



2022-2026 Strategic Plan Financial Forecast

EXECUTIVE SUMMARY

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

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

RATE INCREASE SUMMARY

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

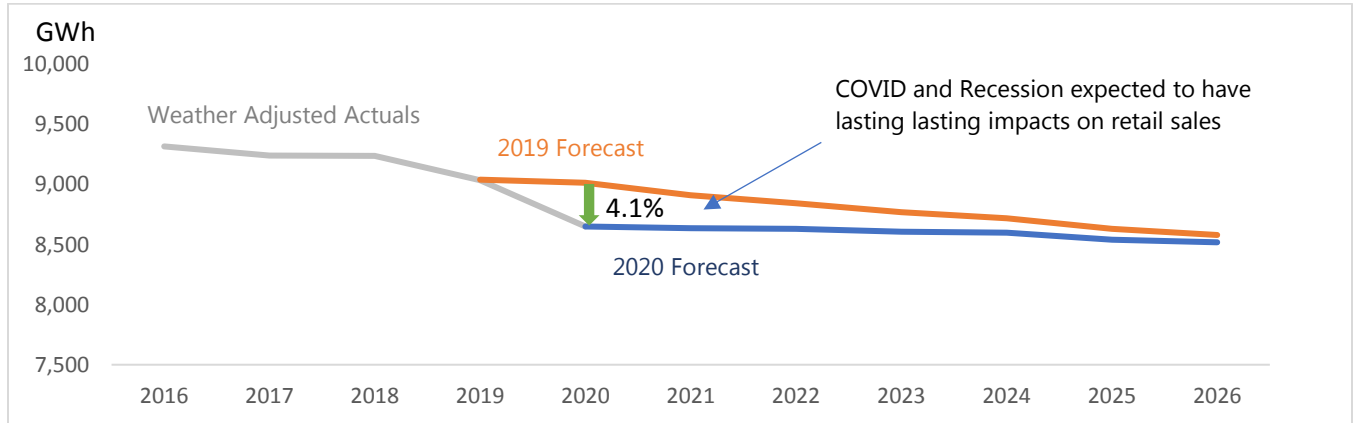
Below is a table of bill impacts assuming each customer receives the annual rate increase noted above and maintains a consistent level of consumption. These impacts are examples only and will change after the retail rate design process is completed for each year. Customers who decrease their consumption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

CUSTOMER BILL IMPACT EXAMPLES

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

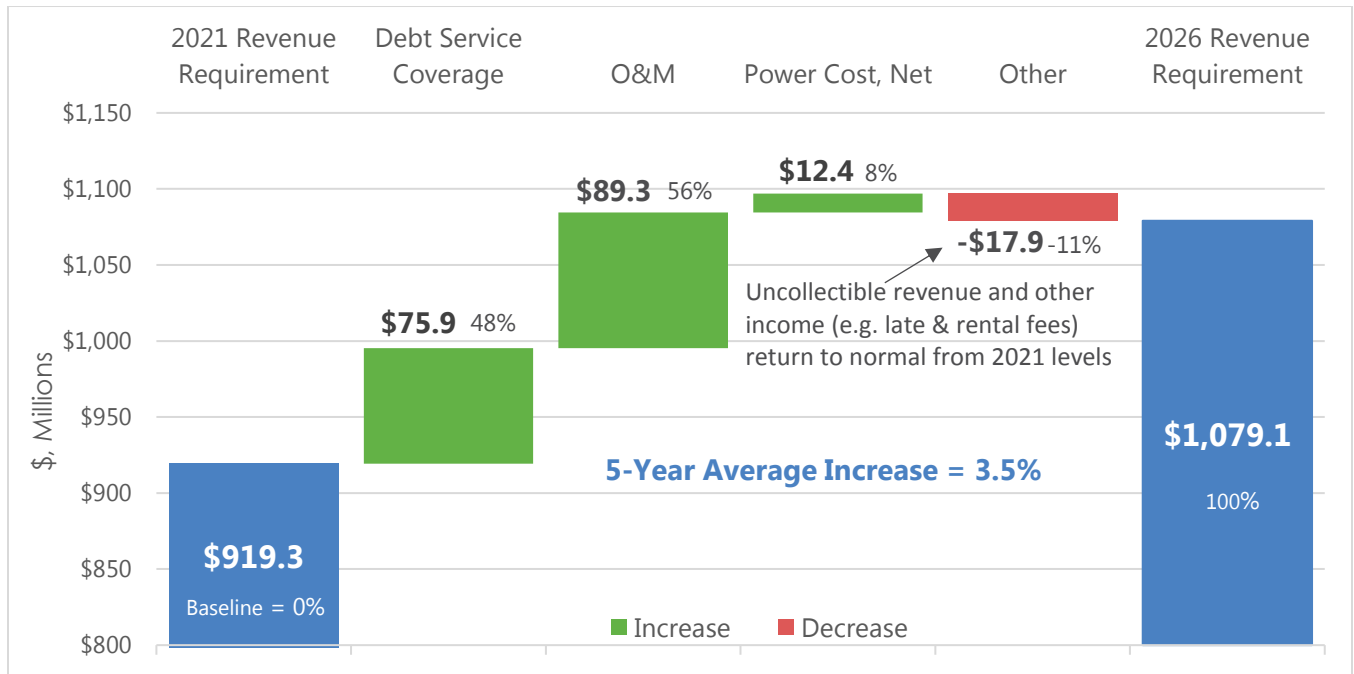
The COVID pandemic and associated recession significantly reduced City Light’s retail sales to commercial customers in 2020, and this was only partially offset by increased residential sales. The recovery is expected to last several years and, as a result, City Light’s retail sales are expected to be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

RETAIL SALES FORECAST

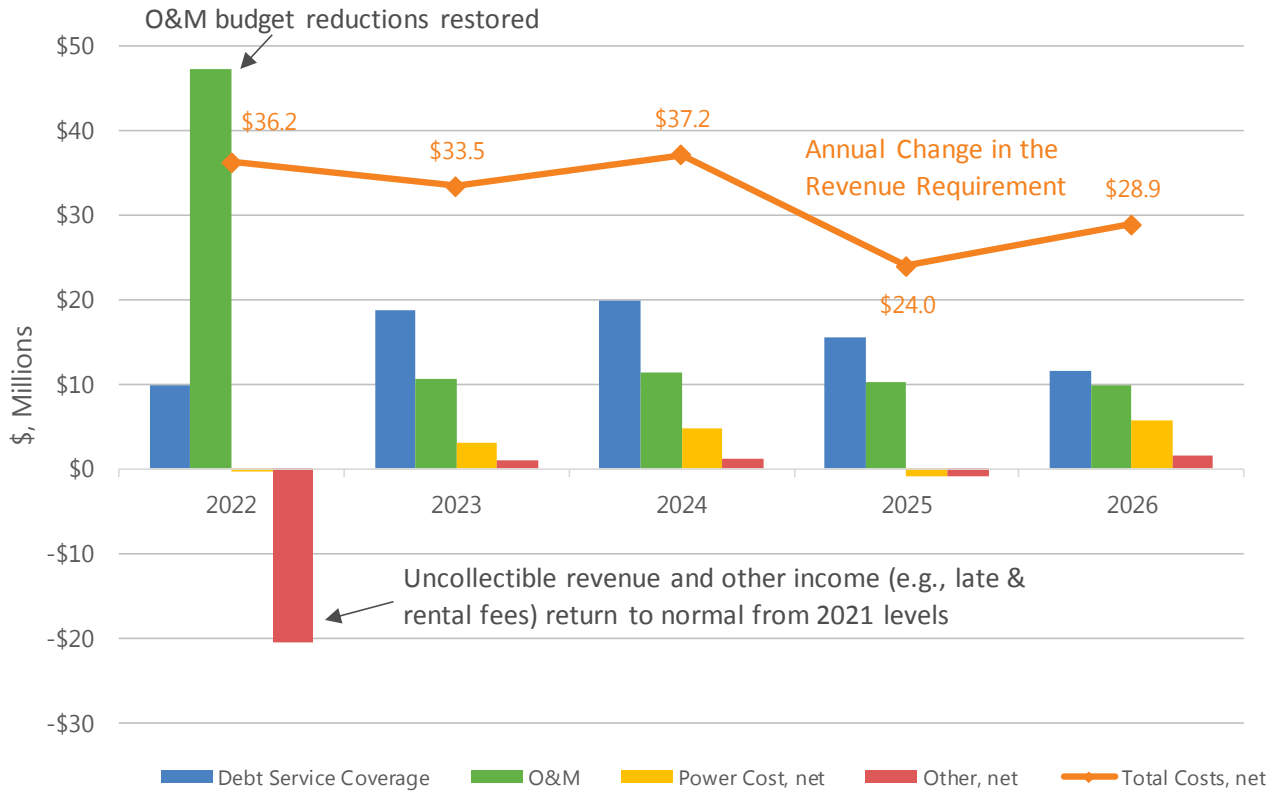


The below charts and table summarize City Light’s revenue requirements for 2022-2026

REVENUE REQUIREMENT DRIVERS CUMULATIVE 2022-2026



RETAIL REVENUE REQUIREMENT ANNUAL GROWTH DRIVERS 2022-2026



RETAIL REVENUE REQUIREMENT SUMMARY

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

** Inflation on existing O&M and incremental renewable energy credit (REC) investments to meet I-937 requirements. Additional detail is included in the O&M section.

Drivers of 2022-2026 Revenue Requirements and Rates

1. Debt Service and Debt Service Coverage

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

2. Operating and Maintenance (O&M)

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

3. Net Power Cost

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

4. Other Revenues/Costs²

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

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

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

INTRODUCTION

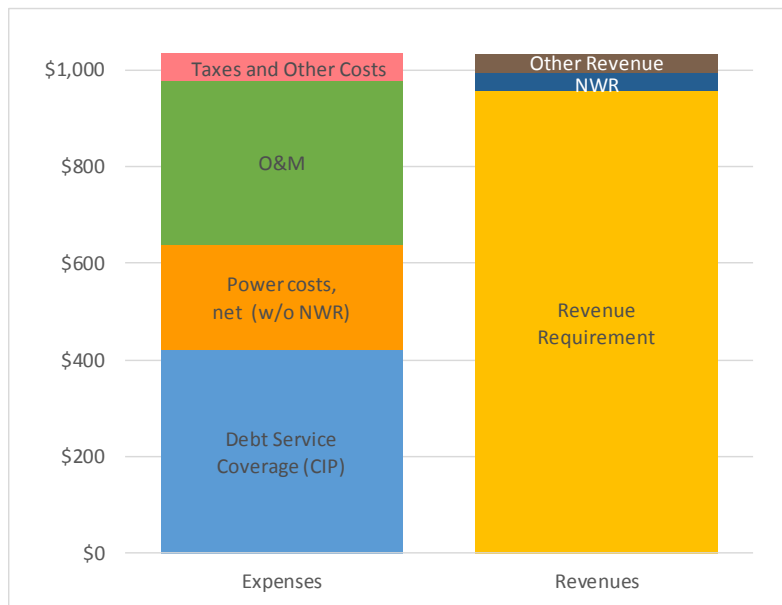
The 2022-2026 Strategic Plan builds on the 2019-2024 Strategic Plan Update (also called the 2018 Strategic Plan), extends the horizon an additional two years to 2026 and shortens the Plan horizon to five years. The 2021-2026 Strategic Plan was postponed while the Utility focused on COVID-19 related issues.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

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

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

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

REVENUES AND EXPENSES (2022 FORECAST, \$MILLIONS)



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

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

Debt Service Coverage

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

O&M

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

Power, Net

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

Other

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

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

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

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

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

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

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

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

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

CAPITAL EXPENDITURES FORECAST

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

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

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

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

CAPITAL REQUIREMENTS AND FUNDING

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

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

BOND SALES AND DEBT SERVICE, \$MILLIONS

	Bond Size	2022	2023	2024	2025	2026
Existing ¹		223.0	219.5	217.2	200.9	191.4
2021 (Aug) ²	200	11.5	11.5	11.5	11.5	11.5
2022 (Aug) ³	206		13.4	13.4	13.4	13.4
2023 (Aug) ³	223			14.5	14.5	14.5
2024 (Aug) ³	213				13.8	13.9
2025 (Aug) ³	187					12.1
2026 (Aug) ²	169					
Total		234.5	244.4	256.6	254.1	256.8
Debt Service Coverage (1.8x)		422.0	439.9	461.8	457.5	462.3
¹ As of December 2020, ² Fixed Rate Issue (30 year / 4.0%), ³ Fixed Rate Issue (30 year / 5.0%)						

OPERATING AND MAINTENANCE (O&M)

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

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

BUDGET O&M INFLATION BY CATEGORY

\$, millions	2022	2023	2024	2025	2026
Labor ³	148.6	153.9	158.9	164.1	169.5
Labor Benefits ²	67.3	69.3	71.3	73.2	75.3
Non-Labor ¹	86.3	88.5	90.6	92.6	94.7
Transfers to City ³	70.6	73.1	75.5	78.0	80.6
Operating Supplies ^{1,5}	11.9	12.2	12.5	12.8	13.1
Overhead Credits ^{3,6}	(47.5)	(49.2)	(50.8)	(52.5)	(54.2)
Total Inflated Budget	337.2	347.8	358.0	368.2	378.9
¹ CPI Growth ⁴		2.5%	2.3%	2.2%	2.3%
² CPI Growth + 0.5%		3.0%	2.8%	2.7%	2.8%
³ CPI Growth + 1.0%		3.5%	3.3%	3.2%	3.3%
Avg Growth All O&M		3.1%	2.9%	2.9%	2.9%
⁴ City of Seattle Budget Office January 2021 CPI-W Forecast for King and Snohomish Counties					
⁵ Includes IT equipment and software; fuel costs; and inventory material for distribution and generation systems.					
⁶ Overhead expenses associated with the Capital Improvement Program (CIP) are removed from the O&M budget and included as capital expenditures.					

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

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

O&M ADJUSTMENTS DETAIL

\$, millions	2022	2023	2024	2025	2026
Inflated 2022 Budget	337.2	347.8	358.0	368.2	378.9
<i>adjustments</i>					
REC Expense ¹	12.2	12.2	13.5	13.6	13.6
Intertie Expense ¹	1.1	1.1	1.1	1.2	1.2
PNCA Payment ¹	1.9	1.9	1.9	1.9	1.9
Solar Tax Credit ²	1.6	1.6	1.6	1.6	0.8
Engineering OH (excl from budget)	(5.0)	(5.1)	(5.1)	(5.2)	(5.2)
Under Expenditure ³	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Total O&M	339.0	349.6	361.0	371.2	381.1
2022 O&M Baseline	339.0	339.0	339.0	339.0	339.0
Inflation and REC growth	-	10.6	22.0	32.2	42.1
Total O&M	339.0	349.6	361.0	371.2	381.1
¹ Items that are budgeted as purchased power budget but recognized as O&M in financial statements -Renewable Energy Credits (RECs) required to meet regulatory requirements, 2022 reflects the purchase of Stateline RECs under a new, REC-only contract. -Maintenance costs associated with ownership of the 3 rd AC intertie. -Payments for the Pacific Northwest Coordination Agreement (PNCA) related to the compensation for the benefits of upstream storage at the Boundary project.					
² Passthrough of the production tax credit, offset as a credit to state taxes					
³ Remove \$10 million per year to reflect an assumption of budget under-expenditure.					

POWER COSTS, NET

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

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

LONG-TERM POWER AND WHEELING CONTRACTS

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

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

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

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

⁴Reflects production O&M cost growing with inflation.

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

⁶Cost inflates per contract terms.

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

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

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

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

BPA DETAIL

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

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

POWER REVENUES, NET DETAIL

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

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

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

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

OTHER COSTS AND MISCELLANEOUS REVENUES

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

OTHER COSTS (TAXES, PAYMENTS AND UNCOLLECTIBLES) DETAIL

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

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

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

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

MISCELLANEOUS REVENUE SOURCES DETAIL

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

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

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

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

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

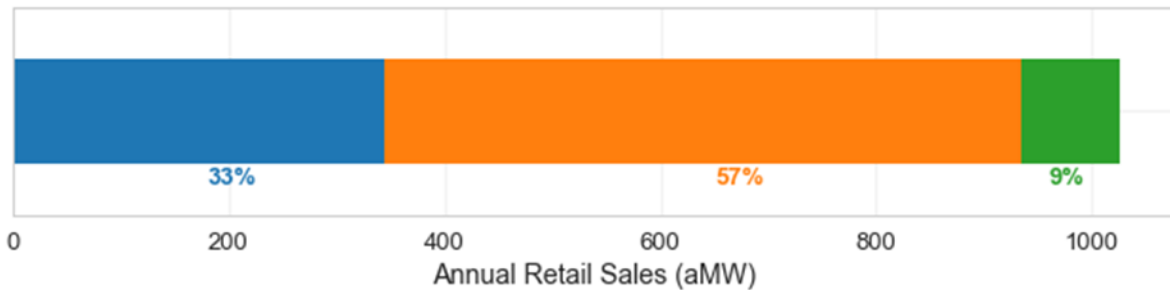
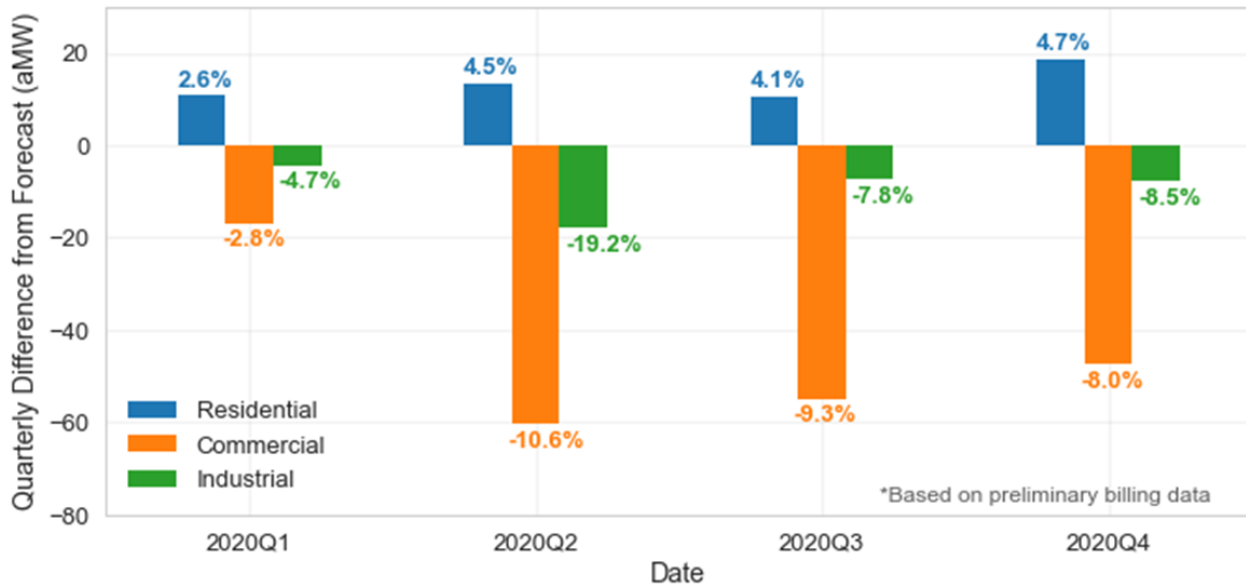
⁵ Interest income assumes City Cash Pool cash holdings accrue interest at an annual rate of 1.5%.

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

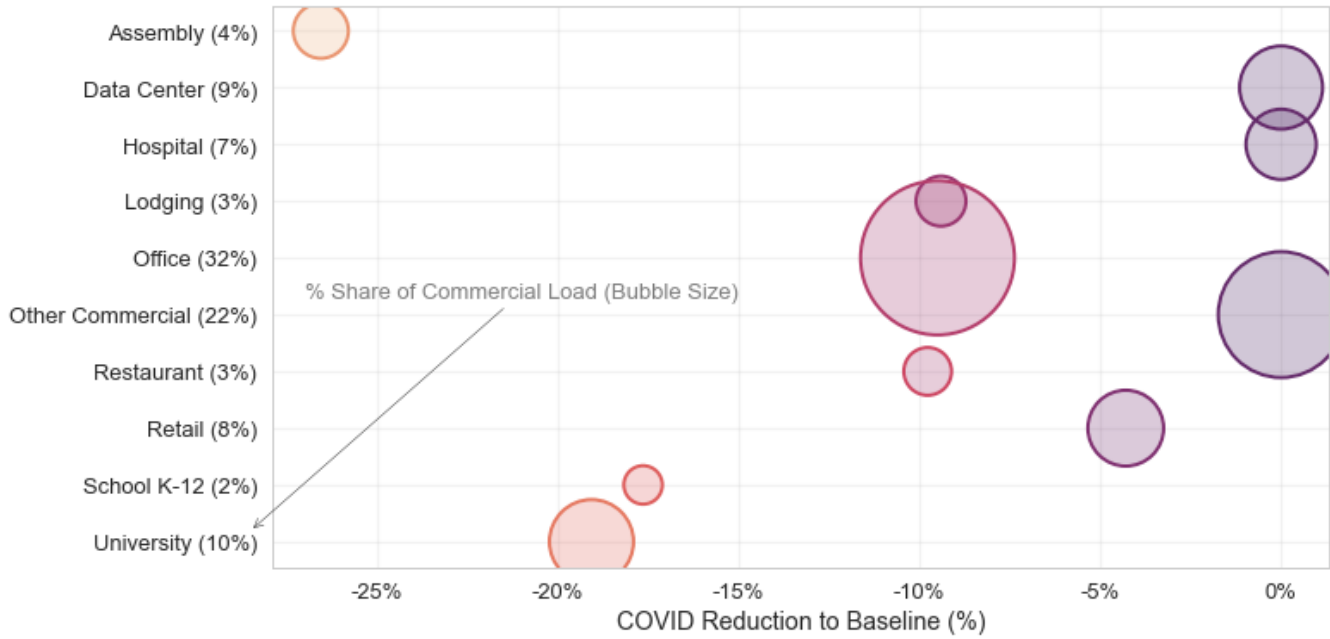
RETAIL SALES

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

COVID Impacts on Retail Sales



COVID Impacts by Commercial Segment



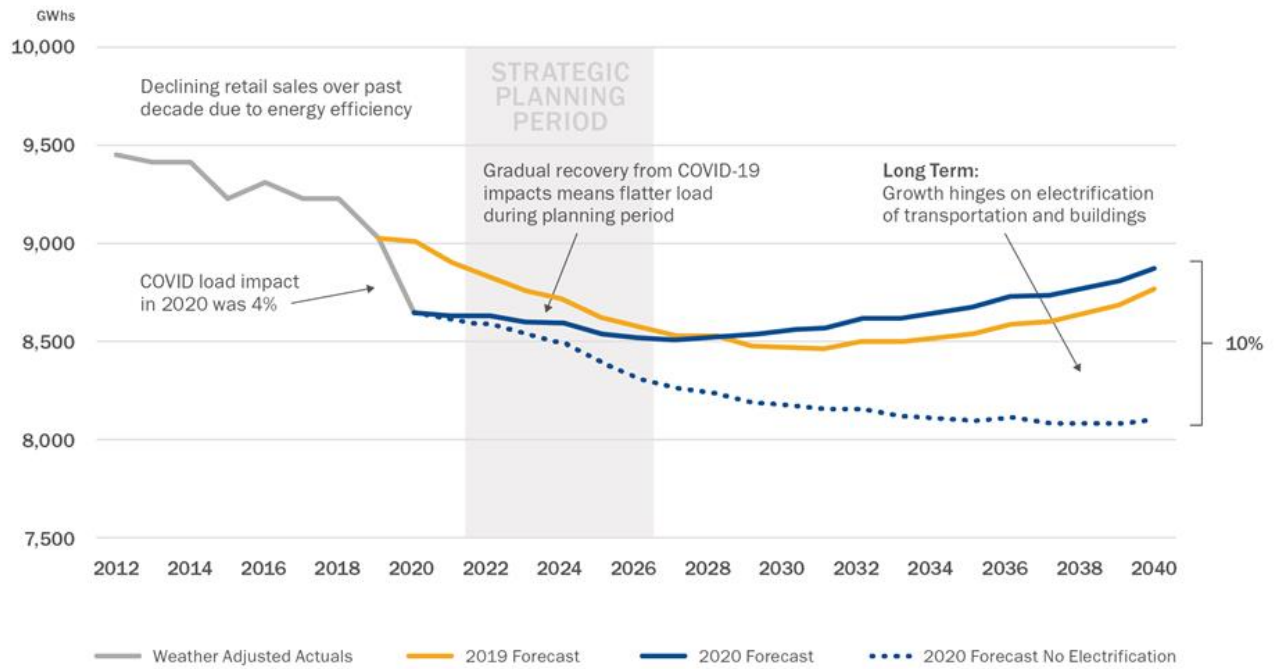
The current forecast projects most of this lost load will gradually return over the next few years. Energy efficiency investments by both the Utility and customers are expected to continue to reduce sales. However, gradually bringing back most of the lost load during the pandemic will offset some of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

RETAIL SALES FORECAST

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

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

Long-Term Retail Sales Forecast

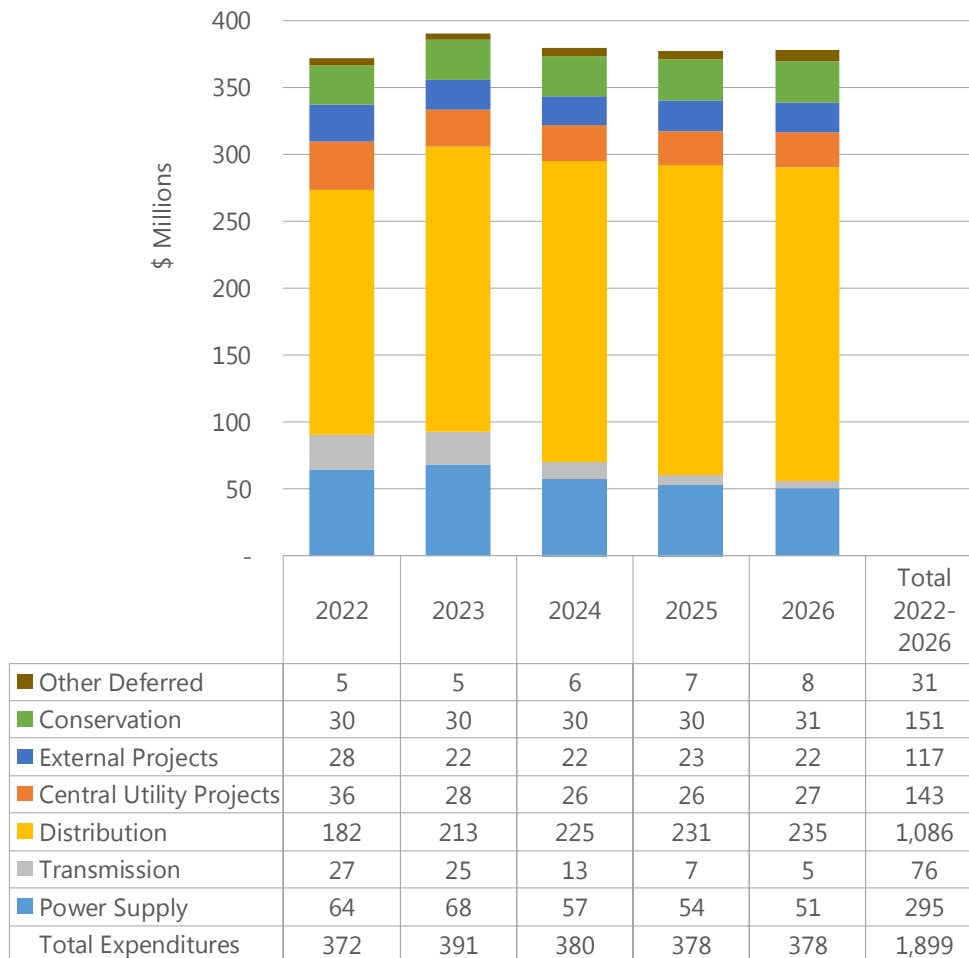


APPENDIX A: CAPITAL REQUIREMENTS DETAIL

CIP

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

CAPITAL REQUIREMENTS FORECAST: BASED ON 2021-2026 ADOPTED CIP



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

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

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

MAJOR CIP PROJECTS 2022-2026 SPENDING, \$MILLIONS

Included in 2021-2026 Adopted CIP Budget

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



2022-2026 Strategic Plan Outreach Summary

Executive Summary

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

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

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

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

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

Outreach Methods

Stakeholder Meetings

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

Virtual Town Hall

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

Online Materials

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

Employee Outreach

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

Customer Experience Outreach

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

Stakeholder Meetings and Virtual Town Hall

Summary of Meetings

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

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

Key Findings

Affordability and Predictability of Rates

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

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

Mixed Feelings Around Electrification

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

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

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

Customer Involvement in Utility Decision Making

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

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

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

Positive Reaction to Debt Strategy

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

Customer Experience Outreach

Background

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

Utility Discount Program Updates

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

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

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

New Utility Services Website

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

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

Conclusion and Next Steps

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



Seattle City Light

EXECUTIVE SUMMARY 2022–2026 STRATEGIC PLAN

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

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

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

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

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

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



BUSINESS STRATEGIES:



Improve the Customer Experience

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



Create our Energy Future

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



Develop Workforce and Organizational Agility

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



Ensure Future Financial Stewardship and Affordability

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



We Power Seattle

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

Connect with Us

To learn more about the 2022-2026 Strategic Plan, visit seattle.gov/city-light/about-us/strategic-plan-and-review-panel. Feedback and comments can be sent to SCL_StrategicPlan@seattle.gov.

City Light 2022–2026 Strategic Plan

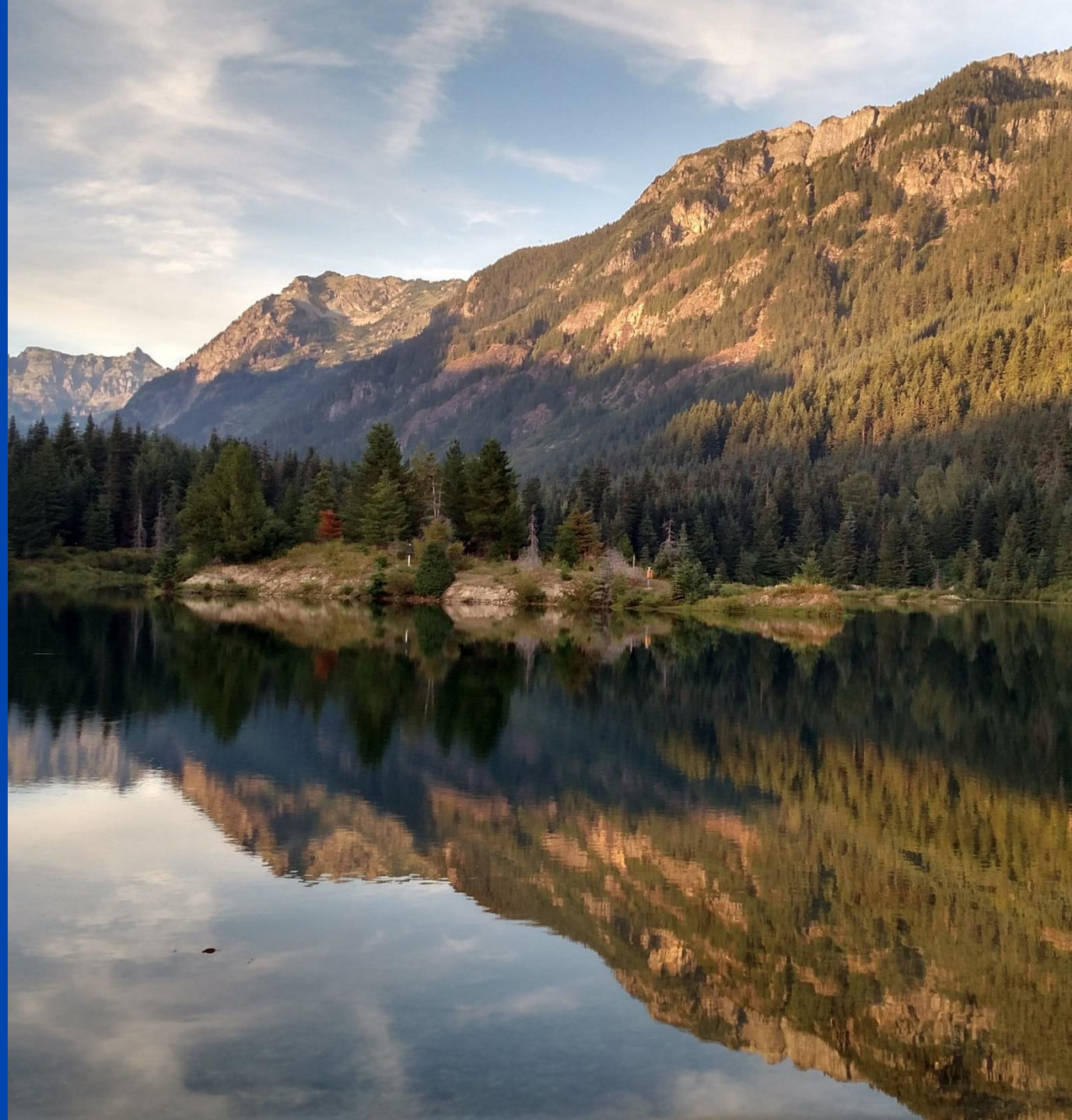
Stakeholder Presentation



Seattle City Light

WE POWER SEATTLE

Plan Foundations



This is Our Fifth Strategic Plan

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

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

Guiding our Path – City Light Mission, Vision & Values

Mission

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

Vision

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

Values



Customers First



Environmental Stewardship



Equitable Community Connections



Operational and Financial Excellence



Safe and Engaged Employees

2022-2026 Strategic Plan



Seattle City Light



Strategic Plan Business Strategies



Improve the Customer Experience



Create our Energy Future



Develop Workforce and Organizational Agility



Ensure Future Financial Stewardship and Affordability



We Power

Improve the Customer Experience

Objective:

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



Success Measures:

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

Improve the Customer Experience

Projects, Initiatives and Activities:

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



Create our Energy Future

Objective:

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



Success Measures:

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

Create our Energy Future

Projects, Initiatives and Activities:

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



Develop Workforce and Organizational Agility

Objective:

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



Success Measures:

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

Develop Workforce and Organizational Agility

Projects, Initiatives and Activities:

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



Ensure Future Financial Stewardship and Affordability

Objective:

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



Success Measures:

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

Ensure Future Financial Stewardship and Affordability

Projects, Initiatives and Activities:

1. **Control rate increases** – Hold rate increases to a trajectory that resembles inflation. To do this, we will restructure our project tracking and improve budget management to drive accountability. This will allow us to lower labor costs and right-size the capital program.
2. **Price services for the future** – Building on new technology from advanced meters and billing system upgrades, City Light will continue to deliver new pricing options that encourage decarbonization and grid flexibility while also helping residents and businesses manage their energy costs.



We Power

Objective:

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



Success Measures

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

Rate Path



Compare Strategic Plan Rate Increases

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



Approved by Seattle City Council in March 2021

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

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

Questions and Comments



Seattle City Light



THANK YOU



Seattle City Light

SCL_StrategicPlan@seattle.gov