



CITY LIGHT REVIEW PANEL MEETING

Thursday, January 28, 2021

9:30 AM – 12:00 PM

Microsoft Teams Meeting

Proposed Agenda

- | <u>Item</u> | <u>Lead</u> |
|--|---------------------------|
| 1. Welcome, Introductions (5 min.) | Leon Garnett, Panel Chair |
| a. Welcome to new panel member Ann Ayre, Industrial Representative | |
| 2. Public Comment (5 min.) | |
| 3. Standing Items: (5 min.) | |
| a. Review of agenda (Karen Reed) | |
| b. Action: Review and approval of meeting minutes of December 14, 2020 | |
| c. Chair's Report (Leon) | |
| d. Communications to Panel (Leigh Barreca) | |
| 4. General Manager's update (30 min.) | Debra Smith |
| a. Proposed 2022 rate action | |
| b. Preliminary 2022 – 2026 Rate Path | Kirsty Grainger |
| 5. Panel Discussion: 2022-2026 Plan Priorities (60 min.) | Leigh/Karen |
| <i>The goal of this discussion is to receive input from the Panel on how the 2022-2026 Plan priorities could be updated based on experiences of the last year and how those experiences may impact the community/utility moving forward.</i> | |
| a. Re-cap: Where we are - 2022-2026 Planning Process | |
| b. Where we are going | |
| c. Panel Discussion: <i>What input do you have for SCL on Potential adjustments to the 2022 – 2026 Strategic Plan Priorities?</i> | |
| d. Next steps | |
| 6. State and Federal Legislative Update (30 min.) | Maura Brueger |
| 7. Adjourn | |



**City Light Review Panel Meeting
Meeting Minutes**

Date of Meeting: December 14, 2020 | 10:00AM – 12:00PM | Meeting held via Microsoft Teams “Draft”

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

Welcome\Introductions. Leon Garnett convened the meeting at 10:05 am and led a round of introductions of Panel members.

Public Comment. There was no public comment.

Standing Items:

Review Agenda. Karen Reed reviewed the agenda.

Approval of October 14th Meeting Minutes. Approved as submitted.

Approval of November 16th Meeting Minutes. Approved as submitted.

Chair’s Report. No report.

Communications to Panel. There were no communications to the Panel.

Maura Brueger discussed the effort to fill the open Panel position and reappoint John Putz to the Panel. The appointment of the Industrial Customer Panel representative, Anne Ayre with Cal Portland, will be taken up by the Council Transportation and Utilities Committee at its January 20, 2021 Council Committee meeting. Maura expects John Putz will be reappointed at this same meeting.

Gail Labanara announced she is retiring in April and will step down from the Panel at that time. She will work with Maura to recruit a replacement for the Suburban Franchise Cities position on the Panel.



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General Manager's Update:

Debra Smith reported that it is an interesting time as we complete 2020 and doing work to adjust our 2021 budget. City Light is also starting the process to update the 2022 – 2026, 5-year strategic plan and 1-year rate trajectory. Finance is working on a white paper that will be get transmitted by the end of this week on financial issues, the budget, and recovery. John will present load forecast later this meeting. Our vacancy rate just reached 9% as we had a number of retirements in October/November however, we are not meeting the vacancy target of 12-13 %. We are considering other options to meet our 2021 budget.

There are bright spots. We have largely completed our Accelerated Pole Replacement Program goal for the year. [Clarification from Mike Haynes: The 2020 goal was revised from 2,000 to 1,500 poles to be replaced. At the end of November, we had replaced 1,459 (97.3% of target) poles.] We will continue this work using internal crews in 2021. Our IBEW contract expires in early 2021. Most of the city's unions are a part of 'the coalition.' Most of the city-wide issues are bargained together, then 'small table' discussions based on department specifics.

- **Q:** On vacancy rate impacts, are you looking at other ways to increase vacancy rate? **A:** Yes.
- **Q:** Will the Panel be able to see the white paper? **A:** It is an internal document to the Panel will not part of the review process, but we can share the financial white paper with you once it is completed. When we worked on the 2021 budget we did not know as much as we know now. We are seeing that there will be a much longer recovery trajectory. We are reviewing our initial assumptions based on the information we have now.
- **Q:** Can you say more about what the 12%-13% means? **A:** That is the target vacancy rate. We run our projects about as leanly as we can, so we consider our hydro operations as a fixed cost. Same with our payments to the Bonneville Power Administration (BPA). We do have some savings, but when you look at taxes and purchased power, which make up a lot of our cost structure there are very few areas we can impact. There are not enough discretionary dollars that are non-labor to cut to impact the budget. For this reason, we decided to pursue an attrition strategy.
- **Q:** 12%-13% is really high. PSE is farming out work to contractors. Are you looking at that? **A:** No, we are working to 'right-size' the organization. We have been having conversations with our union partners --- we need that partnership now more than ever. Our normal vacancy rate is about 6%.
- **Q:** What about workforce morale knowing these targets and conversations are taking place? **A:** Employees would better tell you, but I know that we have morale issues. I have been saying for months that we would pursue an attrition strategy through the end of the year. I cannot incentivize retirements without the City's approval. We would like to do this, and we will continue to see if there is an opportunity to do so. We are also looking at equity considerations for reduction in workforce vs retirement incentives.

In November we had 13 confirmed cases of COVID-19, which is higher than the March through October total. We received a L&I (Labor and Industry) complaint regarding our employees' use of PPE. There are very



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real issues related to field staff wearing PPE due to goggles fogging etc. There is also a continued issue between those who are teleworking and the front-line workers who do not have that option.

Comment: Mike Haynes: L&I was a multi-part complaint. Only one part was about face coverings. We are required to post the complaint at all workplaces, as well as our response.

Debra: We have also had a large number of escalated customer calls. Craig Smith and his team are working on these for us. On the Business side, we received the highest JD Power score from commercial customers for West Midsize Utilities for this year! We have done a lot of work to support our business customers and during COVID we have worked hard to reach out to the business community, and we are pleased to see that it has paid off.

Bundled Renewable Tariff Program Design:

Scott Cooper presented. PowerPoint in packet.

Load Update:

Carsten Croff & John Rudolph presented. PowerPoint in packet.

Key question for the forecast: "How do electricity sales recover from pandemic, recession, and paradigm shift?"

- **Q:** How many commercial customers have turned off their service? **A:** I do not know. That is not something that we typically look at. **Q:** How many are not coming back from an operational perspective? **A:** That would be interesting to know.
- **Q:** Since the end outcome is probably more work from home and remote work, will use of office space really return to normal? **A:** That is a good point, and something we took into consideration when we did the forecast. There are a range of opinions on what will happen. **Q:** Looking at some of our largest customers, like Amazon, will that office space get filled up another way? **A:** That is also a possibility.
- **Q:** Is there any specific analysis available to tell you how this will rebound? Is your forecast this cautious? **A:** There is a predicted rebound which is tied to the bubble chart (slide 4) that shows how we expect to get load back. We do not know the right answer, but we have had discussions with our technical team, and we landed on landed it on ramping it up over the next 2-4 years. It was a consensus of technical experts. The housing forecast is informed by a macro economic forecast and we use the City Budget Office's projections and estimates.
- **Q:** It look like you are using a lot of technical experts and data, and my gut is that there is still a lot of uncertainty. Are you doing an uncertainty analysis with a band high/low and what sort of impact that might have? **A:** There is a slide coming up that will help to answer that question. (slide 7)



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- **Q:** If fewer people go into offices that may impact energy efficiency from the office sector. **A:** (Debra) We are starting a new Conservation Potential Assessment which will include this analysis.
- **Q:** Is the 2021 forecast weather neutral or are you doing anything for la nina? **A:** No, we do not take la nina/el nino into account. We call it 'weather normal' forecast.
- **Q:** Has there been push back against the natural gas legislation? **A:** (Debra) This comes from SDCI (Seattle Department of Construction and Inspections) and other departments. They had this analysis done a year ago and were going to publish in the spring. Due to COVID-19 that timeline was pushed back.
- **Q:** Since overall load is declining in absence of electrification, does electrification generally require new, incremental capital investment? **A:** (Debra) Yes. This requires new capital investment. This grid modernization is a key piece for us to access public funding and any stimulus that may come up. We do not have sufficient funding without outside fund support

Debra: We feel excited about where we are heading, but there is also a lot of anxiety and apprehension.

- **Q:** What is your confidence level in this forecast? **A:** In the shorter term, even without a pandemic there is some uncertainty. With the pandemic, there is another percent or two of uncertainty. In the long term we have a larger confidence band. We try to focus on the elements that could really swing the program.

Kirsty Grainger: We used to be able to just use historical data and layer weather on top. Now there is a lot of uncertainty around recovery and technology. It is unlike anything the industry has faced. The way we talk about change will be different moving forward.

Planning Impact Discussion:

Draft 2021-2026 Strategic Priority. Leigh presented.

Debra commented. We have a great foundation for a plan. We will need to do a refresh to modify. A lot of that will be around timelines, particularly in light of the longer- term trajectory when it comes to load recovery.

This item will be continued during the January 2021 Review Panel meeting.

Close:

Next meeting is January 28th. Propose to expand to 2.5 hours to discuss priorities.

Two meetings will be scheduled for February.

Meeting Adjourn at 12:03 pm.



UPDATED – JANUARY 5, 2021

SCL Review Panel Meeting Schedule - 2021

DATE	TIME	LOCATION	Notes
January 28, 2021	9:30am – 12:00pm	Microsoft Teams Meeting	
February 18, 2021	1:00pm – 2:00pm	Microsoft Teams Meeting	
February 25, 2021	10:00am – 12:00pm	Microsoft Teams Meeting	
March 11, 2021	10:00am – 12:00pm	Microsoft Teams Meeting	
March 25, 2021	10:00am – 12:00pm	Microsoft Teams Meeting	
April 14, 2021	9:00am – 11:00am	Microsoft Teams Meeting	
April 29, 2021	1:00pm – 3:00pm	Microsoft Teams Meeting	
May 12, 2021	9:00am – 11:00am	Microsoft Teams Meeting	
June 22, 2021	9:00am – 11:00am	Microsoft Teams Meeting	
July 27, 2021	9:00am – 11:00am	Microsoft Teams Meeting	
September 22, 2021	2:00pm – 4:00pm	TBD	
October 21, 2021	2:00pm – 4:00pm	TBD	
November 23, 2021	10:00am – 12:00pm	TBD	

Draft 2022-2026 Strategic Plan Rate Path

SUMMARY TABLES:

DRAFT as of 1/21/2021

Rate Increase Summary (\$ in millions)	2022 ¹	2023	2024	2025	2026	AVG
Revenue Requirement	955.6	989.0	1,026.2	1,050.2	1,079.1	
Annual Increase	7.0%	3.5%	3.8%	2.3%	2.8%	3.9%
Retail Sales GWh	8,633	8,607	8,600	8,542	8,520	
Annual Change	-0.1%	-0.3%	-0.1%	-0.7%	-0.3%	-0.3%
Average Rate, ¢/kWh	11.07	11.49	11.93	12.29	12.67	
Annual Increase	3.9%	3.8%	3.8%	3.0%	3.0%	3.5%
Previous Rate Paths						
Adopted 2019-2024 Strategic Plan	3.9%	4.0%	4.2%			
Draft 2021-2026 Strategic Plan (March 2020)	3.9%	4.0%	4.0%	2.4%	2.6%	

¹2022 rate increase does not include BPA Passthrough, which is currently expected to decrease rates approximately 1.5% (2022 net increase would be 2.4%)

Bill Impacts (whole \$)	Monthly Bill	Monthly Increase						
	2020 ¹	2021 ²	2022 ³	2023	2024	2025	2026	AVG
Residential-typical (634 kWh/month)	\$76.77	\$0.00	\$3.00	\$3.04	\$3.18	\$2.61	\$2.68	\$2.42
UDP Residential-typical (60% Discount)	\$30.71	\$0.00	\$1.20	\$1.22	\$1.27	\$1.04	\$1.07	\$0.97
Small Commercial-Car Wash	\$464.57	\$0.00	\$18.14	\$18.40	\$19.27	\$15.77	\$16.19	\$14.63
Medium Commercial-Retail Store	\$7,435.57	\$0.00	\$290.39	\$294.49	\$308.34	\$252.44	\$259.19	\$234.14
Large Industrial-Stone	\$23,549.92	\$0.00	\$919.72	\$932.70	\$976.58	\$799.54	\$820.89	\$741.57
Large Commercial-Hospital	\$94,606.53	\$0.00	\$3,694.76	\$3,746.91	\$3,923.20	\$3,211.98	\$3,297.76	\$2,979.10
Large Commercial-Education	\$1,990,938.50	\$0.00	\$77,754.12	\$78,851.43	\$82,561.37	\$67,594.28	\$69,399.34	\$62,693.42

¹Includes 3.0% RSA Surcharge

²April 1st: 3.0% RSA Surcharge removed and 3.0% increase to base rates

³Does not include expected -1.5% BPA Passthrough, 2022 residential bill impacts would be \$1.80 (\$0.72 UDP) given current BPA expectations

Revenue Requirement Summary (\$ in millions)	2022	2023	2024	2025	2026
Revenue Requirement	955.6	989.0	1,026.2	1,050.2	1,079.1
Debt Service Coverage					
Debt Service	234.5	244.4	256.6	254.1	256.8
Additional 0.8x Coverage*	188.0	196.2	204.0	222.1	231.1
Operations & Maintenance (O&M)					
Baseline 2020 O&M	339.0	339.0	339.0	339.0	339.0
Inflation and REC Growth	-	10.6	22.0	32.2	42.1
Strategic Plan O&M Adjustments	-	-	-	-	-
Net Power Costs					
Power and Wheeling Contracts	234.5	237.7	242.3	241.2	246.7
Net Wholesale Revenue (NWR)	(40.0)	(40.0)	(40.0)	(40.0)	(40.0)
Power Related Revenues, Net	(17.1)	(17.1)	(17.0)	(16.8)	(16.5)
Other					
Taxes, Payments and Uncollectibles	56.1	57.9	59.9	61.4	64.0
Miscellaneous Revenue	(39.4)	(39.8)	(40.8)	(43.2)	(44.2)
Debt Service Coverage*	1.80	1.80	1.80	1.87	1.90

*General rule every 0.1 increase in coverage provides roughly \$25M more capital funding from operations

Capital Funding	2022	2023	2024	2025	2026
Amount Available for Coverage	422.0	440.8	460.7	476.3	487.9
Debt Service	(234.5)	(244.4)	(256.6)	(254.1)	(256.8)
City Taxes	<u>(60.0)</u>	<u>(61.8)</u>	<u>(64.0)</u>	<u>(65.6)</u>	<u>(67.5)</u>
Cash Available for Capital	127.6	134.6	140.1	156.6	163.6
Capital Expenses, net	327.9	349.7	339.9	336.7	333.7
% funding from Operations*	38.9%	38.5%	41.2%	46.5%	49.0%

*actual funding from operations may vary based on timing of cash flows

OTHER O&M TABLES:

Budget O&M Inflation by Category (\$ in millions)	2022	2023	2024	2025	2026
Labor ³	148.6	153.9	158.9	164.1	169.5
Labor Benefits ²	67.3	69.3	71.3	73.2	75.3
Non-Labor ¹	86.3	88.5	90.6	92.6	94.7
Transfers to City ³	70.6	73.1	75.5	78.0	80.6
Operating Supplies ^{1,5}	11.9	12.2	12.5	12.8	13.1
Overhead Credits ^{3,6}	(47.5)	(49.2)	(50.8)	(52.5)	(54.2)
Total	337.2	347.8	358.0	368.2	378.9
¹ CPI Growth ⁴	0.0%	2.5%	2.3%	2.2%	2.3%
² CPI Growth + 0.5%	0.0%	3.0%	2.8%	2.7%	2.8%
³ CPI Growth + 1.0%	0.0%	3.5%	3.3%	3.2%	3.3%
Avg Growth All O&M	0.0%	3.1%	2.9%	2.9%	2.9%

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

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

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

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

¹Items that are budgeted as purchased power budget but recognized as O&M in financial statements

- Renewable Energy Credits (RECs), 2022 reflects the purchase of Stateline RECs under a new, higher priced purchased power contract.
- Maintenance costs associated with ownership the 3rd AC intertie
- Payments for the Pacific Northwest Coordination Agreement (PNCA) related to the compensation for the benefits of upstream storage at the Boundary project

²Remove \$10 million per year to reflect an assumption of budget under-expenditure

³Changes to O&M outside of inflation.

POWER REVENUE & COST TABLES:

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

¹Assumes BPA bills remain at same level in 2022 and increase 1.3% per year on average during 2023-2026.

out-year growth at rate of inflation. BPA rates updated October 1st of odd-numbered years.

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

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

⁴Reflects production O&M cost growing with inflation.

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

⁶Cost inflates per contract terms.

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

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

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

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

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

¹ Net Wholesale Revenue (NWR) is the revenue from selling surplus energy on the wholesale market, net of purchases for load balancing. 2020-2024 NWR planning values were adopted as part of prior strategic plans and represent a gradual downward shift reflecting less reliance on this volatile revenue source. 2022 is reduced to \$40 million to account for the expiration of the Stateline wind contract, which will reduce the energy surplus.

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

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

Net Wholesale Revenue Forecast¹	2021	2022	2023	2024	2025	2026
Forecast	72.1	44.1	43.2	35.6	35.6	37.9
Baseline	60.0	40.0	40.0	40.0	40.0	40.0
Difference	12.1	4.1	3.2	(4.4)	(4.4)	(2.1)

¹As of January 20th 2021

DEBT TABLE:

Bond Issue & Debt Service (\$in millions)	2022	2023	2024	2025	2026
Debt Issue Size	206.0	223.0	213.0	187.0	169.0
Debt Service					
Existing Debt*	223.0	219.5	217.2	200.9	191.4
New Debt**	11.5	24.9	39.4	53.2	65.4
Total Debt Service	234.5	244.4	256.6	254.1	256.8

*As of Dec 31, 2020

**Fixed Rate Issues (30 year / 5.0%)

MISCELLANEOUS REVENUE & COST TABLE:

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

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

² Other revenue includes a broad range of income sources, such as late payment fees, payments for damages

to property, transmission tower attachments, distribution pole attachments and account change fees. Revenues from wireless attachments to distribution poles are projected to increase \$0.5-\$0.8 million annually because of rapid growth in the number of small cellular attachments. All other items are expected to increase mildly over time, mostly growing with inflation.

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

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

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

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

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

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

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

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

Capital Expenses (\$ in millions) ¹	2022	2023	2024	2025	2026
Central Utility Projects	36.0	28.0	26.0	26.0	27.0
Distribution	182.0	213.0	226.0	231.0	234.0
External Projects	28.0	22.0	22.0	23.0	22.0
Power Supply	64.0	68.0	57.0	54.0	51.0
Transmission	27.0	25.0	13.0	7.0	5.0
Conservation	29.6	29.9	30.2	30.5	30.8
Other Deferred	5.1	4.7	6.1	6.7	8.4
Total Capx	371.7	390.5	380.3	378.1	378.2
Contributions	(43.9)	(41.1)	(40.3)	(41.0)	(44.7)
Capital Expenditures, net	327.8	349.4	340.0	337.1	333.5

¹Based on Adopted 2021-2026 CIP Budget, cash flow adjusted with 10% underexpenditure assumption

	Actual	Forecast					
Long Term Debt	2020	2021	2022	2023	2024	2025	2026
Outstanding Long Term Debt, \$Millions	2,544	2,623	2,702	2,791	2,876	2,936	2,996
Debt to Equity Ratio	58.5%	58.0%	57.5%	57.2%	57.0%	56.5%	56.1%



STRATEGIC PLAN 2022 - 2026

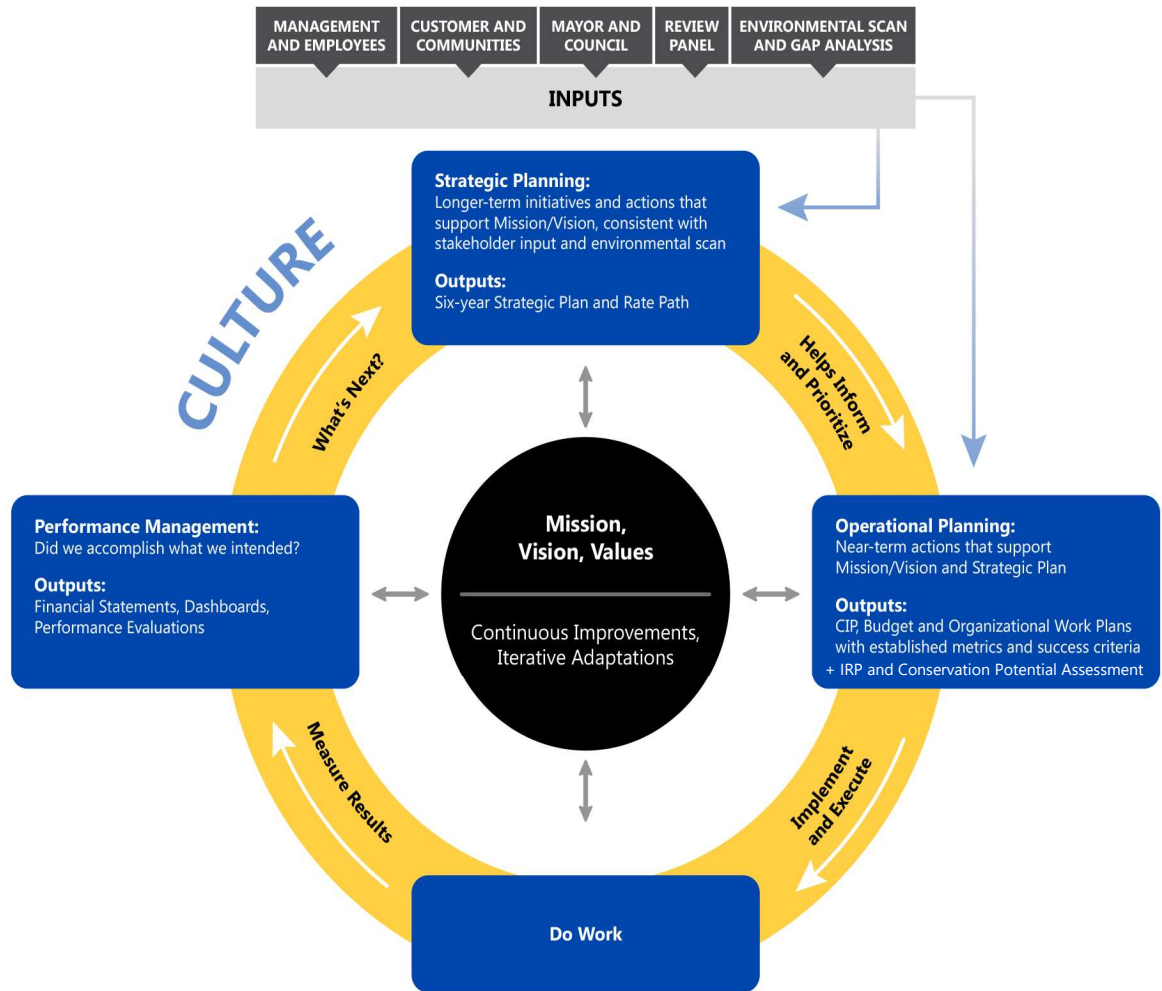
City Light Review Panel
January 28, 2021

DESIRED OUTCOMES OF TODAY'S DISCUSSION

- Discuss near- and long-term impacts of COVID-19, economic downturn and racial reckoning
- Review and discuss draft Strategic Priorities.

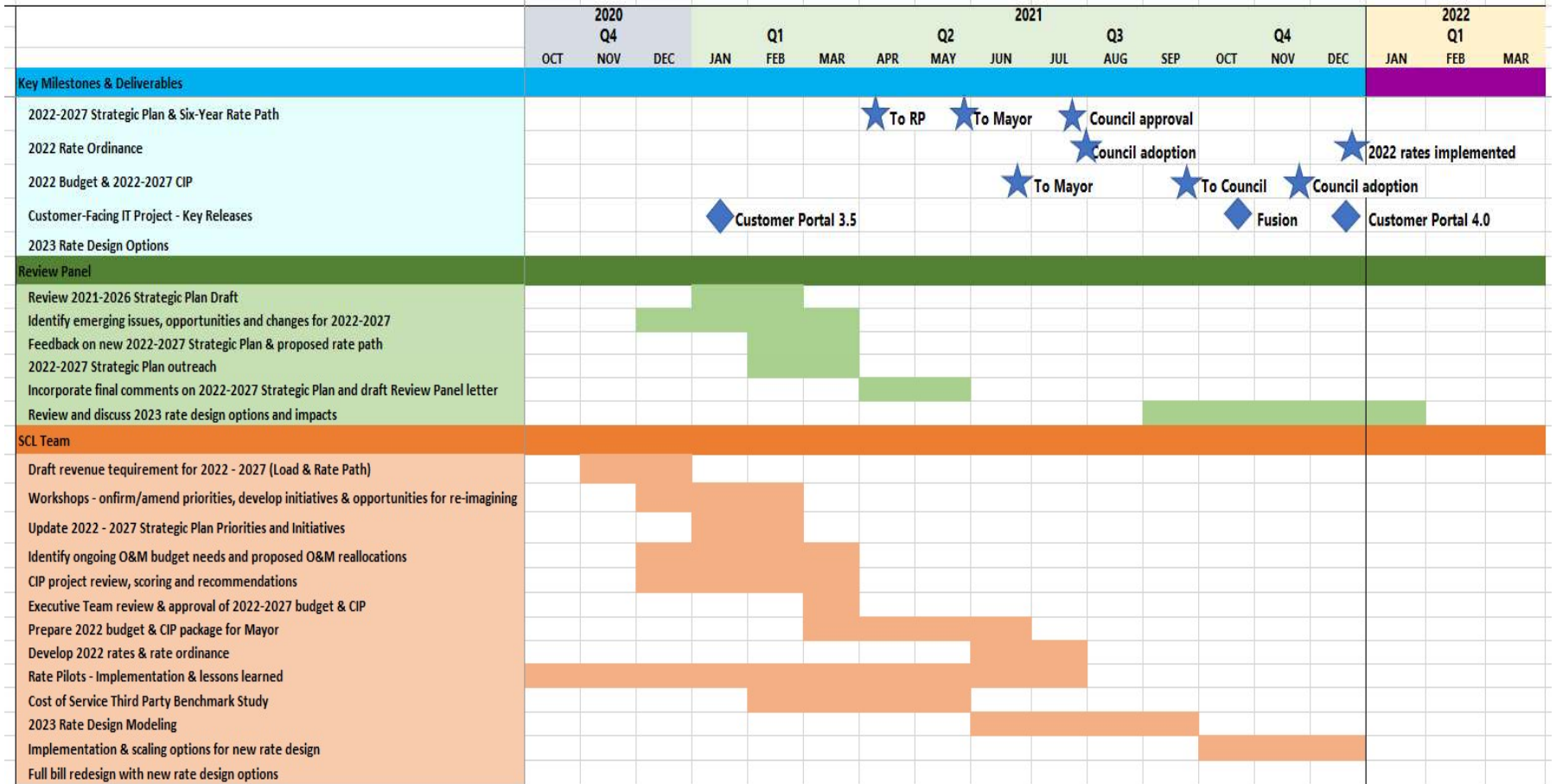


COMPREHENSIVE PLANNING PROCESS



TIMELINE*

2021 Strategic & Operational Planning Roadmap



* Includes timeline for 2021 submission of SP, customer facing IT projects, rate ordinance, rate design options, & bill redesign



RECAP: WHERE WE ARE

CITY LIGHT MISSION, VISION AND VALUES*

Mission

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

Vision

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

Values

1. Customers first
2. Environmental stewardship
3. Operational & financial excellence
4. Equitable community connections
5. Safe & engaged employees

*Updated 2020



DRAFT 2021 - 2026 STRATEGIC PRIORITIES (MAY 2020)

Focus on customers

A strong relationship with our customers has always been central to our work, and we're excited to do more to individualize the customer experience

Create our energy future

Seattle has a long tradition of clean energy, and our energy future depends on electrification and technology. This means we must build and maintain resilient infrastructure, plan for small-scale generation and storage, promote energy efficiency and increase customer options.

Cultivate a culture of change

The energy industry is changing quickly, and our employees need to be prepared and empowered to act. This will require us to be nimble and accountable while delivering high-quality services.

Ensure Financial health & affordability

City Light is committed to stable and affordable rates for our customer-owners, including vulnerable populations. This includes developing a stable and predictable approach to setting rates over time.

Keep the lights on

City Light's business operations must always support our mission and vision. This means we must invest in our infrastructure, workforce and environment to provide reliability, responsiveness and resiliency.



DRAFT STRATEGIC INITIATIVES SUPPORTING THE STRATEGIC PRIORITIES

Focus on customers

- Customer experience roadmap
- Expand customer program options

Create our energy future

- Grid modernization
- Information technology, operational technology, and cyber security roadmap
- Leadership and collaboration

Financial stewardship & accountability

- Develop a rate path that is at or below inflation
- Right-size the capital program
- Price services for the future



DRAFT STRATEGIC INITIATIVES, CONTINUED

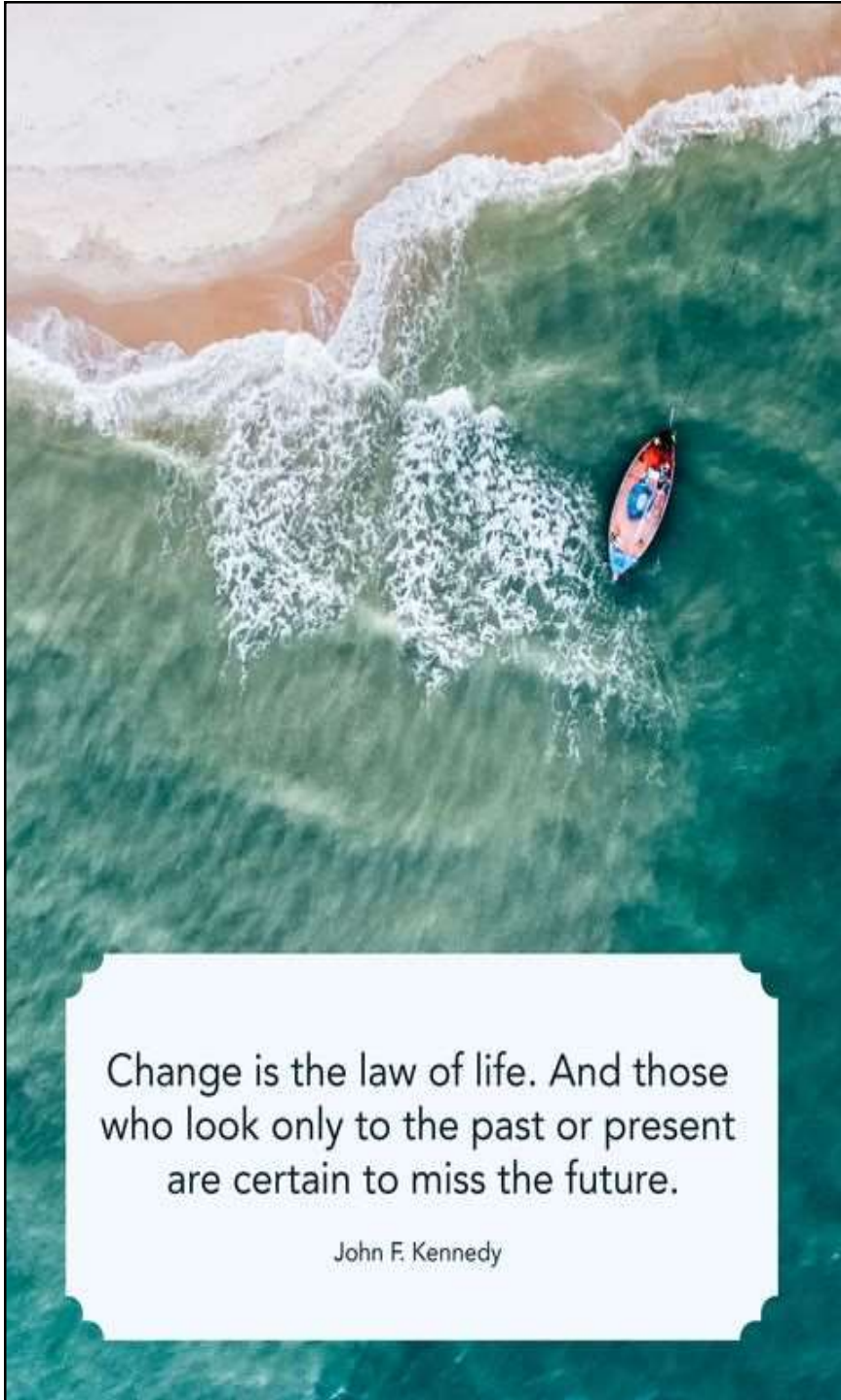
Cultivate a culture of change

- Change management
- Workforce for the future
- Nimble processes



Keep the lights on

- Workforce investment
- Safety
- Continued investment in our infrastructure



Change is the law of life. And those who look only to the past or present are certain to miss the future.

John F. Kennedy

WHERE WE ARE GOING

GOING

and how we get there

ACHIEVING OUR VALUES AND PRIORITIES

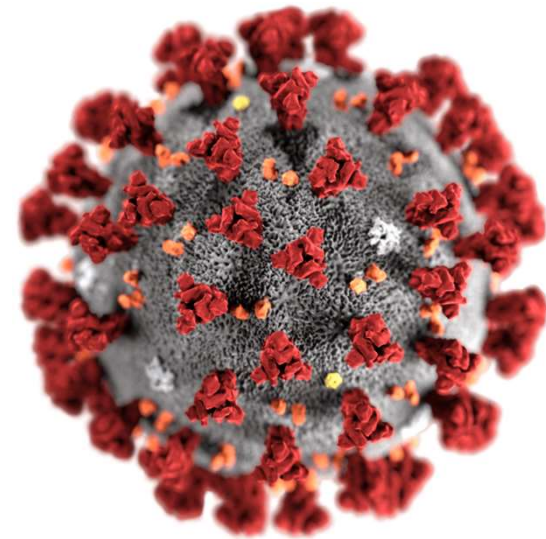


REAL LIFE SCENARIO IMPACTS TO SCL

[INPUT FROM JANUARY LEADERSHIP WORKSHOP]

- COVID-19
 - Utility
 - Decreased load
 - Rise in UDP enrollment
 - Increased bill delinquency
 - Customer service backlog
 - Community
 - Recession
 - Unemployment
- Racial Reckoning
 - Service and access equity

Financial pressures



PANEL DISCUSSION

1. Reflecting on the events of the past year, what are your biggest “takeaways”-- in terms of how life may change going forward, what may be more important, less important – both generally, and as it relates to City Light?
2. Focusing on the 5 Draft Priorities – do these still resonate? Gaps? Edits? What actions should Seattle City Light pursue?



NEXT STEPS - REVIEW PANEL & THE STRATEGIC PLAN

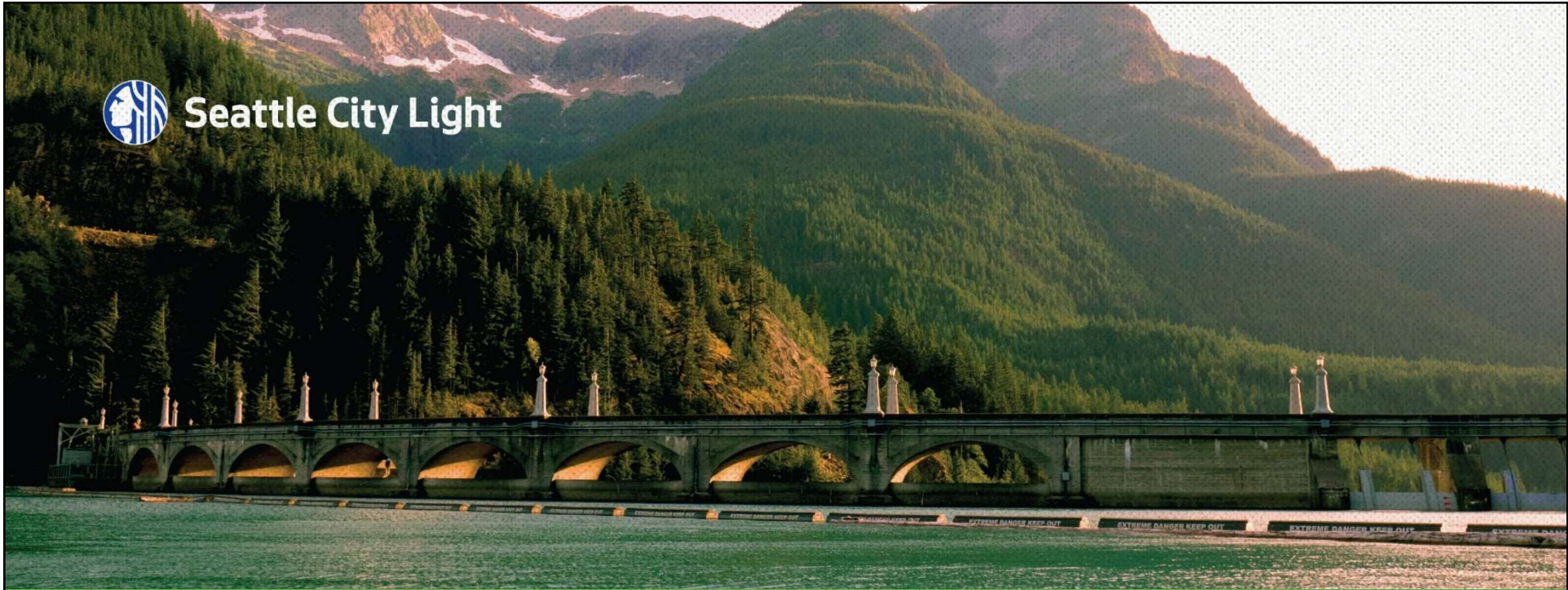
February	March	April	May
<u>Feb. 18th & 25th</u>	<u>Mar. 11th & 25th</u>	<u>April 14th & 29th</u>	<u>May 12th</u>
<ul style="list-style-type: none"> • Presentation final priorities 	<ul style="list-style-type: none"> • Review proposed initiatives 	<ul style="list-style-type: none"> • Presentation outreach report 	<ul style="list-style-type: none"> • TBD based on SP delivery schedule
<ul style="list-style-type: none"> • Discuss draft initiatives 	<ul style="list-style-type: none"> • Updated Revenue Req/ Rate path 	<ul style="list-style-type: none"> • Final Revenue Req/ Rate path 	
<ul style="list-style-type: none"> • Presentation proposed rate path 	<ul style="list-style-type: none"> • Discussion - RP letter process. Begin letter. 	<ul style="list-style-type: none"> • Presentation SP appendices 	
<ul style="list-style-type: none"> • Presentation Outreach plan 	<ul style="list-style-type: none"> • Presentation SP council schedule 	<ul style="list-style-type: none"> • Receive final plan document 	
<ul style="list-style-type: none"> • Review and discuss SP outline 	<ul style="list-style-type: none"> • Review draft SP document 	<ul style="list-style-type: none"> • Finalize Panel letter 	



THANK YOU!



Seattle City Light



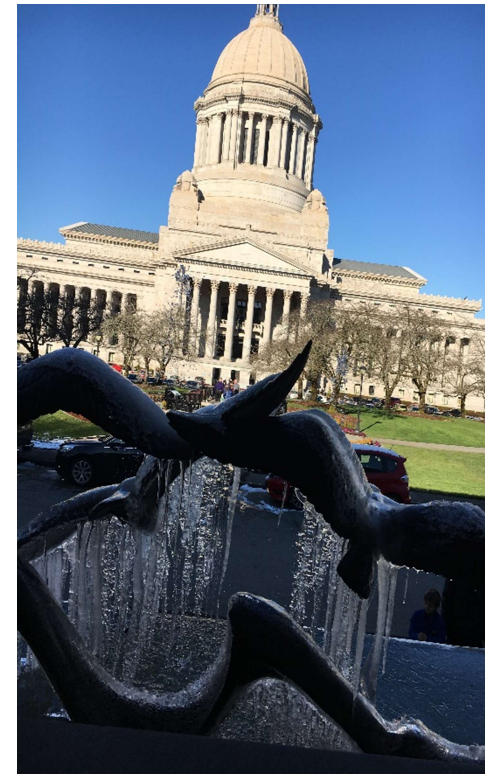
REVIEW PANEL PRESENTATION

2021 STATE & FEDERAL LANDSCAPE & PRIORITIES

January 28, 2021

2021 STATE LEGISLATIVE SESSION

- Remote Session
- Budget Year – 2-year state budget
- Balance of Power Unchanged in the Senate and House
- Conservative Democrats lost to Republicans
- Conservative Republican lost to Democrat
- New Progressive Candidates
- Six Black Women Elected – A Record



UTILITY'S LEGISLATIVE PRIORITIES

- **Low Carbon Fuel Standard (Clean Fuels)** HB1091/SB5231 (Fitzgibbon/Stanford)
 - Governor's Request Legislation
 - SCL's Top Priority
- **Building Decarbonization** HB1084/SB5093 (Ramel/Liias)
 - Governor's Request Legislation
 - GM Debra Smith testified in "support" on 1/23/21
- **Climate Commitment Act (Cap & Invest)** SB5126 (Carlyle)
 - Governor's Request Legislation
 - SCL working thru Public Generating Pool (PGP) to recommend changes.
- **Utility Wildfire Prevention Advisory Committee** SB5158 (Hawkins)
 - Recommendation from DNR Task Force (SCL involved)



GOVERNOR'S BUDGET PRIORITIES

- **Clean Transportation**

- Ferry Electrification (\$190.2M)
- Transit Electrification (\$15M)
 - \$20M Clean Energy
- Decarbonize Marine Sector (\$5M)
- Electric Vehicle Promotion (\$1.5M)
 - Increase vehicle adoption in low-income communities



- **Healthy Homes and Buildings**

- Public Buildings Retrofit (\$66M)
 - Energy Efficiency, Solar Panels, Street Lights
- Low-Income Weatherization
 - \$55M Bonds
 - \$30M Utility Funding for Energy Efficiency for 7,200 households
 - WSU Extension Community Energy Efficiency Program
- Next Generation Clean Buildings (\$20M)



GOVERNOR'S BUDGET PRIORITIES

- **Clean Energy**

- Grants to Nonprofit Lenders for Clean Energy Loans (\$20M)
- Grid Modernization Project (\$15M)
- Research and Development for New Clean Energy Tech (\$15M)
- Dairy Digester Bioenergy Projects (\$5M)

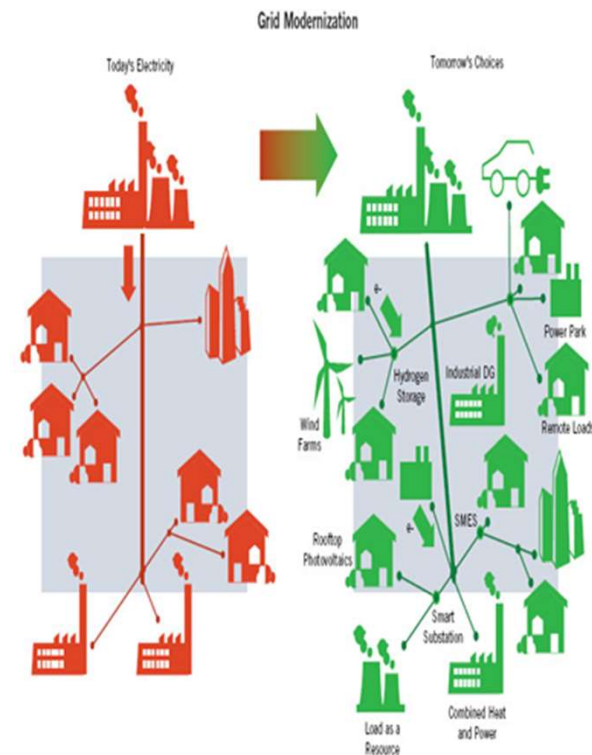
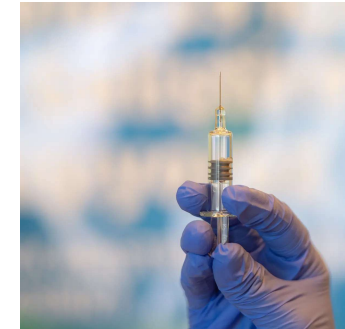


Fig. 1. The IEEE's version of the Smart Grid involves distributed generation, information networks, and system coordination, a drastic change from the existing utility configurations.

2020 END OF YEAR FEDERAL ACTIONS

- 2021 Omnibus Appropriations
 - New low-income water assistance program (modeled after LIHEAP)
- COVID-19 Relief Package
 - \$25B rental assistance allows for utility bill payment
 - EE Commercial Buildings Deduction
 - PTC Extension & Energy Credit



- Energy Act of 2020
 - Streamlines school EE retrofits
 - Reauthorizes Weatherization Program & makes changes (allow solar installation)
 - Smart Building Acceleration (pilot in federal buildings)



BIDEN CLEAN ENERGY ACTIONS & PRIORITIES

- Rejoined Paris Climate Agreement
- Replace rejected Affordable Clean Energy (ACE) Rule (*DC Circuit Court rejected*)
- EO Suspended SAFE Vehicles Rule
- Biden Clean Energy Plan –*Net Zero Carbon Emissions by 2050*
- Build Back Better Infrastructure Plan (\$2 Trillion)
- DOE New Energy Justice Office

WE ARE STILL IN



UTILITY'S 2021 FEDERAL PRIORITIES

- Leverage **Build Back Better Plan** & **Biden Clean Energy Plan** Federal Funds
 - Utility Next 2.0 Portfolio – grid modernization, transportation electrification, grid interactive buildings, hydrogen storage, mobile battery storage, workforce development etc.
 - Possible package on Columbia Basin Fish Recovery (Simpson)
- Replacement of Affordable Clean Energy (ACE) Rule (DC Circuit Court repudiated the repeal of CPP and replacement with ACE Rule.
- BPA Competitiveness & Cost-based Rates (including CRT renegotiated)
- Surface Transportation Reauthorization – Moving America Forward Act - \$760B (DeFazio)
- Climate Policy – CLEAN Futures Act (Tonko); Clean Energy Innovation & Deployment Act (DeGette)
- Department of Energy Appropriations – EERE Office & Programs










MISSION

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

VISION

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

VALUES:

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

2021 – 2026 Strategic Plan

Draft Strategic Priorities and Initiatives

(Developed 2020)

Priorities	Draft Initiatives
<p>FOCUS ON CUSTOMERS</p> <p>A strong relationship with our customers has always been central to our work, and we're excited to do more to individualize the customer experience.</p>	<p><u>CUSTOMER EXPERIENCE ROADMAP</u>: We will use customer research to better understand and respond to both residential and commercial customers. We will also use this information to educate employees and shift our culture to be more customer centric.</p> <p><u>EXPAND CUSTOMER PROGRAM OPTIONS</u>: We will develop programs to provide highly personalized services that our customers are requesting. This will include bringing the business customer service center pilot to scale, expanding energy efficiency programs, and expanding public and residential home charging pilots. (+Rates)</p>
<p>CREATE OUR ENERGY FUTURE</p> <p>Seattle has a long tradition of clean energy, and our energy future depends on electrification and technology. This means we must build and maintain resilient infrastructure, plan for small-scale generation and storage, promote energy efficiency and increase customer options.</p>	<p><u>GRID MODERNIZATION IN SUPPORT OF ELECTRIFICATION</u>: As we electrify transportation and other sectors of our economy to take advantage of our carbon-free hydro resource, we will need a stronger, smarter grid to handle the increased consumption. This plan will help us make the investments needed to support electrification. (+Rates)</p> <p><u>INFORMATION TECHNOLOGY, OPERATIONAL TECHNOLOGY AND CYBER SECURITY ROADMAP</u>: With people increasingly dependent on the services we provide, City Light needs strong, smart, and secure technology systems to keep everything running smoothly.</p> <p><u>LEADERSHIP AND COLLABORATION</u>: Ending the use of fossil fuels in our area requires working with others in the region, state, and nation to provide the best possible alternatives. We must step into the leadership role to ensure the capacity and availability of carbon-free generation resources. And we will make the most of our hydro resources to reach our decarbonization goals.</p>

<p>CULTIVATE A CULTURE OF CHANGE</p> <p>The energy industry is changing quickly, and our employees need to be prepared and empowered to act. This will require us to be nimble and accountable while delivering high-quality services.</p>	<p><u>CHANGE MANAGEMENT:</u> We are living through major transformations in the energy industry and the way we do our work. It has never been more important that we invest in our workforce, so they can manage change, build skills, adapt to new technologies, work smarter and become even more customer focused.</p> <p><u>FUTURE OF WORK:</u> To be prepared for the future we must anticipate new staffing requirements, prepare for the retirements of our most experienced employees, build a workforce that reflects the diversity of our community, and better deliver and share data. This initiative will improve our ability to recruit employees, address retirements and build and retain institutional knowledge.</p> <p><u>NIMBLE PROCESSES:</u> Being nimble means being able to quickly respond to new ideas and challenges. It requires breaking down barriers and abandoning old ways of doing business that no longer work. Through this initiative we will streamline the way we do our work, reduce inefficiency, and provide better service to our customers.</p>
<p>ENSURE FINANCIAL HEALTH & AFFORDABILITY</p> <p>City Light is committed to stable and affordable rates for our customer-owners, including vulnerable populations. This includes developing a stable and predictable approach to setting rates over time.</p>	<p><u>DEVELOP A RATE PATH THAT IS AT OR BELOW INFLATION:</u> Rates need to keep up with costs in order to keep the lights on, but City Light is committed to keeping rate increases at or below inflation. To ensure affordability, the utility is holding down long-term costs, better managing labor costs, and improving financial tracking.</p> <p><u>RIGHT-SIZE THE CAPITAL PROGRAM:</u> Capital investments to maintain or improve our electric system are a big component of rates. This initiative sets strategic priorities for the capital program, strengthens project management standards, and improves capital cost control systems.</p> <p><u>PRICE SERVICES FOR THE FUTURE:</u> Seattle is physically evolving to encourage smart, green energy. Transit-oriented development and green buildings are just two examples of reducing our dependence on fossil fuels. Our rate structure needs to evolve, too. This initiative will establish new rate structures to encourage decarbonization and increase affordability.</p>

KEEP THE LIGHTS ON

City Light’s business operations must always support our mission and vision. This means we must invest in our infrastructure, workforce and environment to provide reliability, responsiveness and resiliency.

INVESTMENT IN OUR WORKFORCE: We already have the best people in the business, but we can’t take them for granted. Their skills, experience and knowledge are critical assets. We must make investments in our human capital.

SAFETY: We will continue to build a safety culture to keep the well-being of our community, employees and environment at the center of all we do.

CONTINUED INVESTMENT IN OUR INFRASTRUCTURE: This includes upgrading aging hydroelectric generation equipment and facilities, and refurbishing and replacing other critical assets, including aging poles.

MISSION, VISION & VALUES



Lighting the future while honoring the past: In 2019 City Light converted many of the downtown historic light fixtures to LEDs.

Mission

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

Vision

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

Values



Customers First

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



Environmental Stewardship

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



Equitable Community Connections

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



Operational and Financial Excellence

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



Safe and Engaged Employees

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



Seattle City Light

BUILDING THE UTILITY OF THE FUTURE

2021–2026 Strategic Plan

About Seattle City Light

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

Elected leaders of the City of Seattle govern City Light and we are funded by customer revenue, not taxes.

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

By The Numbers

Service Area Population	906,595
Service Area Size	131.31 Square Miles
Residential Customers	410,650
Non-residential Customers	50,846
Personnel (Full-time Equivalent Positions)	1,802
Major Substations	16
Commercial And Industrial Power Transformers	56
Distribution Circuit Miles	2,334.6
Network Distribution Circuit Miles	309
Meters	461,496 (97% Advanced Meters)

Source: 2018 Fingertip Facts

THE POWER OF OUR PLAN

May 2020

When we began the strategic planning process in fall of 2019, there was no way to predict how COVID-19 would shake and shape our world. This was to be my first strategic plan as City Light's General Manager, and I was excited to help craft something that would reflect my priorities and the challenges and opportunities ahead. And then came March 2020.

Our world has been shaken by the COVID-19 pandemic and many people are understandably anxious about the future.

City Light took every step to ensure the safety and wellbeing of our community, customers and employees, while keeping the lights on! We worked collaboratively with Seattle Public Utilities to provide immediate relief for customers who have been financially impacted by COVID-19, and our response has evolved along with the situation. One of the reasons we've been able to adjust quickly is because developing our strategic plan prompted us to consider how to deliver essential products and services in a changing and unpredictable world.

There are several factors that were driving change for City Light: The incredible population growth of our region; our increasing dependence on technology; and our need for renewable energy that can be deployed in new ways. The global energy industry itself is in disruption due to these and other factors. Of course, the unparalleled shutdown created by COVID-19 may be one of the biggest disruptive forces we've ever experienced. And yes, the virus has impacted City Light and the electric utility industry—it's changing how, when, and how much electricity is being used. And it has understandably changed the focus of our planning efforts.

Seattle City Light is committed to providing affordable, reliable energy services in an environmentally sustainable way. As a "public" utility, we are responsible to our customer-owners and that means you. We support customers experiencing economic hardships with programs like the Utility Discount Program; we help those with high energy bills with weatherization programs and conservation information; and we help customers take control of their bills with innovations like our rate pilot programs. As we continue to develop appropriate responses to the COVID virus, we will develop and implement new ways of meeting our customers at their point of need. You can and should count on us to do so.

This plan is the culmination of more than a year of listening to our customers and communities, building new partnerships, thinking creatively about the future, and carefully considering our priorities. Although COVID-19 has changed our focus, the work that went into developing this plan will still inform the decisions we make in coming months and the prioritization we put on the resumption of activities. Although we are not formally delivering THIS plan to the Seattle City Council, it will not be a shelf document either.

Our first commitment is, and always has been, to our customers. We will continue to embrace that commitment and partner with the communities we serve as we move towards the recovery state of this pandemic and thoughtfully consider how to reopen and reinvent ourselves for the future. The objectives, goals and initiatives discussed in this plan will also guide our recovery, even as we look to how we can best serve you, our customers.

At Seattle City Light, we strive to bring our amazing community's values to life. We hope you see yourself in the plan.



Debra Smith
General Manager & CEO

OUR MISSION

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VISION

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

VALUES

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

EQUITABLE COMMUNITY CONNECTIONS: We are proud to be a local, community-owned utility. We are visible and actively involved in the communities we serve. We are rooted in our commitment to racial diversity, social justice and the equitable provision of services to all.

OPERATIONAL AND FINANCIAL EXCELLENCE: We strive for excellence, are forward-focused, and seek new and innovative solutions to meet the challenges of today and tomorrow. We prioritize our investments and operating choices to build upon our strong financial foundation and solid, reliable infrastructure.

PUTTING CUSTOMERS FIRST: We believe customer service is everyone's job. We pledge to be approachable, respectful and responsive in providing products and services that our customers want and need.

SAFE AND ENGAGED EMPLOYEES: We actively practice our commitment to employee and public safety. We treat each other with kindness and respect, are personally accountable and work effectively in teams.





BUILDING MOMENTUM: CITY LIGHT SUCCESSSES

The last few years have been marked by important accomplishments in customer service, affordability, support of our workforce and clean energy. More recently, the utility rose to the challenges created by COVID-19 and quickly adapted to provide safe work environments for its employees and maintain essential services to customers. We will build on our accomplishments and experiences as we move forward.



Planned for Our Carbon-Neutral Transportation Future

City Light's Transportation Electrification Strategic Investment Plan 2020–2023 identifies the existing, expanded and new priorities necessary to expand transportation electrification. The plan describes how data-driven analysis, and community and stakeholder input is helping to build an equitable and electrified transportation system that maximizes grid, community and environmental benefits.



Tapped into the Power of Smart Meters

Advanced meters are an essential building block in an efficient electric system. Radio and cellular technology send real-time usage data to our system, enabling us to speed up service restoration, avoid system overload, improve customer service and plan for the future. The real-time data makes billing more accurate, eliminates billing delays and reduces the need to estimate bills. Plus, customers gain access to information that helps them save money and reduce their environmental impact.



Measurably Improved Workplace Safety

City Light continued to make investments in a safer work environment with fewer and less serious injuries. New systems and programs to prevent injuries and engage employees have rooted our corporate culture in safety awareness. There has been a strong focus on communication and outreach, as well as the implementation of a safety management system, to increase the visibility of injuries and encourage operational improvements. In the 10 years prior to the implementation of the safe work environment strategic initiative, the average number of recordable injuries was 145. In 2019, the number of recordable injuries dropped to 59—a 59 percent decrease.



Explored Opportunities for New Pricing Options

For many years, City Light’s electricity rates have been based on customer type (residential or business), size, season and volume of energy use. But as more of our lives are powered by electricity, new rate designs will help better manage resources, reduce the need for expensive new infrastructure and provide our customers with increased options for how they manage their use of electricity.

In 2019, the utility began developing four pilot projects to explore how our pricing system could better respond to customer needs while maintaining our financial stability. These pilots (continuing in 2020) were designed with feedback from extensive research and public engagement. Each pilot focuses on a different pricing model:

ENERGY EQUITY will provide discounted rates, personalized energy efficiency weatherization services and payment management options for low-income, high-use consumers.

RESIDENTIAL TIME-OF-DAY will use advanced meter data to vary rates based on the time-of-day energy is used, giving customers the ability to better manage costs and incentivizing conservation.

DEMAND RESPONSE will focus on our largest industrial customers and provides incentives to decrease energy use during peak periods.

COMMERCIAL ELECTRIFICATION will incentivize companies to charge electric vehicles during off-peak periods.

These pilot programs will help us understand how customers manage their energy costs and how we can improve efficiency. While the pilots are intentionally small and focused, the lessons learned will be applied across the utility and will help us build an energy system that better meets customer needs, is good for the environment and provides financial stability for ongoing service.



Made Customer Service More Personal and Convenient

We pride ourselves on continually improving our service to customers. As customer expectations and technologies change, so must our business practices. We’ve transformed many important customer services in the last year, including: improving our online payment system for mobile use, launching a Business Customer Service Center pilot program, and developing an online customer portal with improved account management tools and the ability to see and respond to real-time usage data.



Invested in Critical Infrastructure and Assets

We continued to make strategic, reliability-enhancing investments in our transmission and distribution systems. Recent investments include undergrounding facilities along the Seattle waterfront, completing the Denny Substation, adding capacity for light rail and accelerating wooden utility pole replacements. We also upgraded hydroelectric generation with improvements in dam safety, outage management, and long-term system and facility planning.



Joined the Western Energy Imbalance Market

City Light recently joined the Western Energy Imbalance Market (WEIM). This advanced market system automatically finds low-cost energy to serve real-time consumer demand across the West. WEIM enhances grid reliability and generates cost savings for participating utilities. In addition to providing economic advantages, the market improves the integration of renewable energy, which leads to a cleaner, greener grid.

UTILITY RELIEF FOR COVID-19 IMPACTED CUSTOMERS

City Light has provided the following utility bill relief for residential and commercial customers:

- Suspending utility disconnections for non-payment
- Allowing more flexible payment plans
- Allowing residential customers to self-certify for the Utility Discount Program*
- Proactive outreach to small businesses with delinquent accounts to offer flexible payment plans
- Waiving interest charges on delinquent balances

*Learn more about the Utility Discount Program on page 18



STRATEGIC PLAN PERFORMANCE METRICS

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

	2014	2015	2016	2017	2018	2019	TARGET 2020
RELIABILITY							
Outage Duration: SAIDI* (in minutes)	69.7	62.3	61.0	64.5	58.3	71.9	64.3
Outage Frequency: SAIFI**	0.9	0.5	0.5	0.4	0.5	0.5	0.5
Generator Availability	83.7%	82.0%	83.8%	81.5%	89.1%	84.1%	77.9%
Miles of Line Trimmed***	587	572	553	417	373	408	387
CLEAN ENERGY							
Energy Efficiency Incremental Average Megawatts (aMW)	16.0	15.8	14.0	15.4	14.4	13.0	10.6
SOCIAL JUSTICE							
Utility Discount Program Participants	1,941	20,229	28,000	33,000	31,924	34,028	36,000
Purchases from Women & Minority Business Enterprise (in millions)	\$14.6	\$17.7	\$15.2	\$14.0	\$11.5	\$13.0	\$15.6
FINANCE							
Debt Service Coverage	1.9	1.6	1.7	1.9	1.8	2.1****	1.8

*SAIDI – System Average Interruption Duration Index (average total number of minutes per year of sustained outage per customer served)
 **SAIFI – System Average Interruption Frequency Index (average number of times a customer's electric service was interrupted in the year)
 ***Tree trimming and vegetation management as measured by transmission line miles
 ****Preliminary, unaudited number

ABOUT THE PLAN

Planning matters. Plans explain where you're coming from, where you're going and how you'll get there. The world changes fast, and so does the electricity service business. What doesn't change is our community's need for stable and affordable power.

To stay nimble and prepare for future uncertainties, City Light uses innovative planning tools to anticipate big changes in the delivery of electricity services. This helps the utility and the public prepare for tomorrow.

A strategic plan should never be a 'set it and forget it' report. It's dynamic document that will be updated to reflect changes in our community, the industry and the world. Most importantly, it's a framework to guide decision making and help marshal resources.

Seattle City Light Strategic Plan 101:

- WHAT?** A path for making informed decisions to meet current and future needs of Seattle City Light and its customers.
- WHO?** Seattle City Light's executive team leads the planning effort with input from the Seattle City Light Review Panel, City of Seattle policymakers, community members, business representatives, customers, employees and other stakeholders.
- WHY?** New technologies, climate change, change in consumer needs and a generational wave of retirements are just a few of the disruptive forces creating major challenges for our industry.

THE VALUE OF SCENARIO PLANNING

One new and innovative aspect of the planning process was the inclusion of a long-term visioning activity called scenario planning. The goal was to identify risks the utility may face 20–30 years in the future, then identify the strategies needed to prepare for long term uncertainties.

As part of the scenario planning, City Light identified tactics necessary to keep customers' lights on through several extreme futures. Similarities were identified across the scenarios and informed further discussion and analysis. This work informed the plan you see today.

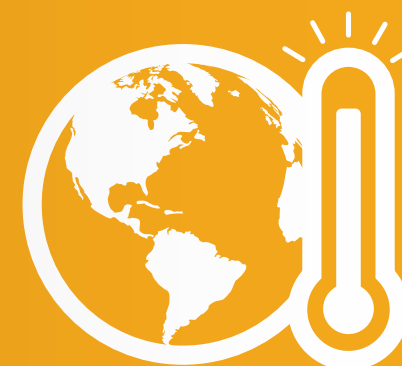
Our planning effort predated COVID-19 and didn't evaluate a pandemic scenario. However, it did underscore the importance of being nimble and responsive when dealing with a disruptive force. This agility has allowed us to maintain a high level of service during an unprecedented crisis.



SCENARIO 1

Attack!

Risks to cyber security, grid resiliency, load loss and more



SCENARIO 2

I'm Melting

Challenges to climate change, electrification, heat conversion, cost management and increase in population



SCENARIO 3

Poverty

Increases in impoverished customers, poor economy, increased unemployment

COMMUNITY VOICES

We Heard From You

Outreach efforts for the 2021–2026 Strategic Plan built on what we heard from customers and stakeholders over the last two years and inform development of our priorities and programs. Seattle City Light is committed to hearing from customers and the community and use these insights to inform both our strategic planning and our daily work.

Here are a few ways we reached out:

CUSTOMERS

- Community, business and franchise city ‘preview’ presentations
- Residential and small business customer market research survey
- Customer outreach, including direct mail postcard, email invitations and advertising to drive input to our survey
- Stakeholder forums

COMMUNITY

- Media outreach and advertising (traditional, social and ethnic media)
- Strategic scenario planning think tanks and work groups
- Rate redesign outreach (stakeholder meetings, focus groups and peer review)
- Equity and environmental justice focused outreach
- Public electric vehicle charging outreach (open houses, presentations, workshops, surveys and materials distribution)
- Transportation electrification planning engagement

EMPLOYEES

- Employee outreach (news, meetings and forums)
- Employee engagement survey

CUSTOMER SURVEY INSIGHTS

Results of an online survey of more than 1,700 residential and business customers

- Residential and small business customers desire affordable service that replaces fossil fuels with clean electric power.
- Large commercial customers requested investments in infrastructure to improve reliability and maintain City Light's legacy assets.
- All customers agreed on the need to ensure the safety of our community and employees while identifying new technology to improve service.

**See appendix for detailed community outreach report.*

City Light Review Panel

The City Light Review Panel* provides advice and recommendations to the Mayor and City Council on the utility's strategic plan and rates. The panel includes representatives from private, public and nonprofit sectors, utility experts, business leaders and community representatives. The panel met with City Light leaders regularly and provided valuable input that shaped this effort.

Thomas Buchanan, Residential Customer Representative
Leon Garnett (Vice-Chair), Low-Income Customer Representative
Mikel Hansen, Commercial Customer Representative
Patrick Jablonski, Industrial Customer Representative
Gail Labanara (Chair), Suburban Franchise Representative
Chris Mefford, Economist
Sara Patton, Non-Profit Energy Efficiency Representative
John Putz, At-Large Customer Representative

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



Community Solar Project, Jefferson Park

OUR PRIORITIES

Providing continuous, excellent service in a complex environment means we must focus our efforts on clear priorities.

Within each of those priority areas, we have clear goals, objectives and initiatives to guide us.

GOALS

The changes we want to achieve

OBJECTIVES

Results that show how we will meet our goals

INITIATIVES

Projects that will help us accomplish our goals



FOCUS ON CUSTOMERS

A strong relationship with our customers has always been central to our work, and we're excited to do more to individualize the customer experience.



CREATE OUR ENERGY FUTURE

Seattle has a long tradition of clean energy, and our energy future depends on electrification and technology. This means we must build and maintain resilient infrastructure, plan for small-scale generation and storage, promote energy efficiency and increase customer options.



CULTIVATE A CULTURE OF CHANGE

The energy industry is changing quickly, and our employees need to be prepared and empowered to act. This will require us to be nimble and accountable while delivering high-quality services.



ENSURE FINANCIAL HEALTH & AFFORDABILITY

City Light is committed to stable and affordable rates for our customer-owners, including vulnerable populations. This includes developing a stable and predictable approach to setting rates over time.



KEEP THE LIGHTS ON

City Light's business operations must always support our mission and vision. This means we must invest in our infrastructure, workforce and environment to provide reliability, responsiveness and resiliency.



FOCUS ON CUSTOMERS

We provide clean energy solutions to our customers so they can live their best lives. The energy industry is evolving, and with it, customers will benefit from a more customized experience.

Seattle City Light has always kept the customer at the heart of our work, but there is more to be done. We are focused on customer engagement and helping employees see the impact of their actions on the customer experience. We are also strengthening our customer relationships and providing a better experience through expanded programs and journey mapping.

As a result of this work, customers will have the tools they need to make smart energy choices that help them and the planet.

Initiative Highlights

CUSTOMER EXPERIENCE ROADMAP: We will use customer research to better understand and respond to both residential and commercial customers. We will also use this information to educate employees and shift our culture to be more customer centric.

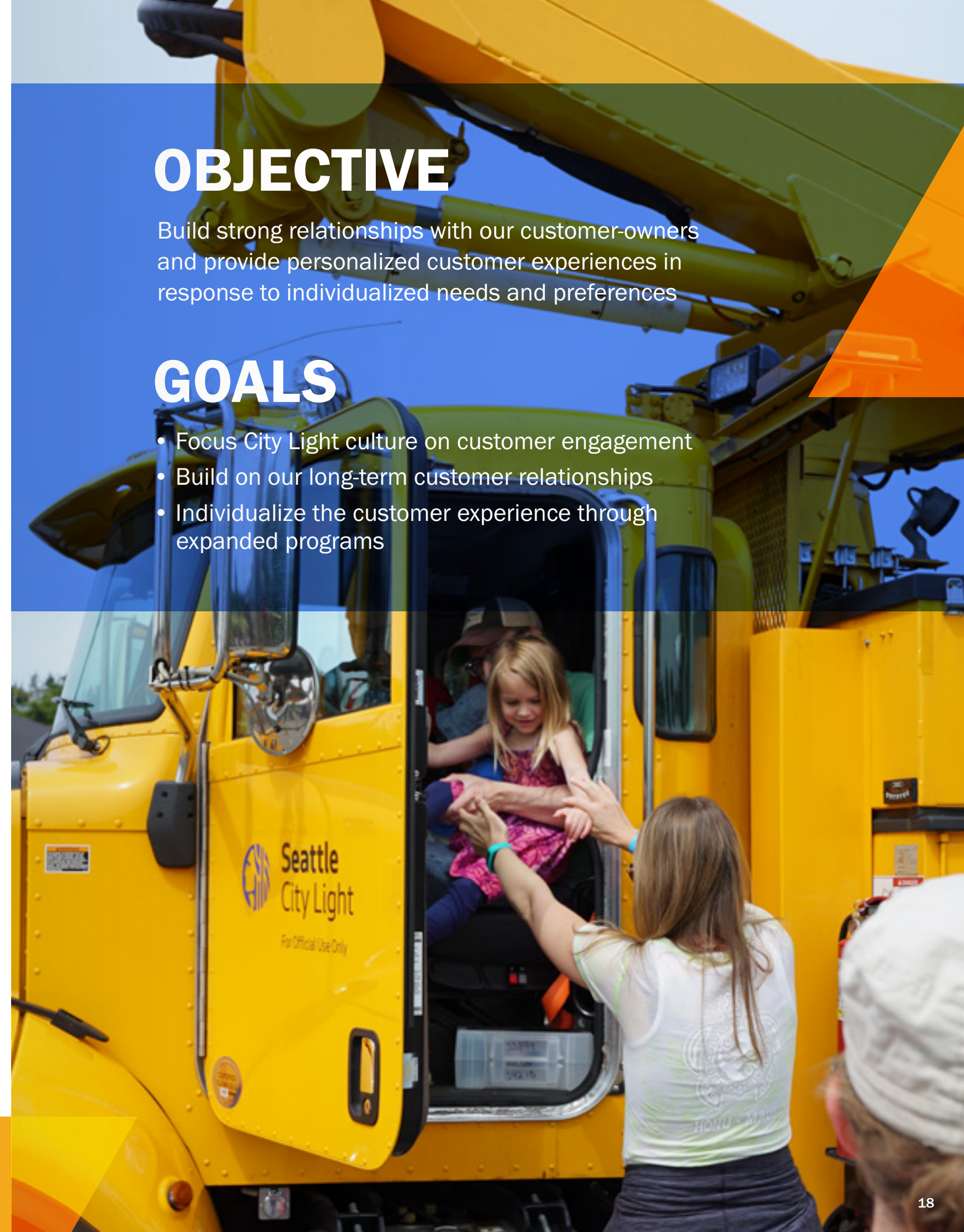
EXPAND CUSTOMER PROGRAM OPTIONS: We will develop programs to provide highly personalized services that our customers are requesting. This will include bringing the business customer service center pilot to scale, expanding energy efficiency programs and expanding public and residential home charging pilots.

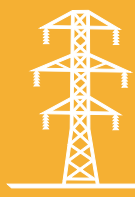
OBJECTIVE

Build strong relationships with our customer-owners and provide personalized customer experiences in response to individualized needs and preferences

GOALS

- Focus City Light culture on customer engagement
- Build on our long-term customer relationships
- Individualize the customer experience through expanded programs





CREATE OUR ENERGY FUTURE

Our energy future will be based on carbon-free renewable resources, but moving away from fossil fuels will be a challenge. New infrastructure will be needed to ensure electricity can be accessed wherever people need it. Similarly, customers will need more options for accessing and paying for electricity.

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

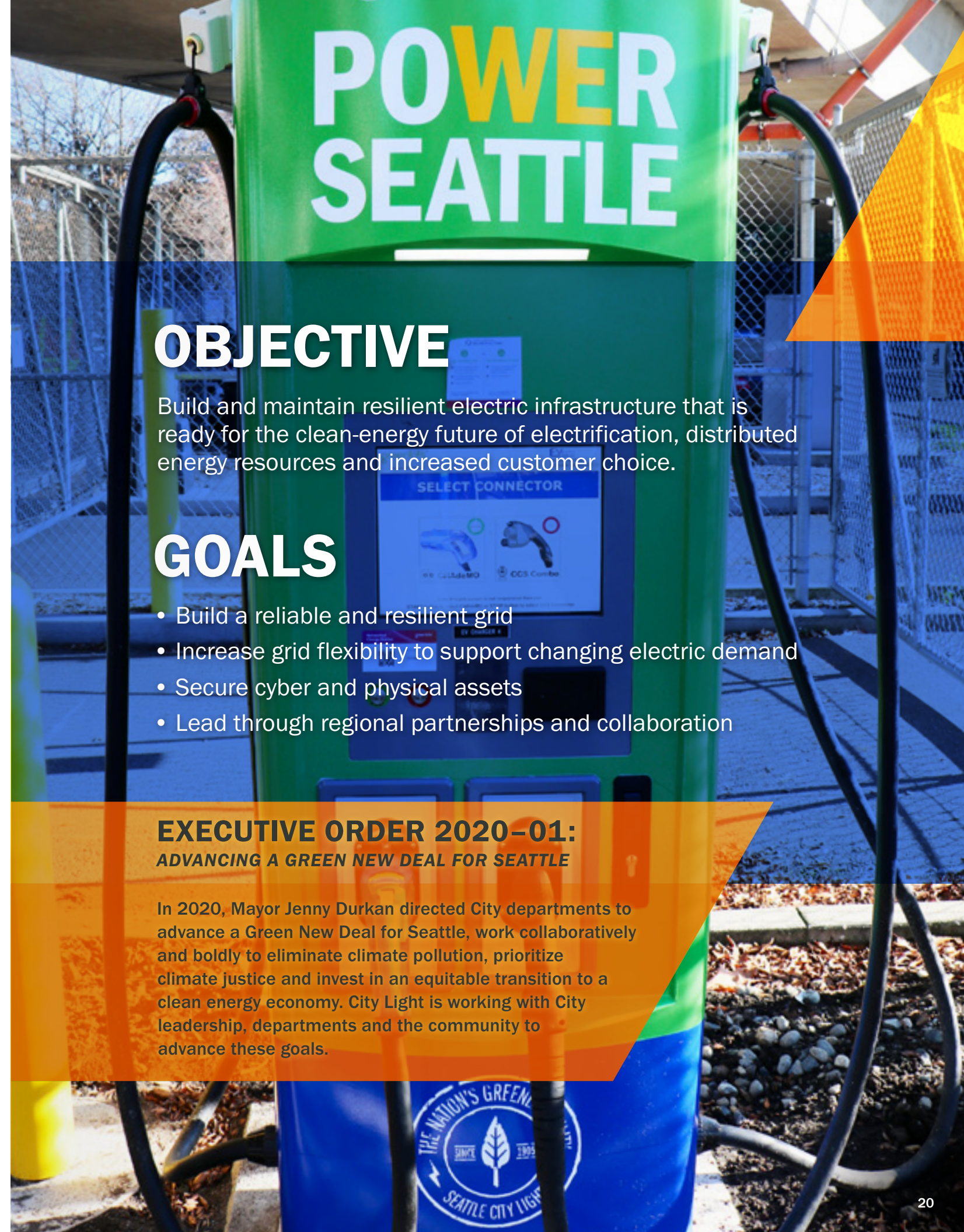
We can't build a successful energy future on our own. We must collaborate and build partnerships to learn, grow and create change. It will take bold leadership and radical collaboration to take us to a secure future without fossil fuels.

Initiative Highlights

GRID MODERNIZATION IN SUPPORT OF ELECTRIFICATION: As we electrify transportation and other sectors of our economy to take advantage of our carbon-free hydro resource, we will need a stronger, smarter grid to handle the increased consumption. This plan will help us make the investments needed to support electrification.

INFORMATION TECHNOLOGY, OPERATIONAL TECHNOLOGY AND CYBER SECURITY ROADMAP: With people increasingly dependent on the services we provide, City Light needs strong, smart and secure technology systems to keep everything running smoothly.

LEADERSHIP AND COLLABORATION: Ending the use of fossil fuels in our area requires working with others in the region, state and nation to provide the best possible alternatives. We must step into the leadership role to ensure the capacity and availability of carbon-free generation resources. And we will make the most of our hydro resources to reach our decarbonization goals.



OBJECTIVE

Build and maintain resilient electric infrastructure that is ready for the clean-energy future of electrification, distributed energy resources and increased customer choice.

GOALS

- Build a reliable and resilient grid
- Increase grid flexibility to support changing electric demand
- Secure cyber and physical assets
- Lead through regional partnerships and collaboration

EXECUTIVE ORDER 2020-01: ADVANCING A GREEN NEW DEAL FOR SEATTLE

In 2020, Mayor Jenny Durkan directed City departments to advance a Green New Deal for Seattle, work collaboratively and boldly to eliminate climate pollution, prioritize climate justice and invest in an equitable transition to a clean energy economy. City Light is working with City leadership, departments and the community to advance these goals.



CULTIVATE A CULTURE OF CHANGE

Our industry is transforming quickly, and so are our customers' needs. Our products and services must evolve at the same pace. Seattle City Light employees are essential to our progress, which is why we will continue to refine work processes and develop skill sets by investing in training and mentoring. We'll also plan for generational turnover of staff, and be ready to hire, prepare, promote and retain the workforce of the future.

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

Initiative Highlights

CHANGE MANAGEMENT: We are living through major transformations in the energy industry and the way we do our work. It's never been more important that we invest in our workforce, so they can manage change, build skills, adapt to new technologies, work smarter and become even more customer-focused.

FUTURE OF WORK: To be prepared for the future we must anticipate new staffing requirements, prepare for the retirements of our most experienced employees, build a workforce that reflects the diversity of our community, and better deliver and share data. This initiative will improve our ability to recruit employees, address retirements and build and retain institutional knowledge.

NIMBLE PROCESSES: Being nimble means being able to quickly respond to new ideas and challenges. It requires breaking down barriers and abandoning old ways of doing business that no longer work. Through this initiative we will streamline the way we do our work, reduce inefficiency and provide better service to our customers.

OBJECTIVE

Prepare for changing industry needs by empowering employees, refining our processes and continually seeking operational excellence

GOALS

- Increase workforce optimization
- Ensure our processes are nimble in the face of the undefined future



ENSURE FINANCIAL HEALTH & AFFORDABILITY

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

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

Initiative Highlights

DEVELOP A RATE PATH THAT IS AT OR BELOW INFLATION: Rates need to keep up with costs in order to keep the lights on, but City Light is committed to keeping rate increases at or below inflation. To ensure affordability, the utility is holding down long-term costs, better managing labor costs and improving financial tracking.

RIGHT-SIZE THE CAPITAL PROGRAM: Capital investments to maintain or improve our electric system are a big component of rates. This initiative sets strategic priorities for the capital program, strengthens project management standards and improves capital cost control systems.

PRICE SERVICES FOR THE FUTURE: Seattle is physically evolving to encourage smart, green energy. Transit-oriented development and green buildings are just two examples of reducing our dependence on fossil fuels. Our rate structure needs to evolve, too. This initiative will establish new rate structures to encourage decarbonization and increase affordability.

OBJECTIVE

Increase our financial stability and position the utility to provide affordable rates for all our customers.

GOALS

- Stable and affordable rates for all, including the most vulnerable
- Financial flexibility and resiliency

UTILITY DISCOUNT PROGRAM

City Light's Utility Discount Program (UDP) is one of the most substantial income-qualified assistance programs in the country, with a 60 percent discount on electric bills. In 2019, more than 34,000 customers were enrolled in UDP. This year, UDP has been an economic lifeline for those impacted by COVID-19.



KEEP THE LIGHTS ON

To continue delivering affordable, reliable and environmentally responsible electricity services, we must constantly improve our business operations. We must also be nimble, responsive and creative as we evolve to address urgent issues and new customer needs.

'Keeping the Lights On' is central to all we do—more than 90 percent of our workforce is focused on delivering this promise to our customers. As we work on new efforts outlined in the strategic plan, we will remain committed to our core business and delivering value to our customer-owners.

Initiative Highlights

A GREAT WORKFORCE IS NECESSARY TO KEEP THE LIGHTS ON: We already have the best people in the business, but we can't take them for granted. Their skills, experience and knowledge are critical assets. We must make investments in our human capital.

SAFETY CONTINUES TO BE A TOP PRIORITY FOR CITY LIGHT: We are responsible for ensuring public, employee and environmental safety. Utility workers are exposed to risks on a routine basis, from trips and falls to cuts and burns. We must also carefully consider and mitigate risks to the public and the environment. We will continue to build a safety culture to keep the well-being of our community, employees and environment at the center of all we do.

WE ARE ALSO CONTINUING TO INVEST IN THE INFRASTRUCTURE THAT ALLOWS US TO PROVIDE RELIABLE AND RESPONSIVE SERVICES: For example, we are upgrading aging hydroelectric generation equipment and facilities, and refurbishing and replacing other critical assets, including aging poles. These investments will improve dam safety and outage management, while also preparing us for complex regulatory processes such as the Skagit River Hydroelectric Project relicensing agreement. By making systemic improvements in how we manage, maintain and upgrade our infrastructure, we can keep energy service reliable while our city changes.



OBJECTIVE

Improve and align business operations in support of Seattle City Light's mission and vision

GOALS

- Attract and retain a workforce that reflects the diversity of the community we serve
- Put safety first (employee safety, public safety and environmental safety)
- Optimize our investment in transmission & distribution infrastructure
- Improve reliability and ensure capacity to serve our growing city
- Preserve hydroelectric generation assets

KEEPING CUSTOMER BILLS AFFORDABLE AND STABLE

City Light's electric rates are designed to collect the amount of revenue needed to maintain existing and planned operations, while also moving forward on Strategic Plan programs and investments. Our revenues must cover debt service, operations and maintenance and costs associated with delivering power.

Factors Driving Rates

INFRASTRUCTURE INVESTMENTS—These are the projects included in our Capital Improvement Plan as well as the debt service for money borrowed to fund prior investments. Major capital projects currently in progress include accelerated pole replacement, underground and overhead equipment replacements, Boundary licensing mitigation and expansion of the South Lake Union Network. City Light financial policy (Resolution 31187) requires us to have debt service coverage well above (1.8 times) what is required to pay principal and interest (our debt obligation). Our strong financial record gives us a favorable bond rating and lower borrowing costs.

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

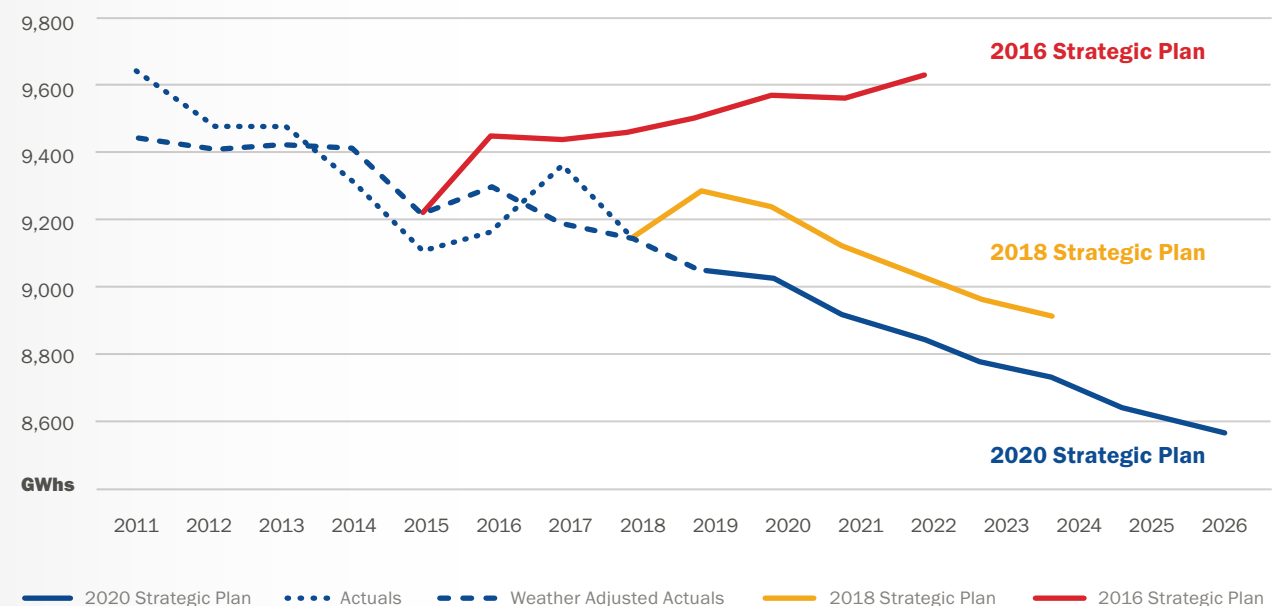
POWER COSTS—These are the costs to purchase power and bring it to our system. These costs can vary dramatically due to climate and market forces. More snowpack in the mountains gives us more hydro resources, for example. By the same token, drought may reduce our revenue. City Light's largest contract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

DECLINING DEMAND—While downward trends in electricity consumption is a victory for our conservation efforts, it creates rate pressure. Our current rate structure is primarily based on how much electricity our customers use; if customers use less electricity, the utility collects less revenue. Maintaining the power infrastructure is very capital intensive, and these fixed costs do not shrink when customers conserve energy. In fact, pressures associated with population growth, new safety and security requirements, renewable portfolio requirements (I-937) and inflation of costs like labor, raw materials and construction, contribute to our cost of operation.

RETAIL SALES—Our retail sales forecast model anticipates that new construction will slow and energy efficiency improvements will continue into the future, as illustrated below.

RESIDENTIAL & COMMERCIAL RETAIL SALES

RESIDENTIAL & COMMERCIAL RETAIL SALES ARE EXPECTED TO CONTINUE TO DECLINE



FUNDING THE PLAN: OUR 6-YEAR RATE PATH

Seattle City Light is committed to maintaining a secure and resilient electric system that provides our customer-owners with 24-7 access to reliable and affordable energy services. We have a long history of doing just that. Yet, looking ahead, we must confront major challenges, including the COVID-19 response and recovery. This will exacerbate the need to balance essential investments with our shared financial reality.

The rate plan described below was intended, pre-COVID, to balance needs with financial realities. Yet we now know that affordability must take a priority for our community. That was a primary consideration in not moving the plan forward at this time.

We will do our best to advance the goals, objectives, and initiatives contained in this Strategic Plan, while minimizing future rate actions. For 2021, we will prioritize keeping current rates in place while funding necessary work. It will be difficult, but we have proven ourselves capable of doing hard things; as we all have done.

The Strategic Plan is the roadmap that would have guided Seattle City Light's work in 2021–2026.

The coronavirus pandemic has increased the need for clear prioritization and it has changed the priorities themselves.

When appropriate, we look forward to updating this plan and presenting it for further consideration by the Seattle City Council. We also look forward to working with the Mayor's Office and City Council on citywide COVID-19 recovery efforts. #OneSeattle, #SeattleTogether, #SeattleCityLight

PROPOSED RATE INCREASE SUMMARY

	2021	2022	2023	2024	2025	2026	AVG
Annual Increase	3.6%	3.9%	4.0%	4.0%	2.4%	2.6%	3.4%

The table below shows potential bill impacts as examples, only. Customers who decrease their consumption through energy efficiency measures will experience smaller bill impacts.

CUSTOMER BILL IMPACT EXAMPLES: MONTHLY INCREASE PER YEAR

BILL TYPE	MONTHLY BILL	2021	2022	2023	2024	2025	2026	AVG
Typical Residential	\$75	\$2.68	\$3.01	\$3.21	\$3.34	\$2.08	\$2.31	\$2.77
Typical UDP Residential (40%)	\$30	\$1.07	\$1.20	\$1.28	\$1.33	\$0.83	\$0.92	\$1.11
Small Commercial (Car Wash)	\$451	\$16	\$18	\$19	\$20	\$13	\$14	\$17
Medium Commercial (Retail)	\$7,219	\$260	\$292	\$311	\$323	\$202	\$224	\$269
Large Commercial (Hospital)	\$91,851	\$3,307	\$3,711	\$3,955	\$4,113	\$2,566	\$2,847	\$3,417





Seattle City Light

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