SEATTLE CITY COUNCIL

Economic Development, Technology, and City Light Committee

Agenda

Wednesday, July 13, 2022

9:30 AM

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

Sara Nelson, Chair
Debora Juarez, Vice-Chair
Lisa Herbold, Member
Kshama Sawant, Member
Dan Strauss, Member

Chair Info: 206-684-8809; Sara.Nelson@seattle.gov

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Meeting Location:
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Committee Website:
https://www.seattle.gov/council/committees/economic-development-technology-and-city-light

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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 http://www.seattle.gov/council/committees/public-comment. Online registration to speak will begin two hours 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.

In-Person Public Comment - Register to speak on the Public Comment sign-up sheet located inside Council Chambers at least 15 minutes prior to the meeting start time. 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.

Submit written comments to Councilmember Nelson at Sara.Nelson@seattle.gov

Please Note: Times listed are estimated

A. Call To Order

B. Approval of the Agenda

C. Public Comment

D. Items of Business

AN ORDINANCE relating to regulations of food delivery platforms; establishing requirements for food delivery platforms providing delivery services to restaurants; and amending Chapter 7.30 of the Seattle Municipal Code.

Supporting Documents: DRAFT Council Bill
Presentation

Briefing and Discussion (30 minutes)

Presenter: Karina Bull, Council Central Staff

Res 32056 **A RESOLUTION related to the City Light Department; adopting a 2023-2028 Strategic Plan Update for the City Light Department and endorsing the associated six-year rate path.**

Attachments: Att 1 - 2023-2028 Strategic Plan Update

Att 2 - Review Panel Letter

Supporting Documents: Summary and Fiscal Note

Central Staff Memo

Presentation

Discussion and Possible Vote (30 minutes)

Presenters: Debra Smith, General Manager and CEO, Kristy Grainger, and Leah Barreca, Seatttle City Light (SCL); Eric McConaghy, Council Central Staff

E. Adjournment

600 Fourth Ave. 2nd Floor
Seattle, WA 98104

Legislation Text

File #: Inf 2087, **Version:** 1

AN ORDINANCE relating to regulations of food delivery platforms; establishing requirements for food delivery platforms providing delivery services to restaurants; and amending Chapter 7.30 of the Seattle Municipal Code.

CITY OF SEATTLE

ORDINANCE __________________

COUNCIL BILL __________________

..title
AN ORDINANCE relating to regulations of food delivery platforms; establishing requirements for food delivery platforms providing delivery services to restaurants; and amending Chapter 7.30 of the Seattle Municipal Code.
..body
WHEREAS, Seattle has over 4,000 active business licenses for restaurants, caterers, and other businesses in the food industry; and

WHEREAS, the 2016 Annual Survey of Entrepreneurs estimates that nearly 48 percent of the owners of firms in the accommodation and food services industry in the Seattle metropolitan area identify as Black, Indigenous, and People of Color; and

WHEREAS, many restaurants use food delivery platforms to access the growing share of consumers who rely on delivery platforms to obtain meals from restaurants and these food delivery platform charge restaurants fees to facilitate pick-up and delivery of food and/or beverage orders; and

WHEREAS, beginning in early 2020, to reduce the spread of COVID-19 and protect public health, the Washington Governor issued a series of restrictions on indoor dining capacity that caused Seattle restaurants to rely more on takeout and delivery to serve consumers; and

WHEREAS, on April 27, 2020, the Council adopted a modified civil emergency order issued by the Mayor on April 24, 2020, prohibiting food delivery platforms from charging restaurants a commission fee exceeding 15 percent of the purchase price of an online pick-up or delivery order; and

WHEREAS, on November 25, 2020, the Washington Governor enacted Proclamation 20-76, prohibiting food delivery platforms from charging restaurants, or similar food establishments, a delivery fee totaling more than 15 percent of the purchase price of an online order or a total fee amount for the use of all food delivery platform services totaling more than 18 percent of the purchase price of an online order; and

WHEREAS, on June 21, 2021, the Washington Governor rescinded Proclamation 20-76 in anticipation of easing restrictions on indoor dining capacity and other activities on June 30, 2021, while remaining in a state of emergency; and

WHEREAS, without further action by the City, the Mayor’s civil emergency order restricting restaurant pick-up and delivery commission fees will expire upon the Mayor’s termination of the civil emergency and restaurants could again face exorbitant fees for use of food delivery platform services; and

WHEREAS, recognizing the ongoing need to protect the interests of restaurants and consumers, other jurisdictions, including Minneapolis, New York City, Philadelphia, and San Francisco, have passed ordinances permanently capping delivery service fees and establishing other regulations for food delivery platforms; and

WHEREAS, the City intends to establish permanent regulations for food delivery platforms providing pick-up and delivery services to Seattle restaurants to protect the interests of restaurants and consumers; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council (“Council”) finds and declares that:

A. In the exercise of The City of Seattle’s (City’s) police powers, the City is granted authority to pass regulations designed to protect and promote public health, safety, and welfare.

B. This ordinance protects and promotes public health, safety, and welfare by clarifying requirements for food delivery platforms to obtain agreements with restaurants for food delivery platform services and regulating fees for delivery services that food delivery platforms charge restaurants to protect the interests of consumers and restaurants.

C. Restaurants are vital to the character and community fabric of Seattle, reflecting and nurturing the cultural diversity of the community; offering access to food, an essential foundation of human health and basis for social connection; and serve as important engines of the local economy by providing jobs and operating as commercial anchors in neighborhoods across Seattle.

D. Many consumers, eager to support local restaurants and obtain ready access to food, use food delivery platforms to place food and/or beverage orders with restaurants.

E. Food delivery platforms charge restaurants commission fees for use of their services, sometimes totaling up to 30 percent or more of the purchase price of the food and/or beverage order, which can drastically impact restaurant profits.

F. The net profit margin for many restaurants is about ten percent and can be as low as three to five percent for full-service restaurants, leaving little room for fees that food delivery platforms charge for their services.

G. Before the pandemic, food delivery platform sales were increasing at roughly twice the pace of the U.S. restaurant industry growth.

H. The use of food delivery platforms by consumers is predicted to continue growing at a steady rate after the pandemic ends and many restaurants have limited bargaining power to negotiate lower commission fees with food delivery platforms due to the limited number of food delivery platform companies in the marketplace.

I. Data shows that sales for pick-up and delivery services have grown eight percent year over year, collectively, from 2018 through May 2022, and that the food delivery market is dominated by a small number of companies with just three food delivery platforms providing about 96 percent of U.S. meal delivery sales in May 2022.

J. According to multiple sources, online food delivery sales are climbing and becoming a standard business operation for restaurants: 77 percent of restaurants offer services through food delivery platforms; food delivery platforms account for 21 to 30 percent of current restaurant sales; and continued growth is expected at a rate of eight percent each year through 2026.

K. To remain competitive, restaurants are contracting with food delivery platforms to access the growing number of consumers who expect the convenience and safety that take-out and delivery offers and who rely on food delivery platforms for delivery services, but the market dominance of a few food delivery platforms gives these companies disproportionate leverage to negotiate high fees for delivery services that diminish the already narrow profit margins of restaurants.

L. Nationally, food delivery platforms offer delivery services, the most logistically demanding and resource-intensive service provided to restaurants, at levels within the fee limitations of the Mayor's civil emergency order capping food delivery platform fees at 15 percent of the purchase price of the food and/or beverage order.

M. Sample contracts and advertisements show that leading food delivery platforms offer baseline delivery services for 15 percent of the purchase price of the food and/or beverage order and offer additional services to increase sales and provide more marketing opportunities for higher commission fees of 25 to 30 percent or more.

N. Economic disruptions caused by COVID-19 have placed a severe financial strain on businesses, families, and individuals in Seattle, and have increased the likelihood of restaurants struggling to meet existing financial commitments and remain open.

O. The Washington Hospitality Association reports that the average full-service restaurant in Washington incurred $160,000 in debt because of the pandemic, an amount equivalent to more than three years of profit based on industry averages, and nearly 2,500 restaurants closed across Washington during the pandemic.

P. According to data from OpenTable, the online booking platform, restaurant bookings in Seattle have yet to return to pre-pandemic levels and two and one-half years later are noticeably lower than restaurant bookings statewide or across the country, indicating more reliance on delivery services or lower numbers of consumers in general.

Q. As more consumers choose take-out and delivery rather than in-house dining in the near and long term, it is critical for restaurants to stay open and flourish.

R. The availability of reasonably priced options for delivery services will support a vibrant and diverse restaurant scene where all restaurants can thrive and respond to evolving consumer needs and interests, including those that have unequal bargaining power to negotiate acceptable fees with food delivery platforms and those that would be less likely to stay in business under the weight of high fees.

S. It is in the public’s interest to maximize restaurant revenue from pick-up and delivery orders to help these businesses earn a profit, support a diverse and healthy workforce, and continue contributing to the vitality of the community.

T. As the use of food delivery platform services grows and evolves, clarifying requirements for agreements between food delivery platforms and restaurants and establishing permanent yet flexible caps on delivery service fees charged to restaurants will accomplish the legitimate government purpose of easing the financial burden on struggling restaurants and will ensure that restaurants can exercise appropriate control over their businesses.

U. Requiring food delivery platforms to retain records on food delivery platform agreements and charges will support the City's efforts to verify compliance with food delivery platform requirements.

Section 2. Chapter 7.30 of the Seattle Municipal Code, enacted by Ordinance 126367, is amended as follows:

7.30.010 Scope and purpose

This Chapter 7.30 applies to all food delivery platforms operating within Seattle. The purpose of this Chapter 7.30 is to ((~~require that food delivery platforms establish an agreement with restaurants prior to offering pick-up or delivery from such restaurants on the food delivery platform and delivering orders from such restaurants to consumers, with the goal of protecting~~)) require food delivery platforms to engage in agreed-upon, reasonable, and transparent business transactions when operating in Seattle to protect the interests of the City's consumers and restaurants purchasing or relying upon food delivery platform services.

7.30.020 Definitions

"Agreement" means a written contract between a restaurant and a food delivery platform.

"Consumer" means any person or persons purchasing a food and/or beverage order from a restaurant using a food delivery platform.

"Delivery services" means services provided by a food delivery platform that (1) list the restaurant and make the restaurant discoverable on the food delivery platform's modalities or platforms and (2) facilitate and/or perform delivery of food and/or beverage orders to locations within Seattle city limits. Delivery services do not include other services that may be provided by food delivery platforms to restaurants, including but not limited to advertising services, search engine optimization, business consulting, or credit card processing.

"Director" means the Director of Finance and Administrative Services.

"Fee" means any fee, commission, cost, or monetary payment charged to restaurants or consumers by food delivery platforms.

"Food and/or beverage order" means an order for food and/or beverages from a restaurant that is placed by a consumer through a food delivery platform for pick-up or delivery to locations within Seattle city limits.

"Food delivery platform" means a person that provides a means through which a consumer may submit a food and/or beverage order to a restaurant((~~,~~)) and arranges for the delivery of the order from the restaurant to the consumer.

"Person" means any individual, firm, corporation, association, partnership, governmental entity, or their agents.

"Purchase price" means the menu price of a food or beverage order, excluding taxes, tips, or any other fees that may comprise the total cost to the consumer of a food or beverage order.

"Restaurant" means a business in which food and/or beverage preparation and service is provided for individual consumption either on- or off-premise, and in which any service of alcoholic beverages is accessory to the service of food.

"Written" means a printed or printable communication in physical or electronic format, including but not limited to a communication that is transmitted through email, text message, or a computer or mobile system, or that is otherwise sent and maintained electronically.

7.30.030 Agreement required

A. A food delivery platform shall not offer consumers pick-up or delivery services from a restaurant or charge a restaurant any fee for services related to pick-up or delivery services, without first obtaining an agreement with the restaurant expressly authorizing the food delivery platform to ((~~take orders and offer delivery or pick-up of the food and/or beverages prepared by the restaurant~~)) engage in such actions.

B. The agreement required by subsection 7.30.030.A shall be terminated upon the restaurant's written request to the food delivery platform. The food delivery platform shall remove the restaurant from its list of participating restaurants within 72 hours of receiving the request for termination.

7.30.032 Fees and charges

A. Subject to subsection 7.30.032.B, a food delivery platform shall not charge a restaurant a fee for delivery services that totals more than 15 percent of the purchase price of each food and/or beverage order.

B. A restaurant may opt-out of the fee limitation in subsection 7.30.032.A and enter into an agreement with a food delivery platform charging higher fees for food delivery platform services contingent upon the following conditions:

1. The food delivery platform offers the restaurant a service package option that includes delivery services and meets the fee limitations in subsection 7.30.032.A;

2. The food delivery platform provides a service package option that includes delivery services and meets the fee limitations in subsection 7.30.032.A, without refusing service or otherwise penalizing the restaurant, within 30 days of receiving the restaurant’s written request for this option;

3. The food delivery platform charges fees that exceed the fee limitations in subsection 7.30.032.A only for services in addition to delivery services.

7.30.034 Food delivery platform records

Food delivery platforms shall retain records that document compliance with this Chapter 7.30 for a period of two years.

7.30.040 Remedies

A. Violations of this Chapter 7.30 shall be a Class 1 civil infraction under chapter 7.80 RCW, for which the maximum penalty is $250 plus statutory assessments. The civil infraction shall be processed under chapter 7.80 RCW and notices of infraction for such violations may be issued by the Director ((~~or the Director's designees~~)). Each day of noncompliance shall be a separate violation of this Chapter 7.30.

B. Any person or class of persons that suffers injury as a result of a violation of this Chapter 7.30 may bring a civil action in a court of competent jurisdiction against the person violating this Chapter 7.30 and, upon prevailing, may be awarded reasonable attorney fees and costs and such legal or equitable relief as may be appropriate to remedy the violation.

C. An account shall be established in the City's General Fund to receive revenue from penalties under this Section 7.30.040. Revenue from penalties under subsection 7.30.040.A shall be used to support outreach and education to restaurants on this Chapter 7.30 ((~~with five or fewer employees operating in Seattle~~)). The Director of the Office of Economic Development shall recommend to the Mayor and City Council how these funds should be allocated.

7.30.042 Severability

The provisions of this Chapter 7.30 are declared to be separate and severable. If any clause, sentence, paragraph, subdivision, section, subsection, or portion of this Chapter 7.30, or the application thereof to any food delivery platform, restaurant, person, or circumstance, is held to be invalid, it shall not affect the validity of the remainder of this Chapter 7.30, or the validity of its application to other persons or circumstances.

Section 3. This ordinance shall take effect and be in force upon the later of: the termination of the civil emergency proclaimed by the Mayor on March 3, 2020; or 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the ________ day of _________________________, 2022, and signed by me in open session in authentication of its passage this _____ day of _________________________, 2022.

____

President ____________ of the City Council

Approved / returned unsigned / vetoed this _____ day of _________________, 2022.

____

Bruce A. Harrell, Mayor

Filed by me this ________ day of _________________________, 2022.

____

Monica Martinez Simmons, City Clerk

(Seal)

Attachments:

SEATTLE CITY COUNCIL
CENTRAL STAFF

Caps on Delivery Service Fees [Draft Legislation]

KARINA BULL, ANALYST
ECONOMIC DEVELOPMENT, TECHNOLOGY, AND CITY LIGHT COMMITTEE
JULY 13, 2022

Policy objective

- Amend SMC 7.30 – Food Delivery Platforms
- Require food delivery platforms to engage in agreed-upon, reasonable, and transparent business transactions when operating in Seattle to protect the interests of consumers and restaurants

Background

- Consumer demand for food delivery services is steadily growing
- Food delivery platforms charge up to 30% or more for delivery services
- Restaurants have narrow profit margins, 10% or lower
- Restaurants increasingly rely on food delivery and are struggling to stay in business
- Restaurants have limited bargaining power to negotiate affordable delivery fees

Timeline of emergency orders

April 24, 2020

- Mayor issued civil emergency order
- 15% cap on fees for platform services

November 25, 2020

- Governor issued proclamation
- 15% cap on delivery fees
- 18% cap on all platform fees

June 21, 2021

- Governor rescinded proclamation

Present

- Mayor's civil emergency order will expire upon termination of civil emergency

Trends and recent developments

1. Food delivery platform services have grown eight percent year over year from 2018 through May 2022 and similar growth is expected through 2026
2. Food delivery platform services are becoming a standard business operation for restaurants: 77 percent of restaurants offer services through food delivery platforms & food delivery platforms account for 21 to 30 percent of current restaurant sales
3. Four cities have enacted laws that permanently cap delivery service fees: Minneapolis, New York City, Philadelphia, San Francisco

Permanent cap on delivery service fees

1. Agreement required for fees related to delivery services
2. Delivery services for no more than 15% of the purchase price of each order
3. Option for restaurant to “opt out” of fee limitations for additional services

Option for restaurant to “opt out”

Restaurants can “opt out” of fee limitations if the food delivery platform:

1. Offers a service package option that includes delivery services for no more than 15% of the purchase price of each order
2. Provides this option, without penalty, within 30 days of the restaurant’s written request
3. Charges higher fees only for services in addition to delivery services (e.g., advertising, business consulting)

Delivery services

“Delivery services” would include the following services from a food delivery platform:

1. Listing the restaurant and making the restaurant discoverable on all modalities or platforms offered by the food delivery platform; and
2. Facilitating and/or performing delivery of food and/or beverage orders

Delivery services would not include other services provided by food delivery platforms to restaurants, including but not limited to advertising services, search engine optimization, business consulting, or credit card processing

Enforcement

1. Consumer Protection Division, Finance and Administrative Services
2. Civil infraction, Class One (max penalty $250)
3. Civil action (individual or class)
4. Penalty revenue account to support outreach and education to restaurants

Effective date

The legislation would take effect on the **later date** of:

1. Mayor's termination of the civil emergency proclaimed on March 3, 2020; **or**
2. 30 days after Mayor approves the legislation (or when the legislation takes effect under SMC 1.04.020)

Next Steps

1. **07/26/22** – Introduction of legislation
2. **07/27/22** – Committee discussion and possible vote
3. **08/02/22** – Council vote

Questions?

File #: Res 32056, **Version:** 1

CITY OF SEATTLE

RESOLUTION __________________

A RESOLUTION related to the City Light Department; adopting a 2023-2028 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 in 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 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, the 2020 strategic planning process was impacted by COVID-19 and related pandemic response efforts, and the original 2021-2026 Strategic Plan has been amended to be a 2022-2026 Strategic Plan that covered a five-year period; and

WHEREAS, City Light resumed a six-year planning cycle and is delivering an update to last year's plan, the 2023-2028 Strategic Plan Update (Attachment 1 to this resolution); 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, neighborhood open houses, limited-English-proficiency customer outreach, a market research survey, and social media outreach; and

WHEREAS, the resulting 2023-2028 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 2023-2028 Strategic Plan Update expands on the five business strategies introduced in the 2022-2026 Strategic Plan adopted last year. 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, 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 2023-2028 Strategic Plan Update; and

WHEREAS, the Review Panel, in its letter dated May 3, 2022 (Attachment 2 to this resolution), supports the Plan Update and has identified several challenges facing City Light in the next few years, including inflation higher than any time in the last 40 years, supply chain interruptions increasing the cost and time needed to complete capital projects, a labor market in which it is very difficult to attract employees with the skills needed by the utility, growing accounts receivables balance, limited availability of customer assistance programs needed in order to meet the City's electrification goals, all of which combine to indicate the next few years will be a highly uncertain period in which to project operational costs and rates; 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 2023-2028 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, the annual rate increases for the following six years as shown in the table below are endorsed.

2023	2024	2025	2026	2027	2028
4.5%	4.5%	3.0%	3.0%	3.0%	3.0%

Adopted by the City Council the ________ day of _________________________, 2022, and signed by me in open session in authentication of its adoption this ________ day of _________________________, 2022.

____

President ____________ of the City Council

The Mayor concurred the ________ day of _________________________, 2022.

____

Bruce A. Harrell, Mayor

Filed by me this ________ day of _________________________, 2022.

____

Monica Martinez Simmons, City Clerk

(Seal)

Attachments:
Attachment 1 - Seattle City Light 2023-2028 Strategic Plan Update
Attachment 2 - City Light Review Panel Comment Letter on Proposed 2023-2028 Seattle City Light Strategic Plan Update

Seattle City Light

STRATEGIC PLAN UPDATE

2023–2028

READY, SET, GO

As a public utility, our customers and the communities we serve help to define Seattle City Light's goals. We, in turn, deliver affordable, reliable, and environmentally responsible power. And we strive to keep the power on, even in challenging situations like extreme weather, population growth, and ever-changing business demands. And as we're learning in 2022, with supply chain disruptions, inflation, and the "great resignation," it's not easy, but no one ever said it would be.

City Light has met the unparalleled challenges of the past two years with resilience, ingenuity, and determinedness. This is to the credit of our incredible workforce and the understanding that no matter the disruptions we face, we are a team with a clear vision of where we want to go and a map for getting there. City Light's Strategic Plan is our guide. It reminds us of our shared purpose and keeps us pointed in the direction of our long-term goals while we navigate the uncertainty of the present. Having a north star has never been more important.

Since 2012, City Light has developed a full Strategic Plan every six years to outline the key strategies that guide our work. We update this plan regularly to reflect current conditions, report on our progress, and make necessary adjustments. This includes incorporating customer, community, and employee feedback to ensure our plans and our day-to-day work continue to reflect diverse needs and perspectives.

In May 2021, the City Council and Mayor adopted a five-year 2022–2026 Strategic Plan, having deferred a planning year during the pandemic. This update puts us back on our regular six-year trajectory. More than that, it's an opportunity for us to add detail and further clarify our shared goals as we move into a post-pandemic reality. The 2022–26 plan helped us keep our sights set on the future as we dealt with the disruption of the pandemic. With that disruption receding, it's time to get going. That's what this update is about—acknowledging the progress we've made, reaffirming our vision, and putting our strategies into action. Ready, set, go!

ACCOMPLISHMENT HIGHLIGHTS

City Light is already making progress on the Strategic Plan. Below are some key accomplishments that highlight work that is underway.

Delivering Power in Extreme Weather

From windstorms and record snow in the winter and fall to record-breaking triple-digit temperatures in the summer, 2021's extreme weather caused many large-scale outages and high peak energy usage. Through it all, City Light responded quickly and safely to get the power back on and manage power loads to ensure the system could accommodate increased use.

Creating Shelter for Unhoused Neighbors

Working with other City of Seattle partners, City Light has turned its former Power Control Center on Roy Street in Seattle's Uptown neighborhood into a 24-hour shelter for up to 40 unhoused individuals. The Seattle Indian Center will manage the shelter.

Expanding Access to Electric Vehicle Charging

City Light continues efforts to install and operate publicly accessible electric vehicle fast chargers throughout its service area. In 2021, City Light installed six new rapid chargers in its franchise cities, including five in Tukwila and one in downtown Burien.

In addition, City Light partnered with King County Metro and the City of Tukwila to develop and open a charging facility for Metro's new fleet of all-electric buses. The facility supports efforts to provide accessible electrified public transit for south King County communities and reduces air and noise pollution throughout the region.

Earning a Place on the Clean Energy Leaderboard

In April 2021, the Smart Electric Power Alliance (SEPA), a nonprofit organization that envisions a carbon-free energy system, announced that City Light earned a spot on its 2021 Utility Transformation Leaderboard.

The recognition results from City Light's participation in SEPA's Utility Transformation Challenge—an assessment of U.S. electric utilities' efforts to embrace the transition to a clean and modern energy future.

ACCOMPLISHMENT HIGHLIGHTS

Greening Up Our Community

City Light and the Washington State Housing Finance Commission's (WSHFC) Sustainable Energy Trust were selected as 2021 Green Power Leadership Award winners by the Center for Resource Solutions. The award recognized the two agencies for removing barriers for low- and moderate-income communities to install solar energy projects. Along with affordable financing through WSHFC's Sustainable Energy Trust, communities can access funding through City Light's Green Up Community Program. When customers participate in Green Up, City Light purchases regional renewable energy credits on their behalf to fund community rooftop solar projects.

Customer Assistance

City Light continues its focus on ensuring all customers have access to clean energy, no matter their income. No one should be without power. We are working with City and community partners to increase the effectiveness of our utility bill assistance programs.

Customer Technology

City Light is improving customer-facing technologies to give customers the tools they need to manage their accounts and services. This work is part of the Utility Technology Roadmap, a strategic document created in 2021 that provides a comprehensive plan for our technology portfolio investments.

Organizational Change Management Office

City Light has established a formal change management program to provide consistent structure, standards, training, coaching, and resources to help employees adapt to, and make the most of, changing job functions, business processes, and technology. The program has dedicated staffing, and initial projects are underway.

Exploring Renewable Hydrogen with the Port of Seattle

In 2021, a team led by City Light, Pacific Northwest National Laboratory and Sandia National Laboratories began exploring a potential shift from fossil fuel to clean hydrogen fuel to power medium- and heavy-duty vehicles at the Port of Seattle. Clean hydrogen fuel is expected to significantly reduce greenhouse gas emissions, particularly in the maritime and trucking industries, which are harder to decarbonize. This work is supported by two awards from the U.S. Department of Energy totaling $2.12 million to help meet emission reduction goals set by City Light and the Port.

Resetting Skagit Hydroelectric Project Relicensing

Climate change makes the carbon-free energy produced by the Skagit River Hydroelectric Project vital to our customers and an important part of today's solution to global climate change. It's also true that our infrastructure has a significant impact on the native lands and culture of Tribes and First Nations, and the dams that power the Northwest are challenging for fish, particularly salmon. When City Light received feedback that the relicensing process was not going well for our partners, we recognized the need for change. Over the last year, we improved our relationships with participating Tribes and agencies by making collaboration the centerpiece of the relicensing process. We also committed to go beyond basic dam mitigation to improve the Skagit watershed and its salmon runs.

Replacing Aging Infrastructure

The Boundary Hydroelectric Project installed a brand new 772,000-pound rotor (rotating component) and refurbished stator (stationary component) in one of its six generators as part of a comprehensive rehabilitation project. This upgrade will enable the generator to operate at improved efficiency, increasing energy output and providing carbon-free, reliable power for the next 40+ years.

OUR STRATEGIES

The update is organized around the following business strategies:

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

The fundamentals of the Strategic Plan remain unchanged for the 2023–2028 update. We are delivering on our investments to maintain current service levels and additional strategic investments to enhance service and improve productivity. This plan update further describes the steps City Light is taking.

1 IMPROVE THE CUSTOMER EXPERIENCE

We are focused on engaging with our customers and helping employees see the impact of their actions from the customers' perspective.

We are making investments to enhance accessibility, offer new program choices, and better meet our customers' diverse needs.

PROJECTS, INITIATIVES, ACTIVITIES	WHAT DOES IT LOOK LIKE?
Integrate the 'voice of the customer' into our organizational culture	Implement a **Customers First strategy** that enables us to keep customers' diverse needs and perspectives front and center when making decisions, developing programs, and delivering services.
Strengthen and fix core customer services	Evaluate and redesign our portfolio of **utility assistance** programs to ensure our customer assistance and affordability programs are accessible and effective, and help as many eligible customers as possible. Establish a **specialized customer support** team to address complex billing issues and implement new **billing processes** to improve customer interactions and address billing issues. Implement **service-to-bill** recommendations to reduce delivery times for new service connections.
Expand customer service options	Launch the **Renewable Plus** program, **digital marketplace**, and **demand response** pilot to improve demand-side management and energy-efficiency options to help customers meet their sustainability goals. Implement **customer technology** projects to enable us to give customers more self-service opportunities.

2 CREATE OUR ENERGY FUTURE

Our energy future is based on carbon-free renewable resources. Moving away from fossil fuels will require significant commitments and partnerships. New infrastructure is needed to ensure electricity can be accessed wherever and whenever people need it. Similarly, customers will need more options for accessing and paying for electricity.

Creating our energy future involves:

- Responsibly growing demand for clean energy through electrification.
- Investing in access to low-cost carbon-free renewable power.
- Building and maintaining a smart, resilient, flexible, dynamic, and reliable grid infrastructure.
- Preparing for the increased integration of distributed energy resources and more customer options.
- Working to reverse historic inequities and avoid collateral harm to underserved populations by intentionally prioritizing their needs.

PROJECTS, INITIATIVES, ACTIVITIES	WHAT DOES IT LOOK LIKE?
Utility Next Portfolio	Compete for **state and federal grants**, including major investments being made available by the Infrastructure Investment and Jobs Act that will augment and accelerate progress in grid modernization and electrification and reduce costs to ratepayers.
Grid modernization program	Implement **grid modernization projects and programs** to enhance and update our grid to support our customers as more buildings and transportation become electric.
Implement electrification plans	Develop and implement strategies and new programs to support **building electrification** and invest in **transportation electrification** infrastructure.
Integrate distribution system and resource planning	Implement an integrated **distribution, transmission, and generation resource planning framework** to directly connect those three major segments of our system. The framework will incorporate the new grid architecture, including distributed energy resources, and ensure that the overall supply resource plan meets strategic and policy objectives as well as regulatory requirements.
Demonstrate leadership in western market development	Provide leadership to develop a coordinated **Western energy market** to enable the integration of carbon-free resources, enhance reliability, and support increased planning and operational efficiency in the region.

3 DEVELOP WORKFORCE & ORGANIZATIONAL AGILITY

Our industry is transforming quickly, and so are our customers' needs. We must invest in our people and processes to enable them to thrive in this transformational environment. We are building an organization that is nimble, adaptive, and responsive by investing in strong change management, workforce development, and new technology resources. And we are cultivating a workforce with the skills and knowledge to align with evolving business needs and to advance social justice.

PROJECTS, INITIATIVES, ACTIVITIES	WHAT DOES IT LOOK LIKE?
Organizational change management program	Launch and grow an **organizational change management** program to help employees prepare and seamlessly adapt to changing job functions, business processes, and technology.
Build an agile workforce	Develop and implement a **future of work** strategy that encompasses reimagining the workspace for a hybrid work environment; broadening recruitment to reach a more diverse applicant pool; enhancing employee development and training; and developing a culture of accountability and outcomes.
Continued implementation of the Utility Technology Roadmap	Develop and implement policies, procedures, and standards for governance, data management and application implementation. **Right-size** the plan to ensure that the work can be done effectively and successfully; and **real-size** the plan to align with industry cost benchmarks.

4 ENSURE FINANCIAL HEALTH & AFFORDABILITY

Financial stability is essential to everything we do. Responsible financial planning makes it possible to develop innovative energy solutions, plan for critical investments, and keep our rates affordable.

We are focused on supporting long-term affordability in Seattle by offering rates that are transparent, understandable, reasonable, and equitable for all customers, including vulnerable populations. This commitment includes developing a sustainable and predictable approach to setting rates over time and providing new pricing options to help customers manage their energy bills through efficient use of our products and services.

PROJECTS, INITIATIVES, ACTIVITIES	WHAT DOES IT LOOK LIKE?
Control rate increases	Improve reporting, analysis, and controls to foster **strong fiscal management** and accountability at all levels. Cost control and prudent budgeting will enable us to deliver incremental, affordable rate increases that resemble inflation.
Price services for the future	Deliver a new **time-of-day rate** option and other enhancements to customer pricing plans to refine price signals and give customers more control over their bills.
Road to recovery	Implement a comprehensive, **customer-focused road to recovery**. This process will include the expansion of repayment and financial assistance options to help customers as they emerge from the COVID-19 pandemic.

5 WE POWER

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

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

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

PROJECTS, INITIATIVES, ACTIVITIES	WHAT DOES IT LOOK LIKE?
We Power	Develop **dashboards** for each line of business to track our progress and hold ourselves accountable.
Skagit relicensing*	Relicense the **Skagit River Hydroelectric Project** under the Federal Energy Regulatory Commission so that the project can continue to provide clean, carbon-free energy while also safeguarding the cultural and natural resources of the area.
Prioritize investment in core infrastructure*	Prioritize investments in core infrastructure and **incorporate new concepts and technologies** to accelerate grid modernization. Evaluate and adjust business processes to ensure design and planning supports advancements in our **customer-facing services**.

* New for 2023–2028 update

INITIATIVE SPOTLIGHTS

Market Development

Western states are increasingly challenged to safely provide cost-effective, reliable electricity from diverse resources across a complex grid and a geographically diverse region. Climate change, drought, and reduced fossil fuel and hydropower resources have exacerbated this task. Meanwhile, customer demand for more and cleaner electricity is increasing due to transportation electrification, building electrification, and increased commercial development. City Light is coordinating with other energy leaders across the West on regional efforts to drive energy market solutions that can improve market efficiencies, leverage diverse resources, achieve carbon reduction goals, and increase reliability in the West. Through participation in efforts like the Western Energy Imbalance Market, the Western Resource Adequacy Program, and the West Markets Exploratory Group, City Light is helping create a more modern electric grid to deliver a cleaner, reliable, and more affordable energy future for everyone.

Investment in Critical Infrastructure

City Light is prioritizing investments in core infrastructure. Thanks to committed crews and staff, we have significantly accelerated our pole replacement schedule—our goal is to replace 1,700 utility poles by the end of 2022. We are also continuing work to upgrade transformers and switchgear at substations, in addition to other system resiliency enhancements.

Skagit Relicensing

City Light is in the process of relicensing the Skagit River Hydroelectric Project, a series of three dams that provides 20 percent of City Light's power. Renewing our federal operating license will allow the Skagit Project to continue producing clean, carbon-free energy while also safeguarding the area's cultural and natural resources. City Light is working with 38 partner organizations and consulting parties—including federal and state agencies, Indian tribes, and nongovernmental organizations—to gather information needed to ensure the protection of natural and cultural resources within the Skagit Project area for the duration of the new license. In March 2022, City Light filed the Initial Study Report (ISR) with the Federal Energy Regulatory Commission.

The ISR provides initial results from 33 studies that are being done to inform the actions that City Light will take to manage and protect the cultural, environmental, and recreational resources of the Skagit River watershed under the next license.

Electrification Strategy

The electrification of transportation and buildings is key to reducing carbon emissions and combating climate change. We are investing in public charging stations, working with customers and partner agencies to electrify fleets, and implementing our building electrification strategy to support City policy goals and further reduce emissions.

Our grid modernization work is key to ensuring we can meet increased demand, while further enhancing the reliability and resiliency of our infrastructure and offering new choices to our customers. Another quickly evolving opportunity is the emergence of renewable hydrogen as an element of a decarbonized energy system; we are piloting hydrogen concepts along the downtown Seattle waterfront, and working with other agencies to promote a regional hub for renewable hydrogen as called for by the Infrastructure Investment and Jobs Act.

KEEPING CUSTOMER BILLS AFFORDABLE & STABLE

Seattle City Light is committed to providing strong, secure, and flexible energy infrastructure so all our customers have access to reliable and affordable electricity, whenever they need it and wherever they are.

This Strategic Plan Update results in a rate path of 4.5 percent increases annually for the first two years, then increases of 3.0 percent each year for the remaining four years. For 2023 and 2024, the 4.5 percent increase translates to about $4 a month for a typical residential bill or $1.50 a month for a typical residential utility discount program (UDP) bill. In 2023, a typical residential bill would be $84.69/month, a $3.65 increase; a typical UDP bill would be $33.87, a $1.46 increase.

Rate Increase	2023	2024	2025	2026	2027	2028
Strategic Plan Update 2023–2028	4.5%	4.5%	3.0%	3.0%	3.0%	3.0%

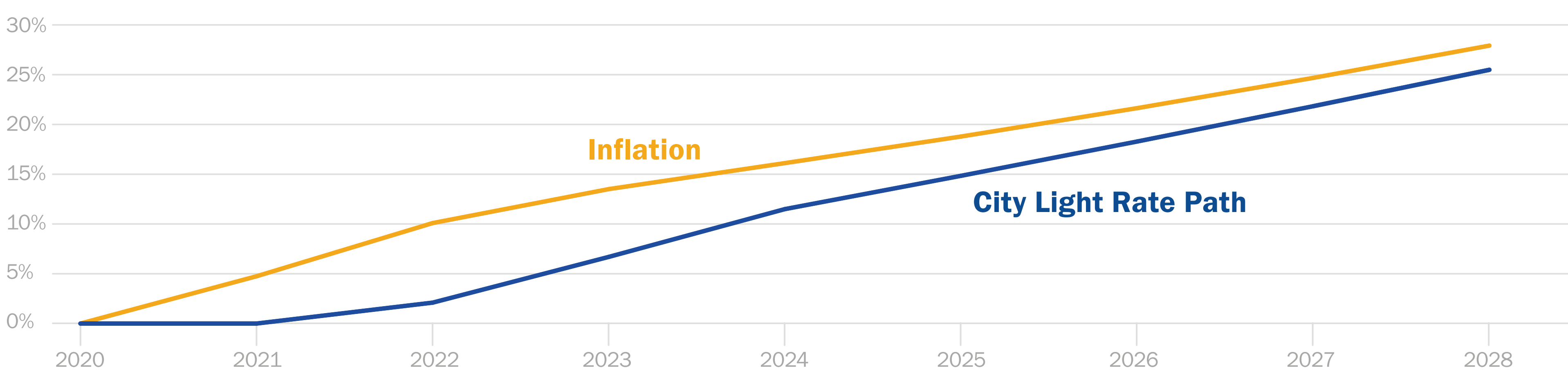
Inflation in the cost of construction materials (e.g., wire, wood poles, and transformers) is a driving factor behind the 4.5 percent rate increases for 2023 and 2024. We are all seeing the impacts of price inflation in our purchases, and City Light is no exception. The rising value of raw materials like copper and steel has also increased the theft and vandalism of utility infrastructure, which compounds cost pressures.

Access to affordable electricity for everyone is our goal. Throughout the pandemic, City Light has continued to deliver essential services to the residents and businesses we serve, including those who could not afford to pay their bills. As pandemic response measures sunset and we restart collections practices, we will work with more than 40,000 residential and business customers who have a total balance of nearly $40 million in unpaid bills to help them manage their outstanding balances. 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.

RATES ARE GROWING WITH INFLATION

Cumulative Increase

Consumer Price Index, Source: City of Seattle Office of Economic and Revenue Forecasts, January 2022



TO OUR CUSTOMERS & COMMUNITY

It has been an honor to lead Seattle City Light over the past three and a half years. None of us could have predicted the arrival of COVID-19 in early 2020 or the profound impact it would have on every area of life. When March 2020 arrived, we paused and shifted our focus to employee and customer safety. The pause included our strategic planning process; we knew our attention must be short term, tactical, and logistical. Over time, our comfort with the new normal increased and 2021 became our year to "Focus and Finish." City Light employees were ready to think about the future, and we restarted our strategic planning work. The resulting 2022–2026 Strategic Plan Update prioritized work that would help us "Recover, Refocus, Restart."

Looking ahead, we know the future is uncertain, and success is dependent on approaching challenges and opportunities with curiosity, kindness, and a commitment to equity. Economic recovery is happening all around us. As a community-owned utility, our job is to help our customers thrive in the future we are creating together.

The time is now. Ready, set, go!

Thank you,

Debra Smith
General Manager & CEO

Seattle Mayor Bruce Harrell with City Light General Manager and CEO Debra Smith at the Earth Day celebration of the completion of the Miller Community Center Microgrid.

Seattle City Light

700 5th Ave Suite 3200
Seattle, WA 98124

seattle.gov/city-light
206.684.3000

REVIEW PANEL

The Seattle City Light Review Panel is comprised of nine members drawn from among City Light's customers, 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.

Anne Ayre
Industrial Customer Representative

Mikel Hansen
Commercial Customer Representative

Scott Haskins
Financial Analyst

Leo Lam
Residential Customer Representative

Kerry Meade
Nonprofit Energy Efficiency Advocate

Michelle Mitchell-Brannon
Low-Income Advocate

Joel Paisner
Suburban Franchise Representative

John Putz
At-Large Customer Representative

Timothy Skeel
Economist

APPENDICES

Financial Forecast

Outreach Summary

Visit the Seattle City Light Strategic Plan website to learn more

2023–2028 STRATEGIC PLAN UPDATE

Seattle City Light

2023-2028 Strategic Plan Update Financial Forecast

EXECUTIVE SUMMARY

This document details the financial assumptions behind the 3.5% average rate path established by City Light's 2023-2028 Strategic Plan Update (the "Plan"). The proposed rate path provides the revenue required to deliver on City Light's Strategic goals outlined in the Plan.

Average rates are derived by dividing the revenue requirement by retail sales. On average the revenue requirement is increasing around $40M (3.8%) per year and retail sales are increasing by 0.3%.

RATE INCREASE SUMMARY

	2022[1]	2023	2024	2025	2026	2027	2028	AVG
Revenue Requirement	939.6	1,000.8	1,046.4	1,071.8	1,103.3	1,136.7	1,175.8	
Annual Increase		6.5%	4.6%	2.4%	2.9%	3.0%	3.4%	3.8%
Retail Sales GWh	8,633	8,777	8,782	8,733	8,728	8,730	8,767	
Annual Change		1.7%	0.1%	-0.6%	-0.1%	0.0%	0.4%	0.3%
Average Rate, ¢/kWh	10.91	11.40	11.92	12.27	12.64	13.02	13.41	
Annual Increase		**4.5%**	**4.5%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.5%**

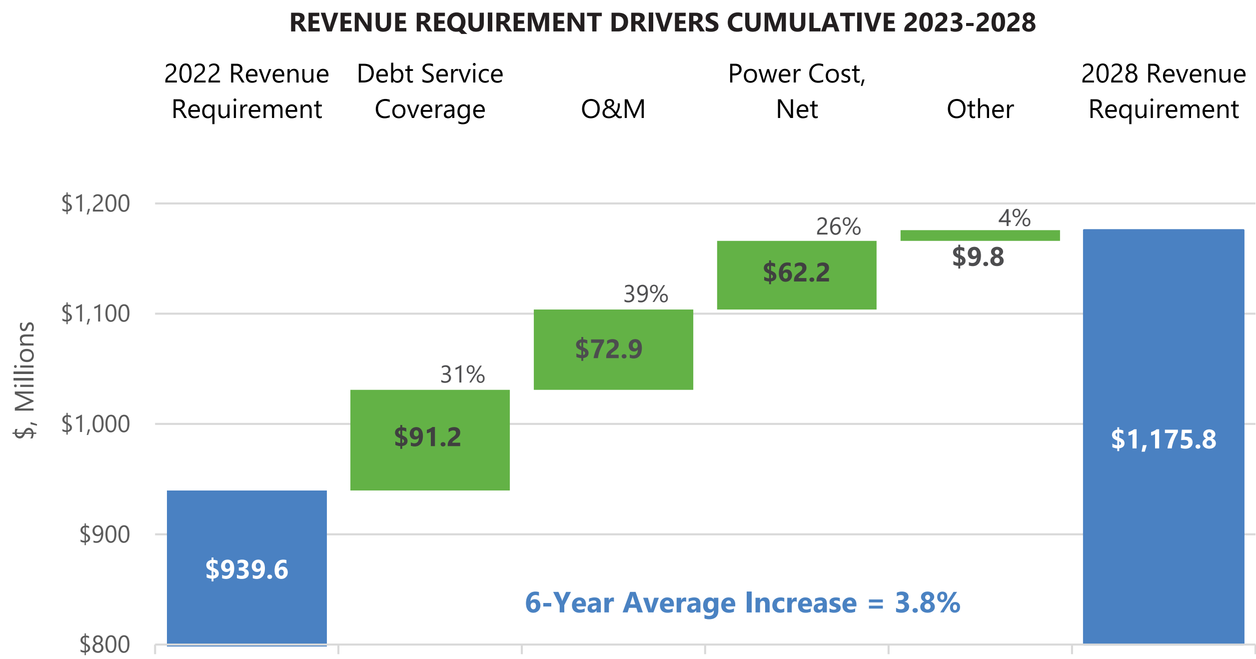
[1] 2022 values are planning values from the Adopted 2022-2026 Strategic Plan with the revenue requirement adjusted for the BPA Passthrough effective January 1, 2022. The average rate is further adjusted to reflect current consumption profiles. (i.e., represents current forecast of 2022 average rate)

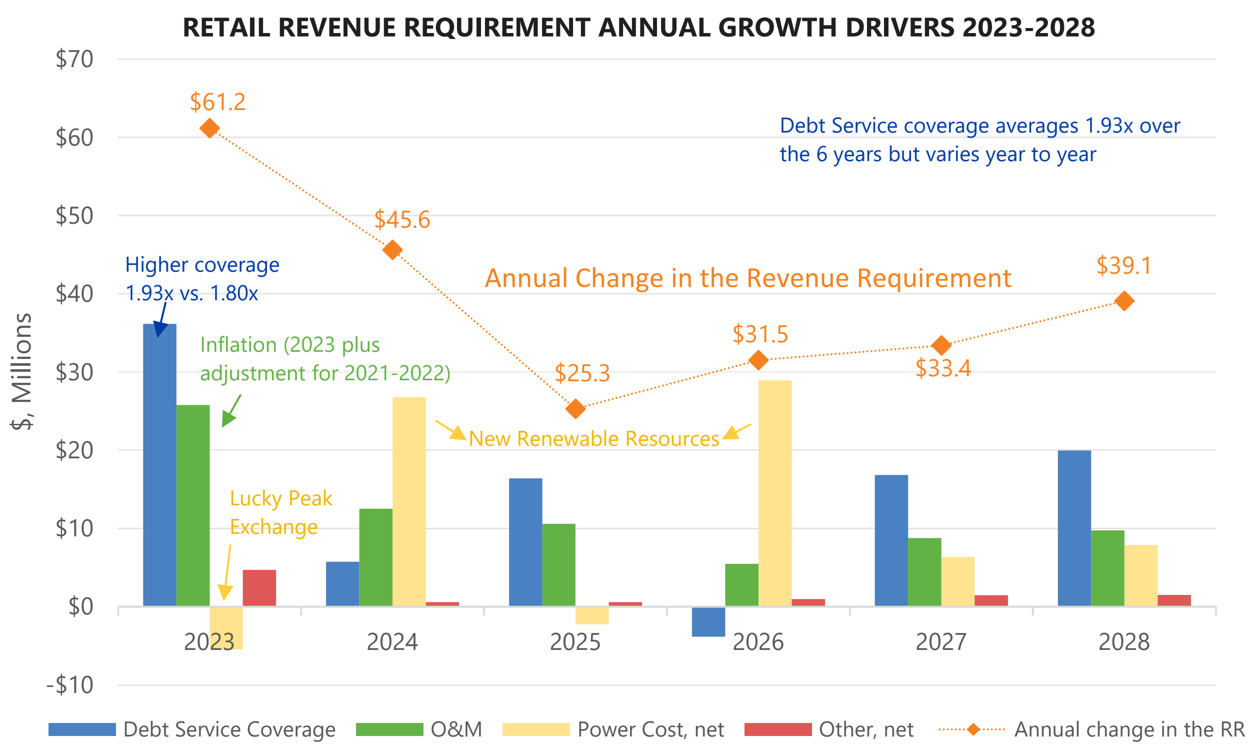
Below is a table of bill impacts assuming each customer receives the annual rate increase noted above and maintains a consistent level of consumption. These impacts are examples only and will change after the cost of service and rate design process is completed for each year. Customers who decrease their consumption through energy efficiency measures will experience smaller bill impacts.

CUSTOMER BILL IMPACT EXAMPLES

	Monthly Bill	Monthly Increase						
	2022	2023	2024	2025	2026	2027	2028	AVG
Residential (650 kWh/mo.)	$81.04	$3.65	$3.81	$2.66	$2.74	$2.82	$2.90	$2.98
UDP Residential (60% Discount)	$32.42	$1.46	$1.52	$1.06	$1.09	$1.13	$1.16	$1.19
Small Commercial-Car Wash	$474	$21	$22	$16	$16	$16	$17	$17
Medium Commercial-Retail Store	$7,562	$341	$356	$248	$255	$263	$271	$278
Large Industrial-Stone	$24,026	$1,084	$1,130	$787	$811	$835	$860	$885
Large Commercial-Hospital	$96,232	$4,343	$4,526	$3,153	$3,248	$3,345	$3,445	$3,543
Large Commercial-Education	$2,022,247	$91,270	$95,109	$66,261	$68,248	$70,290	$72,395	$74,461

The below charts and table summarize City Light's revenue requirements for 2023-2028.





RETAIL REVENUE REQUIREMENT SUMMARY

$, Millions	2023	2024	2025	2026	2027	2028
Revenue Requirement	1,000.8	1,046.4	1,071.8	1,103.3	1,136.7	1,175.8
Debt Service Coverage						
Debt Service	237.3	251.2	250.0	255.0	243.4	255.0
Additional Coverage[1]	220.9	212.7	230.3	221.5	249.9	258.3
Operations & Maintenance (O&M)						
2022 O&M Baseline	337.8	337.8	337.8	337.8	337.8	337.8
Inflation	24.9	33.3	41.9	51.0	60.8	71.0
Program Growth[2]	2.1	6.2	8.2	4.5	3.5	3.1
Net Power Costs						
Power and Wheeling Contracts	223.2	247.8	245.4	307.1	317.7	324.4
Net Wholesale Revenue (NWR)	(40.0)	(45.0)	(45.0)	(80.0)	(85.0)	(85.0)
Power Related Revenues, Net	(25.7)	(18.5)	(18.4)	(16.2)	(15.4)	(14.2)
Other Revenues/Costs						
Taxes, Payments and Uncollectibles	60.6	63.1	64.7	66.8	69.2	71.9
Miscellaneous Revenue	(40.2)	(42.2)	(43.2)	(44.3)	(45.3)	(46.5)
Debt Service Coverage	**1.93**	**1.85**	**1.92**	**1.87**	**2.03**	**2.01**

[1] Additional Coverage is a planning cushion that ensures that SCL can meet our bond obligations even in a worst-case scenario. If not needed to pay debt service, these funds will be used to pay City taxes (6% or ~$60M) and the remainder is used to cash-fund CIP.

[2] Primarily growth in renewable energy credits and transportation electrification incentives from 2022 levels

Drivers of 2023-2028 Revenue Requirements and Rates

1. Debt Service and Debt Service Coverage
    - Funds historic and future capital investments
        - $2.2 billion 2023-2028 net capital requirements ($364 million per year)
        - 40% expected to be funded with revenue/operating cash
    - Debt service expected to only have minor growth between 2024-2028
        - Payments on new debt replaces payments on retired debt
        - Coverage changes year to year to help buffer swings in other costs while still meeting financial policies and providing stable rate increases

2. Operations and Maintenance (O&M)
    - Based on 2022 adopted O&M budget
    - Inflation increases are 7.1% in 2023, partially to adjust for higher 2021 and 2022 inflation currently not captured in 2022 budget. Average inflation of 2.4% for 2024-2028.
    - Annual transportation electrification incentives expected to increase around $5 million above current 2022 levels of around $2 million.

3. Net Power Costs
    - Bonneville (BPA) power and transmission costs are the largest single component at over $200 million; BPA rates are expected to increase around 3% per year on average.[1]
        - 4.0% increase to power rates every other year
        - 3.8% increase in purchase volume in October 2023
        - 7.5% increase to transmission rates every other year
    - New power resources required to meet resource adequacy targets. Planning assumption is $74 million, 136 aMW by 2028, combination of solar and wind generation plus transmission.

4. Other Revenues/Costs[2]
    - Not a large driver, expected to remain stable over planning period

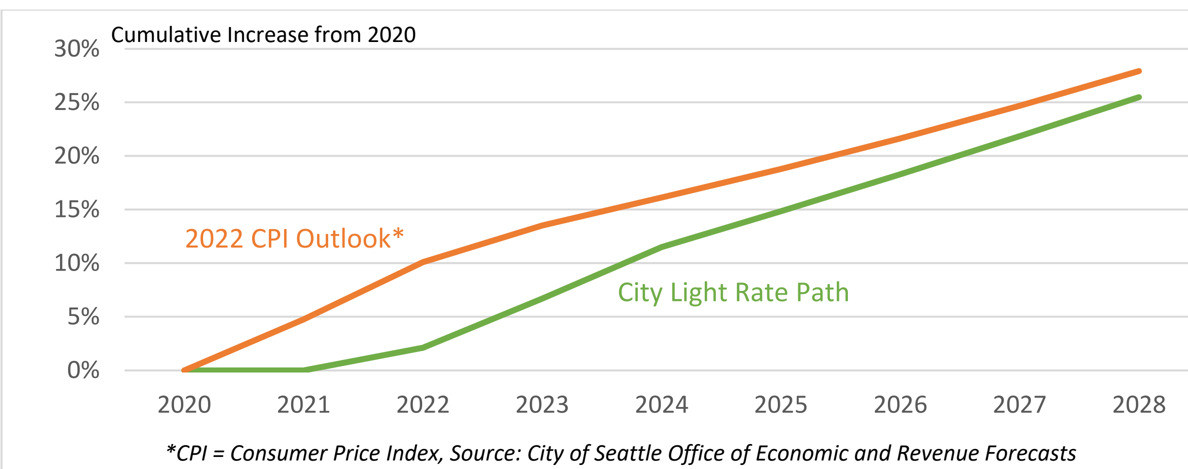
Inflation Outlook

Price inflation in 2021 along with the near-term outlook is higher compared to previous expectations. The below table shows the higher 2022 CPI inflation forecast compared to the 2021 outlook, which was the basis for the 2022-2026 Strategic Plan.

CPI*	2021	2022	2023	2024	2025	2026	2027	2028
2021 Outlook	2.8%	3.0%	2.5%	2.3%	2.2%	2.3%	2.3%	2.3%
2022 Outlook	4.8%	5.1%	3.1%	2.3%	2.3%	2.4%	2.5%	2.6%
*CPI = Consumer Price Index, Source: City of Seattle Office of Economic and Revenue Forecasts								

While future inflation is still uncertain, the chart below shows that City Light's planned cumulative retail rate increases fall slightly below the current inflation outlook.

CUMULATIVE RATE INCREASES COMPARED TO INFLATION



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[1]Once BPA announces final record of decision for fiscal year 2024 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.

[2] Includes 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

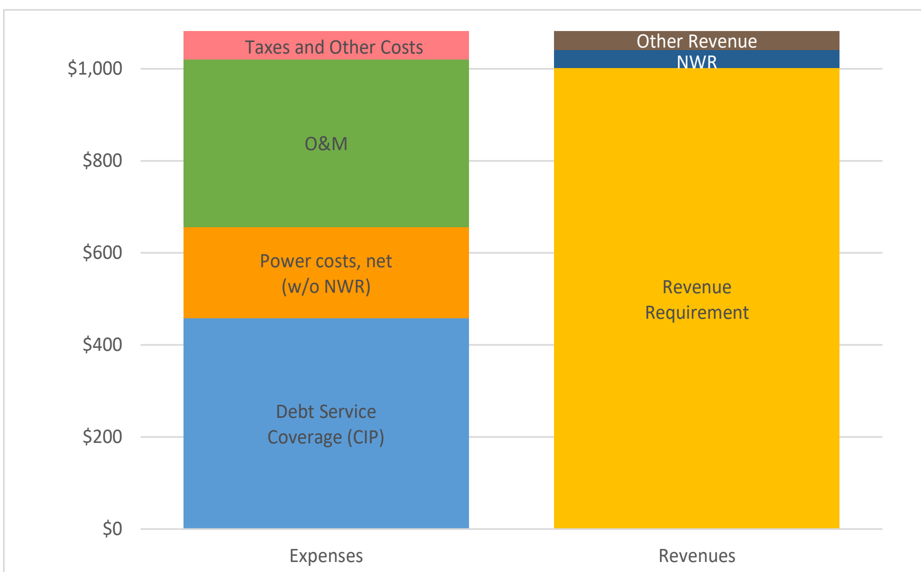
The 2023-2028 Strategic Plan Update (the Plan) builds on the 2022-2026 Strategic Plan approved in July 2021. The Plan extends the horizon an additional two years to 2028 and returns the planning horizon to six years. The 2022-2026 Strategic Plan horizon was only five years because it was postponed a year while the Utility focused on COVID-19 related issues in 2020. This update realigns strategic planning with the Utility's biannual budget setting process.

This document details the assumptions that determine the average retail rate path for the years 2023-2028. 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 current effective financial policies. The chart below illustrates how the revenue requirement is sized to meet expenses.

REVENUES AND EXPENSES (2023 FORECAST, $MILLIONS)



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.

Debt Service Coverage

- The cost of debt-funded capital investments as recovered over time.

- Per policy, debt service coverage is set at or above 1.8 times the annual debt service obligation.
- The additional funds in debt service coverage above those needed to pay principal and interest obligations cash-fund a portion of the current year capital requirements, so they are not all debt-financed.
- For this planning horizon, debt coverage is higher than 1.80x every year so as to meet the target of revenue-funding 40% of the 6-year CIP.

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.

DEBT SERVICE COVERAGE (CIP AND BONDS)

Debt service coverage represents 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.

Net Capital Requirements = CIP – Capital Contributions

Net capital requirements are not a direct component of the revenue requirement but determine the amount of debt (bonds) that must be issued. The principal payments on outstanding debt and associated interest expense make up debt service.

City Light's debt service coverage policy (established by Resolution 31187) calls for setting rates to yield sufficient revenue net of expenses to cover annual debt service obligations by at least 1.8 times. Since the additional amount required for debt service coverage is not an actual expense, these funds are typically used to pay for City taxes[3] and current year capital expenditures, which reduces the size of future bonds.

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[3] 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 the revenue requirement.

The capital expenditures forecast is based on the 2022-2027 CIP Plan that was adopted in 2021 as part of the 2022 budget. The 2028 CIP is a placeholder value given typical capital spending. The adopted CIP was adjusted to reflect the cumulative increase in inflation compared to 2021 inflation assumptions used to develop the Adopted 2022-2027 CIP. The amount of the inflation adjustment was roughly 5% or $18M per year on average. It 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.

CAPITAL EXPENDITURES FORECAST

$ Millions	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
2023-2028 CIP	426.0	405.0	401.3	398.6	404.6	408.3

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. They 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 totaling about $1.3 billion to support 2023-2028 capital requirements will bring total outstanding debt to almost $3.3 billion by 2028.

Per financial policy, the six-year CIP should be funded with at least 40% operating cash. Cash funding over the six-year period is projected to just meet the planning target of 40%.

CAPITAL REQUIREMENTS AND FUNDING

$, Millions	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
CIP	426.0	405.0	401.3	398.6	404.6	408.3
Capital Contributions	(41.4)	(39.7)	(40.1)	(41.1)	(48.2)	(48.2)
Total	**384.6**	**365.3**	**361.2**	**357.5**	**356.4**	**360.0**
Capital Funding						
Operations	141.3	140.7	147.5	141.8	173.5	128.4
Bond Proceeds	243.3	224.6	213.7	215.7	182.9	231.6
Total	**384.6**	**365.3**	**361.2**	**357.5**	**356.4**	**360.0**
Total Debt Outstanding	**2,779**	**2,882**	**2,975**	**3,087**	**3,152**	**3,268**

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 130 days 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% in 2022 and 2023 and 5% in 2024-2028. In efforts to smooth the rate path, debt service coverage is allowed to fluctuate year to year but set at an overall level that meets the target of 40% capital funding from operations.

BOND SALES AND DEBT SERVICE, $MILLIONS

	Bond Size	2023	2024	2025	2026	2027	2028
Existing[1]		225.8	225.3	209.1	199.7	173.7	173.4
2022 (Aug)[2]	200	11.5	11.5	11.5	11.5	11.5	11.5
2023 (Aug)[2]	250		14.4	14.4	14.4	14.4	14.4
2024 (Aug)[3]	231			15.0	15.0	15.0	15.0
2025 (Aug)[3]	220				14.3	14.3	14.3
2026 (Aug)[3]	222					14.4	14.4
2027 (Aug)[3]	184						12.0
Total Debt Service		237.3	251.2	250.0	255.0	243.4	255.0
Debt Service and Coverage		458.2	463.9	480.3	476.5	493.3	513.3
Debt Service Coverage ratio		1.93	1.85	1.92	1.87	2.03	2.01

[1]*As of December 2021,* [2]*Fixed Rate Issue (30 year/4.0%),* [3]*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 included in separate categories.

The basis for the 2023-2028 O&M forecast is the 2022 Adopted O&M budget, which is then adjusted for inflation. The 2023 inflation rate of 7.1% includes the 3.1% published CPI 2023 inflation rate plus adjustments for inflationary impacts related to 2021 costs (+1.9%) and 2022 costs (+2.1%) that were not reflected in the adopted 2022 O&M budget. In general, the Strategic Plan assumes that overall 2022 funding levels will grow with inflation. However, specific funding in certain areas may change as City Light makes resource and organizational adjustments to deliver on the strategic initiatives and core services. The number of overall positions is expected to stay constant over the next six years.

BUDGET O&M INFLATION BY CATEGORY

$, millions	2023	2024	2025	2026	2027	2028
Inflation Assumption[1]	7.1%	2.3%	2.3%	2.4%	2.5%	2.6%
Labor	164.2	168.0	171.9	176.0	180.4	185.1
Labor Benefits	75.0	76.7	78.5	80.4	82.4	84.5
Non-Labor	88.9	91.0	93.1	95.3	97.7	100.2
Transfers to City	79.3	81.1	83.0	84.9	87.1	89.2
Operating Supplies[2]	13.8	14.1	14.4	14.7	15.1	15.5
Overhead Credits[3]	(57.3)	(58.6)	(59.9)	(61.4)	(62.9)	(64.5)
Total Inflated Budget	**363.9**	**372.3**	**380.9**	**390.0**	**399.8**	**410.0**

[1] 2022 CPI Forecast for King and Snohomish Counties, the 7.1% for 2023 includes the 3.1% published CPI 2023 inflation rate plus adjustments for inflationary impacts related to 2021 costs (+1.9%) and 2022 costs (+2.1%) that were not reflected in the adopted 2022 O&M budget. Source: City Office of Economic and Revenue Forecasts.
[2] Includes IT equipment and software; fuel costs; and inventory material for distribution and generation.
[3] Overhead expenses associated with the Capital Improvement Program (CIP) are removed from the O&M budget and included as capital expenditures.

There are numerous adjustments made to the 2022 O&M budget to make it consistent with financial reporting and policies. The following table details these changes. It shows the relationship between the inflated O&M budget and the O&M forecast.

O&M ADJUSTMENTS DETAIL

$, millions	2023	2024	2025	2026	2027	2028
Inflated 2022 Budget	363.9	372.3	380.9	390.0	399.8	410.0
adjustments						
REC Expense[1]	11.5	13.3	14.9	12.8	12.2	12.2
Intertie Expense[1]	1.1	1.1	1.2	1.2	1.2	1.2
Solar Tax Credit[2]	1.6	1.6	1.6	0.8	0.6	0.2
Transportation Electrification[3]	2.0	4.5	5.0	4.3	4.3	4.3
Engineering OH (excl from budget)	(5.4)	(5.5)	(5.6)	(5.7)	(5.9)	(6.0)
Under Expenditure[4]	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Total O&M	**364.8**	**377.3**	**387.9**	**393.3**	**402.1**	**411.9**
2022 O&M Baseline	337.8	337.8	337.8	337.8	337.8	337.8
Inflation	24.9	33.3	41.9	51.0	60.8	71.0
Program Growth[5]	2.1	6.2	8.2	4.5	3.5	3.1
Total O&M	**364.8**	**377.3**	**387.9**	**393.3**	**402.1**	**411.9**

[1] I-937 Renewable Energy Credits (RECs) and maintenance costs associated with ownership of the 3rd AC intertie are budgeted as purchased power budget but recognized as O&M in financial statements.
[2] Passthrough of WA State solar production tax credit. State taxes lowered by same amount.
[3] Growth in transportation electrification incentives above what is in the 2022 budget (around $2 million).
[4]Deduct $10 million per year to reflect assumed budget under expenditure.
[5]Program Growth reflects adjustments relative to 2022 levels.

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 2024 onward. 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	2023	2024	2025	2026	2027	2028
BPA Power[1]	140.5	148.0	150.0	153.9	156.0	160.1
BPA Wheeling[2]	53.8	56.8	57.8	61.0	62.2	65.6
New Resources[3]	0.0	14.0	14.0	64.2	72.9	74.2
Lucky Peak[4]	9.3	9.5	9.8	10.0	10.3	10.5
Other Wheeling[5]	1.0	1.0	1.0	5.3	5.1	5.3
Columbia Ridge[6]	6.5	6.7	6.8	6.9	7.1	4.5
King County West Point[6]	2.4	2.5	2.6	2.6	2.7	2.7
Priest Rapids[7]	1.4	1.3	1.2	1.1	1.0	0.9
High Ross[8]	0.4	0.4	0.4	0.5	0.5	0.5
Columbia Basin Hydro[9]	7.8	7.5	1.7	1.5	0.0	0.0
Total LT Power & Wheeling Contracts	**223.2**	**247.8**	**245.4**	**307.1**	**317.7**	**324.4**

[1] Assumes that BPA bills reflect 3.8% higher purchase volume starting FY2024 and a 4.0% increase to BPA power rates every other year. BPA rates updated October 1st of odd-numbered years.
[2] Assumes BPA wheeling costs increase 7.5% on October 1st of odd-numbered years.
[3] 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 and include transmission. The new resources are expected to provide 136 aMW by 2028. The resource brought online in 2024 is part of the Renewable Plus Program.
[4] Reflects production O&M costs growing with inflation.
[5] Forecast assumes Lucky Peak transmission costs are transferred to a third party as part of a renewed exchange agreement through 2025.
[6] Cost inflates per contract terms.
[7] Priest Rapids costs are expected to decline because City Light's share of the project will shrink as Grant PUD's load grows.
[8] Expenses for the High Ross contract reflect a small level of O&M costs. City Light stopped making capital payments in 2020.
[9] 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 assumed to increase 4.0% and 7.8%, respectively, every other year during 2023-2028, with the rate changes effective in October of odd years. In addition, purchased power volumes are expected to increase 3.8% starting October 2023 due to a higher load forecast outlook relative to the load forecast used to set current BPA purchase volumes. Once BPA announces its record of decision for BPA rates for FY 2024-2025 City Light's 2024 BPA power and transmission bills under the new rates will be compared to the 2024 planning values in this report and any material differences will be passed through to City Light customers via the BPA pass-through mechanism (SMC 21.49.081).

BPA DETAIL

$ Millions	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Block	140.5	148.0	150.0	153.9	156.0	160.1
Wheeling	53.8	56.8	57.8	61.0	62.2	65.6
Total BPA Costs	**194.3**	**204.8**	**207.8**	**214.9**	**218.1**	**225.7**
Annual Change		5.4%	1.5%	3.4%	1.5%	3.5%

Net Wholesale Revenue is the revenue from selling surplus energy on the wholesale market, net of purchases for load balancing. The planning values are increasing in 2026 to reflect an anticipated increase in surplus power volumes owing to new long-term power resource acquisitions. Any differences between actual NWR and these planning values will be transferred to/from the Rate Stabilization Account (SMC 21.49.086).

WHOLESALE REVENUES, NET

	2023	**2024**	**2025**	**2026**	**2027**	**2028**
Net Wholesale Revenue	40.0	45.0	45.0	80.0	85.0	85.0

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	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Power Contracts						
Article 49 to PO County	2.8	2.8	2.9	2.9	3.0	3.1
Priest Rapids	1.6	1.5	1.4	1.1	0.8	0.6
BPA Credit for South Fork Tolt	2.9	2.8	2.8	2.7	2.6	1.5
BPA Residential Exchange Credit	-	-	-	-	-	-
Power Marketing Net[1]	14.9	7.8	7.8	5.8	5.3	5.3
Transmission Sales[2]	3.5	3.6	3.6	3.6	3.7	3.7
Total Power Related Revenues, net	**25.7**	**18.5**	**18.4**	**16.2**	**15.4**	**14.2**

[1] Power marketing revenues (net of purchases) are earned from sales of ancillary services associated with generation and transmission assets, such as reserve capacity sales. Assumes Lucky Peak exchange premiums of $9.6 million in 2023, $2M annually in 2024-2025 and no exchange in 2026-2028.
[2] Assumes $1.5M revenue from the resale of BPA point-to-point transmission in 2023, increasing with inflation. Includes $1M annual revenue from the resale of 3rd AC transmission capacity in all years. Also includes $1M annual frequency response revenue, a transmission ancillary service.

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	2023	2024	2025	2026	2027	2028
State Taxes[1]	43.0	44.8	45.9	48.0	49.9	51.9
Franchise Payments and Other Taxes[2]	10.0	10.5	10.7	10.5	10.8	11.2
Uncollectible Revenues[3]	7.5	7.9	8.1	8.3	8.6	8.9
Total Other Costs	**60.6**	**63.1**	**64.7**	**66.8**	**69.2**	**71.9**

[1] State taxes are 3.8734% of retail revenues, plus some other revenues and contributions. Not included are City taxes, which are 6% of total taxable revenues but do not directly impact the revenue requirement because they are junior to debt service. They are treated as a “below the line” expenditure and are deducted from the additional debt service coverage, reducing the amount of current year operating proceeds going to capital requirements.

[2] 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.

[3] Uncollectible revenue is assumed to be 0.75% of retail revenues.

MISCELLANEOUS REVENUE SOURCES DETAIL

$, Millions	2023	2024	2025	2026	2027	2028
Non-Base Rate Retail Revenue[1]	5.2	6.3	6.5	6.6	6.8	6.9
Other Revenue[2]	22.8	23.4	24.0	24.7	25.3	25.9
Suburban Undergrounding[3]	4.2	4.2	4.2	4.2	4.3	4.3
Property Sales[4]	1.2	1.3	1.3	1.3	1.4	1.4
Interest Income[5]	6.8	7.0	7.1	7.4	7.6	8.0
Operating Fees & Grants	0.0	0.0	0.0	0.0	0.0	0.0
Net RSA Transfers[6]	0.0	0.0	0.0	0.0	0.0	0.0
Total Other Revenue Sources	**40.2**	**42.2**	**43.2**	**44.3**	**45.3**	**46.5**

[1] 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.

[2] 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 mildly over time, mostly growing with inflation.

[3] Suburban undergrounding revenues are collected from customers in certain suburban cities for the repayment of discretionary municipal undergrounding of parts of their distribution system.

[4] Property sales based on historical averages. No large sales are assumed in this forecast.

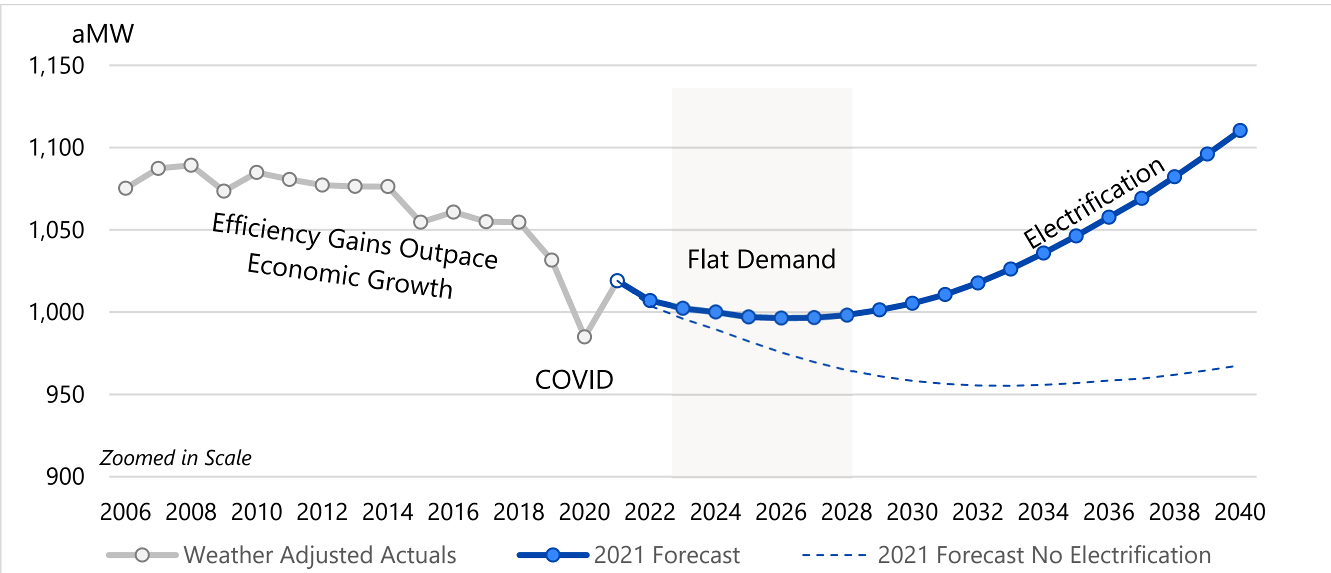
[5] Interest income assumes City Cash Pool cash holdings accrue interest at an annual rate of 1.5%.

[6] 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 2021 official load forecast, which predicts relatively flat retail sales over the course of the Plan. 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 load growth after 2030. The amount and timing of new electrification load is very uncertain and will continued to be studied by City Light. Retail sales have recovered from initial COVID impacts faster than originally projected and the retail sales outlook for 2023 is 1.7% above the 2022 levels in the Adopted 2022-2026 Strategic Plan. This helps offset some of the large increase in the 2023 revenue requirement. However, since load is relatively flat for 2023-2028 it does not have a significant impact on the rate increases for those years.

RETAIL SALES FORECAST: LONG TERM



RETAIL SALES FORECAST

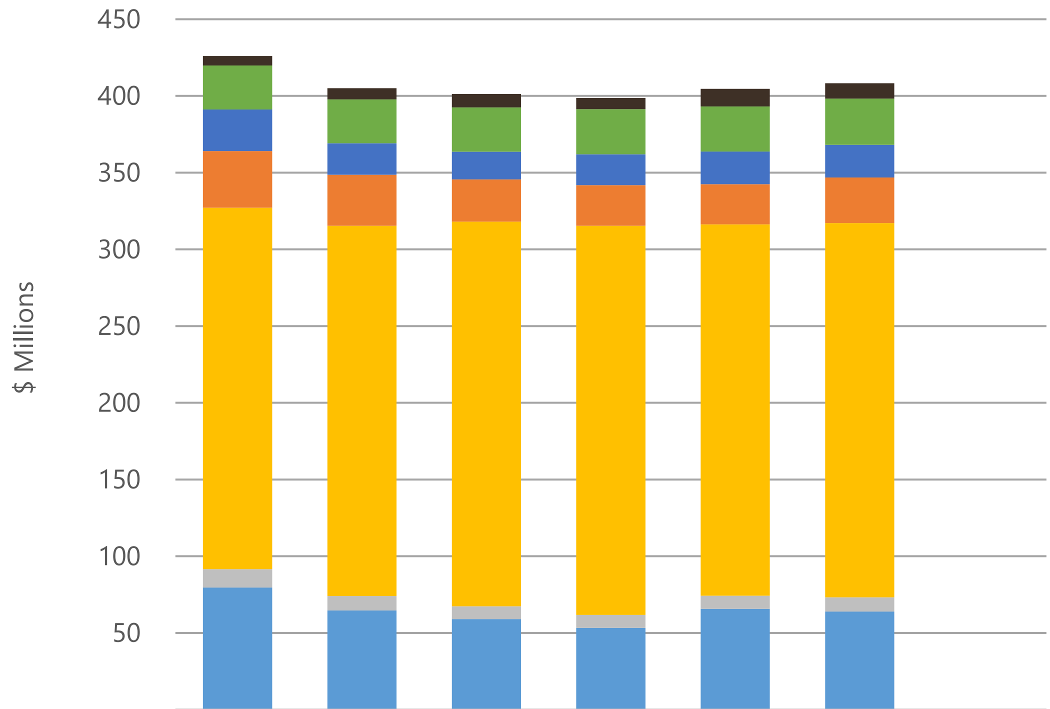
	2023[4]	2024	2025	2026	2027	2028
GWh						
Residential	3,068	3,058	3,039	3,036	3,040	3,056
Small and Medium	3,433	3,445	3,430	3,432	3,435	3,451
Large and High Demand	2,276	2,279	2,264	2,259	2,255	2,260
Total	**8,777**	**8,782**	**8,733**	**8,728**	**8,730**	**8,767**
Annual change						
Residential	2.0%	-0.3%	-0.6%	-0.1%	0.1%	0.5%
Small and Medium	2.1%	0.3%	-0.5%	0.1%	0.1%	0.5%
Large and High Demand	0.6%	0.2%	-0.7%	-0.2%	-0.2%	0.2%
Total	**1.7%**	**0.1%**	**-0.6%**	**-0.1%**	**0.0%**	**0.4%**

[4] Annual Change is relative to Adopted 2022 levels (retail sales assumptions used to set 2022 rates)

CIP

The following bar chart is a graphical depiction of expected capital expenditures. The forecast is based on the Adopted 2022-2027 CIP budget and has been increased by approximately 5% to reflect the cumulative change in the long-term inflation forecast. The 2028 CIP is a placeholder value. This forecast sets overall spending targets. Funding levels for individual CIP programs and projects will be developed during the budget setting process.

CAPITAL REQUIREMENTS FORECAST: BASED ON 2022-2027 ADOPTED CIP



	2023	2024	2025	2026	2027	2028	Total 2023-2028
Other Capitalized Expenses	6	7	9	7	11	10	51
Conservation	29	29	29	29	29	30	175
External Projects	27	21	18	20	21	21	128
Central Utility Projects	37	33	27	26	26	30	180
Distribution	236	241	251	254	242	244	1,467
Transmission	12	9	8	8	9	9	56
Power Supply	80	65	59	53	66	64	386
Total Expenditures	426	405	401	399	405	408	2,444

Key infrastructure projects planned during 2023-2027 include:

- Underground and overhead equipment replacements, which include replacing older distribution equipment that is nearing the end of its useful life, is overloaded or no longer has available parts. The overhead equipment replacement project also includes the accelerated wood pole replacement program.
- Other key projects include the overhead and underground electric power service connections for Medium General Service and various protection, mitigation and enhancement activities that will fulfill the requirements for the 2013 FERC license and settlement agreement at Boundary.

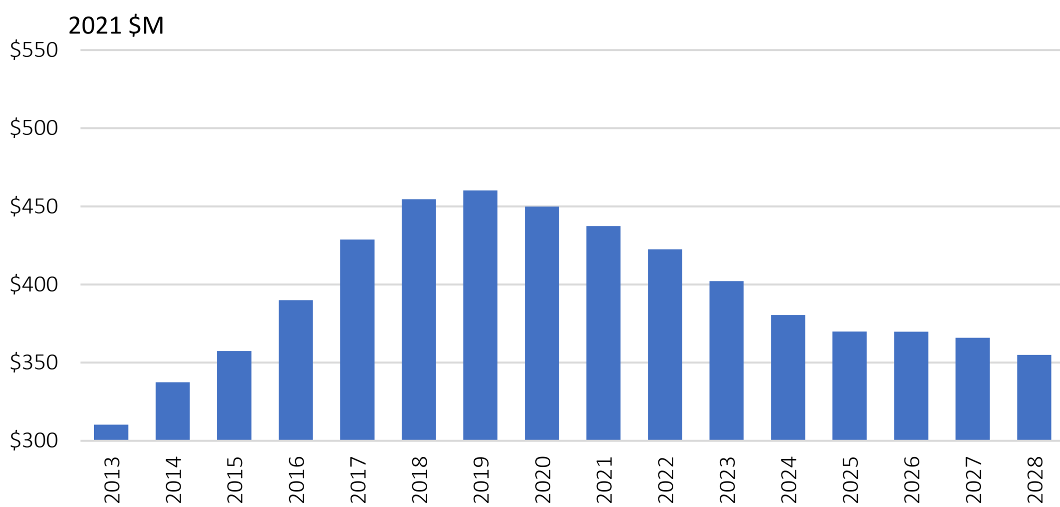
MAJOR CIP PROJECTS 2023-2027 SPENDING, $MILLIONS

Included in 2022-2027 Adopted CIP Budget

8351: Overhead Equipment Replacements	205.8
8353: Underground Equipment Replacements	168.8
6987: Boundary – Licensing Mitigation	97.6
8366: Medium Overhead and Underground Services	96.8
8452: Pole Attachments	86.5
9969: Software Replacement Strategy (Distribution)	59.2
8363: Network Additions and Services: Broad Street Substation	52.8
8404: Denny Substation – Network	45.9
9239: Transportation Electrification	43.7
9101: Equipment Fleet Replacement	38.8

Compared to recent historical CIP spending the 2023-2028 CIP forecast is lower, especially when adjusted for inflation. The below chart shows this trend.

AVERAGE* CAPITAL EXPENDITURES – INFLATION-ADJUSTED



**Retro Rolling 6-year average (i.e., 2020 = avg 2015-2020)*

There is a large amount of uncertainty projecting rates out six years and many of the largest risks are factors outside of City Light's control. To help illustrate the rate impacts of additional cost pressures a few high-level scenarios were developed. The scenarios are not comprehensive and do not assign any probability of occurrence. They can be viewed as "what if" scenarios. The scenarios are grouped in the following categories:

1. Operating Costs
2. Capital Costs
3. Retail Sales

All costs or retail sales changes are relative to values currently in the Plan. Each scenario assumes a net cost change after any funding offsets are identified. For example, $100M higher capital costs can be inferred as the impact of $100 million of new capital costs or $150 million of new costs with $50 million of offsets.

Rate impacts are shown as an increase to 2028 rates relative to 2028 rates in the Plan (i.e., a 5% rate impact in 2028 means on average 2028 customer bills would be 5% higher than projected in the Plan). Impacts between categories can be additive. The below table shows an example of this:

Stress Test - Example	2028 Rate Impact
$25 million higher operating costs	2.2%
$200 million higher capital costs	2.9%
5% lower retail sales	2.8%
Total	**7.9%**

OPERATING COSTS

Since net purchase power costs and O&M impact the revenue requirement in the same way they are combined for purpose of stress testing.

Major risks in O&M over next six years

- Labor costs / inflation
  - Labor and benefits are assumed to increase 21% through 2028 in the Plan
  - A 30% increase (approximately 5% per year on average) would be an additional $21 million
- Funding new initiatives without offsets (higher service levels)
- New regulatory requirements

Major risks in net purchase power costs over next six years

- Higher BPA costs
  - Higher rate increases than current assumption of increases every other year of 4% for power and 7.8% for transmission
    - Transmission faces highest cost pressures
- Higher cost and/or amount of new resource purchase
  - Current planning levels are $74 million for 136 aMW by 2028
  - 15% higher costs would be $11 million
  - Higher purchase volumes would be partially offset by increased net wholesale revenue
- Depressed wholesale prices on sustained basis
  - Reduces value for surplus sales
  - The Rate Stabilization Account buffers short term volatility but sustained change in the market would require changing the net wholesale revenue planning values, impacting base retail rates.

Select Costs/Revenues

$ Millions	2028 Value	10%
Labor and benefits	$270	$27
Other O&M	$142	$14
Power and wheeling contracts	$324	$32
Net Wholesale Revenue (NWR)	-$85	-$9

Stress Test

Net Operating Cost Increase, $ Million	2028 Rate Impact
$10	0.9%
$25	2.2%
$50	4.4%
$75	6.6%

CAPITAL COSTS

Major risks to capital costs include

- High inflation for materials and labor
- Accelerated maintenance and replacements of infrastructure
- Skagit relicensing cost uncertainty
- Electrification and other growth requiring significant distribution capacity additions
- Major equipment failure

Increased CIP costs are assumed to be spread evenly over 2023-2027 (2028 CIP will impact retail rates starting in 2029).

Capital Cost Stress Test

Increase to 6-Year CIP	**Percent of 2023-2028 CIP***	**2028 Rate Impacts**
$100	4%	1.4%
$200	8%	2.8%
$400	16%	5.7%
**Total CIP = $2,444*		

Financing costs are assumed to be 5% in most years of the Plan. If borrowing costs increased to 6% for 2023-2027 the approximate 2028 rate impact would be 1.5%.

RETAIL SALES

Changes in retail sales will impact rates through both the revenue requirement and the amount of sales the revenue requirement is spread over.

$$average\ rate\ \left(\frac{\$}{kwh}\right) = \frac{revenue\ requirement\ (\$)}{retail\ sales\ (kwh)}$$

Retail sales impact the revenue requirement by changing net power costs. Lower retail load will decrease net power costs (lower the revenue requirement) since there will be more surplus to sell on the wholesale market or less energy purchased through long term contracts. Conversely, higher retail load will increase net power costs since there will be less surplus to sell on the wholesale market or more energy required through long term contracts. In addition, changes in retail sales will impact the base unit consumption that fixed costs are recovered over. In general, over the six-year planning period increases in retail sales will decrease retail rates, while decreases to retail sales will increase retails rates[5].

	Net Power Costs	**Fixed Costs / kWh**	**Net Impact to Avg Rates**
Higher Retail Load	↑	↓	↓
Lower Retail Load	↓	↑	↑

[5] This analysis assumes that City Light's current distribution system has current capacity to absorb incremental load without significant investments not already identified in the Plan.

In the short run, changes to City Light's retail sales will only impact the amount of surplus sales sold on the wholesale market. However, in the outyears, changes to retail sales will also impact City Light's BPA purchase volume and may also impact the amount of new renewable resources the utility acquires. There are many different possibilities of the combination of incremental power resources, along with uncertainty about their prices. Therefore, a range of incremental power prices are used to show the range of possible rate impacts.

The below chart shows 2028 rate impacts resulting from changes in retail sales for a range of incremental power prices between $40/MWh and $100/MWh. The $60/MWh incremental cost is the closest scenario to what would be expected under current expectations.

Incremental Price of Energy, $/MWh	**$40**	**$60**	**$80**	**$100**
Change in Retail Sales*	2028 Rate Impact			
-10%	7.7%	6.0%	4.2%	2.5%
-5%	3.6%	2.8%	2.0%	1.2%
5%	-3.3%	-2.6%	-1.8%	-1.1%
10%	-6.3%	-4.9%	-3.5%	-2.1%

*Cumulative by 2028

Seattle City Light

APPENDIX

2023-2028 Strategic Plan Update Outreach Summary

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. Outreach efforts for the Strategic Plan began in early 2020, when the intent was to publish a six-year plan 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 next 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 2022-2026 Strategic Plan to community groups and hosted a Virtual Town Hall open to the public. We created a 2022-2026 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 2023-2028 Strategic Plan Update, we are building on these outreach efforts. As some of the business strategies and programs identified in the 2022-2026 Strategic Plan are multi-year efforts, we continue to use the feedback we received to inform planning and implementation for 2022 and beyond. City Light plans to continue the conversations with stakeholder groups and customers to inform program plans going forward. The outreach efforts we initiated for the 2022-2026 Strategic Plan are leading to more ongoing, mutually beneficial relationships with community-based organizations and stakeholders as we continue moving forward over the next six years.

Outreach Methods

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.

On August 6, 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.

Residential Customer Satisfaction Survey

The Seattle City Light Residential Customer Satisfaction Survey was conducted by both random-sample hybrid (phone and text-to-online) and an opt-in (online) format. The random-sample format was conducted from September 30 through October 6, 2021. The sample size was 690 residential customers. The opt-in format was conducted from October 13 to October 25, 2021. The sample size was 2,669 residential customers.

An overwhelming majority (85%) of residential customers are satisfied with the overall service they receive from Seattle City Light (54% very satisfied and 31% 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 15% of residential customers who are not satisfied, they reported that unaffordable rates and billing issues were the top two reasons why they were dissatisfied.

Seven in ten customers say providing clean, carbon-free power or helping reduce energy use should be a top priority. Keeping customers informed about changes that can affect them is a priority for a quarter of residential customers.

The survey results show that customers are most likely to interact with City Light first via website (to find information or to pay their bill online) 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, limited-English speaking customers, younger customers, renters, and residents that are new to the Seattle area.

Customers in every demographic group have positive impressions of hydropower generated by dams, yet positive impressions for wind and solar sources are much higher.

Customers think electric vehicles (EVs) are the future, and a majority of customers in every demographic group are interested in leasing/purchasing an EV. Customers point to the cost of EVs as the biggest barrier to purchasing one, but charging locations, charging time, and vehicle range are also concerns.

Stakeholder Meetings

City Light contacted 16 stakeholder groups in 2021 offering them an opportunity to hear information about the 2022-2026 Strategic Plan. City Light presented our high-level business strategies for the plan and asked attendees to provide input. Of the groups contacted, 11 expressed interest in engaging in the process. Stakeholder meetings were arranged for City Light leadership to present an overview of the Business Strategies and answer questions from the group. Over 150 individuals participated in these stakeholder meetings, bringing a variety of perspectives on the strategies laid out in the plan. A summary of the stakeholder meetings and the key findings are presented on the following pages.

Virtual Town Hall

To encourage participation from community members who may not have been able to attend a stakeholder meeting, we offered a Virtual Town Hall open to the public. The town hall was held on April 15, 2021, from 6:00-7:30 pm, on Webex. City Light General Manager and CEO, Debra Smith presented information on the 2022-2026 Strategic Plan and answered questions from the audience. Community members were encouraged to send any additional questions and feedback to SCL_StrategicPlan@seattle.gov.

Online Materials

City Light shared information about the Strategic Plan on our website. The 2022-2026 Strategic Plan Executive Summary was posted on our website and on our Powerlines blog. The stakeholder presentation was posted on the website. The executive summary and a sample stakeholder presentation are included at the end of the outreach summary for your reference.

Employee Outreach

In addition to the public outreach, City Light leadership presented information about the 2022-2026 Strategic Plan to City Light managers and supervisors and to the City Light Race & Social Justice Initiative (RSJI) Change Team. Employees were invited to attend the virtual town hall on April 15. A Strategic Plan update was shared with employees in the Network Newsletter and on the SCL Hub (City Light's internal employee website).

On March 11, 2022, City Light leadership published messaging on the utility's internal website about the 2023-2028 Strategic Plan. The post offered all employees the opportunity to share comments regarding the current plan as well as areas of focus that they believe should be reflected in the next plan. This input was recorded using a Microsoft Forms survey, where questions were structured around the plan's five Business Strategies and corresponding

Projects, Initiatives, and Activities (PIAs). Employees emphasized electrification as a critical topic they want to see throughout various PIAs, as well as ensuring support for customers in the electrification process. Responses also highlighted the need for meaningful, two-way communication between City Light and customers.

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 both the 2019-2024 and 2022-2026 Strategic Plans 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. Efforts are underway to modernize and improve the customer journey by making the Utility Discount Program more accessible and the City of Seattle launched the new Utility Services Website in May 2020. Seattle City Light and Seattle Public Utilities (SPU) continue to add new features to the Utility Services Website to enhance self-serve options and the overall customer service experience.

City Light continues to work to provide customers with more options. In 2022, City Light, SPU, the Human Services Department, and Seattle IT will be launching a new Utility Assistance Programs online application process. This online application will provide access to City Light and SPU emergency assistance programs for residential customers. The online, automated system is intended to provide a single, streamlined process for all customer assistance programs. This is one way we can continue to improve the customer experience.

Stakeholder Meetings and Virtual Town Hall

Summary of Meetings

Date	Stakeholder Group	Key Questions/Comments	Number of Attendees
3/18/2021	City Light Environmental Advisory Board	• City Light should work to be more agile and roll out new programs more quickly • Questions about rate design	12
3/30/2021	Environmental Justice Committee members, Office of Sustainability and Environment staff	• We need to think about affordability beyond just "energy burden" • Need more support for those who don't qualify for "low income" programs but who still need assistance • City Light needs to connect with work already being done at the community level • Need more support for assistance program applications • Align with other City departments to better serve the community • Need meaningful mitigations for impacts on environmental justice communities	6
4/5/2021	Seattle Renters' Commission	• Would like City Light to consider a warning period before rates increase • Provide more information around rate structure • Consider changing our schedule so that rate increases in January aren't occurring during the middle of "peak energy use season" • Make sure our projects to benefit the community don't just benefit wealthy residents	9
4/6/2021	Franchise Cities	• Interest in electrification of infrastructure—EV charging stations, facilities, proactively planning for future needs • Better coordination on multigovernmental projects and CIP projects • Support infrastructure improvements that will improve power quality and future development in their city	7
4/8/2021	NW Energy Coalition	• Interested in how advanced meters can improve the customer experience • How do we encourage energy efficiency and manage loads at the same time? • As we move to more time-of-day (TOD) pricing, how does that affect those who cannot shift their usage? • Very supportive of electrification; NWEC would like to see City Light be a leader in this area	19

Date	Stakeholder Group	Key Questions/Comments	Number of Attendees
4/12/2021	Seattle 2030 District, Business Owners and Management Association (BOMA)	• Interest in speeding up the implementation of new energy efficiency incentives for businesses and being involved in development/decision-making process • Electrification is not necessarily a positive word for BOMA due to the challenges of modifying existing buildings • Concerns about electrification happening too fast without enough homework being done • Want to see commercial real estate represented more in our outreach efforts • Glad to hear about efforts to control debt and ensure financial health	5
4/15/2021	Staff from Multi-Service Center and Hopelink	• Want information in the plan around resuming shutoffs for non-payment; want to be kept in the loop so they can be prepared to serve customers • Would like greater freedom of information around customer data so they can better reach all eligible customers for assistance programs • Looking forward to ongoing opportunities to partner with City Light	27
4/15/2021	Virtual Town Hall (open to the public)	• Questions around re-training workforce to work on electrification in the coming years so that current employees aren't left behind • How do we ensure that we are building a diverse workforce? What does success in this area look like? • Interest in ensuring those who have been traditionally underserved are part of our future plans • Interest in incentives around building electrification, advocating for building electrification	16
4/29/2021	Key Customers	• High level of interest in incentives to electrify existing buildings • Questions and concerns about grid stability and ability to handle the increased load resulting from electrification • Want increased access to their energy use data • Asked about opportunities to partner with City Light on mutually beneficial projects • Support infrastructure improvements that will improve power quality	65
		Total Attendees	**166**

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.

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. This strategy is reflected in the lower five-year rate trajectory included in the plan.

Conclusion and Next Steps

Our outreach efforts have informed the development of the 2023-2028 Strategic Plan Update. Over the next six years, we will continue the conversations that we have started with community-based organizations, stakeholder groups, and customers. Some of the business strategies and programs identified in the 2023-2028 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 2022 and beyond.

Attachment 2

Seattle City Light Review Panel
c/o L. Barreca, Seattle City Light
P.O. Box 32023 Seattle, WA 98124-4023
CLRP@seattle.gov

May 3, 2022

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 2023-2028 Seattle City Light Strategic Plan Update

Dear Mayor Harrell:

This letter presents our comments on the proposed Seattle City Light (City Light) Strategic Plan Update for 2023-2028 (the Plan) in fulfillment of our duties as members of the City Light Review Panel set forth in Ordinance 124740.

We are pleased to endorse the Plan and support its adoption as presented. It has been less than one year since submittal of the prior strategic plan covering five years 2022-2026 (2022 Plan). This Plan puts us back on the 6-year planning trajectory originally established for City Light's strategic plans. Since last May, we observe that City Light has made good progress towards the objectives outlined in the 2022 Plan, adapting to meet the challenging times in which we find ourselves.

Challenges of the Current Environment

In our letter submitted last May endorsing the 2022 Plan, we were still in the throes of the COVID pandemic and unsure of the future. While the worst of the public health crisis appears to be behind us, we are now experiencing other impacts of the pandemic that are deeply challenging for both City Light and our local economy. Three key challenges in this new "Post COVID Reality" must be acknowledged. At the top of the list is inflation, the highest in 40 years, impacting all costs of doing business in both government and the private sector. Second, it is a very difficult environment for hiring. City Light has a 16% vacancy rate. Third, supply chain disruptions worldwide are impacting City Light's ability to complete capital projects on time and on budget.

In the face of these challenges, we are impressed that City Light's near-term upward adjustments in the proposed rate path are relatively minor. We support the proposed rate path while acknowledging we will need to watch the situation carefully. It is a very challenging time to project rates given current financial and other risks. If the inflation, hiring, or supply chain issues worsen, we need to be ready to consider changes to the Plan. We commend City Light for continuing to successfully operate through the challenges of the last two years, and now transition the workforce back to the office.

Our comments below provide some additional input on the Plan's five "Business Strategies." These comments are not prioritized and are presented in the order in which the Business Strategies are presented in the Plan.

Business Strategy: Improve the Customer Experience

- Race and Social Justice. The Panel is impressed with the race and social justice work that the Utility is doing, most recently around the budget. This work impacts all aspects of City Light's operations. We will continue to monitor progress here.

- Growing Accounts Receivable Balance. This continues to be a challenge for the Utility. We appreciate the customer-focused changes in City Light's approach to engaging with customers who are in arrears. We are interested in seeing a target Key Performance Indicator (KPI) that reflects the Utility's commitment and represents progress; and the Panel is interested in monitoring status and performance here on a periodic basis.

Business Strategy: Create our Energy Future

- Helping Customers Meet Our Climate Goals. Seattle has adopted aggressive goals to de-carbonize and City Light is central to that effort. But the transition away from carbon fuels depends on customers being able to find, and afford, electric furnaces, heat pumps, electric vehicles, and the like. We support City Light's efforts to explore ways to help customers make the transitions called for by City policies. Further expansion of these efforts is likely needed, including strong regional efforts, grant or loan programs, furthering electrification action plans, and exploring further opportunities with commercial customers as well.

Business Strategy: Develop Workforce and Organizational Agility

- Vacancies. The "great resignation" has impacted City Light's ability to fill positions. We will track the Utility's efforts to adjust hiring and recruiting practices to address this challenge, including efforts to train and develop existing employees for new opportunities. The vacancy rate has grown to higher levels, reflecting the realities felt across the city. Given this key risk, the Panel wishes to monitor associated KPI's and track these efforts and performance. This strategic plan period involves significant transitions, challenges, and change. SCL has initiated a major change management process to adapt to the future of work. We are monitoring progress of this initiative and will continue to review related action plans as they are implemented.

Business Strategy: Ensure Financial Health and Affordability

- Financial Transparency. The Panel appreciates the briefings we regularly receive on financial issues facing City Light—the financial policies, rate path challenges and rate design. Debt service coverage and cash financing ratios for City Light's capital improvement program are important indicators of the Utility's financial health. While the Utility appears to be on track from a policy and projection standpoint, extra mitigation efforts may be required as the full impacts of inflation, supply chain disruption, unplanned emergencies, outstanding receivables, energy supply costs, capital project delivery, vacancy rate, and other operational factors unfold. The Panel realizes there are significant risks to manage and mitigate; that there are tradeoffs that will inevitably need to be made as budget, CIP and financial projections are revised; and that the current assumptions will ultimately be modified, based on actual performance during the Plan period. It is a major priority of the Panel to closely monitor financial performance and to give input to SCL and the City in support of responsible policies, strategies and decision-making as these adjustments are made. We also look forward to the Utility developing, in the coming year, a long-term debt strategy which ensures a sustainable and robust path for debt load given the unpredictability in load growth, borrowing costs and capital investment.

- Keeping Electric Service Affordable. As noted above, the changes to the proposed rate path are modest given the projected inflation and the uncertainties ahead. Affordability and modest increases will also depend on our revenue growth.

- Rate Design. Our letter accompanying the 2022 Plan noted City Light's outdated rate structure under-recovers fixed per customer costs and lacks time of use rates that would benefit customers seeking to control their bills. Implementation of a new rate design has been delayed because of COVID. We are hopeful that the City will approve new rate design for City Light and implement that beginning 2024.

Business Strategy: We Power (maintaining core utility functions)

- We embrace the focus on maintaining core utility functions. One area of potential concern is the need to optimally maintain, replace and upgrade the utility assets and infrastructure. The Panel will want to periodically review the dashboards and KPI's that the Utility has developed, along with performance against targets, and give recommendations as the associated budget years evolve. In addition, we support the environmental stewardship goals of the City and Utility and will be monitoring programs to help assure goals and implementation plans are realized.

Conclusion

City Light has been successful in charting a course through the pandemic thus far, and we commend them for this. New challenges of inflation, hiring difficulties, supply chain interruptions, and others are very daunting. City Light must balance financial necessity with continuing to make progress on the Plan's identified initiatives and investments in infrastructure. The Utility has had to re-prioritize to stay within the proposed rate path, and further re-prioritization may well be needed. The Plan acknowledges these challenges, and we believe the Utility under its current leadership is well positioned to address them.

Again this year, we thank CEO Debra Smith, her staff 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. It is a pleasure to work with such dedicated, excellent public servants.

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[1]

Mikel Hansen Panel Chair Panel Position #5 Commercial Customer Representative	**Anne Ayre** Panel Position #6 Industrial Customer Representative	**Scott Haskins** Panel Position #2 Utility Financial Analyst
Leo Lam Panel Position #4 Residential Customer	**Kerry Meade** Panel Position #3 Non-Profit Energy Efficiency Advocate	Michelle Mitchell-Brannon **Michelle Mitchell-Brannon** Panel Position #7 Low Income Customer Advocate
Joel Paisner Panel Position #9 Suburban Franchise Customer Representative	**John Putz** Panel Position #8 At-Large Customer	**Tim Skeel** Panel Position #1 Economist

[1] We sign this letter in our individual capacities, not as representatives of our employers.

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact/Phone:	CBO Contact/Phone:
Seattle City Light	Leigh Barreca 4-5072	Greg Shiring 6-4085

** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: A RESOLUTION related to the City Light Department, ; adopting a 2023-2028 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 2023-2028 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 2023-2024 proposed budget and rates accordingly.

2023	2024	2025	2026	2027	2028	Average
4.5%	4.5%	3.0%	3.0%	3.0%	3.0%	3.5%

2. CAPITAL IMPROVEMENT PROGRAM

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

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes _X_ No

Does the legislation have other financial impacts to The City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?
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.

Are there financial costs or other impacts of *not* implementing the legislation?
No, not directly.

4. OTHER IMPLICATIONS

a. Does this legislation affect any departments besides the originating department?
No

b. Is a public hearing required for this legislation?
No

c. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?
No

d. Does this legislation affect a piece of property?
No

e. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?
City Light takes its lead from the City-wide Race 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. 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.

f. Climate Change Implications

1. **Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?**
   Not directly, but the Strategic Plan does include programs such as building and transportation electrification that would impact/decrease carbon emissions.

2. **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 and grid modernization that would impact climate resiliency.

g. 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)?
This legislation does not include any specific new initiative or programmatic expansion.

Summary Attachments:

June 14, 2022

M E M O R A N D U M

To:	Economic Development, Technology and City Light Committee
From:	Eric McConaghy, Analyst
Subject:	Resolution 32056: Seattle City Light Strategic Plan 2023–2028

On June 22, 2022, the Economic Development, Technology and City Light Committee (Committee) will discuss and possibly vote on a recommendation to Council regarding Resolution (RES) 32056. RES 32056 would adopt the proposed 2023-2028 Strategic Plan (Plan) for the City Light Department (City Light) and endorse the associated rate path resulting in an average annual increase in City Light electricity rates of 3.5 percent over the next six years.

Key take-aways:

- The City Light Review Panel has recommended adoption of the proposed Plan and endorsement of the rate path;
- City Light proposes increases in rates in 2023 and 2024 to cope with the significant rise in the rate of inflation since 2020; and
- The average rate increases for 2023 and 2024 in the proposed rate path[1], if applied to a consistent level of energy consumption, are estimated to increase typical bills as follows in each year:
  - Residential – $4 per month
  - Residential in Utility Discount Program (UDP) – $1.50 per month
  - Small Business – about $21.50 per month each year

This memorandum provides relevant background information and highlights key aspects of the proposed Plan, the rate path, and the City Light Review Panel's recommendation.

Background

City Light's proposed Plan identifies and describes the collection of strategies the utility will pursue to deliver electricity services to its customers (rate payers). The cost to execute the strategies for a future year is known as the revenue requirement for that year. The average rate for any year is the forecasted revenue requirement divided by the forecasted retail sales. The year-by-year sequence of average rates for the period of the Plan is known as the rate path. The average of the yearly rates is the average for the path overall.

[1] The actual rates for different classes of customers will vary from the average rate based on cost of service and rate design.

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 City Light Review Panel (Review Panel) is charged with representing City Light ratepayers and with reviewing and assessing City Light's strategic plans (Ordinance (ORD) 123256).

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 for all classes of customers later in the same year. City Light prepares its budget based on the codified rates. The timing of Council's expected decision on the proposed Plan and rate path resolution in early summer sets up subsequent consideration of the Executive's proposal for 2023 and 2024 rates later this summer before the Council begins budget deliberations.

City Light will seek the Mayor's approval before the Executive transmits a rate bill to Council. If approved, the anticipated ordinance will change the retail rates for all types of customers identified in Seattle Municipal Code (SMC) 21.49.

The widespread disruption of the pandemic in 2020 interrupted the expected update of City Light's Strategic Plan and rate path. In recognition of the economic stresses due to the COVID-19 pandemic, the Executive did not transmit - and Council did not take up - rate setting legislation during 2020. In 2021, Council approved rates for 2021 and 2022 via ORD 126302, the 2021 rates were effective April 1, 2021. Differing from the regular practice, City Light proposed and the Council adopted a *five-year* Strategic Plan for 2022-2026 via RES 32007 *after* Council approved ORD 126302.

Now, in 2022, City Light has proposed a 2023-2028 Strategic Plan to Council, thereby restarting the normal, two-year cycle of strategic planning, rate path determination, and rate change adoption. Because only one year has passed since the adoption of the previous plan, City Light characterizes the 2023-2028 Plan as an update rather than a wholly new plan.

Summary

2023-2028 Proposed Strategic Plan

A. Strategies

   City Light has organized the utility's activities described in the Plan under five, named business strategies. The table below list the strategies with some example activities selected from the Plan for illustration.

Strategy	Examples
Improve the Customer Experience	• Utility assistance programs • Billing processes and customer support • New service connections • Expanding renewable energy and energy efficiency options
Create Our Energy Future	• Competing for state and federal infrastructure grants • Updating the electric grid • Building and transportation electrification • Integrating grid and generation planning • Coordination of the energy market across the western US (Western energy market)
Develop Workforce and Organizational Agility	• Helping employees prepare and adapt to changing jobs, business processes and technology • Remodeling workspaces for hybrid work • Recruiting a more diverse pool of job applicants • Improving employee development and training • Emphasizing accountability and outcomes of work • Implementing better utility technology
Ensure Financial Health and Affordability	• Improving fiscal management • Implementing time-of-day rate option for retail customers • Expanded bill repayment options • Expanded financial assistance
We Power	• Performance monitoring • Skagit River Hydroelectric Project relicensing • Prioritizing investment in core infrastructure • New technology • Grid modernization • Design and plan for better customer service

The “We Power” strategy gathers together activities also found in other strategies “to provide (City Light’s) customers with affordable, reliable, and environmentally responsible energy services.”

B. Initiatives

City Light also spotlights four initiatives separately in the Plan.

Market Development

This initiative encompasses City Light’s participation in the Western Energy Imbalance Market, Western Resource Adequacy Program, and the West Markets Group. Each is distinct but they share the traits of seeking market solutions to make improvements in the power grid connecting energy generation with demand across the Western US and Canada. Intended outcomes include improved market efficiencies (better prices for available power for both producer and purchaser), using diverse resources (e.g., solar, wind, and hydropower), reducing carbon emissions, and increasing the reliability of electricity delivered across long distances on a complicated and extensive power grid. The last is especially significant in the face of expectations of worsening weather conditions and other threats to the grid, like wildfire, due to climate change.

Skagit Relicensing

This initiative refers to City Light's efforts to secure the renewal of the federal operating license for its generation facilities on the Skagit River. The Skagit River Hydroelectric Project (Project) is comprised of three dams: Gorge, Diablo, and Ross. The Project generates enough power to meet 20 percent of City Light's load (demand for electricity). City Light emphasizes that this power is carbon-free.

The Federal Energy Regulatory Commission is the licensing agency. City Light is in the midst of a multi-year relicensing process involving 38 partner organizations and consulting parties—including federal and state agencies, Indian tribes, and nongovernmental organizations. The Plan indicates that the utility has multiple studies underway to inform the actions necessary under the new license to protect cultural, environmental, and recreational resources of the Skagit River watershed. City Light is working to secure the new 30- to 50-year license before the current license, from 1995, expires in 2025.

Electrification Strategy

This initiative encompasses City Light's electrification strategy. City Light plans to continue to install public charging stations for electric vehicles and to work with other agencies, like King County Metro Transit, to electrify fleets. For example, City Light partnered with Metro to open the Metro Transit South Base charging facility for Metro's new fleet of all-electric buses in March 2022. The Plan also emphasizes that "electrification of transportation and buildings is key to reducing carbon emissions..."

Critical Infrastructure

The Plan emphasizes City Light's prioritization of critical infrastructure such as substations, transformers, and utility poles. City Light is accelerating the rate of replacement of below-standard poles in 2022 and in following years.

C. Affordability

Additionally, City Light dedicated another separate section to addressing customer billing with the slogan "affordable and stable." With regard to affordability, City Light's message is that customer rates will grow during the time period of the Plan in parallel with, but less than, the rate of inflation. The Plan explains that the inflation in the cost of materials is a "driving factor" for rate increases and that the cost to replace stolen materials like copper and steel "compounds cost pressures."

The Plan points out that City Light continued to provide electricity to customers who could not pay their bills due to the pandemic. Also, it states that City Light is restarting "collection practices." This means shutting off power for unpaid bills after attempting to get customers with unpaid bills to avail themselves of assistance and payment plans. The Plan briefly touches on the fact that City Light must set rates to accommodate funding for the income-based Utility Discount Program, emergency bill repayment, and outreach to historically excluded communities.

Prior Council Actions

In May, the City approved three ordinances to help Seattle Public Utilities (SPU) and City Light customers who are having trouble in paying their utility bills due the effects of the pandemic. Each bill extended the availability of forms of financial assistance to SPU and City Light customers past current legislated deadlines. The City has approved extensions of these types of financial assistance several times previously since the originating legislation.

ORD 126583 continued the suspension of interest charges on delinquent utility bill balances through June 30, 2023, for residential customers, non-profit customers, and commercial customers with annual receipts of less than $5 million.

ORD 126584 and ORD 126585 extended the availability of expanded emergency assistance to income-qualifying households without minor children for SCL and SPU respectively until December 31, 2023. Prior to the passage of the originating legislation for this assistance[2], qualifying households with minor children were eligible for two emergency credits to their utility accounts per calendar year while qualifying households without minor children were eligible for one credit per calendar year. These two pieces of legislation allowed two emergency credits per year to households without minor children.

Unpaid Bills

The Plan quantifies the scale of unpaid bills by stating that 40,000 residential and business customers have unpaid bills, and that the dollar amount of unpaid bills is nearly $40 million. In addition to the programs mentioned above, City Light and SPU have applied through the Washington State Department of Commerce (Commerce) for a portion of the $100 million in grant funding available from the Washington Arrears Fund with expected checks to the utilities in late summer. The utilities expect additional guidance from Commerce on how the grants funds must be applied to unpaid bills, but prioritization will likely be to pay all Low-Income Home Energy Assistance Program (LIHEAP), all Low Income Home Water Assistance Program (LIHWAP)[3], and low-income customer arrearages first, then move on to oldest arrearages for other customers.

Six-year Rate Path

Average rates are derived by dividing the forecasted revenue requirement by forecasted retail sales. Average rates are not billed rates. City Light will translate them from representations of average impact on customers' bills to actual rates and bring them to Council for consideration later this summer in the expected rate ordinance.

[2] Ordinance 126317 and Ordinance 126318

[3] In Seattle, Byrd Barr administers LIHEAP and LIHWAP

On average, City forecasts that the revenue requirement will increase by approximately 3.8 percent ($40 million) per year and that retail sales will increase by 0.3 percent from 2023 to 2028. The cumulative increases in the components of City Light's revenue requirements from 2022 to 2028 ranked from greatest to lowest are:

- Debt service coverage - $91.2 million
- Operations and Maintenance - $72.9 million
- Power Cost, Net - $62.2 million
- Other costs - $9.8 million

City Light projects retail sales to be flat over the planning horizon with potential increases in power sales with uptake in electrification of buildings and transportation around 2030.

As mentioned in the key take-aways above, City Light is proposing average rates for 2023 and 2024 that are greater those for the corresponding years in the adopted 2022-2026 rate path. City Light projected the future revenue requirements for the years of the Plan, in general, by inflating City Light's 2022 costs.

City Light developed the average rate for 2023 by including inflationary costs from 2021 and 2022 that were not included in City Light's operations and maintenance (O&M) budget for those years in addition to the inflationary adjustment from 2022 to 2023. However, City Light makes plain that the annual increases of the proposed rate path fall short of anticipated inflation in costs.

Moreover, the estimates for inflation in 2022 are growing as City Light proposes the rate path. While this is of concern, it is not a phenomenon unique to City Light's budget and, as with other City departments, Council may wish to closely track City Light's budget as we move through uncertain economic times.

For 2024, primary drivers for the increased rate include inflation, actual O&M program growth, and the costs of new, renewable power resources.

The proposed rate path would increase the average annual rate change for years 2023 and 2024 by 0.7 percent for each year compared to the rate path endorsed via RES 32007 in 2021. The table below compares the adopted rate path to the proposed.

Rate Path	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**path average**
Adopted 2022-2026	3.9	**3.8**	**3.8**	3.0	3.0	n/a	n/a	3.5
Proposed 2023-2028	**n/a**	**4.5**	**4.5**	3.0	3.0	3.0	3.0	3.5

City Light Review Panel Recommendations

In their letter to the Mayor dated May 3 (Attachment 2 to RES 32056) the Review Panel endorsed the proposed Plan and supported its adoption as presented. The Review Panel stated that they "are impressed that City Light's near-term upward adjustments in the proposed 2023-2028 rate path are relatively minor" given the cost pressures City Light must address.

Next Steps

If the Committee votes to recommend adoption of RES 32056 on June 22, then Council could vote on the resolution as soon as June 28. If the Committee does not vote on June 22, then the Committee may continue discussion on this topic on July 13 with a Committee vote and Council action following.

cc: Esther Handy, Director
Aly Pennucci, Deputy Director
Brian Goodnight, Lead Analyst

Seattle City Light Strategic Plan 2023-2028

Economic Development, Technology & City Light Committee Briefing

June 22, 2022

Seattle City Light

2023-2028 Strategic Plan Proposed Council Review

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

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

What is the City Light Strategic Plan?

- Strategic Plan
  - Process established by Council Ordinance in 2010
  - Six-year view of priorities, initiatives, and measures
  - Six-year rate path, foundation for biennial budget and retail rates
- City Light Review Panel
  - Provides input on Strategic Plan & Rate Design
  - Represent various customer groups and areas of expertise
  - Nine volunteer panel members
    - Five members appointed by the Mayor
    - Four members nominated by City Council
    - Staggered three-year terms

2012 — 2013-2018 Strategic Plan

2014 — 2015-2020 Strategic Plan *Update*

2016 — 2017-2022 Strategic Plan *Update*

2018 — 2019-2024 Strategic Plan

2021 — 2022–2026* Strategic Plan

2022 — 2023–2028 Strategic Plan *Update*

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

Guiding our Path – City Light Mission, Vision & Values

Mission

Seattle City Light provides our customers with affordable, reliable and environmentally responsible energy services.

Vision

Create a shared energy future by partnering with our customers to meet their energy needs in whatever way they choose.

Values

- **Customers First**
- **Environmental Stewardship**
- **Equitable Community Connections**
- **Operational and Financial Excellence**
- **Safe and Engaged Employees**

Focusing on our Community's Values

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

Commitment to Diversity, Equity & Inclusion

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

From Pandemic to Progress: City Light Success

- Delivering power in extreme weather
- Creating shelter for unhoused neighbors
- Earning a place on the Smart Electric Power Alliance clean energy leaderboard
- Greening up our community
- Expanding access to electric vehicle and transit charging

2023 – 2028
Strategic Plan Update

Seattle City Light

Strategic Plan Business Strategies

- Improve the Customer Experience
- Create our Energy Future
- Develop Workforce and Organizational Agility
- Ensure Financial Stewardship and Affordability
- We Power

Improve the Customer Experience

Objective:

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

Projects, Initiatives and Activities:

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

Create our Energy Future

Objective:

Build and maintain smart, resilient, flexible, dynamic and reliable grid infrastructure; prepare for increased integration of distributed energy resources and increased customer options and; work to reverse historical inequity and avoid collateral harm to underserved populations by intentionally prioritizing their needs as we create our energy future.

Projects, Initiatives and Activities:

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

Develop Workforce and Organizational Agility

Objective:

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

Projects, Initiatives and Activities:

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

Ensure Financial Stewardship and Affordability

Objective:

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

Projects, Initiatives and Activities:

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

We Power

Objective:

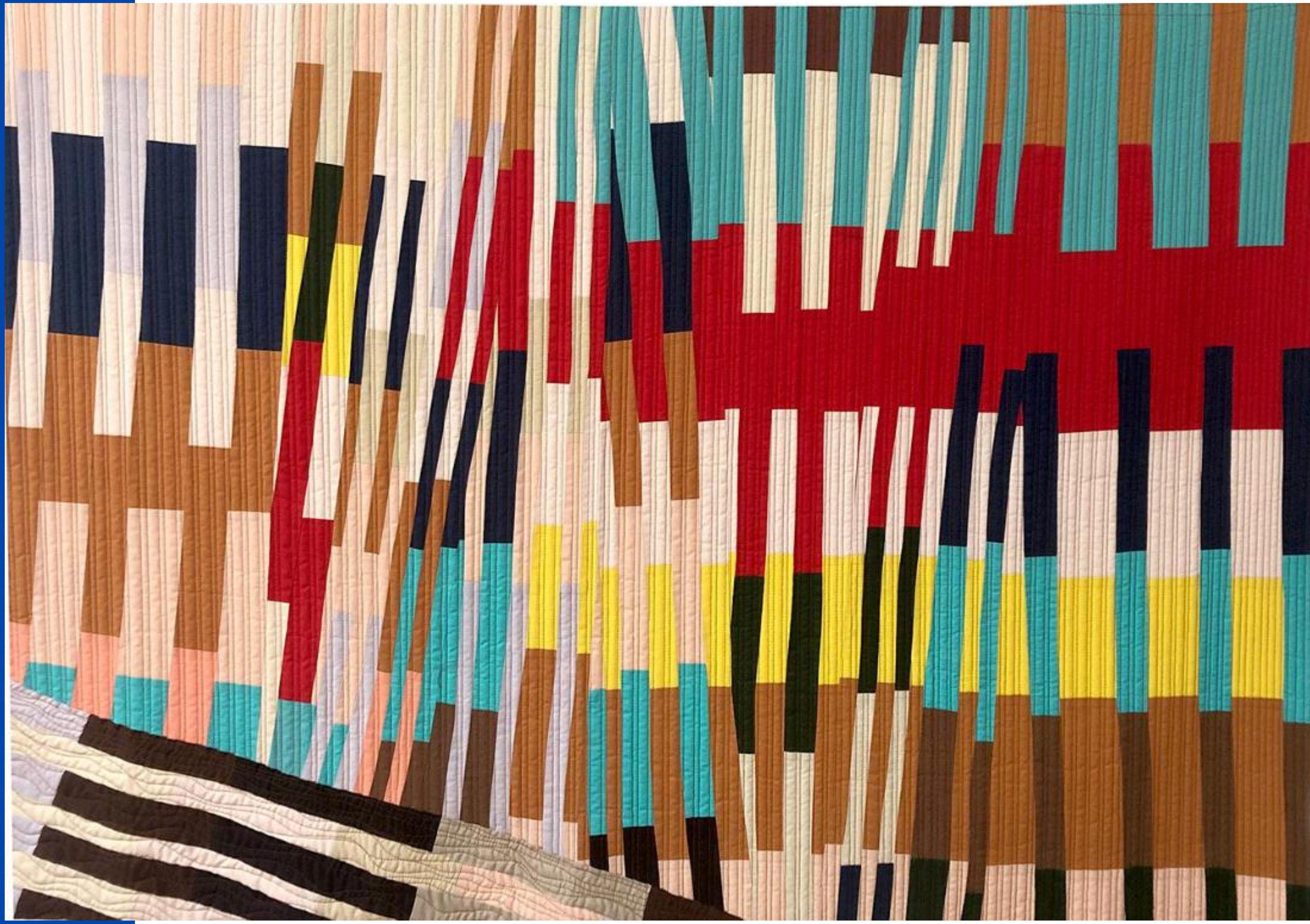
"We Power" refers to our core mission as a utility—to provide our customers with affordable, reliable, and environmentally-responsible energy services. This is central to all we do, and our organizational values describe the way employees deliver on that core purpose.

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

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

Retail Rates

Seattle City Light



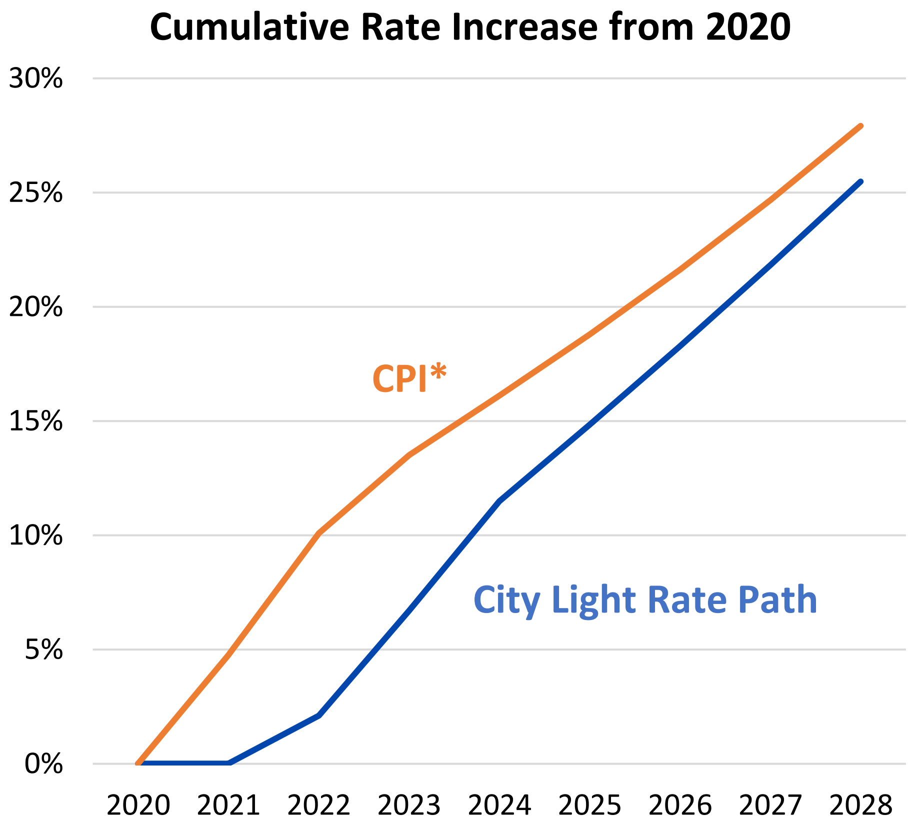
Artist: Shawn Parks
“Good Morning” 20

Strategic Plan Rate Path

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

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

Higher due to high inflation



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

Sample Customer Bill Impacts

Impact on monthly bill

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

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

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

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

Bill Payment Support

For Income Eligible Customers

1. **Utility Discount Program** – Ongoing 60% bill discount

2. **Emergency Bill Assistance Program** – Up to $1,000 annual credit for all households extended through 2023
   CB 120328 passed 5/24/2022

3. **Federal LIHEAP** – Up to $1,000 annual for heating expenses

4. NEW! **Washington State Arrears Funding** - One-time funding for customer debt accrued during COVID

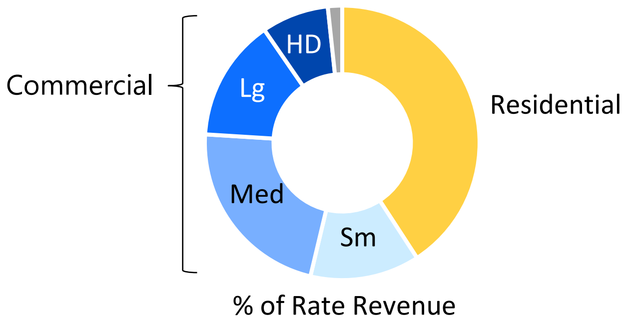
For All Customers

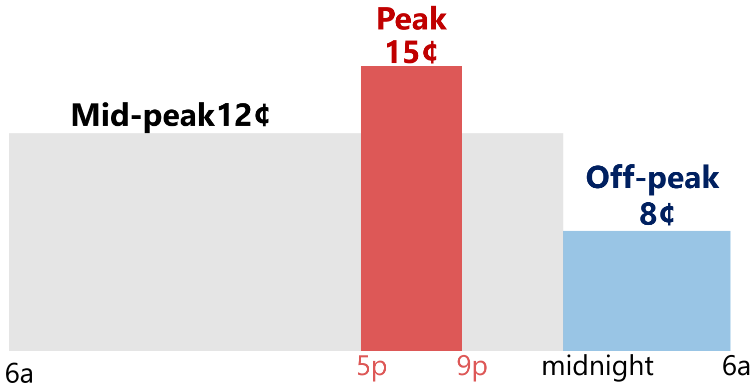
1. **Expanded repayment options -** flexibility for customers behind on their bills
   - NEW! Long-term Payment Plan option - up to 3 years for residential, 2 years for most commercial
   - Short-term Payment Plan - up to 60 days to repay, choose repayment frequency

2. **Late fee waiver** extended to June 30, 2023 CB 120327 passed 5/24/2022

What’s Next: Full Rate Ordinance Later This Summer

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





** Commissioned by Council Resolution 31819, see Clerk File 321222*

Q&A

“Salmon Spawning” Maynard Jr. Johnny, 2008

QUESTIONS AND COMMENTS?

Thank you!

Seattle City Light

SUPPLEMENTAL SLIDES

2023 and 2024 Rates

Currently Under Development

- Few specifics available

Last Full Cost of Service Study was in 2018

- Distribution Costs and Customer Costs Increasing More than Energy Costs

New Rate Design Elements:

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

Current (2022) General Service Rates

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

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

City Light Rates 101: Three Steps

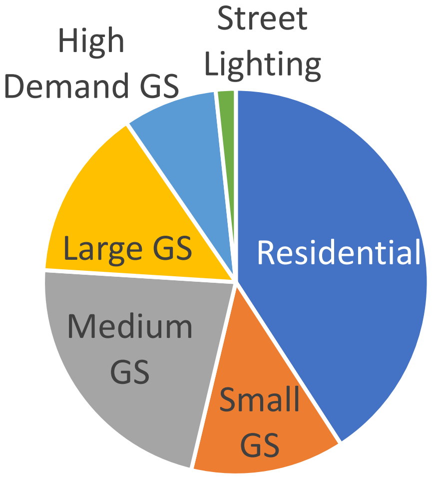
1. Revenue

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

+ Operating Expenses
- Other Revenue Sources
+ Debt Service
+ <u>Capital Funding from Operations</u>
= Revenue Requirement

2. Cost of Service

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



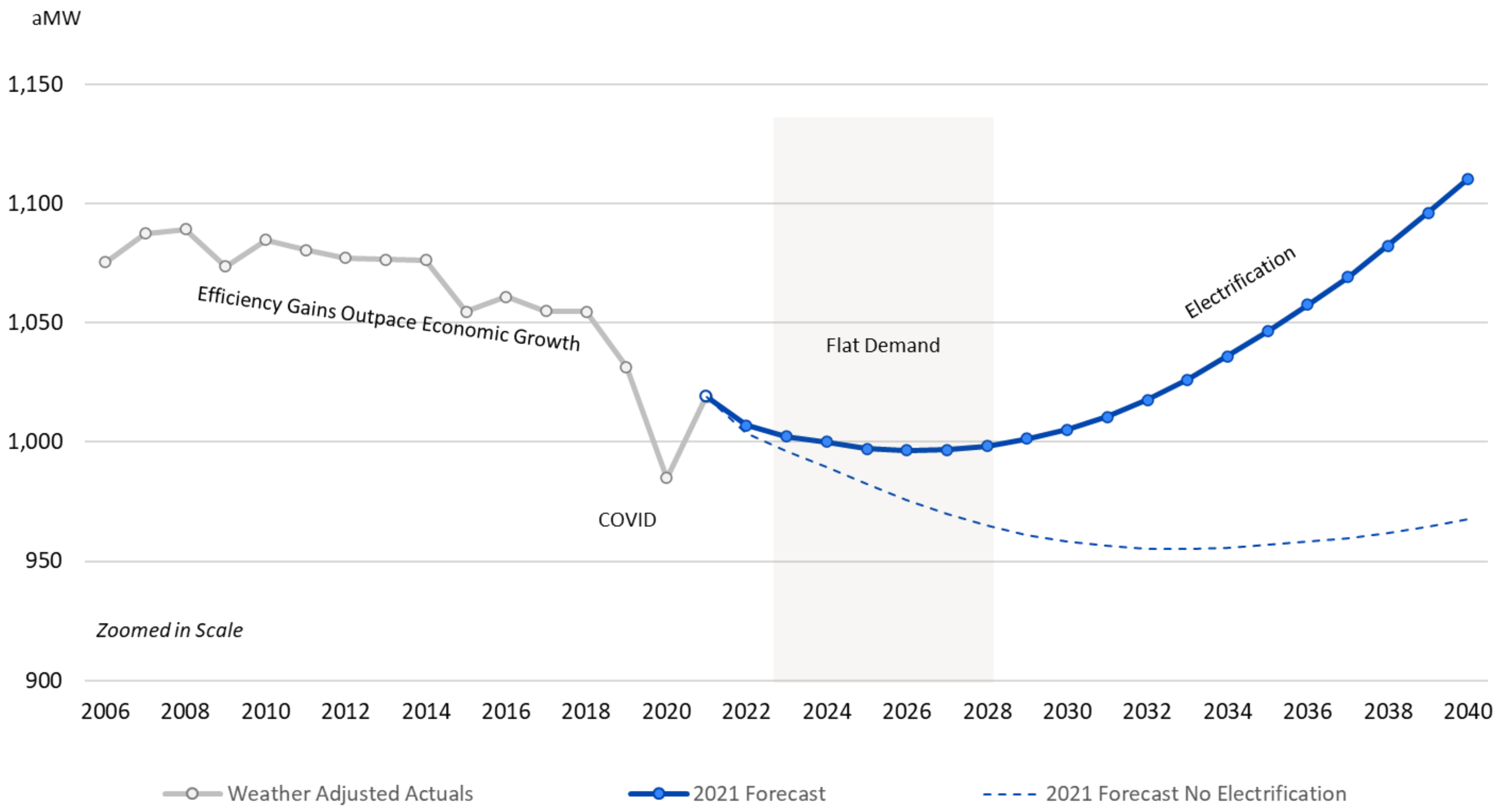
% of Total Revenue Requirement
GS = General Service (non-residential)

3. Rate Design

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

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

Retail Sales Forecast



Cost Drivers