

Seattle City Light Review Panel

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May 7, 2026

Mayor Katie Wilson
The City of Seattle
600 Fourth Avenue
P.O. Box 94749
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**RE: City Light Review Panel Comment Letter on Proposed 2027-2032
Seattle City Light Strategic Plan Update**

Dear Mayor Wilson:

This letter presents the City Light Review Panel (Panel) comments on the proposed Seattle City Light (City Light) Strategic Plan Update for 2027-2032 (the Plan). Consistent with Ordinance 124740, the Panel has met monthly to track progress on the 2024 Strategic Plan update and provide input to this current Plan.

The rate path in the Plan is materially higher than has been proposed in the last few Plans. We recognize this is a significant increase for all customers, but we feel that it is supported by City Light's analysis. We endorse the rate path for the next two years as necessary to invest in infrastructure and technology to reliably serve City Light customers. We would expect these investments to translate into measurable improvements in system reliability, service delivery, and customer experience, with clear and transparent communication to customers on progress

In the first section of this letter, we comment on City Light's progress on the strategic priorities of the current plan ("City Light Progress on the Current Plan"). In the second part of this letter, we focus on what is changing for City Light and its customers going forward ("City Light's 2027-2032 Strategic Plan"). We considered these factors carefully before endorsing the new Plan.

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City Light Progress on the Current Plan

City Light moved forward in 2024-2026 achieving many of its objectives, consistent with the strategic priorities and outcomes of its current Plan. Our comments in this section focus on priorities that were raised by the Panel in 2024 for the current Plan and which provide context for our comments on the new Plan.

Improve the Customer Experience

The Panel noted City Light made important progress on its customer objectives. Customer engagement was a key focus for the past two years as City Light worked with the Seattle Department of Neighborhoods to hear directly from customers and engage them in discussion about the utility's priorities. City Light participated in many more community events, met with community-based groups, and developed customer communications in over fifteen languages.

City Light also received high customer satisfaction ratings with the most recent JD Power business customers survey. However, new service connections and their associated timelines and costs continue to present challenges for City Light. While we commend the City Light team for making measurable improvements since 2024, performance still fell short on established service connections targets. The Panel will continue to encourage initiatives to improve responsiveness and reduce costs, while monitoring progress in this area. Addressing these challenges is particularly important to support the City's goals of developing "middle housing" and expanding the supply of affordable housing.

Create Our Energy Future

The Panel has consistently supported City Light's relicensing work and negotiated settlement agreement for the Skagit hydro project, which makes up approximately 20% of the utility's current power supply mix. the largest city-owned resource. While material investment will be required, the estimated per megawatt hour cost is forecasted to be less expensive than alternative options. The settlement was an important milestone after eight years of working with all the parties, and we commend City Light for making the necessary adjustments along the way to secure this settlement. City Light will include the settlement agreement in its Federal Energy Regulatory Commission (FERC) re-licensing filing, which should greatly increase the likelihood of the federal relicensing approval.

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In the past two years, City Light successfully acquired a solar power purchase agreement and entered into a new long-term agreement with the Bonneville Power Administration (BPA). While the cost of the BPA power will be higher in the future, this contract gives City Light access to cost-based power through a contractual "slice" of the Federal Columbia River System's hydro energy at a materially lower cost than what could be procured through alternative sources.

Consistent with its Transportation Electrification Strategic Investment Plan (TESIP), City Light made targeted investments in public charging incentives and expanded the City Light public charging network in neighborhoods where private charging infrastructure was not available.

The Panel supported City Light's 2025-2026 investments in its distribution system. However, system reliability in the radial distribution lines that serve communities outside the downtown network system has deteriorated materially the past two years, to where City Light is in the bottom quartile of system reliability among peer utilities. In Review Panel meetings City Light's management team was very transparent, sharing outage statistics and explaining the lack of investment the past decade has led to deterioration of both underground and overhead infrastructure, which requires major investment to replace. Addressing this underinvestment will continue to be a high priority for the panel. Given the essential nature of reliable electric service, the Panel views sustained improvement in reliability performance, particularly in affected service areas, as a critical outcome of the proposed investments.

City Light has successfully increased energy efficiency measures that reduced demand and is committed to increasing energy efficiency and demand reduction programs by 107 MW by 2035 and another 48 MW by 2045. And City Light worked with City departments to try reducing the barriers to participating in the Utility Discount Program and came close to achieving its target for increased number of participants in 2025.

Ensure Financial Health & Affordability

City Light successfully achieved the financial targets in the current Plan. The Panel still believes that the financial metrics are important to preserve adequate financial liquidity in the event of an emergency and to maintain City Light's strong investment-grade bond rating (which reduces its cost of borrowing and therefore reduces costs for customers).

An important financial policy for City Light is the Reserve Stabilization Account (RSA), which was established in 2010 to address power supply cost risks. The RSA is a reserve

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fund that is drawn down first, before issuing power cost rate increases to customers. Having the RSA helps City Light avoid "rate shocks" due to increased power costs. Rating agencies favorably view City Light's RSA mechanism, which has contributed to City Light maintaining its high credit rating.

City Light leadership demonstrated to the Panel that power demand in Seattle has increased to the point where City Light no longer has surplus power to sell in average years. The Panel also noted that customers have seen the RSA surcharge on their bills since 2022. While taking only one season to draw down the RSA balance, it has taken nearly four years to replenish the account to its current level.

Develop Workforce & Organizational Agility

The recent General Manager successfully led a serious internal investigation to discover unsavory work practices among one team of North center field personnel. We supported her actions to reverse the negative work environment. Additionally, in 2025 she and the management team developed new core values, committing to a more respectful, positive, and engaging culture that we hope will positively impact City Light's workforce.

We Power

City Light continues to comply with city, state, and federal regulations, and promote clean air and greenhouse gas reduction policy. The utility has worked with agencies and the private sector to accommodate the demand for power because of building and transportation electrification.

In 2025, City Light introduced the Large Industrial Curtailment Program, a voluntary demand-response program intended to avoid costly market purchases, benefiting both the utility and customers. But the Panel was disappointed by the delayed implementation of the Time of Use rate program and other demand response programs envisioned in the 2024 letter. Additionally, City Light has not made measurable progress toward a distributed energy resources management system (DERMS) to efficiently aggregate customer-owned resources such as solar and in-home batteries as virtual power plants (VPPs) that might reduce the utility-scale resource needs.

The Panel encourages City Light to accelerate its work on grid flexibility, customer-sited renewable generation, demand flexibility, and energy storage. Peer utilities are increasingly piloting and scaling programs that use customer-side resources to manage peak demand, improve system performance, and reduce the need for costly utility-scale

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investments. While the Panel recognizes that City Light's proposed rate increases are generally comparable to those of peer utilities, Panelists are concerned that customers also need more practical tools to manage and control their energy use, benefit from flexible and stored energy resources, and mitigate the impact of rising costs. The Panel encourages City Light to prioritize these investments as part of its affordability, reliability, peak-flattening, and customer empowerment strategy.

The Panel was encouraged when City Light completed the ten-year technology roadmap to ensure City Light will have appropriate cyber security measures and risk response plans and will move to current industry systems and technology. Cyber protection is critical to ensure the safety of the electric grid and to preserve confidential customer and employee information.

City Light's 2027-2032 Strategic Plan

City Light invested a great deal of effort and analysis in this strategic plan cycle. City Light leadership developed a ten-year strategic vision with input from the Panel, which served as a foundation for the new six-year Strategic Plan and rate path. Throughout the last two years, City Light has informed the Panel of significant issues and industry disruptions.

This new Plan reflects a more constrained outlook than prior versions because of the 9.5% per year rate increase (~6.5% after adjusting for expected inflation¹) that City Light seeks for both 2027 and again in 2028. During the monthly meetings that took place from fall 2024 to now, City Light leadership shared the realities facing the utility, explaining why rates must increase materially to maintain service and system reliability. We have included specific observations and recommendations below for the Focus areas of the new Plan.

Reliability

The two biggest cost drivers from the current Plan's financial forecast for 2027 and 2028 are operating costs and meeting demand increases from building and vehicle electrification. For example, the costs for utility operations such as steel, copper, concrete, and wood poles are much higher than the rate of inflation in the new Plan.

¹ The Review Panel's after-inflation estimate was based on City of Seattle CPI Data Historical and Forecast, accessed May 4, 2026,. <https://www.seattle.gov/economic-and-revenue-forecasts/inflation>

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In 2025, the Panel was surprised to learn that City Light's buried cable lines were deteriorating much more quickly than expected because they had not been properly installed initially. Bare cable had been buried, instead of cable installed in conduit. The Panel agrees with City Light leadership that this needs to be addressed and the Panel requested City Light implement a new policy to prevent this occurring in the future.

Power Supply

City Light's new load forecast is broadly consistent with the prior forecast but indicates that peak demand is expected to grow more rapidly than average demand over the next decade. This growth is driven primarily by building and transportation electrification. City Light's growth is mainly from building and transportation electrification. City Light must preserve its valuable hydro resources that provide critical balancing and storage, further enabling carbon-free resources. To help meet this increasing load, the Panel supports City Light's relicensing work on the Skagit hydro project.

The Panel concurs that the financial and reliability risks of being short on power supply are greater than those associated with having excess supply. But the Panel asked City Light to carefully plan new supply resource additions. City Light responded that it would develop a portfolio of medium-term and long-term resources to mitigate the risk of over-purchasing long-term power supply

The old model of utility-scale generation to meet the increasing customer demand requires investment in generation resources, transmission, and distribution. At each meeting where City Light presented its load forecast and described the need for utility-scale resources, the Panel stressed the importance of also working with small and large customers to implement effective demand response, energy efficiency, and other customer technologies to reduce the need for utility scale resources.

The Panel believes that customer-facing technologies that shift demand, reduce demand and supplement utility power supply will be critical. City Light explained that the big unknown is the degree to which customers will participate in future programs. But City Light seems aligned with the Panel on the importance of rolling out programs where broad participation is possible. The Panel has also asked City Light to analyze distribution system projects in the future - not just on a cost basis- but also from a net benefits perspective, considering potential for reduced customer demand or access to customer resources in any given project.

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Customer Experience

This rate increase is a heavy lift for customers and the rationale behind the rate increase may be difficult for customers to grasp without context. The Panel proposed ideas to clearly present the challenges to customers, to help them understand what has changed in the rate path. The Panel noted customers may want to know what are knowns in the forecast, versus what are estimates based upon the best available information today. And the Panel recommended a primer on the RSA mechanism and an example to show how it works. Lastly, the Panel recommended that City Light communicate when customers can expect to see service improvements from infrastructure investment.

The Panel concurs with City Light that the Rate Stabilization Account (RSA) brings rate stability to customers (avoiding sharper rate increases in the short-term) and financial stability to the utility. City Light has proposed changes to the Rate Stabilization Account (RSA) with which the Panel concurs. The prior structure was focused on solely power cost drivers, but there are other risks that can cause rate increases. Therefore, the Panel supports expanding the RSA to cover a broader range of rate risks to protect customers and the utility. The Panel also supports increasing the RSA target level from \$100 million to \$150 million, given the utility has grown since 2010 and no longer has surplus energy to sell into the wholesale market.

The Panel asked about rate class equity in the cost allocation between rate classes. Panel members representing residential customers expressed support for City Light's proposal to apply the newly structured RSA surcharge as an energy charge, which will shift some costs to large-use customers. Panel members urged City Light to make sure that the future new large load tariff does not shift costs and risks to residential and small commercial customer classes and help ensure that such large loads do not impact current customers, to the extent possible.

The Panel expressed concern over the proposed 2027 and 2028 rate increase on vulnerable customers. City Light has been an industry leader for many years in customer assistance programs. Going forward, the utility is proposing changes to increase eligibility and expand enrollment in the Utility Discount Program. The Panel also urged City Light to consider tiered program participation, more extensive outreach efforts, additional partnerships to reach low-income residents, and more bill payment assistance promotion. The City (SCL, SPU, HSD) is also encouraged to streamline the application process by linking to other income-qualified programs (e.g., federal assistance programs) that may have already determined a potential participant's eligibility for UDP, thereby reducing the barriers that keep participation far below potential.

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Sustainability

City Light developed its new Plan based upon current regulation and government policy. City and state decarbonization goals and programs are still in place, with targets that City Light must achieve. Unfortunately for City Light customers, federal grants and tax incentives for grid modernization and new carbon-free resources have evaporated with the current administration. Therefore, City Light's grid modernization projects must now be funded solely by City Light (federal grants were included in the current Plan's rate path).

In the prior letter, the Panel noted that the transition to renewable energy had increased the cost of power supply. The costs for new long-term resources have exceeded those prior price forecasts because utilities and data centers are competing to acquire power supply. Further, new clean energy resources are predominantly intermittent energy resources (wind and solar), highly variable dependent upon weather conditions and time of day. Therefore, City Light must acquire more name plate capacity to have the same number of average megawatts available. City Light will likely invest in new battery energy storage to meet extreme peak demand. All of this highlights the tremendous value of City Light's existing hydro projects.

Workforce

The Panel applauds the work the City Light leadership team undertook in 2025 to rebuild the culture and to invest in the workforce. We support continued efforts in this regard because it is the people that serve the customers and look out for the customers' interests.

And the Panel continues to support City Light's objective of competitive compensation to attract and retain talented employees able to meet the new challenges. However, the rate path in the current Plan did not have the 2025 bargaining agreement salary adjustments to keep City Light compensation competitive. The rate path for the new Plan includes the workforce compensation laid out in the signed bargaining agreement.

Technology

City Light was without a chief technology officer (CTO) in 2024 and the first quarter in 2025, which slowed down operational technology and cyber security planning for the utility. City Light now has both a new CTO and a technology roadmap. But there are many future initiatives that will still be in planning stages in 2027. The Panel hopes City Light can move quickly from planning to implementation, particularly with respect to

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grid transformation and customer-facing technologies to reduce or shift demand or integrate distributed energy resources. All of these technology challenges must be met amid the backdrop of increasing cybersecurity threats.

Conclusion

In conclusion, City Light is better positioned than many other utilities given its large hydro energy portfolio, its long-term investment in energy efficiency since the 1970s, and its progressive utility discount program for vulnerable customers. As a not-for-profit utility with a stable financial position, it can access the capital markets at more attractive borrowing costs than investor-owned utilities, resulting in lower rates for its customers. City Light's rate increases in 2025-2026 were at the low end of the range for peer utilities. And City Light's rates are lower than those in other large metropolitan areas. But the utility is playing "catch up" on technology and distribution infrastructure. While we would prefer a lower rate increase, we conclude that the proposed increases are necessary for the next two years.

When we looked into discretionary versus non-discretionary spending in the financial forecast, we learned that there was minimal discretionary spending. Most of the rate increase is driven by inflation (impacting wages, materials, and supply chain), Skagit relicensing, debt service, replacing aging infrastructure, catching up on technology, and acquiring new supply to growing power demand. In short, the rate increase is needed for City Light to maintain service reliability and comply with financial policies.

One other important topic we must raise is the importance of stable utility leadership. City Light has had three general managers since 2016, and the City will conduct a search for a fourth this fall. Changing the head of the utility every few years is very detrimental. It is unsettling for employees, delays key hires, and impedes strategic initiatives. At most other public power utilities, elected officials trust the utility leader to run the utility based on their industry experience and leadership acumen.

We urge the Mayor and Council to take a new approach to the City Light General Manager selection and confirmation process that supports attracting and retaining top talent. We recommend that the process be accelerated, efficient, and transparent, while maintaining appropriate confidentiality during recruitment. Stable leadership is needed to modernize City Light's system and implement critical technologies necessary for the future. Once a new General Manager is in place, continuity in leadership should be prioritized when performance is strong, to support the long-term execution of the utility's strategic objectives.

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If helpful, the Panel would be willing to provide additional recommendations related to recruiting, hiring, and retaining the General Manager as part of its upcoming two-year work plan, beginning June 2026.

We thank the City Light team who have worked diligently together, and with us, during the past twenty-four months. They have done a stellar job given the challenges. And we thank the Council staff, Mayor's office, and City Budget Office representatives for support of the City Light Review Panel.

We are available to answer any questions you may have about the recommendations in our letter.

Sincerely,

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Members of the City Light Review Panel²



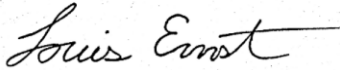
Leo Lam
Chair
Panel Position #4
Residential Customer
Representative



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



Bruce Flory
Panel Position #1
Economist



Louis Ernst
Panel Position #2
Financial Analyst



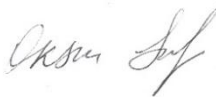
Kerry Meade
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Non-Profit Energy
Efficiency Advocate



Ryan Monson
Panel Position #5
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Toyin Olowu
Panel Position #6
Industrial Customer
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Oksana Savolyuk
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Cristina Sima
Panel Position #8
At-Large Customer
Representative

² We sign this letter in our individual capacities, not as representatives of our employers.