

June 8, 2018

Seattle City Light Review Panel
c/o L. Barreca, Seattle City Light
P.O. Box 32023
Seattle, WA 98124-4023
[transmitted via email to each Review Panel member]

RE: Review Panel Recommendations on 2019-2024 City Light Strategic Plan

Dear Review Panel members:

Thank you for your letter on May 7, 2018, and your recommendations regarding City Light's 2019-2024 Strategic Plan and its accompanying six-year rate path. I appreciate your willingness to serve on the City Light Review Panel and the level of commitment this has required for each of you as volunteers. I value your service to our community and thank you on behalf of City Light's customers, key stakeholders and partners.

As you may be aware, City Light has been developing a Strategic Plan and multi-year rate path since the adoption of its first plan in 2012. As part of the process for the 2019-2024 Strategic Plan, City Light initially proposed in January 2018 a rate path projecting a 4.8% six-year average rate increase including a 10% increase in retail rates in 2019 alone. In February 2018, City Light produced a preliminary forecast that identified an 8.2% rate increase for 2019. Then more recently in April, City Light finalized its draft Strategic Plan and proposed a 5.1% six-year average rate path that included a 6.5% increase in 2019 – please see below:

	2019	2020	2021	2022	2023	2024	Avg.
January 2018	10.0%	3.5%	4.0%	3.1%	4.3%	4.1%	4.8%
February 2018	8.2%	3.8%	4.6%	2.7%	3.5%	3.6%	4.4%
April 2018	6.5%	6.5%	4.8%	4.2%	4.3%	4.1%	5.1%

I share your concerns about the financial stability of City Light and the ongoing challenges of maintaining affordability within our City, which is why I recently directed all departments, including City Light to identify 2-5% reductions from their overall 2019-2020 proposed budgets. Since the panel concluded its Strategic Plan work, City Light has responded to my direction and developed a reduced budget proposal that will include a lower six-year rate path. I appreciate the hard work City Light did in developing these budget reductions, and I will be submitting a revised Strategic Plan to the City Council shortly that will reflect a lower six-year rate path as detailed below:

	2019	2020	2021	2022	2023	2024	Avg.
June 2018 (Final Mayoral Proposal)	5.8%	5.4%	3.6%	3.9%	4.0%	4.2%	4.5%

Since the panel's last review, my recommended rate path drops the average annual rate increase from 5.1% to 4.5% and decreases the 2019 increase from 6.5% to 5.8%. My requested changes to the six-year rate path will require City Light to **permanently cut \$18 million ongoing per year from its operations and maintenance (O&M) budget** and **\$241 million in one-time cuts from its existing capital improvement program (CIP) over the next six-year period**. These reductions are equal to an ongoing six percent cut to O&M and a nine percent cut to City Light's CIP for the next six years. I recognize these are deep cuts and will create challenges for the utility. However, I also believe that even with these reductions, City Light will continue to meet its core goals of providing quality customer service, delivering environmentally responsible electricity services, and maintaining its significant infrastructure investments.

I appreciate that these budget reductions will only mitigate a broader and more global challenge City Light and other utilities face with declining loads due to the laudable success of energy conservation initiatives, and the reality of fixed infrastructure costs. There is significant work to do and I look forward to the advice and guidance from the Review Panel to help City Light navigate these anticipated challenges by pursuing other creative solutions and new opportunities for growth.

I want to thank you again for your hard work and continued willingness to support City Light in improving the quality of its strategic planning process, and ultimately deliver services to our community in a cost-effective, sustainable and efficient manner.

Sincerely,

Jenny A. Durkan
Mayor of Seattle

Attachments:
Strategic Plan
Financial Forecast

cc:
Seattle City Council Members
Deputy Mayor David Moseley
Anthony Auriemma, Legislative Director
Jen Chan, Senior Operations Manager
Greg Shiring, City Budget Office
Jim Baggs, Interim GM/CEO
Robert W. Cromwell, Jr., PCRA&SP Director
Karen Reed, Review Panel Facilitator
Tony Kilduff, City Council Central Staff
Calvin Chow, City Council Central Staff