



CITY LIGHT REVIEW PANEL MEETING

Monday, December 14, 2020

10:00 AM – 12:00 PM

Microsoft Teams Meeting

Proposed Agenda

<u>Item</u>	<u>Lead</u>
1. Welcome, Introductions (<i>5 min.</i>)	Leon Garnett, Panel Chair
2. Public Comment (<i>5 min.</i>)	
3. Standing Items: (<i>5 min.</i>)	
a. Review of agenda (Karen Reed)	
b. Action: Review and approval of meeting minutes of Oct 14 th and Nov 16 th	
c. Chair's Report (Leon)	
d. Communications to Panel (Leigh Barreca)	
4. General Manager's update (<i>15 min.</i>)	Debra Smith
5. Bundled Renewable Tariff Program Design (<i>30 min.</i>)	Scott Cooper
6. Load Update (<i>30 min.</i>)	John Rudolph/Carsten Croff
7. Planning Impact Discussion (<i>30 min.</i>)	Leigh
a. Comprehensive planning calendar	
b. Emerging issues, challenges, and opportunities	
8. Adjourn	



**City Light Review Panel Meeting
Meeting Minutes**

Date of Meeting: October 14, 2020 | 1:00PM – 3:00PM | Meeting held via Microsoft Teams “Draft”

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

Welcome\Introductions. Leon Garnett kicked off the meeting at 1:04pm.

Public Comment. Joni Bosch – no comment.

Standing Items:

Review Agenda. Agenda approved.

Approval of Sept 17th Meeting Minutes. The meeting minutes were approved as submitted.

Chair’s Report. No report.

Communications to Panel. None.

General Manager’s Update:

Debra discussed the Planning Process chart that is included in the meeting packet. The chart details the inputs and non-linear planning cycle for both strategic and operational planning. The focus is on the thinking and the process, not simply the documents City Light produces. The two-way arrows show that City Light is always doing continuous improvement and making changes to how work is performed.

City Light is in the process of creating a comprehensive planning calendar. While this depicts a cycle, there is also a linear process to must go through. It begins right away with refreshing the strategic plan, then starting the capital improvement plan. The schedule will give the Panel a roadmap for where City



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Light is going. The intent is to bring the new strategic plan forward next year.

In addition, this week Debra has started a series on our organizational values. The utility is developing action statements that will show employees how their work advances the achievement of City Light's values.

- **Q:** Will the strategic plan we worked on last year will be completed in 2021? **A:** Yes. For 2022. We will make adjustments as needed, such as updating the rate path. We will also look at the draft priorities and initiatives to confirm them, adjust timelines or change them entirely. We may consider adding a recovery initiative.
- **Q:** I'm assuming from what you said, your plan is to engage your Executive Team and your people managers to work with the content, then the Review Panel would review the plans and give feedback? **A:** Yes, and there will also be a place for you to also give suggestions and feedback.

Mike Haynes shared that he just got off a call with FERC who regulates City Light's dams. The next regulatory mandate from FERC is always an unknown. City Light must be very disciplined to be ready for such things. Mike is pushing his teams on capital spending discipline and prioritization.

Debra Smith noted that the utility is also working is telling its story and highlighting the Utility's areas of focus, vis a vis capital programming. We need to be realistic about what we can accomplish each year.

Shifting gears, Debra introduced the topic of customer service response time, noting that COVID has slowed down some response times. Mike Haynes reviewed the revised "Requirements for Electric Service Connection" (RESC) table, which is the primary resource for customers initiating service requests. The document outlines the submittal requirements for each type of service, including estimated timelines for each process step along the way. For new requests, City Light intends to modify Table 1.3 – "Estimated Turnaround Times Per Phase of Application Process, Looped Radial" to align with what customers are currently experiencing. Mike noted that City Light always strives to do better than what the table suggests but wants to be mindful about setting clear expectations from the start. He expects the modified timelines will be in place throughout 2021 and hopes to revert to pre-COVID timelines on or before Jan. 1, 2022. The new extended timeline should be published online by the end of the year.

- **Comment:** I appreciate what you are displaying. The frustration was not so much the delay as what was the inaccuracy of what was communicated. This is on the right track. **A:** Yes, Craig Smith and I agree that we need to give our customer-facing staff the information they need to respond to and address the customer needs.

Debra Smith noted that she and Mike are working closely with Craig Smith, the Chief Customer Service Officer to better focus this messaging on the customer experience. Next week they are doing customer empathy training for our strategic advisors and managers.

- **Q:** Does this primarily reflect a backlog or is this more a reflection current resource limitation? Is this ongoing or temporary? **A:** We do have an existing backlog and we have had fewer available



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staff. We are also trying to solve our 2020/2021 budget problems with an attrition strategy so we will likely have reduced staffing levels for quite some time.

- **Q:** What is the trade off in revenue by pushing out these timelines? **A:** On one side, since our budget is on the expense side, if we increase our revenues, we would like to be able to ask to increase our staffing but that is not how the process usually works. We are working on more accurately tracking customer revenues to better answer your question.

City Light Utility Technology Organization Overview:

Emeka Anyanwu Shared a PowerPoint presentation [sent to Panel members after the meeting]. He shared that City Light needs to prioritize technology investments to align with business strategy. City Light needs clear structures for decision making around technology; the new approach is designed to support the utility but not duplicate the services of Seattle IT.

- **Q:** Are you working out with the IT department the roles and responsibilities and relationships? **A:** Yes, we have already started having that conversation with Saad (Bashir) and his team. Some of our utility tools will be managed by utility staff; big enterprise systems such as Microsoft tools will continue to be Seattle IT's purview. This is an ongoing conversation, we just kicked off 2021 work planning this week.
- **Q:** As you have those conversations, are there service level agreements or other accountability documents? **A:** Yes, those exist. There are conversations about specificity and the measures that should be included. We are trying to articulate those things more clearly so we can be more effective.

2020/2021 Budget:

Kirsty Grainger shared an overview of the 2021 budget with the Panel. City Light has worked with Greg Shiring and the City's Central Budget Office to present the Mayor with our budget. The Mayor has passed it to the Council. We anticipate it being passed in November.

The challenge of this budgeting cycle is bridging the revenue gap caused by the pandemic. City Light had already incorporated a 1% decline in retail demand; now due to economic impacts it will likely be closer to 4.35%. The other thing that is contributing to the revenue gap is that there will be no rate increase in 2021 as previously planned. The combined gap comes to about \$55M in 2021.

City Light is closing this gap through four categories of cost: labor, non-Labor O&M, wholesale revenue, and capital and debt service reductions.

- Labor: The utility is pursuing an attrition strategy and a hiring freeze. City Light will continue to fill positions for essential workers, but if there is an opportunity to not hiring a position, they will be doing that. The budget also increases the planned vacancy rate from 7% to 13%.
- Non-labor O&M: Consulting services are being reduced as is funding for conservation incentives.



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- Wholesale Revenue: Additional revenue is anticipated from the Western Energy Imbalance Market. The Utility is projecting \$73M in wholesale power revenue and is planning for \$60M.
- Capital and Debt Service Reduction: The utility captured record low interest rates in its debt issuance earlier this year. Additionally, a lower debt coverage ratio is projected to provide additional savings.
- **Q:** Going back to the retail revenue gap, what sensitivity are you having as a result of COVID? As an example, how is commercial revenue vs retail revenue? Are the projections robust enough to support this? **A:** There is uncertainty and it is an area of significant risk. The demand reduction you see is all on the commercial/industrial side. On the residential side we are assuming load will be the same or a little higher. Receivables -- customers unable to pay their bills -- are also a risk. We continue to see residential customers using more power. It started at 2% more and is inching up to 3%.
- **Q:** Could you share a little more information about the reduction in conservation incentives. What is \$1.5M as a percentage of the planned budget and how are we getting efficiency without the incentive? **A:** The baseline is \$16.2M, so roughly 10% reduction. We are already surpassing our goal, so we thought it was a safe cut as we have typically been overachieving. We also have not been spending all the budget, and we have still been surpassing our goals. The reduction it gets us more in line with what we have been spending.
- **Q:** I am not sure how the Rate Stabilization Account (RSA) works. How is the RSA reflected in the budget? **A:** The way the RSA works is if more revenue than we anticipate comes in, we deposit it in the RSA. When the RSA is low, surcharges are added. We are projecting that the surcharge will still come off in 2021. The baseline is the budget that we need for utility operations; everything over that goes to the RSA.
- **Q:** Are you just prolonging the surcharge? **A:** No, the surcharge is still scheduled to come off.
- **Q:** What is the new projection for when the surcharge will come off? I thought it was November or sooner. **A:** We did have a projection of November, but then with the events of 2020 it got bumped to early 2021. If you have questions you can reach out to me.
- **Q:** I do not like having a surcharge and a rate path. As a customer, the fact remains there are two things going on and the messaging is messy. It should be handled all together. **A: (Debra Smith)** I tend to agree. We need a different approach to setting rates. Frankly, it is not even just two factors – there is also the Bonneville true-up that can impact rates. I believe we can do a better job managing these components.
- **Q:** Can you remind us of the budgeting strategy; Are you budgeting to expected? **A:** For load variability we are budgeting to expected. We have been talking internally that if next year things look substantially different, we need to be ready to act.



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More Q&A:

- **Q:** Are you getting back to normal? **A:** Our planning process was delayed, but we have a great place to start when we pick this up again. We all did a lot of great work and we have good initiatives that will still work. We need to look at adding a recovery initiative that goes into 2022. Our timing may also need to be adjusted – planning for faster or slower initiative deadlines, depending on if we get federal stimulus funds.
- **Q:** I understand there is a bill in the legislature to clarify that publicly owned utilities can spend money on beneficial electrification. **A:** Yes, we are engaged on this. You can reach out to Maura (Brueger) or Mendy (Droke) if you would like more information.

Meeting adjourned at 2:57 PM. The next Panel meeting is November 16th.



**City Light Review Panel Meeting
Meeting Minutes**

Date of Meeting: November 16, 2020 | 10:00AM – 12:00PM | Meeting held via Microsoft Teams “Draft”

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

Welcome\Introductions. Leon Garnett kicked off the meeting at 10:07am.

Public Comment. None present.

Standing Items:

Review Agenda. Karen Reed reviewed the agenda.

Approval of October 14th Meeting Minutes. Item postponed due to lack of quorum.

Chair’s Report. No report.

Communications to Panel. There were no communications to the Panel, except an email from someone interested in attending Panel meetings; Leigh Barreca sent an email in response.

General Manager’s Update:

Debra Smith shared an update about work SCL is doing to develop a calendar detailing timing for the update to the strategic plan as well as the concurrent budget process. Key activities happening now are:

1. 2021 Budget – SCL’s submittal is being reviewed by the City Council. Debra does not anticipate major changes but noted that the utility has work to do internally around budget accountability for all Divisions in SCL.
2. PeopleSoft – SCL is reviewing how best to use PeopleSoft. This work will have us doing our



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financial tracking the program/project level rather than the Organizational Unit focus. Debra believes this change will give SCL a better view of what it is accomplishing.

3. 2022 Calendar – SCL is preparing a calendar that incorporates the 2022 budget process and the update to the strategic plan that was largely completed in 2019/20 but needs a refresh. SCL is also in the midst of a number of complex customer technology projects including the Portal, Meter Data Management (MDM), and Customer Care and Billing (CCB). These are needed to support rate design. Debra anticipates sharing this calendar with the Panel at the next meeting.
- **Comment:** It is very impressive what you mentioned on the budget to organize budget costs and work as opposed to organizational. That is a very progressive approach. What you are doing with the portal and CCB is complex and it's worth it to take the time to do the upfront work to make sure you get it right instead of just pressing ahead to meet a milestone. **Response:** Thank you. It is something we know we needed to do.
 - **Q:** Having experience with big technology projects, sometimes they just die. Whatever you try to fix becomes obsolete. Do you have confidence that your plan will get you to where you want to be? **A:** We have a plan and while complex, we are confident that we are making the right incremental decisions. For example, for the portal project we selected a current, contemporary product in the past two years. This is a joint effort with SPU. The software package did not have things like solid waste, so they had to build that out for us. For Automated Metering Infrastructure (AMI), our system is current and will be updated every year.
 - **Q:** I get nervous about these big systems that you throw money at then you still need to junk it. Debra, this is your job to make sure it is going to work and does not go south. The huge bundle of technology scares me. **A: (Debra)** We are not having trouble with the new "shiny toys". Seattle IT has had tremendous success with the many shiny new toys they rolled out for the pandemic. Our legacy systems, the dinosaurs, are what we struggle with keeping updated. **Chris Ruffini:** We have unique needs, but the changes City Light and the City are making will give us better visibility. **Kirsty:** My guess is that sometimes we implement new things using the processes for how we used to do the old things. We have 100 years of tradition, and sometimes to move forward you cannot do things the way you have always done them.
 - **Q:** Change management is so important when you create new business process that represent a change to how things have been done. You need to "project-ize" that concept and build it into your efforts. **A:** You are right, and it was not done that way in the past. We contracted the function out to vendors. For the Energy Imbalance Market, we approached it differently and had change management embedded in the project. This was very successful. We are standing up a small team under the direction of Jen Chan for this. **Jen:** I love the comment. Prior to coming to SCL, I worked on implementing change management for Summit Reimplementation Project (SRI), the PeopleSoft implementation so I am excited to be working on this now.



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Rate Pilot Update (Carsten Croff):

SCL was planning to launch rate pilots last April, but implementation was pushed out due to the pandemic. SCL launched two pilots in September, the residential Time of Day (ToD) and the commercial charging pilots. The residential program is capped at 200 customers, with some quotas and caps for eligible customers. SCL received over 800 applicants to participate; they conducted a lottery system and now have 50 renters, 50 Electric Vehicle (EV) owners, and 65 participants with incomes under \$75k. The pilot is testing an approach with three time periods: off peak, peak, and load-shifting (5-9) with associated cost changes. Staff are working on getting participants access to a dashboard so they can track their energy usage.

The commercial charging station pilot is also launched. Currently, there are two customers and three City Light EV chargers involved. This is an on-going enrollment.

For the energy equity pilot, the pandemic really halted outreach. There are about 75 customers in that program. We had to halt the home energy assessments that are part of this program.

- **Q:** What is the timeline for the residential pilot? I can see EV owners as being on top of it, but I do not know about everyone else. **A:** The pilot, as it is written, goes through the year 2022. The idea was that, after the pilot, we would have a ToD rate open to all customers. It is really important to get customers tools and information so they can make good decisions. We are learning what their concerns are and where there are data gaps with our small sample.
- **Q:** Are the rates that you have for the ToD pilot what you think you will roll out if this goes to everyone? How were these calculated? **A:** The tier rates are basically cost-based. If you look at our mid-base rate, you are seeing the peak rate being an 40% premium. If you look at off-peak, it is a 40% discount. There is a small amount of distribution costs allocated, but it makes up very little of the differential just because of the way our system peaks. The probability of peak is a little spread out. Most of the differential is on the supply side.
- **Q:** Is there a seasonal change? **A:** No. Our price signals are relatively small. **Debra:** Our program is cost-based to respond to our price signals. As we start to negotiate a Bonneville Contract by 2025. If Bonneville does something different there is the chance it will change our price signals.

Mike Haynes Update:

October is the beginning of the new water year. October load was relatively strong for us. We hit 14/15 MW Load Peak a couple times in October.

If you look at precipitation at our two basins (Boundary & Skagit) we are at 155% of average at Boundary and 139% above average in Skagit going into the winter. We are looking strong in terms of water supply at this time. The forecast through the end of May is 96% of average, so right now we are calling it a normal water year.



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- **Q:** Isn't this a La Nina year, and what is the range of certainty? **A:** There is a fairly high certainty it will be cold as we move nearer February. We focus on the rolling 90 days as opposed to the 6-month estimate.

Bundled Renewable Tariff Program Design:

Held until next meeting due to lack of quorum.

Q3 2020 Reports:

Financial: Kirsty Grainger presented.

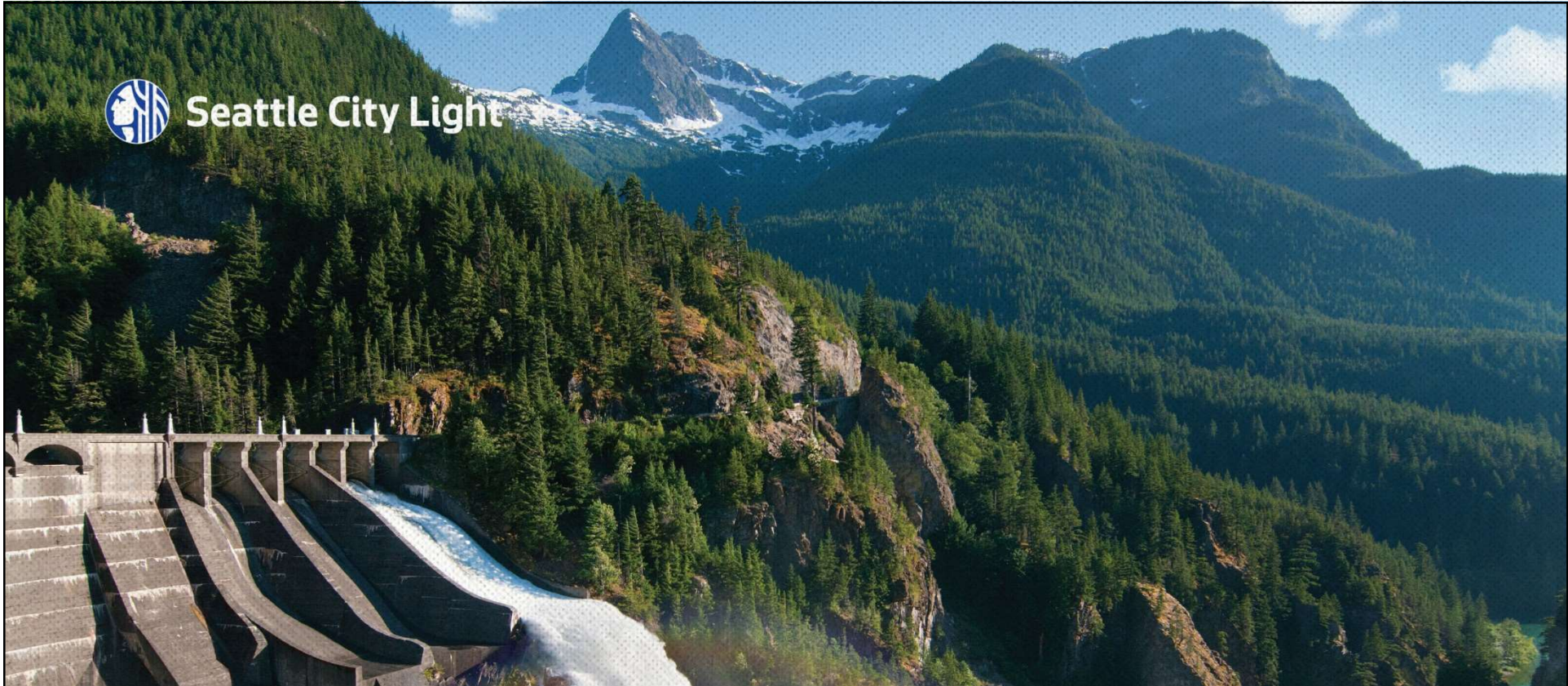
- **Q:** It looks like it the non-collectibles rate has been stable since May. The stability seems positive. **A:** Yes. It stabilized. This trend may go up as we get closer to winter. **Debra:** The government is scrambling to try to find funds for those on unemployment and get money into people's pockets. **Kirsty:** From a liquidity standpoint, we will be okay.
- **Q:** Everyone like SPU will be in the same boat. In Tukwila we forecast a horrible situation, but money is still coming in. Holding off on shut offs is expensive for a utility. **A:** We have a lot more customers than SPU since tenants pay electric, but landlords pay water/garbage. Our customer base is very different. **Chris Ruffini:** We are going into heating season but are also in a lock-down. I anticipate that un-collectibles will go up at a pretty good clip.
- **Q:** Could you interpret the data to suggest that people missed a couple payments, and they are in arrears? Can you do some outreach to customers to get them to pay back 20% or 40% or something? **A:** We do have a lot of outreach happening on the customer side. We are encouraging customers to set up payment plans. We have been talking a lot about residential customers, but commercial customers are having trouble too; A lot of hotels and businesses and very large businesses are carrying balances. **Chris Ruffini:** We are exploring many options. We are looking at all the things we can do to minimize impacts to customers.

Strategic Plan: Angela presented, noting highlights of recent accomplishments.

Meeting Adjourn at 11:20 AM.



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BUNDLED RENEWABLE TARIFF

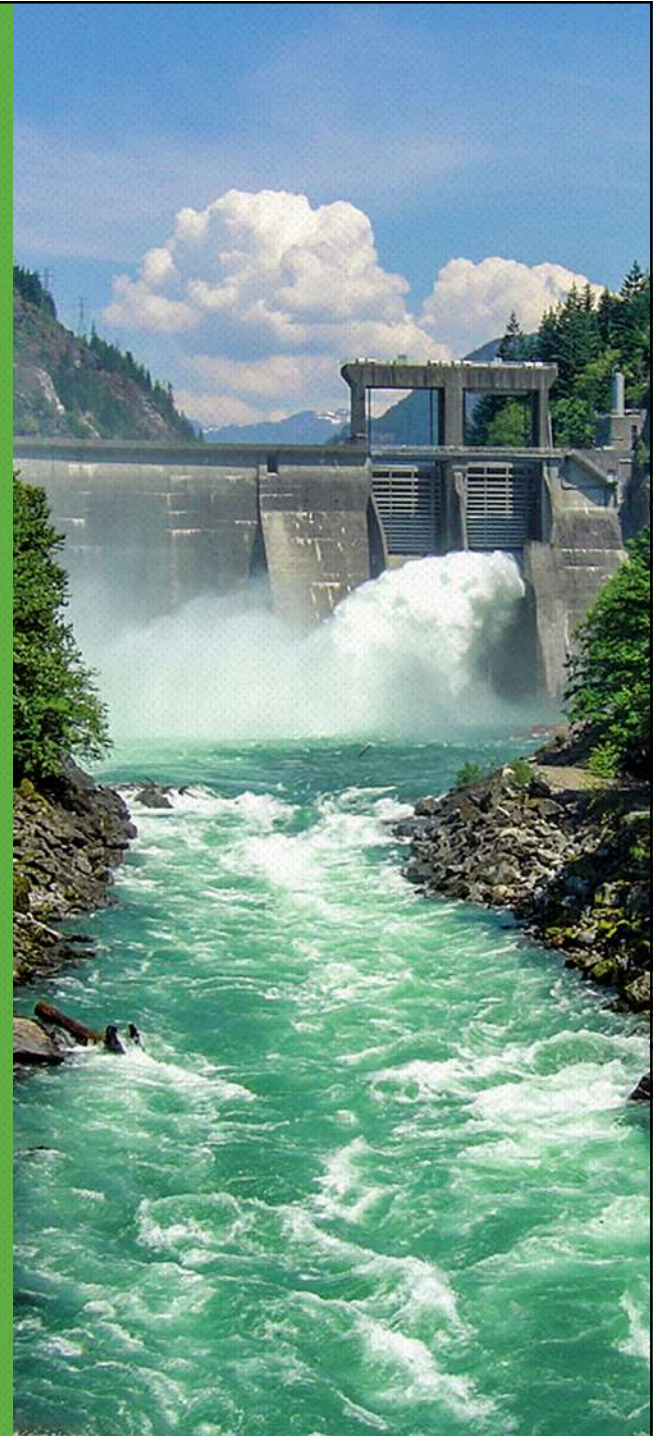
Program Development Update

Scott Cooper | 12/14/2020



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RENEWABLES AND OUR CUSTOMERS



CITY LIGHT SOLAR HISTORY

2000 **Net metering**

2001 **Green Power Program**

- 31 demonstration projects – Ex. Sonic Bloom (Seattle Center)
- Green Up - ~16 MWh in RECs annually
 - 19 local projects funded or in the pipeline

2006 **RE Production Incentive**

2011 **Community Solar**

- Four projects (Aquarium, Zoo/PNA, Jefferson Park, Holiday Apts.)

2019 **Large Solar Rate**

2020 **Bundled Renewable Tariff**



Aquarium Community Solar

Customer-Sited Solar

	Residential	Commercial
# Arrays	4,350	342
Capacity	28.4 MW	5.9 MW



WHAT WE'VE SEEN FROM CUSTOMERS

- More solar & better buildings
 - Net Zero, Living Buildings Pilot, Passive House, carbon neutral, etc.



Inspire Apts. – Shilshole Development
Living Building Pilot



303 Battery St – SLI
Living Building Pilot

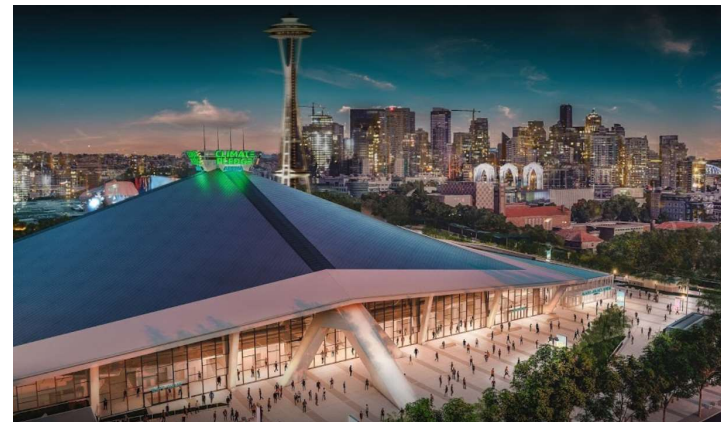


WHAT WE'VE HEARD FROM CUSTOMERS

- Interest in new/different renewable energy products from SCL
- Outreach to largest commercial customers
 - 20,000 MWh annual consumption (2019)
 - Focus on -
 - Renewable energy goals/targets
 - Certifications or 3rd party sustainability programs
 - Potential interest in a “green tariff” program and high-level discussion of program elements

WHAT WE'VE HEARD FROM CUSTOMERS

- Aggressive energy and sustainability goals
 - Renewable energy targets (up to 100%), demonstrate spurring new wind/solar development, equity outcomes
 - Carbon Disclosure Project, RE100, Net Zero, etc.

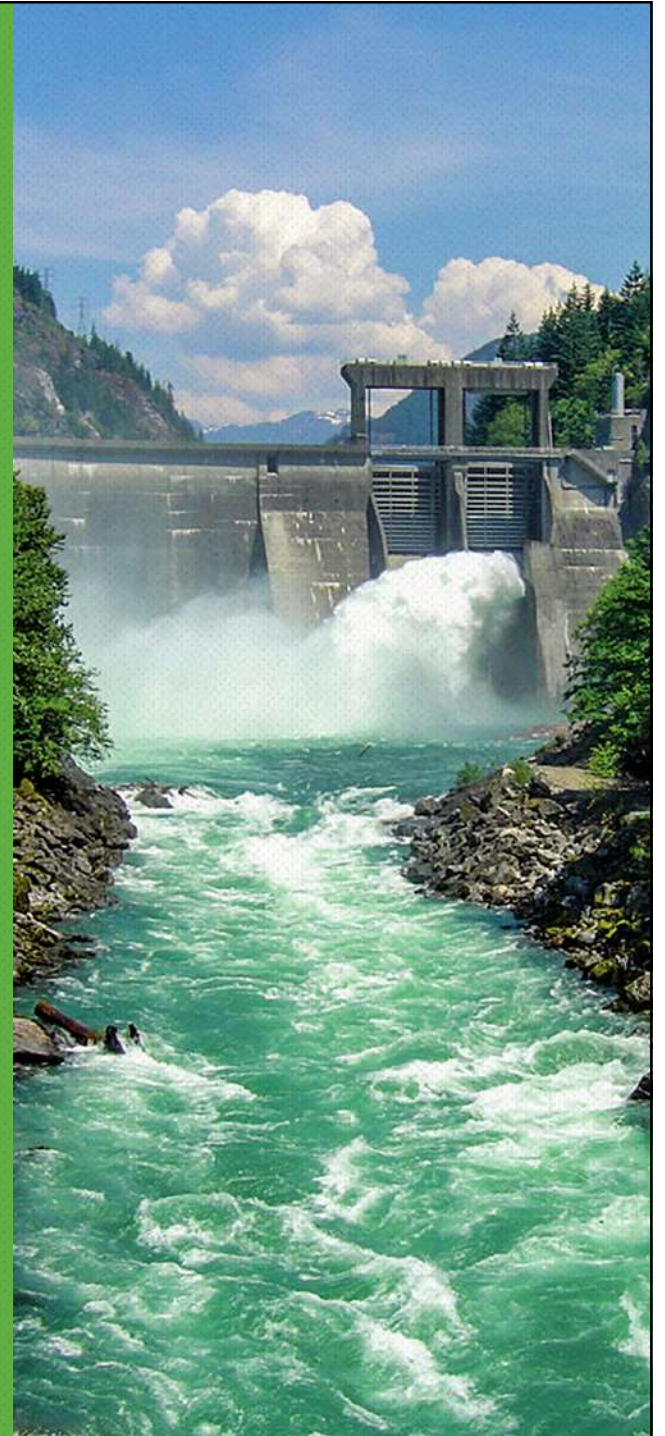


Climate Pledge Arena – NHL Seattle
Zero Carbon, ILFI



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WHAT IS A
"GREEN TARIFF"?



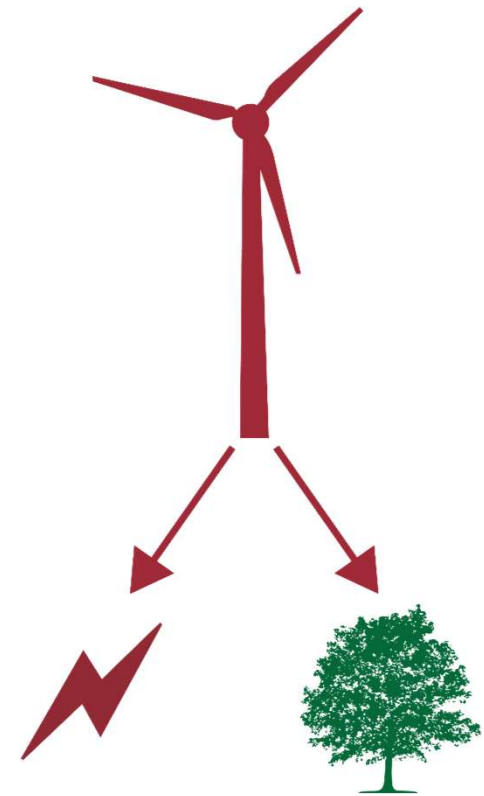
WHAT IS A "GREEN TARIFF"?

- Rate structures that allow customers to purchase renewable energy (bundled electricity + RECs) directly through their utility service provider
 - Almost always tied to a specific project
 - Medium to long-term multi-year contracts
 - Intended/available for repeated use
 - Must be approved by regulators
- Traditionally designed for C&I customers with RE goals; increasingly offered to C&I, municipal, and residential customers
- Price reflects actual cost of generating and delivering the renewable energy

Credit - EUCI 2020

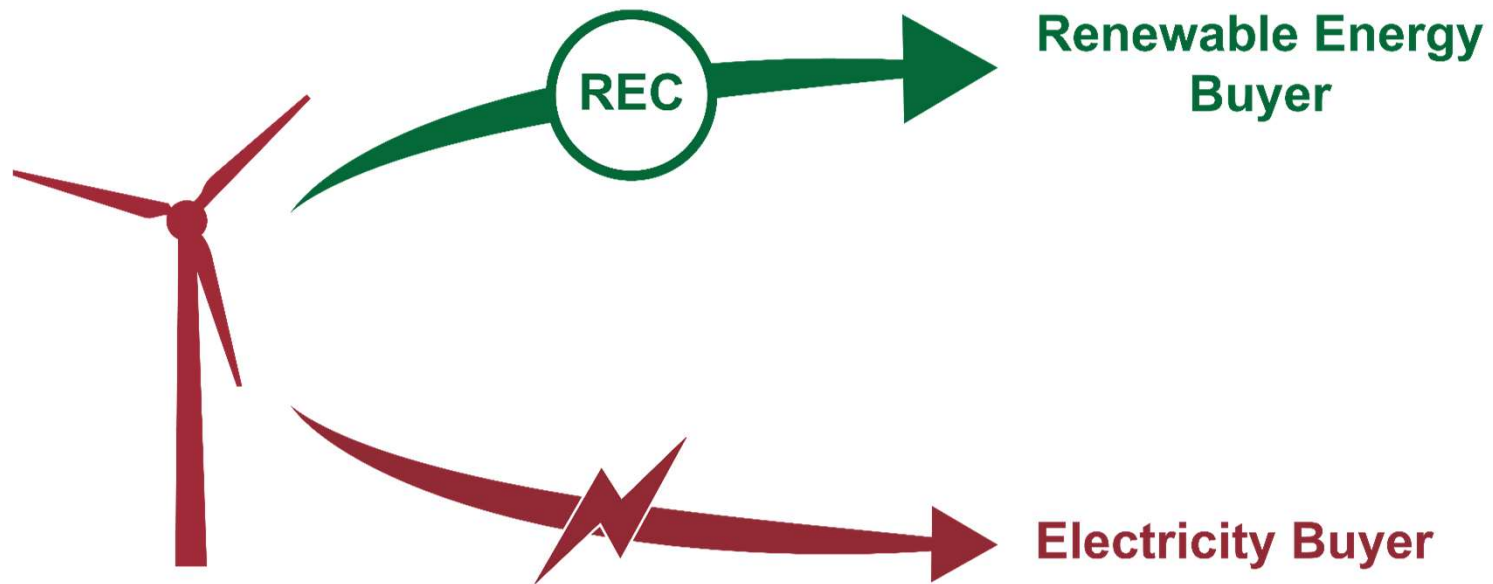
CLEAN ENERGY ATTRIBUTES

- Every MWh of renewable energy generates two distinct products: electricity and clean energy attributes.
- These products are bought and sold in separate markets



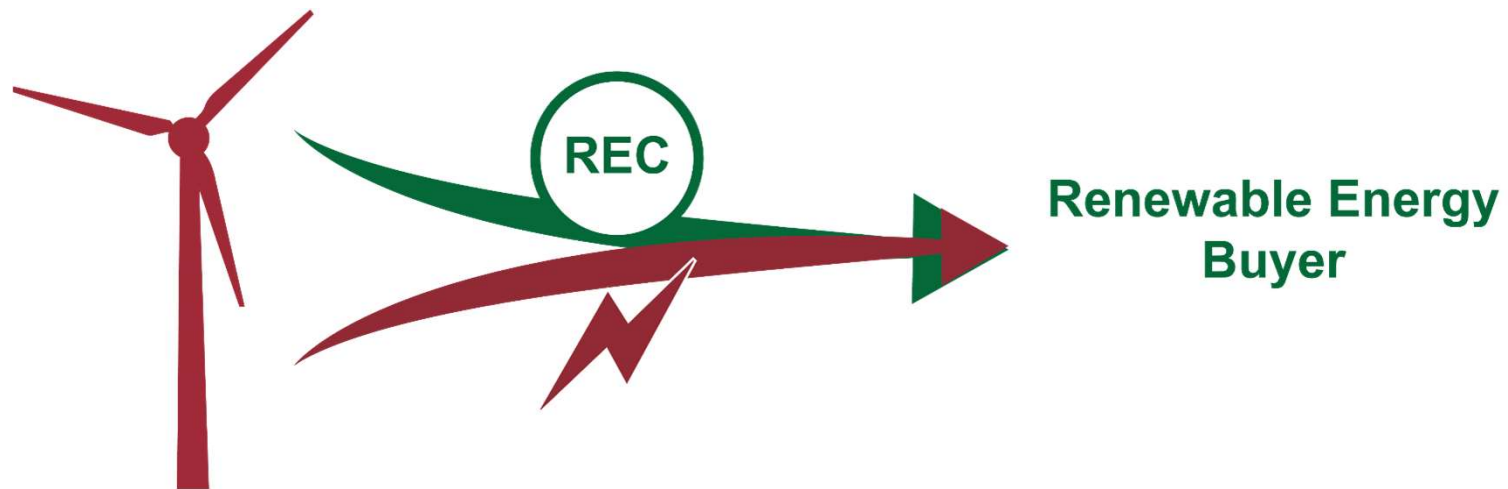
Credit - EUCI 2020

WHAT IS A "GREEN TARIFF"?



Credit - EUCI 2020

WHAT IS A "GREEN TARIFF"?



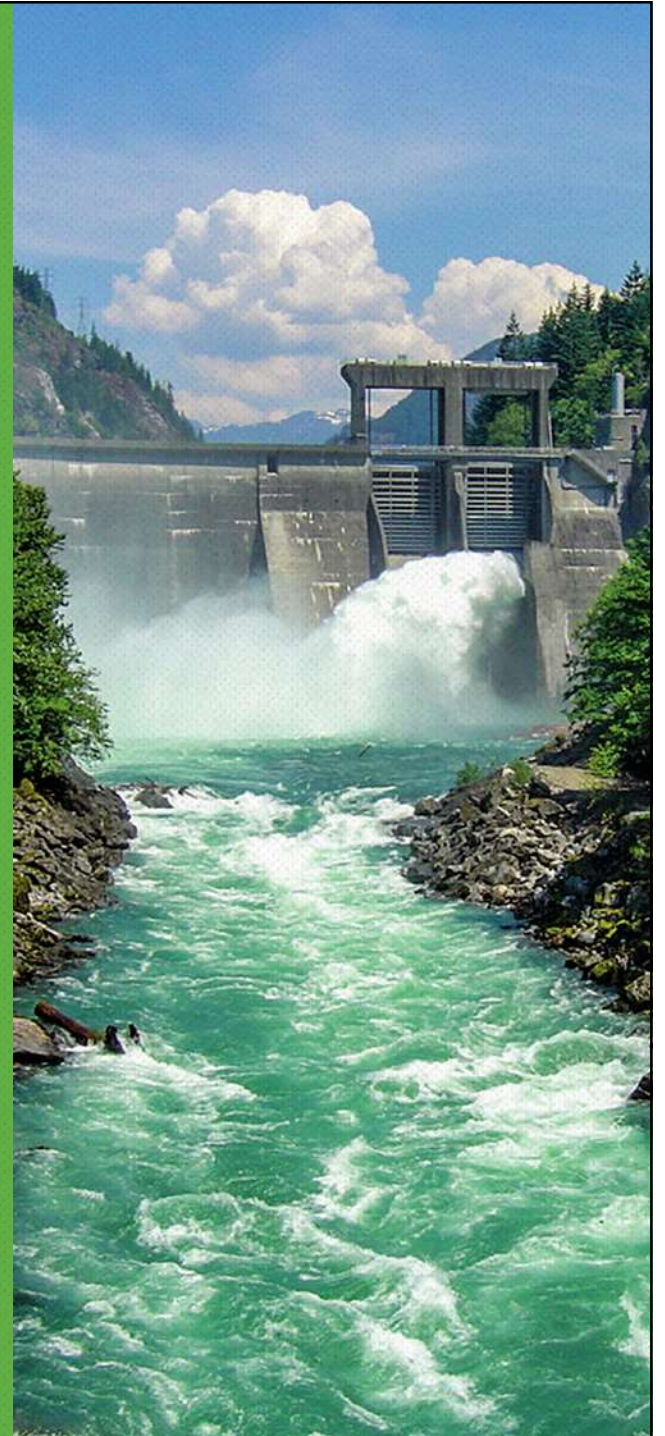
Credit - EUCI 2020



Seattle City Light

BUNDLED RENEWABLE TARIFF

Goal and Design Concept



PROGRAM GOAL

Provide large commercial customers with access to a premium bundled renewable energy product (MWh + RECs) to support their pursuit of sustainability goals

DESIGN CRITERIA

- “New” resource - Demonstrates that participants’ investments are contributing to the development of new renewable energy resources
 - Solar or wind resource in the Pacific NW
- No cost shifting
 - Program rate ensures costs of program (development, administration, resource procurement) borne by participants
- Target large commercial customers in the first phase
 - Assess feasibility of expansion for future phases.

DESIGN CONCEPT

- 3rd party PPA to contract for “new” resource
 - Resource size/source to be informed by RFP and customer feedback
- Subscription-based participation
 - Multi-year term
 - Eligibility criteria to allow for open enrollment
- Program rate
 - Adder/rider to applicable customer rate
 - Informed by IRP analysis + projected program costs
 - Settles on bill

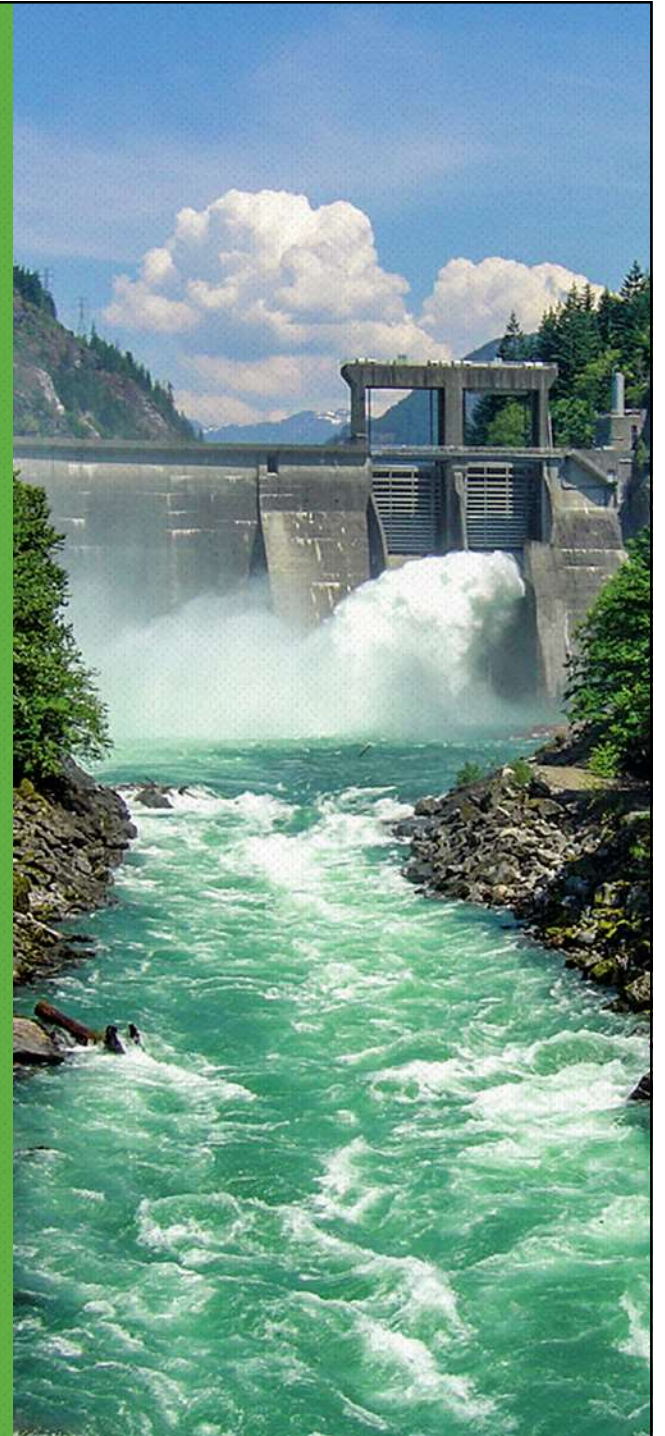
PROGRAM VALUE

- What value does this program provide?
 - Customers
 - Product to help meet aggressive energy sustainability goals
 - Demonstration of support for workforce development and “green” economy
 - City Light
 - Responsiveness to customer needs
 - Adaptation to changing energy market
 - Program equity outcomes
 - Opportunity to assess value and impacts of new renewable resource into mix – IRP, resiliency, compliance, EIM, etc.



Seattle City Light

PROCESS & TIMELINE



PROGRAM DEVELOPMENT – WHOLE SOLUTION

Program Components + Core Team

Renewable Bundled Tariff Program

- Program Management**
- Customer Care & Energy Solutions

Resource acquisition

- Power Operation Marketing
- Energy & Innovation Resources
- RFP development/release
- Resource selection and contracting

Stakeholder Outreach

- Customer Care & Energy Solutions
- Customer outreach to inform program design
- Stakeholder engagement/management

Program Rate

- Power Management
- Finance
- Integrated Resource Plan Analysis
- Rate design framework
- Program costs assessment

Program Processes

- Customer Care & Energy Solutions
- Program workflows/journey mapping
- Eligibility, terms and conditions, account aggregation/transferability, etc.

Authority, regulatory

- Customer Care & Energy Solutions
- Council action to contract for resource(s) and establish program rate

Racial Equity Analysis

- Human Resources
- Emerging & Strategic Technologies
- Incorporation of equity and workforce development outcomes

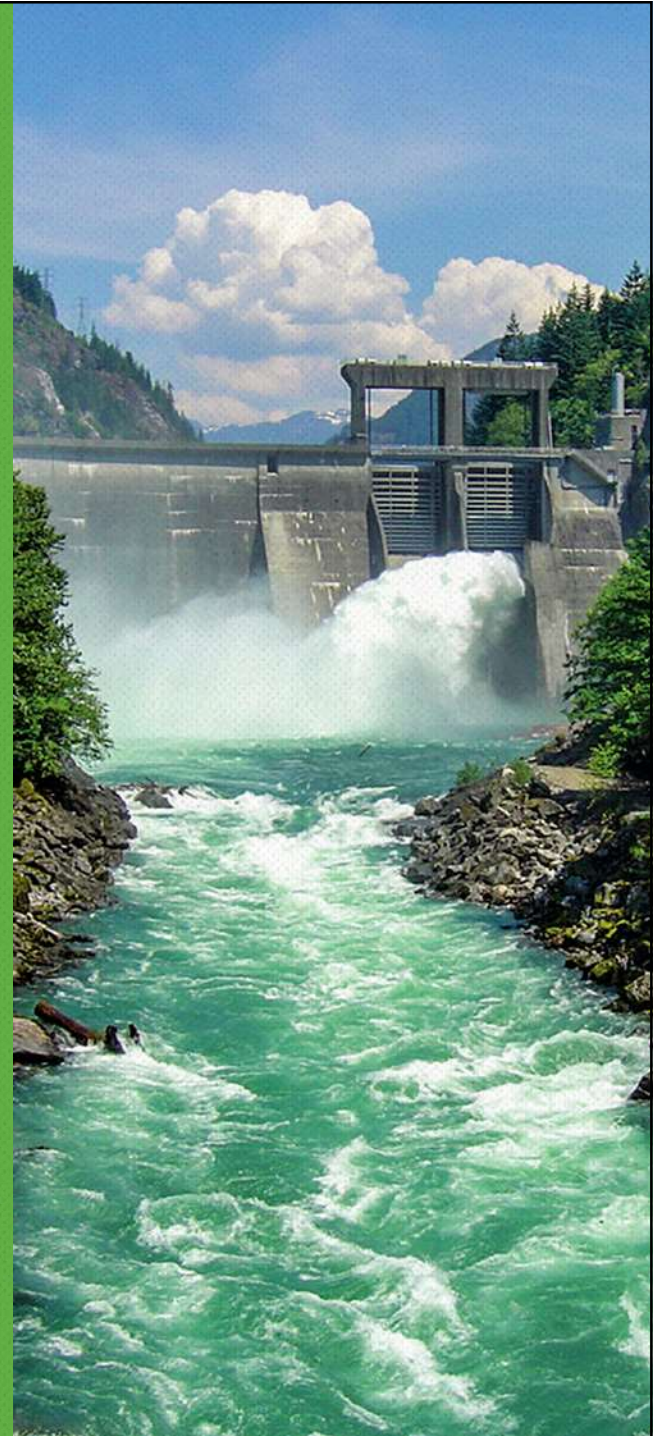
TIMELINE

Program Development Activities	2020		2021				2022	2023	2024			
	Q3	Q4	Q1	Q2	Q3	Q4			Q1	Q2	Q3	Q4
Resource RFP Development												
Program and rate design												
Customer/stakeholder engagement												
Resource RFP release		x										
Council action - Authority to contract resource				x								
Council action - Establish program rate					x							
Contracting for resource					x							
Customer program enrollment					x							
Resource construction/transmission request							->	->				
Resource operational										x		
Program launch											x	



Seattle City Light

Q AND A










MISSION

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

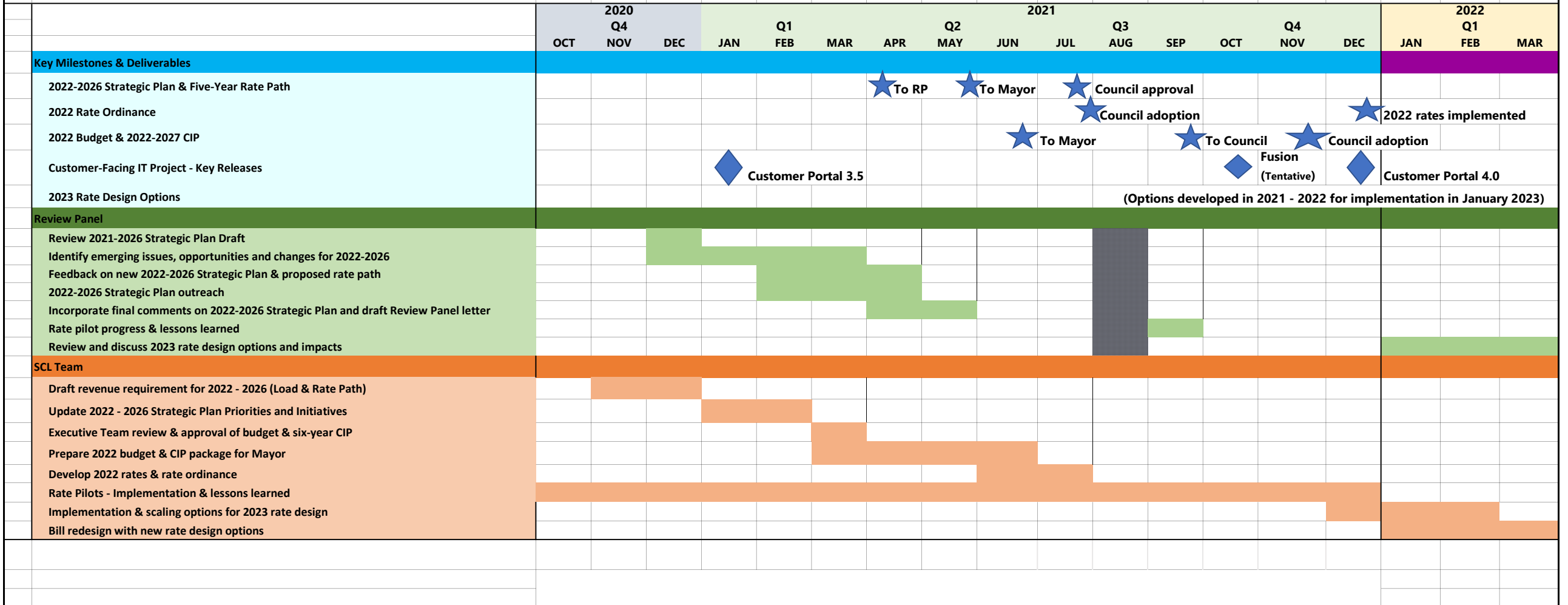
VISION

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

VALUES:

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

2021 Strategic & Operational Planning Roadmap





Seattle City Light

BUILDING THE UTILITY OF THE FUTURE

2021–2026 Strategic Plan

About Seattle City Light

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

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

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

By The Numbers

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

Source: 2018 Fingertip Facts

THE POWER OF OUR PLAN

May 2020

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

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

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

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

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

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

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

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



Debra Smith
General Manager & CEO

OUR MISSION

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

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

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

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

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

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





BUILDING MOMENTUM: CITY LIGHT SUCCESSSES

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



Planned for Our Carbon-Neutral Transportation Future

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



Tapped into the Power of Smart Meters

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



Measurably Improved Workplace Safety

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



Explored Opportunities for New Pricing Options

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

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

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

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

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

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

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



Made Customer Service More Personal and Convenient

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



Invested in Critical Infrastructure and Assets

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



Joined the Western Energy Imbalance Market

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

UTILITY RELIEF FOR COVID-19 IMPACTED CUSTOMERS

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

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

*Learn more about the Utility Discount Program on page 18



STRATEGIC PLAN PERFORMANCE METRICS

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

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

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

ABOUT THE PLAN

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

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

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

Seattle City Light Strategic Plan 101:

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

THE VALUE OF SCENARIO PLANNING

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

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

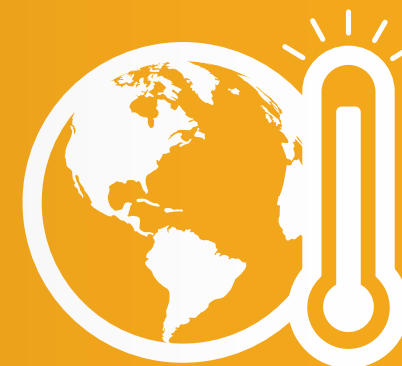
Our planning effort predated COVID-19 and didn't evaluate a pandemic scenario. However, it did underscore the importance of being nimble and responsive when dealing with a disruptive force. This agility has allowed us to maintain a high level of service during an unprecedented crisis.



SCENARIO 1

Attack!

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



SCENARIO 2

I'm Melting

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



SCENARIO 3

Poverty

Increases in impoverished customers, poor economy, increased unemployment

COMMUNITY VOICES

We Heard From You

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

Here are a few ways we reached out:

CUSTOMERS

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

COMMUNITY

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

EMPLOYEES

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

CUSTOMER SURVEY INSIGHTS

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

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

**See appendix for detailed community outreach report.*

City Light Review Panel

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

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

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



Community Solar Project, Jefferson Park

OUR PRIORITIES

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

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

GOALS

The changes we want to achieve

OBJECTIVES

Results that show how we will meet our goals

INITIATIVES

Projects that will help us accomplish our goals



FOCUS ON CUSTOMERS

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



CREATE OUR ENERGY FUTURE

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



CULTIVATE A CULTURE OF CHANGE

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



ENSURE FINANCIAL HEALTH & AFFORDABILITY

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



KEEP THE LIGHTS ON

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



FOCUS ON CUSTOMERS

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

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

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

Initiative Highlights

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

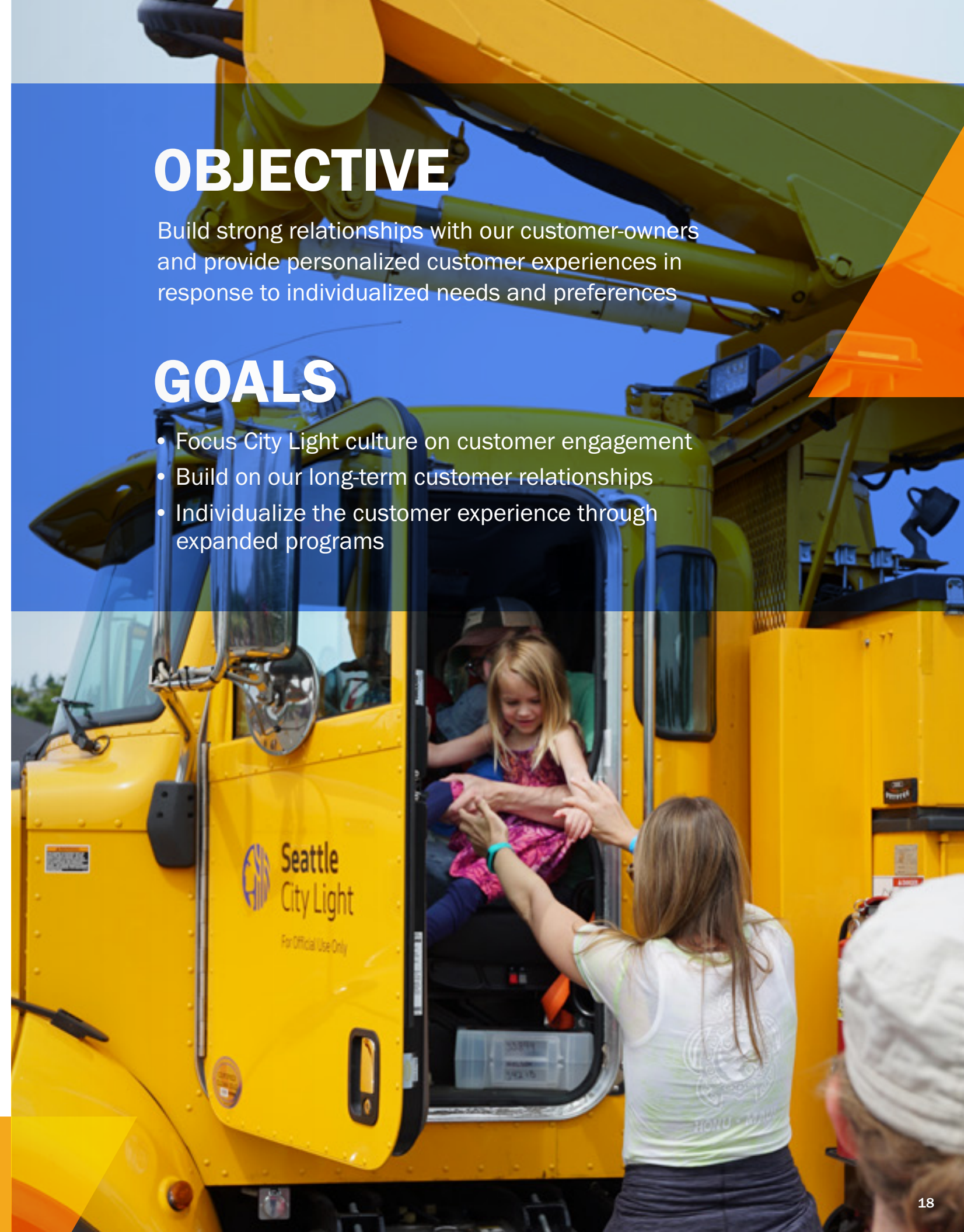
EXPAND CUSTOMER PROGRAM OPTIONS: We will develop programs to provide highly personalized services that our customers are requesting. This will include bringing the business customer service center pilot to scale, expanding energy efficiency programs and expanding public and residential home charging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

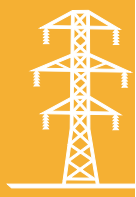
OBJECTIVE

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

GOALS

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





CREATE OUR ENERGY FUTURE

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

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

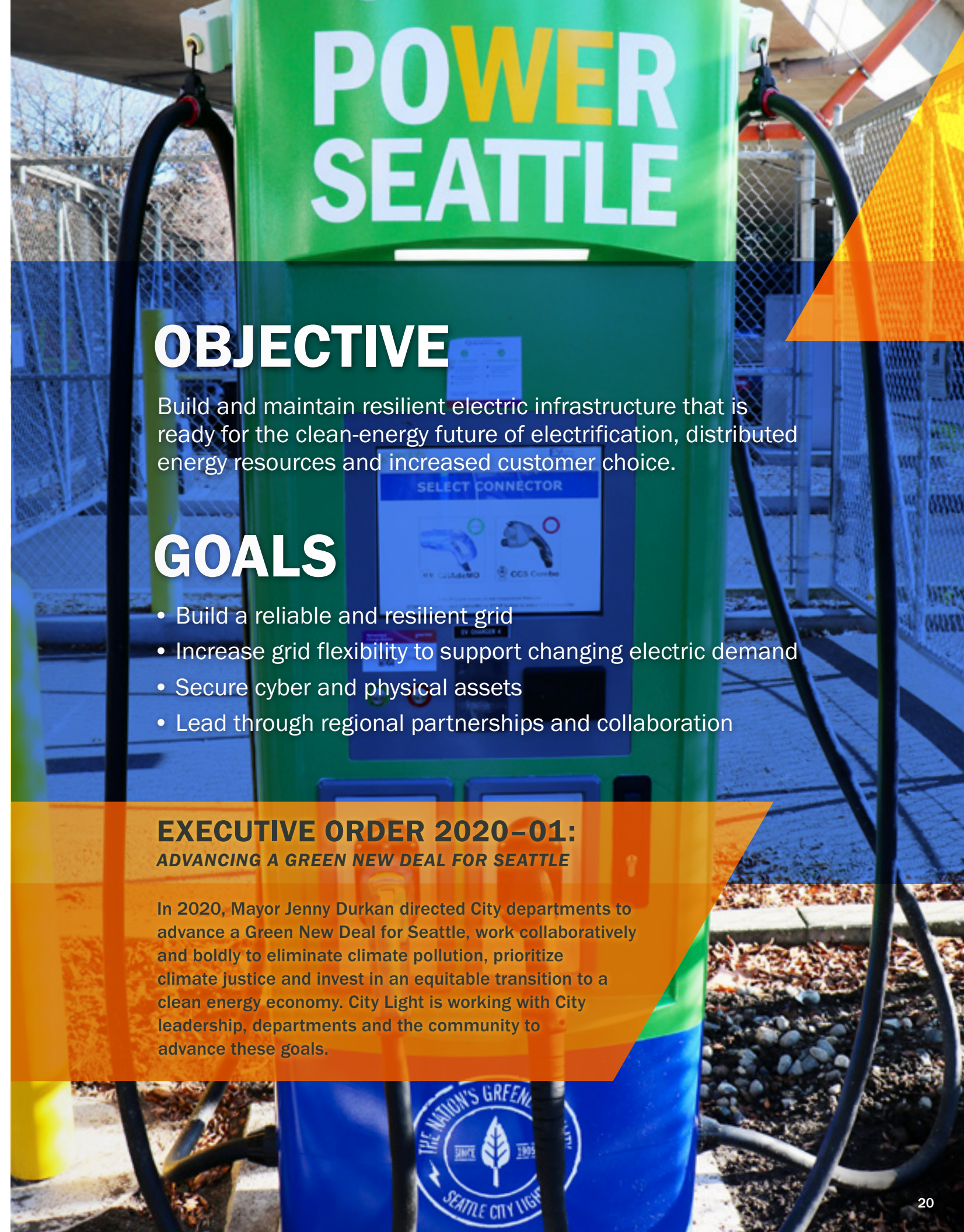
We can't build a successful energy future on our own. We must collaborate and build partnerships to learn, grow and create change. It will take bold leadership and radical collaboration to take us to a secure future without fossil fuels.

Initiative Highlights

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

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

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



OBJECTIVE

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

GOALS

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

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

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



CULTIVATE A CULTURE OF CHANGE

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

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

Initiative Highlights

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

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

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

OBJECTIVE

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

GOALS

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



ENSURE FINANCIAL HEALTH & AFFORDABILITY

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

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

Initiative Highlights

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

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

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

OBJECTIVE

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

GOALS

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

UTILITY DISCOUNT PROGRAM

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



KEEP THE LIGHTS ON

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

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

Initiative Highlights

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

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

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



OBJECTIVE

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

GOALS

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

KEEPING CUSTOMER BILLS AFFORDABLE AND STABLE

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

Factors Driving Rates

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

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

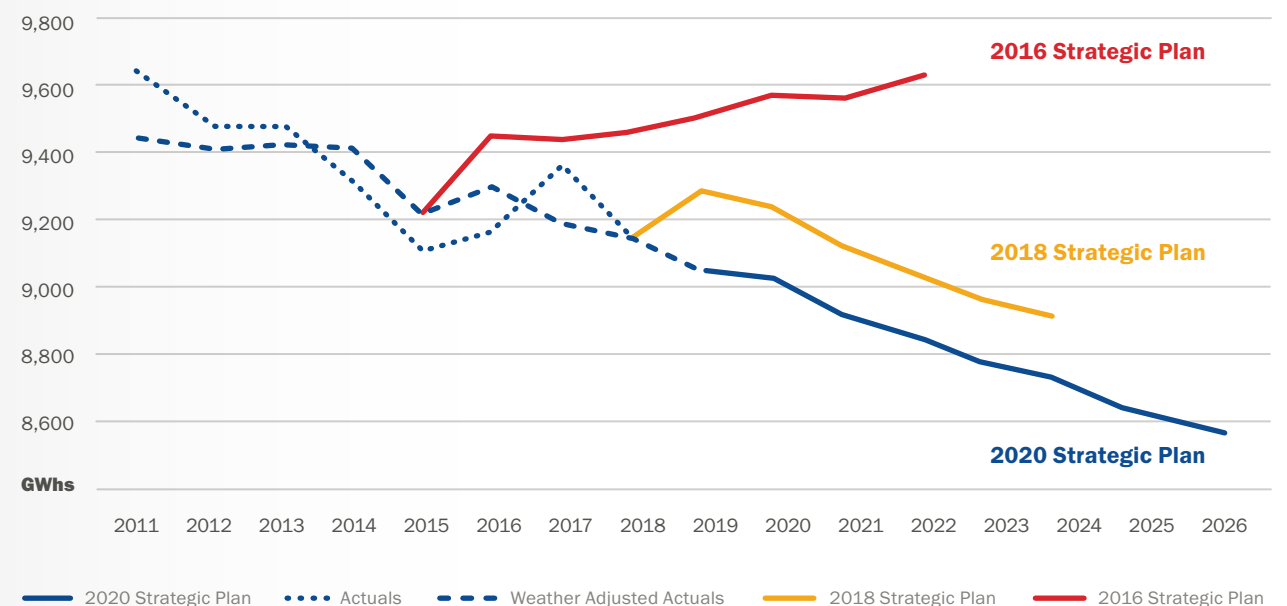
POWER COSTS—These are the costs to purchase power and bring it to our system. These costs can vary dramatically due to climate and market forces. More snowpack in the mountains gives us more hydro resources, for example. By the same token, drought may reduce our revenue. City Light's largest contract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

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

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

RESIDENTIAL & COMMERCIAL RETAIL SALES

RESIDENTIAL & COMMERCIAL RETAIL SALES ARE EXPECTED TO CONTINUE TO DECLINE



FUNDING THE PLAN: OUR 6-YEAR RATE PATH

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

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

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

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

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

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

PROPOSED RATE INCREASE SUMMARY

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

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

CUSTOMER BILL IMPACT EXAMPLES: MONTHLY INCREASE PER YEAR

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





Seattle City Light

seattle.gov/light

206.684.3000

700 5th Ave Suite 3200
Seattle, WA 98124

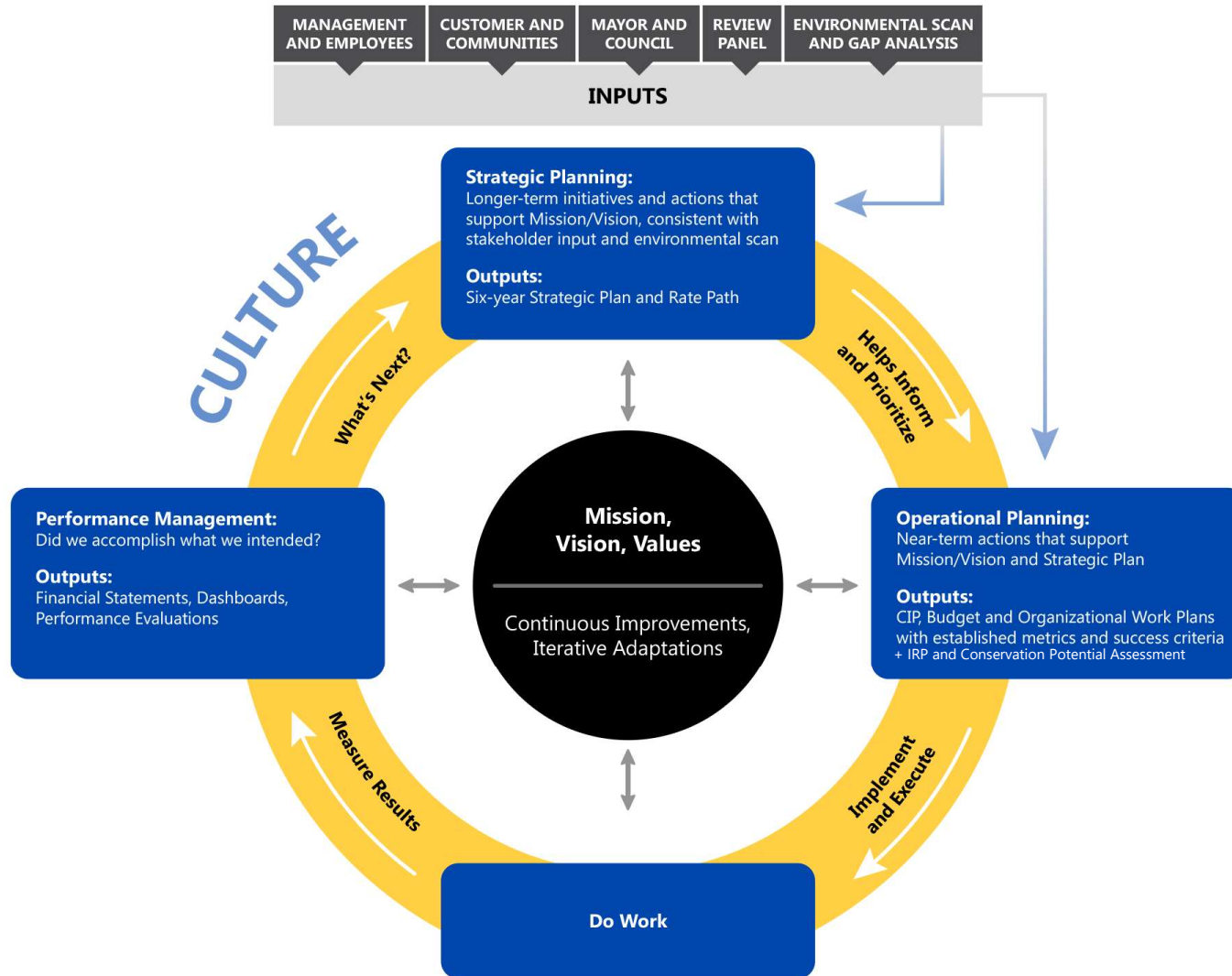




STRATEGIC PLAN 2022 - 2026

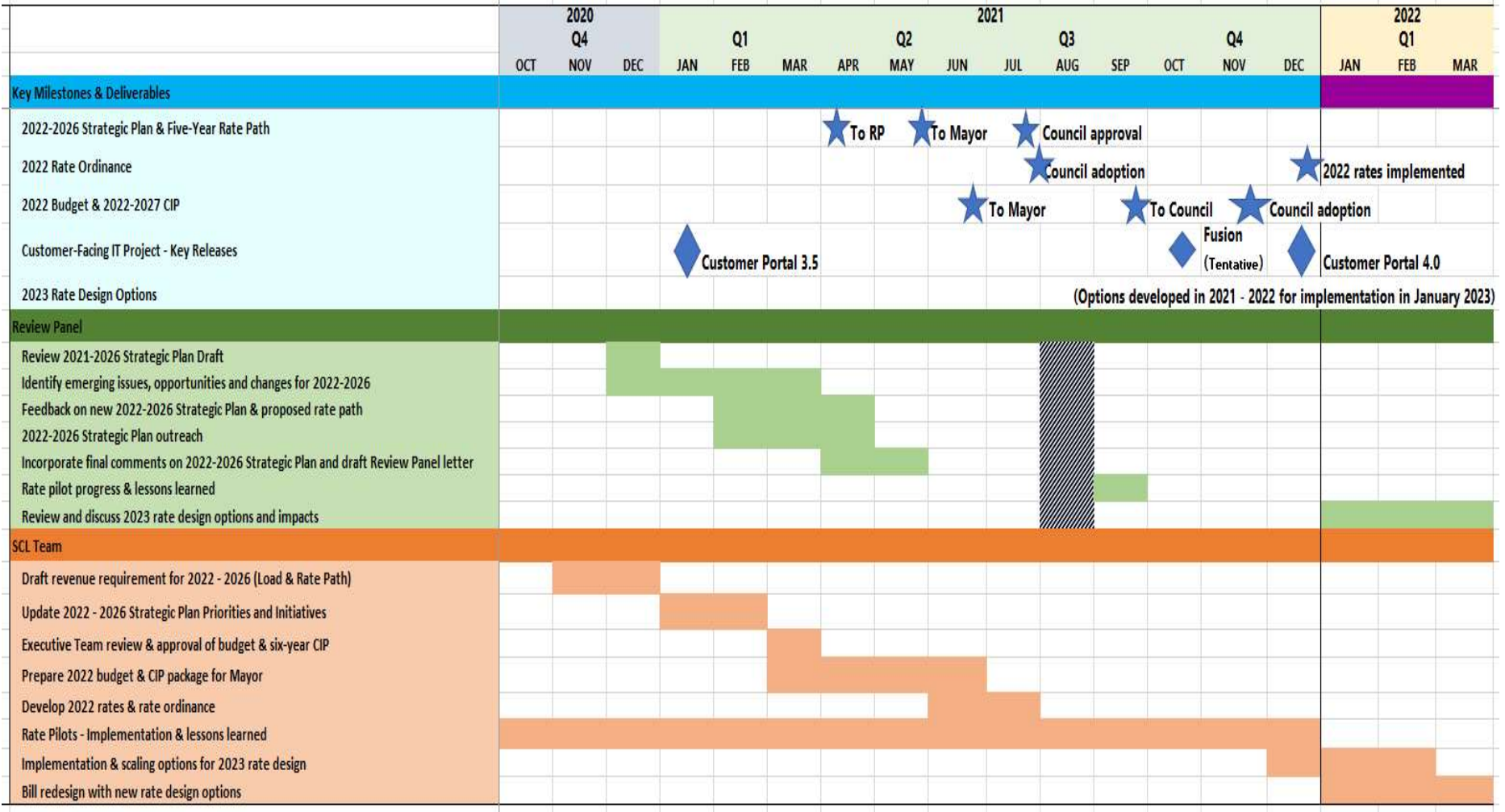
Step one: Emerging Issues, Challenges and Opportunities
City Light Review Panel
December 14, 2020

COMPREHENSIVE PLANNING PROCESS



TIMELINE

2021 Strategic & Operational Planning Roadmap





RECAP: WHERE WE ARE








MISSION

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

VISION

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

VALUES:

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

DRAFT 2021 - 2026 STRATEGIC PRIORITIES & INITIATIVES

Focus on the customer

- Customer experience roadmap
- Expand customer program options

Create our energy future

- Grid modernization
- IT, OT and cyber security roadmap
- Leadership and collaboration

Financial stewardship & accountability

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



DRAFT STRATEGIC PRIORITIES & INITIATIVES , CONTINUED

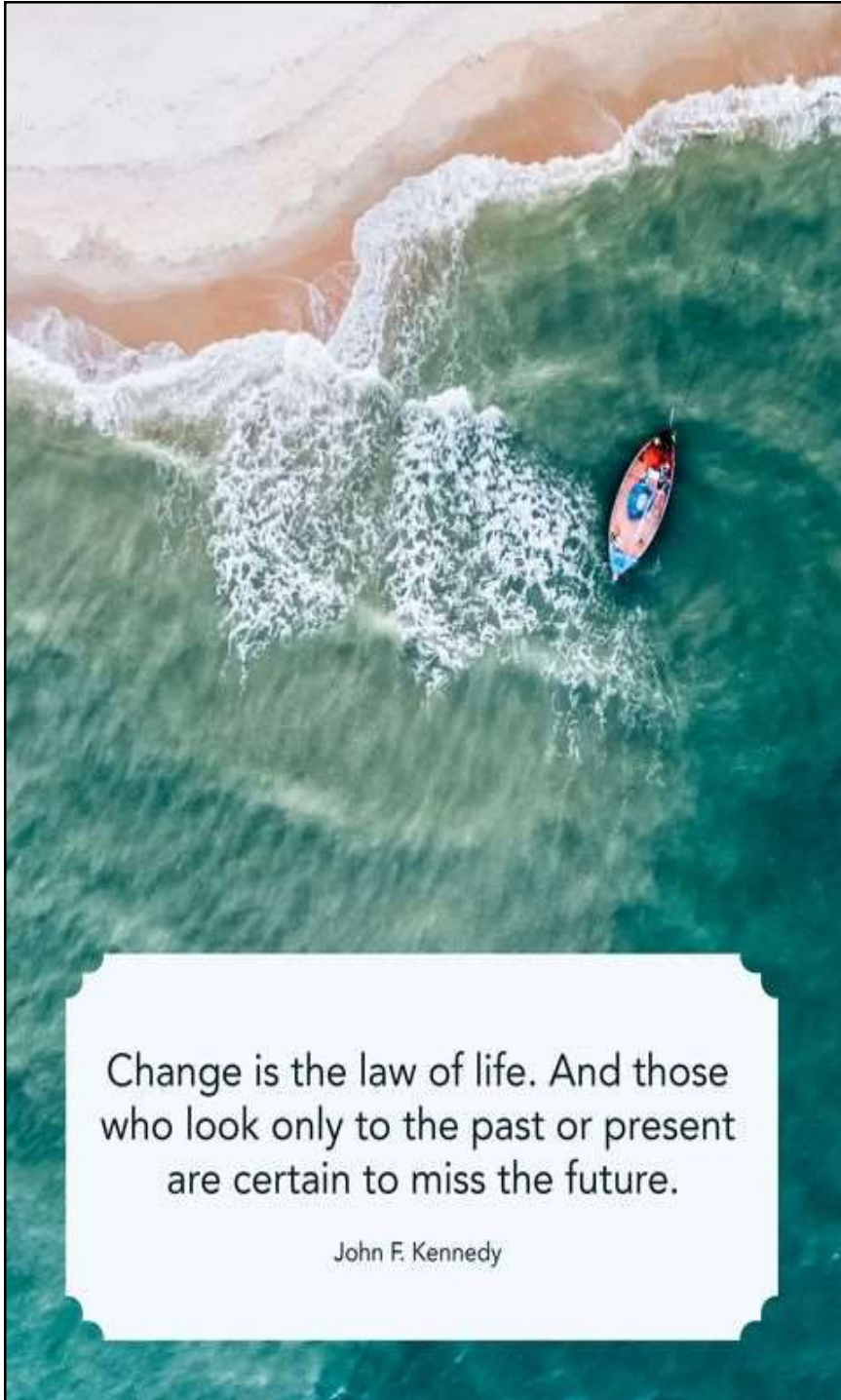
Cultivate a culture of change

- Change management
- Workforce for the future
- Nimble processes

Keep the lights on

- Workforce investment
- Safety
- Continued investment in our infrastructure





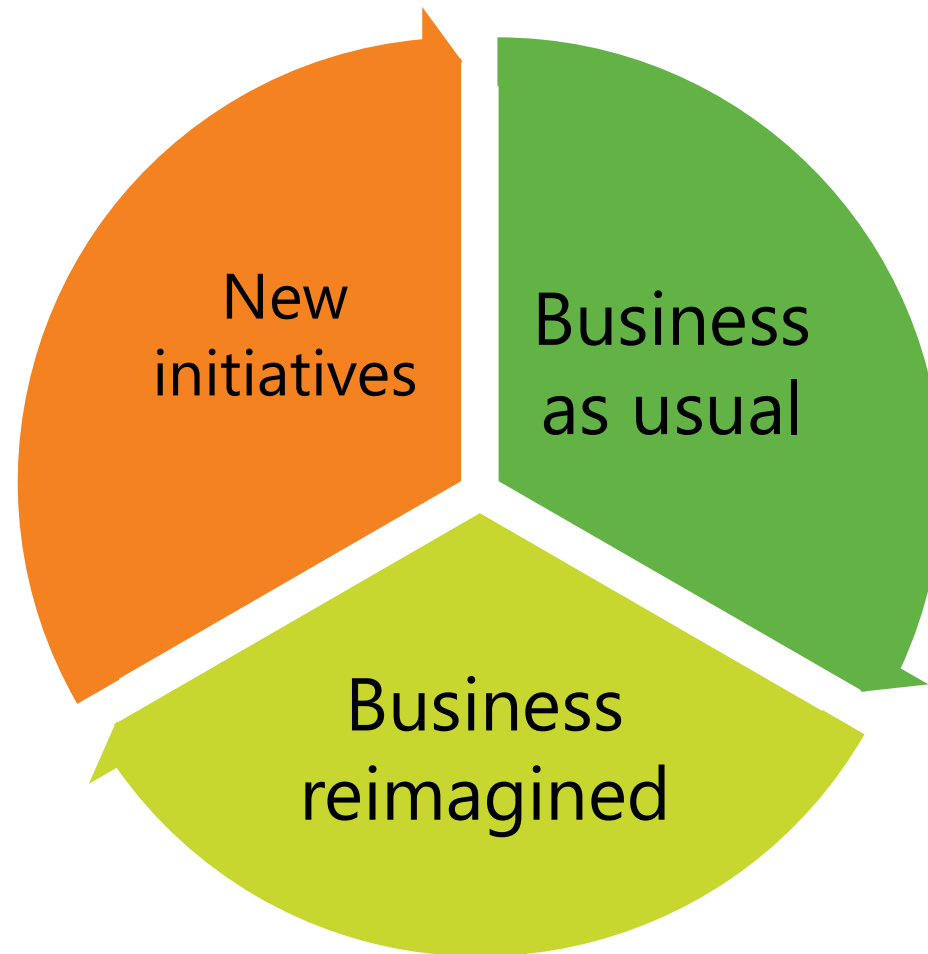
Change is the law of life. And those who look only to the past or present are certain to miss the future.

John F. Kennedy

WHERE WE ARE GOING

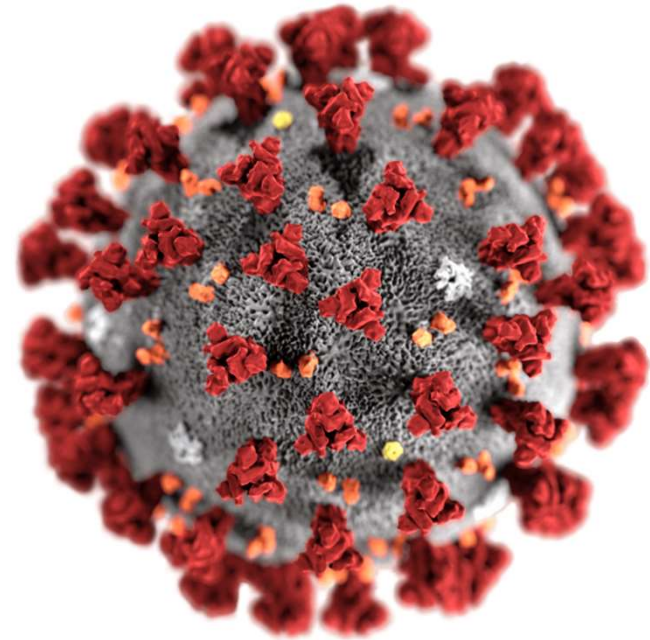
and how we get there

ACHIEVING OUR VALUES AND PRIORITIES



REAL LIFE SCENARIO IMPACTS

- COVID-19
 - Utility
 - Decreased load
 - Rise in UDP enrollment
 - Increased bill delinquency
 - Community
 - Recession
 - Unemployment
- Racial Reckoning



DISCUSSION

1. What additional impacts & challenges should be considered?
2. Are there opportunities we should also include in our planning cycle?
3. How will/should these change the strategic direction as drafted in Q1 2020?

