



Legislation Details (With Text)

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**Final Action:**    **Ord. No.**

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

**Sponsors:** Teresa Mosqueda

**Indexes:**

**Attachments:** 1. Att A - Seattle City Light 2019-2024 Strategic Plan, 2. Att B - Appendix 1- 2019-2024 Strategic Plan Financial Forecast, 3. Att C - Appendix 2 - Summary of Customer and Stakeholder Outreach, 4. Att D - Appendix 3 - Review Panel Recommendations on 2019-2024 City Light Strategic Plan, 5. Att E – June 26, 2018, Review Panel letter, 6. Att F – July 24, 2017, Coalition Letter, 7. Summary and Fiscal Note, 8. Proposed Substitute (added 6/28/18), 9. SCL AMI Project Budget Transfer Request (added 6/28/18), 10. Proposed Substitute (added; 7/10/18), 11. Proposed Amendment (added; 7/10/18), 12. Signed Resolution 31819, 13. Affidavit of Publication

| Date      | Ver. | Action By  | Action                             | Result |
|-----------|------|--|------------------------------------|--------|
| 7/20/2018 | 3    | City Clerk   | attested by City Clerk             |        |
| 7/20/2018 | 3    | Mayor  | returned                           |        |
| 7/20/2018 | 3    | Mayor  | Signed                             |        |
| 7/12/2018 | 3    | City Clerk   | submitted for Mayor's signature    |        |
| 7/9/2018  | 2    | City Council   | adopted as amended                 | Pass   |
| 6/28/2018 | 1    | Select Committee on the 2018 Seattle City Light Strategic Plan | adopt as amended                   | Pass   |
| 6/14/2018 | 1    | Select Committee on the 2018 Seattle City Light Strategic Plan | discussed                          |        |
| 6/11/2018 | 1    | City Council   | referred                           |        |
| 6/7/2018  | 1    | Council President's Office                                     | sent for review                    |        |
| 6/6/2018  | 1    | City Clerk   | sent for review                    |        |
| 6/6/2018  | 1    | Mayor  | Mayor's leg transmitted to Council |        |

CITY OF SEATTLE

RESOLUTION \_\_\_\_\_

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

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

initiated the strategic planning process in 2010 to provide more transparency and accountability for

decision-making within City Light; and

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

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

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

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

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

WHEREAS, The financial policies and forecast methods behind the rate path established by the 2019-2024 Strategic Plan, should be periodically reviewed consistent with best practices and prudent financial management; and

WHEREAS, Resolution 31678 signaled the Council's interest in working with City Light to establish new strategies and approaches to hiring the next generation of skilled workers, attracting and retaining a highly skilled workforce that reflects the diversity of our community furthering the City of Seattle's commitment to Workforce Equity, increasing outreach and recruitment within communities of color and historically marginalized groups and developed partnerships with pre-apprenticeship programs

identified in the City's Project Hire program; and

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

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

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

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

WHEREAS, Ordinance 123256 established the City Light Review Panel ("Review Panel") to represent City Light ratepayers and requires the Review Panel to review and assess City Light's strategic plans; and

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

WHEREAS, the Strategic Plan update included extensive customer engagement, 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 Strategic Plan, which includes a six-year rate path, is a package of initiatives and investments to improve customer service, increase rate predictability and affordability, continue City

Light’s commitment to conservation and environmental leadership and invest in infrastructure and workforce to provide a consistent level of service, reliability, and response; and

WHEREAS, the Seattle City Light Review Panel has offered specific action items for consideration to help address core concerns with the proposed rate path, such as deployment of additional staff to address the changing utility industry, undertaking a holistic benchmark effort, considering the changing capital and infrastructure needs, and planning for fiscal savings in its letter dated May 7, 2018 (Exhibit D) and reaffirmed in its letter dated June 27, 2018 (Exhibit E); and

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

WHEREAS, the City of Seattle and Seattle City Light remain committed to addressing affordability, and ensuring greater and equitable access to the Utility Discount Program and other City Light services; 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 the City Light Department’s (City Light) proposed 2019-2024 Strategic Plan (the “Strategic Plan”), a copy of which is attached to this ordinance as Attachment A and incorporated by reference.

Section 2. To achieve the goals of the Strategic Plan, annual rate increases averaging 4.5 percent system-wide per year are anticipated over the period of 2019-2024. The following six-year rate path for City Light rates is endorsed:

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

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

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

Section 5. The City Council requests that the Seattle City Light Review Panel and General Manager make recommendations in consultation with community partners on an updated rate design, which may include, but not be limited to, the following elements: coincident peak/inclining block rate, voluntary time of use, more progressive rate blocks for residential rates, rate blocks for small and medium general service customers, and/or other options to create greater stability, while promoting conservation, distributed energy resources, and revenue stability for City Light. In considering the various approaches, the Review Panel should recognize that significant increases in fixed or flat charges that reduce the commodity price signal are counter to the City's goals of increasing energy efficiency, as well as have disparate financial impacts on low- and moderate-income households, and will be strongly disfavored by City Council as part of a final updated rate design ordinance.

An initial report to the City Council, including examination and review of other rate designs from similarly sized utilities, should be presented no later than January 15, 2019, with final recommendations due by April 1, 2019. Council shall consider implementation of recommendations and legislative action to implement an update to rate design or the Strategic Plan by July 15, 2019. This rate design update shall be conducted in consultation with community partners including, but not limited to, signatories to the July 24, 2017, letter attached as Exhibit F.

Any rate design update option should include information about potential impact on revenue stability for the utility; assumed range and assumed average payment for each rate class, along with difference from existing predictions of the rate path; evaluation of current financial policies and practices, , and comparison with similarly situated utilities, and impacts on revenue requirements and rates; and any additional

considerations that may present themselves during public participation and process when reviewing rate design options.

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

Section 6. City Light will continue to review and update the Strategic Plan at least every two years, adding two years to the Strategic Plan during even-numbered years and re-evaluating the subsequent six-year rate path. City Light shall give at least annual reports on progress of initiatives in the Strategic Plan to the Seattle City Council committee with oversight over City Light. The next review and adjustment of the Strategic Plan will be finalized no later than 2020 and will encompass the years 2021 through 2026. This does not preclude mid-cycle adjustment with implementation of updated rate design.

Section 7. The Council requests that City Light:

1. provide quarterly written reports in 2018 and 2019 to the Seattle City Council Committee having oversight of Seattle City Light on measures and policies that address SCL's employee-to-manager ratio.
2. submit a written report to the Chair of the Seattle City Council committee having oversight of Seattle City Light at the end of each calendar quarter beginning with the fourth quarter 2018. The report should describe steps taken to address or affect the employee to manager ratio.
3. conduct a thorough review of utility business practices identifying changes in operational and project delivery processes, CIP accomplishment rate, and reconsideration of the scope and scale of discretionary programs, that result in at least a 0.1 percentage point decrease to the combined average

annual rate increase described in Section 2. A written report with specific savings and efficiency recommendations shall be sent to the Chair of the Seattle City Council committee having oversight of Seattle City Light for consideration by March 1, 2019.

4. report to the Council on connection charges and calculation methodology to include interest on existing assets, develop an implementation plan for connection charges, and identify potential impacts to rates related to the proposed policy changes. The purpose of the amendment is to improve the uniformity of connection charges and ensure City Light can effectively recover costs related to city-wide development.

Section 8. Amend Attachment A - Seattle City Light 2019-2024 Strategic Plan to substitute the following text for paragraph two on page 11 of the document:

“To continue to deliver good value, we must work to provide our customers with affordable rates and stable bills. We will achieve this through a combination of controlling costs, innovating to capture new sources of revenue, and updating the way we charge for services in general and for customer connections in particular, including exploring the possibility of system development fees.”

Adopted by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2018, and signed by me in open session in authentication of its adoption this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

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

The Mayor concurred the \_\_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_

Jenny A. Durkan, Mayor

Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

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Monica Martinez Simmons, City Clerk

(Seal)

Attachments:

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