



CITY LIGHT REVIEW PANEL MEETING

Thursday, June 17, 2021

9:00 AM – 11:00 AM

Microsoft Teams Meeting

Proposed Agenda

<u>Item</u>	<u>Lead</u>
1. Welcome, Introductions (<i>5 min.</i>)	Mikel Hansen, Panel Co-Chair
2. Public Comment (<i>5 min.</i>)	
3. Standing Items: (<i>5 min.</i>)	
a. Review of agenda (Karen Reed)	
b. Action: Review and approval of meeting minutes of May 12, 2021	
c. Co-Chair's Report (Mikel)	
d. Communications to Panel (Leigh Barreca)	
e. Panel recruitment update (Maura Brueger/Toby Thaler)	
4. General Manager's update (<i>30 min.</i>)	Debra Smith
5. 2022-2026 Strategic Plan (<i>15 min.</i>)	Leigh
a. Strategic Plan (Final)	
i. New PIA (no rate impact)	
b. Council Committee presentation 6/16/21 update	
c. 7/7/21 Council presentation (Review Panel in attendance to speak to panel letter)	
6. Grid Modernization Presentation (<i>45 min.</i>)	Emeka Anyanwu/David Logsdon/Uzma Siddiqi
7. SCL Reports (<i>15 min.</i>)	Kirsty Grainger Angela Bertrand
a. Q1 Financials	
b. April Executive Dashboard	
8. Adjourn	

Next meeting: September 22, 2021

NOTE: Ben Kujala from Northwest Power and Conservation Panel will give a presentation to SCL and interested panel members about the 8th plan in July/August (Date TBD). The Review Panel will receive a meeting invitation.



City Light Review Panel Meeting Meeting Minutes

**Date of Meeting: May 12, 2021 | 9:00 AM – 11:00 AM |
Meeting held via Microsoft Teams “Draft”**

MEETING ATTENDANCE					
Panel Members:					
Names		Name		Name	
Scott Haskins	✓	John Putz	✓	Mikel Hansen	✓
Sara Patton	✓	Anne Ayre	✓	Leon Garnett	✓
Staff and Others:					
Debra Smith	✓	Jen Chan	✓	Karen Reed (Consultant /RP Facilitator)	✓
Kirsty Grainger	✓	Mike Haynes	✓	Tom DeBoer	✓
Jim Baggs	✓	DaVonna Johnson		Craig Smith	✓
Kalyana Kakani	✓	Emeka Anyanwu	✓	Michelle Vargo	✓
Julie Moore	✓	Chris Ruffini	✓	Maura Brueger	
Greg Shiring	✓	Carsten Croff	✓	Leigh Barreca	✓
Eric McConaghy	✓	Toby Thaler	✓	Angela Bertrand	✓
Tim Skeel (Panel appointment pending)	✓	Chris Tantoco	✓		

Welcome\Introductions. The meeting was called to order at 9:03 a.m.

Public Comment. There was no public comment.

Standing Items:

Review Agenda. Karen Reed reviewed the agenda.

Approval of April 29, 2021 Meeting Minutes. Minutes were approved as submitted.

Chair's Report. No report.

Communications to Panel Leigh Barreca shared that there were no communiques to the Panel.

Panel Member Recruitment. Toby Thaler reported that the Council appointed positions are on hold pending getting a larger nomination pool. Leigh will follow up with Maura Brueger and Toby to develop a plan for moving forward.

General Manager's update.

Debra Smith presented.

Labor contract - We had a vote for IBEW77 for high voltage workers' new contract and it passed



overwhelmingly. When Snohomish Public Utility District (SnoPUD) raised its line worker wages, we worked with the City & the LRPC (Labor Relations Policy Committee) to formulate this agreement. We are pleased with its passage and working on next steps. The agreement will go to full council for approval in coming weeks.

Q: How do the new wages compare to SnoPUD?

C: They are pretty comparable. There is an adjustment for cost of living. Lowest rate increase is 2.5%. The highest is close to a 12% raise.

Strategic Plan - We are getting ready to transmit the Strategic Plan to the Mayor's office once you sign off on it. Leigh has been working through the "pipeline process" for getting Mayor's office approval of the Strategic Plan, which includes submitting a memo to the Mayor's office. We have approval to proceed and are ready to submit the complete Strategic Plan package, including the Panel's letter late this week.

2022 Budget Proposals - The Executive team has been working to submit budget proposals. We use Budget Issue Papers (BIPS) to discuss resource allocation. We are not a general fund department, so we are not requesting new funding. However, we are moving funds around to meet business needs. This work is aligned with the business strategies and programs identified in the Strategic Plan.

Chris Ruffini: This is challenging work. We are figuring out what to do less of in order to meet new business needs.

Skagit Relicensing – Debra is meeting later today with a key stakeholder. Comments on the revised study plan from license participants were due on May 6th. The Swinomish tribe has noted that we have made good progress but that there are still challenges. FERC (Federal Energy Regulatory Commission) has until May 21st to release the final study plan. We are having continuing conversations to address the identified areas of concern. We are moving forward in creating a watershed restoration fund as was included in the commitment letter. We are also working on re-watering the 'reach' - the area between the powerhouse and the dam.

Q: What happens during this 2-year period during which the study plan is carried out? What is the role of the license participants and the public?

A: We will engage with scientists over the next two summers to identify the information necessary to develop our plans to meet the terms of the agreement. There will be a role for participants during this and during the subsequent review period. We will also begin to have conversations with the tribes to make additional agreements outside of those identified by FERC. The watershed fund is an example of this. Debra will go with the Mayor to meet with each tribe to emphasize our commitments to this process. When the scientific review is over, we should have a good understanding of what the participants want so we can move forward together.

Q: Do you have an overview for the recent national cyber security pipeline threat and any potential impacts to SCL?

A: Jeff Brausieck is our head of Cyber Security. When I talked about the budget issue papers one of those is to stand up our own cyber function outside of the City's IT department, due to our unique cyber needs.



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Jeff says they have been monitoring and joining calls with Homeland Security and CISA (Cyber and Industry Security Agency). City of Seattle continues to monitor ransomware attacks. There is no indication of similar threats to City Light or that the energy supply was intentionally targeted. We are not seeing much in the way of price impacts in this part of the country. For the most part Colonial moves energy to the northeast. We are monitoring and following emerging guidance. We will get more information from the LPPC (Large Public Power Council). When Jim Baggs can join the meeting, we will get additional information from him.

Mike Haynes – The Dam Safety team is watching this also. We are tracking this very closely.

Debra noted that she will be reporting again to David Moseley now that Casey Sixkiller has announced his run for mayor. David will fill this role until the new administration begins in January.

Q: Has there been any more discussion on dam removals?

A: Our position has not changed. We have applied to FERC with our intent is to relicense all three. They work together.

Mike Haynes: It is an integrated system. We operate Skagit almost like it is a single plant. Gorge is incredibly important to regulating flow in the lower river. We operate all three in a fish-first way.

Debra: Skagit is also combined with Boundary – they operate in tandem. There was a request for us to agree to study removal. Studying it would give the impression that we are open to considering this and we really are not right now. If the new mayor comes in and says we need to study it, then we will.

Q: What about the Snake River dams?

A: Debra's position is around collaboration with a State Led Process with the Columbia Basin Collaborative.

Debra: Regarding the 8th plan, I would like to schedule a Review Panel session with staff from the Power Council. There is a feeling that the 8th power plan is calling for less energy efficiency.

Panel Member Comment: There's a feeling in the community that the energy efficiency modeling is not accurate and that is affecting the amount of efficiencies moving forward.

2022 – 2026 Strategic Plan.

Legislative Review Process – Leigh provided an overview of the legislative timeline to full council adoption.

Final Draft Strategic Plan – Leigh shared that the Strategic Plan is fully drafted, complete with graphic layout. Leigh highlighted the photos in the plan from the Essential Seattle photo project.

C: It looks fantastic! I have no negative comments at all. The title and graphics are wonderful. The



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community voices throughout were well placed. Debra's letter was leader-ly. Including the rate plan was comprehensive. Great job.

Q: Can you highlight the changes made around debt strategy

A: It is on page 21 of the plan in the box under "Control Rate Strategies"

Review Panel letter - Karen Reed reviewed the draft Review Panel letter, based on Panel input at the last meeting and subsequent input from members via email. The letter will accompany the strategic plan when it is transmitted to the Mayor's office and City Council. Materials are in member packets. The Panel approved the letter as edited.

At this point, Jim Baggs joined the meeting and spoke to cyber security issues and the recent Colonial Pipeline ransomware attack. Jim said there is no indication that the ransomware got into the operational systems of the pipeline company. The pipeline was shut down on purpose out of an abundance of caution. One question is who might have done this. What they are experiencing is a type of ransomware that we are very familiar with – dark side ransomware. That means we know what to do with it. We know how to catch it and what to do with it. There is some indication that the operators of this ransomware are in many countries; it does not appear to be an attack from a specific country.

Debra Smith noted that SCL had an event recently with our bill-print vendor. Because our equipment was out of date, we moved from in-house productions to a vendor. The vendor experienced a ransomware attack, it did not impact our bills, but we take this very seriously. We were prepared to go back to our in-house plan B, but we were able to collaboratively work with the vendor and with Seattle Department of IT to confirm that there was no risk to our data and were able to resume bill printing.

Future Review Panel Meeting Topics

Karen noted that the Panel is required by Council ordinance to submit a workplan to the City Council every two years. This also keeps SCL accountable to what the Panel needs. She asked for Panel member ideas on topics for the next two-year Panel workplan. Panel brainstormed ideas.

Potential topics:

- Debt strategy (agreed this is priority and can be presented in September)
- Updates on Skagit Relicensing
- Progress on addressing growing receivables /past due payments from customers
- Regional collaboration and economic development—promoting business to the region
- Operational dashboard development
- All the challenges noted in the letter.
- Development of capacity markets in the region
- Updates on electrification, battery storage



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- Developing the CIP: how are projects prioritized to get best value for money spent?
- Collaborative efforts related to dams on the Snake and Columbia rivers
- Utility Discount Program (UDP) updates
- Balancing energy efficiency goals with beneficial electrification
- Work force trends as we come out of the pandemic: how has diversity, gender been impacted?
- Public outreach and communication to low-income community
- Progress on benchmarking
- Progress on environmental initiatives

Work on the next Strategic Plan will begin around Q4 of this year. It will focus on economic impacts and refreshing the model. The speed with which we see economic recovery will really drive the speed that we can move forward. New legislation out of Olympia on carbon will also have an impact. The next strategic plan will be delivered in May/June 2022 and will cover years 2023-2028.

Adjourn: Meeting adjourned at 10:29 AM

Next meeting: June 22, 2021

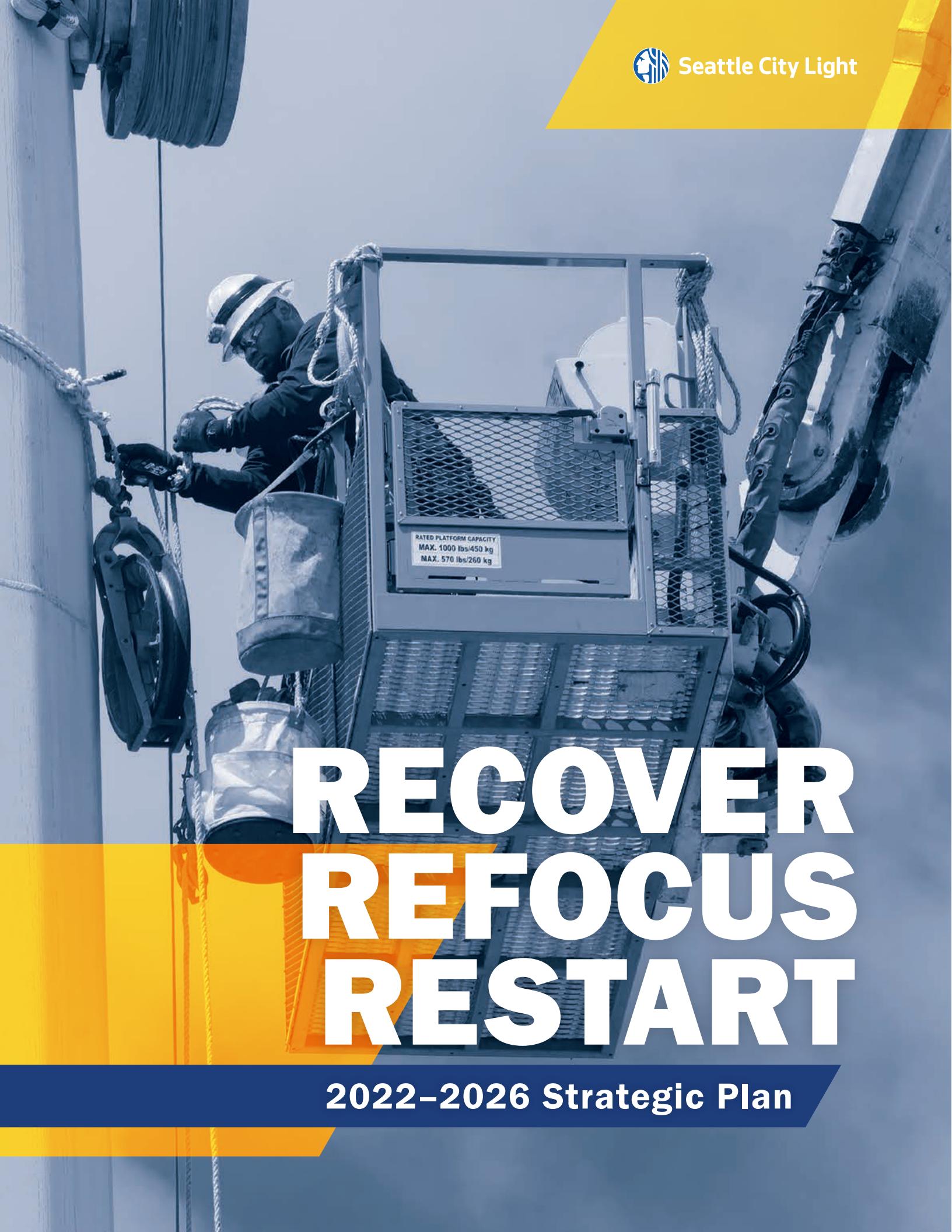
CITY LIGHT REVIEW PANEL ROSTER CONTACT LIST

Updated JUNE 2021

Name	Position	Appointing Authority	Appointment Status
Vacant	#1 - Economist	Mayor	Pending appointment: Tim Skeel
Scott Haskins	#2 – Financial Analyst	City Council	On board
Vacant [Sara Patton]	#3 – Non-Profit Energy Efficiency Advocate	Mayor	<ul style="list-style-type: none"> • 1 – 2 candidates will be forwarded to MO • Sara will remain on panel until replacement is appointed
Vacant	#4 – Residential Customer	City Council	<ul style="list-style-type: none"> • CM Pederson's office has identified a candidate
Mikel Hansen – Co-CHAIR	#5 – Commercial Customer	Mayor	On board
Anne Ayre	#6 – Industrial Customer	City Council	On board
Vacant	#7 – Low Income Customer	Mayor	<ul style="list-style-type: none"> • SCL is soliciting candidates
John Putz	#8 – At-Large Customer	City Council	On board
Vacant	#9 – Suburban Franchise	Mayor	<ul style="list-style-type: none"> • One candidate will be forwarded to MO



Seattle City Light



A black and white photograph of a utility worker in a lift basket working on a utility pole. The worker is wearing a hard hat and safety gear. The lift has a metal cage and a platform with a capacity rating plate that reads: "RATED PLATFORM CAPACITY MAX. 1000 lbs/450 kg MAX. 570 lbs/260 kg".

RECOVER REFOCUS RESTART

2022–2026 Strategic Plan

RECOVER, REFOCUS, RESTART

Over 900,000 people in the Seattle area rely on Seattle City Light every day to keep their homes comfortable, businesses operating, and communities vibrant. It is our responsibility and privilege to provide our customers power that is reliable, affordable, and environmentally responsible.

Like many things in 2020, our strategic planning process stopped abruptly when COVID-19 hit. We quickly pivoted to focus on the immediate safety and health of our community, customers, and employees.

I am so proud of the work done by Seattle City Light staff. They quickly learned new ways to work, from virtual meetings to new work-safety requirements. In a time filled with fear and uncertainty, they stayed focused on taking care of our customers, neighbors, and their colleagues. They made sure people were safe, helped those who were struggling to pay, and maintained progress on critical projects.

Now, with a hopeful eye to the future, we have returned to our strategic plan. We know times are still uncertain, and that our region's recovery is likely to be sporadic. But the plan is our North Star compass, keeping us oriented to where we ultimately intend to be.

As a public utility, our goals are defined by our customers and the communities we serve. The public has made clear they expect us to deliver affordable, reliable electricity in an environmentally responsible way. They also count on us to handle any crisis that comes along while we meet their evolving needs. That's why we need a shared vision, institutional flexibility, and more than one path to becoming the utility of the future. I believe this plan defines our destination while maintaining the flexibility we will need to deal with the uncertainty ahead.

A strategic plan is no substitute for values. I'm proud of Seattle City Light and the values we share with the communities we serve. We will continue to deliver reliable energy to our customers while working to also improve the environment, advance equity, achieve excellence, put customers first, and take care of our employees. We are honored to be a force for the Seattle area's recovery as we work together to build a more equitable, sustainable future.

Thank you,



Debra Smith
General Manager & CEO

About Seattle City Light

Seattle City Light, a department of the City of Seattle, is one of the nation's largest publicly owned utilities in terms of the number of customers served. Our customers include the cities of Seattle, Shoreline, Burien, Lake Forest Park and portions of Normandy Park, Tukwila, Renton, SeaTac, and unincorporated King County.

We are funded by customer revenue, not taxes, and governed by the elected leaders of the City of Seattle.

As a recognized national leader in energy efficiency and environmental stewardship, Seattle City Light provides low-cost, reliable, and environmentally responsible electric power. We meet over half of our customers' electric needs from hydropower dams owned and operated by Seattle City Light. Most of the remaining power comes from hydropower purchased from the Bonneville Power Administration and investments in renewable and conservation resources. We are proud to offer our customers some of the lowest electricity rates in the nation.

BY THE NUMBERS

Service Area Population:	955,116
Customers	
Residential:	429,690
Non-residential:	51,398
Personnel (FTE):	1,793
Meters:	482,608 (95% Advanced Meters)
Distribution Circuit Miles:	Looped Radial: 2,340 Network: 267
Major Substations:	16
Commercial/Industrial Power Transformers:	56
Network Distribution Circuit Miles:	309
Peak Use, MW:	1,757
Annual Energy Savings from Conservation, KWh:	83,046,206

WHY THIS IS A FIVE-YEAR PLAN

Typically, Seattle City Light's strategic plans cover six-year periods. However, due to COVID-19, our planning process was delayed in 2020 and this plan was revised from a six-year (2021-2026) to a five-year (2022-2026) period.

We'll resume the six-year planning cycle with the 2023-2028 Strategic Plan.

OUR MISSION

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

VISION

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

VALUES

CUSTOMERS FIRST: 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.

ENVIRONMENTAL STEWARDSHIP: We care about the environment and we are dedicated to enhancing, protecting, and preserving it for future generations.

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.

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.

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.





FROM PANDEMIC TO PROGRESS: CITY LIGHT SUCCESSES

In 2020, the utility faced extraordinary challenges — the coronavirus pandemic, the shuttering of businesses and massive job losses, dangerous air quality, and heightened calls to address racial disparities and injustice. Throughout these difficult times, the utility adapted to provide safe work environments for its employees, maintain essential services to customers, and learn from the experience to build a stronger utility moving forward.



Responded to COVID-19

We mobilized quickly and comprehensively to continue delivering services during a severe public health, economic, and social crisis. Our employees found new ways to adapt their work—from rethinking how crews deploy to setting up home offices (often next to home-school “classrooms”). We also restricted planned outages to reduce impacts to customers.

COVID-19 forced us to adjust plans and practices to respond to new norms and changing demands for service. Our workforce was agile, resilient, and caring. In the face of great uncertainty and distress, we honored our mission, lived by our values, and provided help to the most vulnerable among us.



Advanced Our Carbon-Neutral Transportation Future

The utility’s Transportation Electrification Strategic Investment Plan identifies what’s necessary to expand transportation electrification to meet our carbon-neutral goal. The plan describes how data and community and stakeholder input will help build an equitable and electrified transportation system.

The plan is already in action. We’re working with King County Metro and Washington State Ferries to build the necessary electrical infrastructure to support public transit electrification. This will significantly benefit communities that rely on public transit and will reduce air and noise pollution where impacts are greatest. We’ve expanded electric vehicle charging infrastructure, invested in electrification of our fleet, and started constructing a charging depot for municipal and private fleets. We are also piloting time-of-day rates that enable transportation electrification by encouraging off-peak vehicle charging for residential and commercial customers.

We’ll build on these existing commitments to develop future offerings to support equitable electric transportation for all and reduce emissions across the region.



Made Customer Service More Personal and Convenient

We are committed to continually improving our service to customers. As customer expectations and technologies change, so must our business practices. We've transformed many important customer services, such as launching a Business Customer Service Center pilot program that provides concierge services and developing an online customer portal. The portal includes improved account management tools and the ability for customers to see and respond to real-time usage data. This means customers can easily open and close accounts through self-serve options and businesses have tools to make their work easier.



Invested in Critical Infrastructure and Assets

We continue to make strategic, reliability-enhancing investments in our generation, transmission, and distribution systems.

Hydropower is clean, carbon-free energy and provides about half of our customers' power. We upgraded our hydroelectric generation with improvements in dam safety and long-term system and facility planning.

The replacement of aging wooden utility poles was particularly important and challenging in 2020 due to the need to limit planned outages. Thanks to committed crews and staff, we were able to significantly accelerate our pole replacement schedule and develop a robust strategy to replace poles that require long-duration permitting efforts.

Additionally, we invested in undergrounding facilities along the Seattle waterfront and added capacity for light rail.



Joined the Western Energy Imbalance Market

City Light joined the Western Energy Imbalance Market (WEIM) in 2020. This advanced market system automatically finds low-cost energy to serve real-time consumer demand across the West. WEIM enhances grid reliability and generates cost savings for participating utilities. In addition to providing economic advantages, the market improves the integration of renewable energy, which leads to a cleaner, greener grid. The City Light team successfully entered WEIM during an unusually challenging time and our first year of participation has had positive financial results.



Earned the Highest Reliable Power Provider Designation from the American Public Power Association (APPA)

In 2020, City Light was one of only 47 utilities to earn the Diamond Reliable Public Power Provider (RP3)® designation from the APPA. This award recognizes public power utilities for proficiency in reliability, safety, workforce development, and system improvement. This three-year designation shows the utility's dedication to safety, reliability, and sound business practices.

UTILITY RELIEF FOR CUSTOMERS IN RESPONSE TO COVID-19

In coordination with the City of Seattle, City Light:

- Provided more flexible payment plans
- Helped eligible residential customers self-certify for Utility Discount Program
- Reached out to small businesses with delinquencies to offer flexible payment plans
- Waived interest charges/late fees on delinquencies for eligible businesses
- Expanded emergency assistance to help with high balances



STRATEGIC PLAN PERFORMANCE METRICS

The strategic plan uses performance metrics to track progress and provide insights that allow us to refine our work. Overall, we're making good progress, but there's more work to be done. Here are a few examples of how our work benefits the utility, customers, and the community:

	2016	2017	2018	2019	2020	TARGET 2021
RELIABILITY						
Outage Duration: SAIDI (in minutes) ¹	61.0	64.5	58.3	71.9	67.0	64.3
Outage Frequency: SAIFI ²	0.50	0.40	0.50	0.50	0.49	0.47
Generator Availability	83.8%	81.5%	89.1%	84.1%	77.1%	81.4%
Miles of Line Trimmed ³	553	417	373	408	323	400
CLEAN ENERGY						
Energy Efficiency Incremental Average Megawatts (^a MW) ⁴	14.0	15.4	14.4	13.0	10.5	10.8
SOCIAL JUSTICE						
Utility Discount Program Participants	28,000	33,000	31,924	34,028	42,094	n/a ⁵
Purchases from Women & Minority Business Enterprises (\$ millions)	\$15.20	\$14.00	\$11.50	\$13.00	\$19.70	\$16.37
FINANCE						
Debt Service Coverage	1.70	1.90	1.80	2.10	1.73 ⁶	1.79

¹ SAIDI – System Average Interruption Duration Index (average total number of minutes per year of sustained outage per customer served)

² SAIFI – System Average Interruption Frequency Index (average number of times a customer's electric service was interrupted in the year)

³ Tree trimming and vegetation management as measured by transmission line miles

⁴ Measures our performance toward reaching our state-mandated energy savings target. In 2020, in-home services were suspended for safety due to COVID-19.

⁵ There is no Utility Discount Program or Emergency Low-income Assistance Program target for 2021. Instead, the focus will be on improving the application process and removing barriers to apply—thereby increasing the number of new enrollees.

⁶ Unaudited



LOOKING FORWARD

Our customers rely on us to keep the power on, no matter the situation. To do this, we need a clear vision of where we want to go and plans for how to get there. These plans must continually adapt to changes in our community, the industry, and the world.

Our values, mission, and vision shape all our planning. They reflect who we are, why we're here, and what we aspire to. Our vision is where we are headed and our source of inspiration.

The strategic plan guides us on our path. It's our North Star—a navigational aid to help us get to our destination. The plan takes a high-level, longer-term view; it identifies our key strategic assets, and it leverages these assets to help us navigate uncertainty.

The strategic plan informs other detailed and more frequently updated plans.

Our annual workplan sets service and performance goals and guides our day-to-day operations. Financial plans such as the Capital Improvement Program, rate trajectory, and budget help us manage our resources wisely.

SEATTLE CITY LIGHT STRATEGIC PLAN 101:

WHAT? A framework for making informed decisions to meet current and future needs of Seattle City Light and its customers.

WHO? Seattle City Light's executive team leads the planning effort with input from the Seattle City Light Review Panel, City of Seattle policymakers, community members, business representatives, customers, employees, and other stakeholders.

WHY? Disruption is the new normal. Pandemics, climate change, evolving customer needs, new technologies, and a generational wave of retirements are just a few of the disruptive forces creating major challenges for our industry.

OUR PLANNING PROCESS



COMMUNITY VOICES

We Heard From You

Seattle City Light uses insights from customers and the community to inform our strategic planning and daily work.

In March and April 2021, Seattle City Light met with 11 stakeholder groups to present the utility's draft 2022-2026 Strategic Plan. This included the City Light Environmental Advisory Board, members of the City of Seattle's Environmental Justice Committee, the Seattle Renters' Commission, representatives from the utility's franchise cities, members of the NW Energy Coalition, representatives from the Seattle 2030 District and Business Owners and Management Association, representatives from the Multi-Service Center and Hopelink, and representatives from the utility's managed accounts.

Several presentations were given to Seattle City Light staff — including presentations to our Race and Social Justice Change Team — and a Virtual Town Hall was held on April 15, which was open to the public.

In total, City Light engaged with over 200 individuals who brought a variety of perspectives to each discussion about the priorities presented in the plan.

AREAS OF INTEREST EXPRESSED

- Having a greater voice in the direction of new City Light programs
- Seeing City Light programs and initiatives roll out at a quicker pace
- Supporting City Light's plan to control debt

OPPORTUNITIES IDENTIFIED

- Aligning City Light's customer-facing programs with other City of Seattle departments
- Reimagining City Light's bill assistance programs to help those in need who may not be served by existing programs
- Looking at energy burden holistically and reimagining assistance options
- Lifting up and supporting environmental justice work already underway at the community level

ENDING INSTITUTIONAL RACISM IN GOVERNMENT

City Light takes its lead from the City-wide Race and Social Justice Initiative to end institutional racism in government. The initiative's long-term goal is to change the underlying system that creates race-based disparities to achieve racial equity in our community. Developing a utility-wide culture of learning around identity and power is essential to making equitable decisions in how we work with each other and customers. City Light's commitment to advance race and social justice continues building on efforts to:

- embed equity in utility decisions by strengthening our use of the Racial Equity Toolkit;
- identify and remove barriers to equitable employee and customer experiences; and
- deepen staff education, engagement, and leadership development around our collective practice of anti-racism.

City Light Review Panel

The City Light Review Panel⁷ provides advice and recommendations to the Mayor and City Council on the utility's strategic plan and rates. The panel includes representatives from private, public, and nonprofit sectors, utility experts, business leaders, and community representatives. They meet with City Light leaders regularly and provide valuable input that helps shape the development of the strategic plan and other efforts.

Leon Garnett (Chair), Low-Income Customer Advocate

Mikel Hansen (Co-Chair), Commercial Customer Representative

Anne Ayre, Industrial Customer Representative

Scott Haskins, Utility Financial Analyst

Sara Patton, Nonprofit Energy Efficiency Advocate

John Putz, At-Large Customer Representative

Tim Skeel (pending confirmation), Economist

⁷ The Seattle City Light Review Panel was created March 22, 2010, through City Council Ordinance Number 123256.

There are currently two panel vacancies—the residential customer and suburban franchise cities representatives.



Community Solar Project, Jefferson Park

OUR BUSINESS STRATEGIES ARE BROAD, MULTI-YEAR AREAS OF FOCUS THAT WILL HELP US ACHIEVE OUR VISION.

IMPROVE THE CUSTOMER EXPERIENCE

The energy industry is evolving, and as it does, customers will benefit from more customized services.

Although Seattle City Light has always kept the customer at the heart of our work, changing expectations, as well as emerging needs, mean we need to do even more. We are focused on engaging with our customers and helping employees see the impact of their actions from the customers' perspective.

When we listen to our customers and act on what we hear, we are better able to anticipate needs, deliver excellent service, and help our customers make smart energy choices that help them and the planet.

Projects, Initiatives, Activities:

INTEGRATE THE 'VOICE OF THE CUSTOMER' INTO OUR ORGANIZATIONAL CULTURE:

We will make use of customer research and engage with and equip our employees with the tools, skills, and support they need to prioritize customer needs and make "Customers First" a reality.

STRENGTHEN AND FIX CORE CUSTOMER SERVICES: Service delivery will be improved by redesigning old processes (e.g., implement Advanced Meter Infrastructure Phase 2, identify and resolve customer pain points through the multi-year "Service-to-Bill Process Improvement Project," which includes appropriately resourcing customer engineering services and improving service delivery timelines).

EXPAND CUSTOMER SERVICE OPTIONS: To meet customers' individual needs, we will develop new programs and services. For example, we will grow programs such as the business customer service center pilot, offer new energy efficiency programs, and provide public and residential home charging pilots. We'll also work with community partners and the City of Seattle to increase the effectiveness of our utility bill assistance programs.

OBJECTIVE:

- Consistently meet customers' needs by providing employees with the opportunities and training required to deliver targeted and responsive solutions

SUCCESS MEASURES:

- Customer satisfaction scores from industry experts and our own research (e.g., J.D. Power rating and Seattle City Light longitudinal benchmarking survey)



CREATE OUR ENERGY FUTURE

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

Our energy future must also have robust safeguards in place to prevent and mitigate against serious and evolving threats. Our city and society rely on the electric system to deliver essential services that, in turn, support other critical sectors such as financial services, communications, transportation, and other utilities. This makes us a top target for attack. We must be vigilant in continually tracking risks, addressing vulnerabilities, and securing our assets.

Projects, Initiatives, Activities:

FUND AND IMPLEMENT THE ‘UTILITY NEXT’ PORTFOLIO: Utility Next will enable projects needed to achieve Seattle’s clean energy vision. This includes transformation of our grid while also contributing to the long-term economic recovery and clean energy development of our region. Projects in this portfolio will modernize the grid, support large-scale renewables and storage, expand transportation electrification, prepare the workforce to meet the needs of the future, reinvent large capital projects, and advance building electrification.

IMPLEMENT GRID MODERNIZATION ROADMAP: Our carbon-free future depends on the electrification of transportation and other economic sectors; and this requires a stronger, smarter grid to handle the increased consumption. The roadmap will show us the way forward and prioritize investments needed to support electrification and increase grid flexibility, automation, reliability, and resiliency.

IMPLEMENT ELECTRIFICATION PLANS: We will develop, offer, and implement programs authorized by the Transportation Electrification Strategic Investment Plan, meet building electrification objectives that are consistent with City policies and codes, and support the development of the clean energy workforce.

INTEGRATE DISTRIBUTION SYSTEM AND RESOURCE PLANNING: The Integrated Resource Plan will be aligned and incorporated into other complementary planning efforts, including transmission and distribution planning, environmental planning, and the Clean Energy Transformation Act (CETA) Implementation Plan.

DEMONSTRATE LEADERSHIP AND COLLABORATION: We will lead long-term regional decarbonization and electrification planning efforts, collaborate to ensure the capacity and availability of carbon-free generation resources, and support the development of regional solutions. As part of Skagit River Hydroelectric Project relicensing, we will partner with government agencies, sovereign Tribes, and regional stakeholders on environmental studies and mitigations to continue to deliver environmentally responsible, safe, and renewable energy.

OBJECTIVES:

- Build and maintain a smart, resilient, flexible, dynamic, and reliable grid infrastructure
- Prepare for the increased integration of distributed energy resources and more customer options
- Work to reverse historic inequities and avoid collateral harm to underserved populations by intentionally prioritizing their needs as we create our energy future

SUCCESS MEASURES:

- Increased load and revenue associated with electrification
- Penetration of automation on our grid
- Reduction of emissions in Environmental Justice communities



DEVELOP WORKFORCE & ORGANIZATIONAL AGILITY

Our industry is transforming quickly, and so are our customers' needs. Our products and services must keep pace. Seattle City Light employees are essential to this evolution, which is why we must continue to build their skills, create a supportive and diverse culture, provide them with the right tools and resources to help them succeed and stay safe, and make sure there's a talent pipeline to fill and promote the jobs of the future.

Our jobs aren't easy—and some are very dangerous—so making sure our workforce is well trained and prepared is critical.

Investing in our people and processes will pay off for customers through increased accountability, new efficiencies, better customer service, and new service offerings.

Projects, Initiatives, Activities:

INSTITUTIONALIZE ORGANIZATIONAL CHANGE MANAGEMENT: A formal change management program will be established to provide consistent structure, standards, training, coaching, and resources. This will help employees successfully adapt to and master changes in job functions, business processes, and technology usage.

BUILD AN AGILE WORKFORCE: Our work in this area will include anticipating new strategic staffing needs, providing training and development opportunities that prepare employees for the future, supporting the culture change needed for future success, and building a workforce that reflects our community's diversity.

OBJECTIVE:

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

SUCCESS MEASURES:

- Workforce development and culture metrics (e.g., diversity, recruitment, employment, promotion, and retention measures, and employee culture survey results)
- Development of foundational and equitably distributed resources and training to do their jobs successfully



ENSURE FINANCIAL HEALTH & AFFORDABILITY

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

Some of this work is internally focused, with a long-term debt strategy and improved budget monitoring. But when we make progress in these areas, our customers benefit with more choices and stable and affordable prices.

Projects, Initiatives, Activities:

CONTROL RATE INCREASES: While City Light's rates need to keep up with costs to keep the lights on, the utility is committed to holding rate increases to a trajectory that resembles inflation. To do this, we will restructure our project tracking and improve budget management to drive accountability. This will allow us to lower labor costs and right-size the capital program. Because prudent debt management is crucial for affordability in the long term, City Light will work with the Review Panel to develop targets and policies to inform our capital financing strategies.

PRICE SERVICES FOR THE FUTURE: In our new energy future, clean energy technologies will power our homes and businesses, small generation sources, like solar, will become more common, and transportation electrification will continue to grow. The way we structure our rates needs to adapt to the new energy future, too. Building on new technology from advanced meters and billing system upgrades, City Light will continue to deliver the strategies outlined in our 2018 Rate Design Report by rolling out new pricing options that encourage decarbonization and grid flexibility while also helping residents and businesses manage their energy costs.

ROAD TO RECOVERY: Stable revenues are essential to sustain our financial health and deliver affordable electricity. As City Light prepares to restart credit and collections after a five-year hiatus, we need to review and update our policies, services, and practices. At the same time, we must be transparent, fair, and mitigate the impacts of racial and economic barriers. We recognize that many of our customers are still struggling in the wake of the COVID pandemic and we will work diligently to ensure that those facing financial hardships are aware of and have meaningful access to assistance.

OBJECTIVE:

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

SUCCESS MEASURES:

- Rate path delivered according to current and prior strategic plan commitments
- A debt service coverage ratio of 1.8 or higher
- Capital financed 60 percent or less by debt

WE POWER

“We Power”⁸ refers to our core function as a utility in providing electricity services to customers. This is central to all we do and reflects the core mission of our workforce.

As we work on the new efforts outlined in this strategic plan, we will remain committed to our core business operations and delivering value to our customers in Seattle and our franchise cities.

OBJECTIVES:

- Continue to advance our mission to provide our customers with affordable, reliable, and environmentally responsible energy services
- Prioritize diversity, equity, and inclusion in all that we do
- Actively manage and mitigate the constraints, risks, and uncertainty of operating in a COVID-adjusted environment

SUCCESS MEASURES:

- Operational dashboards will track performance metrics for each line of business



⁸ “We Power” reaches beyond the City of Seattle. We also serve customers in Shoreline, Burien, Lake Forest Park and portions of Normandy Park, Tukwila, Renton, SeaTac, and unincorporated King County.



KEEPING CUSTOMER BILLS AFFORDABLE AND STABLE

City Light's rates are designed to collect the revenue needed to maintain existing and planned operations while also moving forward on the strategies, programs, and investments in this plan. Our revenues must cover debt service, operations and maintenance, and costs associated with delivering power. As a public-owned utility, customer affordability is a key driver to our financial planning and actions.

Factors Driving Rates

INFRASTRUCTURE INVESTMENTS — These are the costs for capital work and to repay bonds taken out to fund past, present, and future capital programs. Major capital projects currently in progress include replacing utility poles, Boundary Hydroelectric Project licensing mitigation, and Skagit River Hydroelectric Project relicensing.

DEBT SERVICE COVERAGE — Debt service coverage measures the ability of an organization to use its operating income to repay all its debt obligations, including repayment of principal and interest on short-term and long-term debt. City Light financial policy (Resolution 31187) requires us to have debt service coverage well above (1.8 times) what is required to pay our debt obligation. Our strong financial record gives us a favorable bond rating and lower borrowing costs.

OPERATIONS AND MAINTENANCE, TAXES, AND OTHER — These are the costs to run the utility and maintain our plants and equipment. This broad category includes costs associated with power production, distribution and transmission, customer services, and administrative support.

POWER COSTS — These are the costs to purchase power and the transmit electricity. These costs can vary dramatically due to climate and market forces. More snowpack in the mountains gives us more hydro resources, for example. By the same token, drought may reduce our revenue. City Light's largest purchase power contract is with the Bonneville Power Administration.

DECLINING RETAIL DEMAND — The decline in electricity consumption creates upward pressure on rates. Our current rate structure is primarily based on how much electricity our customers use; if customers use less electricity, the utility collects less revenue. Maintaining the power infrastructure is very capital intensive, and these fixed costs do not shrink with less energy use. That reality can be at odds with our long-standing ethic around conservation and the wise use of electricity. Looking into the future, the electrification of transportation and buildings offers new opportunities for load growth to reduce upward rate pressure. City Light's current load forecast is shown in the chart on page 27.

PLANNING FOR FUTURE DEMAND

Forecasting future demand for electricity is very important so City Light can balance supply and demand and minimize our bulk electricity costs.

Even as the Seattle region has experienced explosive growth over the past decade, City Light customers' energy consumption has been trending downward due to advancements in energy efficiency.

In 2020, COVID-19 struck and stay-home orders were enacted across the region. City Light saw a deep drop in demand for electricity as commercial spaces across our predominantly urban service territory emptied. City Light saw a sharp reduction in demand for electricity from offices, schools, universities, and places of gathering like churches and theaters. While residential demand for electricity increased some due to telework, this increase was surpassed by commercial load decline. The timeline for economic recovery from the pandemic, particularly in the downtown core, will be a key driver for Seattle-region electricity demand during the upcoming five-year planning horizon.

Looking further into the future, City Light sees electrification of buildings and transportation as key to stabilizing demand for electricity. The speed at which our region moves away from fossil fuels through changing building codes, adoption of electric vehicles, and other climate change policy all have the potential to significantly impact City Light's future retail demand. (See chart below.)

SEATTLE CITY LIGHT RETAIL SALES FORECAST

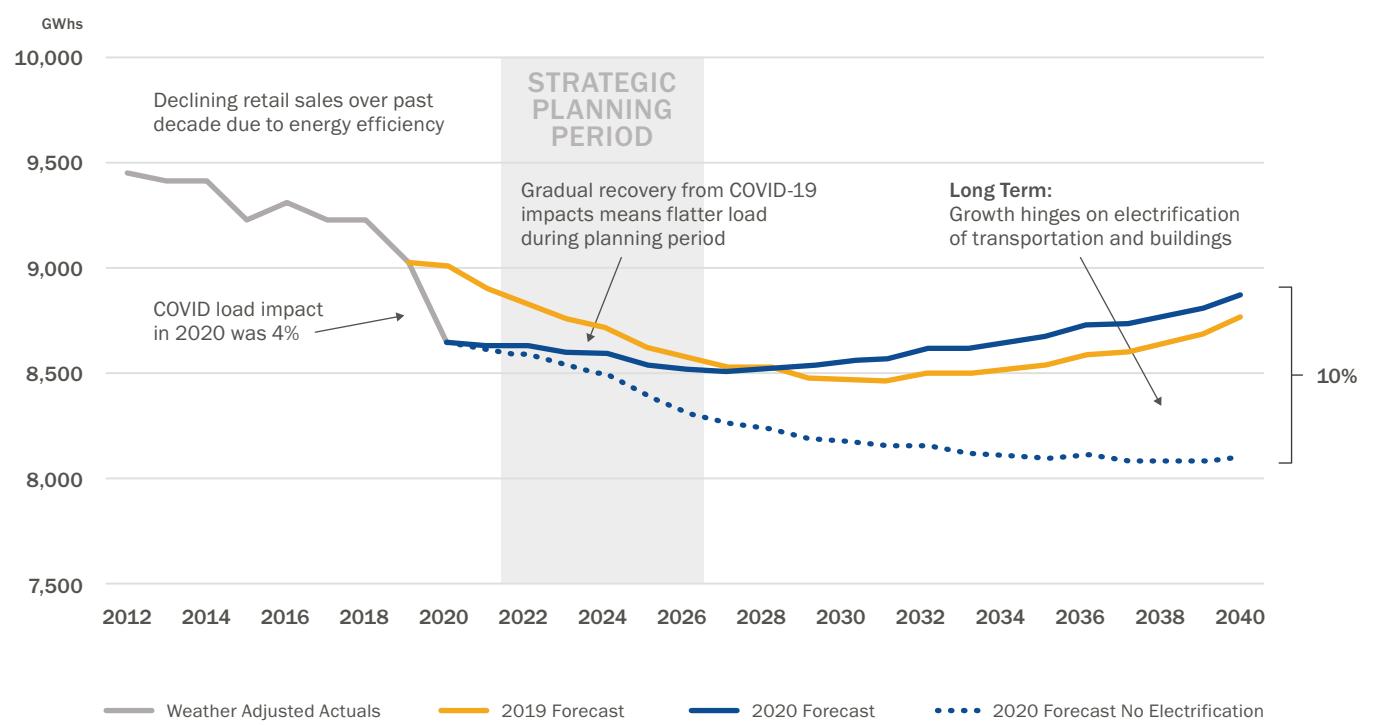


Photo Credit: Hugo C. Ludeña

FUNDING THE PLAN: OUR 5-YEAR RATE PATH

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

We have a long history of doing just that. Yet, looking ahead, we must confront major challenges, including the pandemic response, permanent changes to the way people work, and economic recovery. These challenges will exacerbate the need to balance essential investments with our shared financial reality.

In line with our commitment to keeping rate increases low, Seattle City Light recommends the rate path shown in the table below, to ensure the utility can deliver the best customer service in an affordable, equitable, reliable, and environmentally responsible manner.

The strategic plan proposes a five-year rate path that increases 3.5 percent annually, on average.

PROPOSED RATE INCREASE SUMMARY

	2022*	2023	2024	2025	2026	AVG
Annual Increase	3.9%	3.8%	3.8%	3.0%	3.0%	3.5%

* Rate approved by Seattle City Council in March 2021.

The table below shows potential bill impacts as examples only. Customers who decrease their consumption through energy efficiency measures will experience smaller bill impacts. Conversely, as customers electrify their homes and vehicles, they will see increased City Light bills, while petroleum and natural gas costs come down.

CUSTOMER BILL IMPACT EXAMPLES: MONTHLY INCREASE PER YEAR

BILL EXAMPLE	2021	2022	2023	2024	2025	2026	INCREASE
							AVG. BILL
Residential*	\$76.77	\$3.00	\$3.04	\$3.18	\$2.61	\$2.68	
Residential-UDP (60% Discount)	\$30.71	\$1.20	\$1.22	\$1.27	\$1.04	\$1.07	
Small Commercial (Car Wash)	\$465	\$18	\$18	\$19	\$16	\$16	
Medium Commercial (Retail)	\$7,436	\$290	\$294	\$308	\$252	\$259	

* Assumes a typical residential customer using 634 kWh/month

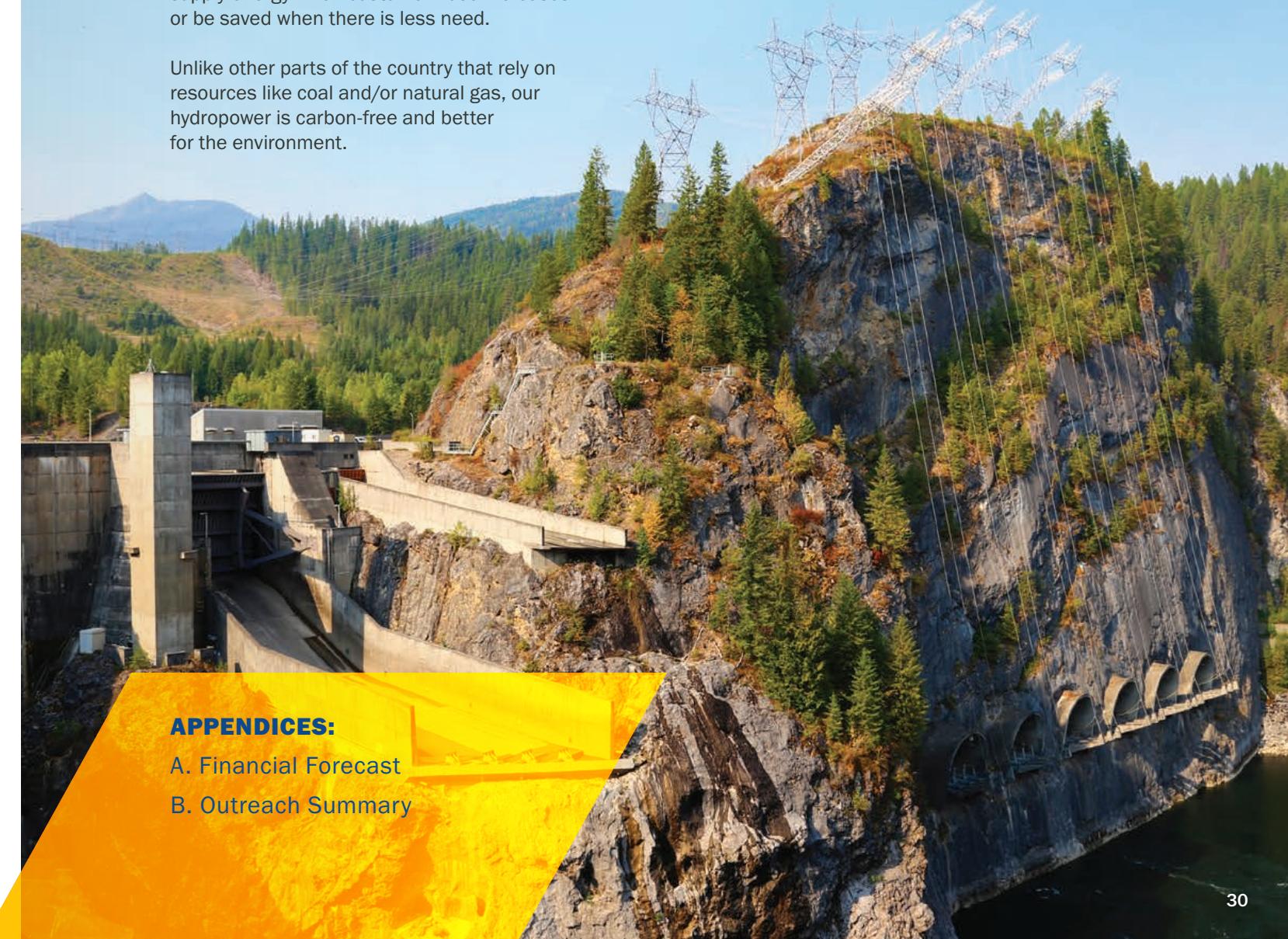
HYDROPOWER: MEETING CUSTOMERS' NEEDS FOR CLEAN, RELIABLE ENERGY

While new, renewable energy sources like wind and solar power are extremely important to our carbon-free future, they are only available when the wind is blowing and the sun is shining. This limits their ability to provide electricity every day.

Seattle City Light is fortunate to have a clean and always-available resource — hydropower. The reservoirs created by our hydroelectric dams store water that can be drawn down to supply energy when customer need increases or be saved when there is less need.

Unlike other parts of the country that rely on resources like coal and/or natural gas, our hydropower is carbon-free and better for the environment.

Hydropower isn't "free"— it impacts fish and the nearby environment. That's why we work diligently to steward a healthy watershed with good facility operations and mitigation efforts that support fish, forests, and wildlife. We are proud of the work we have done so far and are planning the next generation of improvements.



APPENDICES:

- A. Financial Forecast
- B. Outreach Summary



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Front - Peter de Lory
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2022-2026 Strategic Plan Financial Forecast

EXECUTIVE SUMMARY

This document details the financial assumptions behind the 3.5% average rate path established by the 2022-2026 Strategic Plan (the "Plan"). The proposed rate path provides the revenue required to deliver on City Light's Strategic goals outlined in the Plan.

Average rates are derived by dividing the revenue requirement by retail sales. On average the revenue requirement is increasing by a little over \$30M (3.3%) and retail sales are decreasing by 0.3%.

RATE INCREASE SUMMARY

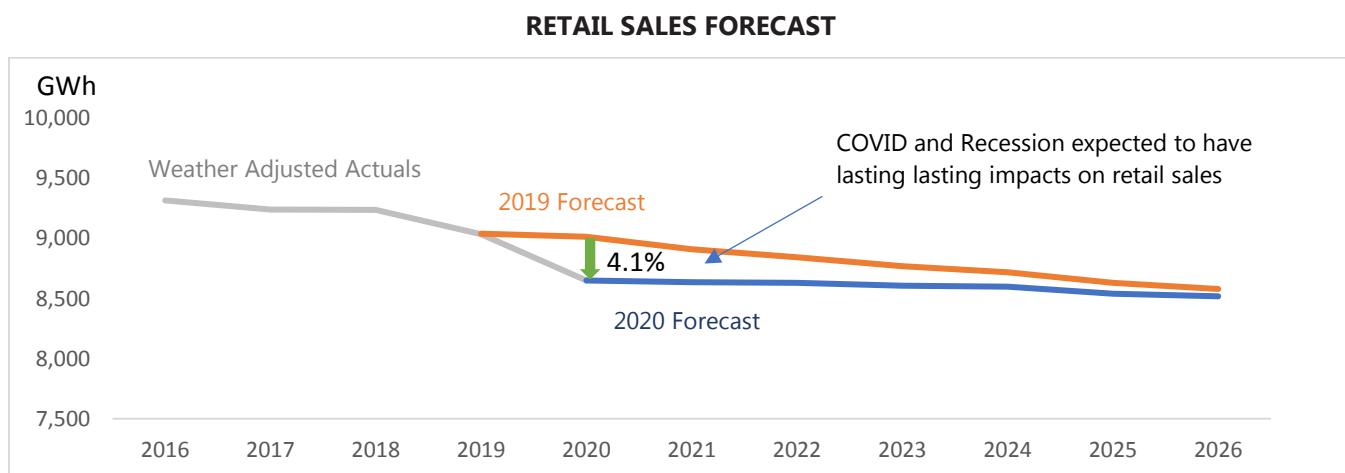
	2021	2022	2023	2024	2025	2026	Avg
Revenue Requirement	919.3	955.6	989.0	1,026.2	1,050.2	1,079.1	
Annual Increase		3.9%	3.5%	3.8%	2.3%	2.8%	3.3%
Retail Sales GWh	8,637	8,633	8,607	8,600	8,542	8,520	
Annual Change		-0.1%	-0.3%	-0.1%	-0.7%	-0.3%	-0.3%
Average Rate, ¢/kWh	10.65	11.07	11.49	11.93	12.29	12.67	
Annual Increase		3.9%	3.8%	3.8%	3.0%	3.0%	3.5%

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

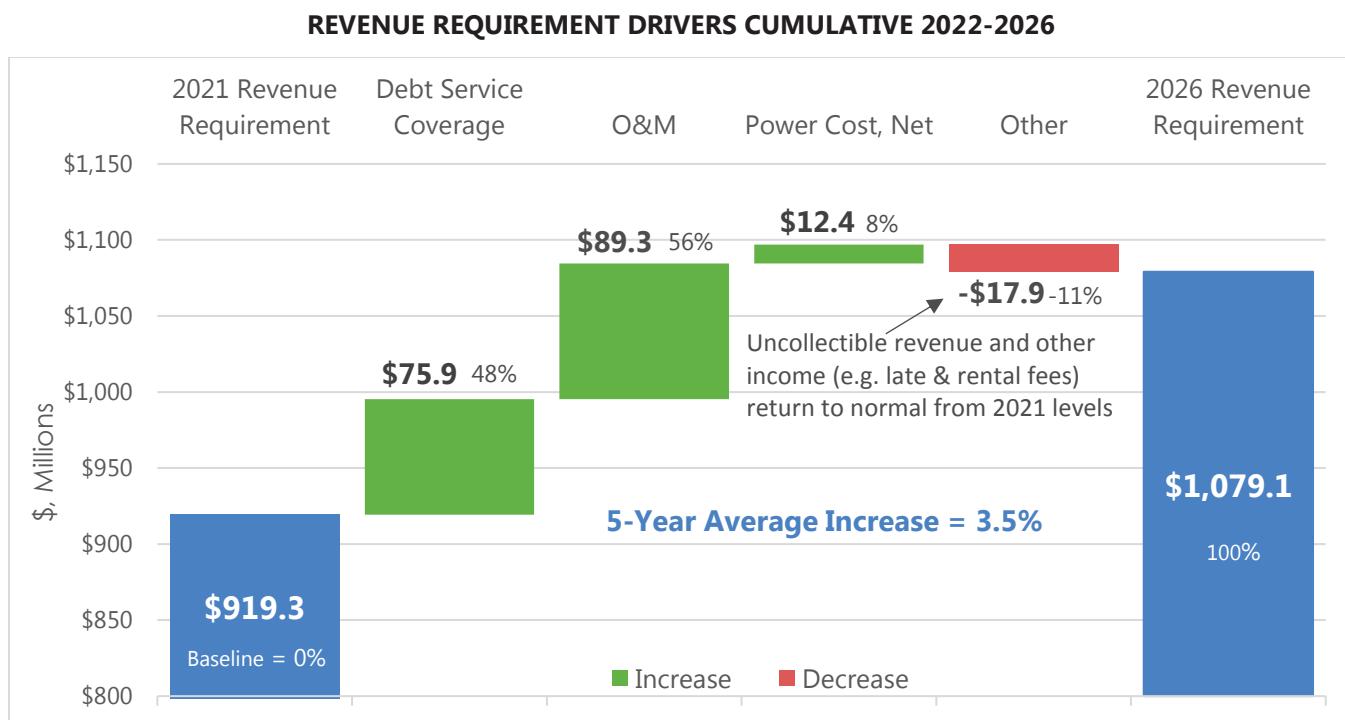
CUSTOMER BILL IMPACT EXAMPLES

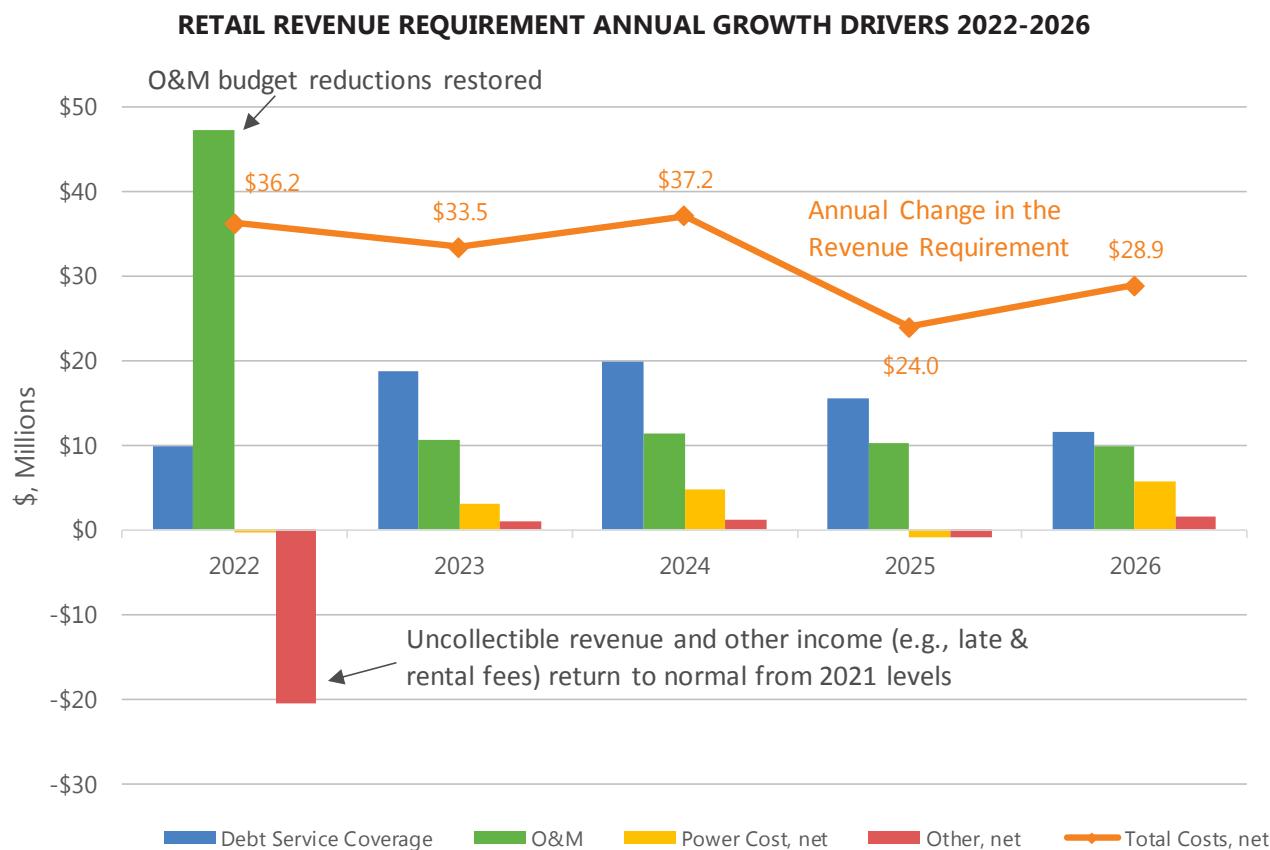
	Monthly Bill	Monthly Increase					
		2021	2022	2023	2024	2025	2026
Residential (634 kWh/mo.)	\$76.77	\$3.00	\$3.04	\$3.18	\$2.61	\$2.68	\$2.90
UDP Residential (60% Discount)	\$30.71	\$1.20	\$1.22	\$1.27	\$1.04	\$1.07	\$1.16
Small Commercial-Car Wash	\$465	\$18	\$18	\$19	\$16	\$16	\$18
Medium Commercial-Retail Store	\$7,436	\$290	\$294	\$308	\$252	\$259	\$281
Large Industrial-Stone	\$23,550	\$920	\$933	\$977	\$800	\$821	\$890
Large Commercial-Hospital	\$94,607	\$3,695	\$3,747	\$3,923	\$3,212	\$3,298	\$3,575
Large Commercial-Education	\$1,990,939	\$77,754	\$78,851	\$82,561	\$67,594	\$69,399	\$75,232

The COVID pandemic and associated recession significantly reduced City Light's retail sales to commercial customers in 2020, and this was only partially offset by increased residential sales. The recovery is expected to last several years and, as a result, City Light's retail sales are expected to be relatively flat through 2026.



The below charts and table summarize City Light's revenue requirements for 2022-2026





RETAIL REVENUE REQUIREMENT SUMMARY

\$, Millions	2022	2023	2024	2025	2026
Revenue Requirement	955.6	989.0	1,026.2	1,050.2	1,079.1
Debt Service Coverage					
Debt Service	234.5	244.4	256.6	254.1	256.8
Additional Coverage*	188.0	196.4	204.1	222.2	231.1
Operations & Maintenance (O&M)					
Baseline 2022 O&M	339.0	339.0	339.0	339.0	339.0
Inflation and REC Growth**	-	10.6	22.0	32.2	42.1
Net Power Costs					
Power and Wheeling Contracts	234.5	237.7	242.3	241.2	246.7
Net Wholesale Revenue (NWR)	(40.0)	(40.0)	(40.0)	(40.0)	(40.0)
Power Related Revenues, Net	(17.1)	(17.1)	(17.0)	(16.8)	(16.5)
Other					
Taxes, Payments and Uncollectibles	56.1	57.9	59.9	61.4	64.0
Miscellaneous Revenue	(39.4)	(39.8)	(40.8)	(43.2)	(44.2)
* Debt Service Coverage	1.80	1.80	1.80	1.87	1.90
** Inflation on existing O&M and incremental renewable energy credit (REC) investments to meet I-937 requirements. Additional detail is included in the O&M section.					

Drivers of 2022-2026 Revenue Requirements and Rates

1. Debt Service and Debt Service Coverage

- Funds historic and future capital investments
- Increases on average \$15 million per year
- \$1.7 billion 2022-2026 net capital requirements (\$338 million per year)
 - 43% expected to be funded with operating cash

2. Operating and Maintenance (O&M)

- 2022 O&M - \$30 million 2021 budget reductions restored plus inflation
- Cost increase of around \$11 million per year during 2022-2026
- Inflation around 3% per year
- Sets overall spending target
 - City Light will continue to make resource and organizational adjustments to deliver on strategic initiatives and core services

3. Net Power Cost

- In total, net power costs are expected to remain relatively stable
 - Around 1% growth per year on average
- Bonneville Power Costs are the largest single component at over \$200 million
 - Expected to increase a little over 2% per year
 - Actual 2022 BPA costs are currently expected to come in below the planning values used in this forecast, and any savings will be passed along to City Light customers¹

4. Other Revenues/Costs²

- Not a large driver, expected to remain stable over planning period
- Uncollectible revenue expected to return to typical levels in 2022
 - At higher levels in 2020 and 2021 due to pandemic and recession

¹ Based on BPA's preliminary 2022-2023 rate proposal and purchase volumes. Any cost differences will be passed through to City Light customers with the BPA passthrough mechanism. BPA is expected to announce a final rate decision in July 2021.

² Other Costs include state taxes, franchise payments and uncollectible revenue, which tend to grow in proportion to retail revenue. Miscellaneous revenue comes from a variety of fees and service charges, as well as from interest earnings; only minor growth in these revenues is anticipated.

INTRODUCTION

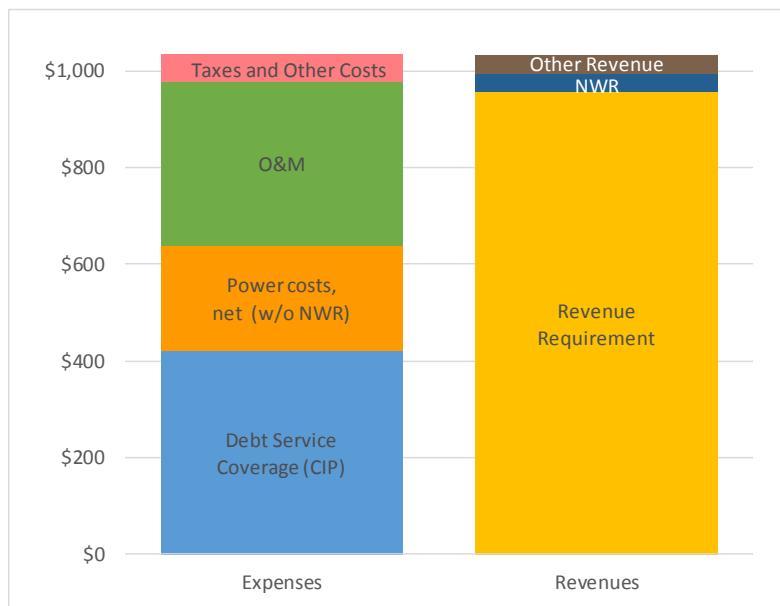
The 2022-2026 Strategic Plan builds on the 2019-2024 Strategic Plan Update (also called the 2018 Strategic Plan), extends the horizon an additional two years to 2026 and shortens the Plan horizon to five years. The 2021-2026 Strategic Plan was postponed while the Utility focused on COVID-19 related issues. The 3.6% rate increase that was originally anticipated for January 1, 2021 was canceled to help mitigate the economic impacts of COVID-19 on ratepayers. However, on March 29, 2021 Seattle City Council approved a 3% rate increase effective April 1, 2021, along with the removal of the current 3.0% Rate Stabilization Account (RSA) surcharge.³ The net result is no impact on expected customer bills for the remainder of 2021. At the same time, Seattle City Council approved an across-the-board 3.9% rate increase for all rate classes, effective Jan 1, 2022, which is reflected in this plan.

This document details the assumptions that determine the average retail rate path for the years 2022-2026. Average retail rates are not actual billed rates but are the ratio of the revenue requirement to retail sales and represent the average impact to customer bills, assuming their consumption is constant.

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

The revenue requirement is the amount of retail revenue that must be collected to balance revenues with expenses, given current effective financial policies. The chart below illustrates how the revenue requirement is sized to meet expenses.

REVENUES AND EXPENSES (2022 FORECAST, \$MILLIONS)



³ A 1.5% RSA surcharge was implemented August 2016 and an additional 1.5% surcharge (3% total) was implemented November 2019. The RSA returned above its \$100 million target in Q1 2021 and the surcharges were set to roll off in Q2.

Following is a short description of each primary component of the revenue requirement. These are discussed in detail in the following sections of this document.

Debt Service Coverage

- The cost of debt-funded capital investments (including deferred expenses such as programmatic conservation and superfund remediation) as recovered over time.
- Per policy, debt service coverage is set at or above 1.8 times the annual debt service obligation.
- The additional funds in debt service coverage above those needed to pay principal and interest obligations cash-fund a portion of the current year capital requirements, so they are not all debt financed.
- In efforts to mitigate the amount of future debt issued, the targeted debt coverage was increased in 2025 and 2026 to 1.87 and 1.90, respectively.

O&M

- Includes cash-related expenses for all O&M costs excluding taxes, purchased power and wheeling (purchased transmission).
- All non-capitalized labor costs are included in this category.
- Includes inflation assumptions, additional program funding requirements, as well as mitigating cost reductions.

Power, Net

- Purchased power costs and wheeling costs, net of power revenues.
- Includes revenues from surplus power sales net of purchases, also called net wholesale revenue.
- Does not include costs of operating owned generation (e.g. Skagit, Boundary hydro projects), these are part of O&M.

Other

- Includes tax payments, franchise payments and uncollectible revenue, net of miscellaneous revenues.

This document concludes with a short discussion of the retail sales forecast, which is the denominator in the average rate formula.

DEBT SERVICE COVERAGE (CIP, DEFERRED O&M AND BONDS)

Debt service coverage represents the cost of capital spending, as recovered over time. Net capital requirements are comprised of the capital improvement program (CIP) plus expenses deferred (such as programmatic conservation⁴ and superfund remediation), less capital contributions, which are payments from outside sources that offset capital expenses.

$$\text{Net Capital Requirements} = \text{CIP} + \text{Deferred O&M} - \text{Capital Contributions}$$

⁴ Incentives paid to acquire energy efficiency savings. These costs are deferred and amortized over 20 years.

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

City Light's debt service coverage policy (established by Resolution 31187) calls for setting rates to yield sufficient revenue net of expenses to cover annual debt service obligations by at least 1.8 times. Since the additional amount required for debt service coverage is not an actual expense, these funds are typically allocated to City taxes⁵ and current year capital expenditures, which reduces the size of future bonds.

The capital expenditures forecast is based on the 2021-2026 CIP Plan that was adopted in 2020 for the 2021 budget process. It differs from the CIP Plan (budget) in that the timing of spending is adjusted to reflect projected cash outflows, and amounts are reduced by a 10% assumed under-expenditure. Capital expenditures also includes deferred O&M, which is treated like CIP.

CAPITAL EXPENDITURES FORECAST

\$ Millions	2022	2023	2024	2025	2026
2021-2026 Adopted CIP	337.1	356.4	343.9	340.5	339.2
Deferred O&M	34.7	34.5	36.3	37.1	39.2
Total Capital Expenditures	371.8	390.9	380.1	377.7	378.4

The next table summarizes capital requirements and funding sources. Capital contributions include third-party funding for capital expenses such as service connections and reimbursements for certain transportation projects. They are included in the forecast as a credit to total capital requirements. Capital funding from operations reflects cash drawdowns and may represent net operating proceeds from the current or previous year(s). Bond issuances totaling about \$1.0 billion to support 2022-2026 capital requirements will bring total outstanding debt to almost \$3.0 billion by 2026.

Per financial policy, the six-year CIP should be funded with at least 40% operating cash. Cash funding over the five year period is projecting to be around 43%, with years 2022-2024 coming in slightly under the 40% target and years 2025-2026 exceeding the target, primarily from increasing the targeted debt service coverage.

⁵ Taxes paid to the City of Seattle are considered junior lien to debt service. They are not included in the taxes category when calculating the revenue requirement.

CAPITAL REQUIREMENTS AND FUNDING

\$, Millions	2022	2023	2024	2025	2026
Capital Requirements, net					
CIP	337.1	356.4	343.9	340.5	339.2
Programmatic Conservation	29.6	29.9	30.2	30.5	30.8
Other Deferred O&M	5.1	4.7	6.1	6.7	8.4
Capital Contributions	(43.9)	(41.1)	(40.3)	(41.0)	(44.7)
Total	327.9	349.7	339.9	336.7	333.7
Capital Funding					
Operations	128.2	133.1	133.1	155.8	170.8
Bond Proceeds	199.8	216.7	206.7	180.9	163.0
Total	327.9	349.7	339.9	336.7	333.7
Total Debt Outstanding	2,702	2,791	2,876	2,936	2,996

Capital requirements determine the size of future bond sales and resulting debt service. The bond size shown below is slightly higher than bond proceeds shown above to account for issue costs and required deposits into the bond reserve fund. Debt service assumptions for bonds issued in 2022 and later assume a 30-year term at a 5.0% interest rate. The existing debt service schedule has sizable decreases in 2025 and 2026 that provide City Light leadership with an opportunity to increase the debt service coverage target in 2025 and 2026 while mitigating the rate impacts to customers.

BOND SALES AND DEBT SERVICE, \$MILLIONS

	Bond Size	2022	2023	2024	2025	2026
Existing ¹		223.0	219.5	217.2	200.9	191.4
2021 (Aug) ²	200	11.5	11.5	11.5	11.5	11.5
2022 (Aug) ³	206		13.4	13.4	13.4	13.4
2023 (Aug) ³	223			14.5	14.5	14.5
2024 (Aug) ³	213				13.8	13.9
2025 (Aug) ³	187					12.1
2026 (Aug) ²	169					
Total		234.5	244.4	256.6	254.1	256.8
Debt Service Coverage (1.8x)		422.0	439.9	461.8	457.5	462.3

¹As of December 2020, ²Fixed Rate Issue (30 year / 4.0%), ³Fixed Rate Issue (30 year / 5.0%)

OPERATING AND MAINTENANCE (O&M)

Operating and maintenance expenses (O&M) are the costs associated with day-to-day operations. O&M is a large and diverse category of costs that includes functions such as power production; distribution and transmission system operation and maintenance; customer services such as billing and meter reading; and administrative support. This forecast defines O&M as excluding purchased power, wheeling and taxes, which are included in separate categories.

The basis for the 2022-2026 O&M forecast is the 2022 Endorsed O&M budget,⁶ which is then inflated by expense type. The 2022 O&M budget restores the \$30 million of one-time reductions taken in 2021. The average annual inflation rate applied to O&M is around 3.0% and represents the increased cost of providing the same level of services as in 2022. The table below lists the inflation assumption for each O&M cost category.

BUDGET O&M INFLATION BY CATEGORY

\$, millions	2022	2023	2024	2025	2026
Labor ³	148.6	153.9	158.9	164.1	169.5
Labor Benefits ²	67.3	69.3	71.3	73.2	75.3
Non-Labor ¹	86.3	88.5	90.6	92.6	94.7
Transfers to City ³	70.6	73.1	75.5	78.0	80.6
Operating Supplies ^{1,5}	11.9	12.2	12.5	12.8	13.1
Overhead Credits ^{3,6}	(47.5)	(49.2)	(50.8)	(52.5)	(54.2)
Total Inflated Budget	337.2	347.8	358.0	368.2	378.9
¹ CPI Growth ⁴		2.5%	2.3%	2.2%	2.3%
² CPI Growth + 0.5%		3.0%	2.8%	2.7%	2.8%
³ CPI Growth + 1.0%		3.5%	3.3%	3.2%	3.3%
Avg Growth All O&M		3.1%	2.9%	2.9%	2.9%

⁴City of Seattle Budget Office January 2021 CPI-W Forecast for King and Snohomish Counties

⁵Includes IT equipment and software; fuel costs; and inventory material for distribution and generation systems.

⁶Overhead expenses associated with the Capital Improvement Program (CIP) are removed from the O&M budget and included as capital expenditures.

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

⁶ In 2020 Seattle City Council only adopted a 2021 budget and did not endorse a 2022 budget as they typically do with a biannual budget. This 2022 O&M budget reflects the budget that was submitted to and endorsed in 2020 by the City's Budget Office.

O&M ADJUSTMENTS DETAIL

\$, millions	2022	2023	2024	2025	2026
Inflated 2022 Budget	337.2	347.8	358.0	368.2	378.9
<i>adjustments</i>					
REC Expense ¹	12.2	12.2	13.5	13.6	13.6
Intertie Expense ¹	1.1	1.1	1.1	1.2	1.2
PNCA Payment ¹	1.9	1.9	1.9	1.9	1.9
Solar Tax Credit ²	1.6	1.6	1.6	1.6	0.8
Engineering OH (excl from budget)	(5.0)	(5.1)	(5.1)	(5.2)	(5.2)
Under Expenditure ³	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Total O&M	339.0	349.6	361.0	371.2	381.1
2022 O&M Baseline	339.0	339.0	339.0	339.0	339.0
Inflation and REC growth	-	10.6	22.0	32.2	42.1
Total O&M	339.0	349.6	361.0	371.2	381.1

¹Items that are budgeted as purchased power budget but recognized as O&M in financial statements
-Renewable Energy Credits (RECs) required to meet regulatory requirements, 2022 reflects the purchase of Stateline RECs under a new, REC-only contract.
-Maintenance costs associated with ownership of the 3rd AC intertie.
-Payments for the Pacific Northwest Coordination Agreement (PNCA) related to the compensation for the benefits of upstream storage at the Boundary project.

²Passthrough of the production tax credit, offset as a credit to state taxes

³Remove \$10 million per year to reflect an assumption of budget under-expenditure.

POWER COSTS, NET

This category includes all costs and revenue associated with the purchase and sale of electricity, wheeling (purchased transmission) and associated ancillary power management services.

City Light's power portfolio is a relative constant. Except for expiration of the Stateline contract in 2022 and the Grand Coulee contracts in 2024 through 2026, no major contract changes and no new resources are currently expected in this plan. However, City Light's power portfolio is a dynamic process, and new resource acquisitions could be pursued before 2026 based on many factors including power market outlooks, reliability studies and customer programs. Below is a table outlining long-term power and wheeling costs.

LONG-TERM POWER AND WHEELING CONTRACTS

\$, Millions	2022	2023	2024	2025	2026
BPA Power ¹	160.4	163.5	164.5	167.6	169.2
Priest Rapids ²	1.5	1.4	1.3	1.2	1.1
Grand Coulee ³	7.6	7.8	7.5	1.7	1.5
Lucky Peak ⁴	9.1	9.3	9.5	9.8	10.0
Stateline ⁵	1.7	0.0	0.0	0.0	0.0
Columbia Ridge ⁶	6.4	6.5	6.7	6.8	6.9
King County West Point ⁶	2.4	2.4	2.5	2.6	2.6
High Ross ⁷	0.4	0.4	0.4	0.4	0.5
BPA Wheeling ⁸	44.0	45.2	48.7	50.0	53.8
Other Wheeling ⁹	1.0	1.0	1.0	1.0	1.0
Total LT Power & Wheeling	234.5	237.7	242.3	241.2	246.7

¹Assumes BPA bills remain at same level in 2022 as in 2021 and increase 1.3% per year on average during 2023-2026. BPA rates updated October 1st of odd-numbered years.

²Priest Rapids costs are expected to decline because City Light's share of the project will shrink as Grant County PUD's load grows.

³Reflects City Light's apportioned allotment of production O&M costs, growing with inflation. Some contracts start expiring in 2024 and all will expire by 2026.

⁴Reflects production O&M cost growing with inflation.

⁵The Stateline contract expires at the end of 2021 with the last payment in 2022. City Light has already contracted to receive RECs from the Stateline Project starting in 2022 (which are included in O&M) but will not continue to purchase the power.

⁶Cost inflates per contract terms.

⁷Expenses for the High Ross contract reflect a small level of O&M costs. City Light stopped making capital payments in 2020.

⁸Assumes BPA costs stay at current levels and increase 5% per year on average during 2023-2026.

⁹Forecast assumes Lucky Peak transmission costs are transferred to a third party as part of a renewed exchange agreement through 2026.

City Light's largest contract is with the Bonneville Power Administration (BPA). For planning purposes, the 2022 BPA costs are assumed to continue at 2021 levels. After BPA announces its final rates for fiscal years 2022-2023, any differences between 2022 actual costs and the costs based on the 2022 assumptions below will be passed-through or credited to City Light customers via the BPA pass-through mechanism (SMC 21.49.081). A credit to City Light retail rates is currently anticipated based on BPA's preliminary rate proposal and City Light's declining purchase volume due to its lower retail load. BPA power and wheeling bills are assumed to increase around 2.2% per year during 2023-2026, with the rate changes effective in October of odd years.

BPA DETAIL

\$ Millions	2022	2023	2024	2025	2026
Wheeling	44.0	45.2	48.7	50.0	53.8
Block	204.4	208.7	213.2	217.6	223.0
Total BPA Costs	160.4	163.5	164.5	167.6	169.2
Annual Change		2.1%	2.2%	2.1%	2.5%

Power revenues are comprised of Net Wholesale Revenue, other miscellaneous power revenues, and long-term power sale obligations. The following table details these assumptions.

POWER REVENUES, NET DETAIL

Power Revenue, Net (\$ in millions)	2022	2023	2024	2025	2026
Net Wholesale Revenue ¹	40.0	40.0	40.0	40.0	40.0
Power Contracts					
Article 49 to PO County	2.7	2.8	2.8	2.9	2.9
Priest Rapids	1.6	1.6	1.5	1.4	1.1
BPA Credit for South Fork Tolt	2.9	2.9	2.8	2.8	2.7
BPA Residential Exchange Credit	-	-	-	-	-
Power Marketing Net ²	7.8	7.8	7.8	7.8	7.8
Transmission Sales ³	2.0	2.0	2.0	2.0	2.0
Total Power Related Revenues, net	17.1	17.1	17.0	16.8	16.5
Total Power Revenue, Net	57.1	57.1	57.0	56.8	56.5

¹ Net Wholesale Revenue (NWR) is the revenue from selling surplus energy on the wholesale market, net of purchases for load balancing. The NWR value is a round number set by policy and influenced by the current outlook of NWR based on expected prices and normal hydro conditions. Any differences between actual and planned NWR are buffered through the Rate Stabilization Account.

²Power marketing revenues (net of purchases) are earned from sales of ancillary services associated with generation and transmission assets, such as reserve capacity sales. Assumes Lucky Peak exchange premiums of \$2M per year through 2026.

³Assumes \$1M of revenue from the resale of BPA point-to-point transmission and \$1M from the resale of 3rd AC transmission capacity.

OTHER COSTS AND MISCELLANEOUS REVENUES

This “other” category is made up of costs and revenues such as taxes, interest income and fees for retail services.

OTHER COSTS (TAXES, PAYMENTS AND UNCOLLECTIBLES) DETAIL

\$, Millions	2022	2023	2024	2025	2026
State Taxes ¹	41.3	42.6	44.1	45.2	47.3
Franchise Payments and Other Taxes ²	7.5	7.8	8.1	8.3	8.5
Uncollectible Revenues ³	7.2	7.5	7.7	7.9	8.1
Total Other Costs	56.1	57.9	59.9	61.4	64.0

¹ State taxes are 3.8734% of retail revenues, plus some other revenues and contributions. Not included are City taxes, which are 6% of total taxable revenues but do not directly impact the revenue requirement because they are junior to debt service. They are treated as a “below the line” expenditure and are deducted from the additional 0.8x debt service coverage, reducing the amount of current year operating proceeds going to capital requirements.

² Payments associated with franchise contracts with the cities of Burien, Lake Forest Park, SeaTac, Shoreline, and Tukwila. Franchise payments range from 4% to 6% of total retail revenue in each franchise territory. City Light also pays Lake Forest Park a 2% public utility tax that is passed through to customers in that jurisdiction as an addition to their rates. Other taxes are miscellaneous taxes (e.g., B&O tax) to other jurisdictions where the utility has operations.

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

MISCELLANEOUS REVENUE SOURCES DETAIL

\$, Millions	2022	2023	2024	2025	2026
Non-Base Rate Retail Revenue ¹	5.0	5.2	5.3	5.5	5.6
Other Revenue ²	23.6	24.3	25.0	27.3	28.0
Suburban Undergrounding ³	4.1	4.1	4.1	4.1	4.1
Property Sales ⁴	1.2	1.2	1.3	1.3	1.3
Interest Income ⁵	6.8	6.8	6.9	6.9	7.0
Operating Fees & Grants	0.4	0.0	0.0	0.0	0.0
Net RSA Transfers ⁶	(1.8)	(1.8)	(1.8)	(1.9)	(1.9)
Total Other Revenue Sources	39.4	39.8	40.8	43.2	44.2

¹ Non-base rate retail revenue includes revenues from retail customers for services or programs that are not dictated by the revenue requirement. Examples include elective green power programs, distribution capacity charges and power factor charges.

² Other revenue includes a broad range of income sources, such as late payment fees, payments for damages to property, transmission tower attachments, distribution pole attachments and account change fees.

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

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

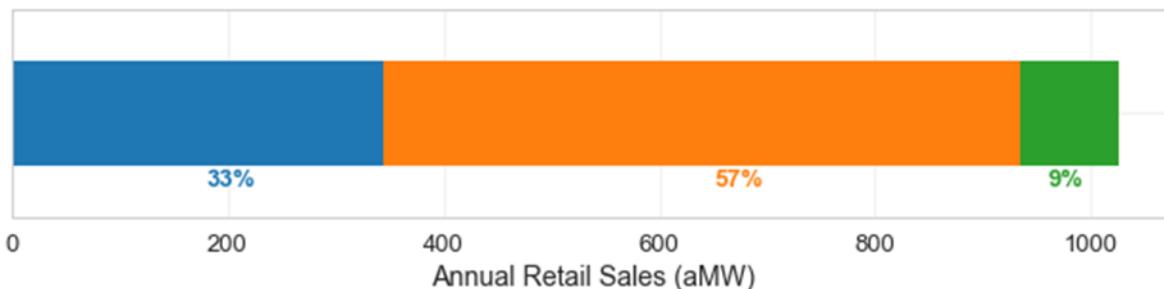
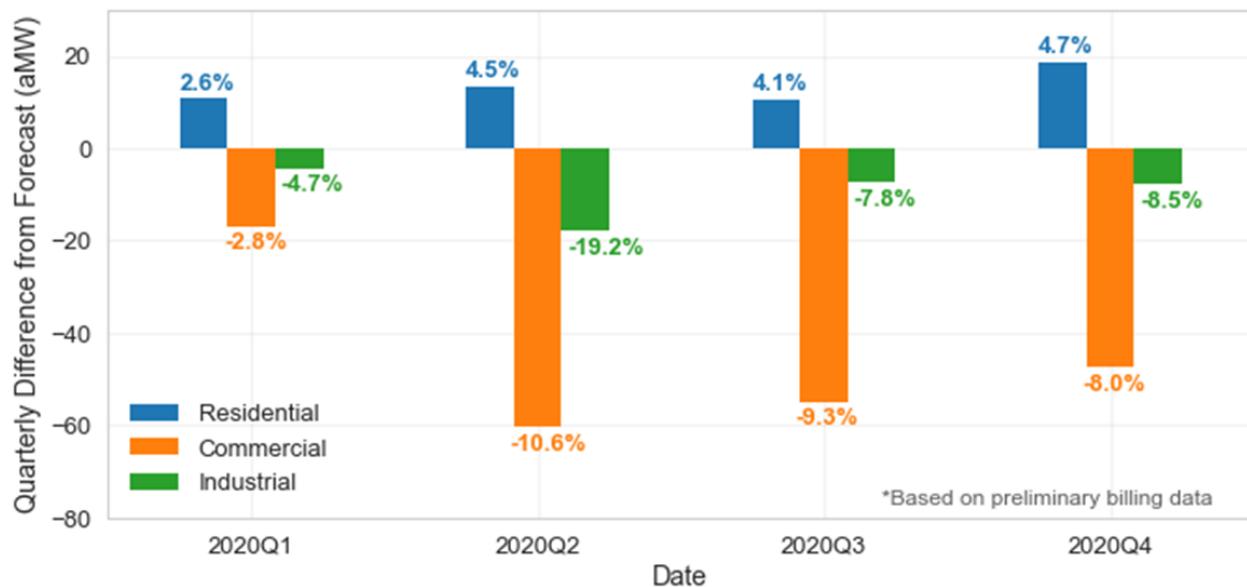
⁵ Interest income assumes City Cash Pool cash holdings accrue interest at an annual rate of 1.5%.

⁶ RSA transfers are the deposit into the RSA net of any RSA surcharge revenue. They primarily reflect interest earned by the RSA.

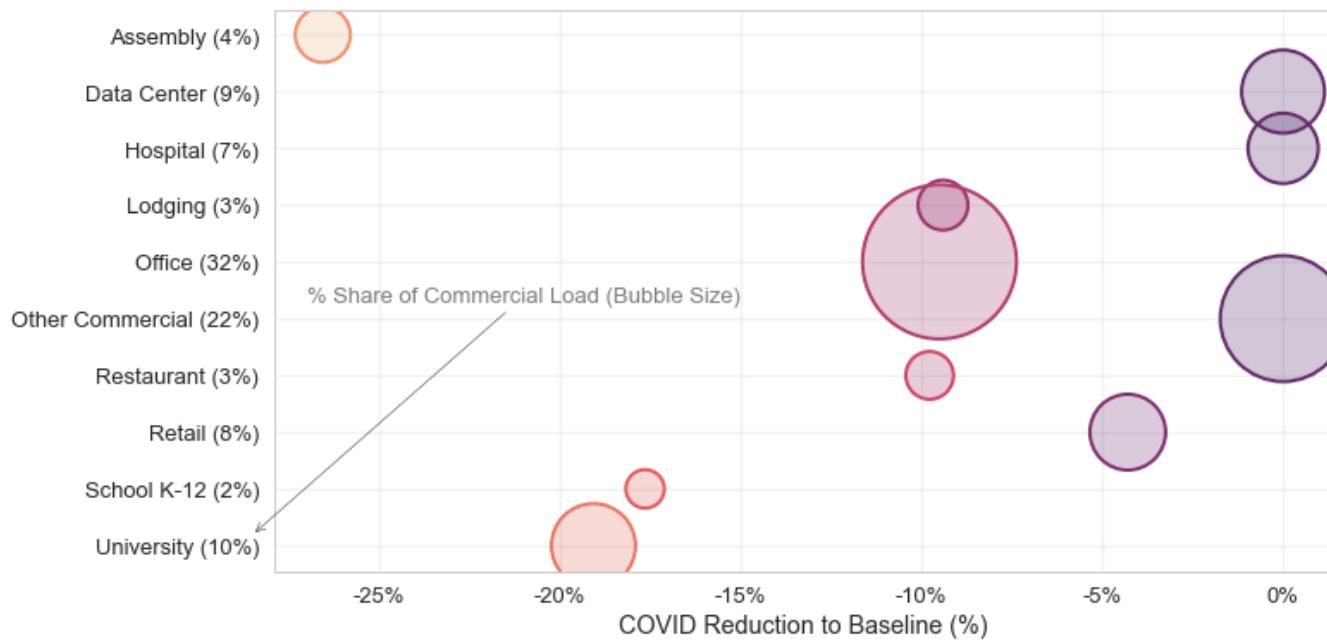
RETAIL SALES

The forecast of retail sales is based on City Light's 2020 official load forecast, which assumes a gradual recovery from the COVID-driven load reduction in 2020. Non-residential retail sales were significantly reduced in 2020 due to the pandemic-related recession and public health measures. This was partially offset by increased residential sales due to customers spending more time in their homes. Places where large amounts of people gather (concert venues, theaters, places of worship, etc.) had the most reduction while segments like hospitals and data centers had minimal change. Office space, which makes up approximately one third of commercial load was reduced by roughly 10%.

COVID Impacts on Retail Sales



COVID Impacts by Commercial Segment



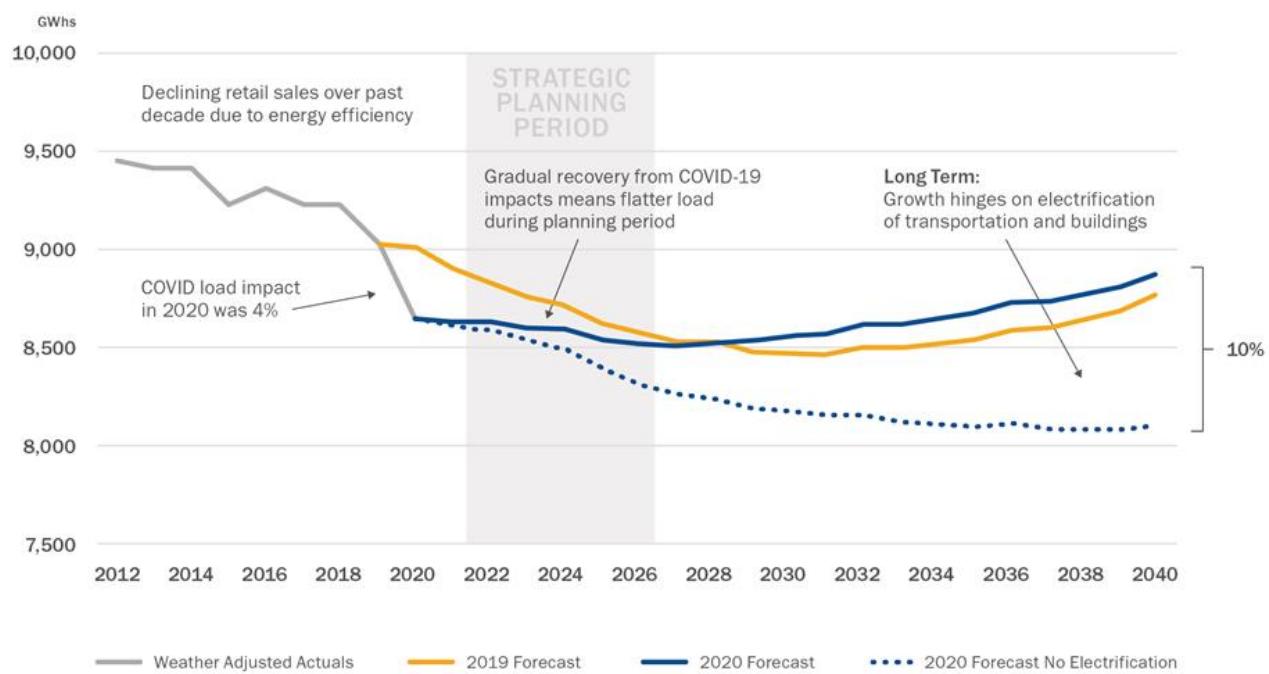
The current forecast projects most of this lost load will gradually return over the next few years. Energy efficiency investments by both the Utility and customers are expected to continue to reduce sales. However, gradually bringing back most of the lost load during the pandemic will offset some of the impacts of energy efficiency, resulting in a flatter load outlook compared to previous forecasts. The current forecast projects retail sales to decline 0.3% per year on average.

RETAIL SALES FORECAST

	2022	2023	2024	2025	2026
GWh					
Residential	3,008	2,973	2,956	2,933	2,928
Small and Medium	3,363	3,372	3,380	3,361	3,350
Large and High Demand	2,262	2,262	2,264	2,249	2,241
Total	8,633	8,607	8,600	8,542	8,520
Annual change					
Residential	-1.4%	-1.2%	-0.6%	-0.8%	-0.1%
Small and Medium	0.6%	0.3%	0.2%	-0.6%	-0.3%
Large and High Demand	0.9%	0.0%	0.1%	-0.7%	-0.4%
Total	-0.1%	-0.3%	-0.1%	-0.7%	-0.3%

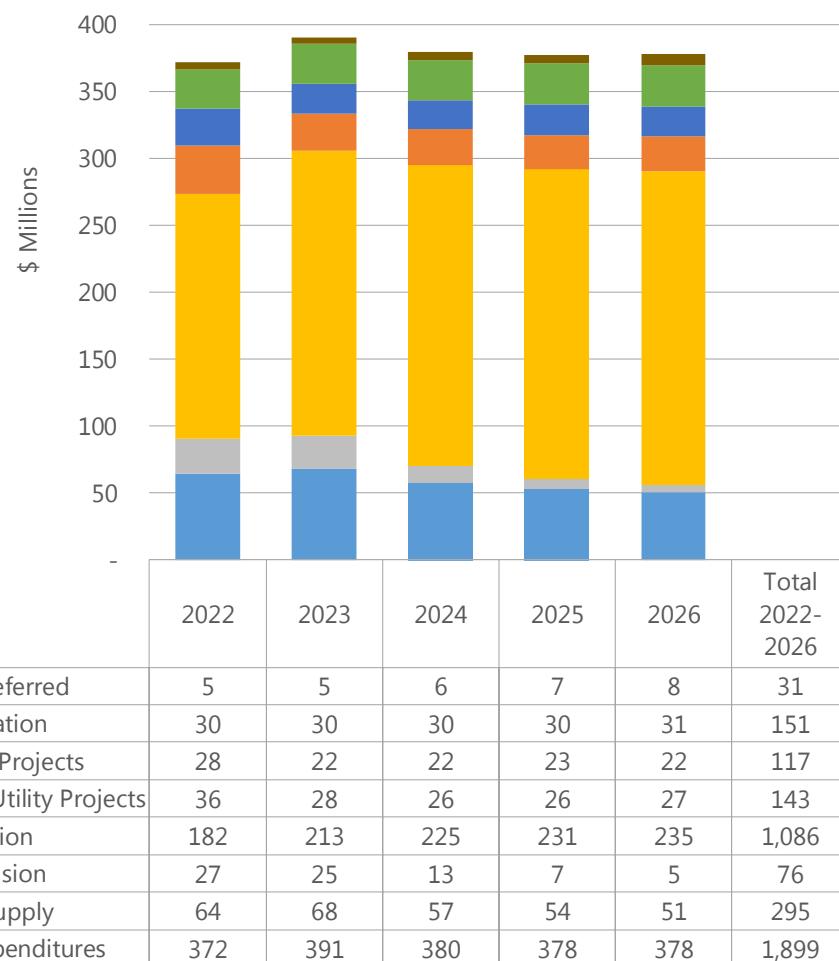
In the long-run electrification of transportation and buildings is expected to gradually add retail sales, leading to modest growth in the second half of the 20-year forecast. However, the rate at which customers convert to electricity for their energy needs is very uncertain and City Light will continue to research this topic closely.

Long-Term Retail Sales Forecast



APPENDIX A: CAPITAL REQUIREMENTS DETAIL**CIP**

The following bar chart is a graphical depiction of the forecasted capital expenditures from the 2021-2026 adopted CIP. The forecasted capital requirements are anticipated to be lower than recent history. The capital requirements between 2016-2020 averaged \$410 million annually, which includes 2020 with lower than usual capital expenditures due to the impacts of COVID.

CAPITAL REQUIREMENTS FORECAST: BASED ON 2021-2026 ADOPTED CIP

Key infrastructure projects planned during 2022-2026 include the following:

- The underground and overhead equipment replacements, which include replacing older distribution equipment that is nearing the end of its useful life, is overloaded or no longer has available parts.
- The overhead equipment replacement project also includes the accelerated wood pole replacement program.

- Other key projects include the overhead and underground electric power service connections for Medium General Service and various protection, mitigation and enhancement activities that will fulfill the requirements for the 2013 FERC license and settlement agreement at Boundary.

MAJOR CIP PROJECTS 2022-2026 SPENDING, \$MILLIONS

Included in 2021-2026 Adopted CIP Budget

8353: Underground Equipment Replacements	209.2
8351: Overhead Equipment Replacements	199.2
8366: Medium Overhead and Underground Services	93.7
6987: Boundary - Licensing Mitigation	83.2
9969: Software Replacement Strategy (Distribution)	57.6
7125: Denny Substation Transmission Lines	55.2
8363: Network Additions and Services: Broad Street Substation	53.2
9239: Transportation Electrification	51.8
8404: Denny Substation - Network	50.7



2022-2026 Strategic Plan Outreach Summary

Executive Summary

In accordance with Resolution 31463, adopted in September 2013, Seattle City Light engaged with customers and stakeholders to offer opportunities for these groups to provide input on the 2022-2026 Strategic Plan. Outreach efforts for the Strategic Plan began in early 2020, when the intent was to publish a six-year plan in line with the normal cadence of City Light's strategic planning process. However, when the COVID-19 pandemic arrived in our region in March 2020, progress on the next strategic plan was halted in order to attend to the more pressing needs of our community, staff, and business.

When the planning process resumed in early 2021, outreach for the new plan resumed as well. In March and April 2021, City Light presented our 2022-2026 Strategic Plan to community groups and hosted a Virtual Town Hall open to the general public. We created a 2022-2026 Strategic Plan Executive Summary document and made the summary and presentation slides available online for those who were unable to attend one of the outreach sessions.

Top priorities that City Light heard in our outreach conversations included:

- Affordability and predictability of rates
- Mixed feelings around electrification
- Customer involvement in utility decision making
- Positive reactions to debt strategy

Some of the business strategies and programs identified in the 2022-2026 Strategic Plan will be multi-year efforts. We anticipate using the feedback we received to inform planning and implementation for 2022 and beyond. City Light plans to continue the conversations with stakeholder groups. The outreach efforts we initiated for the 2022-2026 Strategic Plan will lead to more ongoing, mutually beneficial relationships with community-based organizations and stakeholder groups going forward.

Outreach Methods

Stakeholder Meetings

City Light contacted 16 stakeholder groups offering them an opportunity to hear information about the 2022-2026 Strategic Plan. City Light presented our high-level business strategies for the plan and asked attendees to provide input. Of the groups contacted, 11 expressed interest in engaging in the process. Stakeholder meetings were arranged for City Light leadership to present an overview of the Business Strategies and answer questions from the group. Over 150 individuals participated in these stakeholder meetings, bringing a variety of perspectives on the strategies laid out in the plan. Following the meetings, stakeholders were encouraged to send any feedback to [SCL StrategicPlan@seattle.gov](mailto:SCL_StrategicPlan@seattle.gov).

Virtual Town Hall

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

Online Materials

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

Employee Outreach

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

Customer Experience Outreach

Since the previous Strategic Plan was adopted, City Light has engaged with customers about the Utility Discount Program and the new Utility Services Website. For these efforts, City Light worked with customers to understand the barriers they face when interacting with the utility, and we have begun implementing changes to eliminate these barriers.

Stakeholder Meetings and Virtual Town Hall

Summary of Meetings

Date	Stakeholder Group	Key Questions/Comments	Number of Attendees
3/18/2021	City Light Environmental Advisory Board	<ul style="list-style-type: none"> • City Light should work to be more agile and roll out new programs more quickly • Questions about rate design 	12
3/30/2021	Environmental Justice Committee members, Office of Sustainability and Environment staff	<ul style="list-style-type: none"> • We need to think about affordability beyond just “energy burden” • Need more support for those who don’t qualify for “low income” programs but who still need assistance • City Light needs to connect with work already being done at the community level • Need more support for assistance program applications • Align with other City departments to better serve the community • Need meaningful mitigations for impacts on environmental justice communities 	6
4/5/2021	Seattle Renters' Commission	<ul style="list-style-type: none"> • Would like City Light to consider a warning period before rates increase • Provide more information around rate structure • Consider changing our schedule so that rate increases in January aren't occurring during the middle of “peak energy use season” • Make sure our projects to benefit the community don't just benefit wealthy residents 	9
4/6/2021	Franchise Cities	<ul style="list-style-type: none"> • Interest in electrification of infrastructure—EV charging stations, facilities, proactively planning for future needs • Better coordination on multigovernmental projects and CIP projects • Support infrastructure improvements that will improve power quality and future development in their city 	7
4/8/2021	NW Energy Coalition	<ul style="list-style-type: none"> • Interested in how advanced meters can improve the customer experience • How do we encourage energy efficiency and manage loads at the same time? • As we move to more time-of-day (TOD) pricing, how does that affect those who cannot shift their usage? • Very supportive of electrification; NWEC would like to see City Light be a leader in this area 	19

Date	Stakeholder Group	Key Questions/Comments	Number of Attendees
4/12/2021	Seattle 2030 District, Business Owners and Management Association (BOMA)	<ul style="list-style-type: none"> Interest in speeding up the implementation of new energy efficiency incentives for businesses and being involved in development/decision making process Electrification is not necessarily a positive word for BOMA due to the challenges of modifying existing buildings Concerns about electrification happening too fast without enough homework being done Want to see commercial real estate represented more in our outreach efforts Glad to hear about efforts to control debt and ensure financial health 	5
4/15/2021	Staff from Multi-Service Center and Hopelink	<ul style="list-style-type: none"> Want information in the plan around resuming shutoffs for non-payment; want to be kept in the loop so they can be prepared to serve customers Would like greater freedom of information around customer data so they can better reach all eligible customers for assistance programs Looking forward to ongoing opportunities to partner with City Light 	27
4/15/2021	Virtual Town Hall (open to the public)	<ul style="list-style-type: none"> Questions around re-training workforce to work on electrification in the coming years so that current employees aren't left behind How do we ensure that we are building a diverse workforce? What does success in this area look like? Interest in ensuring those who have been traditionally underserved are part of our future plans Interest in incentives around building electrification, advocating for building electrification 	16
4/29/2021	Key Customers	<ul style="list-style-type: none"> High level of interest in incentives to electrify existing buildings Questions and concerns about grid stability and ability to handle the increased load resulting from electrification Want increased access to their energy use data Asked about opportunities to partner with City Light on mutually beneficial projects Support infrastructure improvements that will improve power quality 	65
Total Attendees			166

Key Findings

Affordability and Predictability of Rates

Customer bills remain a high priority across all stakeholder groups. Stakeholders expressed interest in understanding how their rates are currently structured, how rates might be structured in the future, and how City Light can ease transitions to higher or different rates. Customers would like to see a clear explanation when rates are going to change, and they ideally would like rates to increase at a time of year when energy use is not at its peak. Customers also had questions about how advanced meters will impact rates and improve the customer experience.

Residential customers emphasized the need to reimagine some of our bill assistance programs to help those who currently “fall through the cracks” of existing programs. Feedback included encouraging City Light to look at energy burden more holistically and reimagine what assistance programs can look like to benefit the most people who need help.

Mixed Feelings Around Electrification

Stakeholders from environmentally focused groups applauded City Light’s plans for increased electrification and urged the utility to be a leader in bringing the region along with us.

However, for others, there were concerns. Business owners are apprehensive about the high costs associated with retrofitting existing buildings to conform with new electrification standards and pushed for more incentives for converting to electric. Some business representatives noted that they would support a modest rate increase to fund more commercial incentives. These customers also had questions about how City Light’s electrical grid will be able to handle the increased load that will come with more electrification. Commercial customers are eager to see City Light continue to make improvements to our infrastructure so that their power supply is more reliable and consistent.

Environmental justice community members want to ensure that electrification does not come at the expense of their communities through unintended impacts. These representatives would like to see pathways to green jobs and opportunities for Black, Indigenous, and People of Color (BIPOC) community members not only to start jobs at City Light, but to advance through the utility.

Customer Involvement in Utility Decision Making

Commercial and residential customers alike would like to be included in decision making at City Light earlier in the process, when their input can shape the outcomes. One idea for improving customer service in this area is to align our customer-facing programs with other

City departments to maximize accessibility and minimize confusion in the community. If given a seat at the table, customers can advise on environmental justice work already underway at the community level. This would allow City Light (and other City departments) to focus on finding ways to lift up and support existing grassroots programs.

Business customers shared a strong desire for City Light to be quicker to roll out new incentives for energy efficiency projects. These customers would also like to have a greater voice in determining what the incentives will be. They noted that sometimes the bureaucracy involved in City Light processes prevents customers from getting the help they need in a timely manner. Business customers would like more opportunities to partner with City Light to develop mutually beneficial solutions.

Positive Reaction to Debt Strategy

Overall, stakeholders were pleased and relieved to hear about City Light's plan to control debt and right-size the capital improvement program. They appreciate that City Light leadership understands the need to control costs. This strategy is reflected in the lower five-year rate trajectory included in the plan.

Customer Experience Outreach

Background

A core commitment for both the 2019-2024 and 2022-2026 Strategic Plans is improving the customer experience. This cannot be done without working directly with our customers to understand the challenges they face when interacting with City Light. Efforts to modernize and improve the customer journey by making the Utility Discount Program more accessible and launching the new Utility Services Website are highlighted here.

Utility Discount Program Updates

Until early 2020, applying to the City's Utility Discount Program (UDP) required submitting verification of income and waiting 4-6 weeks for approval. This need for income verification was a barrier to many who would benefit from accessing the heavily discounted utility rates. A pilot program was launched in March 2020, as an emergency response measure, in which customers could self-certify if they were eligible to enroll in the program.

When the COVID-19 pandemic arrived in Seattle, Mayor Durkan mandated the UDP self-certification option be made available online for all residential customers in City Light's service territory. In 2020, the UDP self-certification process received over 13,800 unique applications (approved applications during this time totaled more than 11,000). During 2020, UDP saw a net increase in enrollment of 8,558 households, from 34,028 in 2019 to 42,586 in 2020. The difference between the approved applications and the net enrollments reflects the ongoing trend of UDP-eligible households withdrawing from the program even as new households join. The terminations are primarily due to customers moving out of City Light's service area.

City Light continues to work to provide customers with more options. In 2021, City Light, along with Seattle Public Utilities (SPU), Human Services Department, and Seattle IT, will be launching a new Utility Assistance Programs online application process. This online application will provide access to City Light and SPU emergency assistance programs for residential customers. The online, automated system is intended to provide a single, streamlined process for all customer assistance programs. This is one way we can continue to improve the customer experience.

New Utility Services Website

Another area where City Light worked closely with our customers was in the development of our new Utility Services Website (in collaboration with SPU). The new Utility Services Website gives customers access to new payment options, options to start and stop service, views of their energy usage, and the ability to manage their utility accounts.

These features are only useful if they are simple and easy to use. To ensure usability, 22 tests were completed. Using a prototype that emulated the real site, customers walked through several scenarios to ensure they were able to complete tasks intuitively. These scenarios included activities such as changing service type or looking up rate information. Additional accessibility testing, including colorblind functionality and mobile compatibility, was also conducted.

Conclusion and Next Steps

Our outreach efforts have informed the development of the 2022-2026 Strategic Plan. Over the next five years, we will continue the conversations that we have started with community-based organizations, stakeholder groups, and customers. Some of the business strategies and programs identified in the 2022-2026 Strategic Plan will be multi-year efforts. We anticipate using the feedback we received from our outreach efforts to inform planning and implementation for 2022 and beyond.



EXECUTIVE SUMMARY

2022–2026 STRATEGIC PLAN

Over 900,000 people in the Seattle area rely on Seattle City Light every day to keep their homes running, businesses operating, and communities vibrant. It is our duty—and our greatest source of pride—to provide our customers power that is affordable, reliable, safe, and environmentally responsible.

Like many things in 2020, our Strategic Planning process was halted abruptly when the COVID-19 pandemic struck our region. At that time, we recognized the need to pause this long-term planning effort and focus on the immediate safety and wellbeing of our community, customers and employees.

Now, with a hopeful eye to the future, we have returned to our Strategic Plan with the new perspective that the challenges of the past year have given us. The 2022–2026 Strategic Plan

highlights our ongoing commitment to providing essential energy services and outlines our pathways to building a shared energy future with the communities we serve.

The new City Light Strategic Plan is a five-year plan that focuses on building stronger relationships with our customers, improving core service areas, and preparing our utility and our region for large-scale, long-term changes to the energy industry.

Key activities such as grid modernization, technology upgrades, partnerships with customers, and business process improvements will put us in the best possible position to help the Seattle area recover from the pandemic and build a more equitable, sustainable future for all of us.



BUSINESS STRATEGIES:



Improve the Customer Experience

We will meet the needs of our customers by empowering our employees to deliver targeted solutions in a consistently responsive way. Using information gathered from our customers, we will develop programs and services to meet their individual needs and redesign old processes to strengthen and improve core service delivery. We will empower our employees to fulfill our "Customers First" commitment.



Create our Energy Future

To prepare for the future, we will build and maintain smart, resilient, flexible, dynamic, and reliable grid infrastructure that will support long-term decarbonization and electrification efforts. We will prepare for greater integration of distributed energy resources and increased customer options. We will work to reverse historical inequities and avoid unintended harm to historically underrepresented populations by intentionally prioritizing their needs as we create our energy future.



Develop Workforce and Organizational Agility

As we prepare for major transformations in our industry and the environment in which we operate, we will foster an organization that is nimble, adaptable, and responsive. We will cultivate an agile, accountable, and inclusive workforce that reflects the diversity of our community to meet our organization's emerging needs. We will implement a robust, cross-functional business process framework in consistent, scalable, and data-driven ways.



Ensure Future Financial Stewardship and Affordability

We will support long-term affordability in Seattle by offering rates that are transparent, understandable, reasonable, equitable and consistent for all customers, including vulnerable populations. This commitment includes developing a sustainable and predictable approach to setting rates over time, one that continues to encourage efficient use of the products and services we provide. We will reform our capital prioritization process to deliver a capital plan that is prudent, efficient, and community focused.



We Power Seattle

City Light will continue to advance our mission of providing our customers with affordable, reliable, and environmentally responsible energy services. We will prioritize diversity, equity, and inclusion in all that we do and we will actively manage and mitigate the constraints, risks, and uncertainty of operating in a COVID-adjusted environment.

Connect with Us

To learn more about the 2022-2026 Strategic Plan, visit seattle.gov/city-light/about-us/strategic-plan-and-review-panel.

Feedback and comments can be sent to SCL_StrategicPlan@seattle.gov.



Seattle City Light

WE POWER SEATTLE

City Light 2022–2026 Strategic Plan

Stakeholder Presentation



Seattle City Light

WE POWER SEATTLE

Plan Foundations



Seattle City Light



This is Our Fifth Strategic Plan

1. 2013–2018 (First Seattle City Light Strategic Plan)
The plan is updated every 2 years:
2. 2015–2020
3. 2017–2022
4. 2019–2024
- 5. 2022–2026 Strategic Plan***

*2021–2026 plan drafted but not completed due to COVID-19

Guiding our Path – City Light Mission, Vision & Values

Mission

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

Vision

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

Values



Customers First



Environmental Stewardship



Equitable Community Connections



Operational and Financial Excellence



Safe and Engaged Employees

2022-2026 Strategic Plan



Seattle City Light



Strategic Plan Business Strategies



Improve the Customer Experience



Create our Energy Future



Develop Workforce and Organizational Agility



Ensure Future Financial Stewardship and Affordability



We Power

Improve the Customer Experience

Objective:

Consistently meet customers' needs by providing employees opportunities to deliver targeted and responsive solutions.



Success Measures:

- + Improvement in customer satisfaction scores as measured by benchmark scores, industry experts and our own research (e.g., J.D. Power rating and Seattle City Light longitudinal benchmarking survey)

Improve the Customer Experience

Projects, Initiatives and Activities:

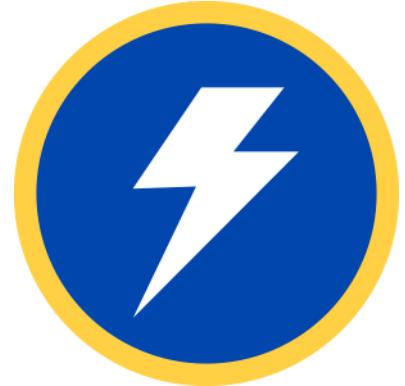
1. Integrate the “Voice of the Customer” into our organizational culture – Make use of customer research and equip our employees with the tools, skills and support they need to prioritize customer needs and make “Customers First” a reality.
2. Strengthen and fix our core customer services – Redesign old processes to improve service delivery.
3. Expand customer service options – Using the information gathered from our customers, develop programs and services to meet their individual needs.



Create our Energy Future

Objective:

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



Success Measures:

- + Increased load/revenue associated with electrification
- + Penetration of automation on our grid
- + Reduction of emissions in Environmental Justice Communities

Create our Energy Future

Projects, Initiatives and Activities:

1. Fund and implement the “Utility Next” Portfolio – Deliver new programs to achieve Seattle’s vision of a clean energy future.
2. Implement grid modernization roadmap – Prioritize investments needed to support electrification and increase grid flexibility, automation, reliability and resiliency.
3. Implement electrification plans – Develop, offer and implement programs authorized in the Transportation Electrification Strategic Investment Plan.
4. Integrate distribution system and resource planning – Integrate and align the Integrated Resource Plan with other complementary planning efforts.
5. Demonstrate leadership and collaboration – Lead planning and support development of long-term regional decarbonization and electrification solutions and collaborate to ensure capacity and availability of carbon-free generation resources.



Develop Workforce and Organizational Agility

Objective:

Foster an organization that is nimble, adaptable and responsive and cultivate a workforce empowered to support social justice



Success Measures:

- + Workforce development and culture metrics (e.g., diversity, recruitment, employment, promotion and retention measures, and employee culture survey results)
- + Development of foundational and equitably distributed resources and training to do their jobs successfully

Develop Workforce and Organizational Agility

Projects, Initiatives and Activities:

1. **Build an agile workforce** – Anticipate new strategic staffing needs, provide training and development opportunities that prepare employees for the future, support the culture change needed for future success, and build a workforce that reflects our community's diversity.
2. **Institutionalize organizational change management** – Establish a new change management program to provide consistent structure, standards, training, coaching and resources. This program will help employees successfully adapt to and master changes in job functions, business processes, and technology usage.



Ensure Future Financial Stewardship and Affordability

Objective:

Support long-term affordability in Seattle by offering rates that are transparent, understandable, reasonable, equitable and consistent for all customers, including vulnerable populations.

This commitment includes developing a sustainable and predictable approach to setting rates over time.



Success Measures:

- + Rate path delivered according to Strategic Plan commitments
- + A debt service coverage ratio of 1.8 or higher
- + Capital financed 60% or less by debt

Ensure Future Financial Stewardship and Affordability

Projects, Initiatives and Activities:

1. **Control rate increases** – Hold rate increases to a trajectory that resembles inflation. To do this, we will restructure our project tracking and improve budget management to drive accountability. This will allow us to lower labor costs and right-size the capital program.

2. **Price services for the future** – Building on new technology from advanced meters and billing system upgrades, City Light will continue to deliver new pricing options that encourage decarbonization and grid flexibility while also helping residents and businesses manage their energy costs.



We Power

Objective:

Even as we prepare for the future, City Light will continue to advance our mission of providing our customers with affordable, reliable and environmentally responsible energy services. We will prioritize diversity, equity and inclusion in all that we do and will actively manage and mitigate the constraints, risks and uncertainty of operating in a COVID-adjusted environment.



Success Measures

- + Operational dashboards will be developed for each line of business. These will facilitate data-driven discussions, decisions and actions around our core business functions.

Rate Path



Seattle City Light



Compare Strategic Plan Rate Increases

	2019	2020	2021	2022	2023	2024	2025	2026	AVG
2019-2024 Strategic Plan	5.8%	5.4%	3.6%	3.9%	4.0%	4.2%			4.5%
2022-2026 Strategic Plan			3.0%	3.9%	3.8%	3.8%	3.0%	3.0%	3.5%



Approved by Seattle City Council in March 2021

A 3.0% increase taking effect April 1, 2021 was approved to offset RSA surcharges which were lifted concurrently. The net impact for customers is rates for 2021 that are unchanged from 2020 levels.

A 3.9% increase was also approved for implementation on January 1, 2022. Note, an upcoming BPA Passthrough rate adjustment is expected to offset a portion of this increase – utility staff estimate the net increase will be ~2.4%.

Questions and Comments



Seattle City Light



THANK YOU



Seattle City Light

SCL_StrategicPlan@seattle.gov

2022 – 2026 Strategic Plan

Additional PIA

Business Strategy: Ensure Financial Health and Affordability

Projects, Initiative, Activities:

CONTROL RATE INCREASES: While City Light's rates need to keep up with costs to keep the lights on, the utility is committed to holding rate increases to a trajectory that resembles inflation. To do this, we will restructure our project tracking and improve budget management to drive accountability. This will allow us to lower labor costs and right-size the capital program. Because prudent debt management is crucial for affordability in the long term, City Light will work with the Review Panel to develop targets and policies to inform our capital financing strategies.

PRICE SERVICES FOR THE FUTURE: In our new energy future, clean energy technologies will power our homes and businesses, small generation sources, like solar, will become more common, and transportation electrification will continue to grow. The way we structure our rates needs to adapt to the new energy future, too. Building on new technology from advanced meters and billing system upgrades, City Light will continue to deliver the strategies outlined in our 2018 Rate Design Report by rolling out new pricing options that encourage decarbonization and grid flexibility while also helping residents and businesses manage their energy costs.



NEW

ROAD TO RECOVERY: Stable revenues are essential to sustain our financial health and deliver affordable electricity. As City Light prepares to restart credit and collections after a five-year hiatus, we need to review and update our policies, services, and practices. At the same time, we must be transparent, fair, and mitigate the impacts of racial and economic barriers. We recognize that many of our customers are still struggling in the wake of the COVID pandemic and we will work diligently to ensure that those facing financial hardships are aware of and have meaningful access to assistance.



SCL Grid Modernization Plan and Roadmap

June 17, 2021



Seattle City Light



Strategic Plan Business Strategies



Improve the Customer Experience



Create our Energy Future



Develop Workforce and Organizational Agility

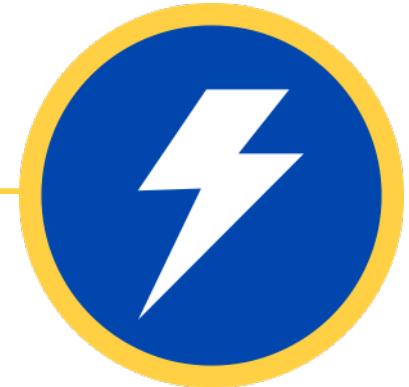


Ensure Financial Stewardship and Affordability



We Power

Create our Energy Future



Objective:

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

Projects, Initiatives and Activities:

1. [Implement Grid Modernization Roadmap](#) – Invest in our grid as needed to handle the increased consumption.
2. [Implement Electrification Plans](#) – Develop, offer and implement programs authorized in the Transportation Electrification Strategic Investment Plan.
3. [Fund and Implement the “Utility Next” Portfolio](#) – Deliver new programs needed to achieve Seattle’s vision of creating a clean energy vision.
4. [Integrate Distribution System and Resource Planning](#) – Integrate and align the Integrated Resource Plan with other complementary planning efforts.

Today's Presentation

- + Desiring **Feedback from Review Panel**
- + Grid Modernization Overview
- + SCL's 2021 Grid Modernization Plan and Roadmap
 - Duwamish Delta Test Bed
 - Non-Wire Solutions: Electrification supporting decarbonization

Grid Modernization Planning

+ SCL's 2021 Grid Mod Plan

- Definition
- In-House

+ Update Is Underway

- Working with EPRI
- Increased focus
 - Equity
 - Electrification
 - Resilience

EPRI



SCL's 2021 Grid Mod Plan

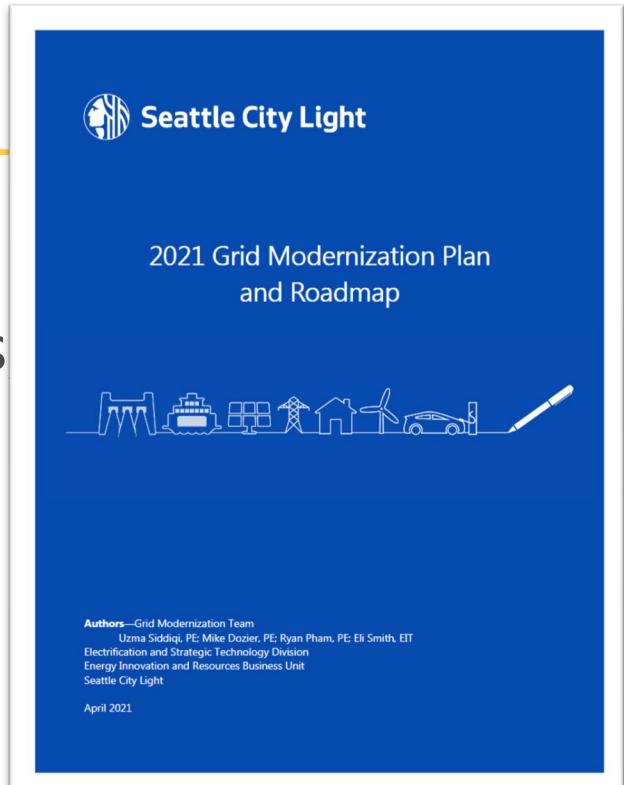
+Completed April 2021

- 1st Half: Industry and Utility Drivers, Efforts, Next Steps etc.
 - 2nd Half: 18 Detailed Project Tables

Prioritization Reason: The City of Seattle is committed to decarbonization and equity and the program advances both goals.	
Dummah Delta Test Bed Project	
Current State (2020)	
<p>Technical</p> <ul style="list-style-type: none"> • Impact by multiple substation: Customer owners in neighborhoods around the Duwamish River served by portions of SCL South Substation, Delridge Substation, and Belltown Substation. • Vulnerable to natural disasters such as earthquakes, flooding, and aging infrastructure. • Aging infrastructure in some areas. • SCL has no special policies related to the electrical system in the area. • SCL has no special technical or business processes related to the electrical system in this area. • SCL using standard analysis and engineering tools in this area. 	<p>Goals</p> <p>Future State (5 years)</p> <ul style="list-style-type: none"> • Technical: To demonstrate feeder transition with SGADA technology. • Identify targeted electrification projects concentrating on transportation electrifications with electric vehicle charging stations, considering personal vehicles, fleets, buses, boats, and other modes of transportation. • Explore feasibility of NWS to facilitate increased reliability and resiliency for some projects. • Pilot programs for microgrids, solar, batteries, energy storage, and other renewables. • Develop a Microgrid Pilot in the Duwamish Valley. • SCL-PNNL Study for wastewater networked microgrid. • SCL-PNNL NB/Gauge DCX Study Project • Prioritize grid improvements in Environmental Justice communities by Establishing Grid Mod Test Bed • Three electrification, supply chain, and energy efficiency projects will be completed. • Local jobs to implement the pilot programs. • Advanced Planning to incorporate infrastructure decisions. • Prioritize relationships for workforce development. <p>Future State (10 years)</p> <ul style="list-style-type: none"> • Technical: Policy, Process, and Tools • Develop longer-term goals in the near term after further exploration.
<p>Action Items: Current State -> 5 Year Future State</p> <ul style="list-style-type: none"> • Focus portion of SCL team towards Duwamish Valley. • Community and Stakeholder outreach to establish a SCL Grid Mod Test bed for equitable outcomes for customer-owned assets. • Develop a plan for the first pilot projects (including line sensors, remote switching, Demand Response, etc.) • Identify and prioritize local partners and data. • Obtain end CDS support for this approach. • Identify and prioritize resources. • Budget • Staff resources - Researcher, program manager and technical staff • Leaked focus of TIF Program Manager • Budget for new pilot projects 	<p>Prioritization Reason: Improve the reliability for customers in areas where they live through better planning and more responsive crews.</p> <p>Targeted Lightning Arresters on OH Transformers</p> <p>Current State (2020)</p> <p>Goals</p> <p>Future State (5 years)</p> <p>Future State (10 years)</p>
<p>Technical</p> <ul style="list-style-type: none"> • SCL has approximately 11,000 overhead overhead transformer failures caused by lightning strikes every year. • Lightning strikes often occur repeatedly in the same areas. • Lightning arresters are not installed on overhead transformers, except for "back-feed" locations that are critical to service. • Failed transformers are replaced in kind regardless of the cause. • Lighting arresters are always installed on terminal equipment to protect underground feeders. <p>Process</p> <ul style="list-style-type: none"> • SCL installs approximately 500 replacement feeders each year. • SCL installs approximately 500 replacement feeders each year. 	<p>Technician</p> <ul style="list-style-type: none"> • The majority of overhead transformations in the most lightning-prone areas of SCL's system are exposed with arresters. • Arresters are minimized by purchase of factory-installed arresters. • When an overhead transformer is struck by lightning, replace it with a unit equipped with a lightning arrester. • Lighting arresters are always installed on terminal equipment to protect underground feeders. <p>Process</p> <ul style="list-style-type: none"> • A factory-installed set of space transformers that are factory-equipment with lightning arresters and used to replace lightning-damaged feeders.
<p>Action Items: Current State -> 5 Year Future State</p> <ul style="list-style-type: none"> • Identify the most effective methods for lightning protection and determine which methods reduce customer failure. • Choose the common sizes and configurations of arrestors to be protected. • Monitor storm response and maintenance going to ensure that this practice is being followed. • Stock a recommended quantity of transformers with factory-installed arresters for immediate replacement. 	<p>Action Items: 5 Year Future State -> 10 Year Future State</p> <ul style="list-style-type: none"> • Study the effectiveness of applying lightning arrestors to overhead transformers. • Continue to replace non-aneroid-equipped arrestors when they fail in service.
<p>Dependencies and Risks to Achieving the Future State</p> <ul style="list-style-type: none"> • SCL needs to have the ability to quickly identify which overhead feeders have use of lightning arresters on overhead transformers. • The lightning arresters must be cost effective and a robust market solution. • The lightning arresters may not offer enough protection to justify the cost. • The arresters themselves may have too high a failure rate to justify their use. • Ongoing management of installing as needed two sets of the same type of transformer. 	<p>Dependencies and Integrations</p> <ul style="list-style-type: none"> • The availability of lightning arrestors for overhead transformers as well as the downstream customer wiring. • The cost and logistics of the type of lightning protection. • The cost and logistics of keeping both aneroid-equipped and non-aneroid-equipped transformers in stock.

XII.3 Licensed Capability Development – Operations				
Priority Reason:	One of the most effective technologies to increase system availability and reduce maintenance requirements. Improves operational efficiency, checklist automation, reduce ticket load, and enhance auditability.			
DA/FLIR Status:	Current State (2020)	Future State (15 years)	Future State (20 years)	
	<ul style="list-style-type: none"> Seven DA leaders are currently involved in University validation and four feeders out of 12 receive validation. Using current validation tools, there are significant inefficiencies and reduce sustained outages which are caused by faults on main lines. 	<ul style="list-style-type: none"> Implement the planned additional ELSA schemes to support the validation of the main lines. Fully integrated with the DMS. Automatically generate reports from the centralized OCS system. Implement additional cutting-edge technologies to reduce fault detection time, reduce temporary outages, and reduce operational cost. 	<ul style="list-style-type: none"> Expand the implementation to 20% total coverage. Further implement cutting-edge technologies to reduce fault detection time, reduce temporary outages, and reduce operational cost. Focus on implementing new technologies to improve customer satisfaction, system reliability and reduce operational cost. Integrated with potential ADMS. 	
	Action Item: Current State → 5 Year Future State		Action Item: 5 Year Future State → 10 Year Future State	
	<ul style="list-style-type: none"> Dividing the needed validation tasks to be assigned to each DA. Contract with third parties for the expansion of DMS. 		<ul style="list-style-type: none"> Develop the required software to support the pilot projects using new FMS (Fault Management System). Implement the proposed successful technologies from pilot projects to the rest of the system. Continue to expand the implementation, has fedders per year. Develop and implement a dependency and integration matrix. 	
	Actions and Risks to Achieving the Future State			

SLL's Detailed Capital Development - Supporting Technologies					
Prerequisites: L+G is communicating for AMI as an existing asset that SLL has committed to long term for training, planning and operations projects that utilize their network, will extract additional value			SLL's Detailed Capital Development - Supporting Technologies		
L+G Mesh Communication Network Assessment	Current State (2020)	Future State (2025)	Goals	Future State (2030)	Policy
Technical:	Technical: The L+G network currently supports the AMI meter project for SLL.	Technical: The L+G network is fully operational for operations, <u>including</u> : • Remote access to the L+G network for operations, including distribution system operations and performance monitoring. • Implementing the cybersecurity and performance monitoring requirements of the L+G network for operations. • Ensure the L+G network is secure, cost effective, and aligns communication needs. • Assess the future of the L+G network (SCL) operations/ownership or L+G management or upgrade.	Goals:	Future State (2030): • Finalize the L+G network for operations, including distribution system operations and performance monitoring. • Implement the cybersecurity and performance monitoring requirements of the L+G network for operations. • Ensure the L+G network is secure, cost effective, and aligns communication needs. • Assess the future of the L+G network (SCL) operations/ownership or L+G management or upgrade.	Policy: • SLL's ownership of the L+G network for operations, including distribution system operations and performance monitoring. • SLL's responsibility for the L+G network for operations, including distribution system operations and performance monitoring. • SLL's responsibility for the L+G network for operations, including distribution system operations and performance monitoring. • Define and implement project for any L+G network expansion.
Business:	Business: All AMI modules are used by SLL for planning, engineering, and new projects. Policy: • L+G has a contract with L+G through 2030 (defined as 20 years). • Renewal: • The mesh network is owned and managed by L+G until 2030.	Business: All AMI modules are used by SLL for planning, engineering, and new projects. Policy: • L+G has a contract with L+G through 2030 (defined as 20 years). • Renewal: • The mesh network is owned and managed by L+G until 2030.	Actions Item: Current State: 9-10 Year Future State	Actions Item: 9-10 Year Future State > 10 Year Future State	Actions Item: 9-10 Year Future State > 10 Year Future State
			<ul style="list-style-type: none"> • Assess possible additional need for the current network (non-L+G equipment). • Evaluate the L+G network for operations, including distribution system operations and performance monitoring. • Evaluate the cybersecurity assessment for operations projects. • Plan for expansion of the L+G network for operations, including distribution system operations and performance monitoring. • Determine if ownership of the L+G network is feasible after the contract end. 	<ul style="list-style-type: none"> • Finalize a plan with internal stakeholders on the future of the L+G mesh network for operations, including distribution system operations and performance monitoring. • Define and implement common network changes/upgrades. 	
Considerations and Risks to Achieving the Future State			Dependencies and Integrations		
<ul style="list-style-type: none"> • Inheriting what the L+G network through various projects looks like SCL and L+G offerings. • L+G ownership will likely be end-of-life and/or end-of-use by 2030. • There is little to no technical knowledge of the L+G network at City Light. 			<ul style="list-style-type: none"> • If the L+G network is used for operations purposes, L+G solutions should be used. • SCL technologies (DMS, ADMS). 		



Grid Mod Projects in 2021-2022



Planning

1	Increasing Electrification Focus the Grid Mod Plan (Update with EPRI)
2	DER Interconnection Studies and Procedures
3	Landis+Gyr AGA – Enhanced Connectivity Model
4	PNNL Seattle Waterfront Resiliency Study (Networked Microgrids)
5	Duwamish Delta Test Bed
6	Non-Wire Solutions Analysis
7	Energy Storage Technology



Focused Example Project: Duwamish Test Bed



Duwamish Valley Program and other Outreach

Multi-Dept City Gov't

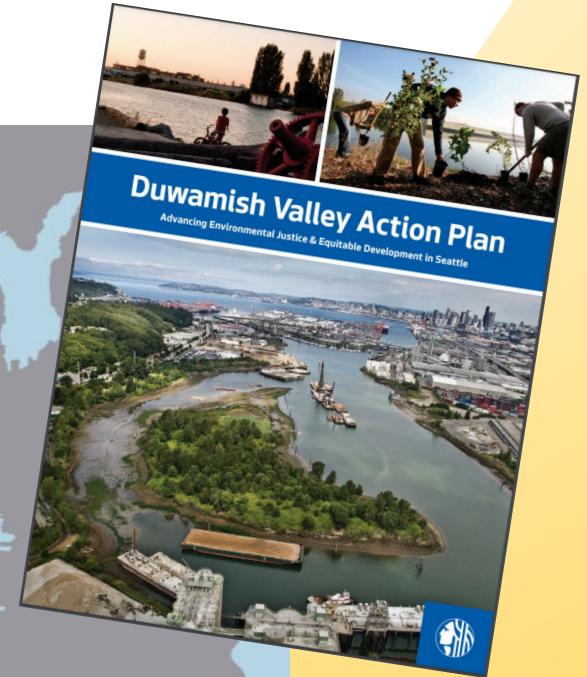
- OPCD, OSE, SPU

Community Outreach

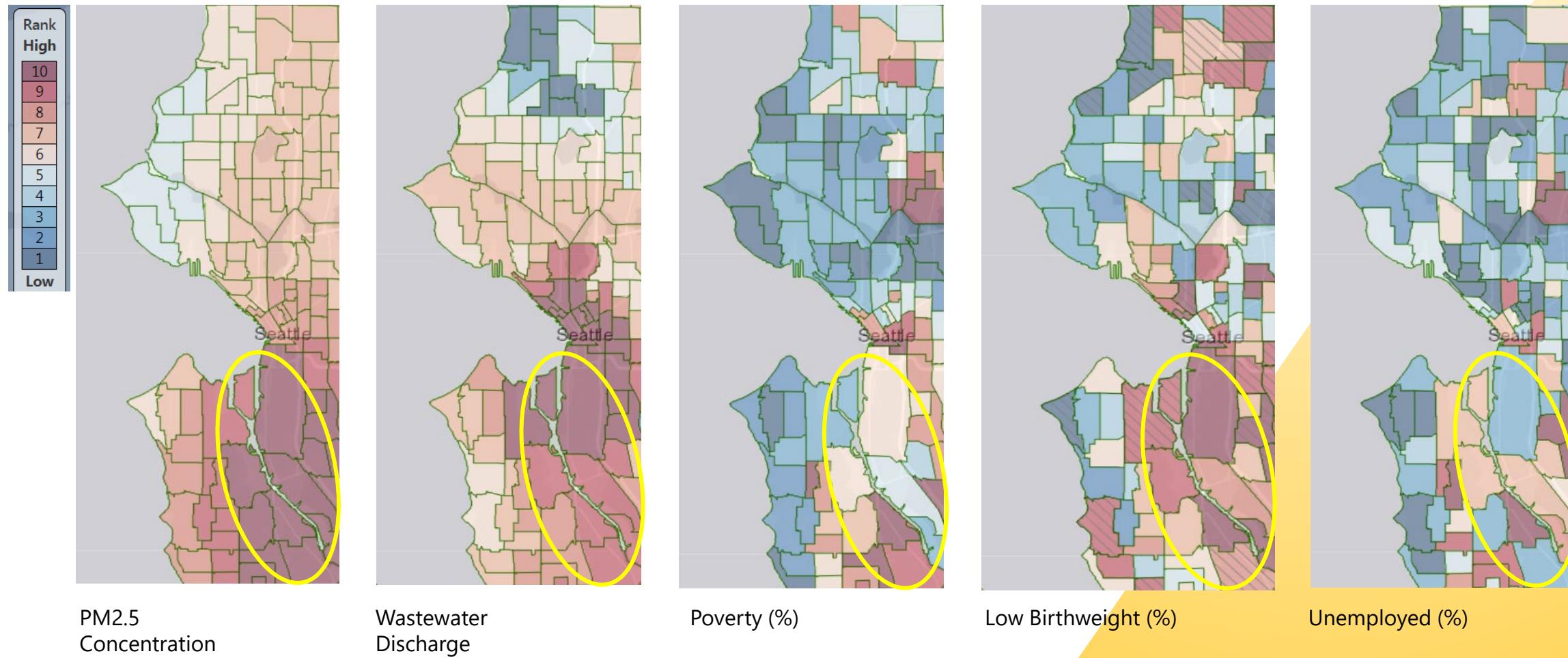
- Just Beginning...
 - Georgetown and South Park Comm Organizations
 - Duwamish Tribe

Identifying Partnership Opportunities

- \$600K—Robert Wood Johnson Foundation grant (Dec 2020)
- Port of Seattle
- PNNL Studies
 - Networked Microgrids
 - Renewable Hydrogen HDV and MDV



Environmental Health Disparities – WA Dept of Health



Source: <https://fortress.wa.gov/doh/wtn/WTNIBL>

Duwamish Test Bed

Pilot Projects

- Feeder Breakers
- Line Sensors
- Remote Switching
- Studies with PNNL

Grid Mod Tables include

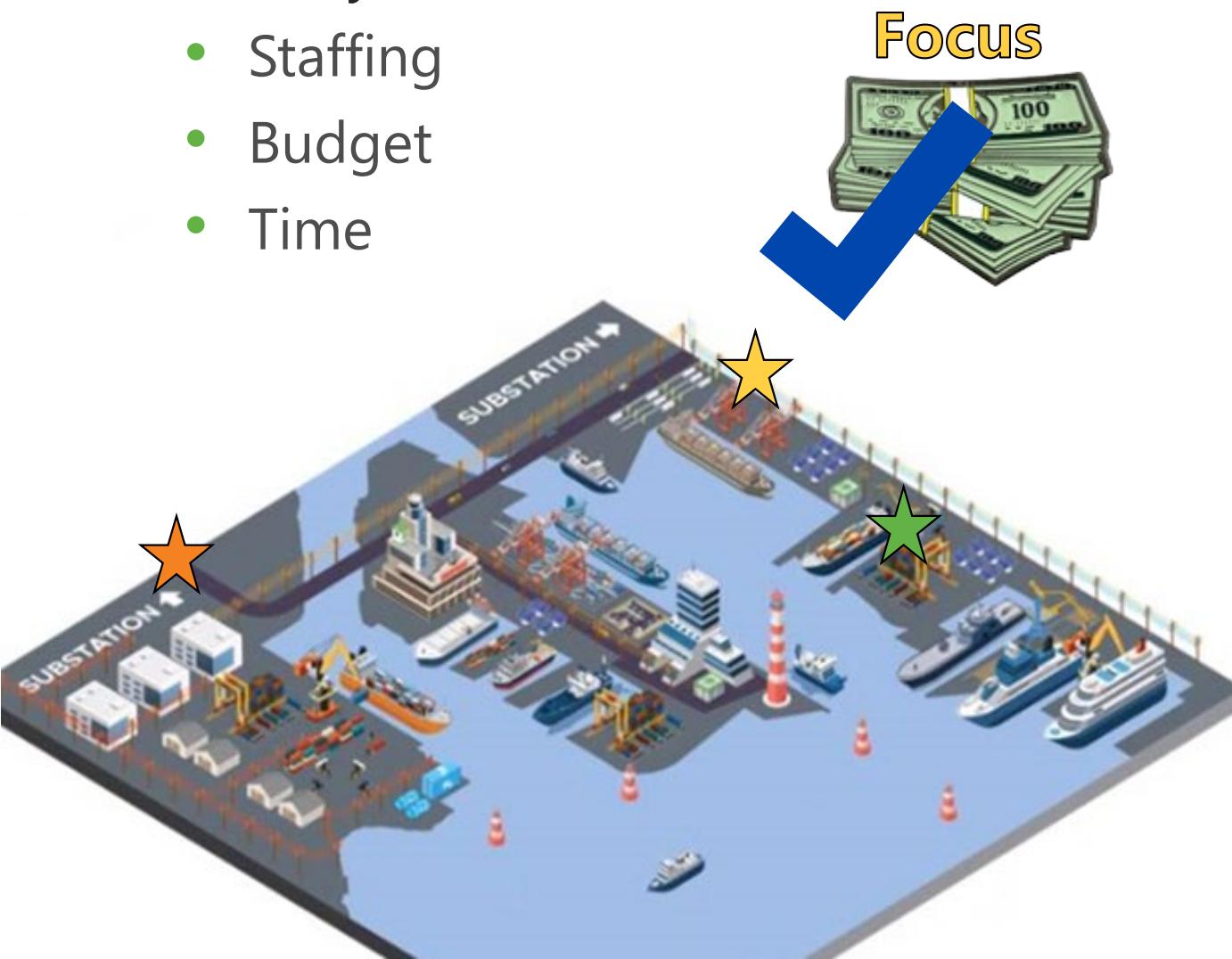
- Goals
- Action Items
- Risks
- Dependencies
- Integrations

SCL's Detailed Capability Development — Planning		
Prioritization Reason: The City of Seattle is committed to decarbonization and equity and this program advances both goals.		Goals
Duwamish Delta Test Bed Project	Current State (2020)	Future State (5 years)
Technical <ul style="list-style-type: none">• Served by multiple substations—Customer-owners in neighborhoods around the Duwamish River served by portions of SCL South Substation, Delridge Substation, and Duwamish Substation• Vulnerable to natural disasters such as earthquakes, liquefaction, etc.• Aging infrastructure in some areas <p>Policy:</p> <ul style="list-style-type: none">• SCL has no special policies related to the electrical system in this area• SCL assesses projects using a Race and Social Equity Toolkit <p>Process:</p> <ul style="list-style-type: none">• SCL has no special technical or business processes related to the electrical system in this area <p>Tools:</p> <ul style="list-style-type: none">• SCL using standards analysis and engineering tools in this area	Technical <ul style="list-style-type: none">• Upgrade Duwamish feeder breakers with SCADA• Identify targeted electrification projects, concentrating on transportation electrification. Work with the TE Program Manager and considering personal vehicles, fleets, buses, trucks, dredging, etc.• Explore feasibility of NWS to facilitate increased electrification for some projects• Pilot projects implemented (line sensors, remote switching, etc.)• Demand Response Pilot in the Duwamish Valley• SCL-PNNL Study for waterfront networked microgrids• SCL-PNNL H2@Scale DOE Study Project <p>Policy:</p> <ul style="list-style-type: none">• Prioritize grid improvements in Environmental Justice communities by Establishing Grid Mod Test Bed• Thru electrification, support City of Seattle decarbonization goals and improve air quality• Local jobs to implement the pilot projects <p>Tools:</p> <ul style="list-style-type: none">• Advanced Planning to incorporate NWS in SCL infrastructure decisions• Partnerships for workforce development	Technical, Policy, Process, and Tools <ul style="list-style-type: none">• Develop longer-term goals in the near-term after further exploration
Action Items: Current State → 5-Yr Future State		Action Items: 5-Yr Future State → 10-Yr Future State
<ul style="list-style-type: none">• Focus portion of TE SIP towards the Duwamish Delta/Duwamish Valley• Community and Stakeholder outreach to establish a SCL Grid Mod test bed for equitable outcomes for customer-owners• Scope and implement Duwamish Delta pilot projects (including line sensors, remote switching, Demand Response, etc.)• Support PNNL studies with technical staff and data• Obtain wider COS support for this approach		<ul style="list-style-type: none">• Develop longer-term TE and Grid Mod goals in the near-term after further exploration• Continue new technology test bed to offer solutions in an Environmental Justice community
Considerations and Risks towards Future State, including Staff, Resources and Budget		Dependencies and Integrations
<ul style="list-style-type: none">• Staff resources—focused pilot-area program manager and technical staff• Limited focus of TE Program Manager• Budget for new pilot projects		<ul style="list-style-type: none">• Continued access to On-Call Consultant Roster• Collaboration with City of Seattle departments and neighborhood organizations and advocates• PNNL and DOE resources

Test Bed Resourcing Approach

Flexibility and Constraints

- Staffing
- Budget
- Time



Focus



Shift



Augment

- DOE Grants
- State: CEF
- Federal Stimulus





Does this match your
vision of a robust social
justice response?

Grid Mod Projects in 2021-2022



Planning

1	Increasing Electrification Focus the Grid Mod Plan (Update with EPRI)
2	DER Interconnection Studies and Procedures
3	Landis+Gyr AGA – Enhanced Connectivity Model
4	PNNL Seattle Waterfront Resiliency Study (Networked Microgrids)
5	Duwamish Delta Test Bed
6	Non-Wire Solutions Analysis
7	Energy Storage Technology



Focused Example Project: Non-Wires Solutions (NWS)

+ Traditional Distribution Solutions

- Switching between feeders
- Reconductoring of feeders
- Feeder expansions
- New substations



+ Non-Wires Solutions

Investments that can defer or replace traditional distribution or transmission system capacity upgrades by **reducing peak demand**.



Battery Energy
Storage

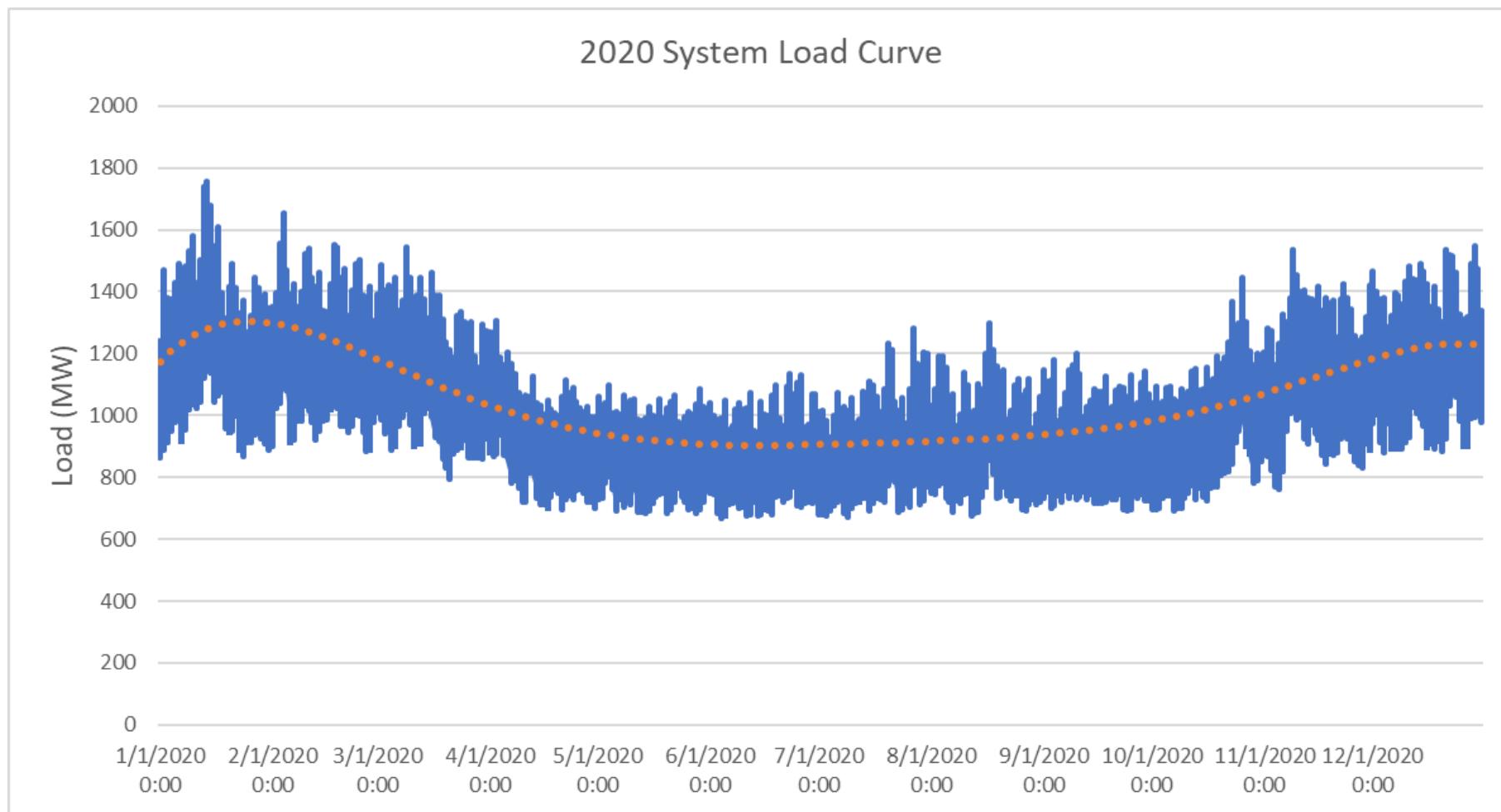


Demand Response
Energy Efficiency

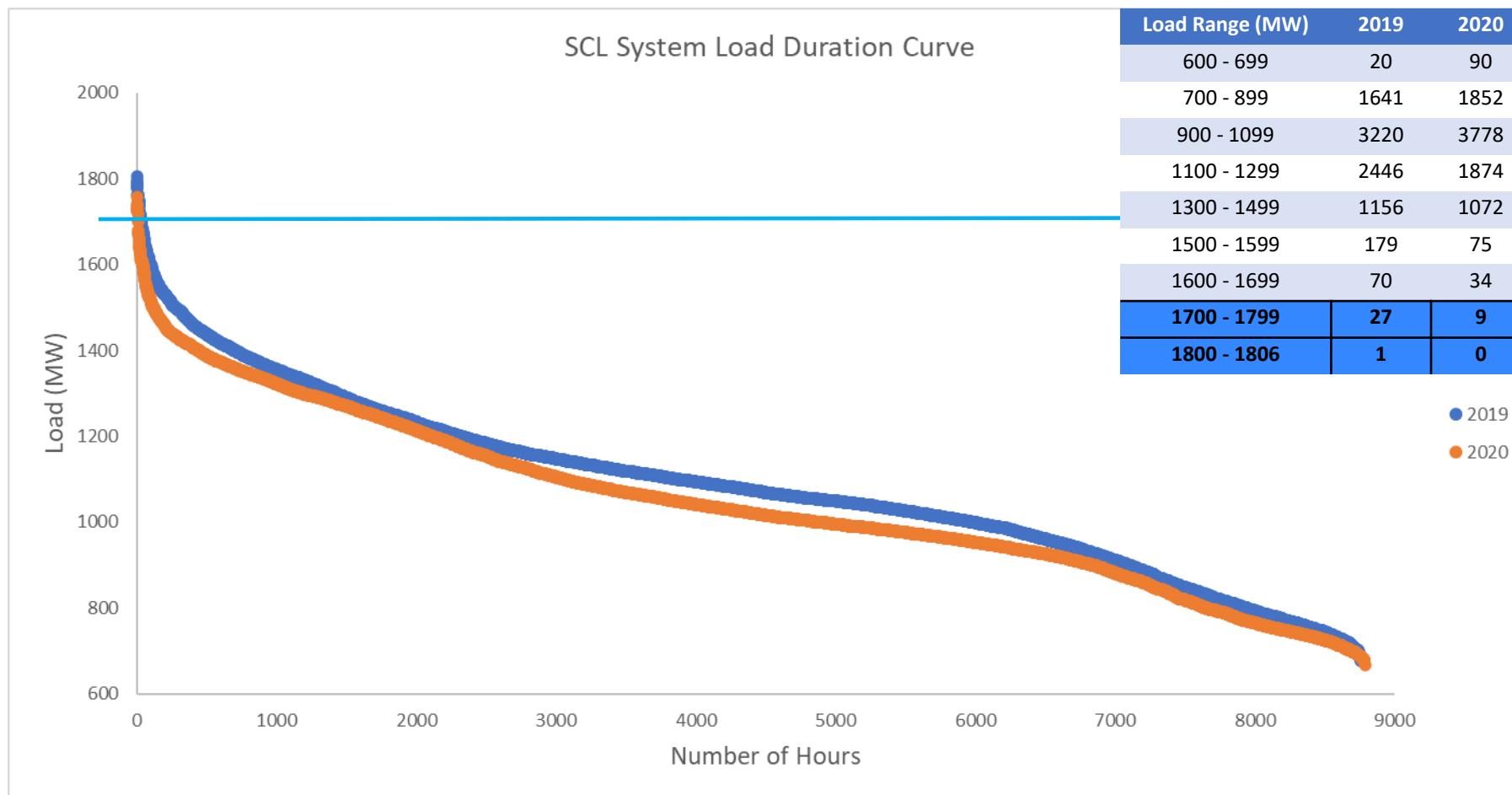


Distributed
Generation

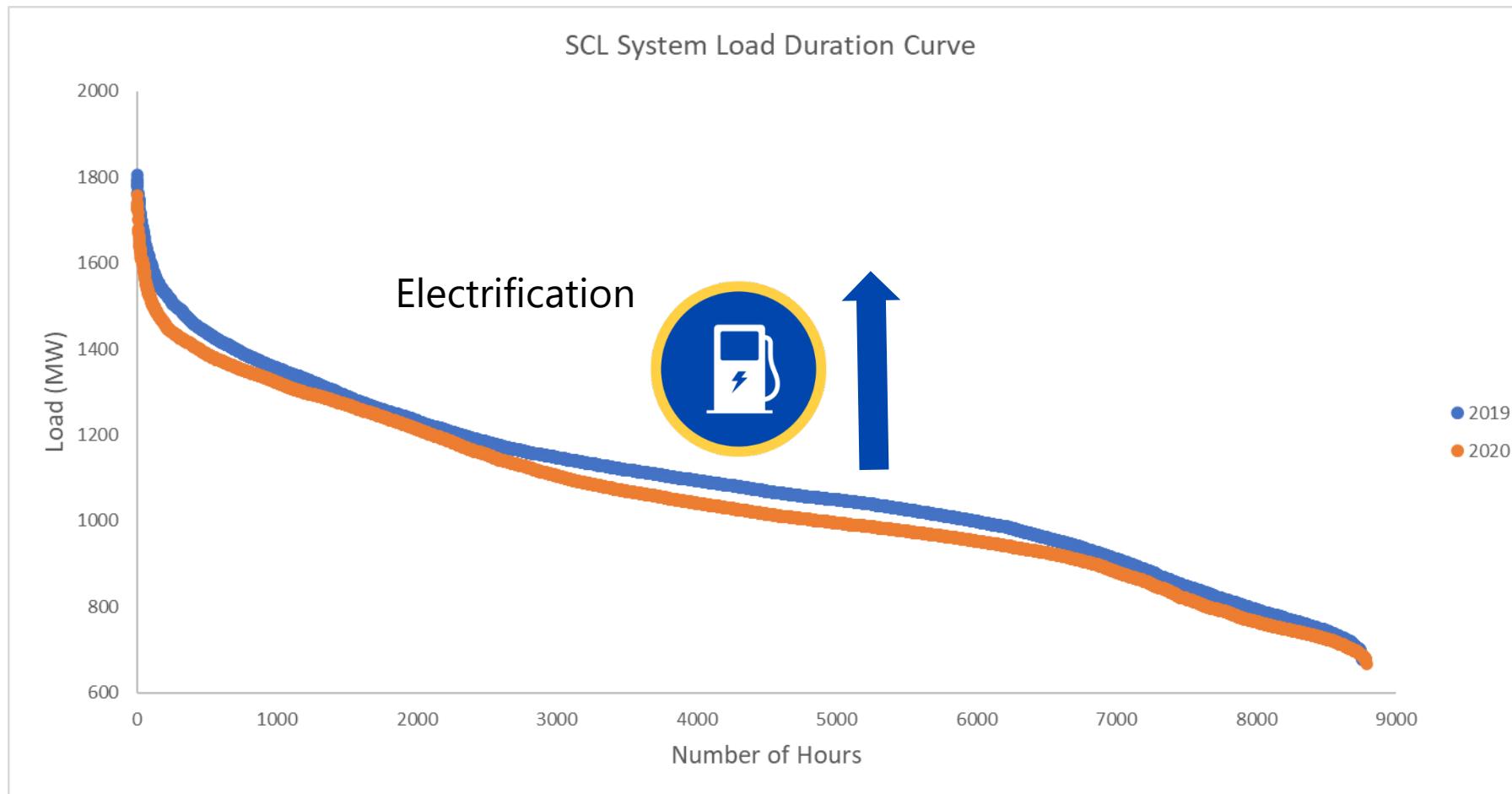
SCL System Load (2020)



SCL Load Duration Curve

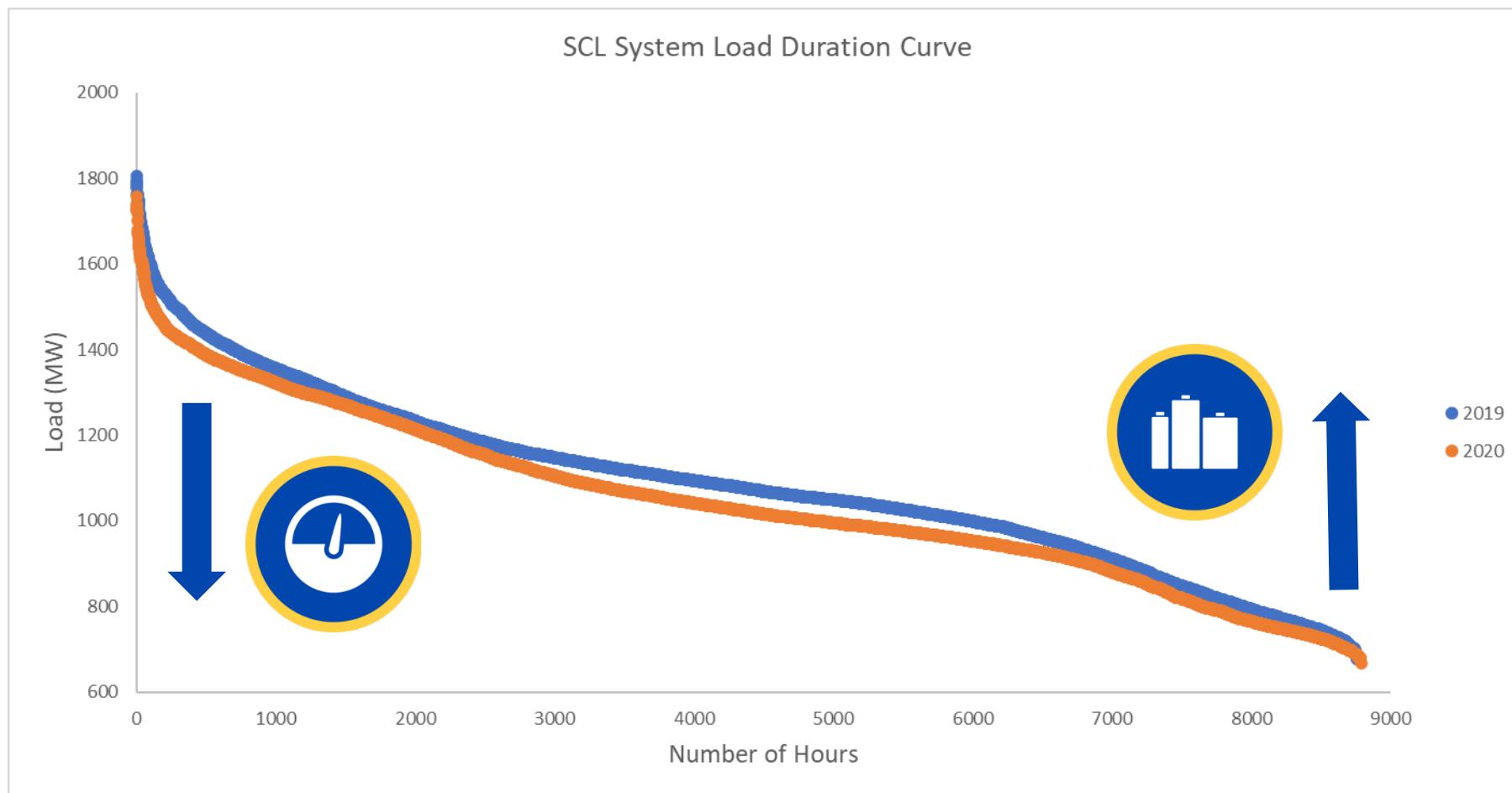


SCL Load Duration Curve



Electrification will add significant load to the system
City Light must enable this load at low cost while maintaining reliability

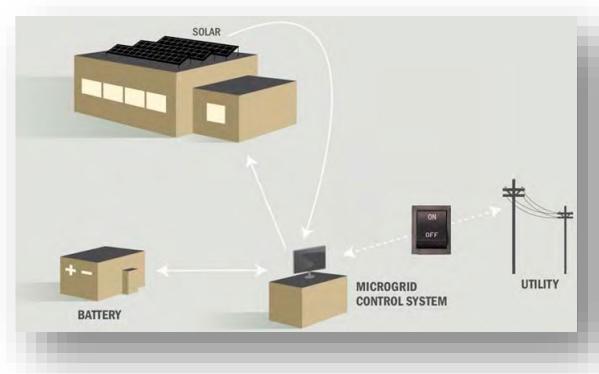
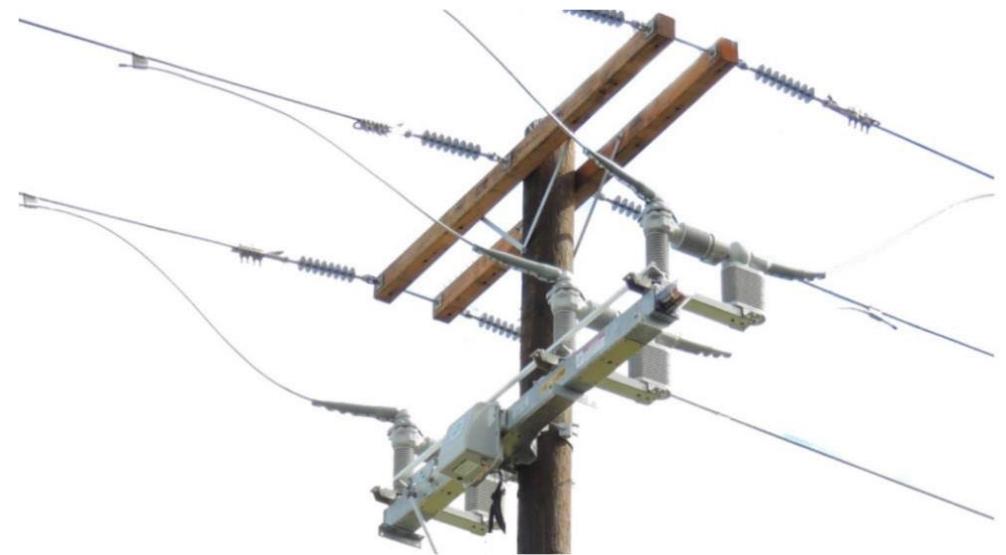
SCL Load Duration Curve: NWS Impacts



Grid Mod Projects in 2021-2022

Operations

8	DA: FLISR Expansion
9	DA: Remote Switching
10	DA: Advanced Integration
11	OT Field Area Comm Network
12	Demand Response Pilot
13	Managed EV Charging
14	Line Sensor Deployment



Supporting Technologies

15	L+G Mesh Comm Network Assessment
16	Cybersecurity for Grid Mod Projects

Physical Infrastructure

17	Miller Community Center Microgrid
18	Targeted Arrestor OH Transformers



Are there other technology
areas you would like to see
SCL include?

Grid Modernization: A Continuous Process

Don von Dollen, EPRI Lead

- + Update underway
- + Increased focus on
 - Equity
 - Resiliency
 - Electrification Enablement





Are there additional items
we should discuss with
EPRI?

THANK YOU



Seattle City Light

Mission, Vision & Values

Mission

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

Vision

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

Values



Customers First



Environmental Stewardship



Equitable Community Connections



Operational and Financial Excellence



Safe and Engaged Employees



Seattle City Light

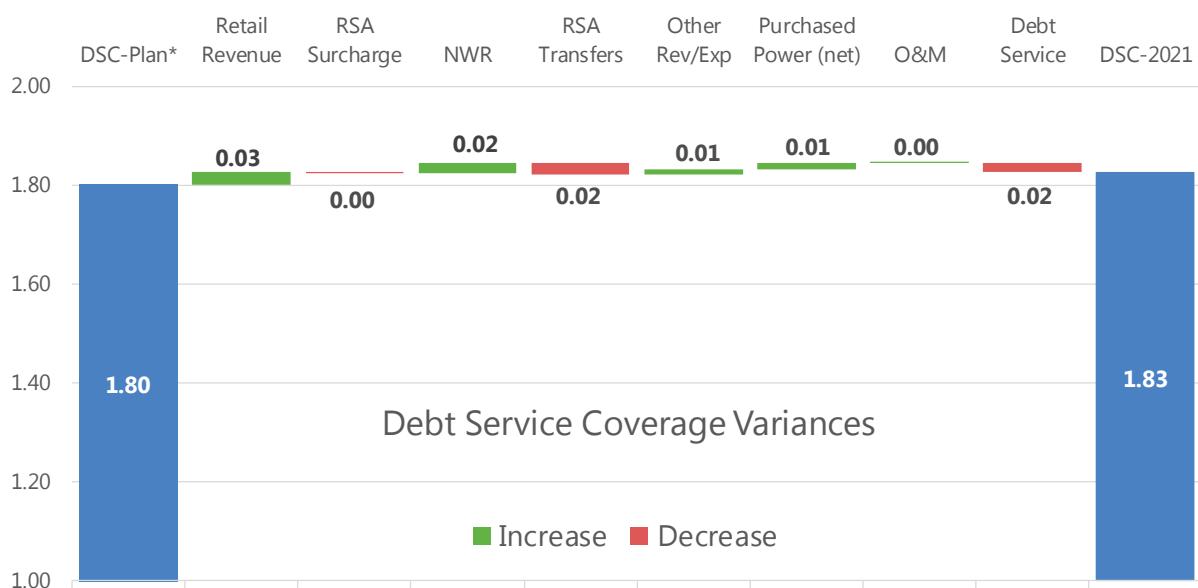
WE POWER SEATTLE



Seattle City Light

2021 FINANCIAL HIGHLIGHTS MARCH 2021

Forecasted debt service coverage of 1.83x is 3 basis points above planned coverage of 1.80*.



*Based on the financial outlook as of January 2021, including the approved 3% rate increase effective April 1, 2021.

2021 Full Year Forecast vs. 2021 Plan:

Retail revenue is forecasted to come in higher than planned by \$5.9M due primarily to higher than planned YTD residential sales driven by colder than normal temperatures in February and March.

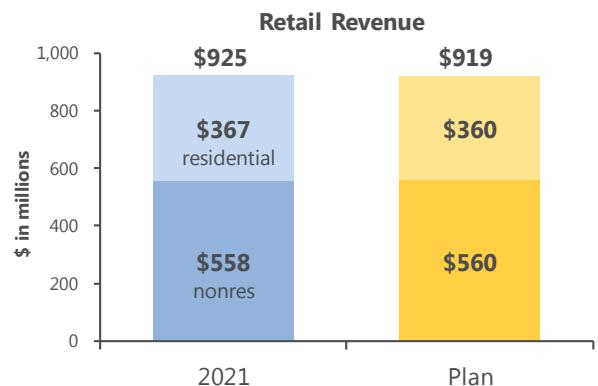
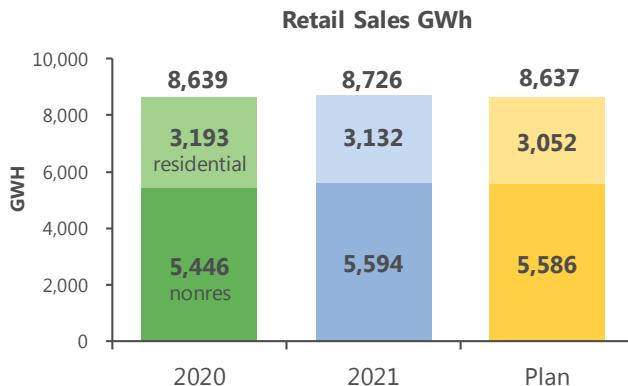
Net wholesale revenue (NWR) is expected to come in \$4.4M higher than planned driven by a combination of a wetter than normal first quarter and higher than planned prices.

The \$2.5M favorable **other revenue/expense** variance was driven primarily by lower than forecasted uncollectible accounts. **O&M** costs are expected to come in at Plan.

Debt service is forecasted to be under Plan due to the favorable YTD impact of the lower than anticipated interest rate environment on outstanding variable rate debt.

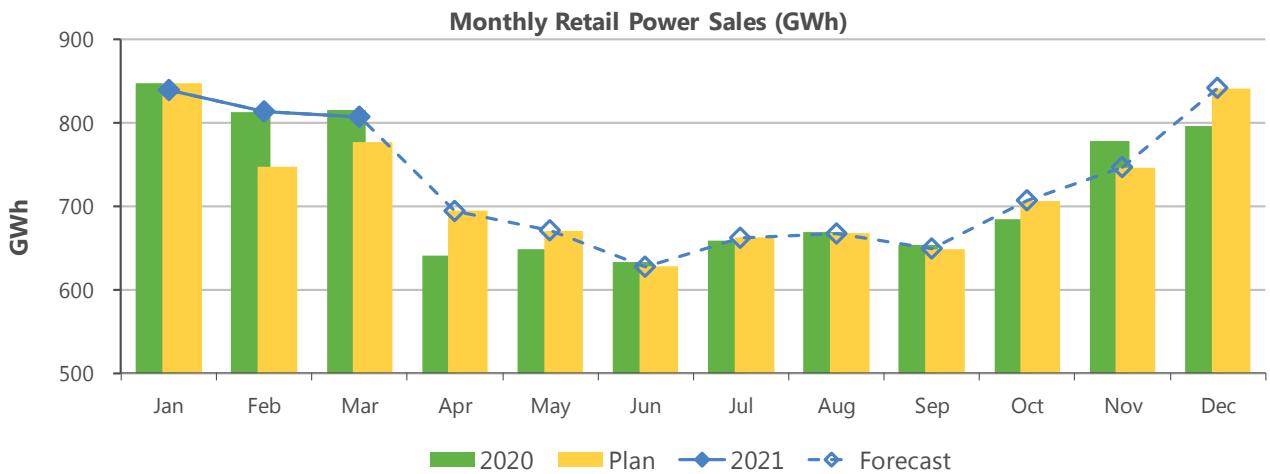
A 1.5% **RSA surcharge** has been in effect since August 2016 with an additional 1.5% surcharge (3% total) effective November 2019. Both surcharges were lifted on March 31st.

RETAIL POWER SALES AND REVENUE



Retail Sales GWh			
	Nonresidential	Residential	Total
2021 Fcst vs. Plan	0.2%	2.6%	1.0%

Retail Revenue			
	Nonresidential	Residential	Total
2021 Fcst vs. Plan	(0.3%)	2.1%	0.6%



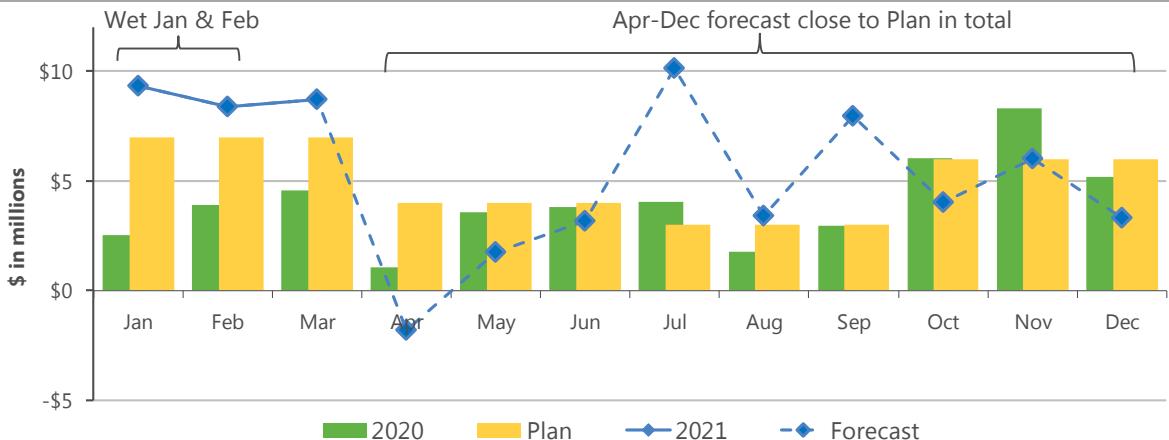
The 2021 Plan is based on City Light's adopted 2020 load forecast, which accounts for a lower 2021 retail sales outlook due to COVID-19 related impacts. Expected 2021 retail sales in the 2020 load forecast were around 3% lower than anticipated before the pandemic.

Nonresidential sales and nonresidential retail revenue are tracking to Plan.

YTD **residential** consumption (+8.6%) and YTD residential retail revenue (+7.1%) came in higher than planned due to significantly colder than normal temperatures in both February and March. The favorable YTD variance is driving the projected full year residential sales (+2.6%) and residential retail revenue (+2.1%) outlook.

NET WHOLESALE REVENUE

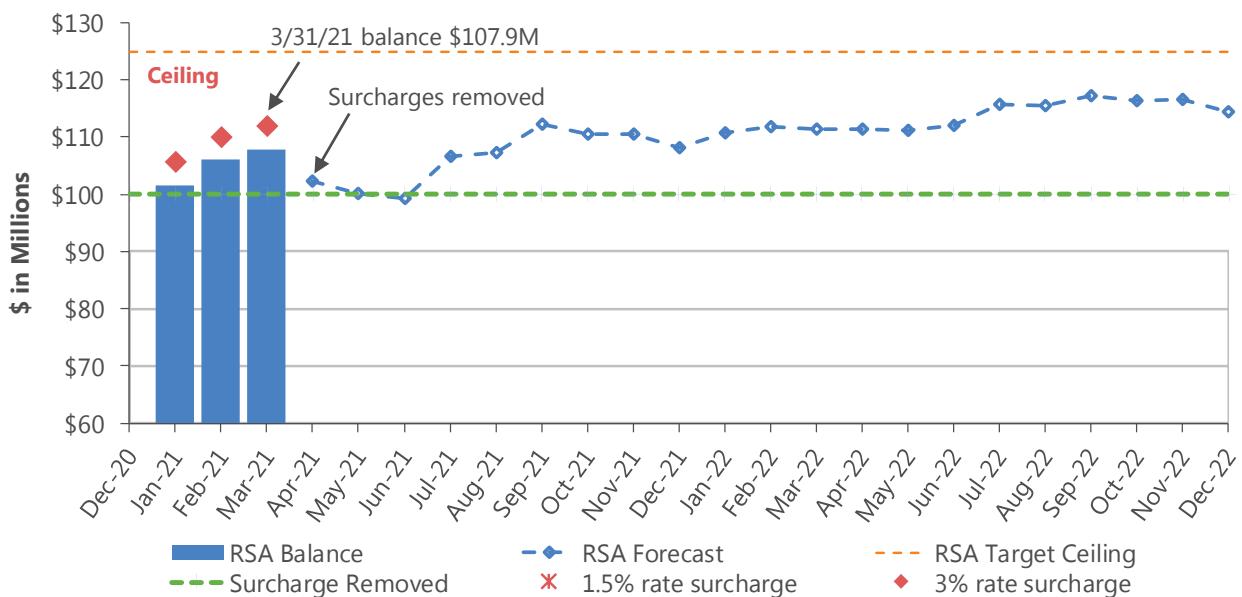
\$ in Millions	2020	2021	Plan	Variance-Y/Y	Variance-Plan
Full Year	\$47.7	\$64.4	\$60.0	\$16.7	\$4.4
YTD	\$11.0	\$26.4	\$21.0	\$15.5	\$5.4



As of March 31, 2021	5 Year Avg	2021 Avg	% of 5 Yr Avg
SCL Hydro Generation (GWh)	6,051	6,517	108%
Market Prices (On-Peak Hours)	\$29.20	\$43.38	149%

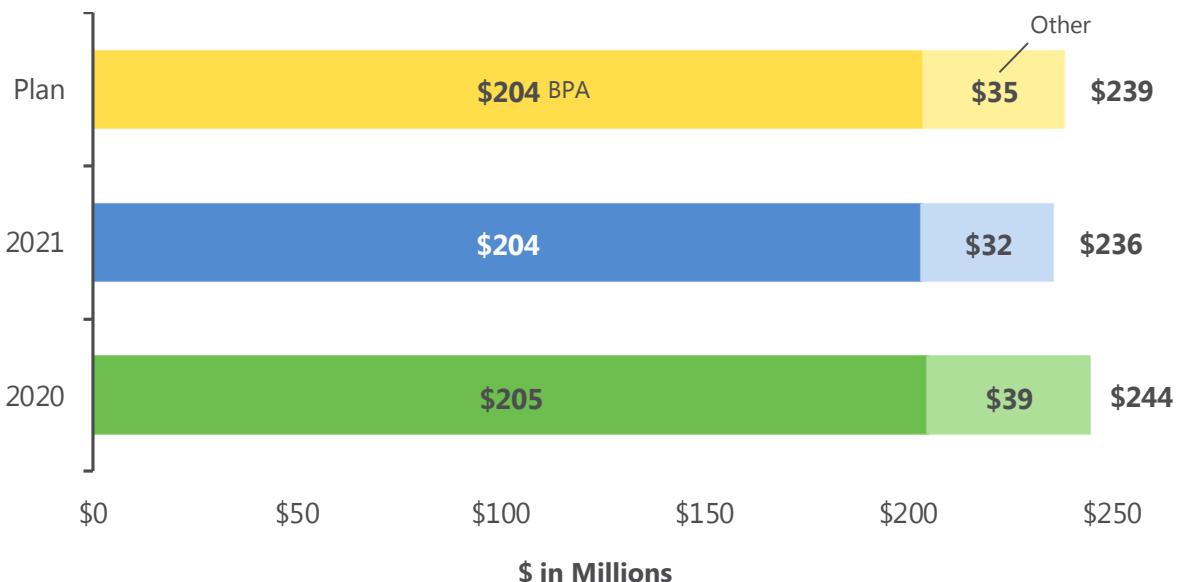
- For April through July Skagit run-off is forecasted to be 107% of normal, while run-off at Boundary is expected to be 85% of normal. Normal = 30-year average.

RATE STABILIZATION ACCOUNT



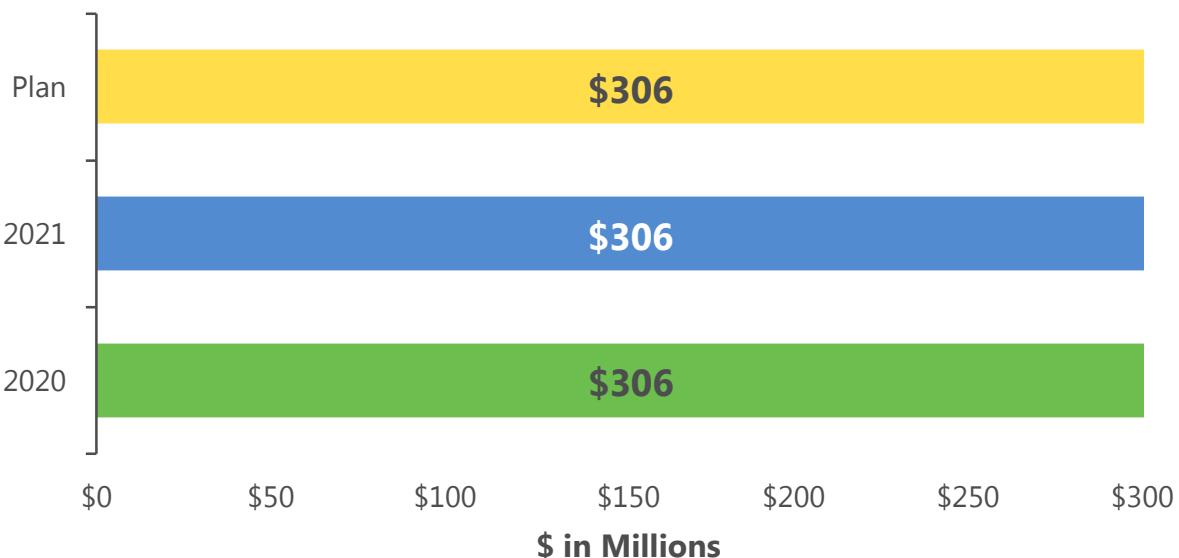
A 1.5% RSA surcharge was in effect since August 2016 and an additional 1.5% surcharge (3% total) went into effect November 2019. Both surcharges were removed on March 31st.

PURCHASED POWER COSTS (NET)



- Non-BPA net costs are forecasted to come in \$2.6M lower than Plan due to lower YTD costs related to the Lucky Peak production costs and lower purchase volumes from Columbia Ridge.
- BPA costs for October through December will be lowered next month to reflect BPA's preliminary rate proposal.

OTHER O&M COSTS



- YTD O&M costs are tracking to Plan.
- 2021 costs are forecasted to come in at Plan, which is consistent with 2020 results.

OTHER REVENUE & EXPENSE (NET)

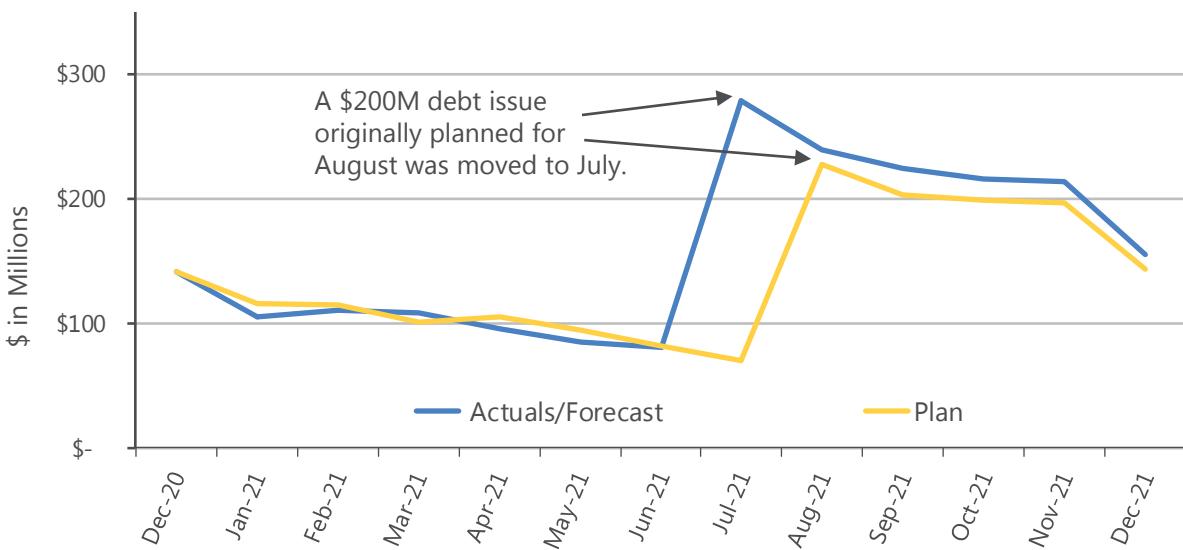
\$ in Millions	2020	2021	Plan	Variance-Plan
Other Revenue	\$37.9	\$31.2	\$31.3	(-\$0.1)
Other Expense	\$64.3	\$58.4	\$61.0	(-\$2.6)
Uncollected Revenue	\$20.6	\$11.5	\$13.4	(\$1.9)
State & Franchise Taxes	\$43.7	\$46.8	\$47.6	(\$0.8)
Other Revenue (Expense) - net	(\$26.4)	(\$27.2)	(\$29.7)	\$2.5

- Net other revenue is \$2.5M favorable to Plan due primarily to lower than planned YTD uncollectible revenue, which is mostly reflective of customers making payments on previously overdue balances recorded as uncollectible in 2020. Overdue accounts receivable balances increased in Q1, which is mostly due to seasonal effects. In general, overdue accounts receivables has been relatively stable since the large spike at the beginning of the pandemic and City Light will continue to monitor this area very closely.

Total Overdue Accounts Receivable Balances



OPERATING & CONSTRUCTION CASH BALANCES



SUMMARY FINANCIAL RESULTS – FULL YEAR 2021

\$ in Millions	2021	Plan	Variance	Page ⁽¹⁾
Debt Service Coverage				
Retail Revenue	\$925.2	\$919.3	\$5.9	2
RSA Surcharge Revenue	\$7.0	\$7.4	(\$0.4)	--
Net Wholesale Revenue	\$64.4	\$60.0	\$4.4	3
RSA Transfers (net)	(\$13.3)	(\$8.2)	(\$5.1)	--
Other Revenue (expense)	(\$27.2)	(\$29.7)	\$2.5	5
Total Revenue	\$956.1	\$948.8	\$7.2	--
Purchased Power (net) ⁽²⁾	\$235.9	\$238.5	(\$2.6)	4
Other O&M ⁽³⁾	\$306.3	\$306.3	(\$0.0)	4
Total Expense	\$542.2	\$544.9	(\$2.7)	--
Amount Available for Debt Service	\$413.9	\$404.0	\$9.9	--
Debt Service	\$226.8	\$224.4	\$2.4	--
Debt Service Coverage	1.83	1.80	0.02	--
Net Income	\$119.5	\$110.8	\$8.6	--
Debt to Capitalization Ratio	57.7%	57.8%	-0.1%	--
Liquidity				
Operating & Construction Cash @ March 31, 2021	\$107.9	\$100.8	\$7.0	5
Rate Stabilization Account @ March 31, 2021	\$107.9	\$103.9	\$4.0	3

(1)See referenced page for additional detail

(2)Purchased power costs (net) include long-term purchased power and wheeling expenses net of power contract and power marketing revenue

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

BUDGET

Budget Summary		Full Year 2021			
\$ Millions		YTD-Mar	Projections	Budget	
O&M				- Over / +Under	
Purchased Power		\$62.5	\$300.0	\$321.9	\$21.9
Utility Operations & Administration		\$111.9	\$369.3	\$386.2	\$16.9
Taxes and Debt Service		\$99.9	\$333.4	\$344.9	\$11.4
O&M Total		\$274.4	\$1002.8	\$1053.0	\$50.3
% of Annual Budget		26.1%	95.2%	100.0%	4.8%
CIP Total		\$165.8	\$511.7	\$583.0	\$71.3
% of Annual Budget		28.4%	87.8%	100.0%	12.2%
Total Budget		\$440.2	\$1514.4	\$1636.0	\$121.6
% of Annual Budget		26.9%	92.6%	100.0%	7.4%

Purchased Power underspend of \$21.9M is primarily due to lower short-term wholesale purchases. The budget uses a conservative planning value for short power purchases.

Utility Operations and Administration underspend of \$16.9M is primarily attributable to COVID-19 related reductions and labor savings from vacant positions.

Taxes and Debt Service underspend of \$11.4M is due primarily to lower interest rates and front-loaded debt optimization savings from the 2020 debt issue.

CIP underspent by \$71.3M, an accomplishment rate of 88%, and is not expected to meet the 90% achievement target for 2021. The underspending is due to COVID-19 related delays and project deferrals.



Recent Changes

Executive Performance Dashboard



Seattle City Light

Value	Chart	Change
Enviro	I937	Title modified to reflect Jim's comment
	Public EV Charger Performance	Added context – kWh goal (comparison unavailable monthly) Added count of sessions; Removed # of Chargers
	CIP Permits & Skagit Licensing	Added stoplight measures as suggested by Tom & Chris
Customers	Escalations by ZIP	Removed per feedback
	EBills	Added goal line (+10% YoY)
	Moves	Showing moves completed manually vs automatically
	General Inquiries	New measures included for review
Ops & Fin	Non-Labor Spent	Reflects new financial dashboards
	Overtime	Reflects new financial dashboards
	DSC	Will be 1 mo. Delayed to speed production
Employees	Lost Time Case Rate	Included 2019 PSE&G 1 st Quartile benchmark as comparison
	Total Recordable Rate	Colors reflect OPPD CKI 2019 Quartiles
Community	Hiring Diversity	New chart suggested at April meeting
All	All	Some charts re-arranged to reflect priority/use space



Chart Improvement Statuses

Executive Performance Dashboard



Seattle City Light

Value	Chart	Status	Note
Customers	Timely Bill	Hold	Trina to follow up regarding CCB/WAMS challenges
	Time to Connect	In Process	Working to understand backlog with S2B Team
Ops & Fin	Bad Debt	Hold	Waiting on Financial Dashboard Approval
Employees	Absenteeism	In Process	Needs P&C to define 'incidental' Working with Patrick to set context
Enviro	Fleet Electrification	Hold	No data available per Rick Haggard
Community	Outreach	Hold	Wait until comms operational dash TESIP Outreach possible Interim



Customers First

April 2021 Performance

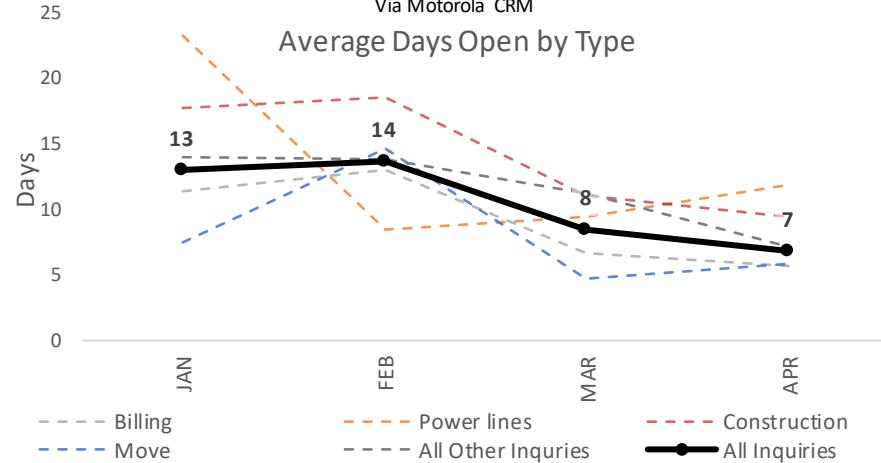


Seattle City Light

General Inquiries

Via Motorola CRM

Average Days Open by Type



General Inquiry Resolution Rate

Via Motorola CRM

total closed ÷ total created

	JAN	FEB	MAR	APR	TOTAL
Billing	70.0%	196.3%	88.9%	72.3%	89.9%
Power lines	81.8%	100.0%	121.2%	17.5%	77.6%
Construction	142.3%	184.6%	103.0%	108.0%	133.1%
Move	96.0%	63.3%	107.3%	104.1%	100.2%
All Others	103.8%	117.4%	84.6%	93.1%	96.2%
Grand Total	99.0%	118.9%	94.0%	86.7%	96.8%

Remaining Open: 7 26 75 76 275

JD Power

Business, 2020
Western Mid-Size Segment



1st

JD Power

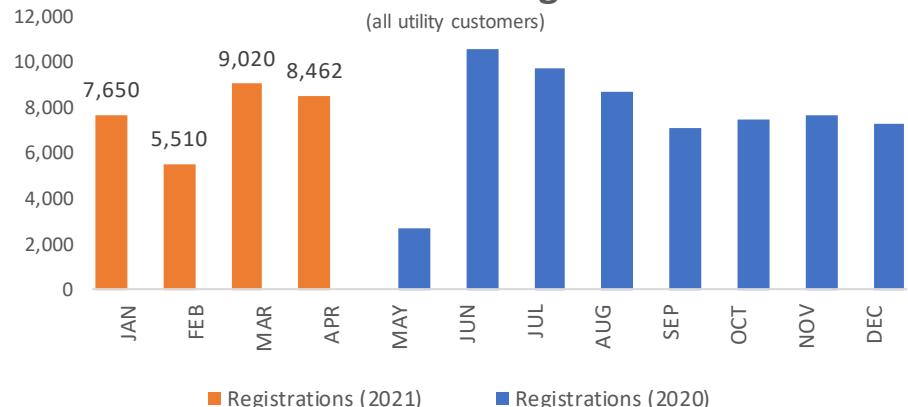
Residential, Q1 2021
Western Mid-Size Segment



9th

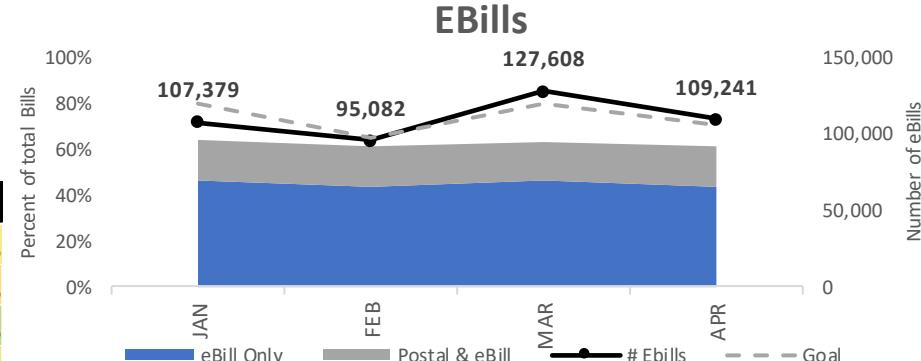
New Self-Service Registrations

(all utility customers)



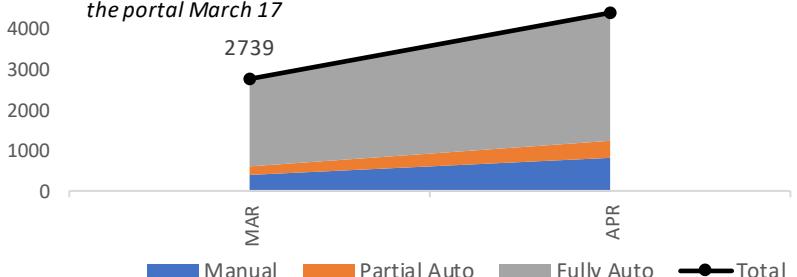
EBills

127,608



Portal Moves

*Moves went live in
the portal March 17





Operational & Financial Excellence

April 2021 Performance



Seattle City Light

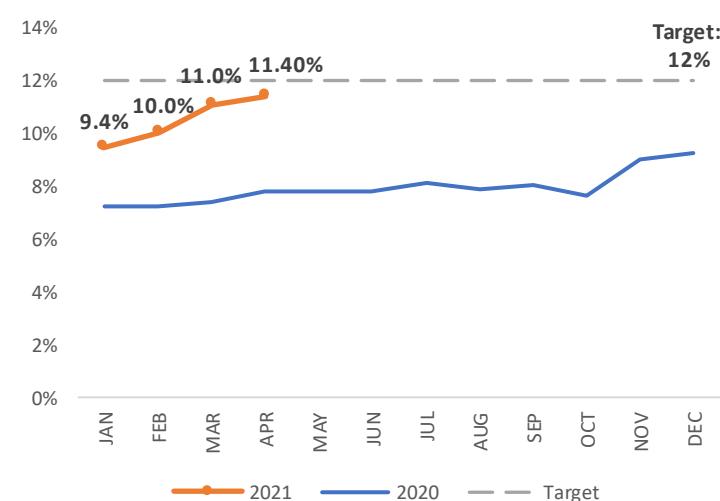
Overtime Budget vs Actuals



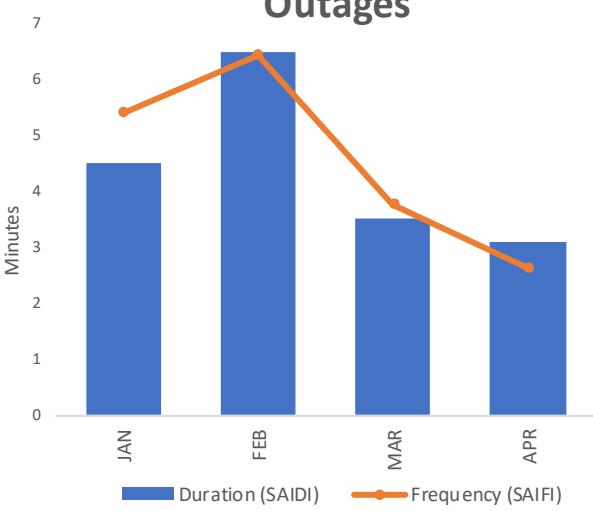
Non-Labor Budget Spent (controllable)



Vacancy Rate



Outages



Debt Service Coverage

As of March 2021



1.83

2021 Accelerated Pole Replacement Program (as of 5/1/2021)





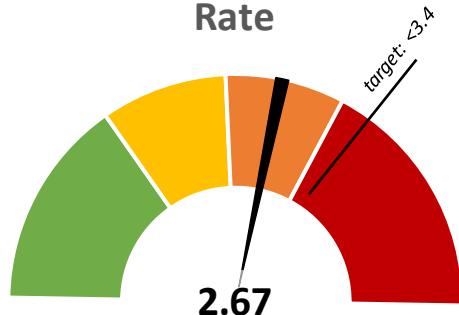
Safe & Engaged Employees

April 2021 Performance

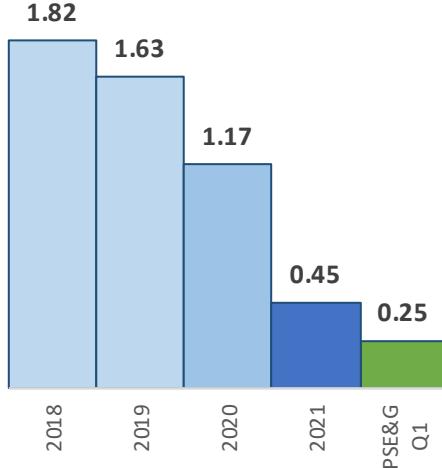


Seattle City Light

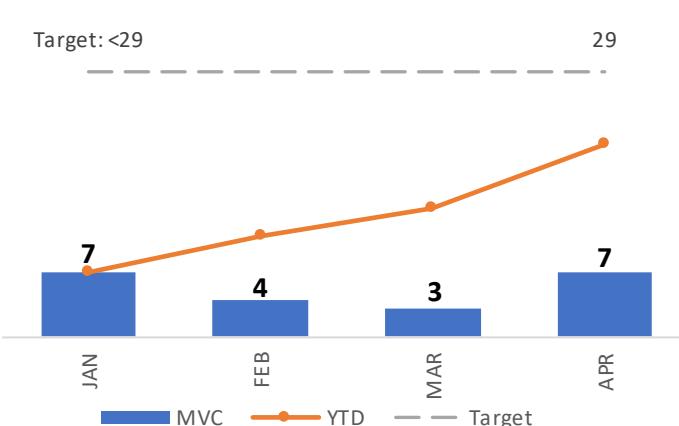
Total Recordable Incident Rate



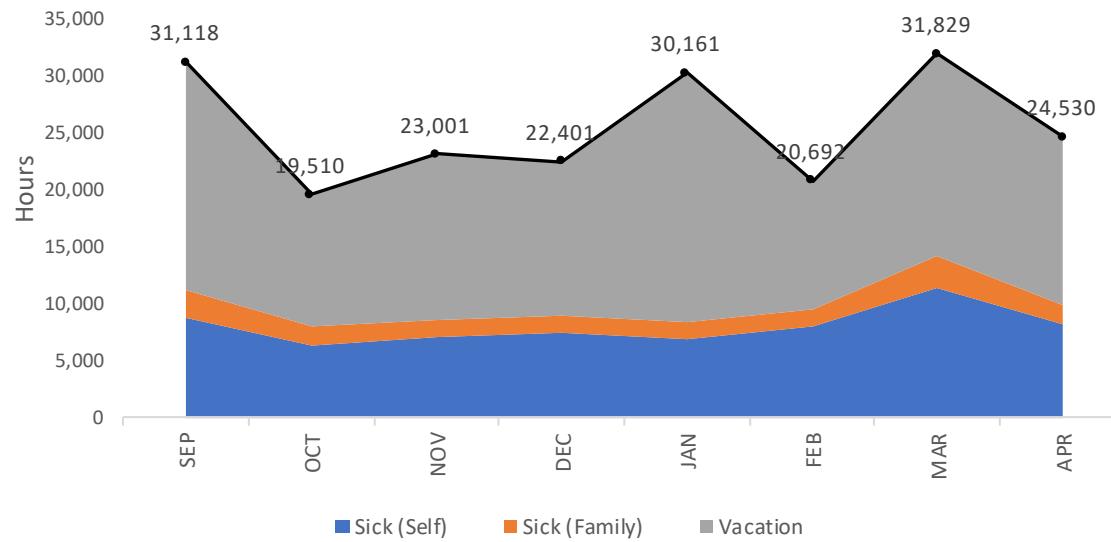
Lost Time Case Rate



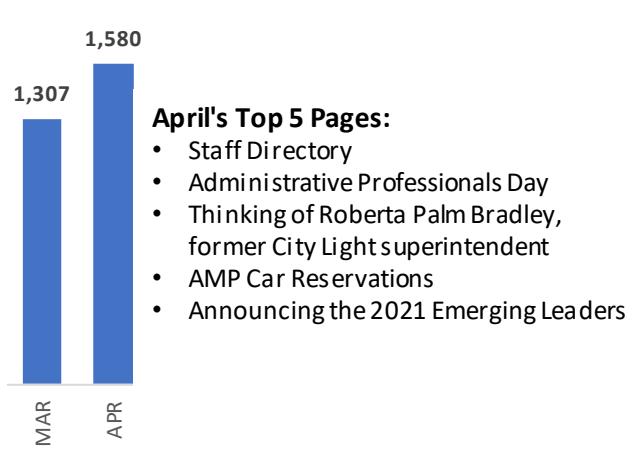
Preventable Motor Vehicle Collisions



Absenteeism



SCL Hub Users



April's Top 5 Pages:

- Staff Directory
- Administrative Professionals Day
- Thinking of Roberta Palm Bradley, former City Light superintendent
- AMP Car Reservations
- Announcing the 2021 Emerging Leaders

*March was the debut of the Hub



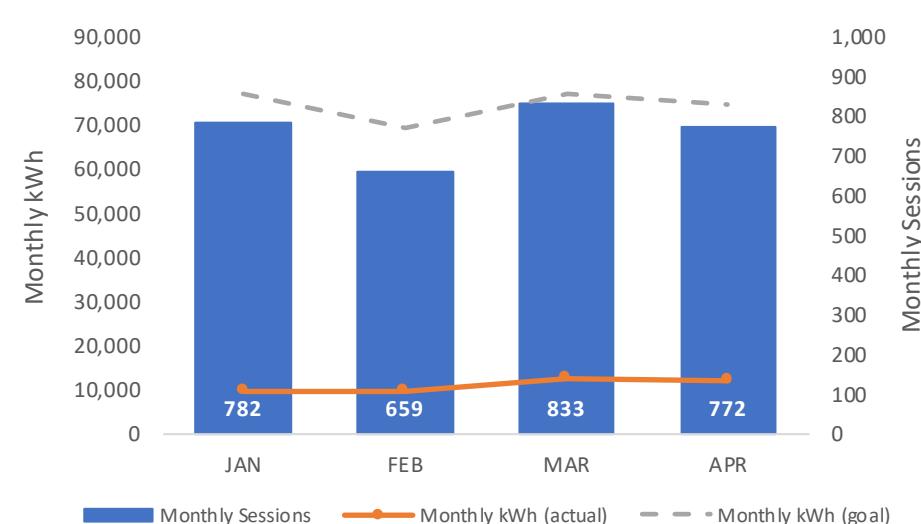
Environmental Stewardship

April 2021 Performance



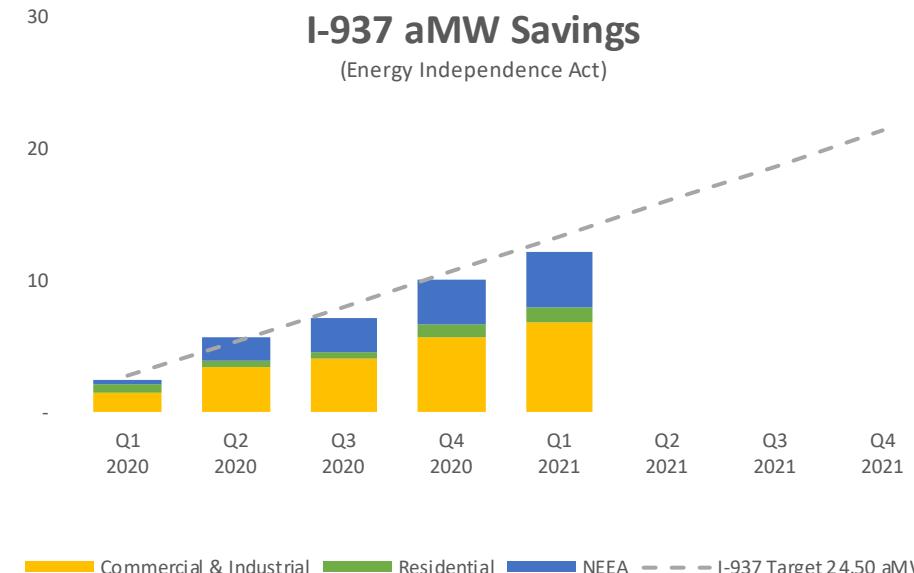
Seattle City Light

Public EV Charger Monthly Performance



I-937 aMW Savings

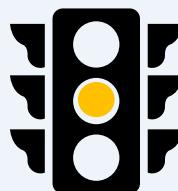
(Energy Independence Act)



Skagit License Requirements

Watch List:

- Woody Debris Mgmt in Ross
- T-line Right of Way & Veg Mgmt
- Newhalem Pond Mgmt Plan Revision



CIP Permitting

All projects on track.





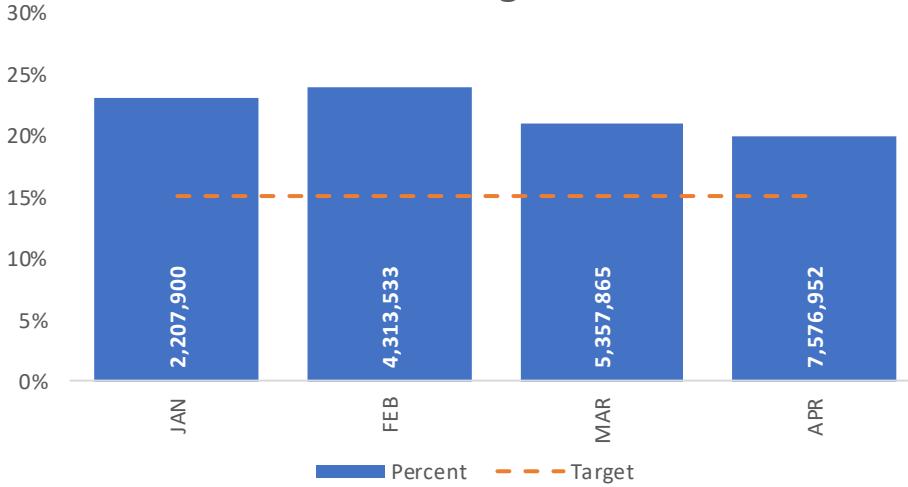
Community Connections

April 2021 Performance

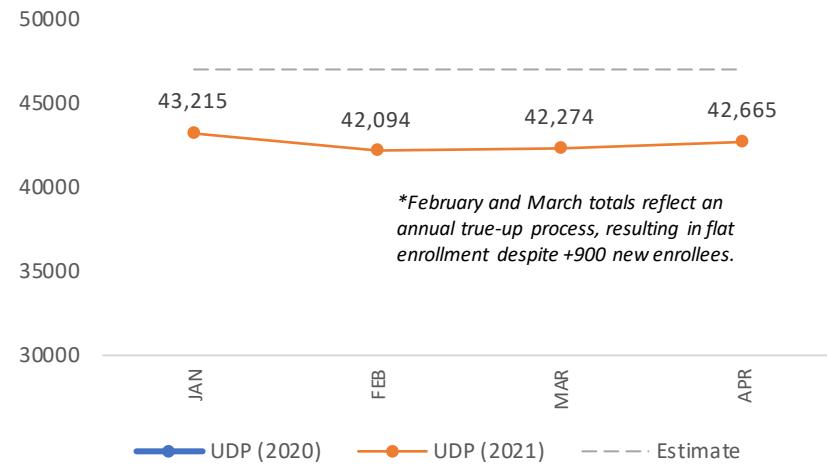


Seattle City Light

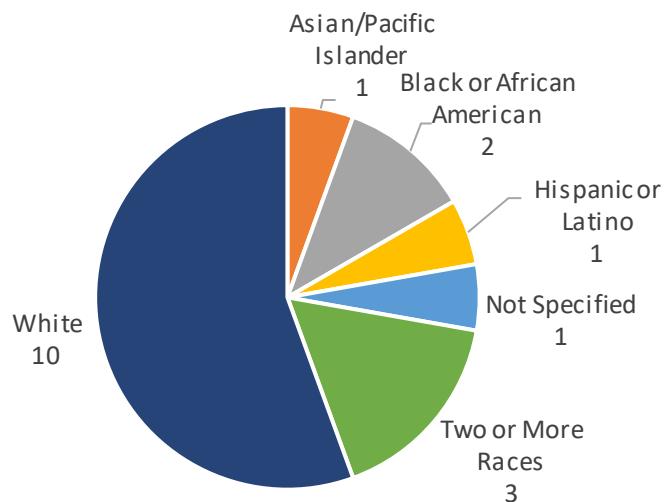
WMBE Combined Progress Toward Goal



UDP Participation



April New Hires by Race



On Hold: Outreach

