

CITY OF SEATTLE

RESOLUTION _____

..title

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

..body

WHEREAS, in consultation with the Mayor and the City Council, the City Light Department

(City Light) initiated the strategic planning process in 2010 to provide more transparency and accountability for decision-making within City Light; and

WHEREAS, Resolution 31383, adopted July 2012, adopted City Light’s 2013-2018 Strategic Plan and endorsed a six-year rate path that supported that plan; and

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

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

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

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

1 ~~WHEREAS, The Strategic Plan financial forecasts behind the rate path established by the 2019-~~
2 ~~2024 Strategic Plan, including a 1.8% debt service coverage multiplier (among other~~
3 ~~assumptions), which has been the norm for many years and should be reviewed; and~~

4 WHEREAS, Resolution 31678 signaled the Council’s interest in working with City Light to
5 establish new strategies and approaches ~~in response~~ to hiring the next generation of
6 skilled workers, ~~City Light shares a commitment to~~ attracting and retaining a highly
7 skilled workforce that reflects the diversity of our community. ~~City Light believes that~~
8 ~~diversity makes us stronger and~~ furthering ~~the~~ City of Seattle’s commitment to
9 Workforce Equity. ~~Further, City Light has increased its~~ outreach and recruitment
10 ~~programs~~ within communities of color and historically marginalized groups and
11 developed partnerships with pre-apprenticeship programs identified in the City’s Project
12 Hire program; and

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

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

20 WHEREAS, City Light has reviewed and updated the Strategic Plan by: (a) reviewing changes
21 in its operating environment for the 2019-2024 period and making adjustments to remain
22 within the proposed rate path; and (b) adding a forecast of revenues, expenditures, and
23 investments for two additional years, 2023 and 2024; and

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

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

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

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

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

19 WHEREAS, the Seattle City Light Review Panel has offered specific action items for
20 consideration to help address core concerns with the proposed rate path, such as
21 deployment of additional staff to address the changing utility industry, undertaking a
22 holistic benchmark effort, considering the changing capital and infrastructure needs, and

1 planning for fiscal savings in its letter dated May 7, 2018 (Exhibit D) and reaffirmed in
2 its letter dated June 27, 2018 (Exhibit E); and

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

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

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

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

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

17 Section 2. To achieve the goals of the Strategic Plan, annual rate increases averaging
18 ~~5.14.5~~ percent system-wide per year are anticipated over the period of 2019-2024. The following
19 six-year rate path for City Light rates is endorsed:

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

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

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

4 Section 5. Pursuant to Section 8 of Resolution 31678, City Light will assess the
5 implications of establishing a single rate class for all customers, and report its analysis to the
6 Council by the end of August, 2018.

7 Section 56. The City Council requests that the Seattle City Light Review Panel and
8 General Manager make recommendations in consultation with community partners on an
9 updated rate design, which may include, but not be limited to, the following elements: coincident
10 peak/inclining block rate, voluntary time of use, more progressive rate blocks for residential
11 rates, rate blocks for small and medium general service customers, and/or other options to create
12 greater stability, while promoting conservation, distributed energy resources, and revenue
13 stability for City Light. In considering the various approaches, the Review Panel should
14 recognize that significant increases in fixed or flat charges that reduce the commodity price
15 signal are counter to the City's goals of increasing energy efficiency, as well as have disparate
16 financial impacts on low- and moderate-income households, and will be strongly disfavored by
17 City Council as part of a final updated rate design ordinance. Significant increases in the service
18 flat fee or increased fixed customer fees should not be considered as part of this design update.

19 An initial report to the City Council, including examination and review of other rate
20 designs from similarly sized utilities, should be presented no later than January 15, 2019, with
21 final recommendations due by April 1, 2019. Council shall consider implementation of
22 recommendations and legislative action to implement an update to rate design or the Strategic
23 Plan by July 15, 2019. This rate design update shall be conducted in consultation with

1 community partners including, but not limited to, signatories to the July 24, 2017, letter attached
2 as Exhibit F.

3 Any rate design update option should include information about potential impact on
4 revenue stability for the utility; assumed range and assumed average payment for each rate class,
5 along with difference from existing predictions of the rate path; comparison of current debt
6 service ratio with similarly sized utilities and impacts on revenue requirement and rates; and any
7 additional considerations that may present themselves during public participation and process
8 when reviewing rate design options.

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

17 Section 675. City Light will continue to review and update the Strategic Plan at least
18 every two years, adding two years to the Strategic Plan during even-numbered years and re-
19 evaluating the subsequent six-year rate path. City Light shall give at least annual reports on
20 progress of initiatives in the Strategic Plan to the Seattle City Council committee with oversight
21 over City Light. The next review and adjustment of the Strategic Plan will be finalized in no later
22 than 2020 and will encompass the years 2021 through 2026. This does not preclude mid-cycle
23 adjustment with implementation of updated rate design.

1 ~~Section 6. Pursuant to Resolution 31678 Section 8, which requests analyzing the~~
2 ~~feasibility and impacts of restructuring rates to a single rate class, the 2019-2024 Strategic Plan~~
3 ~~contains a “Revenue Recovery and Rates” initiative. As part of this initiative, City Light will~~
4 ~~analyze this and other rate restructuring options that may be possible once advanced metering is~~
5 ~~in place.~~

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

4 _____
5 President _____ of the City Council

6 The Mayor concurred the _____ day of _____, 2018.

7 _____
8 Jenny A. Durkan, Mayor

9 Filed by me this _____ day of _____, 2018.

10 _____
11 Monica Martinez Simmons, City Clerk

12 (Seal)

13
14 Attachments:

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



JUNE 22, 2018

2019-2024 Strategic Plan Edits

LETTER FROM THE GENERAL MANAGER

Visitors flying into the Seattle-Tacoma International Airport see a skyline dotted with cranes and new skyscrapers, lofty signals of the boom underway in the Seattle metropolitan area. New office space is being leased before construction is completed, and the proliferation of new dwellings can't keep up with housing demand. The greater Seattle area is experiencing unprecedented growth, and it is being driven largely by technological innovation.

Seattle City Light has a long history of providing energy to technological innovation. In 1905, we powered the first electric streetlights to illuminate the streets of Seattle. As technology evolved, we powered the first electric radios in Seattle, the first electric refrigerators and the first televisions. The course of human history has seen many technological innovations that made our lives better, and for more than a century City Light's power has made that technology run in the Seattle area.

City Light has proven its reliability, financial stability and ability to power progress for the region. In the next six years, we will redouble our efforts. Improvements to our infrastructure will make sure our system is reliable and ready to meet the needs of the community. A new rate path will keep the utility financially stable while still providing affordable electricity to our customers.

We will continue to lead the way as an innovator in conservation while implementing energy-efficient measures across our system that will greatly benefit our diverse customer base. We'll complete advanced metering installations and near completion of our streetlight conversions to energy-efficient LEDs. And this year, we'll energize a new substation—our first in thirty years—which will power the businesses and residences in Seattle's bustling urban core.

These projects are only made possible with the support and tireless efforts of our workforce. I'm committed to fostering a positive workplace culture, one where all employees feel valued and respected for their contributions. Without this we cannot deliver the level of service that our customers deserve.

The Seattle area is growing and evolving, and so is City Light. As you read this Strategic Plan, you'll learn about our initiatives and our challenges. As part of an ongoing commitment to affordability, cost control, and fiscal accountability, this Strategic Plan includes reductions to our capital and operating

budgets. Budget reductions will be carefully managed to minimize any future service impacts to customers and financial risk to the utility.

Given our long history of innovation and visionary action, we are confident we will successfully navigate not only the challenges we face today, but the challenges of the future. Like the greater Seattle area, we are reaching new heights. We power Seattle, and we're proud of it.

Jim Baggs
Interim General Manager and CEO

PRIORITY 4: CONTINUING PROGRESS ON OUR CORE BUSINESS (PAGE 15)

As we drive for change, we will not lose sight of our core values and mission to provide affordable, reliable, environmentally-responsible electricity. To provide today's level of programs, reliability and response, City Light must make ongoing business improvements and investments. Many of the efforts in this section were major areas of focus in previous strategic plans, and while we have made significant progress in these areas over the last six years, the work must continue.

A Workplace Culture of Mutual Respect

City Light will ~~continue to~~ actively promote a work environment free of discrimination and harassment. Fostering a positive workplace culture, one where all employees feel valued and respected for their contributions, is central to Seattle City Light's management expectations of mutual respect. Delivering the world-class customer service that our customers deserve requires a positive workplace culture. City Light is committed to ~~re-emphasizing with all staff through~~ updating policies, enhancing trainings, and having an ongoing dialogue within the utility, that any inappropriate behavior, whatever its form, will be dealt with appropriately. We will reiterate our commitment to treating each other with dignity, respecting the diversity among us, and recognizing the value each of us brings to our professional relationships.

High-Performance Workforce

Attract, train, and retain a workforce with the skills and knowledge needed for hydro-powered electric utility operations. Continue building a comprehensive succession planning program that includes knowledge transfer strategies. Create skilled trades and highly specialized employee pipelines, in partnership with diverse community organizations and educational institutions.

Strong Safety Culture

Safety continues to be paramount in every facet of City Light's work. The Safe Work Environment program will continue, and other industry best practices will be implemented, such as a safety, health and wellness roadmap, grassroots safety teams, and a robust safety recognition program.

Secure, Resilient Work Environment

Implement best practices to enhance security, emergency preparedness and disaster recovery programs while improving the resiliency of facilities and services.

Seattle City Light Review Panel

c/o K. Wingers, Seattle City Light
P.O. Box 32023 Seattle, WA 98124-4023
CLRP@seattle.gov

June 26, 2018

Sent via email and hand delivery

Councilmember Teresa Mosqueda, Chair
And Members, Select Committee on the 2019 City Light Strategic Plan
Seattle City Hall
Seattle, WA 98104

Dear Councilmembers:

We write in response to the June 14 request from Councilmember Mosqueda seeking the Seattle City Light Review Panel's reaction to the Mayor's changes to the proposed City Light's 2019 Strategic Plan. We conferred as a full Review Panel on June 26, 2018.

The Panel supports the Mayor's addition of targeted reductions to the revenue requirement in the 2019 Strategic Plan. It is our hope that these cost control measures will be made without increasing the operating risks for the Utility, while maintaining safety and reliability in City Light's operations, and not simply shifting costs to the future. With careful consideration of the implications and options, we are optimistic these goals can be met. We see these reductions as a first step in the need to fundamentally re-examine how to preserve the Utility's long term financial health in light of the new reality of declining retail demand for electricity.

The issue of rate design was raised at the June 14 Select Council session on the Strategic Plan. We note that rate design is a core part of the Review Panel's mission approved by the City Council. The nine members of the Review Panel are prepared to take on that task over the next year. Stakeholder engagement is an important part of rate design, and stakeholder outreach is also part of our mission. Rate design is a challenging policy discussion, as it is essentially a zero-sum game: any changes to the current design mean some will pay more, while some may pay less. And there is still the issue that Seattle City Light faces declining demand with a consumption based rate model. Identifying agreed upon principles to guide rate design will be critical: we look forward to engaging with you on that subject. To ultimately be successful, we will need the Mayor's and Council's backing.

With respect to the seven action items proposed in our May 7 letter to Mayor Durkan, we hope that these will be prioritized for completion within the Utility's 2019-2020 budget and work plan.

We thank you for your interest in our views. We continue to strongly support the Review Panel process and structure as created by the City Council.

Sincerely,



Patrick Jablonski, Chair
City Light Review Panel



Gail Labanara, Vice-Chair
City Light Review Panel

CC: Mayor Jenny A. Durkan
James Baggs, Interim CEO, Seattle City Light
Members, Seattle City Light Review Panel

A&R Solar, Climate Solutions, Emerald Cities, Got Green, Latino Community Fund, MacDonald-Miller, NW Energy Coalition, NW Energy Efficiency Council, Puget Sound Sage, Robert K. Harmon & Company LLC, Washington Conservation Voters, Washington Environmental Council

July 24, 2017

Energy and Environment Committee
Seattle City Council
P.O. Box 34025
Seattle, WA 98124

Dear Chair Sawant, Councilmembers Juarez, Gonzalez and Bagshaw,

As the Council considers strategies to address City Light's revenue challenges we urge Council members to consider a variety of options for rate design changes before settling on any one approach. Utility rates and rate design affect not just how much electricity we use and how it's generated, but also raise questions about how the cost burden should be shared among customers and what the customer's role will be in shaping energy demand.

We understand the revenue trials facing City Light when wholesale market prices reduce revenue from sales of surplus power and demand for power from customers is flat, yet costs for maintaining and operating the electricity system for the City are rising. Utilities across the region and country are facing similar challenges. We all strive to have a more efficient, flexible and resilient utility and how revenue is collected and invested in energy services over the long-term is critical.

To date, City Light has presented a snapshot of its revenue issues, cost allocation assessment, and a brief overview of rate design options. As part of the Council's education and deliberation process, we strongly recommend this Committee work with the Regulatory Assistance Project (RAP) on rate design. RAP works with public and private utilities and governing boards all over the world and is uniquely qualified to speak to the many rate design approaches utilities have considered or implemented and what are the most effective strategies to meeting the needs of the City and its customers.

Some rate design approaches raise serious concerns in our minds, particularly ones that increase the fixed bi-monthly customer charge and decrease volumetric charges. This type of rate design can have a very negative impact on low and moderate-income households, and discourage the installation of distributed renewable power, such as solar. In addition, rate design that shifts more of the system costs into fixed charges will reduce energy efficiency. This will increase energy use over time and hence, could require more infrastructure over time. The result could raise costs for all customers. This type of rate design also removes

customer's ability to control their monthly bill, and to contribute to efforts to keep overall system costs low. Perhaps most importantly, it does not represent a fair accounting of the costs to serve a particular customer, because costs that vary with usage are now assigned uniformly across an entire class of customers. In fact, typically this type of rate design ends up costing low users the most in terms of increased monthly bills.

Here are some basic principles that should guide City Light and the Council's thinking when evaluating rate design changes.

1. Rates should be straightforward and understandable.
2. Rates should keep the utility viable and provide relatively stable cash flow and revenues from year to year.
3. Rates should be generally predictable, such that customers experience only minimal unexpected changes.
4. Rates should maintain fairness to all customer classes and should not unduly discriminate against any group of customers - no special rates, tariffs or fees should be created or imposed exclusively for distributed solar or other renewable customers in a rate class, either individually or as a class.
5. Rates should promote economic efficiency in the use of energy as well as competing products and services while insuring the level of reliability desired by customers.
6. Rates, combined with subsidy and discount programs, should be affordable so that all households have access to electricity.
7. Rates should recover system costs in proportion to how much electricity customers use, and when they use it and customers delivering power to the grid should receive full and fair value for the power delivered -- no more and no less.
8. Rates should encourage a clean, efficient energy system and maximize the value of new technologies, including beneficial electrification, to reduce greenhouse gas emissions and local air pollution.
9. Rate structures should be designed to balance long and short-term marginal value and reduce overall system costs and risks.

The groups signing this letter are eager to be involved in revenue stabilization and rate design discussions and want to help shape both the process and the outcomes. There are other rate design options to consider and we hope the Council will give full consideration to other options as alternatives to an increase in the fixed bi-monthly customer charge. Fixed customer charges should only cover individual customer-related costs (e.g. meter, service drop, meter reading, and billing and collecting).

This is a very important topic and one that deserves careful consideration and broad and inclusive participation. We look forward to working with the Council and City Light to find the best outcome for the City, customers and the environment. For your questions and follow-up please contact Nancy Hirsh, NW Energy Coalition at nancy@nwenergy.org or 206-621-0094.

Respectfully,

Dave Kozin
CFO/COO, A&R Solar

Vlad Gutman-Britten
Washington Director, Climate Solutions

Steve Gelb
Executive Director, Emerald Cities

Jill Mangaliman
Executive Director, Got Green

Peter Bloch Garcia
Executive Director, Latino Community Fund

Perry England
VP Building Performance, MacDonald-Miller

Nancy Hirsh
Executive Director, NW Energy Coalition

Stan Price
Executive Director, NW Energy Efficiency Council

Kim Powe
Executive Director, Puget Sound Sage

Rob Harmon
Principal, Robert K. Harmon & Company LLC

Joan Crooks
CEO, Washington Conservation Voters and Washington Environmental Council

cc Councilmember Mike O'Brien
City Light General Manager/CEO Larry Weis
City Light Director of Government Relations Maura Brueger