



## CITY LIGHT REVIEW PANEL MEETING

Wednesday, March 23, 2022

1:00 – 3:00 P.M.

Microsoft Teams Meeting

Proposed Agenda

- | <u>Item</u>   | <u>Lead</u>               |
|---|---------------------------|
| 1. Welcome (5 min.)   | Mikel Hansen, Panel 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 February 15, 2022 |                           |
| c. Chair's Report (Mikel)   |                           |
| d. Communications to Panel (Leigh Barreca)                                    |                           |
| 4. General Manager's update (20 min.)   | Debra Smith               |
| 5. Strategic Planning (85 min.)   |                           |
| a. Rate Path follow-up  | Kirsty Grainger           |
| b. 2022 Plan Progress to 2023 Plan Update                                     | Leigh                     |
| c. Review Draft Strategic plan  | Vanessa Lund              |
| d. Begin Review Panel Letter discussion                                       | Karen                     |
| i. Items from last letter   |                           |
| 6. Adjourn  |                           |

**Next meeting:** April 26, 2022, 9:00 – 11:00 a.m.



**City Light Review Panel Meeting  
Meeting Minutes**

**Date of Meeting: February 15, 2022 | 9:00 – 11:00 AM |  
Meeting held via Microsoft Teams “Draft”**

<b>MEETING ATTENDANCE</b>					
<b>Panel Members:</b>					
<b>Names</b>		<b>Name</b>		<b>Name</b>	
Anne Ayre	√	Leo Lam	√	John Putz	√
Mikel Hansen	√	Kerry Meade	√	Tim Skeel	
Scott Haskins	√	Joel Paisner	√	Michelle Mitchell-Brannon (appointment pending)	√
<b>Staff and Others:</b>					
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		Chris Tantoco	√
Greg Shiring	√	Carsten Croff	√	Leigh Barreca	√
Eric McConaghy	√	Caia Caldwell	√	Brain Taubeneck	√
Kate Nolan	√	Jenny Levesque	√	Joni Bosh (NVEC)	√
Vanessa Lund (Lund Faucett)	√	Ellen Pepin-Cato (Lund Faucett)	√	Any Wheelless (NVEC)	√

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

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

**Standing Items:**

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

**Approval of January 24, 2022 Meeting Minutes.** Minutes were approved as presented

**Chair’s Report.** There was no Chair’s report.

**Communications to Panel.** There was one email to the Panel regarding the status of filling the Low-Income Advocate position. Leigh responded that we have found a candidate, Michelle Mitchell-Brannon, and are preparing appointment materials.

**General Manager’s update.**

Debra Smith shared several information items with the Panel:



## City Light Review Panel Meeting Meeting Minutes

- The Skagit Partner Letter is in the meeting packet, signaling the 1-year reset. SCL checked in with partners to confirm how they were feeling before sending this letter.
- Yesterday, Marco Lowe the Chief Operating Officer for Mayor Harrell attended the SCL Leadership Team meeting. SCL will report to Mr. Lowe's office. Today is Mayor Harrell's State of the City Address.
- Chief of Staff, Jen Chan has been coordinating the Executive Team 2022 work planning efforts and fleshing out the Projects, Initiatives and Activities (PIAs) to talk about how we define success and make progress towards our goals.
- Last week we distributed the first issue of our new e-newsletter—*Community Connections*. This was shared with Panel members via the Teams Chat. In listening to our Customer Satisfaction Survey results, we know there are a lot of opportunities to better communicate with our customers, and this is an exciting step.
- Supply chain issues are leading to increased lead-time on acquiring equipment such as cable. Cable can take up to a year, transformers up to 18 months. Weather, labor, and other blockages are contributing to this. Inflation is about twice what we expected, and we are working on absorbing these costs. The concrete strike is also impacting work downtown.

### 2023 – 2028 Strategic Plan

#### Strategic Plan Update Schedule

Leigh presented. The schedule and presentation are in Panel packets.

#### Draft Rate Path/Revenue Requirement

Carsten Croff presented; the presentation is in the Panel packet. The key financial objective of the Rate Path is to have a rate that looks like inflation. Reliance on debt is significantly reduced over prior plans. Another significant change is a notably increased demand forecast compared to the last forecast.

**Q:** Can you speak to how renewables are less reliable and how that works to fill your identified need for additional supply resources? **A:** We've identified a summer need and we've looked at all resources that are available in the region; we feel that renewables are the most optimal package. They are not 100% reliable because they are intermittent, but you plan on a critical output. As you size up the renewables you need, you look at when you have a critical event and how that could impact availability.

**Comment:** This is a great presentation, thank you.

**Q:** You mentioned transportation incentives. What specifically are those programs? **A:** There is a



## City Light Review Panel Meeting Meeting Minutes

wide range of programs that will further enable us to incentivize transportation electrification. These include marketing, direct incentives to customers, or other infrastructure needs that support electrification. Washington State law allows utilities to implement a broad range of programs.

**Q:** Looking at the average growth in the revenue requirement, is that fairly typical? **A:** The rates we have for this plan are significantly less than previous rate increases. If you think of rates as  $\text{Rate} = \text{Revenue}/\text{Sales}$ , we have gotten to where our sales are pretty flat, so most of the rate growth is driven by our revenue requirement.

**Q:** With that cap on CIP, are we feeling like we are making optimum investments? **A:** Yes. It does challenge us on setting priorities. We are working with the Mayor's office and City Budget Office to inform our decisions. Internally we are setting priorities and managing within the capital plan.

### Outreach Plan

Jenny Levesque presented.

**Q:** How are you ensuring equity, diversity, and inclusion in your outreach? Are you meeting with low-income customer groups? **A:** We talked to a few different groups including the City's Environmental Justice Committee (part of the Office of Sustainability and Environment, OSE.) Our Race and Social Justice Change Team is also engaging in conversations. In addition, last year we met with representatives from two Seattle social service organizations, the Seattle Multi-Service Center and Hopelink. We are including their input into the 2023 – 2028 plan update process.

### Projects, Initiatives and Activities (PIAs) for the 2023 – 2028 Strategic Plan update

Leigh presented and led a panel discussion about the proposed PIAs. Overviews of PIAs are included in the Panel packet.

- Craig Smith presented on Improve the Customer Experience
- Emeka Anyanwu presented on Create our Energy Future
- Jen Chan & DaVonna Johnson presented on Develop Workforce and Organizational Agility
- Kirsty Grainger presented on Ensure Financial Stewardship and Affordability
- Mike Haynes presented on We Power

**Q:** Customer Experience: In the last strategic plan, the development of dashboards with key performance indicators (KPI) was included. Are you incorporating KPIs in the programs you presented today? **A:** Yes, you will see that under the We Power umbrella – we are working on



## City Light Review Panel Meeting Meeting Minutes

building dashboards for each City Light division. We completed two last year, as part of the pilot, and will have specific customer operations dashboards in the next few years.

**Q:** Customer Experience: Will you be incorporating customer notification (text) when there are interruptions? **A:** We know this is a desire and we've looked at tying into a city texting platform and are exploring options around increased notification options.

**Q:** We Power: Does undergrounding include suburban cities? **A:** Yes.

**Adjourn:** Meeting adjourned at 10:58 a.m.

**Next meeting:** March 23, 2022.

**ELECTRIC VEHICLES**

## **EPRI Study Examines Impacts Of Electrification For Seattle**

### **City Light**

February 11, 2022

[Peter Maloney \(/people/peter-maloney/\)](/people/peter-maloney/)

[Home \(/\)](#) / [periodical](#) / [article](#) / [EPRI Study Examines Impacts Of Electrification For Seattle City Light](#)

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A new report from the Electric Power Research Institute (EPRI) lays out the potential impacts of electrification to Seattle City Light.

The City of Seattle has made significant commitments to address the climate crisis through greenhouse gas emissions reductions, and a key means of achieving those goals is electrification. As the utility serving Seattle and other nearby areas, Seattle City Light sought to understand the potential impacts of electrification in order to prepare to meet customers' evolving needs.

The electrification assessment addressed two primary questions: How will electrification affect the utility's load over time and how can Seattle City Light's distribution grid and resources best serve that load. To understand the city's electrification needs, the study examined the high-level impacts of electrification under multiple scenarios that extend to 2042.

In particular, the study looked at the energy needed under three different scenarios for the electrification of buildings, transportation, and commercial and industrial applications, as well as Seattle City Light's current grid load and capacity, and the utility's projected future grid load. The study also examined the flexibility of new electric loads as a result of technology advances, and different strategies to help tackle the challenges of electrification.

At a high level, the study found that electrification will increase Seattle City Light's load and that the impact to the distribution grid will vary based on time and location. Without energy efficiency or peak mitigation strategies, system peaks—driven primarily by changes in space heating, space cooling, and water heating consumption in residential and commercial buildings—are expected to increase significantly.

In the full electrification scenario, in 2042 residential and commercial buildings end-uses are projected to need over 60% of the total energy required annually. However, ongoing energy efficiency efforts could offset some of those increases, "which would ultimately help minimize electric system investment," the authors said. In addition, advances in load management technologies and new technologies entering the market could provide greater load control and flexibility and help reduce peak demand when grid capacity is constrained.

Transportation electrification will represent a smaller portion of new electrified load, however, in a full electrification scenario, the energy required to fuel all electric vehicles would be about 90 times greater than current needs. Within the transportation sector, light-duty vehicles would represent the dominant load. Although heavy-duty vehicles consume more energy individually, the population of passenger vehicles is at least 20 times greater than any other vehicle class, the authors noted.

The study found charging needs of electric vehicles in Seattle City Light's service territory will vary. Because there are a high number of multiple unit dwellings in Seattle, electric vehicle charging stations for end-users without a dedicated charger will need to be a priority, the authors said. Additionally, because of the aggregated depot charging and high-power charging that is

required for medium and heavy-duty vehicles, it will be important for Seattle City Light to work with customers to understand emerging loads. Notably, much of electric vehicle charging is flexible load, and the impact will be highly dependent on customer behavior. EPRI identified this charging flexibility as an opportunity for Seattle City Light to mitigate the potential impact on peak loads.

On the grid side of the analysis, the study found that Seattle City Light's distribution grid has "significant capacity available for additional electrified load," but that in some areas and at some time of the day or year available capacity could be limited. It will be critical, the authors said, to be aware of when and where loads are emerging, and local monitoring and flexible load strategies "may prove key to ensuring that electric technology adoption is not limited anywhere" on Seattle City Light's grid, they said.

Seattle City Light said that this analysis is the beginning of a larger undertaking to understand how it will plan for a decarbonized future and has already started to incorporate the results of the EPRI study to inform the public power utility's other planning and forecasting efforts, including its Integrated Resource Plan and load forecast. Seattle City Light also plans to use the study to inform strategic objectives and policy and program decisions as it considers how to best facilitate equitable electrification.

**Topics** [Electric Vehicles \(/Topic/Electric-Vehicles\)](#)



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**● UPCOMING EVENTS**

**[Lineworkers Rodeo \(/event/lineworkers-rodeo\)](#)**

[Austin, TX](#) [March 25, 2022](#)

RELIABILITY

**[Engineering & Operations Conference \(/event/engineering-operations-conference\)](#)**

[Austin, Texas](#) [March 27, 2022](#)

CUSTOMER SERVICE

**[Public Communications Spring Issues Roundtable \(/event/public-communications-spring-issues-roundtable\)](#)**

[Arlington, VA](#) [April 4, 2022](#)

**[ALL EVENTS \(/EDUCATION-AND-EVENTS\)](#)**

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## Considering an Electric Vehicle? Start Here

Last year, many of you told us that you were considering owning or using an electric vehicle in the future. [In our latest blog post](#), we answer some of the most common questions we get about EVs on the topics of cost, reliability, benefits, and more.

[Learn More](#)



### Powerful Tips

The sun has begun peeking out, which means spring is almost here. Our Vegetation Management team has [a few tips to keep you safe](#) when working with trees, shrubs, hedges and vines, whether you're digging or pruning.

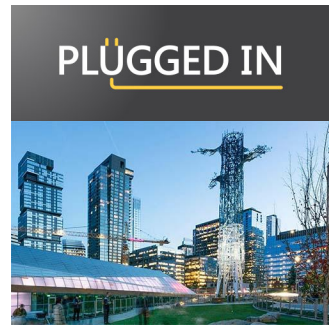
[Learn More](#)



### Spotlight

*"I love the job because it's interactive and strategic."*  
[Meet Mendy Droke](#), City Light State Government Relations. Read about the legislative wins she has achieved and why her favorite book is *To Kill a Mockingbird*.

[Learn More](#)



### Plugged In

Did you know City Light has a public art collection? [Visit our website](#) to learn more about our 1% for Art Fund and view the over 3,400 works in our collection. *(Image: "Transforest" [2019] by Lead Pencil Studio)*

[Learn More](#)

Have a topic you'd like to hear more about?

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# Inflation and Updated 2023 – 2028 Draft Rate Path

March 15, 2022



# Cost Inflation Adds Pressure to Rate Forecast

- The Office of Economic & Revenue Forecasts released a new Consumer Price Index (CPI) outlook last month.

City CPI Forecast	2021	2022	2023	2024	2025	2026	2027	2028
February 2021	2.8%	3.0%	2.5%	2.3%	2.2%	2.3%	2.3%	2.3%
February 2022	4.8%	5.1%	3.1%	2.3%	2.3%	2.4%	2.5%	2.6%

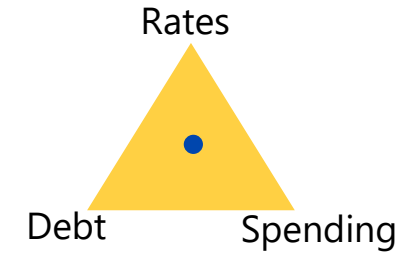
- Translating increased inflation into costs, accomplishing an equivalent amount of work will require:
  - \$8M** more in O&M budget in 2023, with this impact declining to zero in the out years -and-
  - \$18M+** more in CIP budget on average per year (\$108M+ added to 6-year CIP)
- To balance these budget increases, City Light would need to increase rates to generate more revenue.

City Light Rate Path Forecast	2021	2022	2023	2024	2025	2026	2027	2028	6 Yr Avg
January 2022	3.0%*	3.9%*	3.8%	3.8%	3.0%	3.0%	3.0%	3.0%	3.3%
March 2022	3.0%*	3.9%*	4.5%	4.5%	3.0%	3.0%	3.0%	3.0%	3.5%

\* Council-legislated increases. Actual rate impacts for customers were **0.0%** in 2021 and **2.1%** in 2022 due to offsetting decreases from automatic rate mechanisms.

# Other Options Besides Raising Rates?

- City Light sets rates to meet targets (set by resolution) for debt service coverage and revenue funding of capital work.
  - Our forecast for rate increases assumes 40% revenue-funding of the CIP.
  - Reducing this and increasing debt is an option - with a price.
- Program reductions (which will feel like budget cuts) are also an option.
  - \$8M+ in annual O&M, \$108M+ in 6-year CIP.
  - Inflation is ongoing, and so reductions would also need to be ongoing.



	2023	2024	2025	2026	2027	2028	AVG
<b>Rate Path</b>							
March Forecast	4.5%	4.5%	3.0%	3.0%	3.0%	3.0%	3.5%
January Forecast	3.8%	3.8%	3.0%	3.0%	3.0%	3.0%	3.3%
<b>Debt Service Coverage</b>							
March Forecast	1.93	1.85	1.92	1.87	2.02	2.01	1.93
January Forecast	1.94	1.82	1.89	1.83	1.99	1.96	1.90

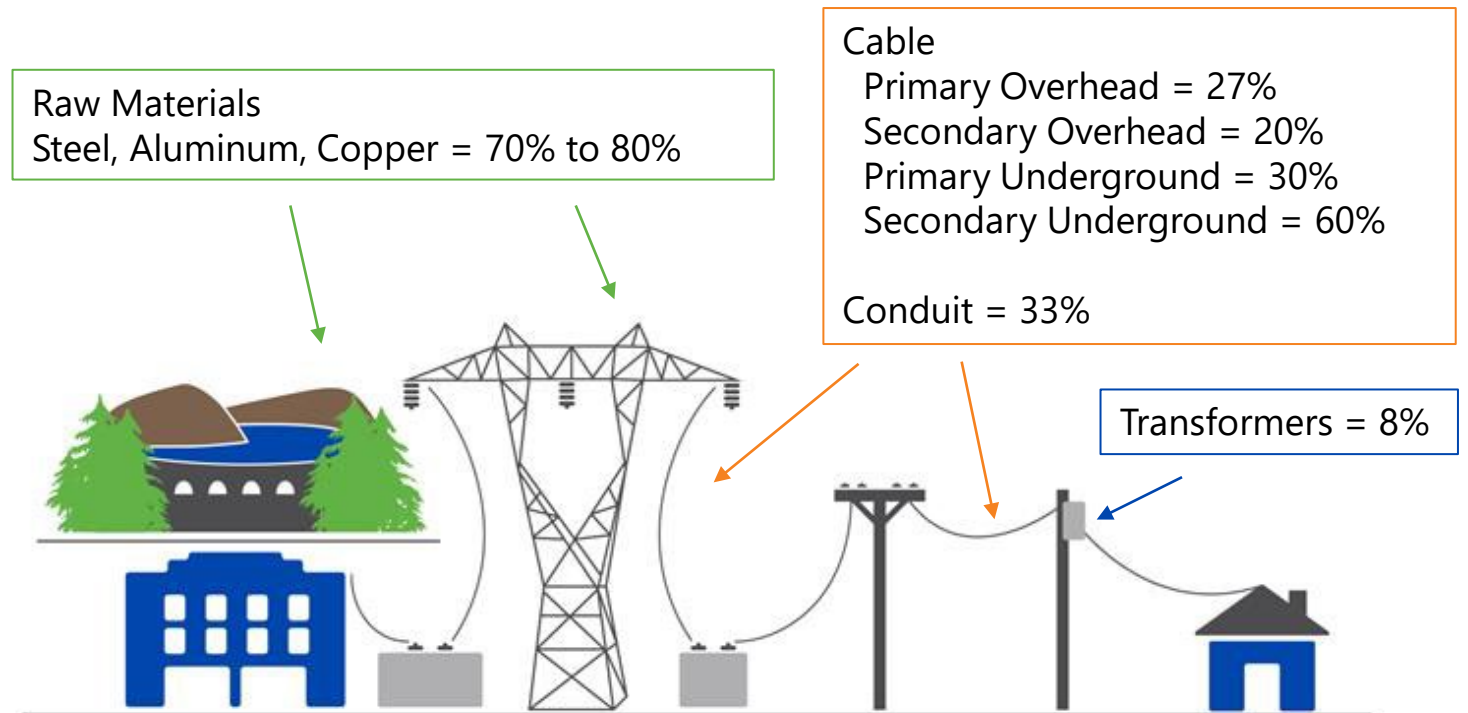
2023-2028 Revenue Funded Capital	
March Forecast	40%
January Forecast	40%

Coverage is higher than 1.8X target because this is what is required to achieve 40% CIP funding target

# Big Cost Increases for Raw Materials

- Risk: Costs for many materials are rising at rates much higher than generic CPI inflation.
- Our forecast for the 2023-2028 CIP may be too low to fund all the work planned.
- Supply chain limitations will also be a significant risk.
- We are starting to see timelines to procure critical supplies that are double, even triple, what they were last year.

Some example\* cost increases since 2020:



\* Source: SCL Material Control

# THANK YOU

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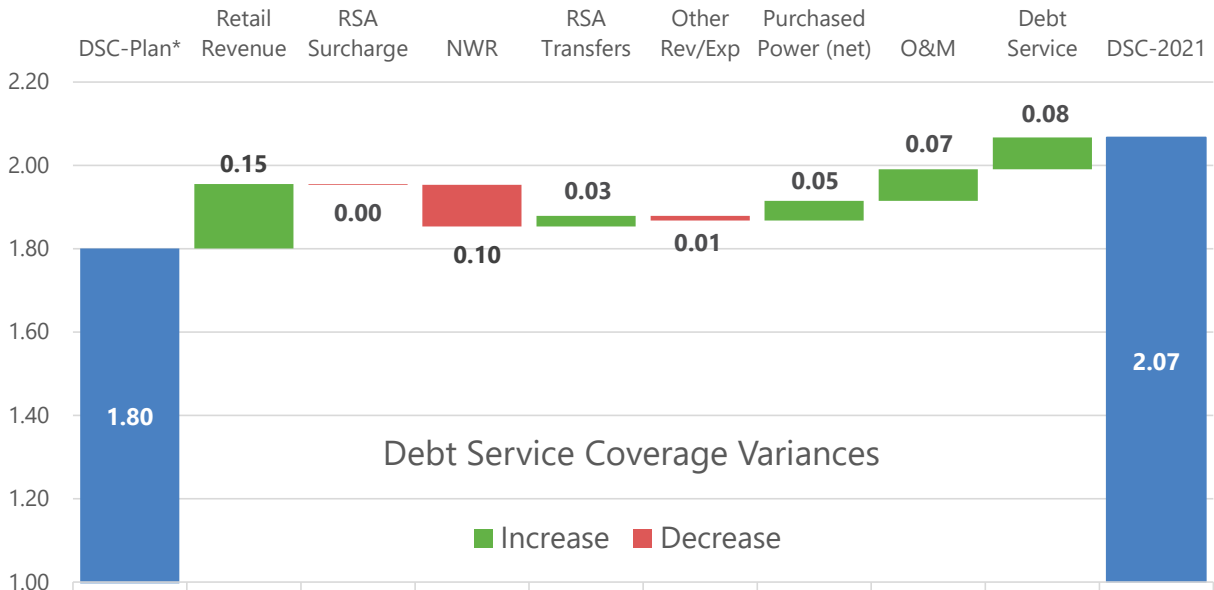
**Seattle City Light**



# Seattle City Light

## 2021 FINANCIAL HIGHLIGHTS DECEMBER 2021 (PRELIMINARY)

Debt service coverage of 2.07 is 27 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 vs. 2021 Plan:

**Retail revenue** ended the year \$34.8M higher than Plan, with the variance being driven primarily from residential sales.

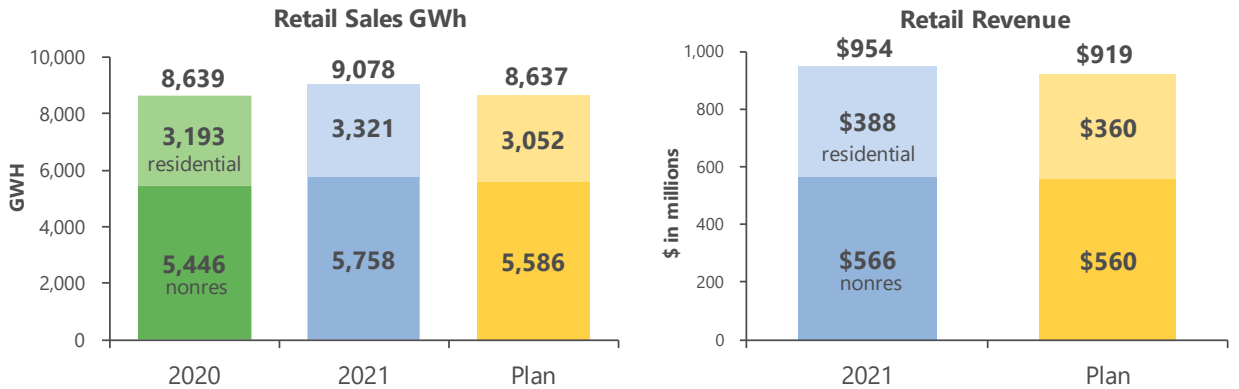
**Net wholesale revenue (NWR)** came in \$22.4M under Plan due to dry hydro conditions in Q3, requiring City Light to purchase energy at high prices. Regional prices in Q3 were elevated by extreme heat and drought conditions.

The \$2.5M unfavorable **other revenue/expense** variance was driven primarily by higher than planned uncollectible revenue. **O&M** costs came in \$17.0M lower than planned due mostly to lower than expected non-labor costs.

**Debt service** is under Plan due primarily to the favorable impact of a lower than anticipated interest rate environment on outstanding variable rate debt.

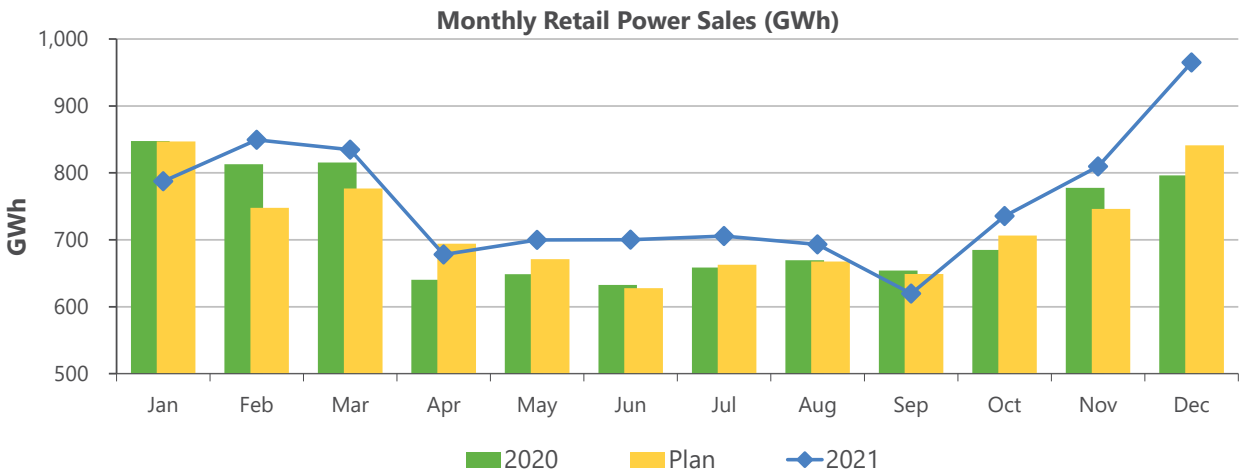
Low NWR significantly reduced the RSA balance in Q3. In response, City Council authorized a \$15 million transfer into the RSA from operating funds to prevent a **RSA surcharge** from triggering.

## RETAIL POWER SALES AND REVENUE



Retail Sales GWh			
	Nonresidential	Residential	Total
2021 Fcst vs. Plan	3.1%	8.8%	5.1%

Retail Revenue			
	Nonresidential	Residential	Total
2021 Fcst vs. Plan	1.1%	7.9%	3.8%



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.

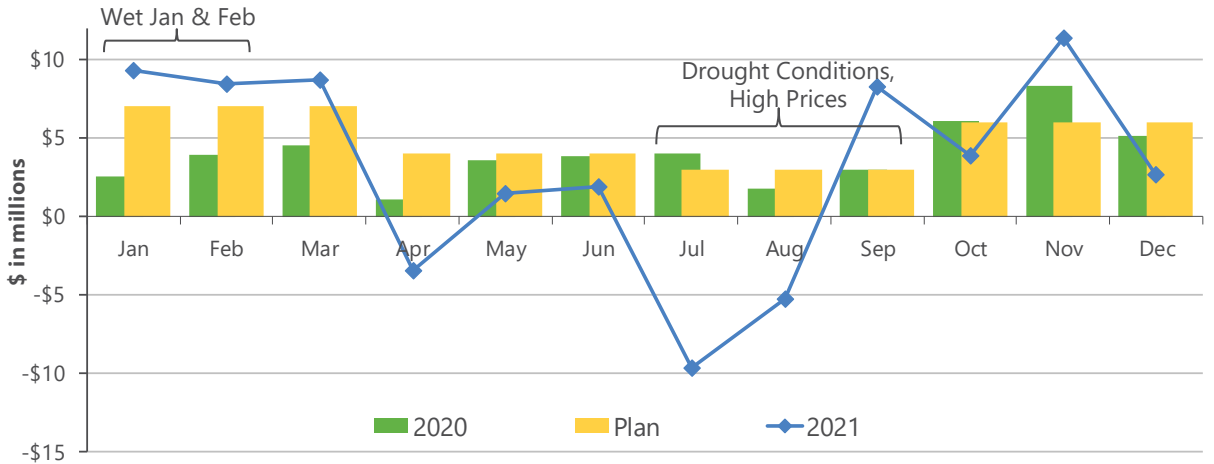
**Nonresidential** sales and nonresidential retail revenue are slightly higher than Plan, indicating a faster economic recovery. However, sales are still below pre-pandemic levels. Sales are exceeding Plan to a larger extent than revenue due to greater variances occurring in rate classes with lower average rates (i.e., high demand and large general service).

**Residential** consumption (+8.8%) and revenue (+7.9%) came in higher than planned due to a combination of (1) higher-than-planned impacts from teleworking (2) higher-than-planned new customer additions and (3) significantly colder than normal temperatures in February, March and December as well as record high temperatures in late June.



## NET WHOLESALE REVENUE

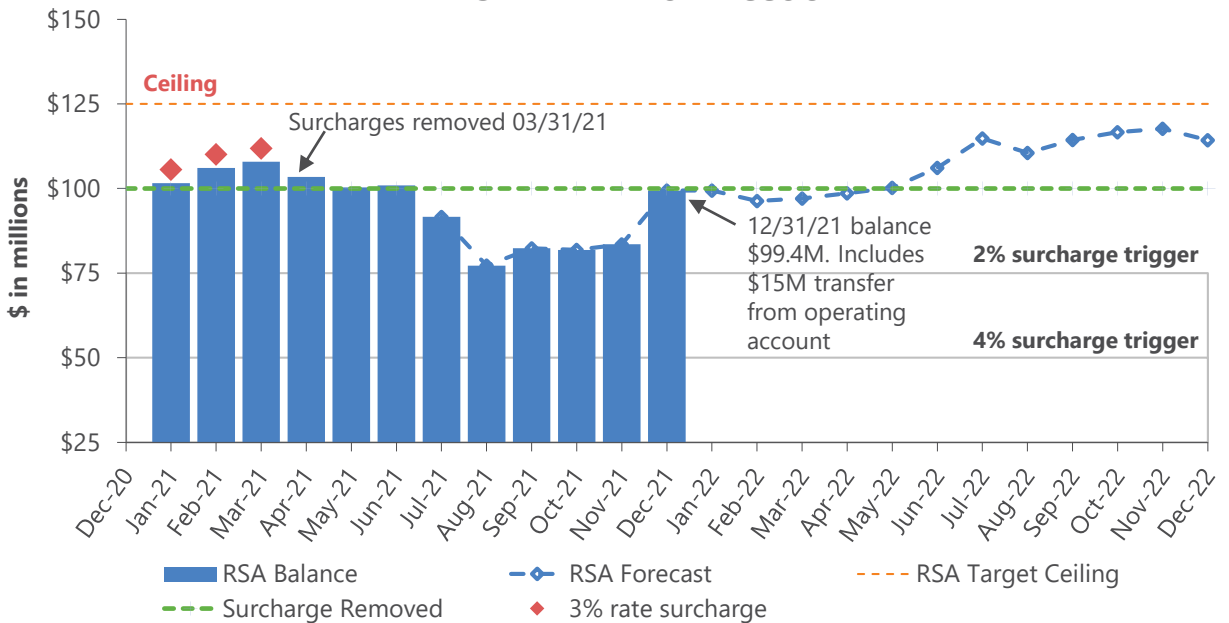
\$ in millions	2020	2021	Plan	Variance-Y/Y	Variance-Plan
Full Year	\$47.7	\$37.6	\$60.0	(\$10.1)	(\$22.4)



	As of December 15, 2021	5 Year Avg	2021 Avg	% of 5 Yr Avg
SCL Hydro Generation (GWh)		6,051	5,834	<b>97%</b>
Market Prices (On-Peak Hours)		\$29.20	\$54.75	<b>188%</b>

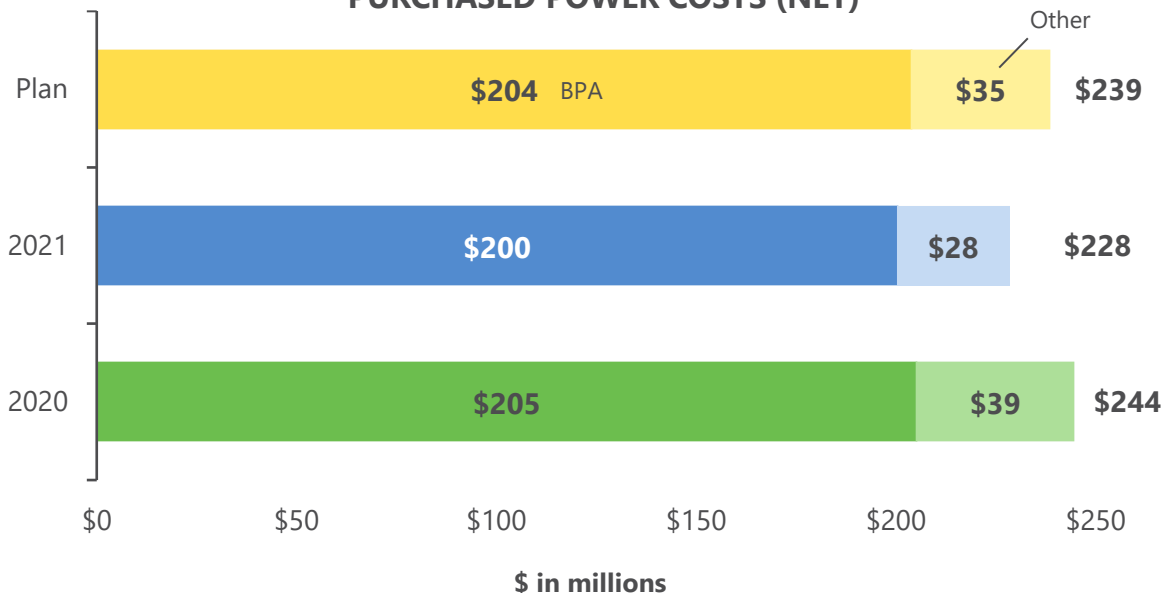
- Q3 drought conditions required purchasing wholesale energy at extremely high prices.

## RATE STABILIZATION ACCOUNT



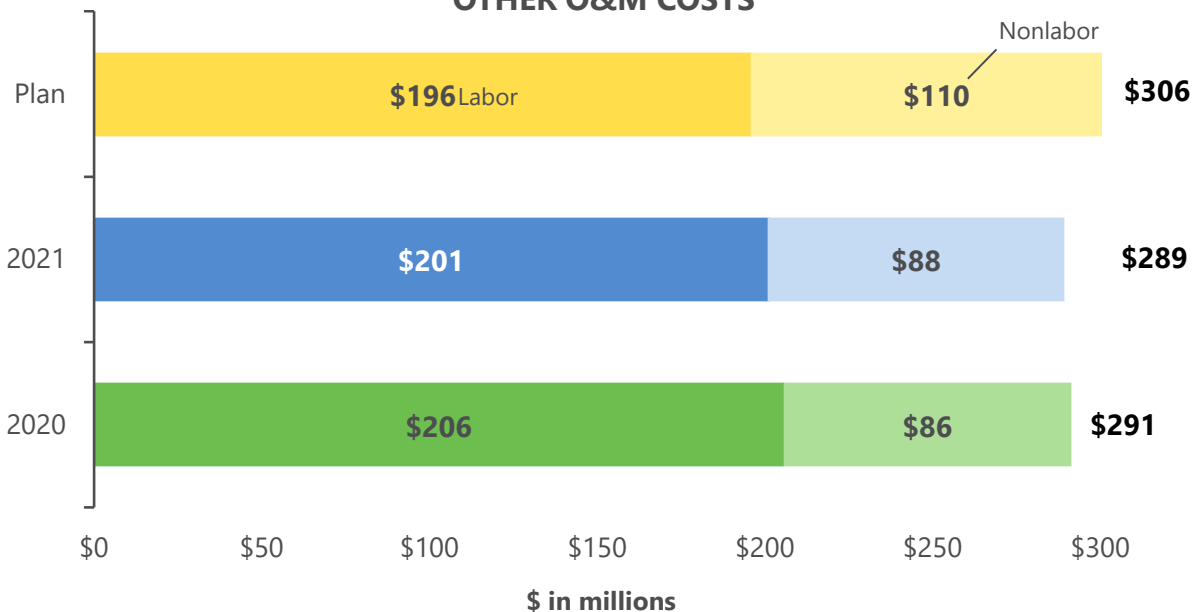
- The RSA balance was significantly reduced in Q3 due to low NWR. Legislation adopted by City Council on December 6, 2021 approved the discretionary transfer of funds into the RSA to prevent a surcharge from triggering. A \$15 million transfer was made in December, which brought the RSA balance near its \$100 million target balance at year-end. No surcharges are expected in 2022 given the current NWR outlook.

### PURCHASED POWER COSTS (NET)



- Non-BPA net costs are \$6.3M lower than Plan due mostly to lower than planned production costs at Lucky Peak and higher than planned net power marketing revenue.
- BPA costs are \$4.2M below Plan due primarily to BPA's new rates effective October 1.

### OTHER O&M COSTS



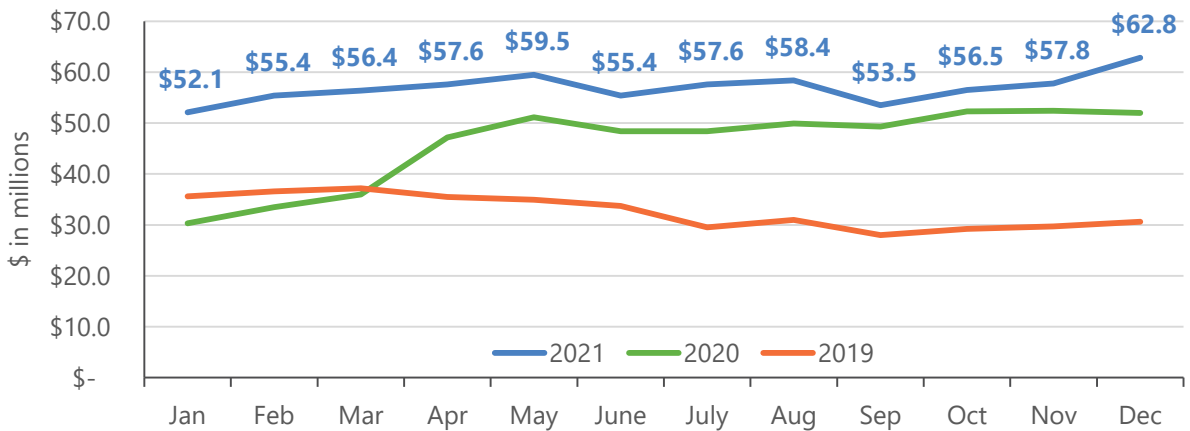
- Nonlabor O&M costs were \$22M below Plan due to significantly lower than planned consulting, travel, training and other services costs.
- Labor costs exceeded Plan by \$5M due primarily to higher than anticipated overtime costs.

## OTHER REVENUE & EXPENSE (NET)

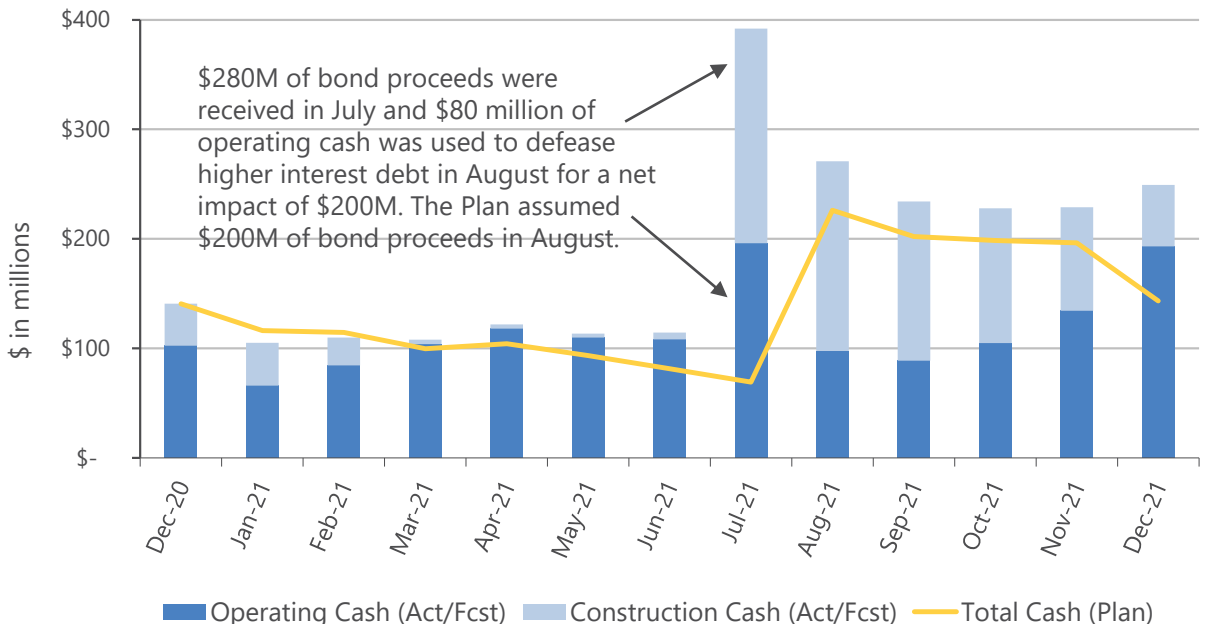
\$ in millions	2020	2021	Plan	Variance-Plan
<b>Other Revenue</b>	<b>\$37.9</b>	<b>\$31.5</b>	<b>\$31.3</b>	<b>\$0.2</b>
<b>Other Expense</b>	<b>\$64.3</b>	<b>\$63.7</b>	<b>\$61.0</b>	<b>\$2.7</b>
Uncollected Revenue	\$20.6	\$15.8	\$13.4	\$2.4
State & Franchise Taxes	\$43.7	\$47.9	\$47.6	\$0.3
<b>Other Revenue (Expense) - net</b>	<b>(\$26.4)</b>	<b>(\$32.1)</b>	<b>(\$29.7)</b>	<b>(\$2.5)</b>

- Net other revenue is \$2.5M below Plan due primarily to higher than planned uncollectible revenue, partially offset by higher than planned rental and other O&M income.
- Uncollectible revenue came in \$2.4M above 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 remained above 2020 levels throughout 2021 with a December peak of \$62.8M. 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	\$954.1	\$919.3	\$34.8	2
RSA Surcharge Revenue	\$7.0	\$7.4	(\$0.4)	--
Net Wholesale Revenue	\$37.6	\$60.0	(\$22.4)	3
RSA Transfers (net)	(\$2.5)	(\$8.2)	\$5.7	--
Other Revenue (expense)	(\$32.1)	(\$29.7)	(\$2.5)	5
<b>Total Revenue</b>	<b>\$963.9</b>	<b>\$948.8</b>	<b>\$15.1</b>	--
Purchased Power (net) <sup>(2)</sup>	\$228.0	\$238.5	(\$10.5)	4
Other O&M <sup>(3)</sup>	\$289.3	\$306.3	(\$17.0)	4
<b>Total Expense</b>	<b>\$517.3</b>	<b>\$544.9</b>	<b>(\$27.6)</b>	--
<b>Amount Available for Debt Service</b>	<b>\$446.6</b>	<b>\$404.0</b>	<b>\$42.7</b>	--
Debt Service	\$216.1	\$224.4	(\$8.3)	--
Debt Service Coverage	2.07	1.80	0.27	--
Net Income	\$198.4	\$110.8	\$87.6	--
Debt to Capitalization Ratio	56.1%	57.8%	-1.7%	--
<b>Liquidity</b>				
Operating & Construction Cash @ December 31, 2021	\$249.3	\$143.3	\$105.9	5
Rate Stabilization Account @ December 31, 2021	\$99.4	\$105.1	(\$5.7)	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	Full Year 2021		
\$ millions	Actuals	Budget	Diff
<i>O&amp;M</i>			<b>- Over / + Under</b>
Purchased Power	\$302.3	\$331.9	\$29.6
Utility Operations & Administration	\$377.4	\$397.1	\$19.7
Taxes and Debt Service	\$321.7	\$331.0	\$9.3
<b>O&amp;M Total</b>	<b>\$1001.5</b>	<b>\$1060.1</b>	<b>\$58.6</b>
% of Annual Budget	94.5%	100.0%	5.5%
<b>CIP Total</b>	<b>\$455.3</b>	<b>\$586.4</b>	<b>\$131.1</b>
% of Annual Budget	77.6%	100.0%	22.4%
<b>Total Budget</b>	<b>\$1456.7</b>	<b>\$1646.4</b>	<b>\$189.7</b>
% of Annual Budget	88.5%	100.0%	11.5%

**Purchased Power** came in \$29.6 million under budget. Higher short term purchased power was offset by lower long term purchased power costs, partially from lower BPA costs.

**Utility Operations and Administration** underspend of \$19.7 million is primarily attributable to non-labor under expenditures.

**Taxes and Debt Service** underspend of \$9.3 million is due primarily to lower interest rates and front-loaded debt optimization savings from the 2020 debt issue.

**CIP** underspend was \$131.1 million . The accomplishment rate was 77.6%, which does not meet the 90% achievement target for 2021.

# 2023- 2028 Strategic Plan PIA Update

2022 – 2026 Plan

Program detail for 2023 – 2028 Plan Update

Business Strategy	Objective(s)	Projects, Initiatives, Activities (PIAs)	New 2023 – 2028 PIA Program Detail
Improve the customer experience	Consistently meet customers’ needs by providing employees with the opportunities and training required to deliver targeted and responsive solutions.	Integrate the ‘voice of the customer’ into our organizational culture	<b>Customers First</b> - Key program elements: <ul style="list-style-type: none"> <li>Customers First Strategy and Roadmap; Governance Charter; Communications Plan.</li> <li>Engineering Culture Assessment Findings; Improvement Action Plans; Long-term Culture Assessment Plan</li> <li>Complete Core Services Journey maps and associated process improvement recommendations</li> <li>Scope and define Customer Personas &amp; Segmentation</li> <li>Empathy training delivered to utility staff who work with customers</li> </ul>
		Strengthen and fix core customer services	<b>Utility Assistance Program Evaluation</b> - Conduct an integrated, holistic evaluation of SCL and SPU affordability/assistance programs, focused on those programs represented by the in-development UAP Automation ECM project: UDP, SCL’s ELIA/EBA and Project Share, and SPU’s Emergency Assistance Program
			<b>Specialized Customer Support</b> – Implement improved consistency in customer messaging including website and Contact Center interactions. Establish a Customer Support team focused on responding to customer billing concerns.
			<b>Billing Processes</b> – Implementation of an estimated usage table to be used on residential accounts to address some of the billing issues we experience during normal business that has a negative impact on the customer experience.
		Expand customer service options	<b>Service to Bill</b> - Develop clear list of Service to Bill recommendations including Engineering cost estimation, Construction Ready, Planning & Scheduling and Planned Outages) and implement according to schedule. Reduce delivery times for new service connections.
			<b>Renewable Plus</b> – Develop plan to launch Renewable Plus program in 2024, providing large customers with a bundled solar/wind energy/Renewable Energy Certificates product to help them meet their sustainability goals.

			<p><b>Digital Marketplace</b> – Launch digital marketplace where customers purchase efficient products, are supported in their transition to electric transportation and experience higher satisfaction with the City Light digital experience. The digital marketplace will provide products appropriate for renters, special incentives for UDP customers, and work toward universal accessibility of the City Light website.</p> <p><b>Demand Response Pilot</b> - Launch a demand response pilot program that will deliver on commitments expressed in the Clean Energy Implementation Plan (CEIP – requirement of the Clean Energy Transformation Act), IRP, and Grid Mod plan. Results from the pilot will inform a future CEIP demand response targets. The demand response pilot program design will incorporate geographic (census level), participation (type of occupant) and workforce considerations.</p> <p><b>Customer Technologies</b> - Providing customers with increased opportunities for self -service by completing customer-facing technology projects e.g., Fusion, Portal, Utility Assistance Portal, and deliver value to customers from AMI and other technology investments as identified in the Utility Technology roadmap.</p>
	<ol style="list-style-type: none"> <li>1. Build and maintain a smart, resilient, flexible, dynamic, and reliable grid infrastructure.</li> <li>2. Prepare for the increased integration of distributed energy resources and more customer options.</li> <li>3. Work to reverse historic inequities and avoid collateral harm to underserved populations by intentionally prioritizing their needs as we create our energy future.</li> </ol>	Utility Next Portfolio	<p><b>Utility Next</b> - Aggressively compete for state and federal funding from Infrastructure Package and Build Back Better. Create Our Energy Future investments will focus on benefits primarily in Environmental Justice Communities. This emphasis aligns with the Justice 40 initiative, which commits to delivering on the overall benefits of the Federal climate, clean energy, affordable and sustainable housing, clean water, and other investments to disadvantaged communities that have been historically marginalized, underserved, and burdened by pollution.</p>
		Grid Modernization Program	<p><b>Grid Modernization</b> – Implement grid modernization roadmap. Implementing Grid Modernization projects and programs will ensure a continually reliable grid for increasing electrification.</p> <ul style="list-style-type: none"> <li>• <b>DER Strategy</b>- Development of a comprehensive utility and customer owned DER strategy covering interconnection standards, programmatic offerings, planning integration and tools, and clearly defined roles and responsibilities across the organization. This will also inform and help define a role for DERs in the supply portfolio.</li> </ul>
		Implement electrification plans	<p><b>Building Electrification</b> – Develop a long-term strategy for Building Electrification including policy objectives for the 2022 legislative session and rebranding of the Lighting Design Lab as an electrification resource center.</p> <p><b>Transportation Electrification</b> – Implementation of the Transportation Electrification Strategic Investment Plan including reducing barriers to investing in charging infrastructure in our service territory by reducing the cycle time from application for service-to-service connection and increased personal mobility and fleets programs.</p>

		Integrated Distribution System and Resource planning	<p><b>Integrated System and Resource Plan</b> - Implement integrated <u>Distribution, Transmission, and Generation resource planning</u>. The plan includes:</p> <ul style="list-style-type: none"> <li>• Clear and consistently applied definition of integrated system planning, including documented procedures that define planning processes involving generation, transmission &amp; distribution systems</li> <li>• Incorporates and accounts for next generation system architecture, including grid flexibility, DERs, and Non-wires alternatives as part of the system plan and evaluated in planning processes on consistent basis</li> <li>• Clearly defined approach to incorporating Integrated System Plan requirements into Financial Plan</li> <li>• Advanced supply resource strategy that layers strategic &amp; policy objectives (e.g., IRP, CPA, CETA) on top of compliance requirements</li> </ul>
		Demonstrate Leadership and Collaboration	<p><b>Market Development (New for 2023 – 2028 plan)</b></p> <ul style="list-style-type: none"> <li>• Provide regional leadership for western market development to help ensure region selects clear path forward.</li> <li>• Ensure that the utility is well positioned to be effective in future landscape, including identifying necessary programs/services to participate in, and securing appropriate legislative approvals to do so.</li> </ul>
<b>Develop workforce &amp; organizational agility</b>	Foster an organization that is nimble, adaptive, and responsive and cultivate a workforce with the skills and knowledge to advance social justice.	Enterprise Change Management program	<p><b>Change management program</b> - 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. Includes Business Process Management efforts.</p>
		Build an agile workforce	<p><b>Future of Work</b> - Develop and implement a strategy for the “Future of Work” that includes office space, labor negotiations, safety protocols, performance expectations and accountability agreements, employee development, training, develop a culture of accountability and outcomes.</p>
			<p><b>Broadening recruitment network to reach more diverse applicant pool</b> - Develop a strategy to increase diversity in all positions. Implement the Puget Sound Utility strategy to increase diversity in the trades.</p>
	<p><b>Build a comprehensive employee development strategy</b></p> <ol style="list-style-type: none"> <li>a) Build upon Emerging Leaders program to include accountability/adoption</li> <li>b) Professional development of existing staff</li> <li>c) Safety training and development</li> <li>d) Customer service training</li> </ol>		



			<p><b>Build a comprehensive leadership development strategy</b></p> <ul style="list-style-type: none"> <li>a) On-call coaching</li> <li>b) Talk like a leader series</li> <li>c) Operational Excellence</li> <li>d) People Leader Forum</li> </ul> <p><b>Continuous improvement efforts focused on improving employees’ experience and the workplace culture</b></p> <ul style="list-style-type: none"> <li>a) Implement a human resource management strategy driven by data analytics - Make data-driven decisions utilizing available data to improve the employee experience and performance outcomes.</li> <li>b) Develop a labor strategy to effectively engage our labor partners (e.g., Implement Interest Based Bargaining for LMC with IBEW Local 77)</li> <li>c) Resolve employee issues in a timely manner</li> <li>d) Conduct current culture survey</li> <li>e) Employee engagement efforts</li> </ul> <p><b>Address racial and social inequities through advancement of the City’s Race and Social Justice initiative, workplace management, and outreach</b></p> <ul style="list-style-type: none"> <li>a) Provide more virtual learning spaces and educational resources for employees</li> <li>b) Launch new Racial Equity Analysis project.</li> <li>c) RSJ Program staffing</li> </ul>
<p><b>Ensure financial health &amp; affordability</b></p>	<p>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.</p>	<p>Control Rate Increases</p>	<p><b>Implement strategy to deliver rate increases that look like inflation –</b></p> <ul style="list-style-type: none"> <li>a) Train for strong financial acumen, budget management, purchasing and payments</li> <li>b) Implement financial project restructure for operations (WAMS) in 2023 budget</li> <li>c) Debt management strategy – fund CIP with a prudent level of revenue to manage overall level of debt</li> <li>d) Control size of CIP through CARE portfolio management and improved capital project management</li> </ul>
		<p>Price Services for the Future</p>	<p><b>Rate Options –</b>Deliver customers pricing plan options in 2024.</p> <ul style="list-style-type: none"> <li>a) Time of Day (TOD) rates legislated in 2023-2024 rate ordinance</li> <li>b) Billing system reprogrammed to simplify fees across rate classes- utilize riders for franchise differentials, etc.</li> <li>c) Pilot: TOD commercial and residential pilot customers migrated to automated billing</li> <li>d) Change management for customer service staff and customer communications for 2024 rate rollout</li> </ul>

		Road to Recovery	<b>Implement Road to Recovery recommendations</b> – Implement comprehensive road to recovery project including bill clean-up, flexible payment plans, and expanded energy assistance; be ready to resume service collection of late fees and active collections/service disconnection/reconnection by Q2 2022 reduce outstanding receivables balance.
<b>We power</b>	<ul style="list-style-type: none"> <li>Continue to advance our mission to provide our customers with affordable, reliable, and environmentally responsible energy services</li> <li>Prioritize diversity, equity, and inclusion in all that we do</li> <li>Actively manage and mitigate the constraints, risks, and uncertainty of operating in a COVID-adjusted environment</li> </ul>	We Power	<b>We Power</b> - Division dashboards 4 – 6 per year developed.
		Skagit Relicensing (New for 2023 – 2028 plan)	<b>Relicensing activities including -</b> <ul style="list-style-type: none"> <li>Comprehensive settlement achieved and license application submitted</li> <li>Off license settlement agreements with Tribes</li> <li>Area between Gorge dam and the powerhouse is rewatered</li> </ul>
		Investment in core infrastructure is prioritized (New for 2023 – 2028 plan)	<b>Investments in infrastructure</b> - Ensure that investment decisions are aligned with, support, and accelerate strategic direction to build next generation grid architecture - incorporate new concepts and technologies (DERs, NWS, automation) as part of planning and decision making.  <b>Investments include -</b> <ul style="list-style-type: none"> <li><u>Accelerated Pole Replacement Program</u> plan put in place to ensure adequate investment over time; complete 2022 replacement target of 1700 poles</li> <li>Policies, approach, and funding strategies developed for failing cable in <u>underground system</u></li> <li>Work continues at <u>substations</u> to upgrade transformers and switchgear as well as resiliency enhancements. Improve ancillary systems and facilities including powerhouse systems</li> <li>Plan for reconductoring in <u>network and looped radial</u> to increase capacity is developed with funding strategy</li> <li>Upgrades to <u>generation</u> assets</li> </ul>

Seattle City Light

Strategic Plan Update (2023-2028)

PRELIMINARY DRAFT

Updated 3/17/22

## 1. Ready, set, go

As a public utility, our customers and the communities we serve define Seattle City Light's goals. We deliver affordable, reliable, and environmentally responsible power. And we strive to keep the power on, even in challenging situations like extreme weather, population growth, and ever-changing technological demands.

We've faced unparalleled challenges over the past two years. Still, City Light has met each one with resilience, ingenuity, and determinedness. This is to the credit of our incredible workforce and the understanding that no matter the disruptions we face, we are a team with a clear vision of where we want to go and a map for getting there. City Light's Strategic Plan is our guide. It reminds us of our shared purpose and keeps us pointed in the direction of our long-term goals while we navigate the uncertainty of the present.

City Light develops a full Strategic Plan every six years to outline the key strategies that guide our work. We update this plan regularly to reflect current conditions, report on our progress, and make necessary adjustments. This includes incorporating customer and community feedback to ensure our plans and our day-to-day work continue to reflect diverse needs and perspectives.

In May 2021, the City Council and Mayor adopted a 5-year 2022-2026 strategic plan, having lost a planning year during the pandemic. This update puts us back on our regular six-year trajectory. More than that, it's an opportunity for us to further clarify our shared goals as we move into a post-pandemic reality. The 2022-26 plan helped us keep our sights set on the future as we dealt with the disruption of the pandemic. With that disruption behind us, it's time to get going. That's what this update is about—acknowledging the progress we've made, reaffirming our vision, and putting our strategies into action. Ready, set, go!

## 2. Our Strategies

The update is organized around the following business strategies:

- Improve the Customer Experience
- Create our Energy Future
- Develop Workforce and Organizational Agility
- Ensure Financial Health and Affordability
- We Power

The fundamentals of the Strategic Plan remain unchanged for the 2023-2028 update. We are delivering on our investments to maintain current service levels and additional strategic investments to enhance service and improve productivity.

Improve the Customer Experience	
<p>We are focused on engaging with our customers and helping employees see the impact of their actions from the customers’ perspective.</p> <p>When we listen to our customers and act on what we hear, we can better anticipate needs, deliver excellent service, and help our customers make smart energy choices that help them and the planet.</p>	
Projects, Initiatives, Activities	What does it look like?
<p><b>Integrate the ‘voice of the customer’ into our organizational culture.</b></p>	<p>Developing a <b>Customers First Strategy and Roadmap</b> and holding <b>empathy trainings</b> for utility staff to better understand our customers’ diverse needs and perspectives and keep them front and center when making decisions and delivering services.</p>
<p><b>Strengthen and fix core customer services</b></p>	<p>Conducting a <b>Utility Assistance Program Evaluation</b> to ensure our customer assistance and affordability programs are accessible, effective, and help as many eligible customers as possible.</p> <p>Establishing a <b>Specialized Customer Support</b> team to address complex billing issues and implementing new <b>billing processes</b> to improve customer interactions and address billing issues.</p> <p>Implementing <b>Service to Bill</b> recommendations to reduce delivery times for new service connections.</p>
<p><b>Expand customer service options</b></p>	<p>Planning to launch <b>Renewable Plus</b> program, <b>Digital Marketplace</b>, and <b>Demand Response</b> pilot to improve energy efficiency options to help customers meet their sustainability goals.</p> <p>Implementing <b>Customer Technology</b> projects to enable us to give customers more self-service opportunities.</p>
Create our energy future	

Our energy future is based on carbon-free renewable resources. 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.

Creating our energy future involves:

- Building and maintaining a smart, resilient, flexible, dynamic, and reliable grid infrastructure.
- Preparing for the increased integration of distributed energy resources and more customer options.
- Working to reverse historic inequities and avoid collateral harm to underserved populations by intentionally prioritizing their needs.

Projects, Initiatives, Activities	What does it look like?
<b>Utility Next Portfolio</b>	Continuing our commitment to compete for state and federal grants that will augment and accelerate progress in grid modernization and electrification.
<b>Grid Modernization Program</b>	Implementing <b>grid modernization projects and programs</b> to enhance and update our grid to support our customers as they convert their buildings and transportation to electric.
<b>Implement electrification plans</b>	Develop and implement strategies to build policy support for <b>building electrification</b> and reduce barriers to investing in <b>transportation electrification</b> infrastructure.
<b>Integrated Distribution System and Resource planning</b>	Implement an integrated <b>Distribution, Transmission, and Generation Resource Plan</b> that modernizes our system architecture.
<b>Demonstrate Leadership in Western Market Development</b>	Providing leadership to develop a <b>western energy market</b> to ensure the capacity and availability of carbon-free resources and support the development of regional solutions.

**Develop workforce & organizational agility**

Our industry is transforming quickly, and so are our customers’ needs. We must invest in our people and processes. We are fostering an organization that is nimble, adaptive, and responsive. And we are cultivating a workforce with the skills and knowledge to advance social justice.

Projects, Initiatives, Activities	What does it look like?
<b>Enterprise Change Management program</b>	Established a <b>Change Management Program</b> to help employees adapt to, and make the most of, changing job functions, business processes, and technology.

<p><b>Build an agile workforce</b></p>	<p>Developing and Implementing a <b>Future of Work</b> strategy that encompasses reimagining workspace for a hybrid work environment; broadening recruitment, employee development and training; and developing a culture of accountability and outcomes.</p>
<p><b>Ensure financial health &amp; affordability</b></p>	
<p>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.</p> <p>We are focused on supporting 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.</p>	
<p><b>Projects, Initiatives, Activities</b></p>	<p><b>What does it look like?</b></p>
<p><b>Control Rate Increases</b></p>	<p>Implement a strategy to deliver rate increases that reflect inflation.</p>
<p><b>Price Services for the Future</b></p>	<p>Implement <b>rate options</b>, such as Time of Day rates, to give customers more control over their bills.</p>
<p><b>Road to Recovery</b></p>	<p>Implementing a comprehensive, <b>customer-focused road to recovery</b> project to resume collection activities. This process will include the expansion of repayment and financial assistance options for customers. Our focus is to help our customers as they emerge from the Covid-19 pandemic.</p>
<p><b>Enhanced Financial and Strategic Planning</b></p>	<p>Continuing to <b>integrate financial and strategic planning</b> to ensure strategic projects and initiatives are adequately resourced.</p>
<p><b>We Power</b></p>	
<p>“We Power” 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.</p> <p>Our commitment to our core business operations and delivering value to our customers includes:</p> <ul style="list-style-type: none"> <li>• Continuing to advance our mission to provide our customers with affordable, reliable, and environmentally responsible energy services</li> <li>• Prioritizing diversity, equity, and inclusion in all that we do</li> <li>• Actively managing and mitigating the constraints, risks, and uncertainty of operating in a COVID-adjusted environment</li> </ul>	
<p><b>Projects, Initiatives, Activities</b></p>	<p><b>What does it look like?</b></p>

<p><b>We Power</b></p>	<p>Develop <b>dashboards</b> for each line of business to track our progress and hold ourselves accountable.</p>
<p><b>Skagit Relicensing (New PIA for 2023 – 2028 plan)</b></p>	<p>Relicense the <b>Skagit River Hydroelectric Project</b> under the Federal Energy Regulatory Commission (FERC) so that the project can continue to provide clean, carbon-free energy while also safeguarding the cultural and natural resources of the area.</p>
<p><b>Investment in core infrastructure is prioritized (New PIA for 2023 – 2028 plan)</b></p>	<p>Prioritizing investments in core infrastructure and <b>incorporating new concepts and technologies</b> to accelerate grid modernization.</p>

Accomplishment highlights: (sidebar? Aim for 6-8)

- **Delivering Power in Extreme Weather**  
 From windstorms and record snow in the winter and fall to record-breaking triple-digit temperatures in the summer, 2021’s extreme weather caused many large-scale outages and high peak energy usage. Through it all, City Light responded quickly and safely to get the power back on and manage power loads to ensure the system could handle increased use.
  - **Creating Shelter for Unhoused Neighbors**  
 Working with other City of Seattle partners, City Light has turned its former Power Control Center on Roy St. in Seattle’s Uptown neighborhood into a 24-hour shelter for up to 40 unhoused individuals. The shelter will be managed by the Seattle Indian Center.
  - **Replacing Aging Infrastructure**  
 The Boundary Hydroelectric Project installed a brand new 772,000-pound rotor in one of its six generators. A rotor is a crucial piece of a generator. This upgrade will enable the generator to operate at optimum speed, increasing energy output and providing carbon-free, reliable power for the next 40+ years.
  - **Installing EV Charging Stations**  
 City Light continues efforts to install and operate publicly-accessible electric vehicle fast chargers throughout its service area. In 2021, City Light installed six new rapid chargers in its franchise cities, including five in Tukwila in the heart of downtown Burien.
- Earning a Place on the Clean Energy Leaderboard**
- In April 2021, the Smart Electric Power Alliance (SEPA), a nonprofit organization that envisions a carbon-free energy system, announced that City Light earned a spot on its 2021 Utility

Transformation Leaderboard. The recognition results from City Light's participation in SEPA's Utility Transformation Challenge—an assessment of U.S. electric utilities' efforts to embrace the transition to a clean and modern energy future.

- **Greening Up Our Community**

City Light and the Washington State Housing Finance Commission's (WSHFC) Sustainable Energy Trust were selected as 2021 Green Power Leadership Award winners by the Center for Resource Solutions. The award recognized the two agencies for removing barriers for low- and moderate-income communities to install solar energy projects. Along with affordable financing through WSHFC's Sustainable Energy Trust, communities can access funding through Light's Green Up Community Program. When customers participate in Green Up, City Light purchases regional renewable energy credits on their behalf to fund community rooftop solar projects.

- **Exploring Renewable Hydrogen with the Port of Seattle**

In 2021, a team led by City Light, Pacific Northwest National Laboratory and Sandia National Laboratories began exploring a potential shift from fossil fuel to clean hydrogen fuel to power medium- and heavy-duty vehicles at the Port of Seattle. Clean hydrogen fuel is expected to significantly reduce greenhouse gas emissions, particularly in the maritime and trucking industries, which are harder to decarbonize. This work is supported by two awards from the U.S. Department of Energy totaling \$2.12 million to help meet emission reduction goals set by City Light and the Port.

- **Organizational change management office**

City Light has established a formal change management program to provide consistent structure, standards, training, coaching, and resources to help employees adapt to, and make the most of, changing job functions, business processes, and technology. The program is fully staffed and initial projects are underway.

- **Customer Assistance**

City Light is focused on ensuring all customers have access to clean energy, no matter their income. No one should be without power. We are working with City and community partners to increase the effectiveness of our utility bill assistance programs.

### Initiative Spotlights – Important things we're working on:

- **Market Development**

Western states are increasingly challenged by climate change, drought and reduced hydropower. Meanwhile, customer demand for more and cleaner electricity is increasing, due to transportation electrification, building electrification and increased commercial development. City Light is coordinating with other energy leaders across the West to drive energy market solutions that address collective concerns across our geographically diverse region and take advantage of the West's abundant, diverse resources. Through participation in efforts like the Western Energy Imbalance Market, the Western Resource Adequacy Program, and the West Markets Exploratory Group, City Light is helping create a more



modernized electric grid to deliver a cleaner, reliable, and more affordable energy future for everyone.

- **Skagit Relicensing**

City Light is in the process of relicensing the Skagit River Hydroelectric Project, a series of three dams that provide 20 percent of City Light’s power. Renewing our federal operating license will allow City Light’s Skagit Project to continue producing clean, carbon-free energy while also safeguarding the area's cultural and natural resources. City Light is working with 38 partner organizations and consulting parties—including federal and state agencies, Indian tribes, and non-governmental organizations—to gather information needed to ensure the protection of natural and cultural resources within the Skagit Project area for the duration of the new license. In March 2022, City Light filed the Initial Study Report (ISR) with the Federal Energy Regulatory Commission. The ISR provides initial results from 33 studies that are being done to inform the actions that City Light will take to manage and protect the cultural, environmental, and recreational resources of the Skagit River watershed under the next license.

- **Investment in Critical Infrastructure**

City Light is prioritizing investments in core infrastructure. Thanks to committed crews and staff, we were able to have significantly accelerated our pole replacement schedule—our goal is to replace 1700 utility poles by the end of 2022. Additionally, we have developed strategies to address our aging underground system to increase capacity. We are also continuing work to upgrade transformers and switchgear at substations, in addition to other resiliency enhancements.

### 3. Keeping Customer Bills Affordable and Stable

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. The Strategic Plan proposed a rate increase that averages a predictable x percent annually through 2028 for an average residential bill change of \$x.xx a month.

[Explain trajectory]

[INCLUDE GRAPHIC]

### 4. Message from Debra

## 5. Review Panel (sidebar)

The Seattle City Light Review Panel is comprised of nine members drawn from among City Light's customers, to review and assess City Light's strategic plan and provide an opinion on the merits of the plan and future revisions to it to the Mayor and the City Council

Anne Ayre, Industrial Customer Representative

Mikel Hansen, Commercial Customer Representative

Scott Haskins, Financial Analyst

Leo Lam, Residential Customer Representative

Kerry Meade, Non-profit Energy Efficiency Advocate

Michelle Mitchell-Brannon, Low Income Advocate

Joel Paisner, Suburban Franchise Representative

John Putz, At-Large Customer Representative

Timothy Skeel, Economist

## 6. Resources/ Links

- [Link to original plan](#)
- [Link to financial doc.](#)



# 2023-2028 Strategic Business Plan: Review Panel Letter Discussion

MARCH 23, 2022

Today we start  
discussion on the  
Panel letter

### **MARCH 23**

- PLAN OUTLINE + PRELIM TEXT
- UPDATED RATE PATH
- WHAT'S DIFFERENT IN THIS PLAN
- BEGIN DISCUSSION OF LETTER

### **APRIL 30**

- DRAFT PLAN TEXT
- FINAL PROPOSED RATE PATH
- CONTINUE DISCUSSION, BASED ON INITIAL DRAFT OF LETTER

*[REVISED DRAFT LETTER  
CIRCULATED BEFORE MAY 4]*

### **MAY 4**

- OUTREACH REPORT
- FINAL PLAN DOCUMENT
- FINALIZE LETTER

*[FINAL DRAFT CIRCULATED FOR  
SIGN OFF AFTER MEETING]*

# Reminder on Panel's role:

Per Ordinance 124740, adopted April 2015

## The Panel Shall:

- ▶ Review and assess City Light's strategic plan and provide an opinion on the merits of the plan and future revisions to it to the Mayor and City Council.
- ▶ The Council anticipates that the strategic plan will at a minimum consider
  - ▶ long term strategies to rehabilitate and maintain City Light's infrastructure
  - ▶ provide for labor-force continuity
  - ▶ maintain a portfolio of resources adequate to meet the needs of its customers, and
  - ▶ ensure continued regulatory compliance.
- ▶ Assist the Mayor and Council in engaging ratepayers in discussions of the merits and implications of the strategic plan and revisions thereto.

## Panel role (cont'd.)

- ▶ Review changes to City Light's rates not already authorized by the City Code and provide an opinion to the Mayor and Council on the adequacy and prudence of rate changes in light of adopted planning assumptions and financial policies.
- ▶ The Council continues to expect the Panel to provide the Mayor and the Council with analyses and recommendations on significant elements of the strategic plan including but not limited to
  - ▶ Financial policies
  - ▶ Cost allocation
  - ▶ Rate design
  - ▶ Operational efficiency
- ▶ ...and to submit its recommendations to the Mayor and the Council, or if a collective recommendation cannot be reached, a recommendation indicating the majority and minority positions and the rationales for those positions.



## Proposed process for today:

- *Work through Draft Topic Outline together, get Panel Member initial thoughts*
  - *Topic Outline based on work done to complete the 2021 Panel Comment Letter (copy in packets)*

**Seattle City Light Review Panel**

c/o L. Barreca, Seattle City Light  
P.O. Box 32023 Seattle, WA 98124-4023  
[CLRP@seattle.gov](mailto:CLRP@seattle.gov)

May 14, 2021

Mayor Jenny A. Durkan  
The City of Seattle  
600 Fourth Avenue  
P.O. Box 94749  
Seattle, WA 98124-4749

**RE: City Light Review Panel Comment Letter on Proposed 2022-2026 Seattle City Light Strategic Plan**

Dear Mayor Durkan:

This letter presents our comments on the proposed Seattle City Light (City Light) Strategic Plan for 2022-2026 (the Plan) in fulfillment of our duties as members of the City Light Review Panel set forth in Ordinance 124740.

We are pleased to endorse the Plan and support its adoption as presented. In a quickly evolving landscape, this Plan presents a comprehensive, ambitious and strategic set of goals that we believe are well suited to the challenges faced by City Light and its customers. This letter offers our further thoughts and suggestions to you and the utility moving forward.

At the outset, we want to thank General Manager and CEO Debra Smith for her exceptional leadership of the utility. She and her team have been very supportive of the Panel's role and have engaged with us transparently; they bring welcome and positive change to the utility.

**Successes and Challenges since adoption of the 2018 Strategic Plan**

Reflecting on how City Light has been impacted since the last Strategic Plan was approved three years ago, the COVID pandemic is at the top of the list of disruptions. It caused a sharp decline in electricity usage and a need to significantly adjust how City Light operates. City Light responded quickly and creatively. Employees worked in new ways and launched new efforts to assist customers. Reliability of our electric service was preserved throughout. The entire City Light team should be commended for their success here.

Nearly a year and a half since the beginning of the pandemic, the speed and nature of the economic recovery we all hope for is unclear. Due to the uncertainty of the pandemic, delivery of the Plan was delayed by a year – it is a 5-year plan, rather than the 6-year plans we have worked on with City Light before. We think the delay was the right move.



Successes we observe since issuance of the last strategic plan include:

- Positive changes in leadership at the top and across the utility.
- Increased participation in the Utility Discount Program.
- Pilot programs launched to test new rate design components including the Energy Equity Rate Pilot, Residential Time of Day (TOD) Pilot, Commercial TOD project and the Demand Response Rate Pilot.
- Improved load forecast methodology.
- Launching of the transportation electrification initiative.
- City Light remains in a strong financial position, with an AA bond rating that helps keeps the rate of borrowing low.

The Plan provides a vision, goals, and high-level initiatives to address several challenges facing City Light in the next few years. The Panel believes there are several pressing issues facing City Light; we identify these challenges below, as they each relate to one of the Plan's five "business strategies." Our comments below are not prioritized and are presented in the order in which the Business Strategies are presented in the Plan.

#### **Business Strategy: Improve the Customer Experience**

- Race and Social Justice. There is a need for a more robust social justice and equity response in all government does.
- Growing receivables. In the last year, 20% of City Light's residential customers and 14% of its commercial customers have gone into arrears on their electricity bills.

#### **Business Strategy: Create our Energy Future**

- Grid Modernization. City Light's aging electrical grid lacks the flexibility to provide many of the next generation of products and services that customers are beginning to expect.
- Balancing Policy Goals. The utility will need to balance financial and policy support for energy efficiency (reducing demand for electricity) with the new transportation electrification effort designed to increase demand for electricity.

#### **Business Strategy: Develop Workforce and Organizational Agility**

- Focus on Labor Costs. Negotiations have recently been completed with the IBEW to bring City labor costs for line workers in sync with recently approved significantly higher wages in our neighboring electrical utilities. These are critical workers in a competitive hiring environment; this new contract will impact operating costs going forward.

#### **Business Strategy: Ensure Financial Health and Affordability**

- Keeping Electric Service Affordable. We are very pleased that the Plan proposes an annual average rate increase over the next 5 years of 3.5% per year -- significantly lower

than the 4.5% annual average in the 2018-2024 Strategic plan. Moving forward, keeping rates at this reduced path will require continued vigilance.

- Rightsizing City Light's Capital Improvement Plan While Ensuring Assets are Maintained. The Panel would like to see a reduction in the rate pressures created by City Light's large annual debt repayment obligations. While use of debt financing does increase affordability in the short term, over time, over dependence on debt will overburden the organization financially. We look forward to working with management to examine alternative ways of financing ongoing system investments. City policy requires City Light to fund its capital improvements with at least 40% operating cash, with the balance coming from borrowing: issuing debt. Funding debt service coverage remains the largest single rate driver for City Light in the 2022-2026 Plan.
- Declining Retail Demand. City Light is continuing to experience year over year declines in the demand for electricity, and there is a major question mark about how and when commercial demand for electricity, in particular, will recover as we move beyond the COVID pandemic. City Light's reliable and comparably low-cost electricity is a critical foundation for our economy, and economic development helps boost revenues for the City in many areas.
- Rate Design. City Light's outdated rate structure under-recovers fixed per customer costs and lacks time of use rates or interruptible rates (the latter two items are under study in pilot projects). Revisions to the utility's rate structure have been put on hold by COVID and we hope will be taken up by the City later this year.
- Reserve Fund Targets. The potential benefits to ratepayers from reducing the target reserve levels in the Rate Stabilization Account (RSA) should be seriously considered. The RSA was established to offset variability in wholesale power revenues that today are a much smaller dollar amount annually than was the case when the RSA was established.

#### **Business Strategy: We Power (maintaining core utility functions)**

- Environmental Stewardship. We see a continued need to respond to our region's deeply held environmental values in the operation of the City's hydroelectric assets.

The Panel intends to be fully engaged with City Light on all these challenges moving forward. Success of the Plan will be based on execution; in filling in the details around the high-level initiatives presented and identifying and tracking meaningful metrics to measure success. Due to the consideration of so many interconnected variables, this Strategic Plan contains fewer tactical elements than previous plans. There is tremendous work ahead, and we support the goals laid out in the Plan. The utility will need to be nimble as the uncertainties before us are significant – particularly as to the pace of transportation electrification, and the shape of the economic recovery.

## Conclusion

The world in which City Light operates is changing rapidly. The Strategic Plan addresses this uncertainty in many ways, positioning the utility to respond effectively to a range of current and future challenges, all with a significant reduction in the annual growth of electric rates as compared to the prior strategic plan.

We are pleased to support this new Strategic Plan and we look forward to working with the utility on its implementation. We thank CEO Debra Smith, her staff team, as well as the staff from the City Council and Budget Offices all of whom support the work of the City Light Review Panel. It is a pleasure to work with such dedicated, excellent public servants. We thank you, Mayor Durkan, and the Council, for your continued support of our efforts as citizen volunteers serving on the Review Panel, and for your work on behalf of the ratepayers of City Light.

We would welcome the opportunity to speak with you and the City Council about the recommendations in our letter.

Sincerely,

## Members of the City Light Review Panel<sup>1</sup>



**Leon Garnett**  
Panel Chair  
Panel Position #7  
Low Income Customer Advocate



**Mikel Hansen**  
Panel Vice-Chair  
Panel Position #5  
Commercial Customer Representative



**Anne Ayre**  
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**Tim Skeel<sup>2</sup>**  
Panel Position #1  
Economist

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<sup>2</sup> Appointment pending.

Honorable Jenny A. Durkan  
May 14, 2021  
Page 4

## **Seattle City Light Review Panel**

c/o L. Barreca, Seattle City Light  
P.O. Box 32023 Seattle, WA 98124-4023  
[CLRP@seattle.gov](mailto:CLRP@seattle.gov)

### **MARCH 2022 SEATTLE CITY LIGHT STATUS**

May 14, 2021

Mayor Jenny A. Durkan  
The City of Seattle  
600 Fourth Avenue  
P.O. Box 94749  
Seattle, WA 98124-4749

#### **RE: City Light Review Panel Comment Letter on Proposed 2022-2026 Seattle City Light Strategic Plan**

Dear Mayor Durkan:

This letter presents our comments on the proposed Seattle City Light (City Light) Strategic Plan for 2022-2026 (the Plan) in fulfillment of our duties as members of the City Light Review Panel set forth in Ordinance 124740.

We are pleased to endorse the Plan and support its adoption as presented. In a quickly evolving landscape, this Plan presents a comprehensive, ambitious and strategic set of goals that we believe are well suited to the challenges faced by City Light and its customers. This letter offers our further thoughts and suggestions to you and the utility moving forward.

At the outset, we want to thank General Manager and CEO Debra Smith for her exceptional leadership of the utility. She and her team have been very supportive of the Panel's role and have engaged with us transparently; they bring welcome and positive change to the utility.

#### **Successes and Challenges since adoption of the 2018 Strategic Plan**

Reflecting on how City Light has been impacted since the last Strategic Plan was approved three years ago, the COVID pandemic is at the top of the list of disruptions. It caused a sharp decline in electricity usage and a need to significantly adjust how City Light operates. City Light responded quickly and creatively. Employees worked in new ways and launched new efforts to assist customers. Reliability of our electric service was preserved throughout. The entire City Light team should be commended for their success here.

Nearly a year and a half since the beginning of the pandemic, the speed and nature of the economic recovery we all hope for is unclear. Due to the uncertainty of the pandemic, delivery of the Plan was delayed by a year – it is a 5-year plan, rather than the 6-year plans we have worked on with City Light before. We think the delay was the right move.

Successes we observe since issuance of the last strategic plan include:

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- Improved load forecast methodology.
- Launching of the transportation electrification initiative.
- City Light remains in a strong financial position, with an AA bond rating that helps keeps the rate of borrowing low.

The Plan provides a vision, goals, and high-level initiatives to address several challenges facing City Light in the next few years. The Panel believes there are several pressing issues facing City Light; we identify these challenges below, as they each relate to one of the Plan's five "business strategies." Our comments below are not prioritized and are presented in the order in which the Business Strategies are presented in the Plan.

### **Business Strategy: Improve the Customer Experience**

- Race and Social Justice. There is a need for a more robust social justice and equity response in all government does.

**2022 Status:** City Light has continued to enhance its commitment to Race, Social Justice, Equity, and Inclusion (RSJI). Staffing in this area has been increased from one to three staff, providing additional resources to support utility programs. The City Light RSJI Change Team participation in program/budget development to increase the integration of RSJ/DEI principles in programs.

- Growing receivables. In the last year, 20% of City Light's residential customers and 14% of its commercial customers have gone into arrears on their electricity bills.

**2022 Status:** The Road to Recovery program is a comprehensive in-progress effort that includes bill clean-up, flexible payment plans, and expanded energy assistance. City Light expect to be ready to resume service collection of late fees and active collections/service disconnection/reconnection by **Q2 2022** reduce outstanding receivables balance.

### **Business Strategy: Create our Energy Future**

- Grid Modernization. City Light's aging electrical grid lacks the flexibility to provide many of the next generation of products and services that customers are beginning to expect.

**2022 Status:** The Grid Modernization program is underway. Periodic updates will be included as per the Review Panel workplan.

- Balancing Policy Goals. The utility will need to balance financial and policy support for energy efficiency (reducing demand for electricity) with the new building electrification

effort designed to increase demand for electricity.

**2022 Status:** City Light continues to advance its electrification strategy, and also continues to deliver efficiency savings in line with I-937 requirements. We are also studying opportunities to target investments in efficiency measures in a way that allows lower cost of integrating new electrification load. For example, demand response deployment in areas where electrification may be expanding beyond available grid capacity could help alleviate congestion and avoid building new infrastructure.

### **Business Strategy: Develop Workforce and Organizational Agility**

- Focus on Labor Costs. Negotiations have recently been completed with the IBEW to bring City labor costs for line workers in sync with recently approved significantly higher wages in our neighboring electrical utilities. These are critical workers in a competitive hiring environment; this new contract will impact operating costs going forward.

**2022 Status:** City Light concurs and continues to work with our labor and regional partners to attract and retain staff in these critical roles.

### **Business Strategy: Ensure Financial Health and Affordability**

- Keeping Electric Service Affordable. We are very pleased that the Plan proposes an annual average rate increase over the next 5 years of 3.5% per year -- significantly lower than the 4.5% annual average in the 2018-2024 Strategic plan. Moving forward, keeping rates at this reduced path will require continued vigilance.

**2022 Status:** City Light is working hard to deliver on a rate path that resembles inflation, as promised. And emerging complication is supply chain constraints and rising inflation, which is pushing costs of labor and raw materials far above what we had budgeted for.

- Rightsizing City Light's Capital Improvement Plan While Ensuring Assets are Maintained. The Panel would like to see a reduction in the rate pressures created by City Light's large annual debt repayment obligations. While use of debt financing does increase affordability in the short term, over time, over dependence on debt will overburden the organization financially. We look forward to working with management to examine alternative ways of financing ongoing system investments. City policy requires City Light to fund its capital improvements with at least 40% operating cash, with the balance coming from borrowing: issuing debt. Funding debt service coverage remains the largest single rate driver for City Light in the 2022-2026 Plan.

**2022 Status:** Fairly distributing the costs of building infrastructure between present-day customers and future customers is an ongoing challenge. This challenge will be magnified in this new strategic plan as rising inflation magnifies the cost of capital work and puts pressure on rates. Periodic updates will be included as per Review Panel workplan.

- Declining Retail Demand. City Light is continuing to experience year over year declines in the demand for electricity, and there is a major question mark about how and when

commercial demand for electricity, in particular, will recover as we move beyond the COVID pandemic. City Light's reliable and comparably low-cost electricity is a critical foundation for our economy, and economic development helps boost revenues for the City in many areas.

**2022 Status:** Retail demand is something City Light continues to track closely. We have been pleased to see signs of recovery in 2021, and demand for electricity from City Light customers outperformed our adjusted-for-COVID forecasts.

- **Rate Design.** City Light's outdated rate structure under-recovers fixed per customer costs and lacks time of use rates or interruptible rates (the latter two items are under study in pilot projects). Revisions to the utility's rate structure have been put on hold by COVID and we hope will be taken up by the City later this year.

**2022 Status:** This work is in process and is included in the strategic plan update. Periodic updates will be included as per the Review Panel workplan.

- **Reserve Fund Targets.** The potential benefits to ratepayers from reducing the target reserve levels in the Rate Stabilization Account (RSA) should be seriously considered. The RSA was established to offset variability in wholesale power revenues that today are a much smaller dollar amount annually than was the case when the RSA was established.

**2022 Status:** In late 2021 City Council approved a proposal from City Light to amend the rules of RSA operation. The new rules do not reduce the RSA reserve, because our financial advisors counseled us that City Light maintains a relatively low level of days cash on hand compared to our counterparts and reducing our liquidity could negatively impact our credit standings. We did however amend the surcharge rules to make it harder for a surcharge to be triggered, allowing the RSA to continue to absorb wholesale variability but passing through less of this variability to customer rates.

### **Business Strategy: We Power (maintaining core utility functions)**

- **Environmental Stewardship.** We see a continued need to respond to our region's deeply held environmental values in the operation of the City's hydroelectric assets.

**2022 Status:** City Light continues its long-held commitment to providing our customers with affordable, reliable, and environmentally responsible energy services.

The Panel intends to be fully engaged with City Light on all these challenges moving forward. Success of the Plan will be based on execution; in filling in the details around the high-level initiatives presented and identifying and tracking meaningful metrics to measure success. Due to the consideration of so many interconnected variables, this Strategic Plan contains fewer tactical elements than previous plans. There is tremendous work ahead, and we support the goals laid out in the Plan. The utility will need to be nimble as the uncertainties before us are significant – particularly as to the pace of transportation electrification, and the shape of the economic recovery.

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*Outline for Panel discussion on March 23*

4. Comments on the 5 Strategic Priorities, how the Utility will measure success for each, and the associated PIAs.
  - a. Improve the Customer Experience
  - b. Create our Energy Future
  - c. Develop Workforce and Organizational Agility
  - d. Ensure Financial Health and Affordability
  - e. We Power Seattle
  
5. Other topics of interest to the Panel relevant to City Light that the Panel wishes to bring to the Mayor's/Council's attention