



## CITY LIGHT REVIEW PANEL MEETING

Wednesday, September 22, 2021

1:00 PM – 3:00 PM

Microsoft Teams Meeting

### Proposed Agenda

<u>Item</u>	<u>Lead</u>
1. Welcome, Introductions (5 min.) a. New members!	Mikel Hansen, Panel Co-Chair
2. Public Comment (5 min.)	
3. Standing Items: (5 min.) a. Review of agenda (Karen Reed) b. <b>Action:</b> Review and approval of meeting minutes of June 17, 2021 c. Co-Chair's Report (Mikel) d. Communications to Panel (Leigh Barreca) e. Panel recruitment update (Leigh)	
4. General Manager's update (45min.) a. Skagit Relicensing b. Covid update i. Current situation ii. Vaccine mandate iii. Return to office c. Clean Energy grants - \$1.3M total	Debra Smith       Emeka Anyanwu/David Logsdon
5. Mid-year 2021 Financials (40 min.) a. System Load	Kirsty Grainger Carsten Croff
6. Debt Strategy- Introduction (20 min.)	Carsten/Kirsty
7. Adjourn	

**Next meeting:** October 21, 2021



# City Light Review Panel Meeting Meeting Minutes

Date of Meeting: June 17, 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	√		
Staff and Others:					
Debra Smith	√	Jen Chan	√	Karen Reed (Consultant /RP Facilitator)	√
Kirsty Grainger	√	Mike Haynes	√	Craig Smith	√
Jim Baggs		DaVonna Johnson		Michelle Vargo	√
Kalyana Kakani		Emeka Anyanwu	√	Maura Brueger	√
Julie Moore	√	Chris Ruffini	√	David Logsdon	√
Greg Shiring		Carsten Croff		Leigh Barreca	√
Eric McConaghy	√	Toby Thaler	√	Angela Bertrand	√
Tim Skeel (Panel appointment pending)	√	Chris Tantoco	√	Uzma Siddiqi	√
				Don Von Dollen (guest)	√

**Welcome\Introductions.** The meeting was called to order at 9:04 a.m.

All attendees introduced themselves.

**Public Comment.** There was no public comment.

### Standing Items:

**Review Agenda.** Karen Reed reviewed the agenda.

**Approval of May 12, 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.** Maura Brueger reported that City Light staff are quickly assembling a pool of candidates to forward to the Mayor’s office and Council for all Review Panel vacancies. We currently have candidates for the following appointed positions: Economist, Energy Efficiency, Residential and Suburban Franchise Cities. Leigh is working with our Low-Income advocacy partners to identify a Low-Income position candidate.



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Will hold off until fall for Panel chair/co-chair elections to allow time for all new members to join.

### General Manager's update.

Debra Smith presented.

- Strategic Plan - Yesterday SCL had its first presentation of Strategic Plan to the City Council Transportation and Utilities Committee. Staff are scheduled to return to the Committee on July 7<sup>th</sup>. At this meeting we would like members of the Review Panel to present their views on the Strategic Plan. The first presentation went well. The Committee expressed a lot of appreciation for the change to the rate trajectory and the SCL business strategies resonated with Committee members. Kirsty shared that our credit ratings are being affirmed. S&P was impressed with how SCL addressed Covid and how the utility is working on addressing declining load.
- Budget – The budget process is wrapping up. This year SCL incorporated the Race and Social Justice (RSJ) into its budget strategy. Staff are also looking at vacant positions (“pockets”). An increased vacancy rate was used to address budget concerns during COVID. Now SCL is looking at reallocating these vacancies to fill emerging business needs. The feedback from the budget office was very favorable. We aligned our budget and change requests with the business strategies that are in the Strategic Plan.
- Skagit Relicense – SCL is awaiting the approval of its Skagit Study Plan by the Federal Energy Regulatory Commission (FERC). Debra feels they have made a lot of progress with license participants and are much more aligned. SCL put together a letter than most participants signed, which was very positive, however FERC interpreted this a second study plan proposal and re-opened a comment period.
- Upcoming presentation - Ben Kujala from the Northwest Power and Conservation Council will give a presentation to SCL staff and interested Review Panel members on the Council's 8<sup>th</sup> plan. This plan provides guidance on which resources can help ensure a reliable and economical regional power system over the next 20 years.
- Staffing changes – Our Environmental Officer, Tom DeBoer, has left SCL. His wife got a job opportunity in London and they have moved. Given the fact that we will have a new Mayor in 2022, and we are in the midst of a very public relicensing situation, we wanted to hold off on hiring a new Environmental Officer. We have used this opportunity to create some other executive position changes. Mike Haynes is now the SCL Assistant General Manager. His role encompasses oversight of our environmental efforts. We will evaluate his new role in Q1 2022 and make changes as needed. Michelle Vargo is our new Chief Operating Officer.

**Q:** How long do you expect these staffing changes to last? **A:** We are going to get through the Mayoral election and get to a good place with Skagit then we can reevaluate.

### 2022 – 2026 Strategic Plan.

New PIA – Kirsty provided an overview of the PIA that was added to the Strategic Plan.



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Council Committee update – Between now and July 7<sup>th</sup>, Maura will be gathering Council Committee questions in preparation for the second Transportation and Utilities Committee meeting. At the July 7 meeting, the Committee would like Review Panel members so to speak about the Strategic Plan and the comments raised in the Panel's letter.

### Grid Modernization presentation

Emeka Anyanwu, David Logsdon, and Uzma Siddiqi presented. Presentation materials are in Panel member packets.

**Q:** The team's passion is obvious. One suggestion is to incorporate this work into your organizational dashboards. How is this integrated with real time monitoring? **A:** This is not a well-trod path around what are good success metrics. We welcome input from community members – what should we be measuring and why.

**Q:** This seems underwhelming to have this big project and have the big outcome be upgrading some switches. I thought it would have more interesting stuff like microgrids. There was a lot of buildup, and I am not seeing the benefit to the community. **A:** The grid mod plan is a piece of the work we are doing. One proposal we submitted to the Clean Energy Fund is battery storage for solar charging at bus stops. We are trying to bring the concept of microgrid to our customers.

**Q:** This is a subset of the last question. What are some direct impacts on residents and businesses in the community that they will actually see? **A:** Improved reliability, improved resiliency plus an opportunity to see what new technology looks like. Outages would have shorter duration because our operations staff can find the fault faster. On the resiliency front, when a problem occurs, the ability to come back faster.

**Q:** Is there room in your presentation to encapsulate the financial impact on the community from the outages? I can see how this plan benefits City Light, but it is not clear how it will impact the community. Separately, what needs are the community self-identifying and how does your plan align with those needs? **A:** We are just at the start of the outreach for the Duwamish Test Bed project. This outreach will be important input to the project as we move forward.

**C:** If the purpose of the Duwamish project is to reduce outages, it would be good to see historical outages in this area compared to the rest of the City. Do not develop solutions without identifying the problem.

**Q:** There are two areas I am interested in learning more about. Microgrids as resiliency strategy – where would you put them city-wide? And batteries – seeing more explicitly how that can help with peaking hours. **A:** There is another project working with the Washington State ferries to put a battery at Coleman dock. We have the energy capacity to power one or two ferries. We would like to save the system the energy for the second ferry and use the battery.

**Q:** One last thing is for the targeted area—instead of residential customers charging vehicles at their homes, could you use Rec Centers or public spaces to charge EVs? **A:** One of the projects we are working



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on is putting chargers on power poles. This is a great opportunity to use our right of way to increase charging infrastructure.

### **SCL Reports**

#### Q1 Financials

Kirsty presented. Highlights are in the review panel packet. Thus far in 2021, the financials are at or better than planned.

Executive Dashboard - Angela Bertrand presented the new SCL Executive Dashboard.

- Earlier this year, we completely re-did the executive team performance metrics. They launched in February and we are taking a very iterative approach, so they change each month.
- The report is organized by our organizational values.
- These are put together with the executive team in mind as an audience. We will share with you quarterly and know that the intent is to support the execs and respond to their feedback.
- Eventually this will be connected to our We Power dashboard initiative – one of the strategic plan priorities – we are working towards creating specialized automated reports for each director.

**Adjourn:** Meeting adjourned at 10:57 AM

**Next meeting:** September 22, 2021.

**CITY LIGHT REVIEW PANEL ROSTER CONTACT LIST**

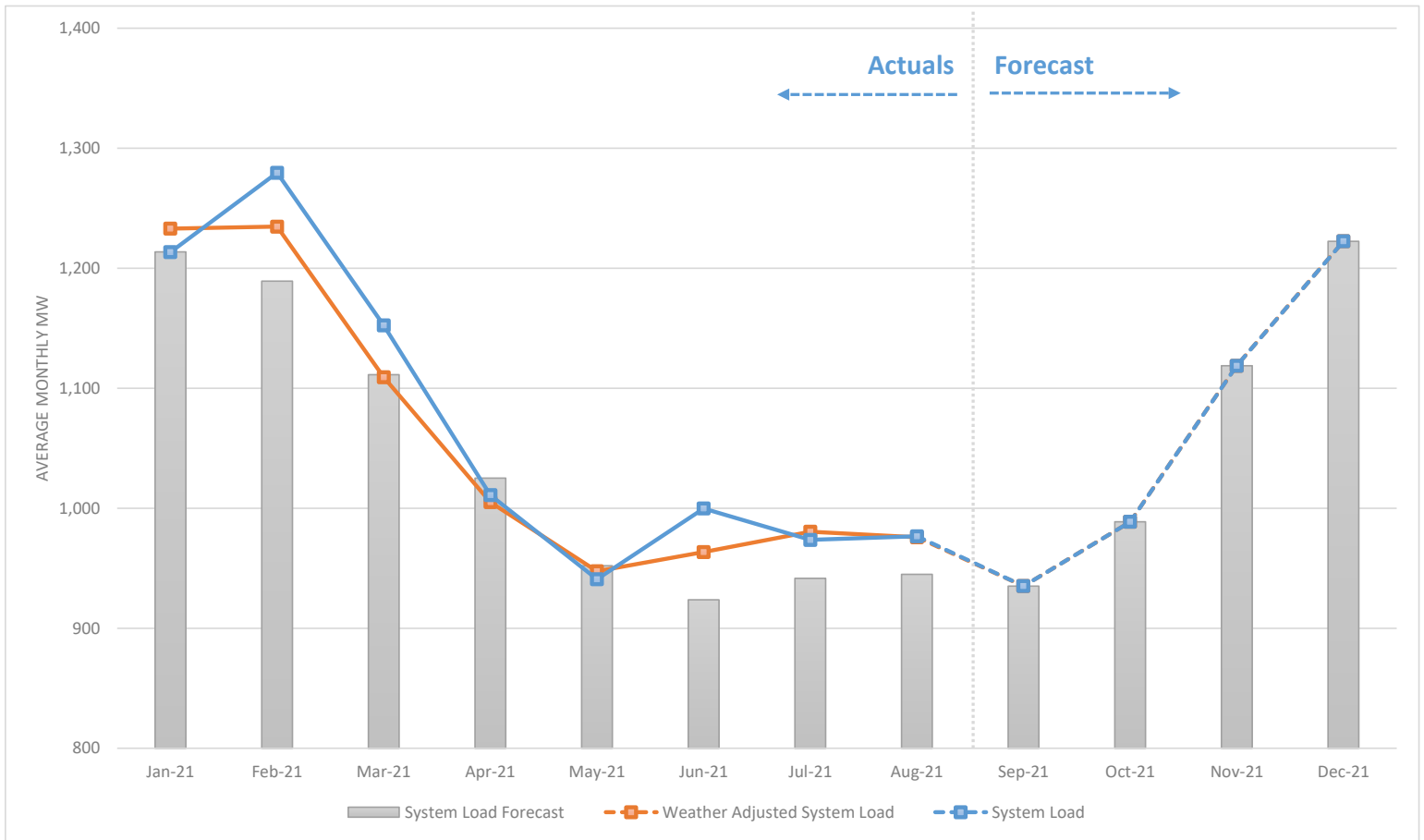
*Updated September 2021*

Name	Position	Appointing Authority	Contact Information
Tim Skeel	<b>#1 - Economist</b>	Mayor	Consultant Economics and Asset Management Consulting Services Phone: 206-578-7633 timmyskeel@gmail.com
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Kerry Meade	<b>#3 – Non-Profit Energy Efficiency Advocate</b>	Mayor	Executive Director Northwest Energy Efficiency Council Phone: 212-444-2756 <a href="mailto:kerry.meade@neec.net">kerry.meade@neec.net</a>
Leo Lam	<b>#4 – Residential Customer</b>	City Council	Chief Executive Officer WEVE Design Phone: 206-491-1685 <a href="mailto:leo@leolam.com">leo@leolam.com</a>
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Vacant	<b>#7 – Low Income Customer</b>	Mayor	
John Putz	<b>#8 – At-Large Customer</b>	City Council	Research Scientist The Energy Authority Phone: (206) 632-6522 Cell: (206) 910-5229 <a href="mailto:Johnputz3655@yahoo.com">Johnputz3655@yahoo.com</a>
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**KEY CONTACTS:**

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## Load Forecast to Actuals Report for August 2021



	Load (MWhs)	Weather Adjusted Load (MWhs)	Load Forecast (MWhs)	Actual Forecast Error	Weather Adjusted Forecast Error
August, 2021	726,629	726,011	703,031	3.4%	3.3%
August, 2020	700,191	699,553	733,665	-4.6%	-4.6%
% Change from Prior Year	3.8%	3.8%	-4.2%		
2021 Year-to-Date	6,217,568	6,148,962	6,042,909	2.9%	1.8%
2020 Year-to-Date	6,063,408	6,062,687	6,321,437	-4.1%	-4.1%
% Change from Prior Year	2.5%	1.4%	-4.4%		
2021 Full Year (Actuals + Forecast)	9,342,563	9,273,957	9,167,904	1.9%	1.2%
2020 Full Year	9,214,318	9,209,770	9,570,071	-3.7%	-3.8%
% Change from Prior Year	1.4%	0.7%	-4.2%		

	Temperature (F)
August Observed	67.5
August Normal	68.2
August Difference	-0.7
Climate Change Adjustment	1.4

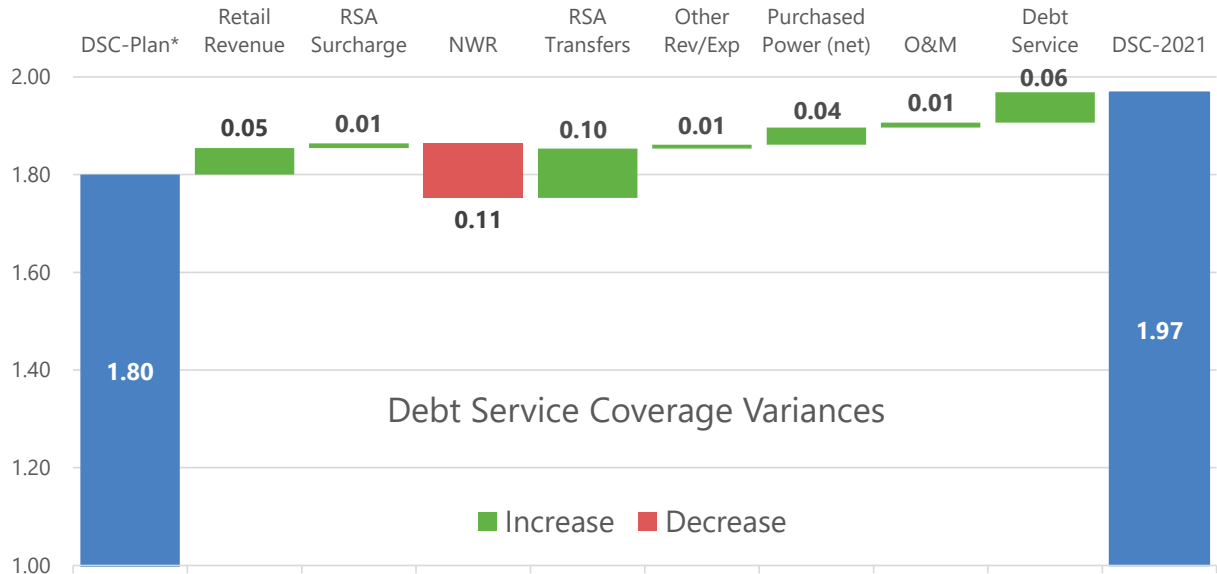




# Seattle City Light

## 2021 FINANCIAL HIGHLIGHTS JULY 2021

Forecast debt service coverage of 1.97 is 17 basis points above planned coverage of 1.80\*.



\*Based on the financial outlook as of January 2021, including the approved 3.0% rate increase effective April 1, 2021.

### 2021 Full Year Forecast vs. 2021 Plan:

**Retail revenue** is forecast to end the year \$12.1M higher than planned due primarily to higher than planned YTD residential sales driven by colder than normal temperatures in February and March and record high temperatures in June.

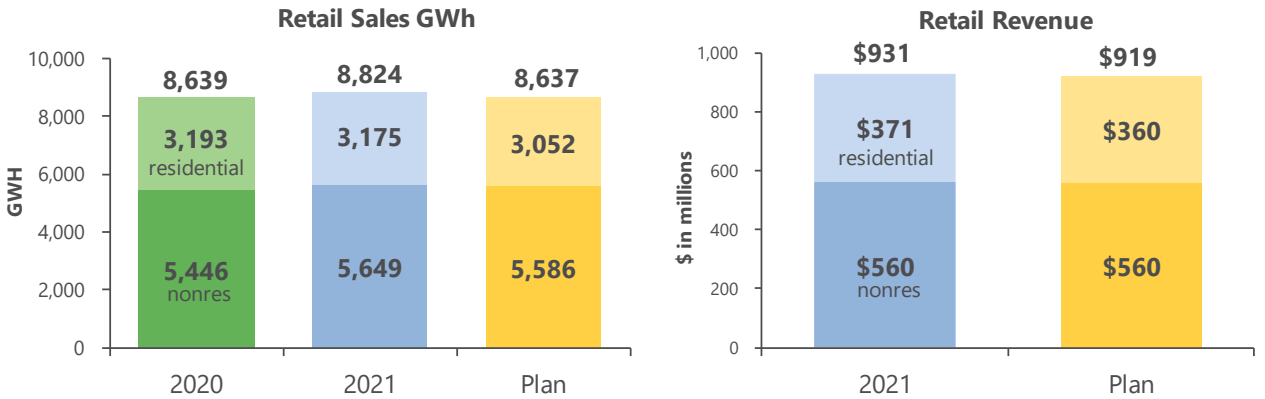
**Net wholesale revenue (NWR)** is expected to come in \$25.0M under Plan due to dry hydro conditions in Q3, requiring City Light to purchase energy at high prices. Regional prices in Q3 are elevated by extreme heat and drought conditions.

The \$1.8M favorable **other revenue/expense** variance was driven primarily by higher than planned rental and other O&M revenue. **O&M** costs are expected to come in slightly lower than Plan.

**Debt service** is forecast to be under Plan due primarily to the favorable YTD impact of a lower than anticipated interest rate environment on outstanding variable rate debt, which is expected to continue for the remainder of the year.

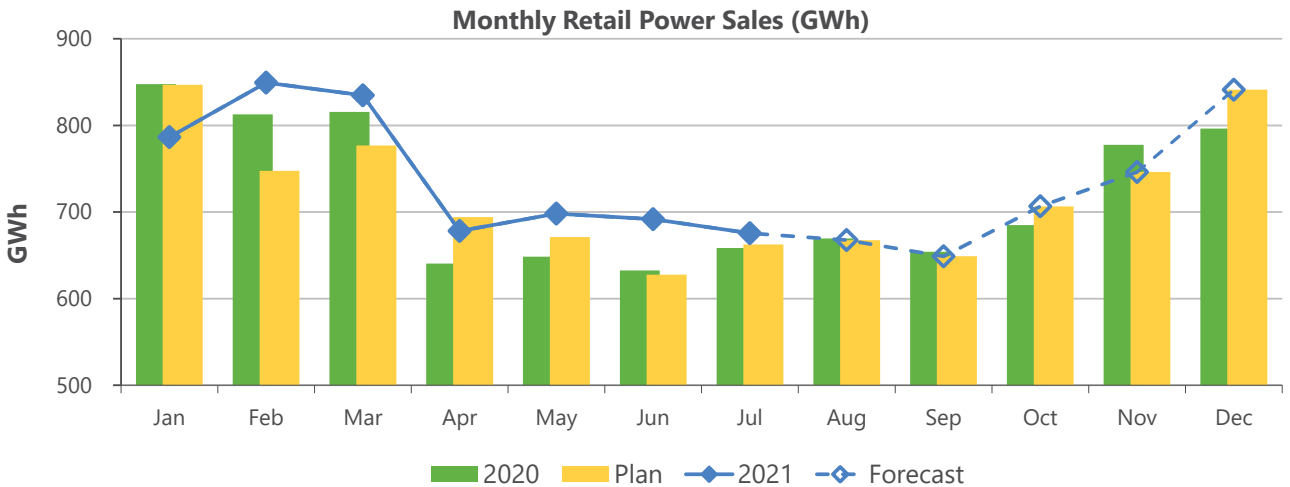
The 3.0% **RSA surcharge** that was in effect at the beginning of the year was removed on March 1, 2021. Due to the unexpected drop in NWR, a 1.5% surcharge is now expected to be triggered.

## RETAIL POWER SALES AND REVENUE



Retail Sales GWh			
	Nonresidential	Residential	Total
2021 Fcst vs. Plan	1.1%	4.0%	2.2%

Retail Revenue			
	Nonresidential	Residential	Total
2021 Fcst vs. Plan	0.1%	3.3%	1.3%



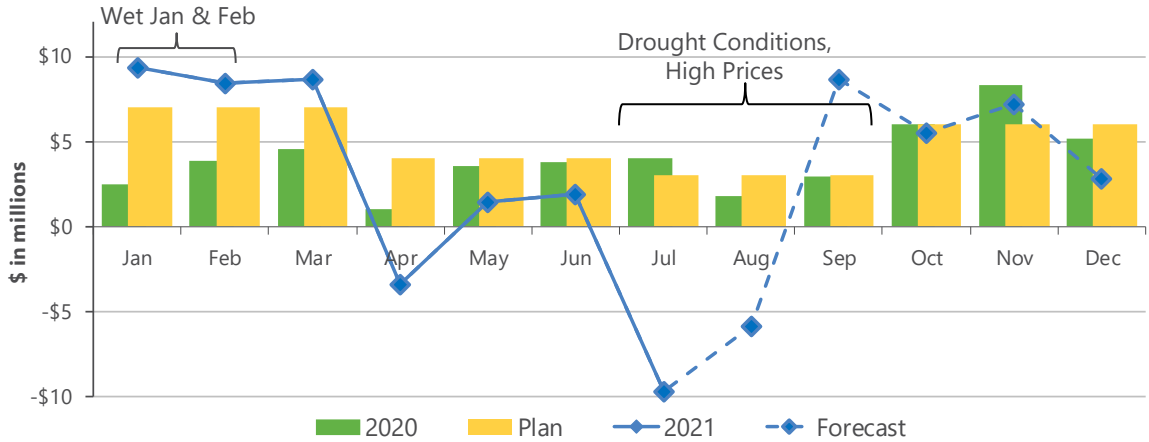
The **2021 Plan** is based on City Light’s adopted 2020 load forecast, which accounts for a lower 2021 retail sales outlook due to COVID-19 related impacts. Expected 2021 retail sales in the 2020 load forecast were around 3% lower than anticipated before the pandemic.

YTD **nonresidential** sales and nonresidential retail revenue are tracking close to Plan.

YTD **residential** consumption (+6.9%) and YTD residential retail revenue (+5.6%) came in higher than planned mostly due to significantly colder than normal temperatures in both February and March and record high temperatures in late June. The favorable YTD variance is driving the projected full year residential sales (+4.0%) and residential retail revenue (+3.3%) outlook.

## NET WHOLESALE REVENUE

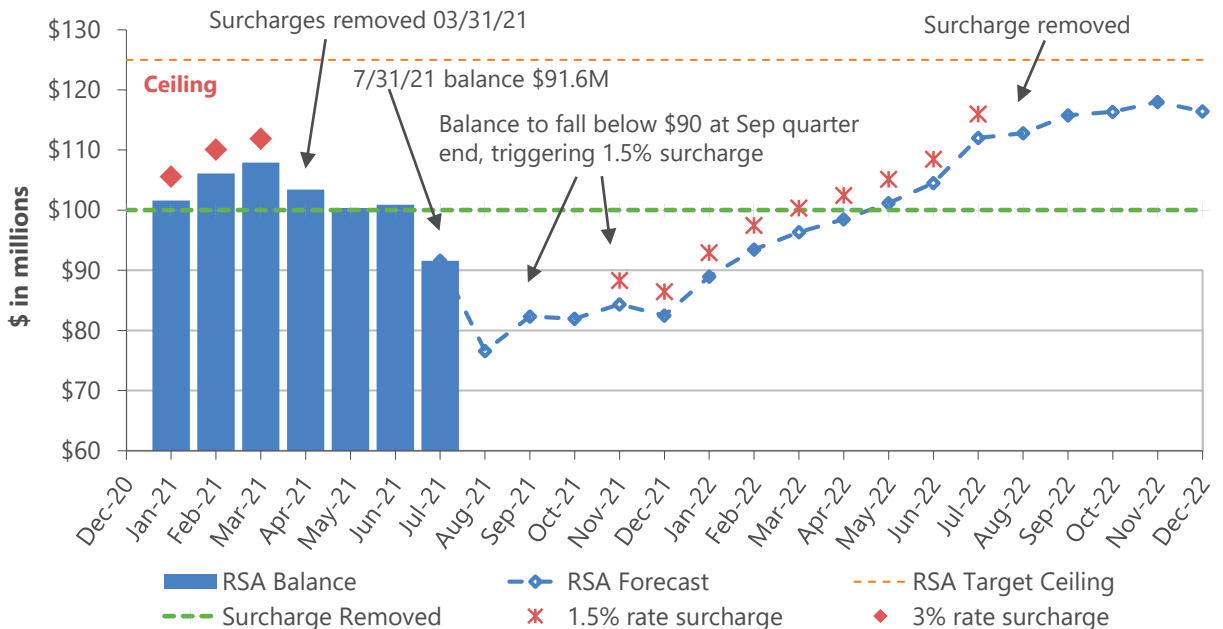
\$ in millions	2020	2021	Plan	Variance-Y/Y	Variance-Plan
Full Year	\$47.7	\$35.0	\$60.0	(\$12.7)	<b>(\$25.0)</b>
YTD	\$23.4	\$16.7	\$36.0	(\$6.8)	<b>(\$19.3)</b>



As of July 28, 2021	5 Year Avg	2021 Avg	% of 5 Yr Avg
SCL Hydro Generation (GWh)	6,051	5,668	<b>94%</b>
Market Prices (On-Peak Hours)	\$29.20	\$68.94	<b>236%</b>

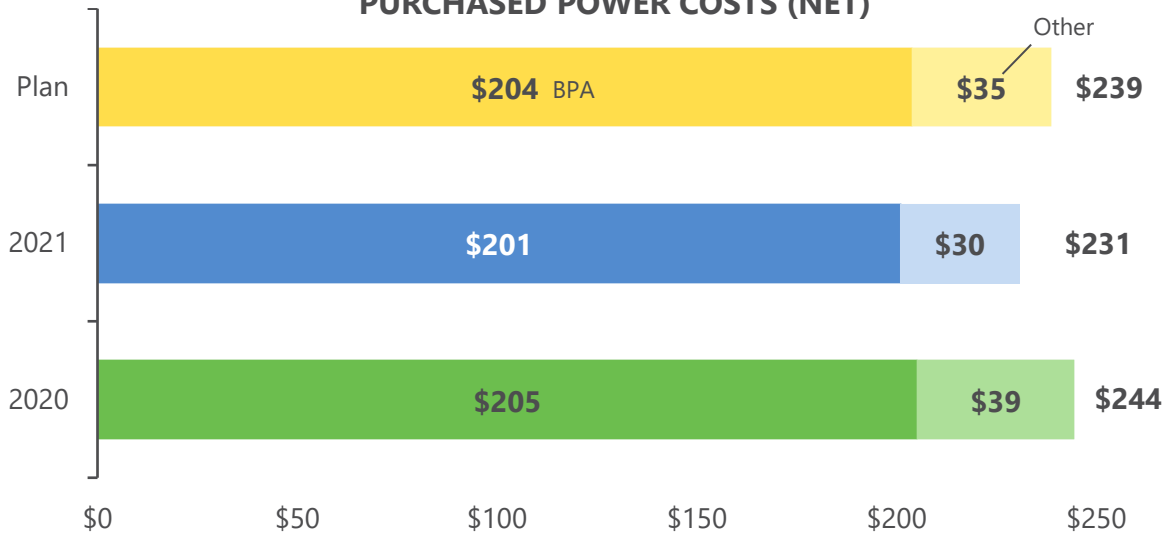
- Q3 drought conditions required purchasing wholesale energy at extremely high prices.
- Skagit run-off is forecast to be 101% of normal, while run-off at Boundary is expected to be 81% of normal. Normal = 30-year average.

## RATE STABILIZATION ACCOUNT



- The RSA balance is forecast to drop below the \$90M threshold at September quarter end, triggering a 1.5% surcharge.

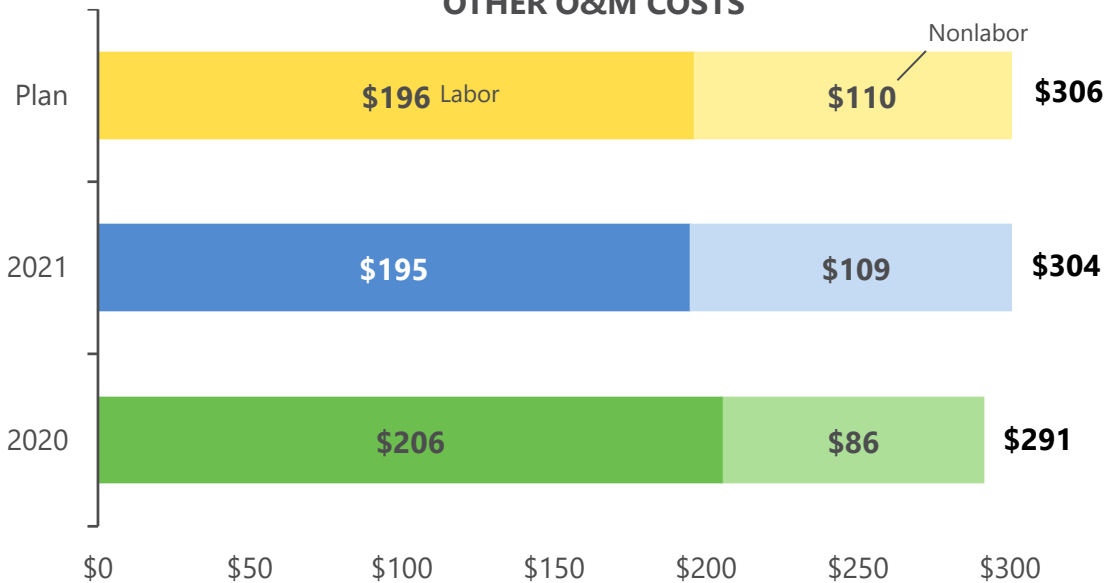
### PURCHASED POWER COSTS (NET)



\$ in millions

- Non-BPA net costs are forecast to come in \$4.9M lower than Plan due to lower than planned YTD production costs at Lucky Peak and higher than planned YTD net power marketing revenue.
- BPA costs for October through December are forecasted to come in below Plan by \$2.8M reflecting BPA's new rates effective October 1.

### OTHER O&M COSTS



\$ in millions

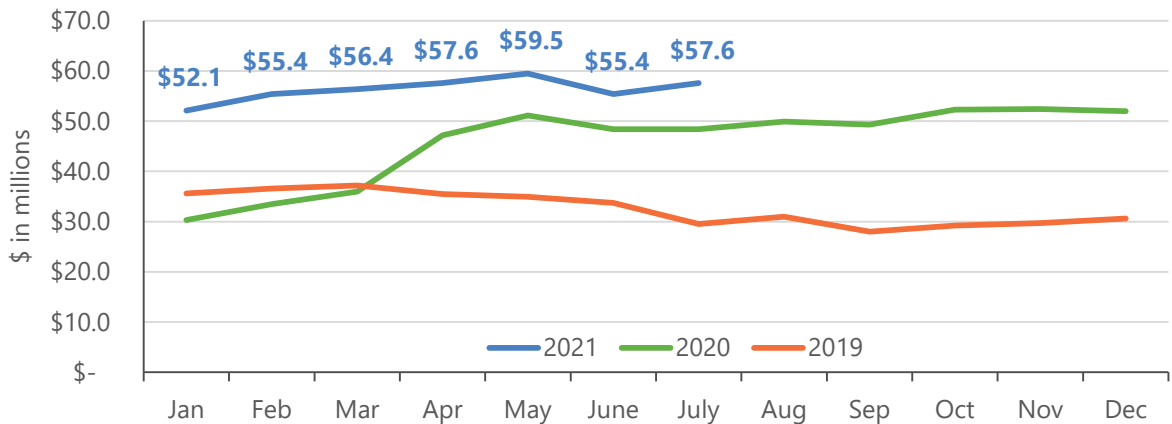
- Total O&M is forecast to come in slightly below Plan.
- Both the forecast and the Plan include a provision of approximately \$6 million for Local 77 wage increases.

## OTHER REVENUE & EXPENSE (NET)

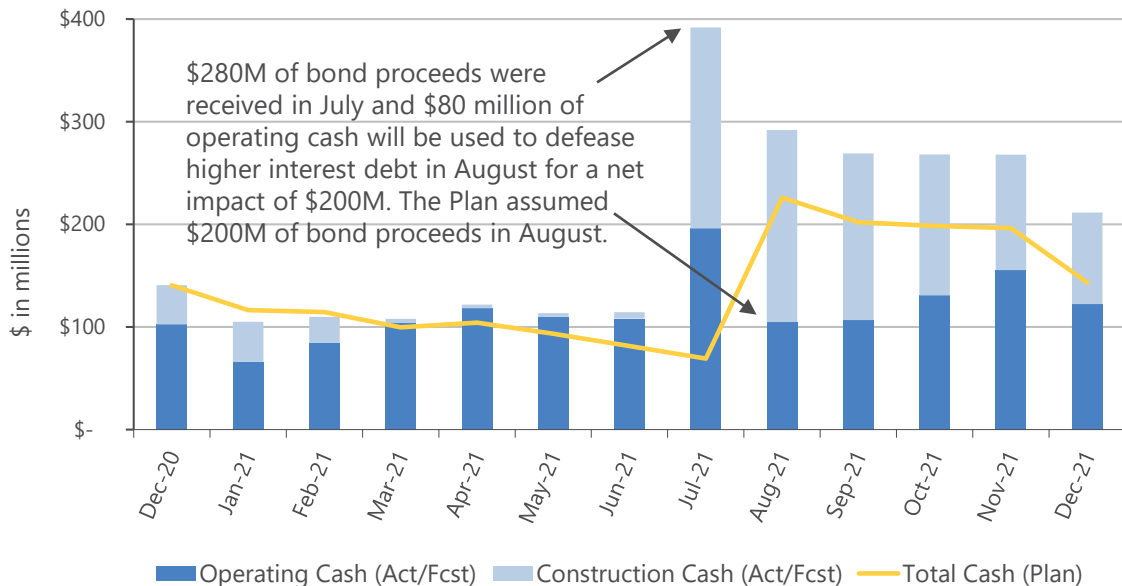
\$ in millions	2020	2021	Plan	Variance-Plan
<b>Other Revenue</b>	<b>\$37.9</b>	<b>\$33.6</b>	<b>\$31.3</b>	<b>\$2.3</b>
<b>Other Expense</b>	<b>\$64.3</b>	<b>\$61.4</b>	<b>\$61.0</b>	<b>\$0.4</b>
Uncollected Revenue	\$20.6	\$13.2	\$13.4	(\$0.2)
State & Franchise Taxes	\$43.7	\$48.3	\$47.6	\$0.7
<b>Other Revenue (Expense) - net</b>	<b>(\$26.4)</b>	<b>(\$27.8)</b>	<b>(\$29.7)</b>	<b>\$1.8</b>

- Net other revenue is \$1.8M favorable to Plan due primarily to higher than planned YTD rental and other O&M income.
- YTD uncollectible revenue is coming in slightly below Plan. There was a big spike in overdue accounts receivable balances at the beginning of the pandemic with balances stabilizing throughout the remainder of 2020. Overdue balances began trending upward in early 2021. 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 <sup>(1)</sup>
<b>Debt Service Coverage</b>				
Retail Revenue	\$931.4	\$919.3	\$12.1	2
RSA Surcharge Revenue	\$9.5	\$7.4	\$2.1	--
Net Wholesale Revenue	\$35.0	\$60.0	(\$25.0)	3
RSA Transfers (net)	\$14.4	(\$8.2)	\$22.6	--
Other Revenue (expense)	(\$27.8)	(\$29.7)	\$1.8	5
<b>Total Revenue</b>	<b>\$962.5</b>	<b>\$948.8</b>	<b>\$13.7</b>	--
Purchased Power (net) <sup>(2)</sup>	\$230.6	\$238.5	(\$7.9)	4
Other O&M <sup>(3)</sup>	\$304.1	\$306.3	(\$2.3)	4
<b>Total Expense</b>	<b>\$534.7</b>	<b>\$544.9</b>	<b>(\$10.2)</b>	--
<b>Amount Available for Debt Service</b>	<b>\$427.8</b>	<b>\$404.0</b>	<b>\$23.9</b>	--
Debt Service	\$217.3	\$224.4	(\$7.1)	--
Debt Service Coverage	1.97	1.80	0.17	--
Net Income	\$128.0	\$110.8	\$17.2	--
Debt to Capitalization Ratio	57.0%	57.8%	-0.9%	--
<b>Liquidity</b>				
Operating & Construction Cash @ July 31, 2021	\$392.0	\$69.1	\$322.9	5
Rate Stabilization Account @ July 31, 2021	\$91.6	\$104.4	(\$12.8)	3

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

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

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

## BUDGET

Budget Summary	YTD - Jul		Full Year -2021	
\$ millions	Actuals	Projections	Budget	Diff
<i>O&amp;M</i>				- Over / +Under
Purchased Power	\$174.6	\$321.1	\$321.9	\$ .9
Utility Operations & Administration	\$207.2	\$371.6	\$385.9	\$14.3
Taxes and Debt Service	\$208.6	\$328.5	\$344.9	\$16.3
<b>O&amp;M Total</b>	<b>\$590.4</b>	<b>\$1021.2</b>	<b>\$1052.7</b>	<b>\$31.5</b>
% of Annual Budget	56.1%	97.0%	100.0%	3.0%
<i>CIP</i>				
Customer Focused	\$76.3	\$150.4	\$152.9	\$2.5
Transmission and Distribution	\$116.6	\$206.7	\$237.7	\$31.0
Power Supply & Environmental Affairs	\$107.4	\$174.7	\$194.0	\$19.3
<b>CIP Total</b>	<b>\$300.3</b>	<b>\$531.8</b>	<b>\$584.6</b>	<b>\$52.8</b>
% of Annual Budget	51.4%	91.0%	100.0%	9.0%
<b>Total Budget</b>	<b>\$890.7</b>	<b>\$1553.0</b>	<b>\$1637.3</b>	<b>\$84.3</b>
% of Annual Budget	54.4%	94.9%	100.0%	5.1%

**Purchased Power** is currently expected to come in right around budget. Higher short term purchase power is offset by lower long term purchase power costs, partially from lower BPA costs.

**Utility Operations and Administration** underspend of \$14.3 million is primarily attributable to COVID-19 related reductions and labor savings from vacant positions.

**Taxes and Debt Service** underspend of \$16.3 million is due primarily to lower interest rates and front-loaded debt optimization savings from the 2020 debt issue.

**CIP** is forecast to underspend by \$52.8 million, an accomplishment rate of 91%, which exceeds the 90% achievement target for 2021.

# Long-Term Debt Planning

City Light Review Panel

September 22, 2021



# Debt Management Discussion

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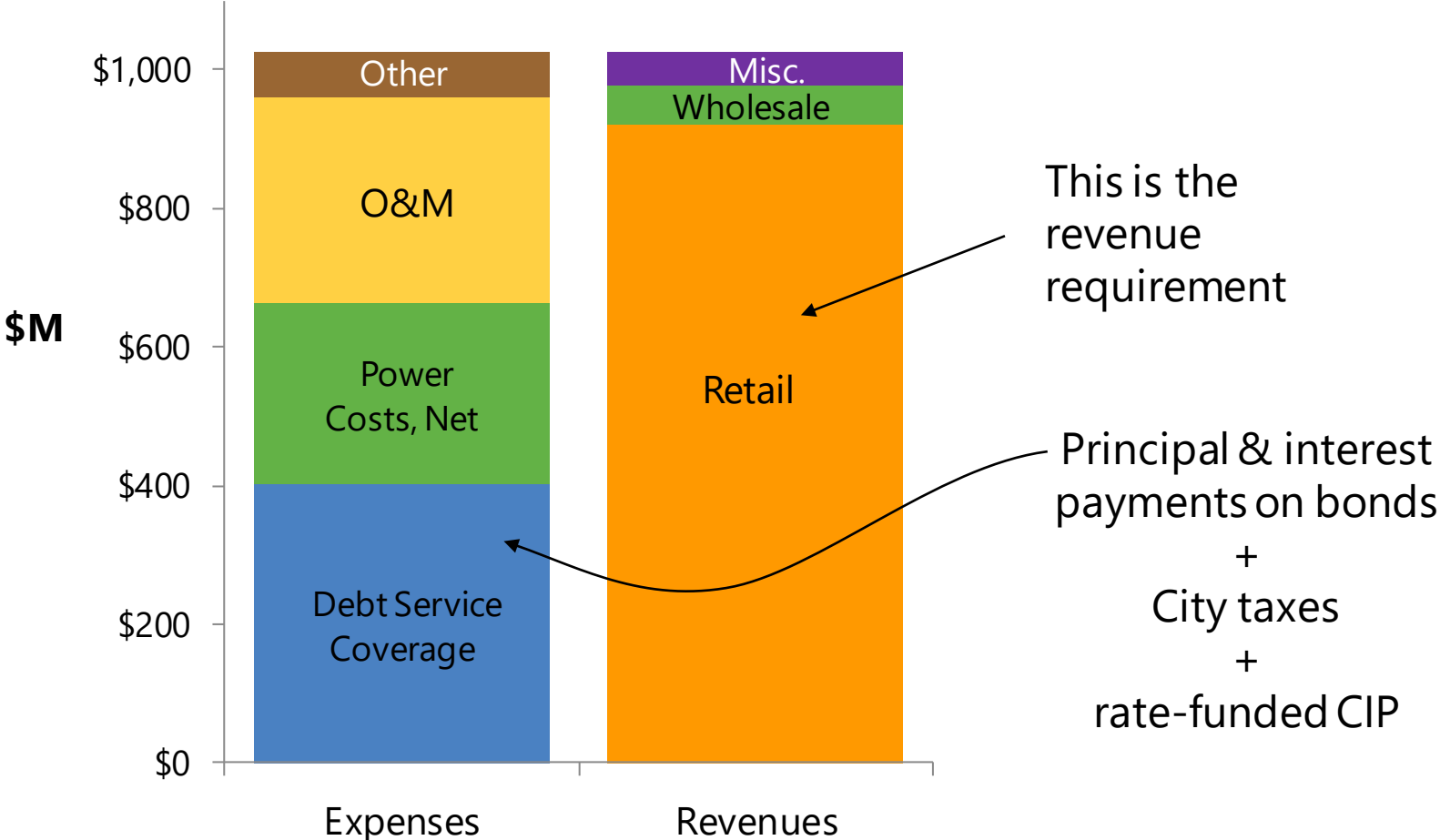
- Debt Overview
  - Financial Policies 101
  - Debt Management Levers
  - CIP Spending Impact on Debt
  - Impact of Existing Debt Structure
  - Debt-related Leverage Metrics
- Discussion: Debt Management Goals

# Coverage and Debt Service

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- Financial policies are rules that guide financial decision making
  - Set by City Council Resolution
  - Current policies established in 2010
- Two main financial policies
  - Debt Service Coverage of 1.8x
  - Cash financing 40% of 6-year CIP
- Financial Policies indirectly drive bond issue size and rate increases

# Cost & Revenue Balance



# Debt Service Coverage and Cash Funding CIP

2022

Debt Service  
**\$227M**



Collect \$409M  
in Revenue

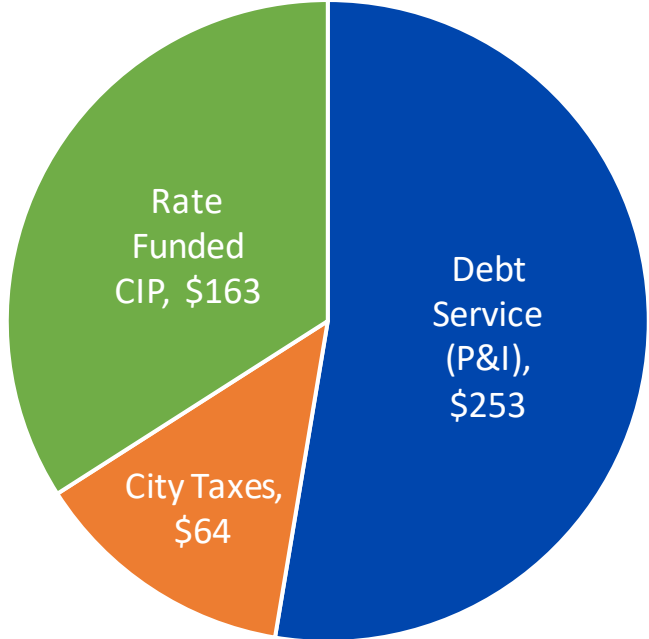
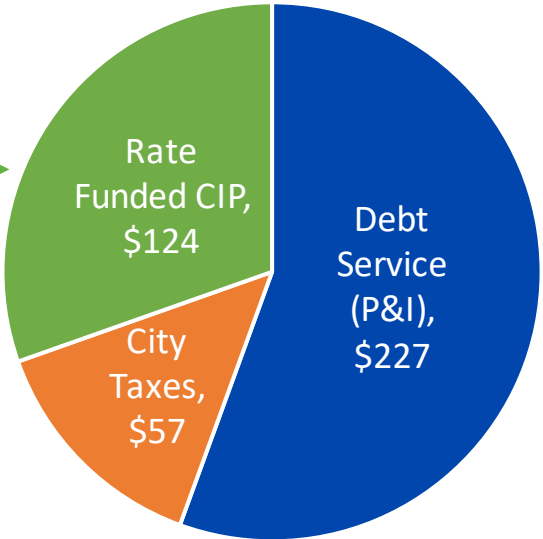
2030

Debt Service  
**\$253M**



Collect \$480M  
in Revenue

Debt service coverage policy indirectly determines how much CIP gets cash funded



As debt service continues to increase so does cash funding levels for CIP

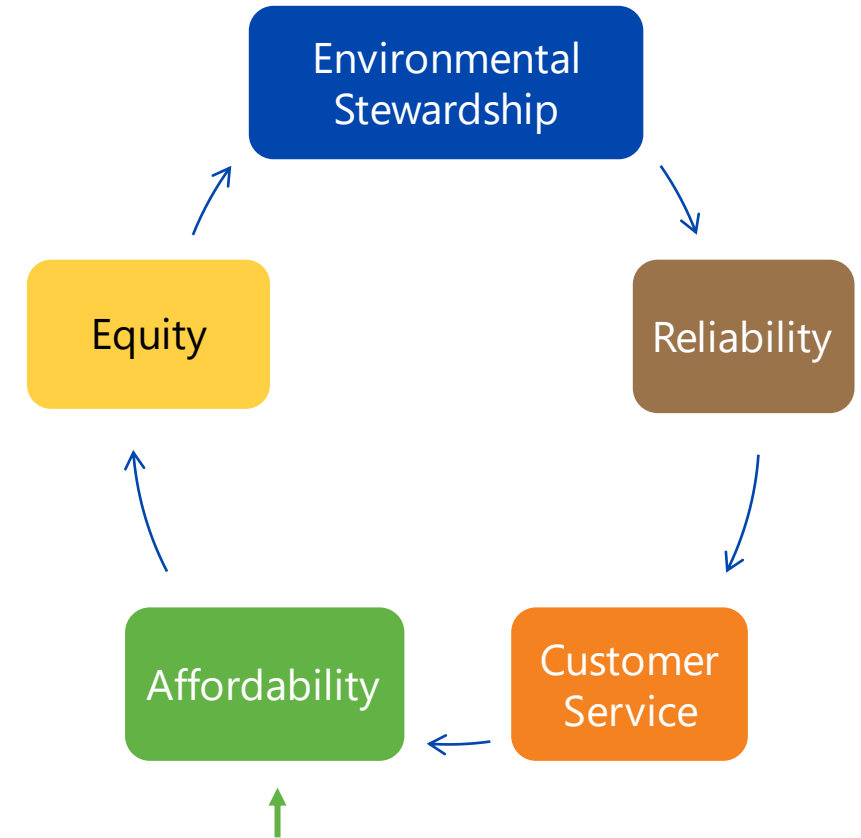
$\$124M / \$340M \text{ Net CIP} = 37\% \text{ Cash Funding}$

$\$163M / \$340M \text{ Net CIP} = 48\% \text{ Cash Funding}$

Net CIP = CIP less Contributions (i.e., Customer Payments and Capital Grants)

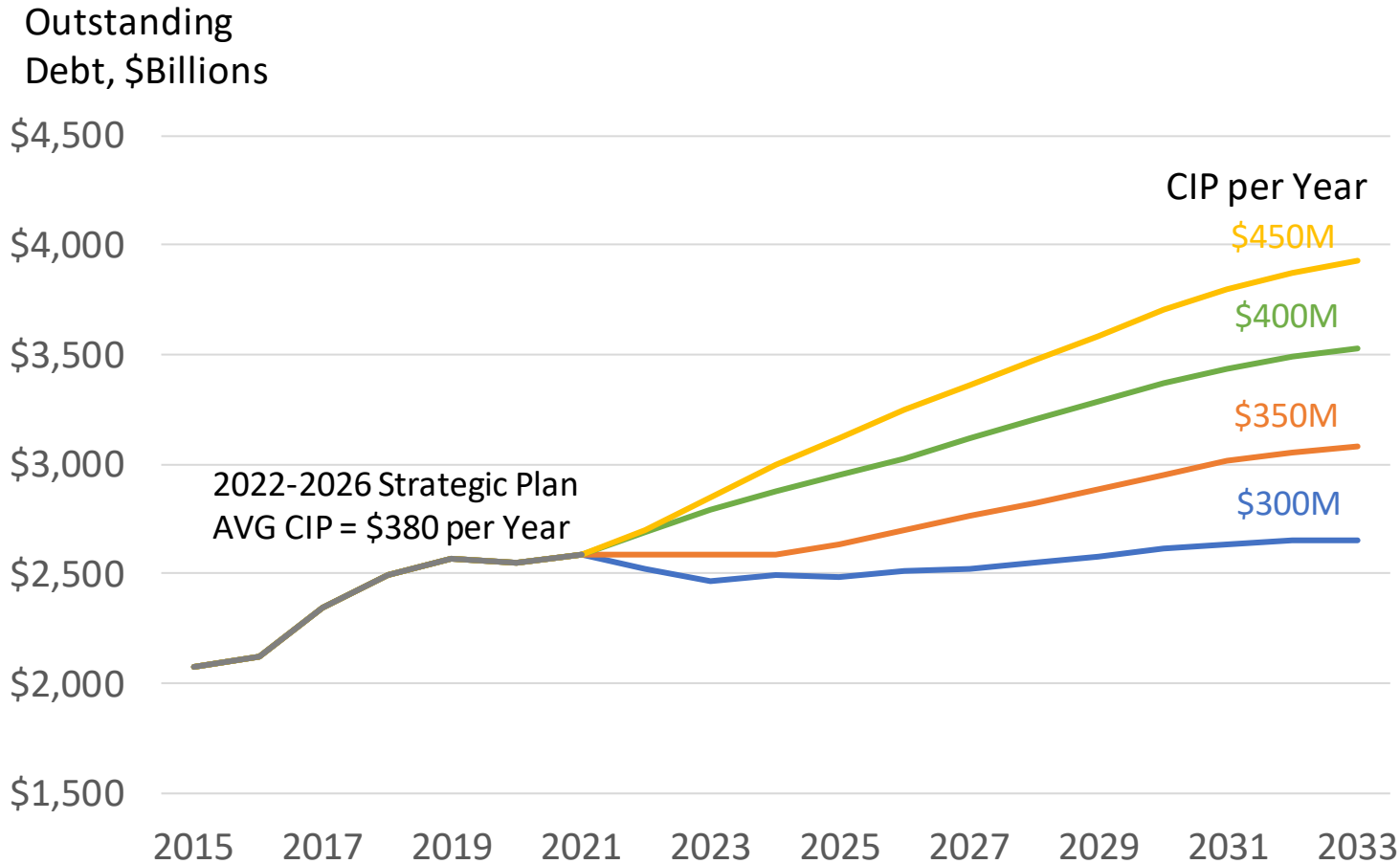
# Debt Management Tools

MEASURE	LONG-TERM DEBT	RETAIL RATES	STRATEGIC GOALS AND SERVICE LEVELS
Reduce capital spending (CIP)	↓	↓	↓
Higher Debt Service Coverage	↓	↑	↔
Sell Bonds with Shorter Terms <i>i.e., &lt;30-year repayment</i>	↓	↑	↔
Lower O&M + Higher Coverage	↓	↔	↓



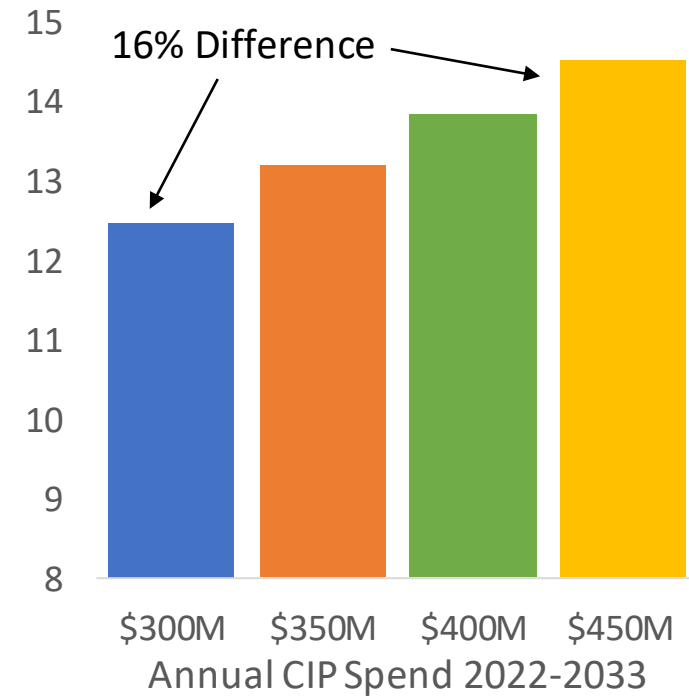
*Debt Management is component of affordability but is related to all strategic goals. It should not be viewed in a vacuum.*

# CIP Program Size: Impact on Debt and Rates



Higher CIP = Higher rates

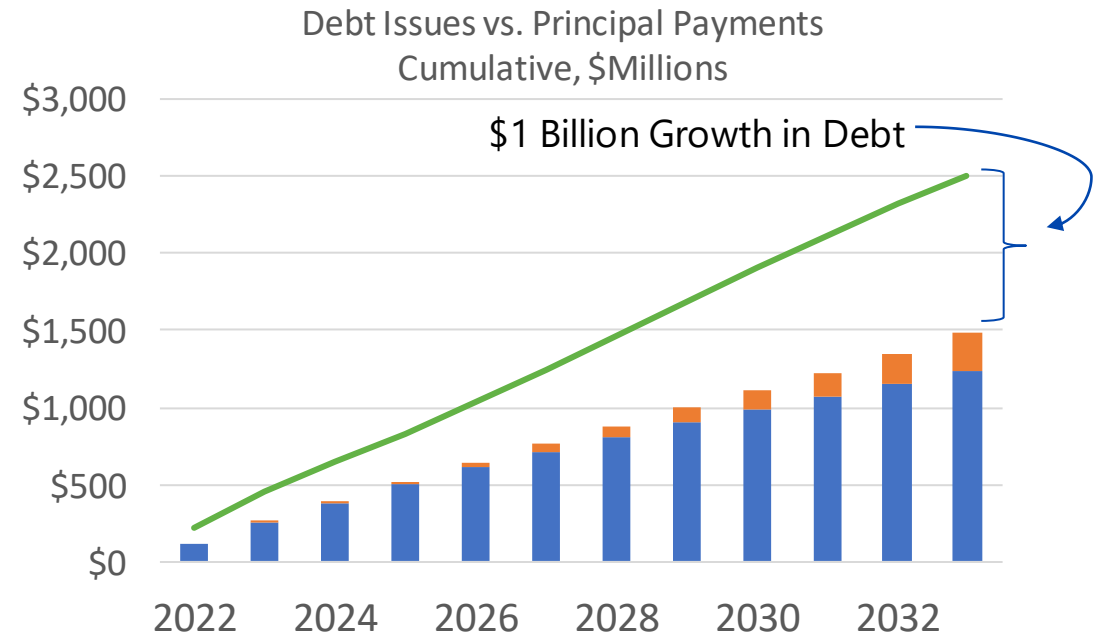
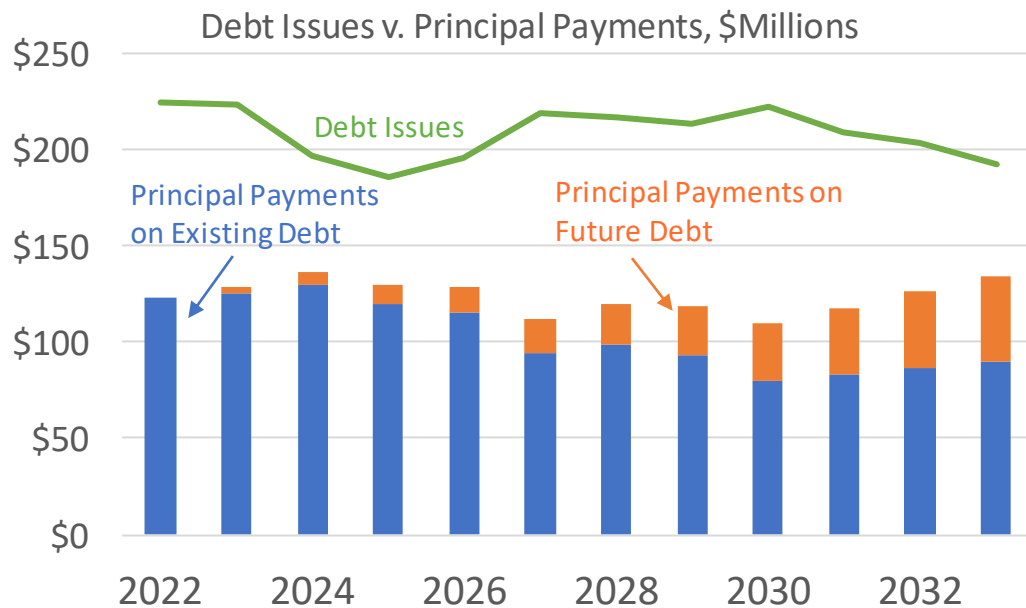
2033 Avg Rate, cents/kWh



Values shown are for illustrative purposes only

# Debt Growth = Debt Retirements - Debt Issues

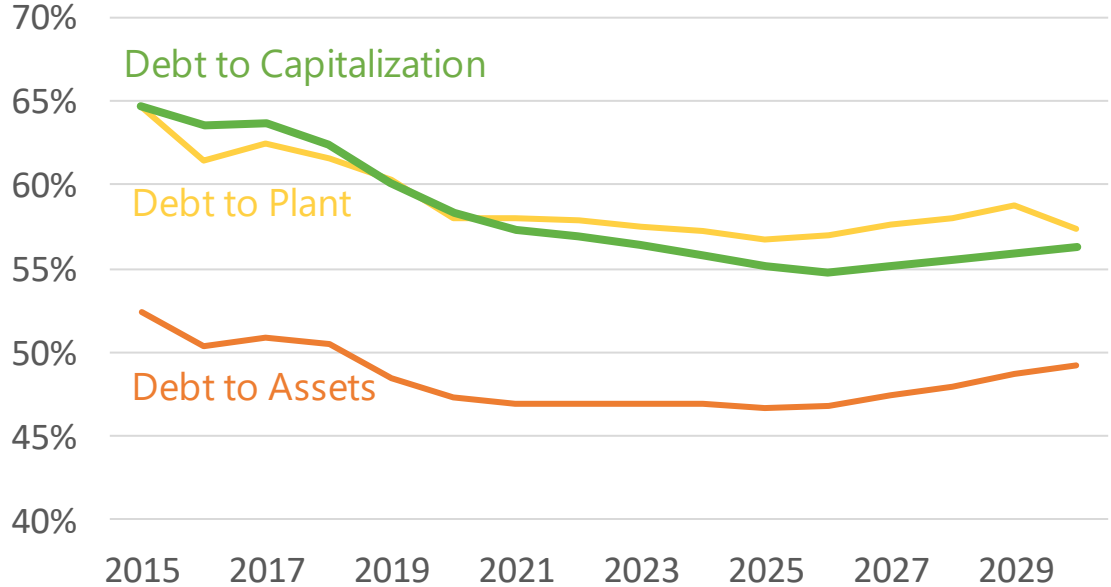
- Current debt structure impacts debt growth
  - Annual debt retirement: ~\$125M per year on average
  - If future debt issues average around \$210M per year
  - Then overall debt grows ~\$85M per year



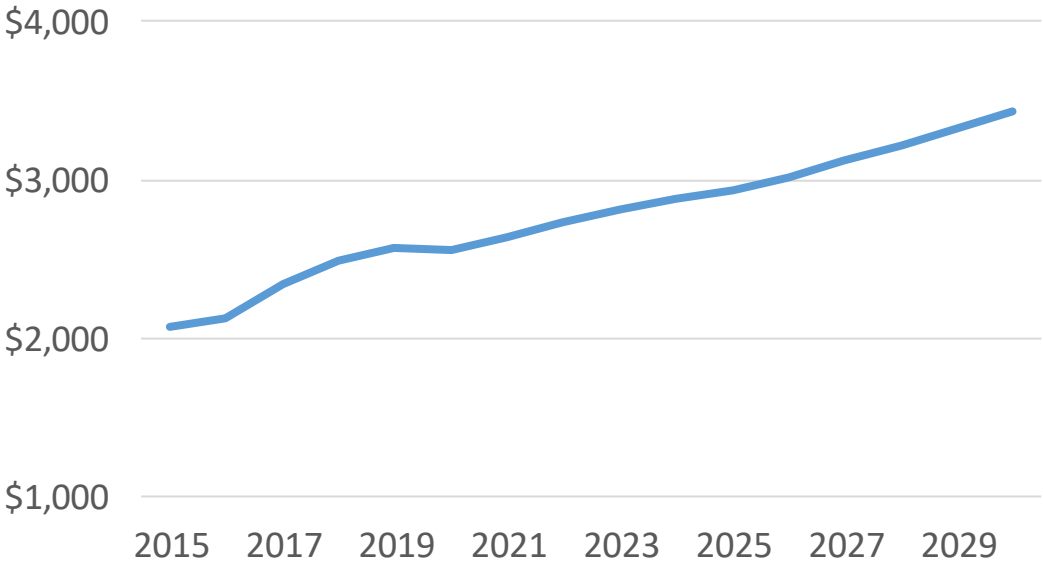
Values shown are for illustrative purposes only

# Leverage Metrics

Leverage Financial Ratios



Long-Term Debt, \$Millions



Debt to Capitalization = Debt / (Debt + Equity)

Debt to Assets\* = Debt / Assets

Debt to Plant = Debt / (Net Plant + Unamortized Conservation)

Values shown are for illustrative purposes only

\*City Light under median for large utilities in recent APPA survey



# Discussion: What are goals of Debt Management

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- What are goals of Debt Management?
  - Maintaining low cost of capital for future customers
  - Mitigating financial risk to future customers (stranded assets)
  - Aligning cost recovery with asset lives
    - Balancing service levels with affordability
  - Others?
- What are means to achieve goals
  - Current financial policies
  - New metrics

# THANK YOU

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**Seattle City Light**



# Seattle City Light

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[seattle.gov/city-light](http://seattle.gov/city-light)



# Mission, Vision & Values

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## 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**