vote on matters that are put forward at ROC for decision. In case of a tie or other unresolved circumstances, the GM/CEO shall have the veto to override a decision or break a stalemate. In cases where a member of the ROC leaves the employment of City Light, the Chair of ROC or the GM/CEO will resolve the ROC vacancy by making an interim appointment at his/her discretion. The GM/CEO will reassign as appropriate the ROC membership to a different City Light manager position to correspond with any reorganization of City Light and/or the assigned responsibilities of one of the positions that serves on the ROC.

The Director will act as secretary to the ROC or will delegate such responsibilities and will document all meetings and actions taken by the ROC in meeting minutes that will be distributed to ROC members for their review and acceptance. The Chief Financial Officer will officiate as the acting-chair in the absence of the Chair. Notes/Minutes approved by the ROC will be distributed by the Director to the GM/CEO, ROC members, and made available to the Mayor’s Office, and the City Council.

The responsibilities of the ROC include but are not limited to the following:

1. Review and approve wholesale transactions as outlined in the WERM Procedures Manual (“Procedures Manual”) that supports the Policy;
2. Commission and review the Procedures Manual associated with this Policy and changes to it;
3. Review and approve transactions outlined in the Procedures Manual, including hedging strategies, implemented by the PSBU;
4. Approve, upon the recommendation of the ROC chair, the methodology used to establish counterparty credit limits;
5. Monitor and assess compliance with this Policy and associated procedures;
6. Discuss and approve exceptions to risk metrics and limits, when appropriate;
7. Discuss and resolve Policy and Procedures violations or exceptions and take corrective action to minimize related losses or increased risks as appropriate;
8. Review this Policy each year and inform the GM/CEO of any changes by July 1st;
9. Discuss elements of wholesale energy risk management best practices and develop a City Light opinion of their specific practicality;
10. Conduct other activities relevant to the implementation and oversight of this Policy and related Procedures;
11. Provide a timely summary of ROC accomplishments for the past year and setting of goals for the upcoming year to the GM/CEO by end of the first quarter of the calendar

- year;
12. Ensure the continual improvement in City Light’s risk management, risk analytics and oversight functions; and
  13. Review and approve expected, recurring, and material changes to all modeling inputs and methodologies related to wholesale trading activities to ensure that market, operational and credit risks are accurately quantified.

### 3.3: Director of Risk Oversight (“Director”)

The Director serves as the head of City Light’s Risk Oversight Division, which in turn functions as the Middle Office within City Light’s overall management structure. The Director reports directly to the CFO and has a dotted-line reporting responsibility to the GM/CEO to ensure independent direct reporting and that they have a path to directly raise any issues of significant concern. The Director’s responsibilities include leading the ROC and communicating with CFO and PSO, setting limits on risk and credit thresholds, and suspending counterparty transactions.

Regarding wholesale energy risk management efforts, the Risk Oversight Director’s responsibilities include but are not limited to the following:

1. Serve as the Chair of the ROC and lead meetings;
2. Report to the GM/CEO, the Mayor’s Office and the City Council on City Light’s risk exposure and ROC actions on a regular basis and/or as-requested;
3. Engage the City Light Internal Audit team or other external auditor to conduct an independent assessment of this Policy, the related procedures document and adherence to this Policy & Procedures annually;
4. Facilitate reporting of audit findings and recommendations to the GM, the Mayor’s Office, and the City Council within one quarter of audit completion;
5. Ensure that portfolio risks are computed at prescribed frequency, and that they are communicated to all relevant stakeholders in a timely manner to facilitate business decisions;
6. Ensure development of appropriate risk control and reporting protocols and any exceedances are communicated to ROC;
7. As necessary, along with the PSO, review, revise and recommend the revised WERM Procedures for ROC approval;
8. Recommend to CFO, for approval, counterparty credit limit threshold defined as the maximum secured and unsecured credit limit that may be extended to any individual counterparty;
9. Recommend to CFO and to ROC the methodology used to establish appropriate credit for counterparties; and
10. Suspend transacting with a counterparty at any time due to concerns about the counterparty’s creditworthiness or ability to fulfill the terms of a proposed or pending transaction and inform CFO and ROC.

### 3.4: General Manager/Chief Executive Officer (GM/CEO)

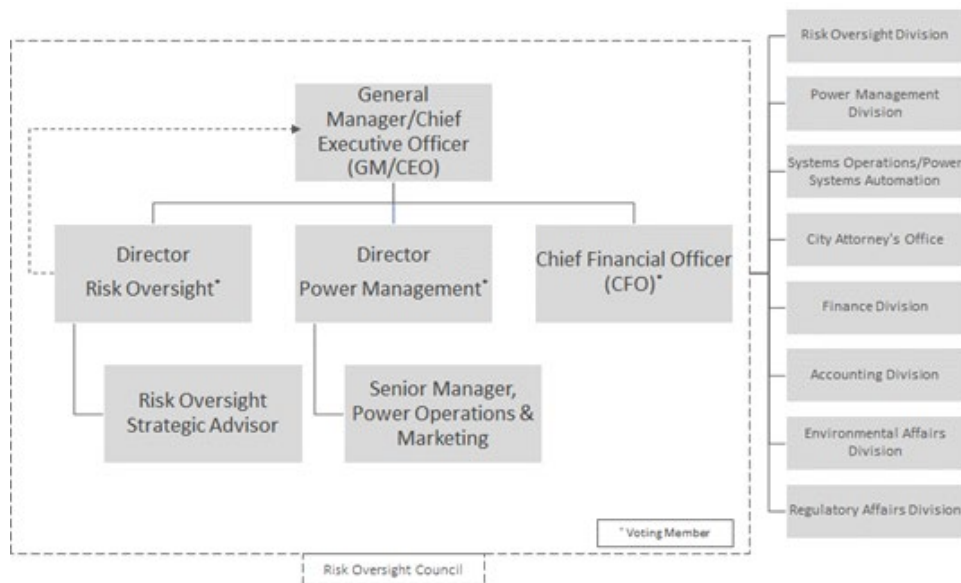
While the current policies call for the GM/CEO to delegate significant responsibilities to the ROC and the Risk Oversight Director, the GM/CEO still has the fundamental responsibility of

ensuring City Light’s compliance with WERM Policy. The GM/CEO’s responsibilities related to compliance include but are not limited to the following:

1. Ensuring adequate internal controls exist to safeguard City Light’s financial integrity and its retail customers with respect to wholesale energy purchases and sales activities;
2. Maintaining an organizational structure that ensures that all wholesale energy activities are monitored by City Light staff not directly involved in executing the transaction;
3. Resolving ROC vacancies in the best interests of the Utility while preserving the segregation of duties necessary for adequate oversight;
4. Making final decisions on risk management issues; and
5. Reviewing and endorsing the recommendations for Policy amendments to the City Council as presented by the ROC.

At the time of the adoption of this version of the WERM Policy, City Light has organized the risk management structure of the Wholesale Energy activities at City Light as shown in the figure below. This figure will be updated as necessary.

### Seattle City Light Energy Risk Management Organization



#### 4. Identify Risk and Establish Risk Limits

By participating in the wholesale energy markets, City Light is exposed to, and needs to manage, a variety of financial risks including:

- Market Risk – this risk reflects uncertainty of City Light’s financial performance due to uncertainty in commodity markets (i.e., “market price risk” and “market liquidity risk”) and uncertain price relationships (i.e., “correlations”, “basis risk” and “curve risk”).

- Volumetric Risk – the risk of financial loss due to unpredictable variations in the output of the generation fleet or in retail demand;
- Credit/Performance Risk – the risk of financial loss due to default or failure by counterparties to perform on contracts;
- Modeling Risk – the risk of financial loss due to a potentially inaccurate or incomplete characterization of a transaction or portfolio elements due to a fundamental failure of models and/or information systems to match reality sufficiently well; and
- Operations Risk – the risk of financial loss due to physical assets failing to perform or human error.

Note that these risks have all been characterized as “financial” because the policy assumes that any shortfall in the supply of power that results from any of these risks will be addressed by the purchase or sale of power from the wholesale markets, and thus be resolved at some direct financial cost. A comprehensive risk management strategy is essential to address each of these potential sources of uncertainty.

#### 4.1: Establish Risk Limits

Accordingly, City Light’s ROC shall establish and approve risk limits for each quantifiable risk factor identified above. These limits will be documented in the Procedures Manual, see below Policy Section 9.1. Exceptions to these requirements shall only be available via ROC’s approval, see Policy Section 3.2.

## 5. Monitoring and Compliance

As detailed below in Policy Section 6, the current policies include specific external reporting requirements and require a regular cycle of internal and external audits to ensure City Light’s overall compliance. However, from a day-to-day operational perspective, the risk limits that will be established under Policy Section 4.1 are only valuable if City Light is regularly tracking its performance relative to these requirements. Accordingly, City Light shall develop appropriate tools for measuring, monitoring, and reporting compliance with established risk limits, and addressing circumstances when the utility temporarily falls out of compliance. The associated Procedures Manual should clearly outline such models, methods and reporting requirements.

In addition, to ensure City Light maintains ongoing compliance, City Council will rely upon both internal and external audits, when deemed necessary, to assess the performance of City Light’s risk and power management activities and report any significant findings and recommendations.

#### 5.1: Monitor Compliance

City Light will conduct wholesale transactions in energy and related products with full awareness of its current positions in all traded products. This includes understanding the resulting risk exposure and the implications of its hedging activities.

City Light shall use appropriate models and methodologies to derive metrics applicable to assess the effectiveness of hedging strategies and to measure compliance with the relevant risk limits. City Light shall specify, measure, monitor and report on these metrics for assessing City

Light's market risk on a regular basis. Section 6 details specific reporting requirements.

### 5.2: Remedy Non-Compliance

In the event of non-compliance, City Light will inform Internal Audit and shall take immediate remedial measures to mitigate risks and/or provide necessary exceptions and prevent recurrence where appropriate. This may involve unwinding non-compliant positions, revising trading strategies, or adjusting risk limits.

Additionally, when severe non-compliance events occur, a thorough investigation should be conducted to identify the root cause of the non-compliance, followed by implementing corrective actions and enhancing internal controls.

Disciplinary actions, as deemed by ROC and GM/CEO, may also be considered for individuals responsible for breaches to reinforce the importance of compliance within the organization. Regular reviews and updates to Procedures Manual will ensure it remains effective and aligned with evolving market conditions and regulatory changes.

### 5.3: Provisions for Exceptions

There may be circumstances where non-compliance is necessary for City Light to meet its primary objective of serving load or to avail it of fair value for its customers. In such cases, the ROC can authorize temporary exceedances of established risk limits to ensure the reliable supply of electricity and that fair value is obtained for customer owned assets. These exceptions should be justified with reasoning of the necessity documented and expected duration of the exceedance. The ROC should closely monitor these situations and ensure that any risks are managed prudently. Once normal conditions are restored, City Light should promptly return to full compliance with the risk management policy.

## 6. Reporting

At present, City Light produces a bi-weekly report that summarizes City Light's current risk profile and the steps that have been taken to manage and mitigate these risks. This report provides the timely information that both City Light senior management and City Council staff need to track the performance of the utility's risk management structures and policies. Thus, ongoing access to this report is essential for ensuring that the policies set out here are being followed and appropriately implemented.

### 6.1: Reporting

The Director shall ensure that City Light prepares a periodic Risk Oversight Status Report, consistent in format and content with the example attached here as Exhibit 1. The Report shall include Policy and Procedure compliance, violations or exceptions from established risk limits, remedial action for non-compliance, resources and expected load, and forward positions with appropriate comparison between two reporting periods to show changes and/or trends in portfolio risks.

The Director or designee shall make available written and electronic copies of the current Report, immediately as it is published, to the Chair of the Sustainability, City Light, Arts and

Culture (SCLAC) Committee or its successor Council committee with City Light oversight and to relevant Council Central Staff. The ROD shall notify the Chair and relevant Council Central Staff of the availability of the current Report and include in that notification a summary of the current Report's findings.

## 7. Auditing and Management Oversight

To ensure that City Light maintains ongoing compliance, the City Council and Mayor will rely upon regular audits, both internal and external, to assess the performance of City Light's risk management activities. In addition, the City Council and Mayor will rely upon an affirmative responsibility of the GM/CEO, CFO, Director, and City Light's internal audit team to report any significant failures to fully implement the WERM policies. While the required audits can provide an objective assessment of such policies and procedures, ongoing management oversight and reporting obligations will ensure that the overall wholesale trading operations align with the established policies and other regulatory requirements. This dual approach not only safeguards the integrity of the established processes but also enhances transparency and accountability.

### 7.1: Internal Audit

Seattle City Light Internal Audit provides an independent and objective evaluation of City Light's operations. Internal Audit helps City Light achieve its objectives, comply with established rules and regulations, and improve its risk management, control, and governance processes. Internal audit reports are presented to senior management and may include recommendations for improvement. City Light's Internal Audit currently follows the standards set forth by The International Professional Practices Framework (IPPF) supported by The Institute of Internal Auditors (IIA).

City Light's Internal Audit Team will conduct an annual audit of the wholesale energy activities to ensure compliance with the WERM Policy and the associated Procedures. Using a risk-based approach Internal Audit will review current policies and procedures approved by City Light's ROC and identify areas to test for and collect evidence documenting compliance. Additionally, Internal Audit will review key information technology (IT) controls related to the Energy Trading and Risk Management (ETRM) application. These reviews may include but are not limited to the following areas:

#### Policy Compliance:

- Management Oversight and Authority
- Monitoring and Communication
- Transaction Limits
- Credit Management
- Separation of Duties
- Model Validation
- Record Documentation and Reporting

#### Energy Trading Risk Management (ETRM) System Review

- Vendor Management
- Access Controls
- Change Management



- Data Input Controls
- Business Continuity/Disaster Recovery

Internal Audit's responsibility under this annual audit policy will be fulfilled upon filing the written report of the annual audit findings with the City Clerk and notifying the Chair of SCLAC Committee or its successor committee of the filing via City of Seattle email address. The City Council intends to schedule a public briefing at the SCLAC, or its' successor, with Internal Audit to highlight their findings.

### 7.2: External Audit

Every five years, City Light will assess the need for an external audit with recommendation from City Light Internal Audit. Once City Light makes such determination, the Director shall clearly communicate the specific scope for the audit and its necessity to Council Staff. Once Council Staff concurs on the adequacy of the scope, City Light will commission a qualified outside consultant to perform and report on the evaluation of wholesale energy risk management activities. City Light will include in the scope of work a written report of the external audit findings and presentation to the SCLAC Committee or its successor committee.

City Light's responsibility will be fulfilled upon filing of the written report of the external audit with the City Clerk and notifying the Chair of SCLAC or its successor of the filing. The City Council intends to schedule a public briefing at the SCLAC, or its' successor, with the external auditor to highlight their findings.

### 7.3: Management Oversight

To ensure compliance with this Policy and associated Procedures, it is essential that there is adequate management oversight.

City Council and the Mayor's Office will explicitly rely on effective management oversight for ensuring compliance with established policies in managing financial risks. Closely monitoring operations, enforcing adherence to established policies and procedures, and proactively reporting to the City Council and Mayor's office is essential for managing financial risk and for upholding the trust in the process. Accordingly, if the GM/CEO, the CFO, Director, or City Light's internal audit team determines that there has been a failure to implement WERM Policy that has created a significant and material financial risk to City Light, they have an affirmative responsibility to inform the City Council and the Mayor of this failure.

## 8. Amendments to WERM Policy

### 8.1: Periodic review and update

Every five years from the most recent date of Council adoption of the WERM Policy by resolution, the ROC shall recommend for the GM/CEO's consideration additions, subtractions, and modifications to the WERM Policy (five-year updates).

Seattle City Council (Council) is responsible for understanding the nature of the financial risks City Light faces. Based in this understanding, Council shall adopt any additions, subtractions, or modifications to WERM Policy by resolution to direct proper measuring, monitoring, control and reporting of all risks surrounding the City Light's wholesale energy transactions.

Consistent with the process for all legislation originating in City of Seattle's Executive branch

of government, the Mayor shall review and approve any resolution proposing any additions, subtractions, or modifications to the WERM Policy before transmitting the resolution to the Council for consideration. Following Council's adoption of a resolution related to WERM Policies resolution, the Mayor may concur with the resolution.

The SMC grants City Light's GM/CEO the authority to transact in wholesale energy with various parties and for specific durations. Consistent with that authority, the GM/CEO shall review and approve any additions, subtractions, or modifications to WERM Policy before transmitting them to the Mayor for consideration and possible transmittal by resolution to the Council.

## 8.2: Ad hoc Amendments

All updates, revisions, and modifications to the WERM Policy are required to be reviewed and approved by the process described above in Policy Section 8.1. Such amendments should be based on the experience and expertise of City Light staff and ROC may recommend ad hoc amendments to the WERM Policy to the GM/CEO for consideration during the interim period between the five-year updates. The process for adoption of ad-hoc amendments shall be the same as for periodic updates, see Policy Section 5.1.

However, to maintain flexibility and ensure the document remains up-to-date and user-friendly in the interim period, minor edits that are not considered material or significant may be made without formal approval. These minor edits include changes to the document's format, corrections of typographical errors, organizational changes, and other stylistic adjustments. Such changes shall be documented and communicated to all relevant stakeholders, ensuring transparency, and maintaining the integrity of the Policy. Any substantive changes that could impact the risk management framework or procedures must still undergo the formal review and approval process.

## 8.3: Exceptions to Policy

Occasionally, opportunities may present themselves for engaging in wholesale energy activities that were not contemplated at the time of adopting the current WERM Policy. Provided that these new activities do not conflict with the provisions of the current WERM Policy, City Light may engage in these new activities upon approval by the ROC. A complete request for temporary approval submitted to the ROC shall at least include the following elements:

1. A list of all associated risks and their characteristics;
2. Supported statements of compliance with adopted WERM Policy (or non-applicability);
3. The economics of the activity should be valued according to a methodology acceptable to ROC and should be documented;
4. Unambiguous contract terms that have been reviewed and approved by the City's Attorney's Office;
5. Record of adequate training of involved support staff and their demonstrated familiarity with the proposed product; and
6. Identification of customer impact, accounting, and regulatory issues (if any) associated with the product and the means to address the issues.

## 9. WERM Procedures

### 9.1: Establishing and amending WERM Procedures

The WERM Procedures rely upon the WERM Policy but are separate from the Policy and do not require Council adoption by resolution. The GM/CEO shall delegate to the Director the responsibility to establish and revise the WERM Procedures necessary to carry out the obligations under WERM Policy, in consultation and with the approval of the ROC.

The WERM Procedures, collectively known as the “WERM Procedures Manual,” will comprehensively prescribe City Light’s standardized approach to the identification, analysis, evaluation, treatment, communication, and monitoring of wholesale energy risks. The WERM Procedures Manual shall clearly define details of transactions, limits, evaluation methods, limits, procedures, and exceptions.

Per WERM Policy, all City Light employees in relevant functional areas must comply with and acknowledge their understanding of both this WERM Policy and the associated WERM Procedures as they apply to their City Light duties.

### 9.2: WERM Policy is Public, WERM Procedures are Proprietary

Consistent with all Seattle legislation, the City Clerk will maintain the legislative record for the WERM Policy and make them publicly available. The WERM Policy shall be adopted by resolution in a single document attached to the resolution.

The associated WERM Procedures, however, contain proprietary information and shall be treated with greater scrutiny, subject to applicable laws. City Light may distribute the WERM Procedures Manual to persons who are not City Light personnel charged with carrying out WERM Procedures only with the documented, explicit approval of the ROC and the documented endorsement of the General Manager.

## Exhibits

### Exhibit 1: Example Risk Oversight Status Report, dated June 26, 2024

## ACKNOWLEDGEMENT

Name	Title	Sign & Date
Dawn Lindell	General Manager/CEO	
Kirsty Grainger	Chief Financial Officer	
Raman Vishwanathan	Director, Risk Oversight	
Siobhan Doherty	Power Supply Officer	
Drew Grissom	Senior Manager, Power Operations & Marketing	
Nhung Mach	Strategic Advisor, Risk Oversight	

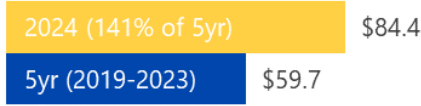
## Risk Oversight Status Report As of Jun 26, 2024

### Summary

#### SCL Hydro Generation (aMW) Boundary and Skagit



#### Mid-C Prices (Peak)



The current year includes actual and forecasted generation for past and future months, respectively.

The current year includes average Dow Jones firm peak index daily prices for past months and the average of the monthly forward marks for future months.

### Wholesale Revenue Variance

Figure 1

**Cumulative NWR for 2024**  
Budget vs. Forecast as of (Jun 26, 2024)  
(Source: WRaR, Summary tab)

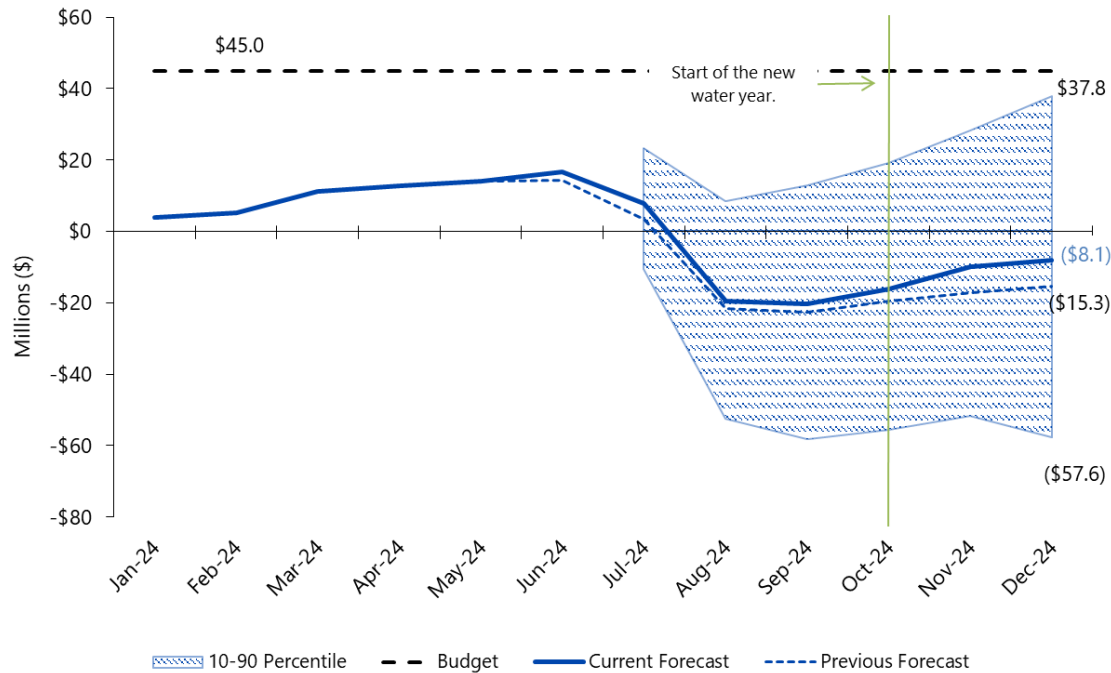


Figure 1 compares the approved 2024 NWR budget of \$45M with the latest NWR forecast of -\$8.07M. In this figure, the shaded region represents the possible NWR scenarios between the forecast's 10<sup>th</sup> (-\$57.6M) and 90<sup>th</sup> (\$37.75M) percentiles.

The NWR forecast increased by \$7.20 from the previous forecast of -\$15.27M primarily due to higher expected hydro generation at Boundary for the balance of 2024.

**Risk Oversight Status Report  
As of Jun 26, 2024**

## Policy Compliance

Portfolio Risk Limit	Prompt Month & Within Month Limit	Forward Month's Resource Requirement Limit	Forward Sales Limit	Physical Options Limit
Exceeded*	Exceeded*	Exceeded*	Compliant	Compliant

**Portfolio Risk Limit:**<sup>1</sup> The optimal forward hedge is calculated by maximizing the risk-adjusted expected wholesale revenues and a portfolio level Wholesale Revenue at Risk (WRaR) computation is utilized for managing and overseeing the forward hedging activities and compliance. For more information see Chart 2, Page 3.

\*Based on the Jun 26<sup>th</sup> model output, the portfolio risk exceeds the established Dollar risk limit for the 2024 period. Per WERM procedures, the ROC has been informed of such exceedance and POM has been provided an exception by the ROC to monitor and execute hedging strategies as market liquidity and pricing opportunities improve. No further action is needed.

**Prompt Month & Within Volumetric Limit:**<sup>2</sup> POM staff will maintain City Light's power portfolio position for any prompt month or BoM period so that such position shall not exceed a 50 aMW deficit. This volumetric limit is calculated as the net position of City Light's combined physical position adjusted for any physical options (daily or monthly) that City Light has purchased for such a period.

Period	Date	Forecasted Surplus > -50 aMW
Within Month	Jun-24	Compliant
Prompt Month	Jul-24	Non-Compliant

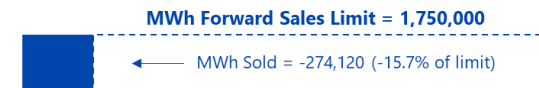
\*Based on the STOMP output as of Jun 25<sup>th</sup>, the month Jul'24 has a net position deficit greater than 50 aMW. As per WERM Policy, POM staff have been notified and have plans to reduce the deficits to within 50 aMW. No further action is needed at this time.

**Forward Month's Resource Requirement Limit:**<sup>2</sup> For any month within the next six months, or any subsequent quarter within the next 24 months, POM staff will immediately: 1) suspend forward sales for such a period if the forecasted net combined system energy position is less than zero at the 25th percentile; and 2) purchase for such a period if the forecasted net combined energy position is less than

zero at the 50th percentile, so as to reduce the deficit to zero. For more information see Chart 3, Page 4.

\*Based on the forecast as of Jun 18<sup>th</sup>, the net combined system energy for Jul-Sep, Dec 2024 and Q3'24 are each less than zero at the 25%ile, and Jul-Aug 2024 and Q3'24 are less than 0 at the 50%ile. Per WERM Policy, POM staff have plans to reduce the deficit for the months and quarters. No further action is needed at this time.

**Forward Sales Limit:**<sup>2</sup> POM staff will not sell forward a quantity of more than 1,750,000 net MWhs over a rolling four calendar quarters. Such a limit will be calculated as the net position of SCL's combined physical position adjusted for any physical options (daily or monthly) that SCL has purchased for such a period. Note that in the figure below, a negative amount indicates net purchases.



**Physical Options Volumetric Limit:**<sup>2</sup> As City Light introduces physical puts and calls into its portfolio it will do so in a conservative manner. This will allow for the refinement of procedures and controls that these transactions will impact. POM staff will limit will not transact more than the lesser of 300 aMW in physical puts and calls (including daily and monthly options) or spend more than \$2M for option premiums for any calendar year.

<sup>1</sup> Appendix A: Optimal Hedge, Risk Metrics and Limits (WERM Procedures)

<sup>2</sup> Appendix B: Volume and Transaction Limits (WERM Procedures)

### Wholesale Revenue at Risk

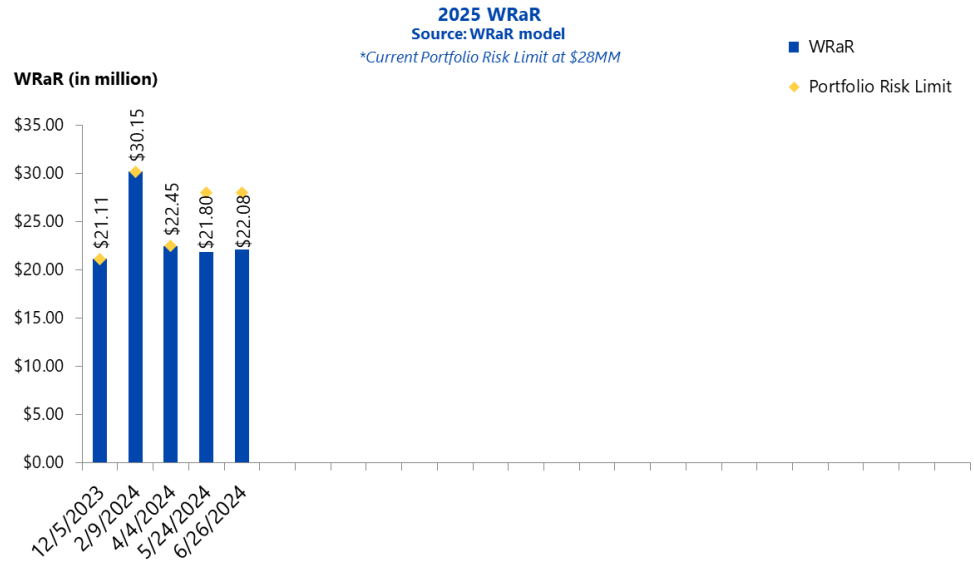
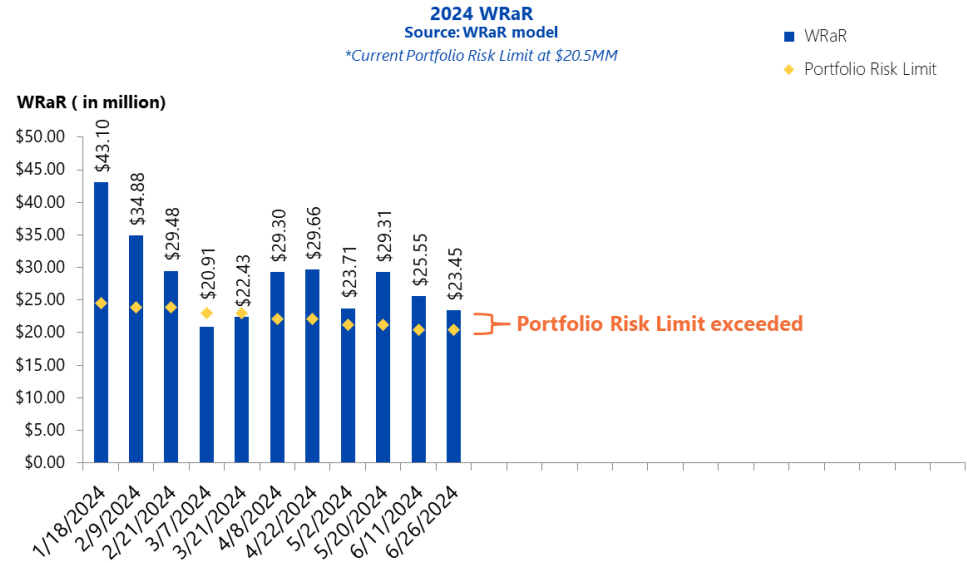
In December 2019, City Light implemented a risk metric named the “Wholesale Revenue at Risk” (WRaR) to measure portfolio risk and evaluate potential hedging activities. WRaR is defined as the maximum possible wholesale revenue losses at 90% confidence level due to the difference between the current hedge position and the calculated optimal hedge position.

The WRaR metric is used as a risk control measure in City Light’s management of surplus hydro resources. It is used in concert with additional volumetric limits, as well as expert knowledge and analysis of western wholesale energy markets, river flow data, and generation unit outages, to inform power management decisions.

Every two weeks, portfolio models are updated with the most current information and the WRaR risk metric is recalculated for the current portfolio.

Figure 2 shows WRaR for the calendar years 2024 and 2025 by model run date. Currently the WRaR for the calendar year 2024 is \$23.45M.

Figure 2



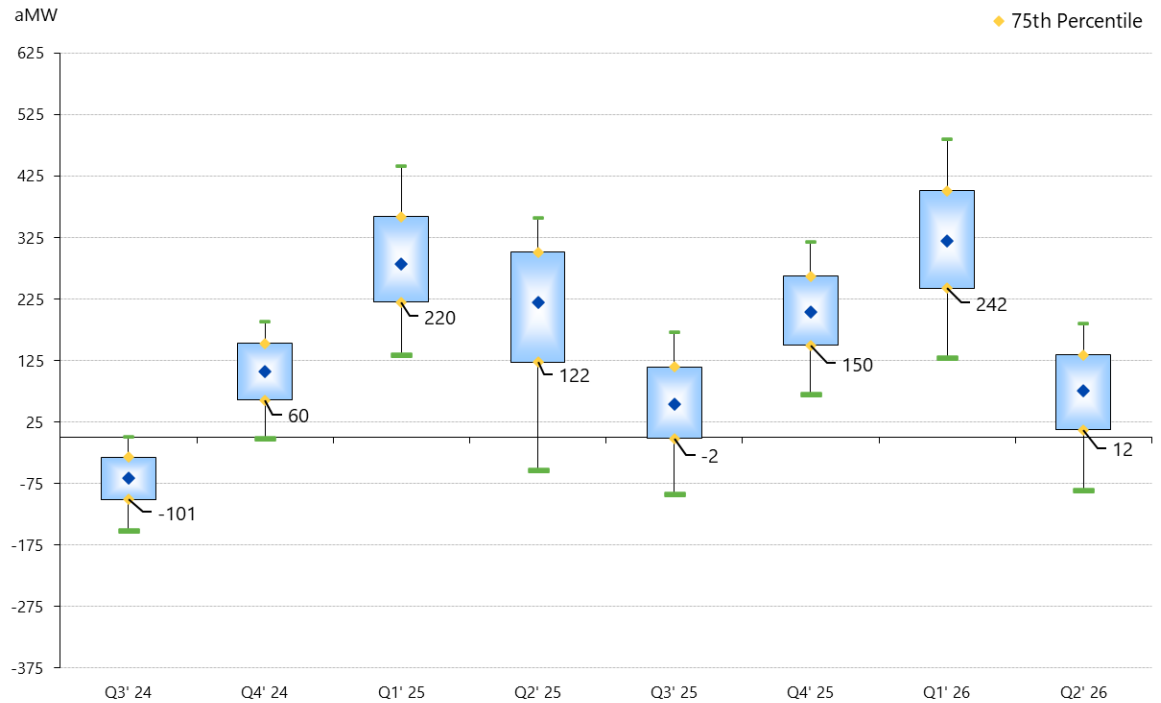
### Position Status

City Light uses the most recent load and hydro forecasts including relevant historical data to run a historical simulation-based model that produces a forecast of more than two thousand portfolio resource scenarios. The output of this model along with the current forward positions provides energy information needed to determine SCL's position.

Figure 3 shows the Net Combined System Energy Position for the next quarters to match City Light's short-term transacting authority. The blue boxes represent the expected net energy position from the 25th to 75th percentiles (yellow diamonds), with the dark blue diamond inside each box representing the 50th percentile. If this blue diamond falls below zero, City Light must purchase adequate energy to cover that deficit; if the lower yellow diamond falls below zero, City Light must suspend forward sales for the period.

Figure 3  
2024-26 Quarterly Forecast  
Net Combined System Energy Position  
as of Jun 18, 2024

- ◆ 25th Percentile
- ◆ 50th Percentile
- ◆ 75th Percentile





### Credit

City Light actively manages its wholesale counterparty credit risk by:

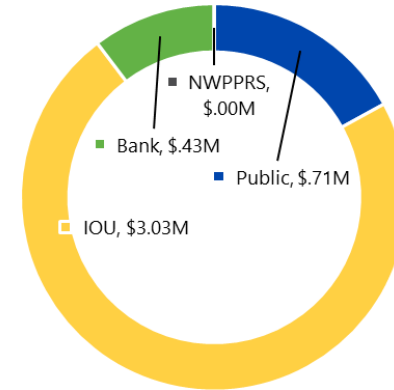
- I. setting credit limits for each counterparty that are derived from a credit limit framework, credit scoring model and analysis;
- II. securing credit enhancements when necessary;
- III. monitoring national and global news including news related to industry and specific to counterparties;
- IV. daily monitoring of counterparty credit exposures.

ROD uses industry standard tools to proactively measure changes in counterparty creditworthiness. Implied credit ratings are utilized in conjunction with standard ratings provided by external agencies. The concept of risk tolerance extends to counterparties that are considered 'Higher Risk' with equivalent Moody's and S&P implied ratings of 'Ba1' or less. Counterparties with such implied ratings are placed into the 'Higher Risk Credit Portfolio' for close monitoring in order to reduce the risk of delayed or non-payment while utilizing wholesale power, transmissions, and related ancillary revenue opportunities. City Light strives to keep its "Higher Risk" counterparty exposures at less than 25% of the total exposure at any given time. However, this percentage can vary based on the time of the month when the report is produced.

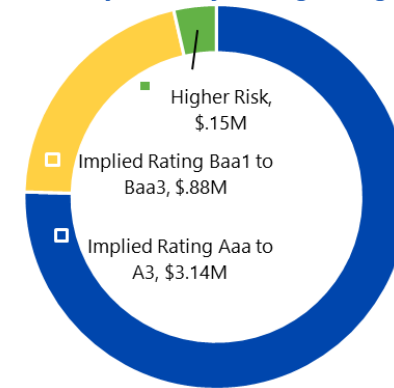
Figure 4 shows the current credit exposure by counterparty credit rating and type (as of June/26/2024).

Figure 4

#### Credit Exposure by Counterparty Type



#### Credit Exposure by Rating Category

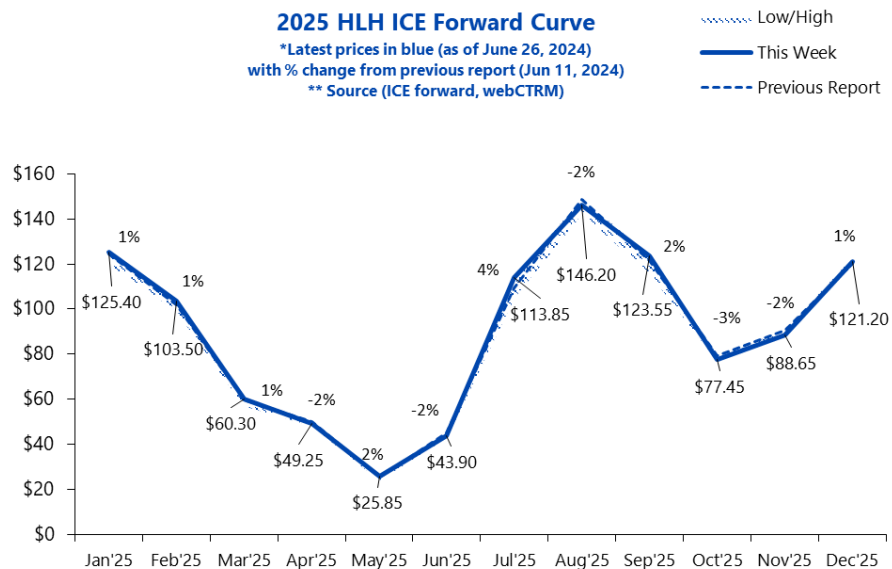
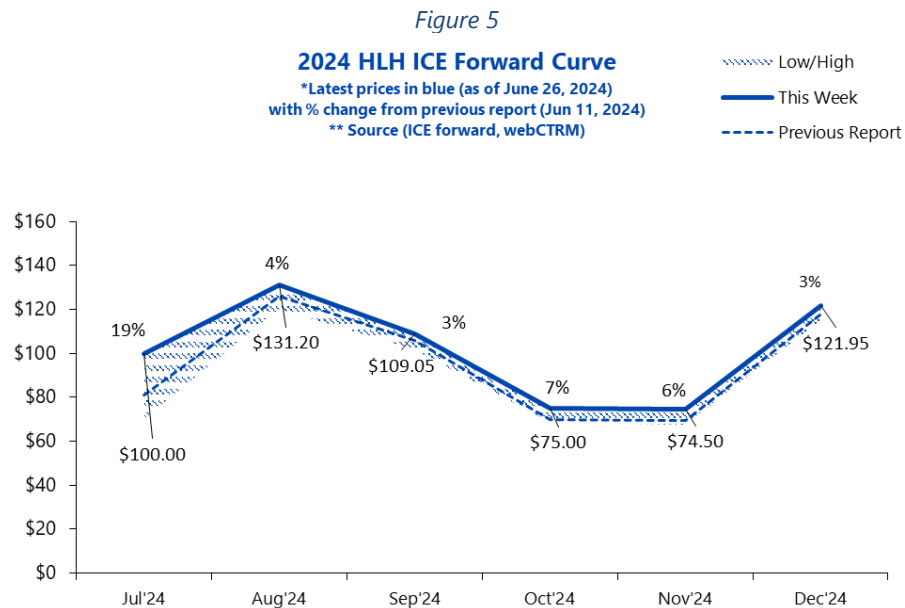


## Risk Oversight Status Report As of Jun 26, 2024

### Price

To ensure that prices are independently developed, City Light's official forward price curve is prepared by ICE and used for internal analysis, valuation, and modeling tasks.

Figure 5 shows the forward price range (Mid-C HLH only) for the calendar years 2024 and 2025 based on this report and the previous report, with the shaded area representing the range of forward prices between the report dates.



## Acronyms

<b>aMW</b>	average Megawatt
<b>BOM</b>	Balance-of-month
<b>HERA</b>	Hedge Evaluation & Risk Analysis
<b>NWR</b>	Net Wholesale Revenue
<b>POM</b>	Power Operations and Marketing
<b>PMD</b>	Power Management Division
<b>ROC</b>	Risk Oversight Council
<b>ROD</b>	Risk Oversight Division
<b>STOMP</b>	Short-Term Operation & Marketing Plan
<b>WERM</b>	Wholesale Energy Risk Management
<b>WRaR</b>	Wholesale Revenue at Risk

## Amendment 2 Version 1 to RES 32130 - SCL WERM Policy RES

**Sponsor:** Councilmember Woo

*Amend recitals for consistency with Version 2 Wholesale Energy Risk Management (WERM) Policy*

**Effect:** This amendment would revise the language of recitals in Resolution 32130 to accurately describe the updates to the Wholesale Energy Risk Management (WERM) Policy in Version 2. The Sustainability, City Light, Arts and Culture Committee (Committee) should only consider this amendment if the Committee approves Amendment 1 to RES 32130. Amendment 1 would replace Version 1 of the WERM Policy with Version 2 as the Attachment 1 to Resolution 32130.

The amendments modify the fourth and tenth recitals of Resolution 32130, as shown below:

..title

A RESOLUTION relating to the City Light Department; endorsing City Light’s Wholesale Energy Risk Management Policy (“WERM Policy”), which governs wholesale energy, transmission, and ancillary services trading, including renewable energy credits and greenhouse gas offsets; establishing the WERM Policy as the guiding policy for managing risks related to wholesale energy, ancillary services, renewable energy credits, and greenhouse gas offsets within the City Light Department; and superseding Resolution 31616.

..body

WHEREAS, to economically provide electricity to its customers, the City Light Department

(“City Light”) routinely engages in the buying and selling of wholesale energy products;

and

WHEREAS, City Light’s participation in the wholesale energy markets inherently exposes it to various risks, including market and credit risks; and

WHEREAS, utility industry best practices mandate that City Light adhere to a clear and binding policy statement to effectively manage these risks; and

WHEREAS, these industry best practices further stipulate that such policies should receive

approval from an independent governing body, such as City Council (~~City Light’s Risk~~

~~Oversight Council, and endorsement by City Light's General Manager and Chief Executive Officer); and~~

WHEREAS, the periodic review and amendment of risk management policies are essential for good governance and oversight; and

WHEREAS, the Wholesale Energy Risk Management Policy was initially adopted by the City Council on September 8, 2008, by Resolution 31053; and

WHEREAS, the Environmental Attributes Management Policy was initially adopted by the City Council on June 7, 2010, by Resolution 31216; and

WHEREAS, the Wholesale Energy Risk Management Policy was updated by the City Council on August 9, 2010, with the passage of Resolution 31230; on May 14, 2012, with the passage of Resolution 31365; and on September 3, 2013, with the passage of Resolution 31467; and

WHEREAS, the Wholesale Energy Risk Management Policy was updated and the Environmental Attributes Management Policy was superseded on September 28, 2015, with the passage of Resolution 31616; and

WHEREAS, the attached Wholesale Energy Risk Management Policy contains updates including reorganization and clarification of policy statements; reinforcement of the process to amend Wholesale Energy Risk Management Policy and City Council's final authority for adoption of such amendments; separation of Wholesale Energy Risk Management Policy from implementing Procedures; revision of the timing of reporting requirements; specification of requirements for internal and external audits of City Light wholesale energy risk management; and affirmation of the responsibility of City Light's General Manager/ Chief Executive Officer, Chief Financial Officer, Director of Risk

Eric McConaghy  
Sustainability, City Light and Arts and Culture Committee  
August 8, 2024  
D1b

Oversight, and internal audit team to report to the City Council and the Mayor any failure to implement Wholesale Energy Risk Management Policy.

~~(confirmation of City Light's General Manager and Chief Executive Officer as final authority to commission and approve any changes to policy; enhancing purpose, scope, strategy, roles and responsibilities; and moving technical details from the policy to the procedures manual where appropriate);~~ NOW, THEREFORE,

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

\*\*\*



# **Resolution 32130**

## ***Update to Wholesale Energy Risk Management (WERM) Policy***

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SUSTAINABILITY, CITY LIGHT, ARTS & CULTURE COMMITTEE  
AUGUST 16, 2024

# Wholesale Energy Risk Management (WERM) Policy

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The WERM Policy is the City's *governance framework* for City Light to *mitigate financial risk* resulting from City Light's necessary participation as a buyer and seller of *wholesale energy and related products*.



# History

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**2008:** Resolution 31053 - City adopts the original WERM Policy in the aftermath of the Western Energy Crisis

**2015:** Resolution 31616 - Most recent and 5<sup>th</sup> adoption of WERM Policy update

*The updates have kept pace with City Light's development of sophisticated and well-balanced set of internal roles and committee structures to ensure that appropriate risk policies are developed, implemented, and monitored*

# Resolution 32130 – WERM Policy Update

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- City Light briefed the Committee on March 13, 2024
- Central Staff and City Light staff have cooperated to revise the update to the WERM Policy to better incorporate Council's interests

# WERM Policy Update Version 2

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1. Council's authority to adopt amendments to the WERM Policy;
2. Regular financial risk status reports to Council and their frequency;
3. Annual internal audits;
4. Need assessment and scoping for independent audit every five years; and
5. Affirmative responsibility to report to the City Council and the Mayor any failure to implement WERM Policy that has created a significant and material financial risk to City Light:
  - General Manager/ Chief Executive Officer
  - Chief Financial Officer
  - Director of Risk Oversight
  - City Light's internal audit team

# Amendments

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- Two amendments sponsored by Councilmember Woo
- Amendment 1 would replace the transmitted version of the WERM Policy (Version 1) with Version 2
- Amendment 2 would revise the language of recitals in RES 32130 to accurately describe the effects of Version 2. *The Committee should only consider this amendment if the Committee approves Amendment 1*

# Questions?



Legislation Text

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**File #:** CB 120840, **Version:** 1

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**CITY OF SEATTLE**

**ORDINANCE \_\_\_\_\_**

**COUNCIL BILL \_\_\_\_\_**

AN ORDINANCE relating to the City Light Department; amending Section 21.49.100 of the Seattle Municipal Code to authorize electric vehicle charging stations to submeter electricity.

WHEREAS, the City of Seattle is committed to the electrification of transportation to address the climate crisis, including the reduction of greenhouse gas emissions; and

WHEREAS, electric vehicle sales are increasing in numbers and their use is integral to the State of Washington and City of Seattle's transportation electrification plans; and

WHEREAS, electric vehicle users require sufficient charging infrastructure sited throughout the Department's service area to rely upon electric vehicles for transportation; and

WHEREAS, publicly available electric vehicle charging stations are commonly designed with an integrated electric meter to measure the amount of electricity supplied to an electric vehicle and paid for by the charging station customer; and

WHEREAS, Section 21.49.100.G of the Seattle Municipal Code prohibits submetering of electricity; and

WHEREAS, Section 21.49.100.H of the Seattle Municipal Code provides for exceptions to the general prohibition on submetering, but does not currently include an exception for electric vehicle charging stations; NOW, THEREFORE,

**BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

Section 1. Section 21.49.100 of the Seattle Municipal Code (SMC), which was last amended by Ordinance 124978, is now amended as follows:

### 21.49.100 Application and contract provisions

A. Sole provider. In order to ensure safety and system integrity, the customer shall be required to purchase all electricity from the Department or from sources approved by the Department.

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H. Prohibition of submetering: exceptions

1. The Department shall not provide electricity to any customer who submeters any part of the electricity for the purpose of resale or apportionment or who otherwise apportions the costs of electric energy use to any other consumer, except that the Department shall permit such resale or apportionment for the following purposes:

a. Boat mooring establishments. New or upgraded service to boat mooring establishments shall be master metered. The Department will not provide meters for individual moorage spaces nor directly bill individual boat moorage tenants at a boat moorage establishment where a new service has been installed or an existing service has been upgraded after September 25, 1982. Resale by customer operators shall be at an average rate not to exceed the operator's average cost per kWh as billed by the Department and shall not exceed the proportion of the costs for which the boat moorage tenant is responsible.

b. Mobile home parks. This exception applies to only those mobile home park operators submetering and reselling electricity as of August 1, 1980. New or upgraded services to mobile home parks will be provided in accordance with written Department rules and regulations. Resale by customer operators shall be at an average rate not to exceed the operator's average cost per kWh as billed by the Department and shall not exceed the proportion of the costs for which the mobile home park tenant is responsible.

c. Electric Vehicle Charging Stations. Electric vehicle chargers and charging stations may be submetered for the following purposes:

i. Billing of end users for electricity dispensed from a charger with a State Weighing and Measuring Devices endorsement to an electric vehicle and measured by a submeter integrated with the charger.

ii. Supplying electricity solely for the purposes of electric vehicle charging in common parking facilities in which the individual or entity to be billed by the customer operator for the submetered electricity occupies, rents, or owns a dedicated parking space and charger. Resale of electricity by the customer operator under this paragraph shall be at the actual cost per kWh or an average rate not to exceed the customer operator's average cost per kWh as billed by the Department, and shall not exceed the proportion of the costs for electricity provided to the charger.

~~((e-))~~ d. Other purposes. On a case-by-case basis, the Department may permit a customer, subject to the provisions of subsection 21.49.110.J, to submeter for the purpose of apportioning the cost of electric energy; provided, however, such determination must be based on an objective review and must relate to an economic imbalance relating to service and/or protection of each customer's rights under this Chapter and chapter 80.28 RCW. Resale by customer operators shall be at an average rate not to exceed the operator's average cost per kWh as billed by the Department and shall not exceed the proportion of the costs for which the tenant is responsible.

2. Except for in cases of electric vehicle chargers with integrated submeters used as described in subsection 21.49.100.H.1.c.i, ((S))submetering permitted under this subsection 21.49.100.H shall:

a. Be a permanent installation compliant with the National Electrical Code (NEC), as well as State and local codes, and for electric vehicle supply equipment, be operated and maintained in compliance with applicable law, including but not limited to RCW 19.94.550 through RCW 19.94.585, inclusive;

b. Be inspected and approved by the authority having jurisdiction;

c. Be listed for the purpose by a recognized testing laboratory;

d. Be compliant with American National Standards Institute (ANSI) C12.20 0.5 Accuracy Class;

e. Have records showing accuracy tests traceable to the National Institute of Standards and Technology (NIST); and

f. Have maintenance records for the life of the equipment.



3. Except for in cases of electric vehicle chargers with integrated submeters used as described in subsection 21.49.100.H.1.c.i, ((A))all records shall be maintained in accordance with State regulations, and open to inspection and audit. On request, at no charge to the tenant or to the owner, operator, or dedicated user of the electric vehicle charger or charging station billed for submetered electricity, the customer operator shall provide accuracy tests traceable to NIST. The Department shall charge the customer operator for all costs resulting from confirming compliance with the above requirements and investigating or correcting impermissible submetering.

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Section 2. This ordinance shall take effect as provided by Seattle Municipal Code Sections 1.04.020 and 1.04.070.

Passed by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2024, and signed by me in open session in authentication of its passage this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_

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

Approved / returned unsigned / vetoed this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

\_\_\_\_\_

Bruce A. Harrell, Mayor

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

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Scheereen Dedman, City Clerk

(Seal)

Attachments:

## SUMMARY and FISCAL NOTE

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
City Light	Jacob Orenberg	Greg Shiring

### 1. BILL SUMMARY

**Legislation Title:**

AN ORDINANCE relating to the City Light Department; amending Section 21.49.100 of the Seattle Municipal Code to authorize electric vehicle charging stations to submeter electricity.

**Summary and Background of the Legislation:**

SMC 21.49.100.G prohibits Seattle City Light customers from submetering electricity and SMC 21.49.100.H provides exceptions to the submetering prohibition. This legislation will add electric vehicle (EV) chargers and charging stations as an exception to the prohibition on submetering. This will explicitly allow EV charger operators to resell electricity dispensed through the chargers on a per kilowatt-hour basis, as is already the standard practice in the Puget Sound region and for the EV charging industry. This will also allow property owners and landlords to submeter EV charging stations operated by third party companies or EV chargers in parking spaces dedicated to a specific tenant while requiring the same protections already established for other existing submetering exceptions.

### 2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project?  Yes  No

### 3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City?  Yes  No

#### 3.d. Other Impacts

**Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.**

None.

**If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.**

None.

**Please describe any financial costs or other impacts of *not* implementing the legislation.**

Not implementing the legislation would hinder the deployment of electric vehicle charging infrastructure in the Seattle City Light service area by not providing a financially viable means for property owners and landlords to recover the cost of electricity dispensed through electric vehicle chargers in certain situations. In addition, not implementing the legislation would leave existing electric vehicle charging stations that charge end users by the kilowatt-hour (kWh) on uncertain legal ground because the existing language in SMC 21.49.100 could be interpreted to prohibit this despite the fact that charging end users on a per-kWh basis is the industry standard and the fairest way of selling electricity to an EV charger customer.

#### **4. OTHER IMPLICATIONS**

**a. Please describe how this legislation may affect any departments besides the originating department.**

This legislation modifies the Municipal Code to bring it in line with current utility practice as it pertains to EV charging stations. We do not anticipate new impacts to any other City department.

**b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**

No impact to specific property.

**c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**

**i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

This legislation has no impact to vulnerable or historically disadvantaged communities. The legislation is being requested to provide additional flexibility to City Light customers and to conform the SMC to existing practices. The implementation of this legislation is neutral across all City Light customer types and will not result in harm or unequal benefits to any community.

**ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.**

None completed.

**iii. What is the Language Access Plan for any communications to the public?**

None – we do not expect to need a communication plan for this modification.

**d. Climate Change Implications**

- i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.**

This legislation is expected to decrease carbon emissions by facilitating the installation and operation of electric vehicle charging infrastructure, allowing residents and customers to use City Light’s carbon-neutral electricity for transportation fuel instead of fossil fuels.

- ii. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle’s resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

This legislation is not expected to impact Seattle’s resiliency to climate change in any material way.

- e. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program’s desired goal(s)? What mechanisms will be used to measure progress towards meeting those goals?**

N/A

**5. CHECKLIST**

- Is a public hearing required?
- Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?
- If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?
- Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?

**6. ATTACHMENTS**

**Summary Attachments:**

# Proposed EV Submetering Ordinance

Sustainability, City Light, Arts & Culture Committee

August 16, 2024



WE POWER SEATTLE

# Background

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- Submetering is the practice of installing a customer-owned electric meter downstream from the utility meter. The submeter measures how much electricity is provided to the end user.
- Seattle Municipal Code prohibits City Light customers from reselling submetered electricity.
  - Exemptions and protections exist for houseboats & mobile home parks.
- City Light proposes amending the municipal code to explicitly allow for submetering of electricity for EV charging.

# Use Case #1 – Per-kWh Billing at Public EV Chargers

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- Industry standard practice is to bill EV charger customers by the kilowatt-hour.
- This is the fairest way of billing customers.
- This ordinance will explicitly allow charging providers to bill customers on a per-kWh basis.





## Use Case #2 – Submetering Chargers in Common Areas

- This ordinance will allow submetering of EV chargers in parking facilities with a common electric service and dedicated parking spaces.
  - These submetered chargers will be subject to the same protections granted in code to houseboats and mobile homes.



## Use Case #2 – Submetering Chargers in Common Areas

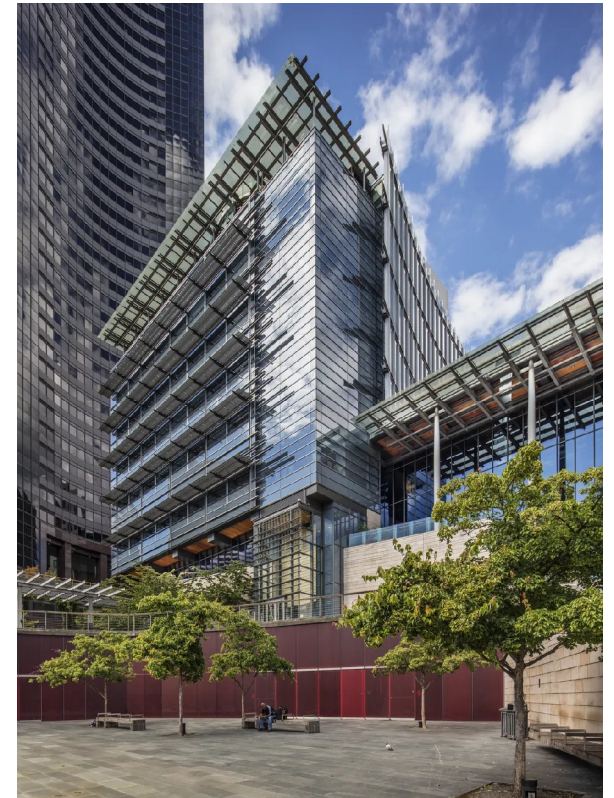
- Provides a route to install cheaper EV chargers without burdening property managers & HOAs with the cost of electricity.
- Residents will be billed by the property manager or HOA for the actual cost of electricity, as measured by the submeter.
- No EV charger network or payment processing fees.



## Proposed Council Action

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- Amend SMC 21.49.100 to authorize the submetered billing of Seattle City Light electricity for electric vehicle charging.
- Allow EV charger operators to resell the electricity dispensed through an EV charger on a per kilowatt-hour basis.
- Allow property owners & homeowners associations to bill for submetered electricity provided to EV chargers in parking spaces dedicated to a specific tenant or other user.



# THANK YOU

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