

June 29, 2026

MEMORANDUM

To: Parks and City Light Committee
From: Eric McConaghy, Analyst
Subject: Seattle City Light 2027-2032 Strategic Plan (RES 32210) and
2027-2028 Rates Ordinance (CB 121231)

Overview

On Wednesday July 1, 2026, the Parks and City Light Committee (Committee) will discuss and possibly vote on a recommendation to Council regarding [Resolution \(RES\) 32210](#).

Adoption of RES 32210 as proposed would:

- Adopt the proposed [2027-2032 Strategic Plan \(Plan\)](#) for the City Light Department (City Light); and
- Endorse the associated rate path.

Also on July 1, the Committee will discuss [Council Bill \(CB\) 121231](#) in advance of possible vote on July 15, 2026. CB 121231 would modify sections of the Seattle Municipal Code (SMC) to establish customer rates for 2027 and 2028 and would add, delete or modify related code sections.

Passage of CB 121231 as proposed would:

- Establish customer rates for 2027 and 2028;
- Establish a new rate class for data centers;
- Expand income eligibility for the Utility Discount Program (UDP) for City Light;
- Modify the functioning of the Rate Stabilization Account; and
- Remove the code section related to the Bonneville Power Administration pass-through.

The proposed package of legislation is consistent with Council's past practice regarding City Light's Plan and rates. Every two years, Council's adopts an updated Plan and associated rate path by resolution in advance of passing an ordinance to establish new retail rates later in the same year. City Light prepares its budget based on the codified rates.

During the meeting of the Committee on June 17, City Light briefed the Committee on RES 32210 and CB 121231. Also, Leo Lam, Residential Customer Representative and Chair of the City Light Review Panel (Review Panel), communicated the Review Panel's support for the proposed

Plan and rate path. The Review Panel's comment letter on the Plan is [Attachment 2 of RES 32210](#).

This memorandum describes key aspects of RES 32210 and CB 121231, identifies issues for consideration, and provides next steps.

Strategic Plan and Rate Path - Resolution 32210: Key Aspects

City Light's proposed 2027-2032 Plan is [Attachment 1 to RES 32210](#). Adoption of RES 32210 would adopt the Plan and endorse the associated rate path. The actual retail rates proposed in CB 121231 rely upon the Plan and rate path as proposed in RES 32210.

The Plan begins with reports on City Light's performance in accomplishing the goals identified in the [2025 – 2030 Strategic Plan Update](#) to contextualize the new Plan. Then, the proposed Plan identifies and describes the collection of strategies the utility will pursue to deliver electricity services to its customers. In the Plan, City Light organizes the utility's activities under five focus areas: reliability, power supply, customer experience, sustainability, workforce, and technology.

City Light bases the projections of costs for the utility on the utility's operations and capital investments necessary to accomplish the activities in the focus areas. The 2027-2032 Strategic Plan Financial Forecast (2027-2032 Plan Forecast), Appendix A to the 2027-2032 Plan, details the financial assumptions behind the rate path that would be established by RES 32210.

The 2027-2032 Plan proposes higher retail rate increases than the previous 2025-2030 Plan that reflects increased identified costs. Significant cost drivers include:

- Capital cost – replacement of aging grid and underground infrastructure and projects related to the Skagit hydroelectric projects relicensing with the Federal Energy Regulatory Commission;
- Operations and Maintenance – about 4 percent growth per year (see below) with new and expanded programs; and
- Power costs – Increases of about 5 percent per year for Bonneville Power Administration power and transmission costs, new power resources in the form of solar, wind, battery storage, and transmission

City Light will prioritize new and expanded programs in operations and maintenance over the Plan horizon. Organized by focus areas, they include:

Customer experience

- Customer data and research;
- Outreach to vulnerable and highly impacted communities; and
- Expanded inter-department cooperation and partnerships;

Power supply

- Acquisition of new generation resources, especially renewable energy and through regional energy markets;
- Improved forecasting and risk management;
- Energy efficiency;
- Demand response;
- Customer-owned generation;
- Customer-side efficiency and time-of-day shifts;
- Distributed energy resources; and
- Maximize value of transmission capacity for reliability and revenue

Reliability

- Improved asset management;
- Physical security for facilities;
- Fleet management for efficiency and reduced emissions;
- Improved transmission and distribution including underground cables;
- Investments and staffing at generation facilities; and
- Wildfire risk reduction and vegetation management

Sustainability

- Staffing and infrastructure for public electric vehicle charging;
- Increased support for customer assistance programs; and
- Increased technical staffing for building electrification

Technology

- Expanded cybersecurity staffing and tools;
- Additional IT staffing for data management, system implementation, and geographic information services;
- Improved customer-facing platforms (websites, applications); and
- Modernization of grid management, asset management, and power supply systems

Workforce

- Expanded planning, staffing, and training;
- Evaluation of job roles, compensation, and career pathways;
- Improved workplace safety; and

- Investments in maintenance staff and facilities to increase proactive asset improvements

City Light projects retail sales based on the estimate of load growth (increased demand) of 6.1 percent from 2026 to 2032. City Light expects an increase in electric vehicles and conversion to heat pumps to significantly increase demand during the Plan horizon. Moreover, they will increase City Light's need for power to cope with higher and more frequent and higher peaks in demand. To remain reliable during peak demand, City Light will need to invest in greater capacity in transmission and distribution lines as well as increased 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 calculates the average rate for 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 as percent change.

For the 2027-2032 Plan, City Light projects that the revenue requirement will be increasing around \$165 million (10.5 percent) per year and retail sales will be growing by about 1 percent per year. For comparison, in the 2025-2030 Strategic Plan Update Financial Forecast, City Light projected that the revenue requirement would be around \$77 million (6.1 percent) per year and retail sales would grow by almost 1 percent per year.

In RES 32210, City Light proposes a rate path with 9.5 percent average rate increases annually for the first two years and an increase ranging from 7 to 11 percent annually for the remaining four years to generate the revenue required to pay City Light's costs to deliver services. The proposed increase for 2027 and 2028 would increase a typical residential bill by about \$10 per month and a typical residential bill discounted by the Utility Discount Program (see below) about \$4 month.

Table 1 compares the 2025 – 2030 rate path to the proposed 2027 - 2032. The average rate increases for each year in the proposed rate path are greater than those of the adopted 2025 – 2030 rate path.

Table 1. Comparison of City Light's endorsed and proposed rate paths

Rate Paths Compared	2025	2026	2027	2028	2029	2030	2031	2032
Endorsed 2025-2030	5.4%	5.4%	5.0%	5.0%	5.0%	5.0%	n/a	n/a
Proposed 2027-2032	n/a	n/a	9.5%	9.5%	7%-11%	7%-11%	7%-11%	7%-11%

2027-2028 Rates Ordinance - CB 121231: Key Aspects

Customer rates for 2027 and 2028

City Light's proposed rate changes for 2027 and 2028 would increase by 9.5 percent on January 1 for each year for all retail customer classes on average, upon passage of CB 121231. The

proposed, average annual rate changes for each customer class vary from the overall average rate increases.

City Light has calculated the proposed rate changes for each customer class based on the cost of service and use of power per customer class. These rate changes therefore vary by customer class. Table 2 provides a summary of average rate increases by customer class for reference.

Table 2: Proposed Average Annual Rate Increases for 2027 and 2028

Year	Residential	General Service				Downtown Network		Street Lights	System Average
		Small	Medium	Large	High Demand*				
2027	9.5%	9.5%	9.4%	9.7%	9.1%	7.4%	7.3%	27.2%	9.5%
2028	9.5%	9.5%	9.5%	9.7%	9.0%	8.5%	8.1%	20.9%	9.5%

Source: [Summary and Fiscal Note to CB 121231](#)

The tabulation above shows that Residential and General Service customers (excluding High-Demand) would have increases close to the overall average rate increase (system average). General service is for non-residential customers. The High-Demand rates are set for customers with maximum demand of 10,000 kilowatts (kW) or greater for more than half of their normal billings.

The Downtown Network refers to customers with general service provided through an underground distribution network in Downtown Seattle. Their rate increases would be below the system average due to the proportionally lower cost increases necessary to provide service for this class. Note that these customers have average rates that are about 20 percent higher than non-network customers due to the level of service they receive in terms of capacity and reliability.

The proposed rate changes for street lighting stand out from the other proposed rate changes. The City of Seattle, other public jurisdictions, and private customers pay City Light according to these rates for the service of street lighting. The proposed rate increases for 2027 and 2028 result from sharp increases in capital and operating costs for streetlights including coping with vandalism and wire theft.

New rate class for data centers

CB 121231 would create a new rate class for data centers intended to shield customers in the existing rate classes from the costs of the facilities, services, and power required to serve them.

This new rate class, known as “new large data center load,” would be defined in SMC 21.49.020 as “...any service to a data center fed from an expanded or a new installation equal to or greater than 10 (megavolt amperes) MVA of capacity installed within any consecutive five-year

period after January 1, 2027.” MVA is a common measurement unit for electrical equipment like transformers; 10 MVA is the power demand of about 2,000 homes.

CB 121231 would add the definition of “data center” to [SMC 21.49.020](#) meaning “...a facility that is primarily engaged in providing service described under [code 518210](#) of the 2022 North American Industry Classification System (NAICS).” NAICS 518210 covers industry comprised of “...establishments primarily engaged in providing computing infrastructure, data processing services, Web hosting services (except software publishing), and related services, including streaming support services (except streaming distribution services).”

The rate for data centers as new large loads would include the following requirements:

- Not eligible for general service rates;
- Service agreement (contract) with City Light;
- Technical, curtailment, and conservation requirements;
- Full upfront financial responsibility for the cost of any infrastructure serving the data center customer;
- Full recovery of procurement cost of new resources, including power, transmission, and ancillary services;
- Full responsibility for the cost of agreements executed by City Light to serve the customer’s load, until the expiration of the contract term;
- Service only after a contract has been fully executed and City Light has in place all infrastructure, contracts, and resources necessary to provide electrical service;
- Specific charges for power supply, transmission, distribution, base service charge, and other rate components at City Light’s discretion; and
- Rules for aggregating new or expanded installations.

By adopting [RES 32204](#) in June 2026, Council recognized the potential of long-term impacts of data centers on electrical grid capacity and reliability, water usage, utility rates, land use and development, jobs and the economy, and public health; and requested engagement and cooperation from the Executive in the development of data center policies and potential legislation. RES 32204 anticipates establishing a new City Light customer class and conditions of service for new or existing data centers whose electricity demand constitutes a new large load as part of future legislative action. CB 121231 meets that expectation.

In tandem with RES 32204, Council passed [Ordinance 121214](#) in 127447 to adopt a moratorium on the filing, acceptance, processing, or approval of applications for the establishment or expansion of, or change of use to, data centers for one-year effective June 11, 2026.

Utility Discount Program for City Light

CB 121231 would expand the income eligibility for the Utility Discount Program (UDP) from 70 percent of the State Median Income to 60 percent of the Area Median Income. Through the Utility Discount Program (UDP), eligible households can receive a 60 percent discount on their Seattle City Light (SCL) bills and a 50 percent discount on their Seattle Public Utilities (SPU) bills. The Council is considering separate legislation related to the Utility Discount Program, which is described in more detail in the Issues for Consideration section, below

Rate Stabilization Account and Bonneville Pass-Through

CB 121231 would modify the purpose and operating rules for the Rate Stabilization Account (RSA), a cash reserve within the Light Fund. CB 121231 would expand the purpose of the RSA from absorbing fluctuations in Net Wholesale Revenue (NWR) to absorbing fluctuations in power costs more broadly and differences between forecasted retail sales and actual sales. However, the proposed language describing the purpose of the RSA is limited to power costs. See Issues for Consideration for discussion, below.

Current RSA

The purpose of the RSA, established by [Ordinance 121637](#) and most recently amended by [Ordinance 126502](#) in 2021¹, is generally to cope with fluctuations in City Light's NWR. City Light receives NWR from sales of power in energy markets that is surplus to the needs of City Light's retail customers. Forecasted NWR is used to support City Light's operating and capital expenditures and reduces the impact on retail customers and borrowed money (bond sales).

City Light buys and sells energy in the wholesale market and the sum of these sales and purchases is referred to as NWR. Under the current regulations, the RSA insulates the utility and its retail customers from wholesale power market volatility.

Under the current RSA operating rules, when NWR comes in below planned levels, funds are transferred from the RSA into City Light's operating account. Conversely, when City Light's NWR exceeds the planned levels, the excess is transferred into the operating account.

When the RSA is depleted below defined levels, City Light must impose surcharges on retail customers' bills. On April 1, 2026, City Light removed the most recent RSA surcharge. The RSA was significantly depleted in 2022 and 2023, and the surcharge had been in effect since January 1, 2024.

Proposed RSA

Per CB 121231, City Light would transfer money from the RSA to the operating account if power costs exceed City Light's monthly forecast instead of when City Light's NWR is less than planned. If the power costs are less than the monthly forecast, then City Light would transfer the difference into the RSA.

¹ Last ordinance to modify RSA operating rules; rate ordinances have changed NWR targets.

Similarly, the legislation would establish a new mechanism dealing with retail sales. If monthly retail sales exceed forecasted retail sales, then City Light would transfer that amount into the RSA. If monthly retail sales are below the forecast, then the difference calculated in the same way would be transferred out of the RSA. See Issues for Consideration for a discussion of how the proposed RSA operating rules would define power costs and related implications.

CB 121231 would increase the target size (ideal balance) of the RSA from \$100 million to \$150 million. And the legislation would change the maximum balance in the RSA cash reserve from \$125 million to \$200 million. These thresholds were last adjusted via Ordinance 126502 in 2021. Any amount in excess of the maximum would be transferred out of the RSA.

Consistent with the current RSA regulations, the RSA balance would be checked against specific balances as it is depleted by transfers out. And like the current RSA rules, City Light would impose surcharges on retail customer bills when the RSA drops below the specific balances. The proceeds from the surcharges would be deposited into the RSA.

CB 121231 would change the specific RSA balances that would trigger surcharges and the amount of the surcharges. City Light would impose a surcharge of 2 percent whenever the RSA falls below \$120 million on either March 31 or September 30, compared to the surcharge of 2 percent when the RSA falls below \$75 million in the current rules. City Light would deposit the proceeds from the surcharge into the RSA until the RSA balance reaches the target amount of \$150 million.

Whenever the amount in the RSA would be \$80 million or less on either March 31 or September 30, City Light would impose a surcharge equal to 5.0 percent. The 5.0 percent surcharge would replace a 2.0 percent surcharge should one be active. The surcharge would remain in effect until the amount in the RSA reached its target size of \$150 million. The current lower (or second) surcharge trigger amount is \$50 million with an added 2 percent surcharge imposed for a total of 4 percent.

The timing of notification to Mayor and Council about the RSA balance would not change compared to the current rules. No later than 45 days after the end of each quarter, City Light would notify the Mayor and the City Council of the forecast and actual power costs and the cash balance of the RSA.

City Light has stated that there would be no direct impact on 2027 and 2028 retail rates from updating the size and operating rules of the RSA. If CB 121231 passes, then City Light would transfer approximately \$20 to \$30 million to the RSA in January 2027 to increase the amount in the RSA to, or close to, its \$150 million target.

Bonneville Pass-Through

City Light purchases about a third of its energy from Bonneville Power Administrations (BPA), a federal power-marketing administration, to meet retail customer demand. Currently, City Light must pass-through changes in costs of power purchases from BPA as an adjustment to customers' bills. CB 121231 would repeal the BPA pass-through regulations because the revised RSA rules would encompass BPA power costs.

Issues for Consideration

Issue 1: Redundant legislation

The Governance and Utilities Committee is considering and will possibly vote on [CB 121222](#) on July 9 that would modify eligibility for UDP for both City Light and Seattle Public Utilities in the same manner. Councilmember Strauss is sponsoring the legislation with Council President Hollingsworth co-sponsoring. If Council approves CB 121222, an amendment to CB 121231 to eliminate the redundancy would be necessary.

See the record for CB 121222 for the legislative materials including the presentations, agendas, and links to the video record of Governance and Utilities Committee meetings.

Issue 2: Using RSA for retail sales variability

As described above, CB 121231 would allow City Light to make transfers in and out of the RSA based on actual power costs and retail sales compared to the utility's forecast for them. The step from NWR to power costs more broadly is significant alone, separate from considering RSA changes to include retail sales. Allowing the use of the RSA to cover for retail sales variability would be a more significant policy change beyond allowance for power cost flux.

The Council may wish to more clearly define the purposes of the RSA and whether or not to include coping with retail sales variability. If Council wishes to include retail sales, then Council may wish to modify the language dealing with the purpose of the RSA to clarify that it would cover power costs and retail sales to better describe how the changed RSA would actually function.

Issue 3: Definitions in proposed RSA code changes

The proposed change in purpose for the RSA from coping with NWR fluctuations to coping with power cost fluctuations relies upon new definitions that employ undefined terms. In order to understand the scope and magnitude of the shift from NWR to power cost, it's necessary for the definition of power cost and related matters to be clear.

CB 121231 would add to SMC 21.49.020:

“Net variable power cost” mean costs for short-term and long-term purchased power, purchased transmission services, and ancillary services net of associated revenues from sales of short and long-term power, transmission services, and ancillary services.

and

“Net variable power cost average price” means the annual net variable power cost divided by total annual retail sales used to set retail rates.

The following terms in the first definition are not defined either explicitly (in SMC 21.49.020) or implicitly in the context of code language:

- “Short-term purchased power and revenues”;
- “Long-term purchased power and revenues”;
- “Transmission services”; and
- “Ancillary services”

City Light would use the net variable power cost average price to calculate how much money from retail sales to transfer to or from the RSA under the proposed operating rules. While the term, “retail sales,” can be understood generally and in the context of the portions of the SMC dedicated to retail rates, the exact definition of the term is preferred to fully comprehend how City Light would calculate the amount of the transfers

Central Staff asked City Light staff to provide the intended definitions for the terms. City Light responded with the tabulation of the definitions and examples for each term shown in Table 3, below. After the Committee has reviewed the definitions, they may wish to consider amending the proposal.

Table 3: Definitions related to power costs and retail sales

Term	Definition	Example
Short-term purchased power costs and revenues	Electricity Seattle City Light buys or sells under agreements less than one year.	Wholesale Market purchases to balance City Light’s load
Long-term purchased power costs and revenues	Electricity Seattle City Light buys or sells under agreements greater than one year	BPA power contract
Transmission services	Costs City Light pays to other utilities/transmission providers to move electricity over their transmission systems, as well as any revenue City Light receives when other electricity providers use surplus transmission capacity on City Light’s system	BPA transmission (wheeling) contract
Ancillary Services	Support services purchased or sold that keep the electric system running reliably but are <i>not</i> part of buying or selling electricity itself.	Frequency Regulation and Operating Reserves
Retail Sales	Amount of energy (MWh) delivered to retail customers	All the energy delivered to customers and billed as retail revenue.

Next Steps

If the Committee votes on a recommendation on RES 32210 on July 1, 2026, then the City Council could take final action as soon as July 7.

On July 1, the Committee will discuss CB 121231, the City Light rate ordinance for 2027-2028 in advance of possible Committee vote on July 15, 2026. If approved by the Committee, the City Council could take final action as soon as July 21.

cc: Lish Whitson, Director
Calvin Chow, Deputy Director
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