



## CITY LIGHT REVIEW PANEL MEETING

Monday, November 16, 2020

10:00 AM – 12:00 PM

Microsoft Teams Meeting

### Proposed Agenda

<u>Item</u>	<u>Lead</u>
1. Welcome, Introductions ( <i>5 min.</i> )	Leon Garnett, Panel Chair
2. Public Comment ( <i>5 min.</i> )	
3. Standing Items: ( <i>5 min.</i> )	
a. Review of agenda (Karen Reed)	
b. <b>Action:</b> Review and approval of meeting minutes of October 14 <sup>th</sup>	
c. Chair's Report (Leon)	
d. Communications to Panel (Leigh Barreca)	
4. General Manager's update ( <i>30 min.</i> )	Debra Smith
a. Integrated Planning Process and Calendar	
b. Rate Pilot Update	
5. Bundled Renewable Tariff Program Design ( <i>30 min.</i> )	Scott Cooper
6. Q3 2020 Reports ( <i>20 min.</i> )	
a. Financial	Kirsty Grainger
b. Strategic Plan	Angela Bertrand
7. Adjourn	



**City Light Review Panel Meeting  
Meeting Minutes**

**Date of Meeting: October 14, 2020 | 1:00PM – 3:00PM | Meeting held via Microsoft Teams “Draft”**

<b>MEETING ATTENDANCE</b>					
<b>Panel Members:</b>					
<b>Names</b>		<b>Name</b>		<b>Name</b>	
Gail Labanara	√	John Putz	√	Mikel Hansen	√
Sara Patton	√	Chris Mefford	√	Leon Garnett	√
Thomas Buchanan		Scott Haskins	√		
<b>Staff and Others:</b>					
Debra Smith	√	Jen Chan		Karen Reed (Consultant /RP Facilitator)	√
Kirsty Grainger	√	Mike Haynes	√	Emeka Anyanwu	√
Jim Baggs		DaVonna Johnson		Tom DeBoer	√
Julie Moore	√	Chris Ruffini	√	Maura Brueger	√
Greg Shiring	√	Carsten Croff	√	Leigh Barreca	√
Eric McConaghy	√	Toby Thaler	√	Kathryn Aisenberg	
Craig Smith		Chris Tantoco	√	Joni Bosch (NVEC)	√
David Logsdon		Angela Bertrand	√		

**Welcome\Introductions.** Leon Garnett kicked off the meeting at 1:04pm.

**Public Comment.** Joni Bosch – no comment.

**Standing Items:**

**Review Agenda.** Agenda approved.

**Approval of Sept 17<sup>th</sup> Meeting Minutes.** The meeting minutes were approved as submitted.

**Chair’s Report.** No report.

**Communications to Panel.** None.

**General Manager’s Update:**

Debra discussed the Planning Process chart that is included in the meeting packet. The chart details the inputs and non-linear planning cycle for both strategic and operational planning. The focus is on the thinking and the process, not simply the documents City Light produces. The two-way arrows show that City Light is always doing continuous improvement and making changes to how work is performed.

City Light is in the process of creating a comprehensive planning calendar. While this depicts a cycle, there is also a linear process to must go through. It begins right away with refreshing the strategic plan, then starting the capital improvement plan. The schedule will give the Panel a roadmap for where City



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Light is going. The intent is to bring the new strategic plan forward next year.

In addition, this week Debra has started a series on our organizational values. The utility is developing action statements that will show employees how their work advances the achievement of City Light's values.

- **Q:** Will the strategic plan we worked on last year will be completed in 2021? **A:** Yes. For 2022. We will make adjustments as needed, such as updating the rate path. We will also look at the draft priorities and initiatives to confirm them, adjust timelines or change them entirely. We may consider adding a recovery initiative.
- **Q:** I'm assuming from what you said, your plan is to engage your Executive Team and your people managers to work with the content, then the Review Panel would review the plans and give feedback? **A:** Yes, and there will also be a place for you to also give suggestions and feedback.

Mike Haynes shared that he just got off a call with FERC who regulates City Light's dams. The next regulatory mandate from FERC is always an unknown. City Light must be very disciplined to be ready for such things. Mike is pushing his teams on capital spending discipline and prioritization.

Debra Smith noted that the utility is also working is telling its story and highlighting the Utility's areas of focus, vis a vis capital programming. We need to be realistic about what we can accomplish each year.

Shifting gears, Debra introduced the topic of customer service response time, noting that COVID has slowed down some response times. Mike Haynes reviewed the revised "Requirements for Electric Service Connection" (RESC) table, which is the primary resource for customers initiating service requests. The document outlines the submittal requirements for each type of service, including estimated timelines for each process step along the way. For new requests, City Light intends to modify Table 1.3 – "Estimated Turnaround Times Per Phase of Application Process, Looped Radial" to align with what customers are currently experiencing. Mike noted that City Light always strives to do better than what the table suggests but wants to be mindful about setting clear expectations from the start. He expects the modified timelines will be in place throughout 2021 and hopes to revert to pre-COVID timelines on or before Jan. 1, 2022. The new extended timeline should be published online by the end of the year.

- **Comment:** I appreciate what you are displaying. The frustration was not so much the delay as what was the inaccuracy of what was communicated. This is on the right track. **A:** Yes, Craig Smith and I agree that we need to give our customer-facing staff the information they need to respond to and address the customer needs.

Debra Smith noted that she and Mike are working closely with Craig Smith, the Chief Customer Service Officer to better focus this messaging on the customer experience. Next week they are doing customer empathy training for our strategic advisors and managers.

- **Q:** Does this primarily reflect a backlog or is this more a reflection current resource limitation? Is this ongoing or temporary? **A:** We do have an existing backlog and we have had fewer available



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staff. We are also trying to solve our 2020/2021 budget problems with an attrition strategy so we will likely have reduced staffing levels for quite some time.

- **Q:** What is the trade off in revenue by pushing out these timelines? **A:** On one side, since our budget is on the expense side, if we increase our revenues, we would like to be able to ask to increase our staffing but that is not how the process usually works. We are working on more accurately tracking customer revenues to better answer your question.

### City Light Utility Technology Organization Overview:

Emeka Anyanwu Shared a PowerPoint presentation [sent to Panel members after the meeting]. He shared that City Light needs to prioritize technology investments to align with business strategy. City Light needs clear structures for decision making around technology; the new approach is designed to support the utility but not duplicate the services of Seattle IT.

- **Q:** Are you working out with the IT department the roles and responsibilities and relationships? **A:** Yes, we have already started having that conversation with Saad (Bashir) and his team. Some of our utility tools will be managed by utility staff; big enterprise systems such as Microsoft tools will continue to be Seattle IT's purview. This is an ongoing conversation, we just kicked off 2021 work planning this week.
- **Q:** As you have those conversations, are there service level agreements or other accountability documents? **A:** Yes, those exist. There are conversations about specificity and the measures that should be included. We are trying to articulate those things more clearly so we can be more effective.

### 2020/2021 Budget:

Kirsty Grainger shared an overview of the 2021 budget with the Panel. City Light has worked with Greg Shiring and the City's Central Budget Office to present the Mayor with our budget. The Mayor has passed it to the Council. We anticipate it being passed in November.

The challenge of this budgeting cycle is bridging the revenue gap caused by the pandemic. City Light had already incorporated a 1% decline in retail demand; now due to economic impacts it will likely be closer to 4.35%. The other thing that is contributing to the revenue gap is that there will be no rate increase in 2021 as previously planned. The combined gap comes to about \$55M in 2021.

City Light is closing this gap through four categories of cost: labor, non-Labor O&M, wholesale revenue, and capital and debt service reductions.

- Labor: The utility is pursuing an attrition strategy and a hiring freeze. City Light will continue to fill positions for essential workers, but if there is an opportunity to not hiring a position, they will be doing that. The budget also increases the planned vacancy rate from 7% to 13%.
- Non-labor O&M: Consulting services are being reduced as is funding for conservation incentives.



## City Light Review Panel Meeting Meeting Minutes

- Wholesale Revenue: Additional revenue is anticipated from the Western Energy Imbalance Market. The Utility is projecting \$73M in wholesale power revenue and is planning for \$60M.
- Capital and Debt Service Reduction: The utility captured record low interest rates in its debt issuance earlier this year. Additionally, a lower debt coverage ratio is projected to provide additional savings.
- **Q:** Going back to the retail revenue gap, what sensitivity are you having as a result of COVID? As an example, how is commercial revenue vs retail revenue? Are the projections robust enough to support this? **A:** There is uncertainty and it is an area of significant risk. The demand reduction you see is all on the commercial/industrial side. On the residential side we are assuming load will be the same or a little higher. Receivables -- customers unable to pay their bills -- are also a risk. We continue to see residential customers using more power. It started at 2% more and is inching up to 3%.
- **Q:** Could you share a little more information about the reduction in conservation incentives. What is \$1.5M as a percentage of the planned budget and how are we getting efficiency without the incentive? **A:** The baseline is \$16.2M, so roughly 10% reduction. We are already surpassing our goal, so we thought it was a safe cut as we have typically been overachieving. We also have not been spending all the budget, and we have still been surpassing our goals. The reduction it gets us more in line with what we have been spending.
- **Q:** I am not sure how the Rate Stabilization Account (RSA) works. How is the RSA reflected in the budget? **A:** The way the RSA works is if more revenue than we anticipate comes in, we deposit it in the RSA. When the RSA is low, surcharges are added. We are projecting that the surcharge will still come off in 2021. The baseline is the budget that we need for utility operations; everything over that goes to the RSA.
- **Q:** Are you just prolonging the surcharge? **A:** No, the surcharge is still scheduled to come off.
- **Q:** What is the new projection for when the surcharge will come off? I thought it was November or sooner. **A:** We did have a projection of November, but then with the events of 2020 it got bumped to early 2021. If you have questions you can reach out to me.
- **Q:** I do not like having a surcharge and a rate path. As a customer, the fact remains there are two things going on and the messaging is messy. It should be handled all together. **A: (Debra Smith)** I tend to agree. We need a different approach to setting rates. Frankly, it is not even just two factors – there is also the Bonneville true-up that can impact rates. I believe we can do a better job managing these components.
- **Q:** Can you remind us of the budgeting strategy; Are you budgeting to expected? **A:** For load variability we are budgeting to expected. We have been talking internally that if next year things look substantially different, we need to be ready to act.



## City Light Review Panel Meeting Meeting Minutes

### More Q&A:

- **Q:** Are you getting back to normal? **A:** Our planning process was delayed, but we have a great place to start when we pick this up again. We all did a lot of great work and we have good initiatives that will still work. We need to look at adding a recovery initiative that goes into 2022. Our timing may also need to be adjusted – planning for faster or slower initiative deadlines, depending on if we get federal stimulus funds.
- **Q:** I understand there is a bill in the legislature to clarify that publicly owned utilities can spend money on beneficial electrification. **A:** Yes, we are engaged on this. You can reach out to Maura (Brueger) or Mendy (Droke) if you would like more information.

**Meeting adjourned at 2:57 PM. The next Panel meeting is November 16<sup>th</sup>.**

**Seattle City Light**  
**Mission, Vision, Values and Culture**  
**October 26, 2020**

## **Definitions**

**Mission** defines what we are, why we exist, and our reason for being.

**Vision** describes what we hope to become. Our vision should be aspirational, inspirational, and should define our future, desired state.

**Values** are the core set of beliefs that underlie and support our vision and shape the culture.

- Values guide individual behavior, decision making, and provide a sense of what is important and what is right.
- Values rarely change. They are the core principles that we are willing to live and die by. They are the “rules of the game.” Values can be added or modified, but value changes are few and far between.
- Values should be prioritized and phrased in a way that resonates with people. Values should also be reinforced on a day-to-day basis by leadership both through action, as well as recognition.
- Every employee should be clear about the goal they are driving towards – individual goals should support the overall mission and vision. In turn, values must underpin the goal.
- It is very hard to impose values on others, so we should look to hire people who share our values. Hire for attitude, not aptitude; look for a values match.

**Culture** is the collection of practices, processes and common behaviors that make up our work environment.

- Organizational culture is the glue that holds us together. It is the unspoken code of conduct that describes how we get things done, as opposed to what gets done.
- Culture defines the way people behave within an organization and is based on a compilation of basic human assumptions. For example, are people inherently good or bad, proactive, or reactive? Which emotions should people be encouraged to express and which ones should be suppressed?
- Although values change infrequently, cultures change over time as the workforce changes and the needs of the business dictate. A leader’s job is to embody the values of

the organization which impacts, produces, and guides the culture. However, leaders do not “control” culture – it belongs to everyone.

- Because culture is formed by its people, different departments may have their own unique cultures, shaped by factors like the number of employees, location, job discipline and working practices.
- When an organization has a strong, positive culture, three things happen: Employees know how leadership wants them to respond to any situation. Employees believe that the expected response is the proper one. Employees know they will be rewarded for demonstrating the organization’s values.
- If an employee does not like something going on at work, they should sort out whether it is a value or the culture causing the rub. If it is a breach of values, speak-up. But if it is a shifting of the way work gets done within the value system, think twice. It is more important to align with your employer’s values than with the way the values show up.

**Analogy:** Values are the foundation of our “work home;” our mission is the home itself; the culture is a compilation of the furniture, fixtures and people living in the home. To be effective, cultures must support the business strategy and their impact on success must be measurable.

## **Seattle City Light’s Mission, Vision, Values, and Desired Culture**

### **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.**

### **Overarching Leadership Commitment**

**At Seattle City Light we will support and reinforce leadership behaviors that contribute to a positive, fulfilling, and engaging employee experience.**

The culture we hope to create and sustain has certain foundational elements that support all our organizational values:

- We are aligned with City Light’s goals and strategies and understand how our contributions are meaningful.
- We prioritize communication. We communicate frequently and consistently. We happily offer a “why” for changes or decisions and we do not “blame” policy.
- We are responsible and accountable, even when our impacts differ from our intent. We do what we say we will, and we have each other’s backs when we make mistakes.
- We are a learning organization – we learn from our mistakes; we deal with issues directly, not through new rules or regulations.
- We do not blame, and we pitch in wherever needed. We are more interested in doing our best than in being “right.”
- We have fun.

### **Values**

**Customers First – We believe customer service is everyone’s job. We pledge to be approachable, respectful, and responsive in providing products and services that our customers want and need.**

How that translates to culture:

- We understand the importance of customer relationships and how they support our vision and strategy.
- We embrace change and seek new and more effective ways to serve our customers. We effectively and proactively manage the impacts of change on customers and employees.
- We assume positive intent in our interactions with customers. We choose to be kind and empathetic even in challenging situations.
- We value teamwork and lean into our teammates to deliver value to our customers. We collaborate well across departments.
- We understand how our work impacts the customer experience.
- We are empowered to make decisions on behalf of our customer-owners. We have the skills, support, and authority to take actions that benefit our customers.
- We are willing to apologize when we are wrong - privately or publicly depending on the situation. We model respect in that way.
- We are willing to accept a reasonable amount of additional work and inconvenience if it allows us to provide a more satisfying experience for the customer.

**Environmental Stewardship – We care about the environment and we are dedicated to enhancing, protecting, and preserving it for future generations.**

How that translates to culture:

- We are committed to environmental justice and we understand that vulnerable populations experience disproportionate impacts from human actions.
- We prioritize avoiding harm to vulnerable populations when making policy choices that protect the environment.
- We accept the scientific consensus that climate change is real, a result of human activity, and an existential crisis for our community and world. Our policy choices are grounded in this knowledge.
- We think proactively about how our actions impact the physical environment and we build mitigation strategies into our plans. We leave the physical environment in better shape than when we arrived.
- We adapt well in the face of adversity and do what we can to mitigate for the impacts of natural disasters and to promote climate resiliency.

- We operate our generation facilities in a “fish first” manner and we care about our impacts on the indigenous people who came before us.

**Equitable Community Connections – We are proud to be a local, community-owned utility. We are visible and actively involved in the communities we serve. We are rooted in our commitment to racial diversity, social justice, and the equitable provision of services to all.**

How that translates to culture:

- We implement policies and procedures equitably and we meet customers and community members at their point of need.
- We make it easy to interact with us and provide language and other support based on community need.
- Employees understand the importance of their work – we provide critical products and services.
- We listen to community and our actions and the programs we offer are based on what we have heard.
- We prioritize investments that positively impact vulnerable populations with a focus on communities of color and other environmental justice communities.
- We live our commitment to racial and social justice by not only limiting harm, but actively seeking opportunities to reverse the impacts of systemic inequity and racialized injustice.
- Employees treat all customers and community members fairly and respectfully.

**Operational and Financial Excellence – We strive for excellence, are forward-focused, and seek new and innovative solutions to meet the challenges of today and tomorrow. We prioritize our investments and operating choices to build upon our strong financial foundation and solid, reliable infrastructure.**

How that translates to culture:

- We are committed to consistently using best-practice leadership and management skills. We lead by example, not through micro-management.
- We strive to achieve measurable results as an organization. We hold one another accountable for meeting commitments and achieving agreed upon results.
- We are willing to make hard choices when necessary.

- We actively seek innovative solutions to existing and emerging challenges. We learn from our past actions but do not hold on to them.
- We “seed” and encourage innovation at all levels of the utility and we aspire to be a “fast follower” of emerging technology and new product and service offerings.
- We are good stewards of the financial resources that our customers entrust us to manage. We make financial decisions thoughtfully, using accurate information to guide us.

**Safe and Engaged Employees – We actively practice our commitment to employee and public safety. We treat each other with kindness and respect, are personally accountable, and work effectively in teams.**

How that translates to culture:

- We embrace safety as a collective responsibility.
- We assume positive intent in our interactions with one another. We choose to be kind even in challenging situations.
- We care about results and we hold each other responsible for meeting our commitments.
- We value the talents and contributions of our co-workers and employees, and we invest in them accordingly.
- We exercise appropriate decision-making authority at all levels and know who to work with to get decisions made.
- We embrace change AND we manage the impacts on co-workers and employees.
- We understand the importance of consistency in the way we treat one another; and are willing to compromise with each other to deliver a positive, fulfilling, and engaging, employee experience.
- We trust each other to make good decisions, and if one of us breaks trust or feels that they have been stepped on by a colleague, they own their actions or feelings and commit to moving forward. We are willing to apologize when we are wrong - privately or publicly depending on the situation.
- We value teamwork and lean into our teammates to deliver value to our customers. We collaborate well across departments. We play to each other’s strengths; when we come together our focus is on providing value for SCL’s customer-owners.

## City Light Current Culture Survey

### High Scores:

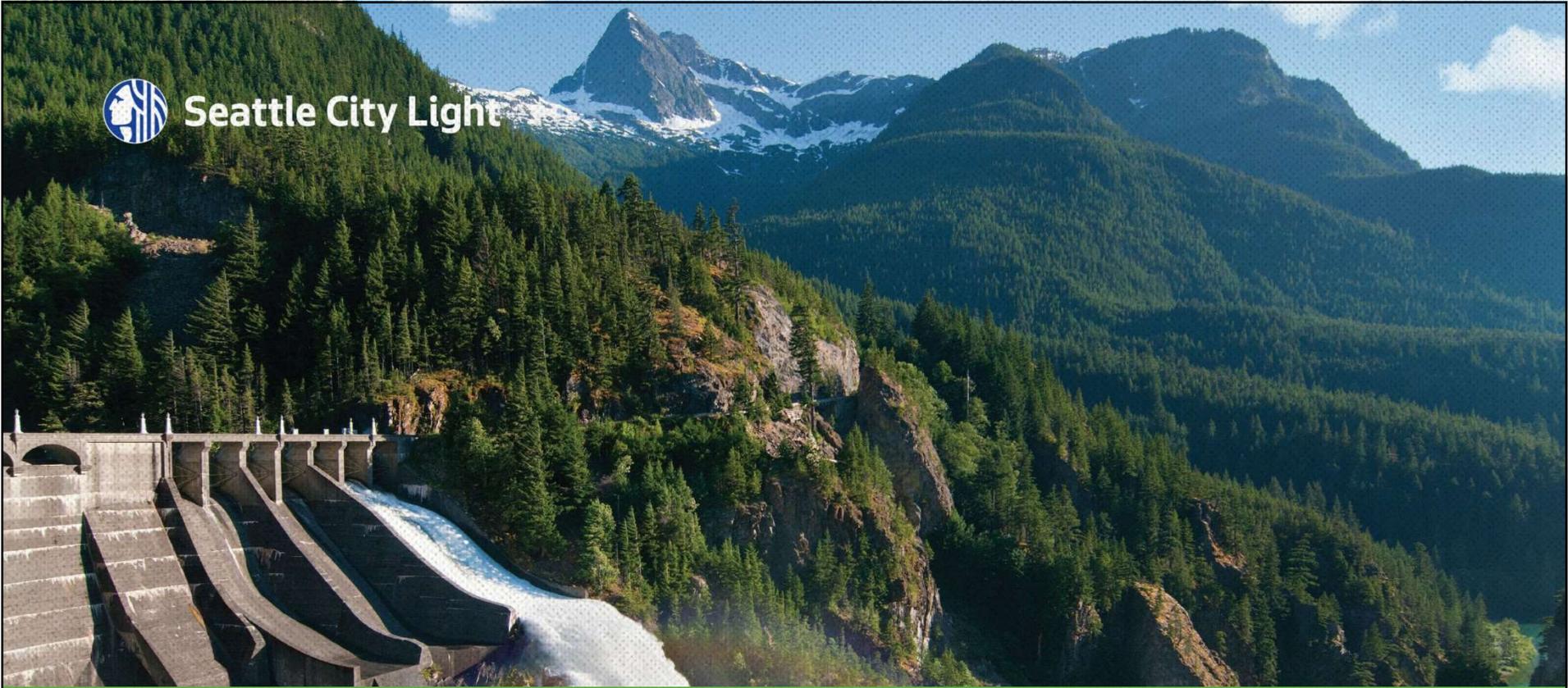
- The People I work with treat me with respect.
- There are people here who care about me.
- I enjoy working with the people on my team.
- I have the tools and resources I need to do my job safely.
- My supervisor promotes a safe working environment.

### Low Scores:

- Review process is an effective method of evaluating the performance of employees.
- City Light is responsive to ideas and suggestions for improvement.
- We work effectively across departments and functions.
- City Light communicates well with all employees about what is going on.
- Senior leaders know what is going on in City Light.



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# BUNDLED RENEWABLE TARIFF

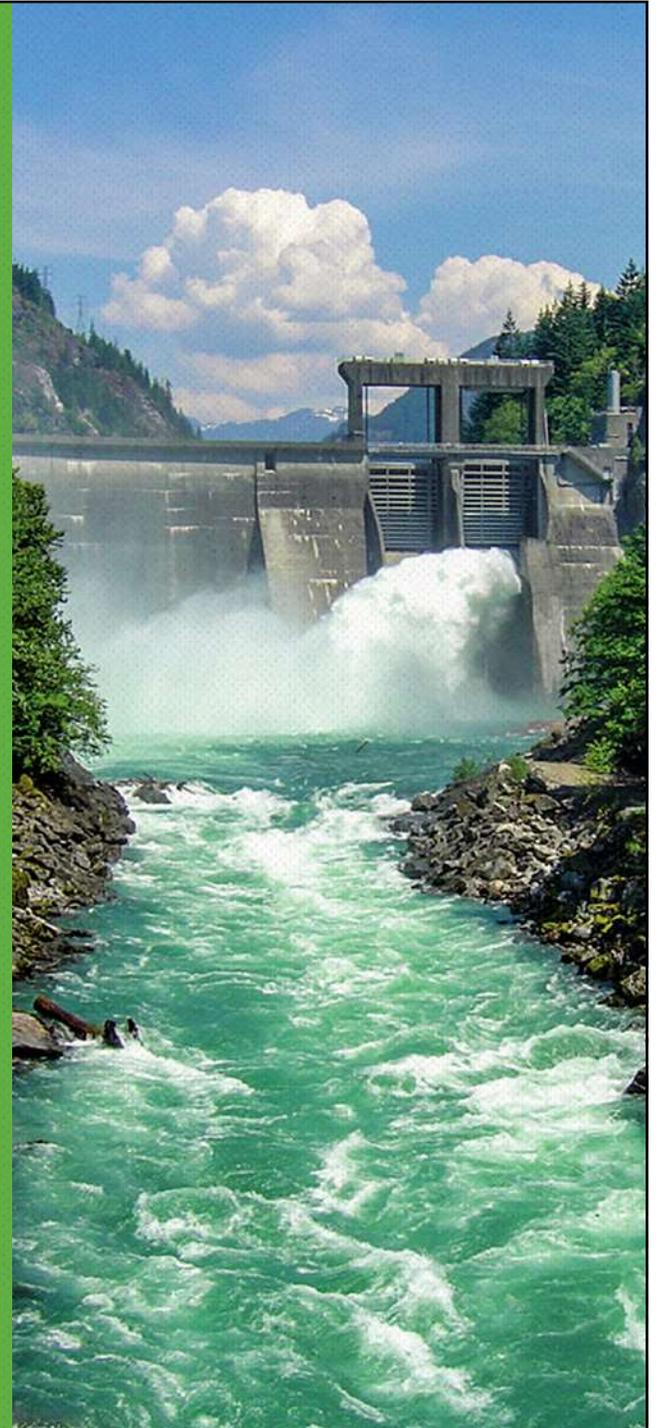
Program Development Update

Scott Cooper | 11/16/2020



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# RENEWABLES AND OUR CUSTOMERS



# CITY LIGHT SOLAR HISTORY

2000 **Net metering**

2001 **Green Power Program**

- 31 demonstration projects – Ex. Sonic Bloom (Seattle Center)
- Green Up - ~16 MWh in RECs annually
  - 19 local projects funded or in the pipeline

2006 **RE Production Incentive**

2011 **Community Solar**

- Four projects (Aquarium, Zoo/PNA, Jefferson Park, Holiday Apts.)

2019 **Large Solar Rate**

2020 **Bundled Renewable Tariff**



Aquarium Community Solar

## Customer-Sited Solar

	Residential	Commercial
# Arrays	4,350	342
Capacity	28.4 MW	5.9 MW

## WHAT WE'VE SEEN FROM CUSTOMERS

- More solar & better buildings
  - Net Zero, Living Buildings Pilot, Passive House, carbon neutral, etc.



Inspire Apts. – Shilshole Development  
Living Building Pilot



303 Battery St – SLI  
Living Building Pilot

## WHAT WE'VE HEARD FROM CUSTOMERS

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- Interest in new/different renewable energy products from SCL
- Outreach to largest commercial customers
  - 20,000 MWh annual consumption (2019)
  - Focus on -
    - Renewable energy goals/targets
    - Certifications or 3<sup>rd</sup> party sustainability programs
    - Potential interest in a “green tariff” program and high-level discussion of program elements

# WHAT WE'VE HEARD FROM CUSTOMERS

- Aggressive energy and sustainability goals
  - Renewable energy targets (up to 100%), demonstrate spurring new wind/solar development, equity outcomes
    - Carbon Disclosure Project, RE100, Net Zero, etc.

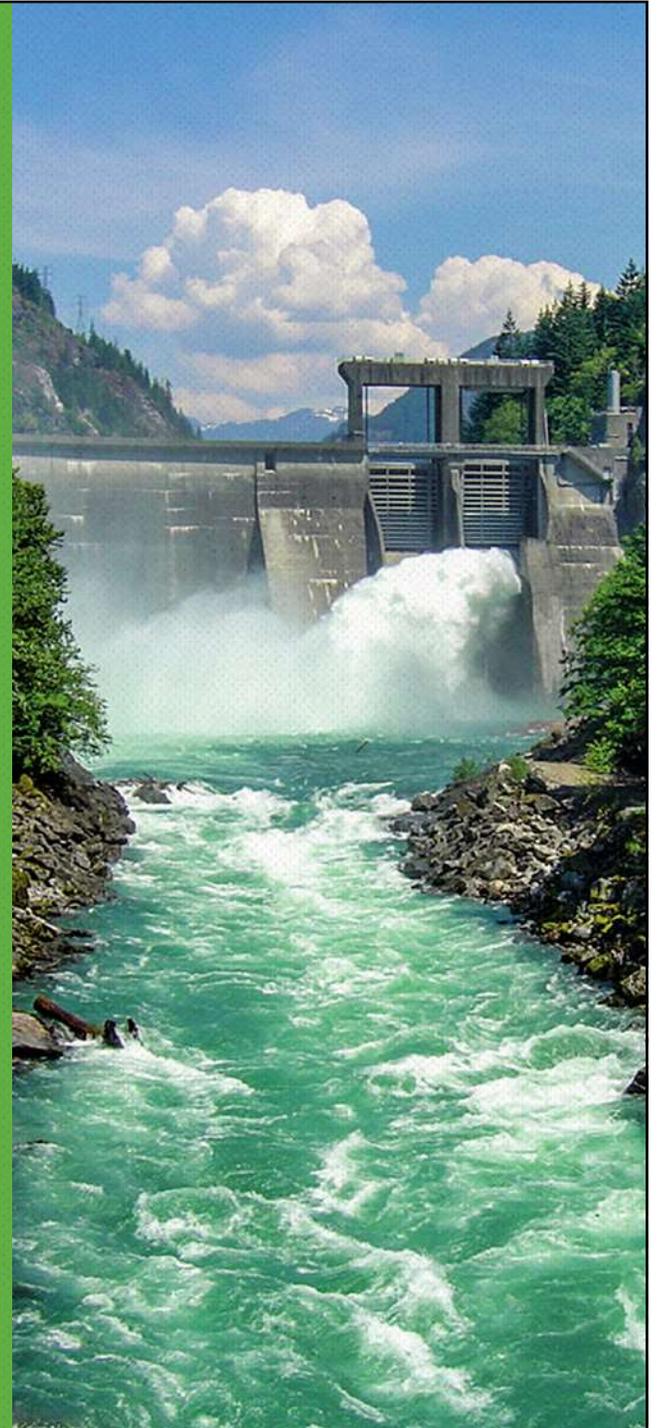


Climate Pledge Arena – NHL Seattle  
Zero Carbon, ILFI



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WHAT IS A  
"GREEN TARIFF"?



## WHAT IS A "GREEN TARIFF"?

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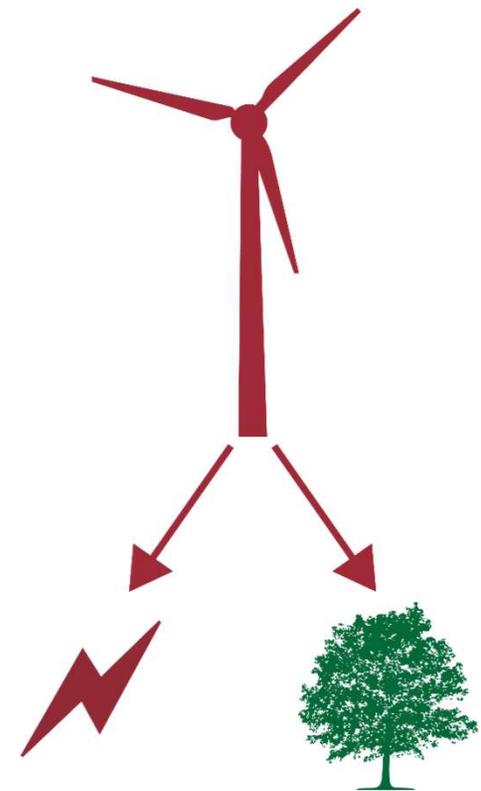
- Rate structures that allow customers to purchase renewable energy (bundled electricity + RECs) directly through their utility service provider
  - Almost always tied to a specific project
  - Medium to long-term multi-year contracts
  - Intended/available for repeated use
  - Must be approved by regulators
- Traditionally designed for C&I customers with RE goals; increasingly offered to C&I, municipal, and residential customers
- Price reflects actual cost of generating and delivering the renewable energy

Credit - EUCI 2020

## CLEAN ENERGY ATTRIBUTES

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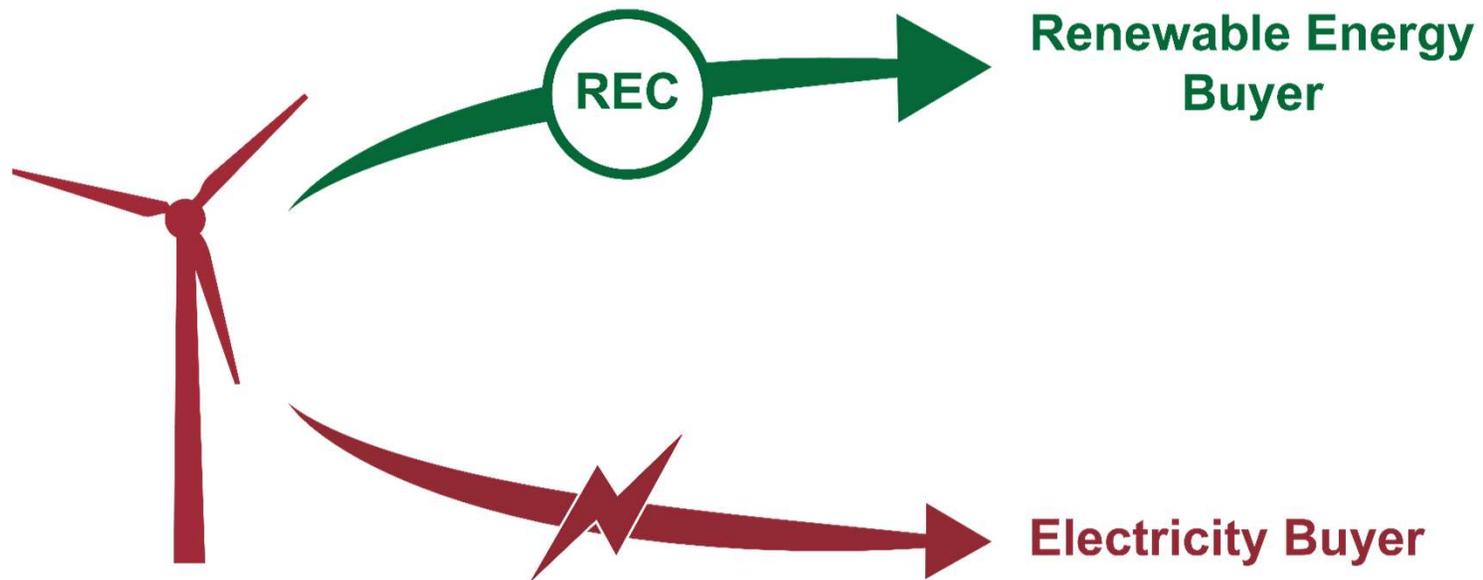
- Every MWh of renewable energy generates two distinct products: electricity and clean energy attributes.
- These products are bought and sold in separate markets



Credit - EUCI 2020

# WHAT IS A "GREEN TARIFF"?

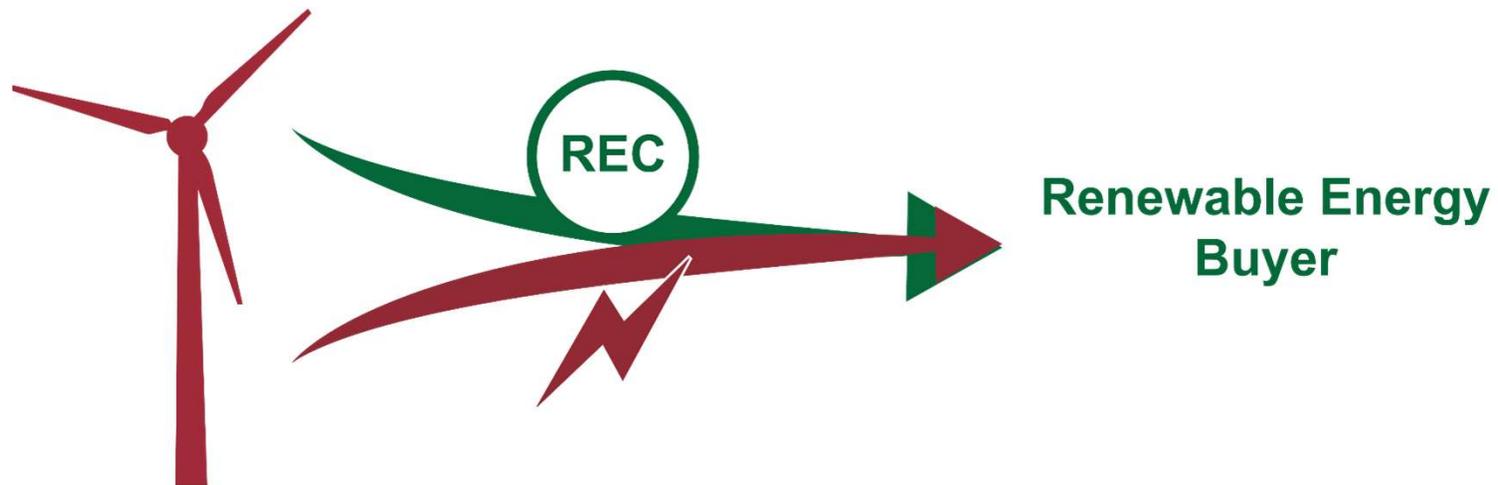
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Credit - EUCI 2020

# WHAT IS A "GREEN TARIFF"?

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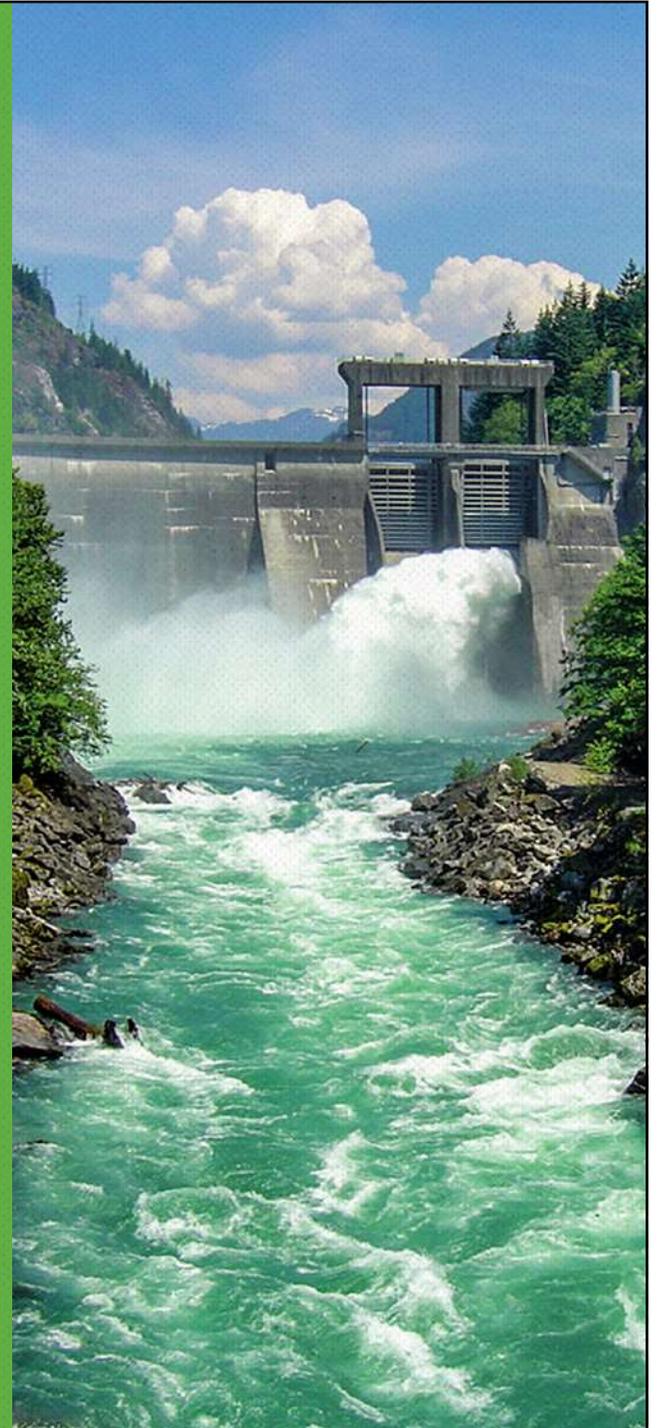
Credit - EUCI 2020



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# BUNDLED RENEWABLE TARIFF

Goal and Design Concept



## PROGRAM GOAL

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Provide large commercial customers with access to a premium bundled renewable energy product (MWh + RECs) to support their pursuit of sustainability goals

## DESIGN CRITERIA

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- “New” resource - Demonstrates that participants’ investments are contributing to the development of new renewable energy resources
  - Solar or wind resource in the Pacific NW
- No cost shifting
  - Program rate ensures costs of program (development, administration, resource procurement) borne by participants
- Target large commercial customers in the first phase
  - Assess feasibility of expansion for future phases.

## DESIGN CONCEPT

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- 3<sup>rd</sup> party PPA to contract for “new” resource
  - Resource size/source to be informed by RFP and customer feedback
- Subscription-based participation
  - Multi-year term
  - Eligibility criteria to allow for open enrollment
- Program rate
  - Adder/rider to applicable customer rate
  - Informed by IRP analysis + projected program costs
  - Settles on bill

# PROGRAM VALUE

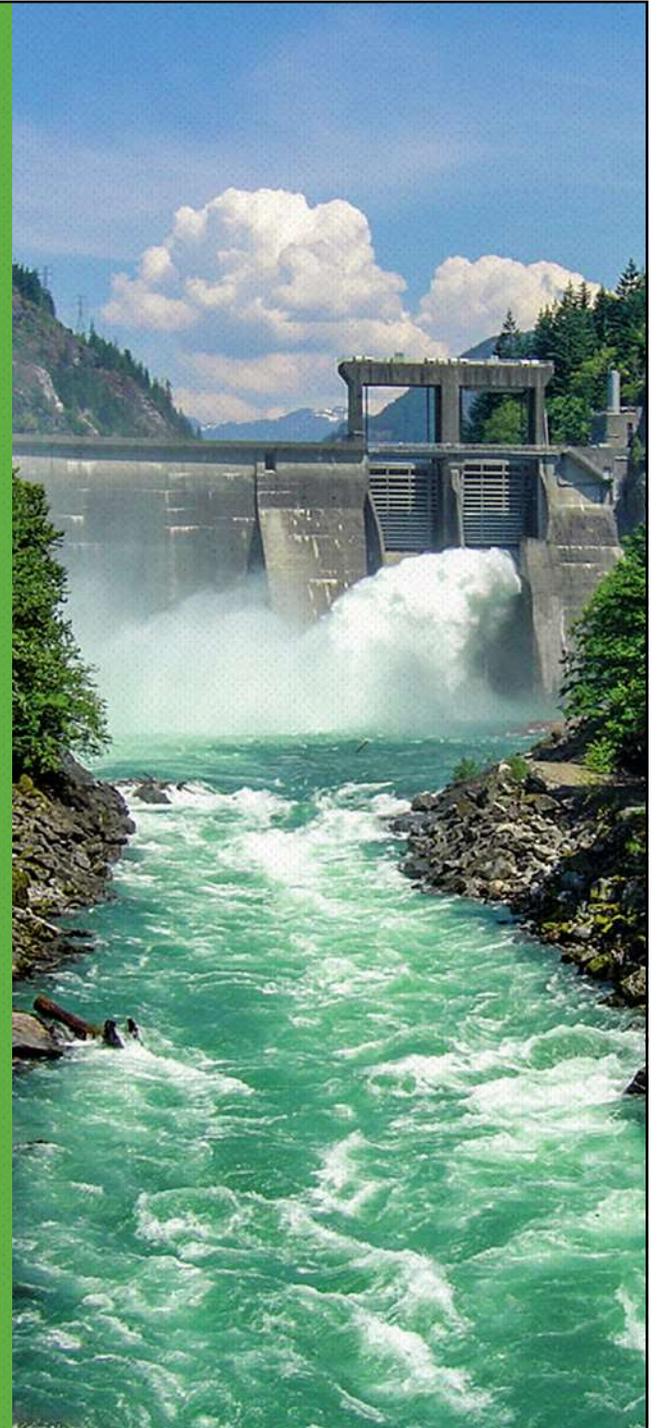
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- What value does this program provide?
  - Customers
    - Product to help meet aggressive energy sustainability goals
    - Demonstration of support for workforce development and “green” economy
  - City Light
    - Responsiveness to customer needs
    - Adaptation to changing energy market
    - Program equity outcomes
    - Opportunity to assess value and impacts of new renewable resource into mix – IRP, resiliency, compliance, EIM, etc.



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# PROCESS & TIMELINE



# PROGRAM DEVELOPMENT – WHOLE SOLUTION

## Program Components + Core Team

### Renewable Bundled Tariff Program

- Program Management**
- Customer Care & Energy Solutions

**Resource acquisition**

- Power Operation Marketing
- Energy & Innovation Resources
- RFP development/release
- Resource selection and contracting

**Stakeholder Outreach**

- Customer Care & Energy Solutions
- Customer outreach to inform program design
- Stakeholder engagement/management

**Program Rate**

- Power Management
- Finance
- Integrated Resource Plan Analysis
- Rate design framework
- Program costs assessment

**Program Processes**

- Customer Care & Energy Solutions
- Program workflows/journey mapping
- Eligibility, terms and conditions, account aggregation/transferability, etc.

**Authority, regulatory**

- Customer Care & Energy Solutions
- Council action to contract for resource(s) and establish program rate

**Racial Equity Analysis**

- Human Resources
- Emerging & Strategic Technologies
- Incorporation of equity and workforce development outcomes



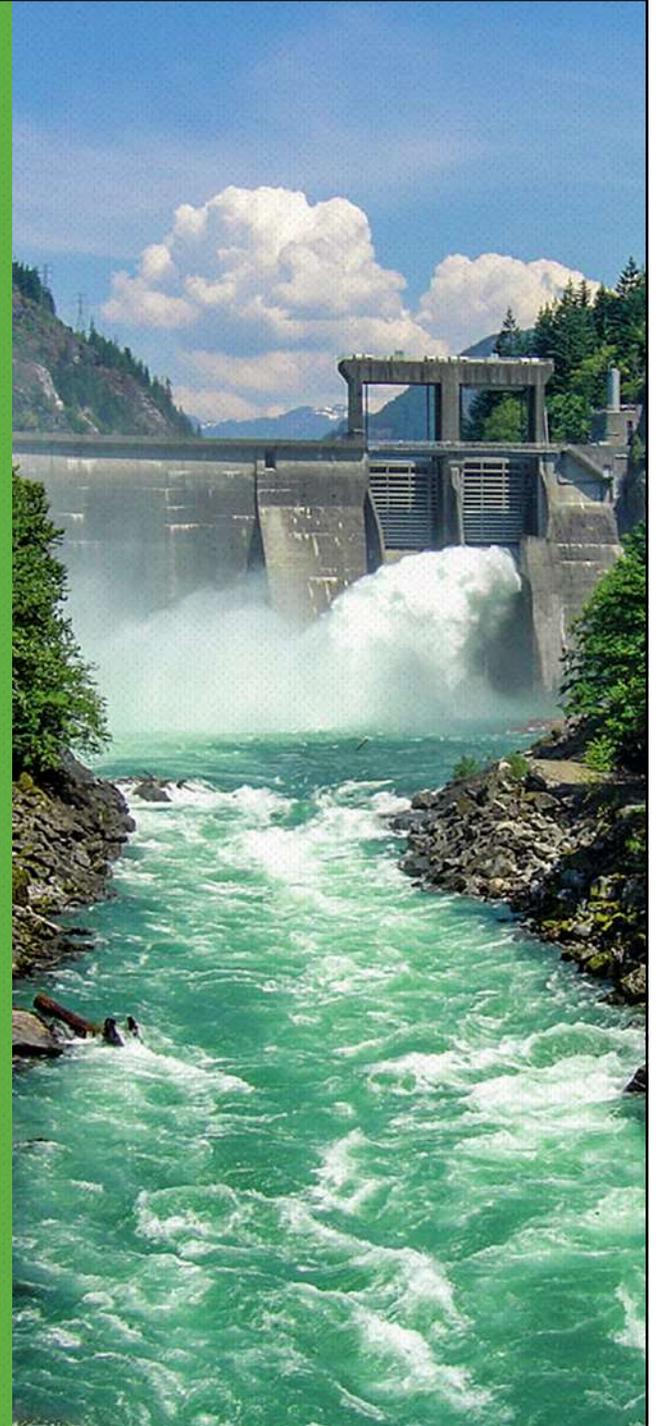
# TIMELINE

Program Development Activities	2020		2021				2022	2023	2024			
	Q3	Q4	Q1	Q2	Q3	Q4			Q1	Q2	Q3	Q4
Resource RFP Development												
Program and rate design												
Customer/stakeholder engagement												
Resource RFP release		x										
Council action - Authority to contract resource				x								
Council action - Establish program rate					x							
Contracting for resource					x							
Customer program enrollment					x							
Resource construction/transmission request							->	->				
Resource operational										x		
Program launch											x	



Seattle City Light

# Q AND A





## **MISSION**

Seattle City Light provides our customers 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:**

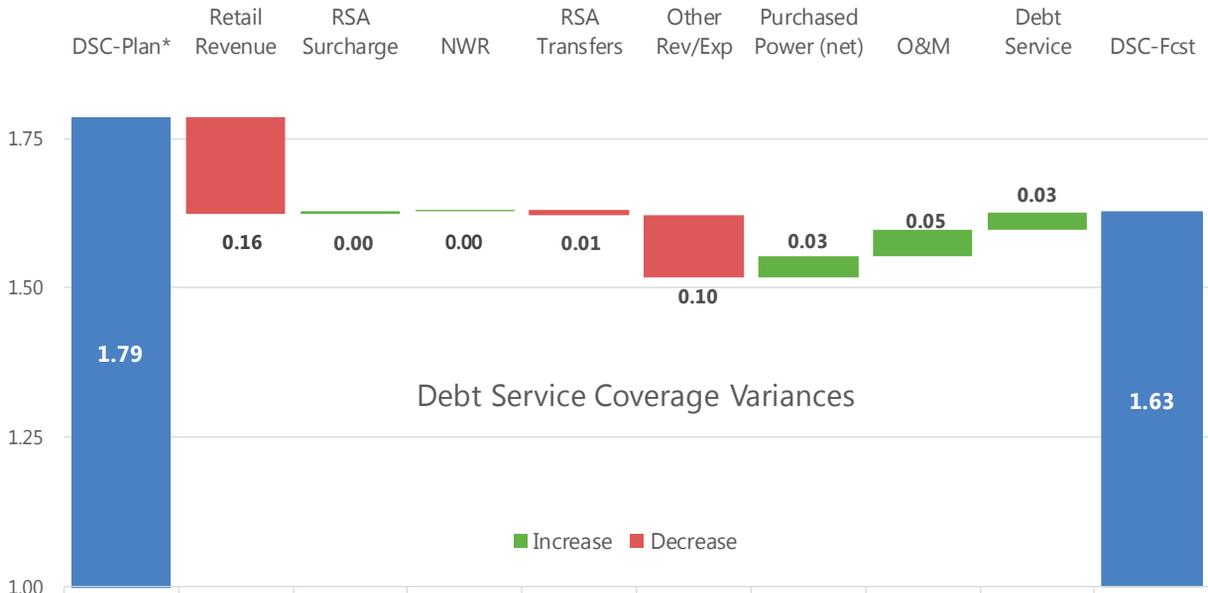
-  Customers First
-  Environmental Stewardship
-  Equitable Community Connections
-  Operational and Financial Excellence
-  Safe and Engaged Employees



# Seattle City Light

## 2020 FINANCIAL HIGHLIGHTS SEPTEMBER 2020

Forecasted debt service coverage of 1.63x is 16 basis points below planned coverage of 1.79x\*.



\*2020 retail rates were legislated in 2018 to achieve 1.80x debt service coverage given expectations about costs and sales volumes. The 2020 Plan reflects new information available going into the year, including the 2020 Adopted Budget and a lower retail sales outlook, resulting in 1.79x debt service coverage.

### 2020 Full Year Forecast vs. 2020 Plan:

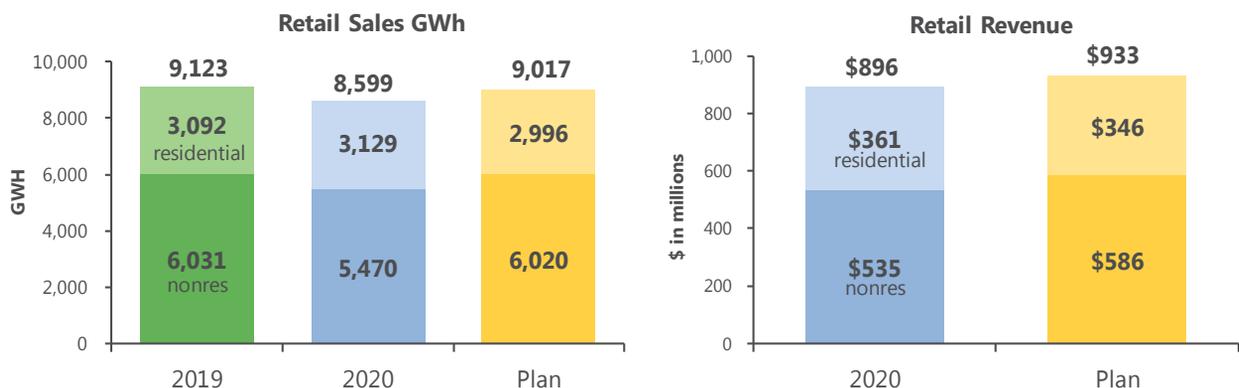
**Retail revenue** is forecasted to come in lower than planned by \$37.0M (-4.0%) due to a reduced retail sales outlook caused by COVID-19 pandemic public health measures and related economic recession.

**Net wholesale revenue (NWR)** is forecasted to come in slightly higher than planned.

The \$23.5 million unfavorable **other revenue/expense** variance, also driven by COVID-19 related impacts (higher uncollectible accounts and lower late fees), exacerbated the retail revenue shortfall. Planned **O&M** costs were reduced as part of the Utility’s COVID-19 mitigation strategy, but the reduction was partially offset by higher A&G costs resulting primarily from less labor being charged to CIP projects.

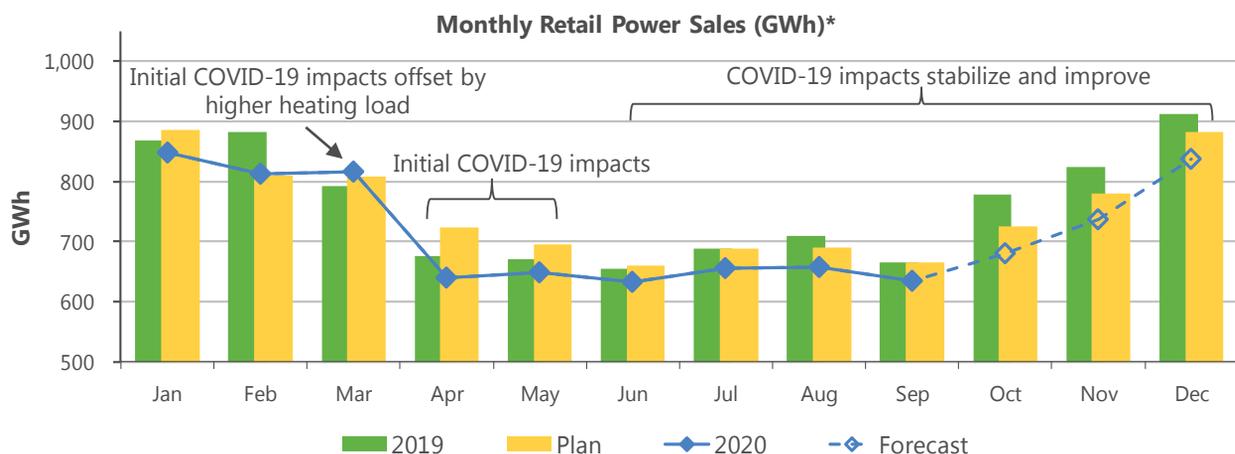
A 1.5% **RSA surcharge** has been in effect since August 2016 with an additional 1.5% surcharge (3% total) effective November 2019. Both surcharges are expected to be lifted February 1, 2021.

## RETAIL POWER SALES AND REVENUE



Retail Sales GWh			
	Nonresidential	Residential	Total
2020 Fcst vs. Plan	(9.1%)	4.4%	<b>(4.6%)</b>

Retail Revenue			
	Nonresidential	Residential	Total
2020 Fcst vs. Plan	(8.8%)	4.2%	<b>(4.0%)</b>



\*Load forecast updated in June to reflect extended public health measures and a deeper recession than previously planned.

COVID-19 related impacts are expected to significantly reduce non-residential retail sales and revenue. YTD non-residential retail sales came in 8.9% lower than planned. The forecast for the remainder of 2020 (Oct-Dec) includes a -9.9% downward adjustment on average.

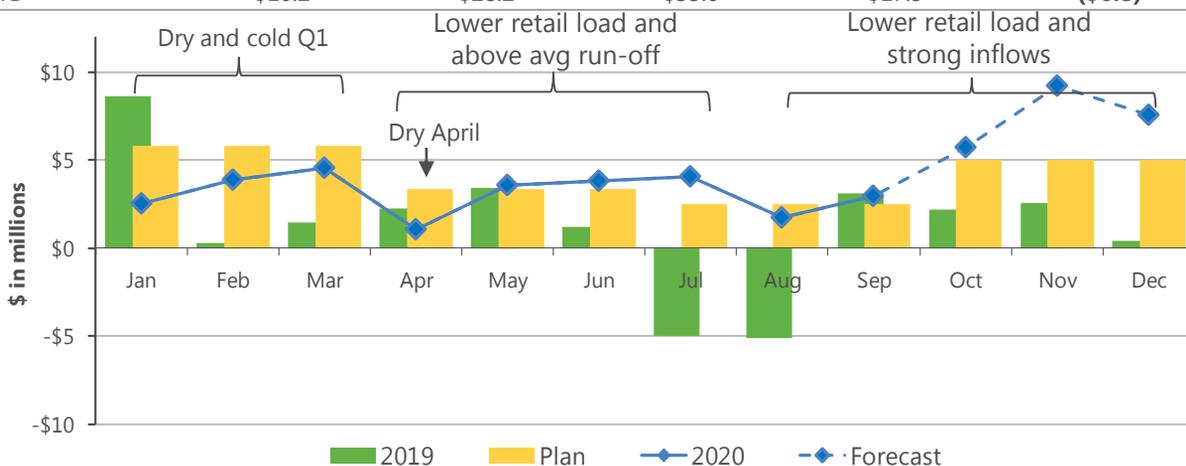
Residential consumption has had a slight uptick since March due to customers spending more time at home. The YTD variance is a favorable 5.4%, which includes the impact of significantly higher heating load from much colder-than-normal temperatures in March. The forecast for the remainder of the year has been adjusted upwards by 2%.

Higher than planned residential revenue is due to a 5.6% favorable YTD variance (colder than normal temperatures in March and increased telework Mar-Sep due to COVID). The variance for the remainder of the year is +0.5%. The revenue impact of the 2% increase in remainder of year sales is mostly offset by revenue impacts from an increase in Utility Discount Program (UDP) enrollment. The forecast has been adjusted to include an additional 7,000 households\*\* participating in the UDP, with bill discounts reducing revenues by \$2.8 million for the year.

\*\*April through December average

## NET WHOLESALE REVENUE

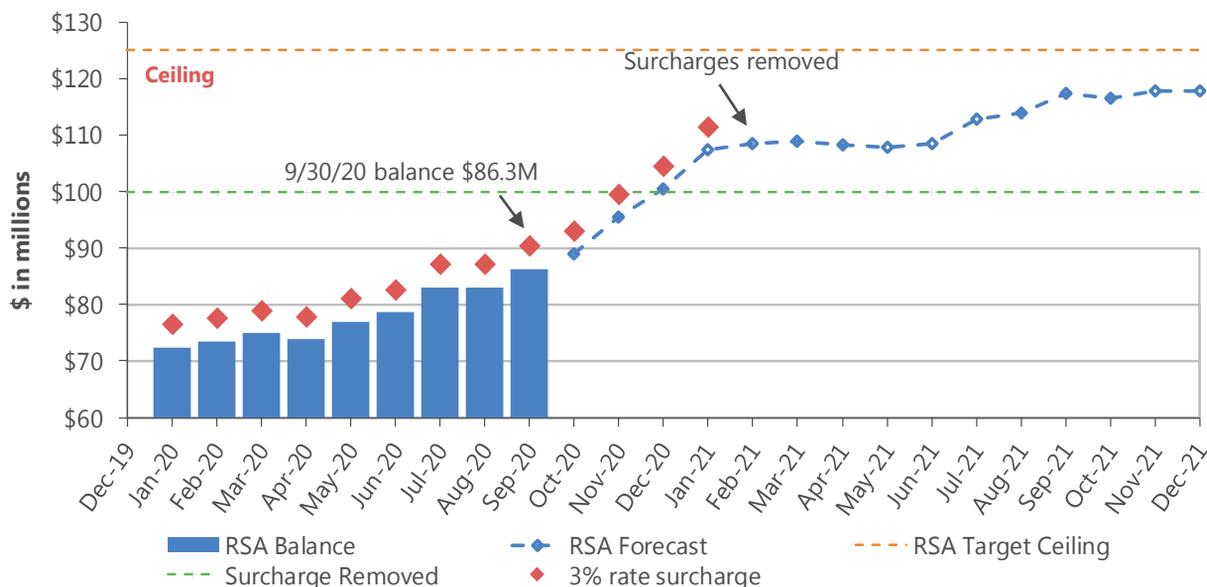
\$ in millions	2019	2020	Plan	Variance-Y/Y	Variance-Plan
Full Year	\$15.5	\$50.6	\$50.0	\$35.1	\$0.6
YTD	\$10.2	\$28.2	\$35.0	\$17.9	(\$6.8)



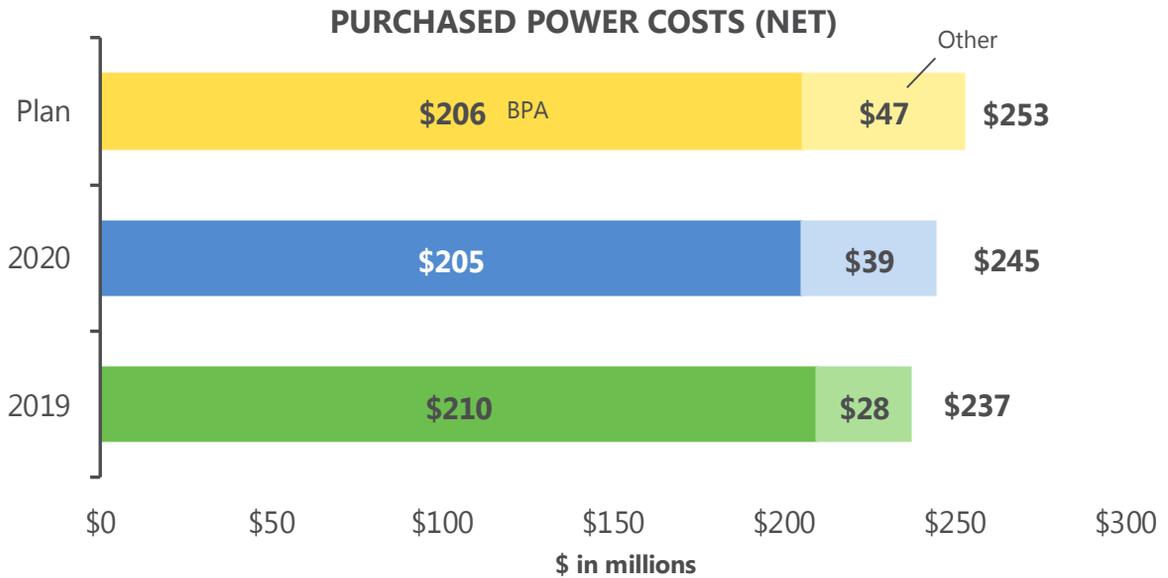
As of October 7, 2020	5 Year Avg	2020 Avg	% of 5 Yr Avg
SCL Hydro Generation (GWh)	6,051	5,894	97%
Market Prices (On-Peak Hours)	\$24.11	\$28.79	119%

- For calendar year 2020 Skagit inflows are forecasted to be 102% of normal, while inflows at Boundary are expected to be 100% of normal. Normal = 30-year average.

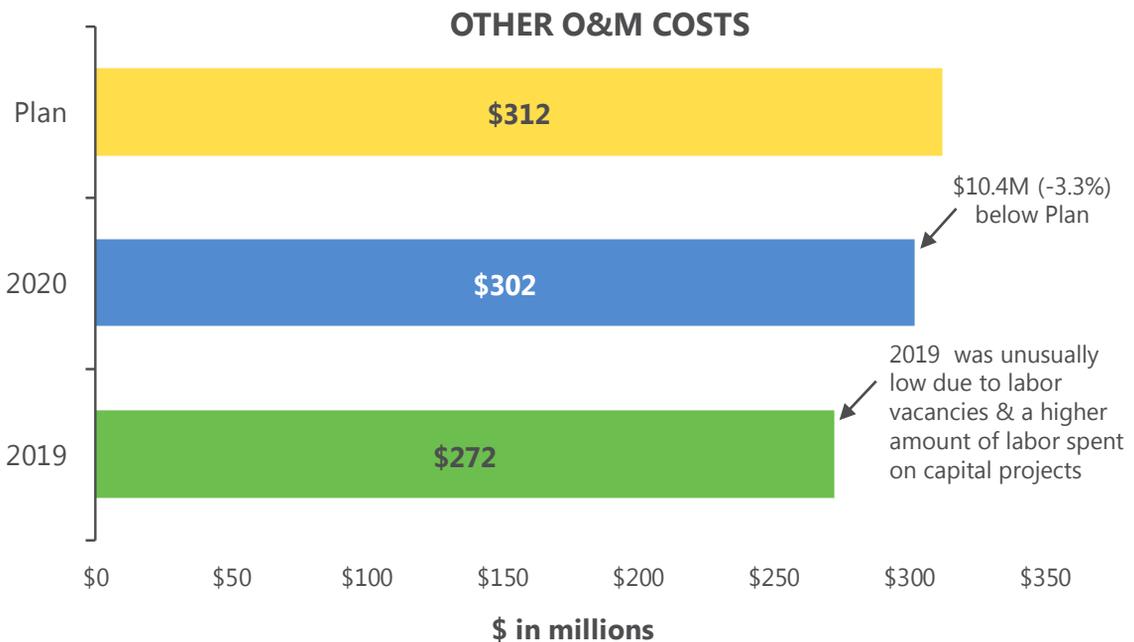
## RATE STABILIZATION ACCOUNT



- Both the initial 1.5% surcharge (effective Aug 1, 2016) and the second 1.5% surcharge (effective Nov 1, 2019) are expected to stay on through 2020 and then be lifted February 1, 2021.



- BPA power costs slightly lower due to BPA removing financial reserve surcharge in July.
- Non-BPA costs (net) are forecasted to come in lower than Plan due primarily to lower than planned long-term power costs and higher than planned power marketing revenue (net).



Other O&M is forecasted to come in \$10.4M under Plan:

- Higher A&G labor -related costs
  - Less YTD O&M work on CIP projects and more charged to A&G
  - Less YTD overheads allocated to CIP
- Offset by targeted savings including higher vacancy rate and lower consulting costs

## OTHER REVENUE & EXPENSE (NET)

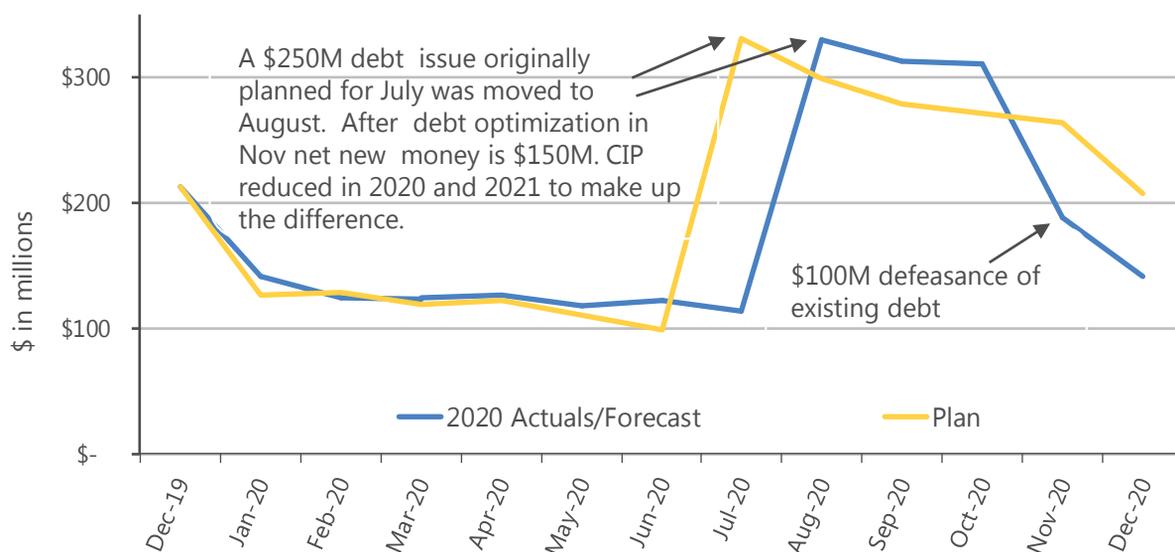
\$ in millions	2019	2020	Plan	Variance-Plan
Other Revenue	\$39.9	\$33.9	\$38.9	(\$5.0)
Other Expense	\$41.5	\$69.2	\$50.6	\$18.6
<b>Other Revenue (Expense) - net</b>	<b>(\$1.6)</b>	<b>(\$35.3)</b>	<b>(\$11.8)</b>	<b>(\$23.5)</b>

- The **other revenue** variance is driven primarily by lower than planned late payment fees. City Light has stopped charging interest on outstanding balances for most customers as a COVID-19 relief measure. Other miscellaneous revenues are also below planned levels.
- The **other expense** variance is due to higher than planned uncollectible balances driven by COVID economic impacts (\$27.2M total forecasted for the year, \$17.1M YTD). The increase is predicated upon the observed spike in overdue accounts receivable balances beginning in April 2020 shown below.

### Total Overdue Accounts Receivable Balances



### OPERATING & CONSTRUCTION CASH BALANCES



## SUMMARY FINANCIAL RESULTS – FULL YEAR 2020

\$ in millions	Forecast	Plan	Variance	Page <sup>(1)</sup>
<b>Debt Service Coverage</b>				
Retail Revenue	\$895.8	\$932.8	(\$37.0)	2
RSA Surcharge Revenue	\$26.3	\$25.4	\$0.9	--
Net Wholesale Revenue	\$50.6	\$50.0	\$0.6	3
RSA Transfers (net)	(\$26.3)	(\$24.2)	(\$2.1)	--
Other Revenue (expense)	(\$35.3)	(\$11.8)	(\$23.5)	5
<b>Total Revenue</b>	<b>\$911.1</b>	<b>\$972.2</b>	<b>(\$61.2)</b>	--
Purchased Power (net) <sup>(2)</sup>	\$244.8	\$252.7	(\$7.9)	4
Other O&M <sup>(3)</sup>	\$301.7	\$312.1	(\$10.4)	4
<b>Total Expense</b>	<b>\$546.5</b>	<b>\$564.7</b>	<b>(\$18.2)</b>	--
<b>Amount Available for Debt Service</b>	<b>\$364.6</b>	<b>\$407.5</b>	<b>(\$42.9)</b>	--
Debt Service	\$224.1	\$228.1	(\$4.0)	--
Debt Service Coverage	1.63	1.79	(0.16)	--
Net Income	\$100.3	\$157.3	(\$57.1)	--
Debt to Capitalization Ratio	58.5%	59.2%	-0.7%	--
<b>Liquidity</b>				
Operating & Construction Cash @ September 30, 2020	\$212.2	\$278.3	(\$66.1)	5
Rate Stabilization Account @ September 30, 2020	\$86.3	\$93.6	(\$7.3)	3

<sup>(1)</sup>See referenced page for additional detail

<sup>(2)</sup>Purchased power costs (net) include long-term purchased power & wheeling expenses net of power contract and power marketing revenue

<sup>(3)</sup>Other operations and maintenance expense includes costs related to distribution, transmission, power supply, conservation, customer service and administrative activities

## BUDGET

Budget Summary	YTD-September		Full Year 2020	
\$ millions	Actuals	Projections	Budget	Diff
<i>O&amp;M</i>				- Over / + Under
Purchased Power	\$233.7	\$319.0	\$348.1	\$29.1
Utility Operations & Administration	\$278.6	\$386.7	\$423.4	\$36.8
Taxes and Debt Service	\$270.8	\$329.2	\$349.5	\$20.3
<b>O&amp;M Total</b>	<b>\$783.2</b>	<b>\$1034.8</b>	<b>\$1121.0</b>	<b>\$86.2</b>
% of Annual Budget	69.9%	92.3%	100.0%	7.7%
<b>CIP Total</b>	<b>\$329.6</b>	<b>\$450.7</b>	<b>\$546.2</b>	<b>\$95.5</b>
% of Annual Budget	60.3%	82.5%	100.0%	17.5%
<b>Total Budget</b>	<b>\$1112.7</b>	<b>\$1485.6</b>	<b>\$1667.3</b>	<b>\$181.7</b>
% of Annual Budget	66.7%	89.1%	100.0%	10.9%

**Purchased Power** forecasted underspend of \$29.1 million is primarily due to lower short-term wholesale purchases resulting from lower than expected consumption driven by the COVID-19 pandemic.

**Utility Operations and Administration** expected underspend of \$36.8 million is primarily attributable to COVID-19 related reductions and labor savings from vacant positions.

**Taxes and Debt Service** projected underspend of \$20.3 million is due to lower than expected retail revenue driven by the COVID-19 pandemic.

**CIP** is forecasted to underspend by \$95.5 million and is not expected to meet the 90% achievement target for 2020. The underspending is due to COVID-19 related delays and project deferrals.



Seattle City Light



# 2019 – 2024 STRATEGIC PLAN QUARTERLY REPORT

Third Quarter 2020

# Customer Service



BU: Transformation & Cust Exp.

Executive Sponsor: Debra Smith

Director: Craig Smith

Report Date: Q3 2020

## Strategic Initiative: Improving Customer Service

### Objectives & Projects

**Objective:**

Upgrade customer service practices to meet evolving customer needs and expectations.

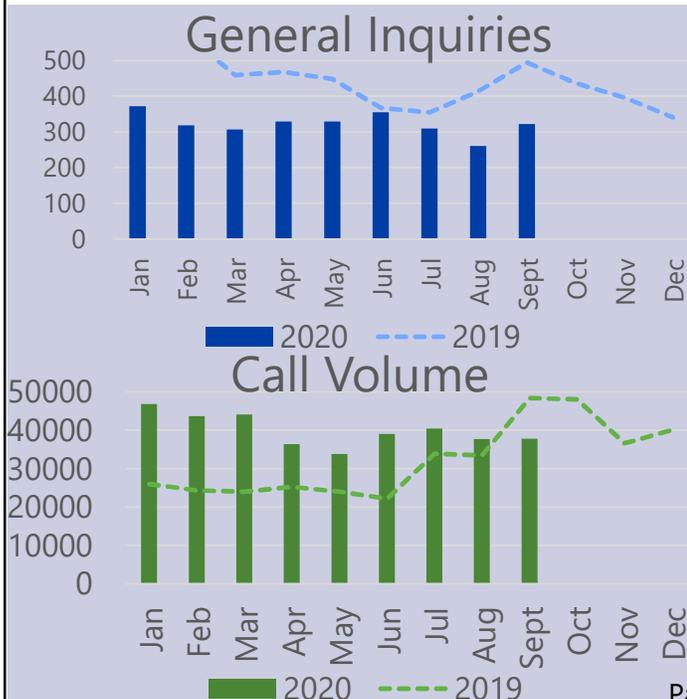
**Projects:**

- 1) Expansion of customer communication to social media, web chat, and mobile technology.
- 2) A full-service after-hours and weekend customer service team.
- 3) Increased options for customer self-service with an enhanced digital customer experience platform.
- 4) A Commercial Customer Service Center to better serve small to mid-size businesses

### Accomplishments

- The Business Customer Service Advisors have proactively engaged businesses to help them with payment plans for both electric and SPU services.
- The Customer Advocacy Team (CAT) is receiving very positive satisfaction scores in assisting residential customers with their billing issues.
- Initiated a Road-to-Recovery effort to prepare for the resumption of disconnections in spring 2021. A team is working to create a broad and strategic process to handle customer payment issues.

### Measures & Progress



### Next Steps

- Q4**
- Continue work on joint recovery planning with a target implementation date of April 30, 2021.
  - Continue to engage residential customers via the CAT with a targeted plan for marketing.
  - Launch UCSS Portal Release 3.0 that will allow customer to view payment plan information and set up payment plans.
- Q1**
- It is anticipated that Business Customer Service Advisors will have permanent staff assigned to the team to help provide better service to small & mid-size businesses.

# Affordability



Business Unit: Energy Innov & Res.

Executive Sponsor: Emeka Anyanwu

Director: Joy Liechty

Strategic Initiative: Evolving Energy Markets

Report Date: Q3 2020

## Objectives & Projects

### Objective:

Pursue new opportunities for cost savings or incremental revenue in wholesale market operations.

### Project:

Join the Western Energy Imbalance Market (WEIM). This will allow City Light to more efficiently use our generation and transmission assets and monetize their intrinsic flexibility and environmental quality.

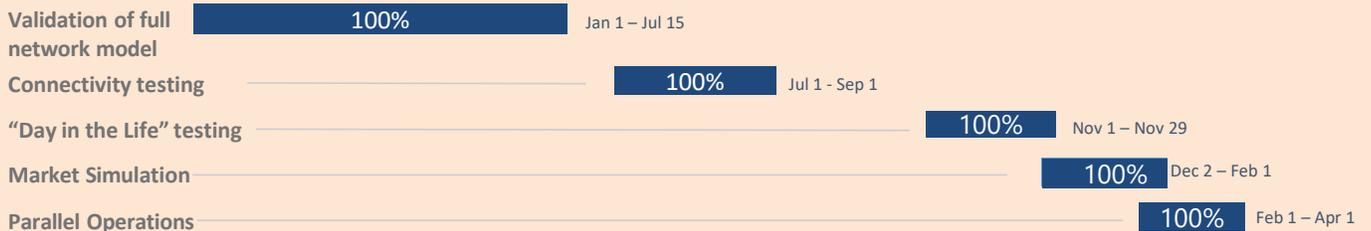
## Accomplishments

### Initiative is complete.

We joined the Western Energy Imbalance Market in Q1 on time and on budget, providing several benefits to City Light. These benefits include:

- Our flexible hydro can displace non-renewables, resulting in an overall carbon emission reduction
- The opportunity for additional revenues, enhanced system reliability with increased grid visibility and improved transmission planning and management all benefit customers.
- Employee growth and development, as well as improved operational coordination bring value to our core business

## Progress



# Affordability



Business Unit: Financial Services

Executive Sponsor: Kirsty Grainger

Director: Chris Ruffini

Report Date: Q3 2020

Strategic Initiative: Cost of Growth

## Objectives & Projects

### Objective:

Audit current fees and charges for customer-initiated construction services and amend policies and charges.

### Projects:

Examine system expansion, customer connections and other capital expenditures driven by regional growth and customer needs for new capacity.

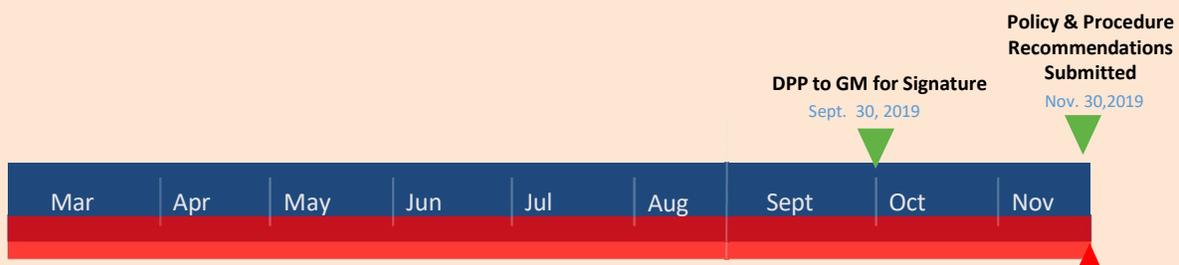
- Audit: Study fees and charges for customer-initiated construction services
- Policy recommendations: A review of new and amended policies that would dictate what components of system work are charged upfront, and what cost should be added to rates.

## Accomplishments

### Initiative is complete.

With policies updated and implemented, the Cost of Growth initiative is considered closed. Further efforts on policy changes to ensure costs are recouped have been redistributed to the Service to Bill Business Process Improvement and can be tracked there.

## Progress



Draft changes to DPP 500 P III-417



Review/Edit DPP 500 P III- 417



Taskforce develop recs for policy changes



Implement process changes



# Affordability



Business Unit: GM/CEO

Executive Sponsor: Debra Smith

Director: Jen Chan

Strategic Initiative: Business Process Improvement

Report Date: Q3 2020

## Objectives & Projects

**Objective:**

Enhance service delivery and productivity through the implementation of a sustainable business process improvement (BPI) program.

**Projects:**

This initiative will deliver process improvement projects resulting in operational savings, improved customer experience and increased consistency in work processes across the utility. The 2020 Workplan consists of the following projects:

Accounts Payable/ Purchase to Pay: Two projects carried forward from 2019 to ↑ efficiency in vendor payment.

New Service to Bill: Two projects carried forward from 2019 to ↑ turnaround time for service connections and accuracy for electricity billings.

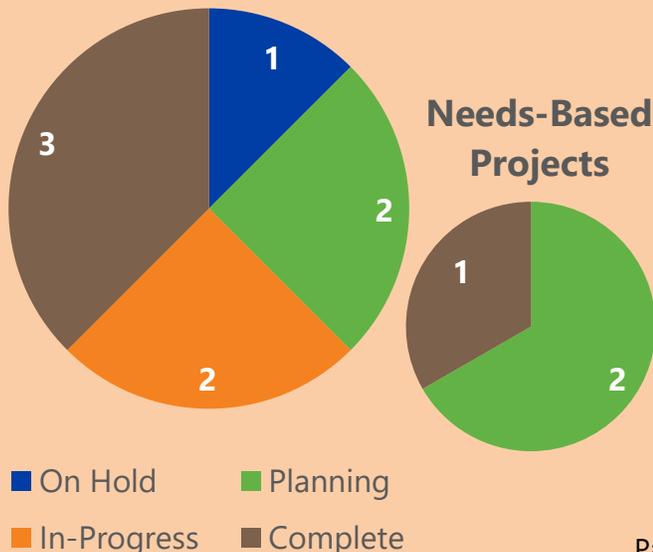
Needs-based: Lessons learned process design for Customer Escalation and complaints (Q3)

## Accomplishments

- New Service to Bill project’s Engineering Cost Estimation project charter is approved and baseline measurements have been established.
- Credit Card pilot analysis was completed. Draft pilot completion memorandum is in progress. The AP Credit Card Pilot started in March and was completed in September with three credit card users. The pilot timeline was extended due to COVID-19 as work for non-emergency activities stopped and restarted in early June.
- Began a new Needs-Based project that focused on the development of a “lesson learned” process to learn from previous escalated issues and complaints. The goal is to understand these complex issues, share knowledge among groups, and improve internal processes for our customers.

## Measures & Progress

### 2020 Workplan



## Project Highlights

**New Service to Bill**

Of the three New Service to Bill projects, the Engineering Cost Estimation project workplan is being finalized. The expected timeline for project completion is in Q4.

**Planned Outage**

Project charter and scope is being drafted to focus on improve and bringing visibility to the process for scheduling, conduct customer communication and carrying out residential planned outages..

**Accounts Payable (AP)**

The Credit Card Pilot, which is one part of the AP improvement project, was completed. The goal of this effort was to pay certain vendors on time and reduce AP processing steps. Pilot review and analysis will be completed in Q4.

# Affordability



Business Unit: Financial Services

Executive Sponsor: Kirsty Grainger

Director: Chris Ruffini

Strategic Initiative: Revenue Recovery and Rates

Report Date: Q3 2020

## Objectives & Projects

### Objective:

Create new rate policies and structures that progressively respond to industry changes and challenges.

### Project:

Updated rate policies could improve revenue stability, create new service options, and better target cost recovery, which would reduce the rate burden for some or all customers. City Light will study customer classification, special rates for premium services and metering options, and identify policy improvement opportunities.

## Accomplishments

### Energy Equity Pilot

- Launched in Q1 2020
- Currently 69 enrolled
- COVID has significantly slowed roll-out of the program

### Residential Time of Day

- Launched in September 2020
- 200 applicants selected via random lottery
- Includes 50 renters, 50 customers who charge EVs, and 68 customers with a household income < \$75,000

### Commercial Electrification

- Launched in September 2020
- Currently 5 customers, expecting to increase as more charging stations are built

### Large Customer Demand Response

- TBD – re-evaluating scope and budget

## Progress



# Clean Energy



BU/Division: Cust Energy Solutions

Executive Sponsor: Emeka Anyanwu

Director: Craig Smith

Strategic Initiative: Clean, Renewable Powered City

Report Date: Q3 2020

## Objectives & Projects

### Objective:

Deliver innovative and forward-thinking programs that promote clean energy solutions.

### Projects:

- 1) Expansion of whole building energy efficiency programs such as Pay for Performance (P4P) and Energy Efficiency as a Service (EEaS) to increase energy savings in commercial buildings.
- 2) Transportation Electrification (TE) - Install and operate electric vehicle charging stations, build partnerships, and develop incentives to provide customers with access to carbon- neutral electricity.
- 3) City Light's Lighting Design Lab (LDL) will provide a broad offering of education, technical support and technology validation services to designers, buildings operators and contractors.
- 4) Large Solar: Provide customers a pathway to incorporate solar into their energy consumption mix.

## Accomplishments

### Transportation Electrification:

- TE Strategic Investment Plan (TESIP) that was approved by City Council grants authority to offer incentives and One Site One Service.
- Four new public EV chargers were completed at Alaska Junction & Madison Miller
- Public charger utilization returned to pre-pandemic levels

### EEaS: (energy efficiency as a service)

- M&V (Measurement & Verification) Consultant has been contracted (kW Engineering).
- Contracting process has started with applicants.

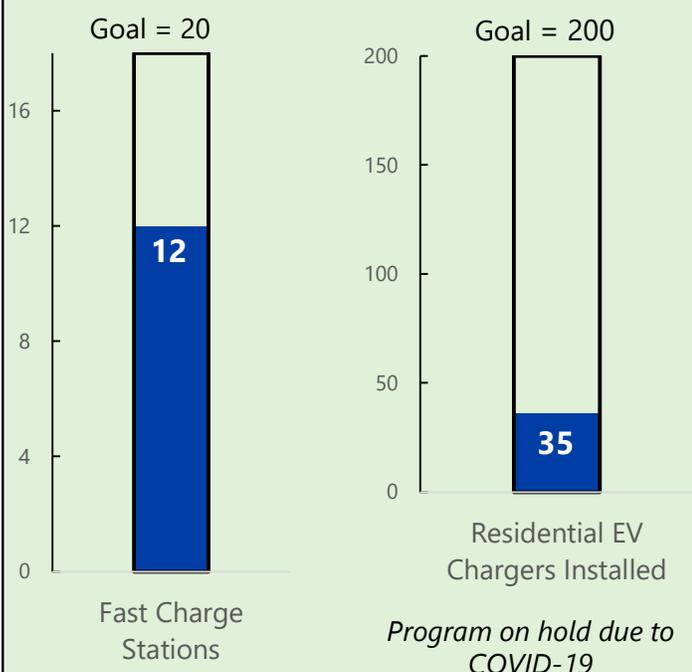
### P4P (pay for performance)

- Continued interest shown by large customers.
- Swedish First Hill completed first performance year with +4M kWh savings. Swedish Ballard has applied to the program

### Large Solar

- Submitted required program report to City Council

## Measures & Progress



## Next Steps

Q4

**Public EV Charging:** Complete Tukwila station (4 fast & 1 lvl 2). Planning for next stations. Update EV charging fee via DPP.

**TE:** TESIP implementation, including phase 2 outreach to begin program co-creation with community and stakeholders.

**EEaS:** Contract with M&V Vendor and determine baselines for participants. Next solicitation round is being developed. Covid-19 is requiring additional review of existing program design.

Q1

**Public EV Charging:** Complete 2-3 new stations (5+ fast chargers). Planning for next round of stations.

**TE:** TESIP implementation, including incorporation of phase 2 outreach into program designs.

# Clean Energy



Business Unit: Environmental Affairs

Executive Sponsor: Tom DeBoer

Director: W. Devereaux/C. Townsend

Strategic Initiative: Environmental Stewardship

Report Date: Q3 2020

## Objectives & Projects

### Objective:

Continue our industry leadership in improving the protection of the ecosystems in which we operate.

### Projects:

- 1) Climate Adaptation (CA) - Enhance climate resilience within City Light
- 2) Habitat Protection (HP) – Protect fish and wildlife habitats through acquisition and restoration of important salmon and wildlife habitat.
- 3) Remove PCBs - (Tracking for this program will begin when the tracking software program is implemented by Seattle IT. Expected Q2 2020)
- 4) Environmental Equity (EE) - Continue to develop our environmental equity program to help ensure that we are engaging environmental justice communities

## Accomplishments

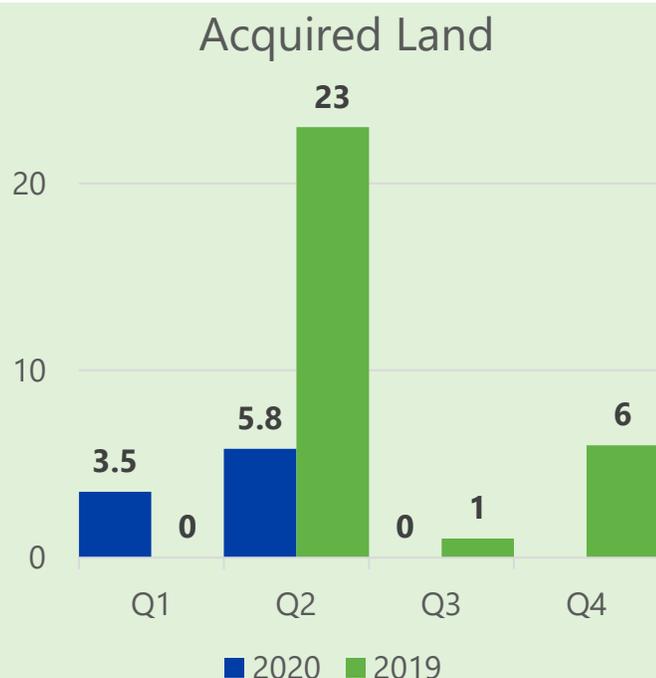
### Environmental Equity:

- Due to COVID 19, the annual Sept./Oct. environmental equity trip to the North Cascades Environmental Learning Center was cancelled. The first monthly Environmental Equity Virtual Townhall event added two additional sponsor organizations and increased participation from Black, Indigenous, Latinx and Asian environmental orgs.

### Climate Adaptation:

- Gave webinar to CEATI industry group on climate change adaptation.
- Coordinated and hosted in-house training on Global Climate Effects on Washington Weather.

## Measures & Progress



## Next Steps

Q4

**CA:** Complete temperature modeling for SF Tolt Reservoir. Negotiate new MOA for snow assessment using hydrology model for Tolt River Watershed.

**EE:** Continue monthly planning meetings for environmental equity summit. An Environmental Equity Virtual Summit is being planned for Spring 2021.

**HP:** Purchase salmon property; continue ongoing restoration on existing properties.

Q1

**CA:** Continue updating Climate Change Vulnerability Assessment and Adaptation Plan.

**HP:** Purchase salmon property; continue ongoing restoration on existing properties.

# Core Business



## Accomplishments: Quarter 3 2020

Invest in our infrastructure and workforce to provide a consistent level of service, reliability, and response.

### Utility Operations & Engineering “Keep the lights on”

#### Preserve Hydroelectric Generation Assets

- Boundary Unit 51 – Construction resumed mid-July. The unit is expected to return to full service by March of 2021.
- Boundary Until 55 – A crack was found in the turbines. This is scheduled for repair in Q4.
- Cedar Falls – The design-build contractor is scheduled deliver 60% design in Q4.
- Skagit Project – Construction work included replacing Ross Units 41 & 42 water pipes and Governors R2 line protective relay upgrade.
- Cedar Falls – Completed business case for long-term viability of the Nehalem Creek project.

#### Relicense Skagit

- This project is proceeding according to the Integrated Licensing Process Timeline. CL received Licensing Participant requests for studies related to the effects of the current project. Our response to these requests is in development and will be filed by December 8<sup>th</sup>.

### Energy Innovation & Resources “The future is now”

#### Respond to a growing city

- The Accelerated Pole Replacement Program (PRP) is a utility-driven capital project that was established to address existing poles that while currently safe, are scheduled for replacement --- approximately 6,000 of a total 92,000 poles. As of the end of September 2020, 1,178 poles have been replaced. SCL is on track to replace our goal of 1,500 poles in 2020.

#### Enhance grid performance/grid modernization

- Developed grid modernization proposals for incoming large electrification loads, including the use of battery technology.
- Created and delivered a cyber security course tailored specifically to operational technology cyber security concerns and best practices for protecting the grid.
- Conducted a line sensor pilot project. 10 sensors were installed to sense high current faults and monitor current flow on the 26kV system.

### People & Culture “Enhance the employee experience”

#### Improve workplace culture

- Due to the Mayor’s COVID-19 hiring freeze, the hiring process for the Employee Experience Director has been placed on hold.
- There was an 80% participation rate among business units in the Current Culture Employee Engagement action planning process, which includes team formation and the project planning phase.

#### Sustain high-performance workforce

- Due to the impact of COVID-19, the succession planning analysis for the Generation and Engineering division has been placed on hold.

#### Lead with safety

- In the third quarter, there was a 46% decrease in OSHA recordable incidents from the past 5 years with 32.
- The number of preventable motor vehicle collisions decreased by 18% compared to the 5-year average of 29 down to 24 in the 3<sup>rd</sup> quarter.

### Facilities & Oversight “Play good defense”

#### Ensure secure, resilient work environment

- New processes for operations and physical sites were put in place due to COVID-19.
- Capital facility projects include: Construction of System Operations Center seismic upgrades; Removal of Bothell Water Tower; Work on North Service Center central lot.
- A security watch process was implemented to mitigate security risks for field staff.

#### Comply with regulations

- Regulatory Affairs submitted City Council legislation for the 2020 Tariff that incorporates FERC regulatory amendments, updates Tariff language re: SCL’s participation in the CAISO EIM & incorporates updated rates. The legislation was approved by the full City Council on 10/5/20.
- A NERC reliability Standard suite of new and revised Standards designed to manage cyber security vendor supply chain risk was implemented.