



Seattle City Light

2019 ANNUAL REPORT



MISSION, VISION & VALUES



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

In exciting news, Seattle City Light will be updating its Mission, Vision and Values in 2020 to reflect an increased focus on customer choice and creating a shared energy future with our customers. A preview of the new Mission, Vision, Values is below.

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



**AMID
INNOVATION
AND EVOLUTION,
IT'S STILL ALL
ABOUT THE
CUSTOMER**



Seattle City Light exists for one purpose: to provide customers with affordable, reliable and environmentally responsible electricity. This purpose places the customer at the center of everything we do. We aim to elevate their needs and perspectives as we make decisions for day-to-day operations and long-term strategies.

This is especially true as new technologies and increasing demands from our customers for renewable energy resources drive innovation and disruption in the utility industry. Customers have more choices in the marketplace than ever before, and the rate of that change is increasing. Even with the nation's first carbon-neutral portfolio built on a tremendous legacy of hydropower, City Light must continue to evolve.

Throughout my first full year as General Manager and CEO, I have seen this utility move forward while encountering significant challenges in the process. This past year saw the completion of our first new substation in more than 30 years, along with advances in our use of technology, reliability, worker safety, electric vehicle charging, improved business processes and readiness for joining the Western Energy Imbalance Market. These were essential steps on the path toward becoming the utility of the future that we imagine.

One of our biggest challenges happened in April when a powerful wind squall brought down 26 utility poles. An independent review of the incident pointed to severe deterioration in several of the poles and urged changes in how we test, maintain and restore or replace our poles. We embraced the experts' recommendations and took swift action to accelerate replacing the poles with the greatest need. To address this issue, we are committed to providing significant investments and implementing long-term improvements to these vital pieces of infrastructure.

This annual report summarizes City Light's accomplishments in 2019 while demonstrating the utility's financial stability to take on the challenges of 2020. Due to impacts of the COVID-19 crisis, these will be among the most consequential, far-reaching and extraordinary challenges that we have faced globally in the past century.

Maintaining clean and reliable power to our customers while ensuring the safety of our workforce will be our paramount focus in 2020, 2021 and beyond. I am proud to lead the hard-working, mission-driven and caring team at City Light. Together, we will meet the challenges ahead and create value for our customers as a regional and national utility leader. That's the heart of public power and City Light.

A handwritten signature in black ink that reads "Debra Smith".

Debra Smith
General Manager and CEO
Seattle City Light

CITY LIGHT EXECUTIVE TEAM



Debra Smith
GENERAL MANAGER &
CHIEF EXECUTIVE OFFICER



Emeka Anyanwu
ENERGY INNOVATION
& RESOURCES OFFICER



Jim Baggs
FACILITIES & OVERSIGHT
SERVICES OFFICER



Maura Brueger
GOVERNMENT &
LEGISLATIVE AFFAIRS
DIRECTOR



Jen Chan
CHIEF OF STAFF



Tom DeBoer
CHIEF ENVIRONMENTAL
OFFICER



Kirsty Grainger
CHIEF FINANCIAL
OFFICER



Mike Haynes
CHIEF OPERATING
OFFICER



DaVonna Johnson
PEOPLE & CULTURE
OFFICER



Craig Smith
CUSTOMER CARE &
ENERGY SOLUTIONS
DIRECTOR



Michelle Vargo
DEPUTY CHIEF
OPERATING OFFICER

CITY LIGHT FACTS & FIGURES



940,000
Service Area
Population

NUMBER OF CUSTOMERS

419,601 
Residential

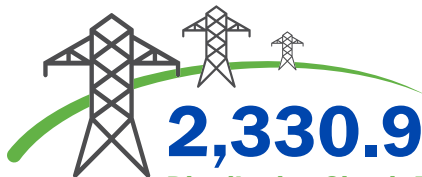
50,779
Non-Residential

UTILITY DISCOUNT PROGRAM

 **34,028**
ENROLLMENT
YE 2019: 6.6% increase




461,496
METERS
97% Advanced Meters


2,330.9
Distribution Circuit Miles

16 
Major Substations


1,806,000kW
Peak Use (February 4, 2019)


13.59 aMW
Annual Energy Savings
from Conservation


1,791
Personnel
Full-time Equivalent
Positions

CUSTOMER SERVICE

Denny Substation

In July 2019, City Light completed the Denny Substation, Seattle's first new substation in more than 30 years. A celebration drew over 1,000 community members who gathered to mark the end of construction of what Fast Company called the "world's coolest substation."

Fitting a new substation within a dense urban neighborhood is no easy task. The architects from NBBJ designed the project as "a physical merging of public infrastructure, architecture, urban design and landscape architecture." Beyond providing improved reliability for a growing city, Denny Substation also offers public greenspace, an off-leash dog park, art installations, meeting and gallery spaces, a plaza for food trucks and entertainment, and an elevated walkway that allows visitors to peer into and learn about the inner workings of a substation.

Denny Substation will power Seattle's bustling urban core with the capacity to serve its demanding commercial and residential electrical needs for the next 50-100 years and beyond.

Advanced Meters

By the end of 2019, nearly all of our City Light customers were using advanced meters, streamlining the reporting process between the meter and the utility. Before this technology was implemented, City Light meter readers would travel across the service area to physically read the dials on a meter and enter the information into the billing system. The new meters use radio and cellular communication technology to upload usage data directly.



This allows the utility to:

- Offer rates that vary by time of day, giving cost-conscious customers a new way to control how their power usage affects their bill.
- Identify outages faster and speed up restoration.
- Analyze customer voltage profiles and distribution system usage.
- Improve planning for future system improvements and service enhancements.

ADVANCED METERS WILL HELP REDUCE THE AMOUNT OF PHYSICAL METER READING, ELIMINATING UP TO 72 TONS OF CO₂ ANNUALLY.



Denny Substation

Service Enhancements

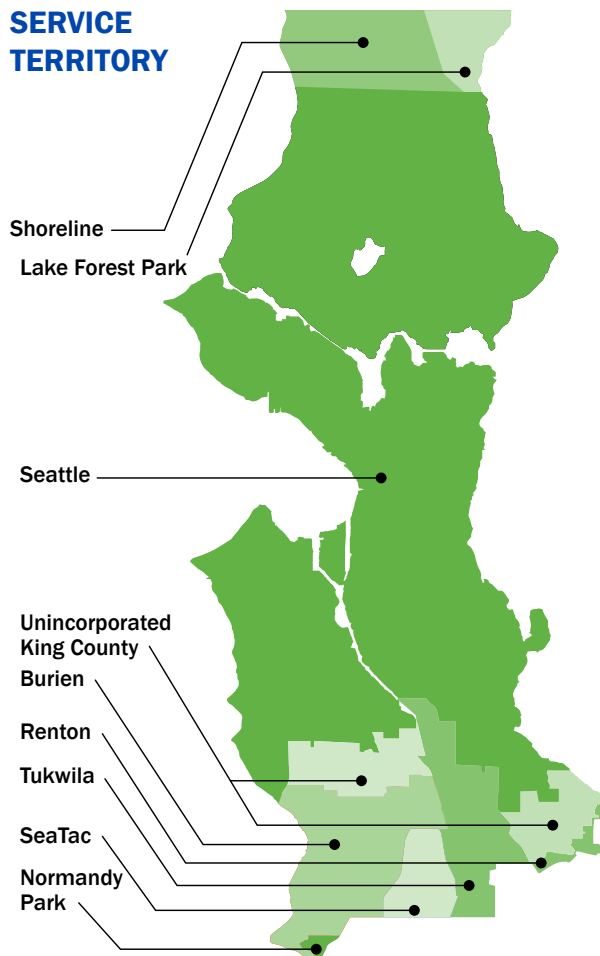
Recognizing that customer service practices need to meet evolving customer needs and expectations, City Light worked to modernize its programs by increasing personalized and convenient access to its services.

For example:

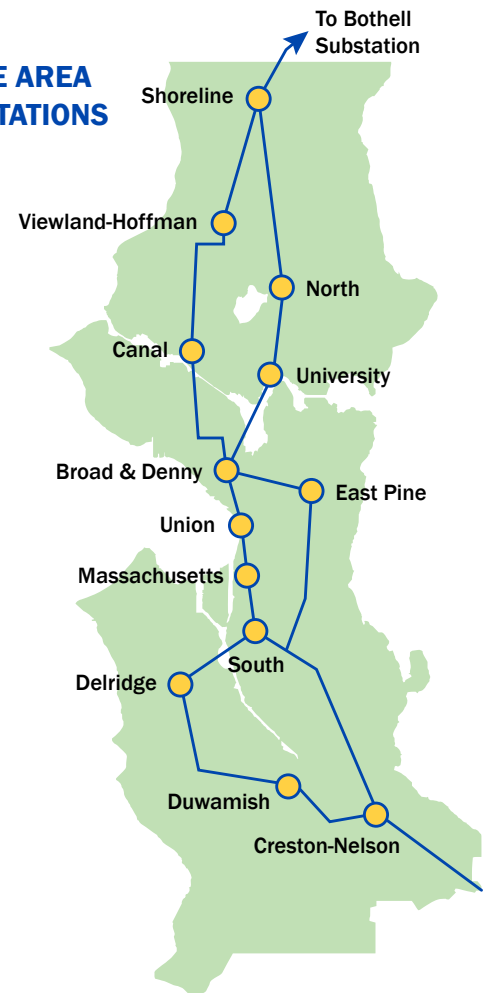
- Implemented a new Business Customer Service Center pilot to connect businesses with a concierge service to ensure commercial needs were met effectively and efficiently.
- Updated our payment system to enable mobile technology and functionalities.
- Prioritized development of a new customer portal to provide online account management, more detailed data usage information, and online payment options for customers in 2020. Following this initial release, the portal will add other customer service features in 2021, such as ability to view interval data from advanced meters, which will allow customers to see and manage their real-time electric consumption.



SERVICE TERRITORY



SERVICE AREA & SUBSTATIONS





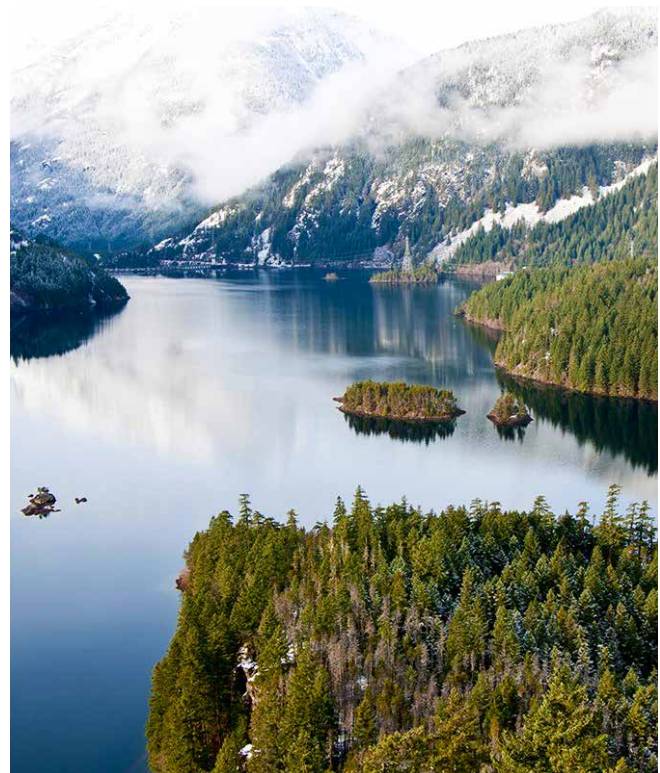
ENERGY RESOURCES

- Owned Hydro
- Treaty Rights From British Columbia
- Long-Term Hydro Contracts
Columbia Basin Hydropower (CBH)
- Other Long-Term Contracts

Skagit River Hydroelectric Project Relicensing

The 700-megawatt Skagit River Hydroelectric Project encompasses 19,200 acres and 33 river miles. In addition to providing more than 40% of the utility's hydroelectric power, the project protects vital fish spawning areas, mitigates flooding and provides recreation for nearby communities and visitors to the area. The project was first licensed for a 50-year period from 1927-1977. The current license was issued May 16, 1995, and expires April 30, 2025.

In 2019, the City Light relicensing team wrote the Preliminary Application Document and Notice of Intent to relicense, which was submitted to the Federal Energy Regulatory Commission in April 2020. That submittal marks the beginning of the formal relicensing process. A new license is expected to be issued by 2025, covering between 30 and 50 years. Over the next five years, the team expects to work with 21 nonprofit and government organizations and complete over 28 scientific studies as a part of the licensing process.



Diablo Lake

POWERING COMMUNITY

**CITY LIGHT
SCORED 99
OUT OF 100,
EARNING THE
HIGHEST RP3
DISTINCTION**



Diamond-Level Reliability

Providing reliable electricity to customers is fundamental to our mission. The American Public Power Association's (APPA) Reliable Public Power Provider (RP3) program evaluates a utility's dedication to operating an efficient, safe and reliable distribution system. For the first time, City Light participated in this evaluation process in 2019.

During this RP3 process, an 18-member panel of national public power experts provided a rigorous peer review of reliability, safety, workforce development and system improvement practices. City Light scored 99 out of 100, earning the highest RP3 distinction, Diamond. This designation will be in effect from May 1, 2020 through April 30, 2023.



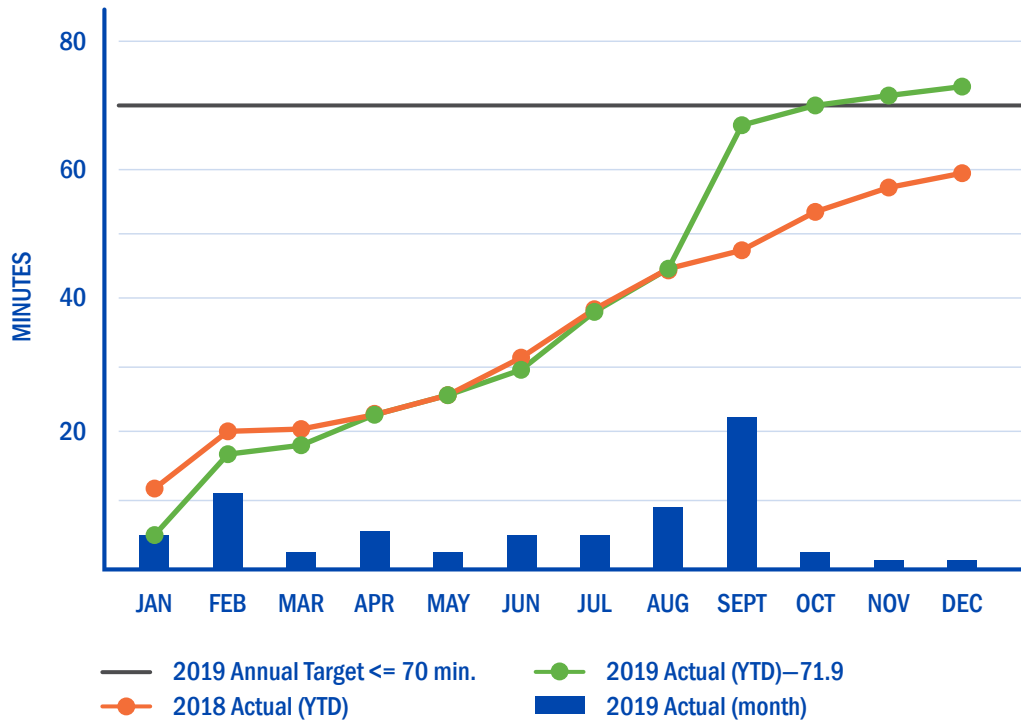
According to APPA, receiving an RP3 designation demonstrates a utility's "commitment to its employees, customers and community." It also indicates efficient, safe and reliable distribution system operation.

Delivering Uninterrupted Service

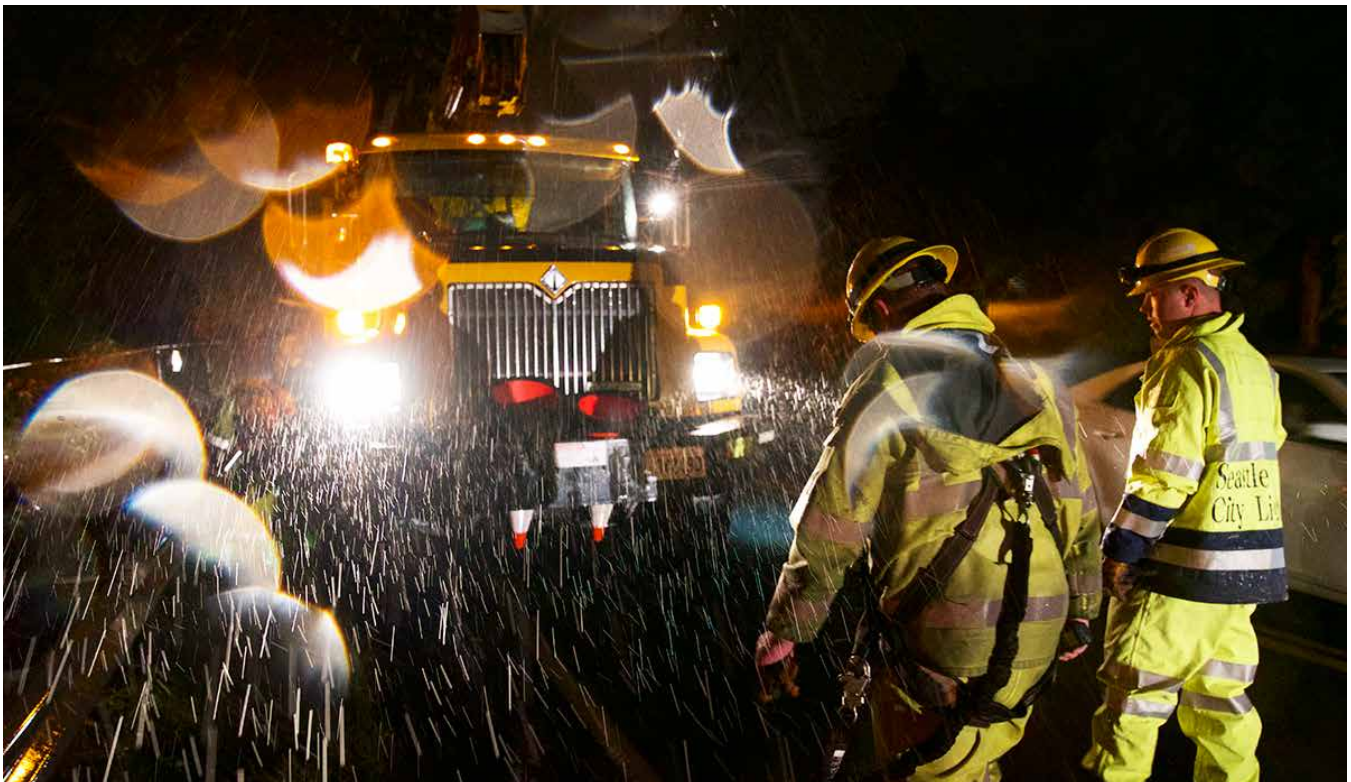
City Light's customers want uninterrupted electrical service to power their lives. City Light continues to improve its service to have the fewest, shortest interruptions possible. This requires constant monitoring and tracking the frequency (how many outages an average customer experiences) and the average length of time it takes us to restore service if an outage occurs.

Service interruptions, or outages, can occur for a wide variety of reasons. These include incidents like fires, car accidents, animals interfering with lines or fallen trees, all of which damage the system in some way and interrupt the flow of electricity to the customer. The utility strives to minimize these occurrences by continually maintaining the infrastructure that delivers electricity.

SYSTEM AVERAGE INTERRUPTION DURATION INDEX



In September, the average outage duration spiked due to a large storm in our service territory.



In rain or shine, City Light crews don't stop working until power is restored to every customer affected by an outage.

Utility Discount Program Enrollment

Electricity is a necessity that should be affordable for everyone. The City of Seattle's Utility Discount Program (UDP) is one of the most substantial assistance programs in the country, providing income-qualified customers a 60% discount on their electric bills.

However, many people who might qualify for UDP may not know that they can enroll. Coupled with an application process that requires submitting verification of income and waiting 4-6 weeks for approval, the process can be challenging for someone who is experiencing economic hardship.

Significant changes were made to increase the program's visibility to its qualified customers. In October 2019, the City of Seattle sent pre-populated

direct-mail letters that allow customers to self-certify that they are eligible to enroll. To find customers that may be likely to qualify, the utility partnered with the City of Seattle data team to develop a model that helped the City be more targeted in its outreach to vulnerable populations.



Enabling Small Cell Technology

Wireless carriers are eager to install new 5G cellular network capacity, creating new demands for new small cell installations on utility poles and streetlights.

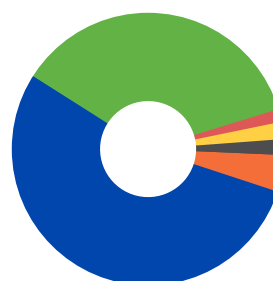
To streamline the process for designing and applying for installation access, City Light worked with the Seattle Department of Transportation and Seattle Information Technology to develop a new application process, design standards and online system for reserving available space on poles. In addition, the utility established a single point of contact and created a centralized webpage dedicated to providing wireless information for carriers and residents.

FINANCIAL HIGHLIGHTS

The following table is a high-level summary of City Light's 2019 financial performance, which was very strong, debt service coverage of 2.10x significantly outperformed the target level of 1.80x.

\$ IN MILLIONS	2018	2019
Total Revenue	\$895.9	\$977.0
Total Expense	\$507.5	\$514.3
Amount Available for Debt Service	\$388.4	\$462.7
Debt Service	\$212.4	\$220.9
Debt Service Coverage	1.83	2.10
Net Income	\$162.2	\$202.7
Debt to Capitalization Ratio	62.4%	60.1%
Operating & Construction Cash at Dec. 31	\$135.7	\$212.3
Rate Stabilization Account at Dec. 31	\$96.9	\$74.2

2019 OPERATING REVENUE (\$ million)



- Residential Retail—\$354.1
- Non-Residential Retail—\$565.8
- RSA Surcharge—\$15.7
- Net Wholesale—\$15.5
- RSA Transfers (net)—\$22.8
- Other Revenue—\$44.7

A TIME OF CHALLENGE

In April 2019, a strong gust of wind started a chain reaction that toppled 26 utility poles along East Marginal Way, a busy thoroughfare in Tukwila. Consequently, one of the poles landed on a passing vehicle; thankfully the passengers escaped significant injury.

Based on an outside, independent investigation commissioned by the City, investigators found that due to advanced decay, the first pole fell, which then pulled down other adjacent poles, some of which also had advanced decay.

In addition to researching the causation, investigators also provided a list of recommendations for how City Light can improve pole maintenance and replacements to avoid a similar problem in the future. Recommendations included improvements in pole testing, a more detailed rating system and techniques for reducing deterioration and extending pole longevity. City Light fully supports the consultant recommendations and has already developed plans to replace nearly 6,000 poles throughout the service territory.

Poles are costly, important pieces of infrastructure that will add significant financial pressure. However, given the utility's topmost priority of public safety, City Light will defer other capital investments and reallocate funding to support critical infrastructure maintenance.

Safer Work Environments

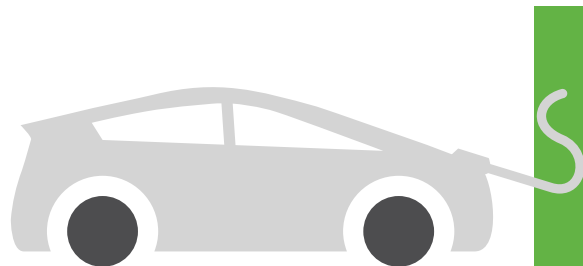
City Light continues to invest in a safer work environment to reduce the risk of injury for its employees and the community it serves. New systems and programs to prevent injuries and engage employees have reaffirmed a culture of safety awareness.

RECORDABLE INCIDENTS



LOOKING AHEAD

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



Energy Imbalance Market Preparations

Electric utilities operate within a connected grid, enabling the exchange of power from utility to utility. This interconnection creates opportunities for utilities to work together to make the best use of renewable energy and low-cost generation.

In 2019, City Light continued our work toward an April 2020 entry into the Western Energy Imbalance Market (WEIM), a system that automates the exchange of electricity in increments as small as 5 minutes. Participation in this new market should yield many benefits. The WEIM is expected to increase wholesale revenues, enhance system reliability and improve transmission planning and management. Additionally, selling power from our flexible hydroelectric system will displace non-renewable resources in the market, resulting in an overall carbon emission reduction.

COVID-19 Response

COVID-19 is challenging customer, operational, workforce and financial environments. This crisis has forced City Light and the rest of the global community to define new norms. In this time of uncertainty and financial distress for so many, City Light's mission of providing customers with affordable, reliable and environmentally responsible electricity services has never been more important. Seattle City Light is committed to turning the challenges brought on by the COVID-19 pandemic into opportunities to become a more nimble, responsive and resilient organization that customers and employees can continue to rely upon.



CITY LIGHT



Seattle City Light

seattle.gov/light

