

A photograph of a utility worker in a hard hat and safety gear working on a power line tower. The worker is on a metal lift bucket, which has a label that reads: "RATED PLATFORM CAPACITY MAX. 1000 lbs/450 kg MAX. 570 lbs/260 kg". The worker is focused on a task, possibly adjusting a cable or pulley. The background is a clear blue sky.

# RECOVER REFOCUS RESTART

2022–2026 Strategic Plan

# RECOVER, REFOCUS, RESTART

Over 900,000 people in the Seattle area rely on Seattle City Light every day to keep their homes comfortable, businesses operating, and communities vibrant. It is our responsibility and privilege to provide our customers power that is reliable, affordable, and environmentally responsible.

Like many things in 2020, our strategic planning process stopped abruptly when COVID-19 hit. We quickly pivoted to focus on the immediate safety and health of our community, customers, and employees.

I am so proud of the work done by Seattle City Light staff. They quickly learned new ways to work, from virtual meetings to new work-safety requirements. In a time filled with fear and uncertainty, they stayed focused on taking care of our customers, neighbors, and their colleagues. They made sure people were safe, helped those who were struggling to pay, and maintained progress on critical projects.

Now, with a hopeful eye to the future, we have returned to our strategic plan. We know times are still uncertain, and that our region's recovery is likely to be sporadic. But the plan is our North Star compass, keeping us oriented to where we ultimately intend to be.

As a public utility, our goals are defined by our customers and the communities we serve. The public has made clear they expect us to deliver affordable, reliable electricity in an environmentally responsible way. They also count on us to handle any crisis that comes along while we meet their evolving needs. That's why we need a shared vision, institutional flexibility, and more than one path to becoming the utility of the future. I believe this plan defines our destination while maintaining the flexibility we will need to deal with the uncertainty ahead.

A strategic plan is no substitute for values. I'm proud of Seattle City Light and the values we share with the communities we serve. We will continue to deliver reliable energy to our customers while working to also improve the environment, advance equity, achieve excellence, put customers first, and take care of our employees. We are honored to be a force for the Seattle area's recovery as we work together to build a more equitable, sustainable future.

Thank you,



Debra Smith  
General Manager & CEO

## 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.

We are funded by customer revenue, not taxes, and governed by the elected leaders of the City of Seattle.

As a recognized national leader in energy efficiency and environmental stewardship, Seattle City Light provides low-cost, reliable, and environmentally responsible electric power. We meet over half of our customers' electric needs from hydropower dams owned and operated by Seattle City Light. Most of the remaining power comes from 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:	955,116
Customers	
Residential:	429,690
Non-residential:	51,398
Personnel (FTE):	1,793
Meters:	482,608 (95% Advanced Meters)
Distribution Circuit Miles:	Looped Radial: 2,340   Network: 267
Major Substations:	16
Commercial/Industrial Power Transformers:	56
Peak Use, MW:	1,757
Annual Energy Savings from Conservation, KWh:	83,046,206

### WHY THIS IS A FIVE-YEAR PLAN

Typically, Seattle City Light's strategic plans cover six-year periods. However, due to COVID-19, our planning process was delayed in 2020 and this plan was revised from a six-year (2021-2026) to a five-year (2022-2026) period.

We'll resume the six-year planning cycle with the 2023-2028 Strategic Plan.

# OUR 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.





# FROM PANDEMIC TO PROGRESS: CITY LIGHT SUCCESSSES

In 2020, the utility faced extraordinary challenges — the coronavirus pandemic, the shuttering of businesses and massive job losses, dangerous air quality, and heightened calls to address racial disparities and injustice. Throughout these difficult times, the utility adapted to provide safe work environments for its employees, maintain essential services to customers, and learn from the experience to build a stronger utility moving forward.

## **Responded to COVID-19**

We mobilized quickly and comprehensively to continue delivering services during a severe public health, economic, and social crisis. Our employees found new ways to adapt their work—from rethinking how crews deploy to setting up home offices (often next to home-school “classrooms”). We also restricted planned outages to reduce impacts to customers.

COVID-19 forced us to adjust plans and practices to respond to new norms and changing demands for service. Our workforce was agile, resilient, and caring. In the face of great uncertainty and distress, we honored our mission, lived by our values, and provided help to the most vulnerable among us.

## **Advanced Our Carbon-Neutral Transportation Future**

The utility’s Transportation Electrification Strategic Investment Plan identifies what’s necessary to expand transportation electrification to meet our carbon-neutral goal. The plan describes how data and community and stakeholder input will help build an equitable and electrified transportation system.

The plan is already in action. We’re working with King County Metro and Washington State Ferries to build the necessary electrical infrastructure to support public transit electrification. This will significantly benefit communities that rely on public transit and will reduce air and noise pollution where impacts are greatest. We’ve expanded electric vehicle charging infrastructure, invested in electrification of our fleet, and started constructing a charging depot for municipal and private fleets. We are also piloting time-of-day rates that enable transportation electrification by encouraging off-peak vehicle charging for residential and commercial customers.

We’ll build on these existing commitments to develop future offerings to support equitable electric transportation for all and reduce emissions across the region.

## Made Customer Service More Personal and Convenient

We are committed to continually improving our service to customers. As customer expectations and technologies change, so must our business practices. We've transformed many important customer services, such as launching a Business Customer Service Center pilot program that provides concierge services and developing an online customer portal. The portal includes improved account management tools and the ability for customers to see and respond to real-time usage data. This means customers can easily open and close accounts through self-serve options and businesses have tools to make their work easier.

## Invested in Critical Infrastructure and Assets

We continue to make strategic, reliability-enhancing investments in our generation, transmission, and distribution systems.

Hydropower is clean, carbon-free energy and provides about half of our customers' power. We upgraded our hydroelectric generation with improvements in dam safety and long-term system and facility planning.

The replacement of aging wooden utility poles was particularly important and challenging in 2020 due to the need to limit planned outages. Thanks to committed crews and staff, we were able to significantly accelerate our pole replacement schedule and develop a robust strategy to replace poles that require long-duration permitting efforts.

Additionally, we invested in undergrounding facilities along the Seattle waterfront and added capacity for light rail.

## Joined the Western Energy Imbalance Market

City Light joined the Western Energy Imbalance Market (WEIM) in 2020. 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. The City Light team successfully entered WEIM during an unusually challenging time and our first year of participation has had positive financial results.

## Earned the Highest Reliable Power Provider Designation from the American Public Power Association (APPA)

In 2020, City Light was one of only 47 utilities to earn the Diamond Reliable Public Power Provider (RP3)<sup>®</sup> designation from the APPA. This award recognizes public power utilities for proficiency in reliability, safety, workforce development, and system improvement. This three-year designation shows the utility's dedication to safety, reliability, and sound business practices.

## UTILITY RELIEF FOR CUSTOMERS IN RESPONSE TO COVID-19

In coordination with the City of Seattle, City Light:

- Provided more flexible payment plans
- Helped eligible residential customers self-certify for Utility Discount Program
- Reached out to small businesses with delinquencies to offer flexible payment plans
- Waived interest charges/late fees on delinquencies for eligible businesses
- Expanded emergency assistance to help with high balances



# 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:

	2016	2017	2018	2019	2020	TARGET 2021
<b>RELIABILITY</b>						
Outage Duration: SAIDI (in minutes) <sup>1</sup>	61.0	64.5	58.3	71.9	67.0	64.3
Outage Frequency: SAIFI <sup>2</sup>	0.50	0.40	0.50	0.50	0.49	0.47
Generator Availability	83.8%	81.5%	89.1%	84.1%	77.1%	81.4%
Miles of Line Trimmed <sup>3</sup>	553	417	373	408	323	400
<b>CLEAN ENERGY</b>						
Energy Efficiency Incremental Average Megawatts (aMW) <sup>4</sup>	14.0	15.4	14.4	13.0	10.5	10.8
<b>SOCIAL JUSTICE</b>						
Utility Discount Program Participants	28,000	33,000	31,924	34,028	42,094	n/a <sup>5</sup>
Purchases from Women & Minority Business Enterprises (\$ millions)	\$15.20	\$14.00	\$11.50	\$13.00	\$19.70	\$16.37
<b>FINANCE</b>						
Debt Service Coverage	1.70	1.90	1.80	2.10	1.73 <sup>6</sup>	1.79

<sup>1</sup> SAIDI – System Average Interruption Duration Index (average total number of minutes per year of sustained outage per customer served)

<sup>2</sup> SAIFI – System Average Interruption Frequency Index (average number of times a customer's electric service was interrupted in the year)

<sup>3</sup> Tree trimming and vegetation management as measured by transmission line miles

<sup>4</sup> Measures our performance toward reaching our state-mandated energy savings target. In 2020, in-home services were suspended for safety due to COVID-19.

<sup>5</sup> There is no Utility Discount Program or Emergency Low-income Assistance Program target for 2021. Instead, the focus will be on improving the application process and removing barriers to apply—thereby increasing the number of new enrollees.

<sup>6</sup> Unaudited

# LOOKING FORWARD

Our customers rely on us to keep the power on, no matter the situation. To do this, we need a clear vision of where we want to go and plans for how to get there. These plans must continually adapt to changes in our community, the industry, and the world.

Our values, mission, and vision shape all our planning. They reflect who we are, why we're here, and what we aspire to. Our vision is where we are headed and our source of inspiration.

The strategic plan guides us on our path. It's our North Star—a navigational aid to help us get to our destination. The plan takes a high-level, longer-term view; it identifies our key strategic assets, and it leverages these assets to help us navigate uncertainty.

The strategic plan informs other detailed and more frequently updated plans.

Our annual workplan sets service and performance goals and guides our day-to-day operations. Financial plans such as the Capital Improvement Program, rate trajectory, and budget help us manage our resources wisely.

## SEATTLE CITY LIGHT STRATEGIC PLAN 101:

**WHAT?** A framework 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?** Disruption is the new normal. Pandemics, climate change, evolving customer needs, new technologies, and a generational wave of retirements are just a few of the disruptive forces creating major challenges for our industry.

# OUR PLANNING PROCESS



# COMMUNITY VOICES

## We Heard From You

Seattle City Light uses insights from customers and the community to inform our strategic planning and daily work.

In March and April 2021, Seattle City Light met with 11 stakeholder groups to present the utility's draft 2022-2026 Strategic Plan. This included the City Light Environmental Advisory Board, members of the City of Seattle's Environmental Justice Committee, the Seattle Renters' Commission, representatives from the utility's franchise cities, members of the NW Energy Coalition, representatives from the Seattle 2030 District and Business Owners and Management Association, representatives from the Multi-Service Center and Hopelink, and representatives from the utility's managed accounts.

Several presentations were given to Seattle City Light staff — including presentations to our Race and Social Justice Change Team — and a Virtual Town Hall was held on April 15, which was open to the public.

In total, City Light engaged with over 200 individuals who brought a variety of perspectives to each discussion about the priorities presented in the plan.

### AREAS OF INTEREST EXPRESSED

- Having a greater voice in the direction of new City Light programs
- Seeing City Light programs and initiatives roll out at a quicker pace
- Supporting City Light's plan to control debt

### OPPORTUNITIES IDENTIFIED

- Aligning City Light's customer-facing programs with other City of Seattle departments
- Reimagining City Light's bill assistance programs to help those in need who may not be served by existing programs
- Looking at energy burden holistically and reimagining assistance options
- Lifting up and supporting environmental justice work already underway at the community level

## ENDING INSTITUTIONAL RACISM IN GOVERNMENT

City Light takes its lead from the City-wide Race and Social Justice Initiative to end institutional racism in government. The initiative's long-term goal is to change the underlying system that creates race-based disparities to achieve racial equity in our community. Developing a utility-wide culture of learning around identity and power is essential to making equitable decisions in how we work with each other and customers. City Light's commitment to advance race and social justice continues building on efforts to:

- embed equity in utility decisions by strengthening our use of the Racial Equity Toolkit;
- identify and remove barriers to equitable employee and customer experiences; and
- deepen staff education, engagement, and leadership development around our collective practice of anti-racism.

## City Light Review Panel

The City Light Review Panel<sup>7</sup> 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. They meet with City Light leaders regularly and provide valuable input that helps shape the development of the strategic plan and other efforts.

- Leon Garnett (Chair)**, Low-Income Customer Advocate
- Mikel Hansen (Co-Chair)**, Commercial Customer Representative
- Anne Ayre**, Industrial Customer Representative
- Scott Haskins**, Utility Financial Analyst
- Sara Patton**, Nonprofit Energy Efficiency Advocate
- John Putz**, At-Large Customer Representative
- Tim Skeel (pending confirmation)**, Economist

<sup>7</sup> The Seattle City Light Review Panel was created March 22, 2010, through City Council Ordinance Number 123256. There are currently two panel vacancies—the residential customer and suburban franchise cities representatives.



Community Solar Project, Jefferson Park



OUR BUSINESS STRATEGIES ARE BROAD, MULTI-YEAR AREAS OF FOCUS THAT WILL HELP US ACHIEVE OUR VISION.

# IMPROVE THE CUSTOMER EXPERIENCE

The energy industry is evolving, and as it does, customers will benefit from more customized services.

Although Seattle City Light has always kept the customer at the heart of our work, changing expectations, as well as emerging needs, mean we need to do even more. We are focused on engaging with our customers and helping employees see the impact of their actions from the customers' perspective.

When we listen to our customers and act on what we hear, we are better able to anticipate needs, deliver excellent service, and help our customers make smart energy choices that help them and the planet.

## Projects, Initiatives, Activities:

### INTEGRATE THE 'VOICE OF THE CUSTOMER' INTO OUR ORGANIZATIONAL CULTURE:

We will make use of customer research and engage with and equip our employees with the tools, skills, and support they need to prioritize customer needs and make "Customers First" a reality.

**STRENGTHEN AND FIX CORE CUSTOMER SERVICES:** Service delivery will be improved by redesigning old processes (e.g., implement Advanced Meter Infrastructure Phase 2, identify and resolve customer pain points through the multi-year "Service-to-Bill Process Improvement Project," which includes appropriately resourcing customer engineering services and improving service delivery timelines).

**EXPAND CUSTOMER SERVICE OPTIONS:** To meet customers' individual needs, we will develop new programs and services. For example, we will grow programs such as the business customer service center pilot, offer new energy efficiency programs, and provide public and residential home charging pilots. We'll also work with community partners and the City of Seattle to increase the effectiveness of our utility bill assistance programs.

## OBJECTIVE:

- Consistently meet customers' needs by providing employees with the opportunities and training required to deliver targeted and responsive solutions

## SUCCESS MEASURES:

- Customer satisfaction scores from industry experts and our own research (e.g., J.D. Power rating and Seattle City Light longitudinal benchmarking survey)



# CREATE OUR ENERGY FUTURE

Our energy future is based on carbon-free renewable resources. However, moving away from fossil fuels will require significant commitments and partnerships. New infrastructure is needed to ensure electricity can be accessed wherever and whenever people need it. Similarly, customers will need more options for accessing and paying for electricity.

Our energy future must also have robust safeguards in place to prevent and mitigate against 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. This makes us a top target for attack. We must be vigilant in continually tracking risks, addressing vulnerabilities, and securing our assets.

## Projects, Initiatives, Activities:

**FUND AND IMPLEMENT THE ‘UTILITY NEXT’ PORTFOLIO:** Utility Next will enable projects needed to achieve Seattle’s clean energy vision. This includes transformation of our grid while also contributing to the long-term economic recovery and clean energy development of our region. Projects in this portfolio will modernize the grid, support large-scale renewables and storage, expand transportation electrification, prepare the workforce to meet the needs of the future, reinvent large capital projects, and advance building electrification.

**IMPLEMENT GRID MODERNIZATION ROADMAP:** Our carbon-free future depends on the electrification of transportation and other economic sectors; and this requires a stronger, smarter grid to handle the increased consumption. The roadmap will show us the way forward and prioritize investments needed to support electrification and increase grid flexibility, automation, reliability, and resiliency.

**IMPLEMENT ELECTRIFICATION PLANS:** We will develop, offer, and implement programs authorized by the Transportation Electrification Strategic Investment Plan, meet building electrification objectives that are consistent with City policies and codes, and support the development of the clean energy workforce.

**INTEGRATE DISTRIBUTION SYSTEM AND RESOURCE PLANNING:** The Integrated Resource Plan will be aligned and incorporated into other complementary planning efforts, including transmission and distribution planning, environmental planning, and the Clean Energy Transformation Act (CETA) Implementation Plan.

**DEMONSTRATE LEADERSHIP AND COLLABORATION:** We will lead long-term regional decarbonization and electrification planning efforts, collaborate to ensure the capacity and availability of carbon-free generation resources, and support the development of regional solutions. As part of Skagit River Hydroelectric Project relicensing, we will partner with government agencies, sovereign Tribes, and regional stakeholders on environmental studies and mitigations to continue to deliver environmentally responsible, safe, and renewable energy.

## OBJECTIVES:

- Build and maintain a smart, resilient, flexible, dynamic, and reliable grid infrastructure
- Prepare for the increased integration of distributed energy resources and more customer options
- Work to reverse historic inequities and avoid collateral harm to underserved populations by intentionally prioritizing their needs as we create our energy future

## SUCCESS MEASURES:

- Increased load and revenue associated with electrification
- Penetration of automation on our grid
- Reduction of emissions in Environmental Justice communities



# DEVELOP WORKFORCE & ORGANIZATIONAL AGILITY

Our industry is transforming quickly, and so are our customers' needs. Our products and services must keep pace. Seattle City Light employees are essential to this evolution, which is why we must continue to build their skills, create a supportive and diverse culture, provide them with the right tools and resources to help them succeed and stay safe, and make sure there's a talent pipeline to fill and promote the jobs of the future.

Our jobs aren't easy—and some are very dangerous—so making sure our workforce is well trained and prepared is critical.

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

## Projects, Initiatives, Activities:

**INSTITUTIONALIZE ORGANIZATIONAL CHANGE MANAGEMENT:** A formal change management program will be established to provide consistent structure, standards, training, coaching, and resources. This will help employees successfully adapt to and master changes in job functions, business processes, and technology usage.

**BUILD AN AGILE WORKFORCE:** Our work in this area will include anticipating new strategic staffing needs, providing training and development opportunities that prepare employees for the future, supporting the culture change needed for future success, and building a workforce that reflects our community's diversity.

## OBJECTIVE:

- Foster an organization that is nimble, adaptive, and responsive and cultivate a workforce with the skills and knowledge to advance 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



# ENSURE FINANCIAL HEALTH & AFFORDABILITY

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

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

## Projects, Initiatives, Activities:

**CONTROL RATE INCREASES:** While City Light’s rates need to keep up with costs to keep the lights on, the utility is committed to holding 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. Because prudent debt management is crucial for affordability in the long term, City Light will work with the Review Panel to develop targets and policies to inform our capital financing strategies.

**PRICE SERVICES FOR THE FUTURE:** In our new energy future, clean energy technologies will power our homes and businesses, small generation sources, like solar, will become more common, and transportation electrification will continue to grow. The way we structure our rates needs to adapt to the new energy future, too. Building on new technology from advanced meters and billing system upgrades, City Light will continue to deliver the strategies outlined in our 2018 Rate Design Report by rolling out new pricing options that encourage decarbonization and grid flexibility while also helping residents and businesses manage their energy costs.

**ROAD TO RECOVERY:** Stable revenues are essential to sustain our financial health and deliver affordable electricity. As City Light prepares to restart credit and collections after a five-year hiatus, we need to review and update our policies, services, and practices. At the same time, we must be transparent, fair, and mitigate the impacts of racial and economic barriers. We recognize that many of our customers are still struggling in the wake of the COVID pandemic and we will work diligently to ensure that those facing financial hardships are aware of and have meaningful access to assistance.

## 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 current and prior strategic plan commitments
- A debt service coverage ratio of 1.8 or higher
- Capital financed 60 percent or less by debt



# WE POWER

“We Power”<sup>8</sup> refers to our core function as a utility in providing electricity services to customers. This is central to all we do and reflects the core mission of our workforce.

As we work on the new efforts outlined in this strategic plan, we will remain committed to our core business operations and delivering value to our customers in Seattle and our franchise cities.

## OBJECTIVES:

- Continue to advance our mission to provide our customers with affordable, reliable, and environmentally responsible energy services
- Prioritize diversity, equity, and inclusion in all that we do
- Actively manage and mitigate the constraints, risks, and uncertainty of operating in a COVID-adjusted environment

## SUCCESS MEASURES:

- Operational dashboards will track performance metrics for each line of business



<sup>8</sup> “We Power” reaches beyond the City of Seattle. We also serve customers in Shoreline, Burien, Lake Forest Park and portions of Normandy Park, Tukwila, Renton, SeaTac, and unincorporated King County.



# KEEPING CUSTOMER BILLS AFFORDABLE AND STABLE

City Light's rates are designed to collect the revenue needed to maintain existing and planned operations while also moving forward on the strategies, programs, and investments in this plan. Our revenues must cover debt service, operations and maintenance, and costs associated with delivering power. As a public-owned utility, customer affordability is a key driver to our financial planning and actions.

## Factors Driving Rates

**INFRASTRUCTURE INVESTMENTS** — These are the costs for capital work and to repay bonds taken out to fund past, present, and future capital programs. Major capital projects currently in progress include replacing utility poles, Boundary Hydroelectric Project licensing mitigation, and Skagit River Hydroelectric Project relicensing.

**DEBT SERVICE COVERAGE** — Debt service coverage measures the ability of an organization to use its operating income to repay all its debt obligations, including repayment of principal and interest on short-term and long-term debt. City Light financial policy (Resolution 31187) requires us to have debt service coverage well above (1.8 times) what is required to pay 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 broad category includes costs associated with power production, distribution and transmission, customer services, and administrative support.

**POWER COSTS** — These are the costs to purchase power and the transmit electricity. 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 purchase power contract is with the Bonneville Power Administration.

**DECLINING RETAIL DEMAND** — The decline in electricity consumption creates upward pressure on rates. 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 with less energy use. That reality can be at odds with our long-standing ethic around conservation and the wise use of electricity. Looking into the future, the electrification of transportation and buildings offers new opportunities for load growth to reduce upward rate pressure. City Light's current load forecast is shown in the chart on page 27.

# PLANNING FOR FUTURE DEMAND

Forecasting future demand for electricity is very important so City Light can balance supply and demand and minimize our bulk electricity costs.

Even as the Seattle region has experienced explosive growth over the past decade, City Light customers' energy consumption has been trending downward due to advancements in energy efficiency.

In 2020, COVID-19 struck and stay-home orders were enacted across the region. City Light saw a deep drop in demand for electricity as commercial spaces across our predominantly urban service territory emptied. City Light saw a sharp reduction in demand for electricity from offices, schools, universities, and places of gathering like churches and theaters. While residential demand for electricity increased some due to telework, this increase was surpassed by commercial load decline. The timeline for economic recovery from the pandemic, particularly in the downtown core, will be a key driver for Seattle-region electricity demand during the upcoming five-year planning horizon.

Looking further into the future, City Light sees electrification of buildings and transportation as key to stabilizing demand for electricity. The speed at which our region moves away from fossil fuels through changing building codes, adoption of electric vehicles, and other climate change policy all have the potential to significantly impact City Light's future retail demand. (See chart below.)

## SEATTLE CITY LIGHT RETAIL SALES FORECAST

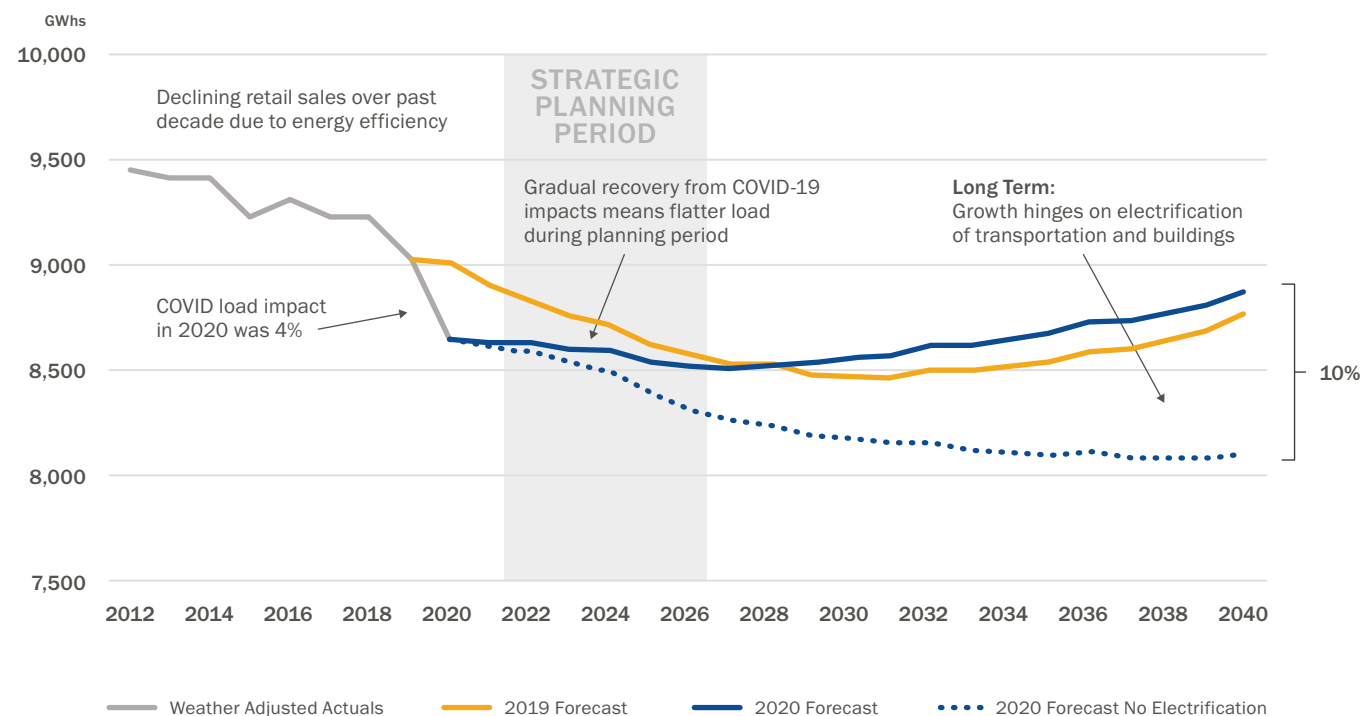


Photo Credit: Hugo C. Ludeña

# FUNDING THE PLAN: OUR 5-YEAR RATE PATH

Seattle City Light is committed to providing strong, secure, and flexible energy infrastructure so all our customer-owners have access to reliable and affordable electricity, whenever they need it and wherever they are.

We have a long history of doing just that. Yet, looking ahead, we must confront major challenges, including the pandemic response, permanent changes to the way people work, and economic recovery. These challenges will exacerbate the need to balance essential investments with our shared financial reality.

In line with our commitment to keeping rate increases low, Seattle City Light recommends the rate path shown in the table below, to ensure the utility can deliver the best customer service in an affordable, equitable, reliable, and environmentally responsible manner.

The strategic plan proposes a five-year rate path that increases 3.5 percent annually, on average.

## PROPOSED RATE INCREASE SUMMARY

	2022*	2023	2024	2025	2026	AVG
Annual Increase	3.9%	3.8%	3.8%	3.0%	3.0%	3.5%

\* Rate approved by Seattle City Council in March 2021.

The table below shows potential bill impacts as examples only. Customers who decrease their consumption through energy efficiency measures will experience smaller bill impacts. Conversely, as customers electrify their homes and vehicles, they will see increased City Light bills, while petroleum and natural gas costs come down.

## CUSTOMER BILL IMPACT EXAMPLES: MONTHLY INCREASE PER YEAR

BILL EXAMPLE	2021	2022	2023	2024	2025	2026
	AVG. BILL	INCREASE				
Residential*	\$76.77	\$3.00	\$3.04	\$3.18	\$2.61	\$2.68
Residential-UDP (60% Discount)	\$30.71	\$1.20	\$1.22	\$1.27	\$1.04	\$1.07
Small Commercial (Car Wash)	\$465	\$18	\$18	\$19	\$16	\$16
Medium Commercial (Retail)	\$7,436	\$290	\$294	\$308	\$252	\$259

\* Assumes a typical residential customer using 634 kWh/month

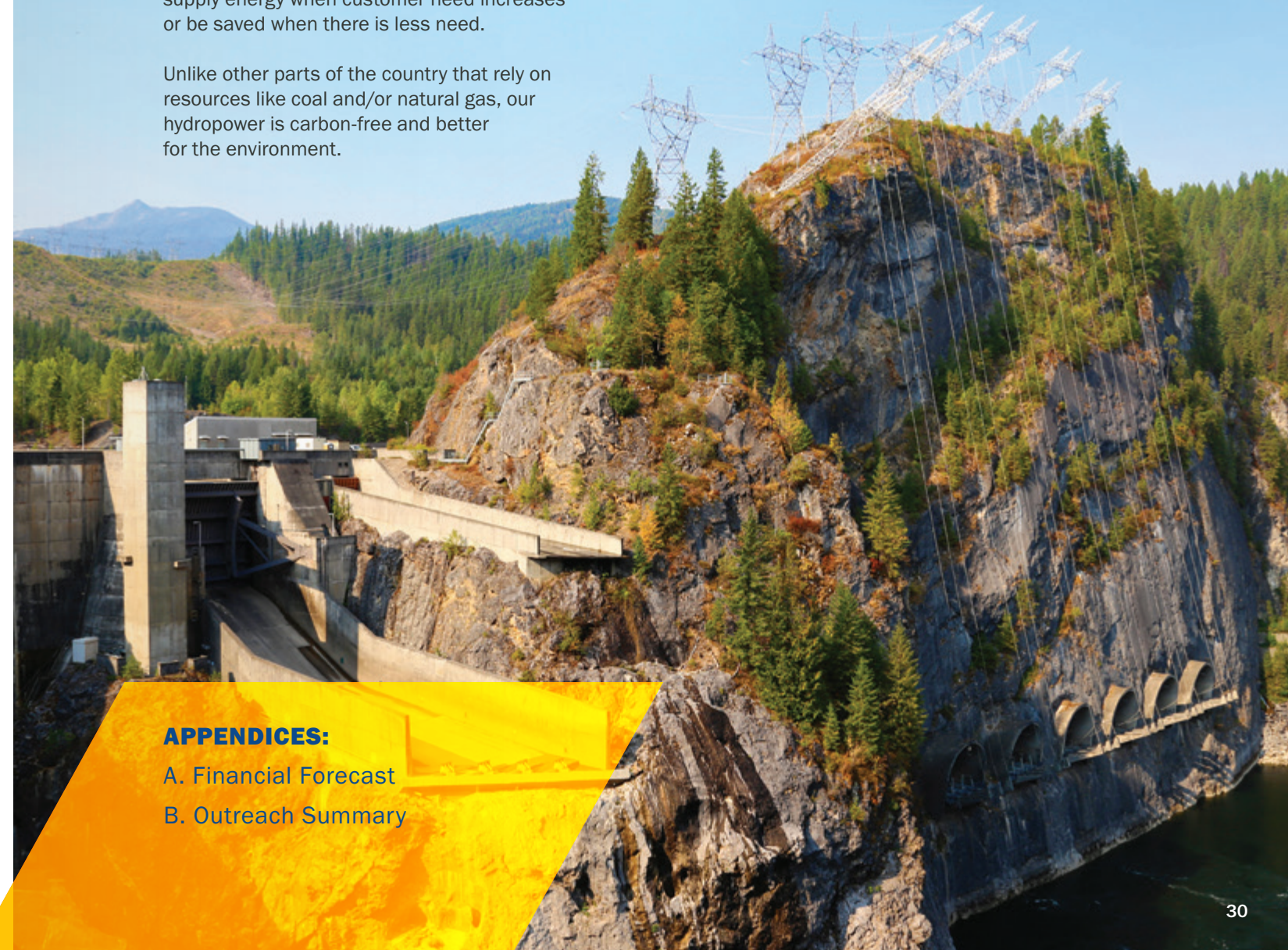
# HYDROPOWER: MEETING CUSTOMERS' NEEDS FOR CLEAN, RELIABLE ENERGY

While new, renewable energy sources like wind and solar power are extremely important to our carbon-free future, they are only available when the wind is blowing and the sun is shining. This limits their ability to provide electricity every day.

Seattle City Light is fortunate to have a clean and always-available resource — hydropower. The reservoirs created by our hydroelectric dams store water that can be drawn down to supply energy when customer need increases or be saved when there is less need.

Unlike other parts of the country that rely on resources like coal and/or natural gas, our hydropower is carbon-free and better for the environment.

Hydropower isn't "free"— it impacts fish and the nearby environment. That's why we work diligently to steward a healthy watershed with good facility operations and mitigation efforts that support fish, forests, and wildlife. We are proud of the work we have done so far and are planning the next generation of improvements.



### APPENDICES:

- A. Financial Forecast
- B. Outreach Summary





**Seattle City Light**

[seattle.gov/light](http://seattle.gov/light)

206.684.3000

700 5th Ave Suite 3200  
Seattle, WA 98124



Cover Photo Credits:  
Front - Peter de Lory  
Back - Hugo C. Ludeña