



CITY LIGHT REVIEW PANEL MEETING

Tuesday, November 23, 2021

10:00 AM – 12:00 PM

Microsoft Teams Meeting

Proposed Agenda

<u>Item</u>	<u>Lead</u>
1. Welcome (5 min.)	Mikel Hansen, Panel Chair
2. Public Comment (5 min.)	
3. Standing Items: (5 min.)	
a. Review of agenda (Karen Reed)	
b. Action: Review and approval of meeting minutes of October 26, 2021	
c. Chair's Report (Mikel)	
d. Communications to Panel (Leigh Barreca)	
e. Panel position recruitment (Leigh)	
4. General Manager's update (30min.)	Debra Smith
a. Skagit – Open letter to partners	
b. RSA legislation	
c. Renewable Hydrogen study	
d. Covid update and return to office	
5. Clean Energy Transformation Act (CETA) Compliance (30 min.)	Robert Cromwell
6. Strategic Planning (30 min.)	Leigh/Karen
a. 2022 – 2026 Plan review in preparation for 2023 – 2028 planning	
b. Panel discussion	
7. Data Tools for Management (15 min.)	Angela Bertrand
a. Executive Dashboard	
b. We Power dashboard pilots	
8. Adjourn	

Next meeting: December 23, 2021



City Light Review Panel Meeting Meeting Minutes

Date of Meeting: October 26, 2021 | 9:00 AM – 11:00 AM |
Meeting held via Microsoft Teams “Draft”

MEETING ATTENDANCE					
Panel Members:					
Names		Name		Name	
Anne Ayre	√	Leo Lam	√	John Putz	√
Mikel Hansen	√	Kerry Meade	√	Tim Skeel	√
Scott Haskins	√	Joel Paisner	√		
Staff and Others:					
Debra Smith	√	Jen Chan	√	Karen Reed (Consultant /RP Facilitator)	√
Kirsty Grainger	√	Mike Haynes	√	Craig Smith	√
Jim Baggs		DaVonna Johnson		Michelle Vargo	√
Kalyana Kakani		Emeka Anyanwu	√	Maura Brueger	√
Julie Moore	√	Chris Ruffini	√	Chris Tantoco	√
Greg Shiring	√	Carsten Croff	√	Leigh Barreca	√
Eric McConaghy	√	Toby Thaler	√	Angela Bertrand	√
Brian Taubeneck	√	Julien Loh (guest)	√	Namura Nkeze	√

Welcome\Introductions. The meeting was called to order at 9:04 a.m.

New members were welcomed. All attendees introduced themselves.

Public Comment. There was no public comment.

Standing Items:

Review Agenda. Karen Reed reviewed the agenda.

Approval of September 22, 2021 Meeting Minutes. Minutes were approved as presented

Chair’s Report. No report.

Communications to Panel. Leigh Barreca shared that there was one email addressed to the Panel. This was an inquiry about the status of filling the Low-Income Advocate Panel position. Leigh responded to the inquiry that this was still in process and was being actively attended to. Leigh also provided the citizen with the solicitation for the position that was used in City Light’s public media channels.

Panel Member Recruitment. We have one Panel vacancy, the Low-Income Advocate. Leigh has been in touch with a contact referred by the City Light Customer Experience Program Manager,



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Zana Jones. The contact, Teresa Everett, is the Resource Development Officer for the Atlantic Street Center-- a Seattle non-profit social service agency that serves children and families. Ms. Everett is confident that she can find us a panel candidate for this important position. Leigh will continue working with her until the position is presented to the MO and Council.

General Manager's update. Debra Smith presented.

- Covid Update –
 - Current situation: A week ago today was the deadline for employees to submit vaccine verifications or vaccine exemption requests. Approximately 80 submitted an exemption request. There is an accommodation process for medical exemptions. Most of what remains are religious exemptions. Only four people chose to do nothing.
 - Vaccine mandate impact: There were no impacts to response time during the weather event this weekend. Our biggest risks are out at the Boundary project. Four out of seven operators did not fulfill the vaccine requirement. We are running the 24/7 facility with three operators. We are also monitoring Skagit. It will take us through December to work through the mandate process due to the letters of agreement with our labor partners. Some employees have decided to become vaccinated; they are unable to work until they complete the vaccination cycle.
- Customer Satisfaction Survey: Yesterday we completed the fielding of our customer satisfaction survey. We did one targeted fielding and one open link. The two will be analyzed separately. This will provide a great baseline as we move towards doing this every other year, alternating with an employee survey in the off years.
- Visit to Skagit Area Tribes: Things continue to go well with relicensing. We are at the very beginning of the settlement process. This is a normal part of the process, but outside of the FERC process. This involves one-on-one conversations with the tribes. Last week the Mayor, Debra, and a few other staff went to meet with two tribes---Swinomish and Upper Skagit. We continue to have struggles with Skagit county. The media is working on a story about our third-party evaluation for our green power certification.
- New Market Transformation – Emeka shared a short presentation. City Light went live in the Western Energy Imbalance Market (WEIM) in April 2020. The three primary benefits are decreased carbon emissions, enhanced reliability, and cost savings. We leveraged the WEIM for various events since joining, such as the heat event in June of this year. There are a few regional market concepts that are in discussion. It is mainly a question of when, how, and what sort of incremental steps we may want to take along the way. Our participation is not an indication of a decision, it is to ensure our seat at the table as they're being discussed to make us informed decision makers.

Q: How much have you reduced reserves? **A:** The reduction in reserves that has occurred has happened on a broader scale.



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Q: Is there a variance in possible benefit based on high vs. low load participants? **A:** It isn't necessarily a question of load, but of mix. We have typically had a surplus; our benefit would be different than someone who relied on the market or expiring PPAs (power purchasing agreements.) We live in a transmission constrained region, so it can be hard to move the power to where it is needed. Regionalization can maximize efficient transmission. Skagit operates dispatchable energy – we hold a pool and release it as needed. This allows us to share that dispatchability to maximize renewables.

Q: Do you have concerns that CAISO is trying to get their hands on NW's flexible resources without paying for flexibility? **A:** That is why we are participating in any and all efforts. We are saying that a market will serve the west and the time is right to move that forward. Ultimately, we will need to decide for City Light. Once we see what that market is, we can make a decision about risk for ourselves. Different entities have different motivations. We also benefit from taking advantage of California's solar resources.

Long-term Debt Planning

Kirsty Grainger presented. The presentation is in the Review Panel packet.

Q: Does this mean the cost to serve load is going up as well? **A:** Yes. This is why our rates have been going up faster than inflation. As customers use less of our product the infrastructure needs do not decrease. We may need to sell less of a more expensive product to a more diverse customer base.

Q: You have committed to rates only growing as fast as inflation. Does this mean debt will continue to grow? **A:** Yes. That is our challenge in a nutshell.

Q: Looking at the financial statistics, they look good and it's hard to judge in a vacuum. For me to offer reasonable inputs I would like to see the split between new and existing resources. What percent of resources is going to each? Are the dollars sufficient to support existing assets? What is the risk of a big wave of needs? Which project do you select when you hit a resource constraint and is the bond/cash financing set project by project? **A:** When City Light sells bonds, we don't tie them to specific projects, but to our capital program as a whole. While it makes sense conceptually to fund some projects with cash and some with debt, that is not how we have made decisions. There is a lot of programmatic work (lots of little jobs) in our capital budget.

Q: Is there a long-term analysis you can do to evaluate the risk for various financing strategies?
A: We will bring this to the next meeting

Q: Can we get more context in what the fixed assets are. Does it add to resiliency for climate change? **A:** Yes, we will bring this and a long-term analysis to the next meeting.

Q: Is City Light considering a new strategy that capitalizes on energy efficiency through GEBs (Grid Interactive Efficient Buildings) or the stacking of other distributed, behind the meter



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resources. **A:** We are not considering any new strategies with regards to GEB at this time. Our answer to many of these questions is the same. Traditionally you match long term assets with long term debt and rate-fund short term investments such as IT. We don't do it that way. We are fairly highly leveraged and need to take that into account as we look at our future options. We are working on raising debt service coverage while also pulling back on rates to move towards a better matched strategy. Some of our assets are intangible, such as energy efficiency.


Q: What is the reason for higher leverage? **A:** We own two large hydro projects and the downtown network. We have more assets than other utilities with a similar load. We also serve an urban employment hub, and we spend a large amount on conservation work.

2023 – 2028 Comprehensive Planning schedule

Leigh presented the schedule of Review Panel meeting topics and activities that will contribute to the development of the 2023 – 2028 Strategic Plan and City Light 6-year rate path. The schedule is in the Review Panel packet.

Adjourn: Meeting adjourned at 10:55.

Next meeting: November 23, 2021.



Seattle City Light Review Panel: History, Structure & Mission

NOVEMBER 2021

KAREN REED, PANEL FACILITATOR

In 2010, City Light was charged to develop a new strategic plan

- ▶ City Light was asked to develop a 6-year strategic plan, with a with a 6-year rate path and associated operational and capital commitments.
- ▶ The first such plan was submitted (and approved) in 2012.
- ▶ The plan has been updated/revised every 2 years since then, except for a COVID delay last year.
- ▶ To get back to the regular even-year schedule, a 5-year plan will be submitted in Spring of 2022.

1st plan: 2013-2018 Submitted April 2012	1st update: 2015-2020 Submitted May 2014	2nd update: 2017-2022 Submitted May 2016	2nd Plan: 2019-2024 Submitted May 2018	1st update: 2022-2024 Submitted May 2021	2nd update: 2023-2028 Planned submittal: May 2022
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City Light Review Panel Created in 2010 (Ordinance 123256)

- ▶ The City Light Review Panel (“Panel”) was created in 2010 to assist in the development of a new approach to strategic planning at the Utility.
- ▶ The Panel’s structure – 9 members, each representing a different customer group – has not changed since it was established.
- ▶ The Mayor appoints the odd-numbered positions.
- ▶ Council appoints the even numbered positions.
- ▶ All members must be confirmed by the City Council.
- ▶ Also unchanged is the requirement that the Panel and the utility work with Mayor and Council staff in the development of the strategic plan.
- ▶ Panel members have 3-year terms. The terms are staggered.

Panel Positions and appointing authority

Position Number	Customer Group Represented	Current Member	Appointing Authority
1	Economist	Tim Skeel	Mayor
2	Financial Analyst	Scott Haskins	Council
3	Non-Profit Energy Efficiency Advocate	Kerry Meade	Mayor
4	Residential Customer	Leo Lam	Council
5	Commercial Customer	Mikel Hansen	Mayor
6	Industrial Customer	Anne Ayre	Council
7	Low-Income Customer	Vacant	Mayor
8	At-Large Customer	John Putz	Council
9	Suburban Franchise	Joel Paisner	Mayor

Members may continue to serve until their successor is confirmed

In 2015, the Panel's role and authorities were streamlined

- ▶ Ordinance 12470 determined that the original ordinance “unnecessarily limits the effectiveness of the Panel.”
- ▶ The revised Panel role is as presented below; there are 5 sections presented below (minor non-substantive edits). Several sections in the original authorizing ordinance were removed.

The Panel shall:

- ▶ Review and assess City Light's strategic plan and provide an opinion on the merits of the plan and future revisions to it to the Mayor and City Council.
- ▶ The Council anticipates that the strategic plan will at a minimum consider
 - ▶ long term strategies to rehabilitate and maintain City Light's infrastructure
 - ▶ provide for labor-force continuity
 - ▶ maintain a portfolio of resources adequate to meet the needs of its customers, and
 - ▶ ensure continued regulatory compliance.
- ▶ Assist the Mayor and Council in engaging ratepayers in discussions of the merits and implications of the strategic plan and revisions thereto.

Per Ordinance 124740, adopted April 2015

The Panel shall (cont'd.)

- ▶ Review changes to City Light's rates not already authorized by the City Code and provide an opinion to the Mayor and Council on the adequacy and prudence of rate changes in light of adopted planning assumptions and financial policies.
- ▶ After the adoption of each update to the strategic plan, work closely with staff designated by the Mayor and Council to propose a biennial work program to the Mayor and Council. Work program items may include but are not limited to, financial policies, cost allocation, rate design, operational efficiency, issues required by the Mayor/Council and issues the Panel believes the Mayor and Council should consider.

At Council Committee request, the Panel reviewed rate design options for electric utilities and submitted a rate design report in March 2019

The most recent work plan submitted to Council was for September 2016 – May 2018

Per Ordinance 124740, adopted April 2015

Panel role, (cont'd.)

- ▶ The Council continues to expect the Panel to provide the Mayor and the Council with analyses and recommendations on significant elements of the strategic plan including but not limited to
 - ▶ Financial policies
 - ▶ Cost allocation
 - ▶ Rate design
 - ▶ Operational efficiency
- ▶ ...and to submit its recommendations to the Mayor and the Council, or if a collective recommendation cannot be reached, a recommendation indicating the majority and minority positions and the rationales for those positions.

Per Ordinance 124740, adopted April 2015

Panel letters commenting on strategic plan updates have usually, but not always, been consensus documents.

The Panel has occasionally submitted separate comment letters to the Council on various topics, including the sale of surplus utility property, requesting help filling vacancies, or seeking to rescope the Council's requested rate design report

Other Rules for the Panel

- ▶ The Panel is authorized to establish its own rules for meeting attendance, quorum, meeting frequency – except that:
 - ▶ The Panel must meet at least 4 times every 12-months.
- ▶ Meetings must be open to the public unless an executive session is called (must comply with state law).
- ▶ Meeting materials and recommendations must be public.
- ▶ The Panel may dismiss a member for here consecutive unexcused absences, after first advising the member, the Council and Mayor 5 days in advance.

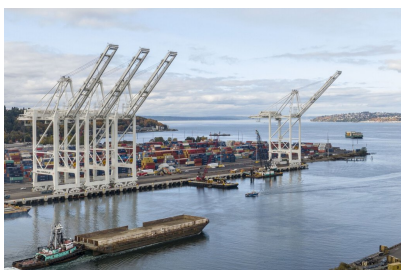
Per ordinance 123256 adopted March 2010



Questions or Comments?

Port of Seattle and Seattle City Light to study use of hydrogen fuel

Nov. 5, 2021 at 6:47 pm | Updated Nov. 5, 2021 at 6:47 pm



A tugboat moves a barge at the Port of Seattle on Oct. 18. The Port and Seattle City Light will study using hydrogen fuels to reduce greenhouse gas emissions. (David Ryder / Bloomberg)



By [Hal Bernton](#) 

Seattle Times staff reporter

The Port of Seattle and Seattle City Light will take a deeper look at using hydrogen fuels to reduce greenhouse gas emissions in two studies funded by \$2.12 million in Energy Department grants.

The first study will examine setting up a hydrogen fueling station for forklifts, trucks, cranes and other equipment now powered by fossil fuels. The second study will look at the risks and benefits of developing a hydrogen infrastructure at the Port that could provide energy for cruise and cargo ships as well as shore-based vehicles and equipment.

The Pacific Northwest National Laboratory and Sandia National Laboratories will assist in the studies. The Northwest Seaport Alliance (NWSA) and Paccar are partners in the study, said Fred Felleman, Port of Seattle

Commission president and co-chair of the NWSA, in a written statement.

“The ability to incorporate clean hydrogen in our energy portfolio will be key to enabling the Port of Seattle and NWSA to meet our commitments to be carbon free by 2040,” Felleman said.

“It is more important than ever for Seattle City Light to collaborate with our customers who want to confront the climate crisis by decarbonizing their operations,” said Debra Smith, chief executive officer of Seattle City Light.

Most hydrogen is produced from fossil fuels in a process that releases greenhouse gases. But in the future, more hydrogen is forecast to be produced through a process that involves electricity, which could be supplied by renewable sources of energy.

Currently, there is strong interest in using hydrogen to replace fossil fuels in some of the hard-to-decarbonize maritime and trucking industries.

Hal Bernton: 206-464-2581 or hbernton@seattletimes.com; on Twitter: [@hbernton](https://twitter.com/hbernton).

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Skagit Project Relicensing: An Open Letter to our Partners

by [Debra Smith](#) on November 5, 2021

Toward the end of last year, as the Skagit River Hydroelectric Project relicensing work was intensifying, I became aware that many of our partners in the process were experiencing Seattle City Light as hard to work with and non-responsive. That was especially true of the Tribes who hunt, fish, and live near our dams and powerhouses.

I feel strongly about the need to acknowledge mistakes, learn from them, and change course when needed. When we got the feedback that the process was not going well for our partners, we realized the need for change. We worked to reset our relationships with participating Tribes and agencies by making collaboration the centerpiece of the relicensing process. We also redoubled our commitment to go beyond basic dam mitigation and to improve the entire Skagit watershed and the salmon runs that have existed there for millennia.

We are at a pivotal moment in history. The City of Seattle gets approximately 20% of its power from the Skagit Project's three dams (Gorge, Diablo and Ross). Climate change makes this carbon-free resource vital to the people who depend on the electricity produced there; at the same time, hydropower is also part of today's solution to global climate change, which as we know is a real and immediate threat to life in the Northwest. According to the EPA's

climate offset calculator, the Skagit Project generates enough clean electricity every year to avoid the CO2 emissions from burning nearly 2 billion pounds of coal.

It's also true that our infrastructure has a significant impact on the native lands and culture of the Upper Skagit Indian Tribe, the Swinomish Indian Tribal Community, and the Sauk-Suiattle Indian Tribe. The dams that power the Northwest are challenging for fish, particularly salmon. Access to plentiful stocks of all five salmon species is essential to the Tribes' health and way of life, and the combined effects of the dams, climate change, and the loss of habitat are threatening that way of life. I believe we have a moral obligation to do more to address our impacts, and I am committed to making sure that City Light meets that obligation.

After the reset, City Light worked collaboratively to revise our preliminary study plan and to prioritize the studies that were and are most important to our license partners. The results of those studies will inform the requirements that the Federal Energy Regulatory Commission (FERC) puts on our next license. In April, at the request of the Tribes and regulatory agencies, we committed to study the feasibility of fish passage, and to use study methods developed collaboratively with them. That research is being done right now, and the findings will be shared with all license participants.

The Skagit is one of the few systems of its size that does not have fish passage installed. The geography of the area led us (and many other scientists) to believe there were large boulders and falls that could impede fish from moving upriver beyond Gorge Powerhouse. Based partly on that, parties to the current settlement agreement decided it was more beneficial to focus on flow management than fish passage. That was almost 30 years ago. That science has been called into question and we now recognize the value of performing additional studies using modern tools and methods.


We hear those who are calling on us to build fish passage **now**. However, this is not City Light's call. This is a decision that our partners, FERC, and City Light will make based upon the science developed as part of the study plan. To be

clear, City Light **will** support and implement the outcomes of the relicensing process. To inform this important decision, we need to understand what the full impacts of fish passage would be on the environment we want to protect. Ecosystems are complex. We need to invest time and resources to develop the knowledge that our partners and FERC need to make sound decisions. That's the purpose of the study plan.

We've also heard from those who believe we should **immediately** commit to an equitable investment in both fish passage and habitat enhancement. We don't disagree with the need for investment, and in fact, our goal is to be equally – or more – effective in protecting fish populations and enhancing habitat. We fully expect that the studies we are collaboratively doing now will dictate what equitable means with respect to this project. The operating license that we hope to receive in 2025 will be responsive to the latest science and will consider all we've learned about climate change and fish impacts in the 30 years since the current license was issued. To assume that equitable is the same as what's been done elsewhere, is premature and potentially very wrong. The investment required by FERC could easily be greater than what was required for other comparable projects.

We are committed to doing what's right for the environment and the people of the region, especially by having respectful government-to-government relationships with Tribes and other affected communities. In the meantime, we will continue to work in partnership to build a clean energy future and a vibrant Skagit River ecosystem. There are some challenging issues on the horizon. Still, with a mutual commitment to collaboration, we can develop solutions the next generation can be proud of.

Take care and stay safe.

A handwritten signature in black ink that reads "Debra J. Smith". The signature is written in a cursive, flowing style with a long horizontal line extending from the end.

Debra J. Smith
General Manager and CEO
Seattle City Light

2021 Clean Energy Implementation Plan

Robert Cromwell | November 23, 2021



Background and Current State

- Net-zero carbon neutral since 2005
- Fuel mix: >90% carbon free for nearly two decades

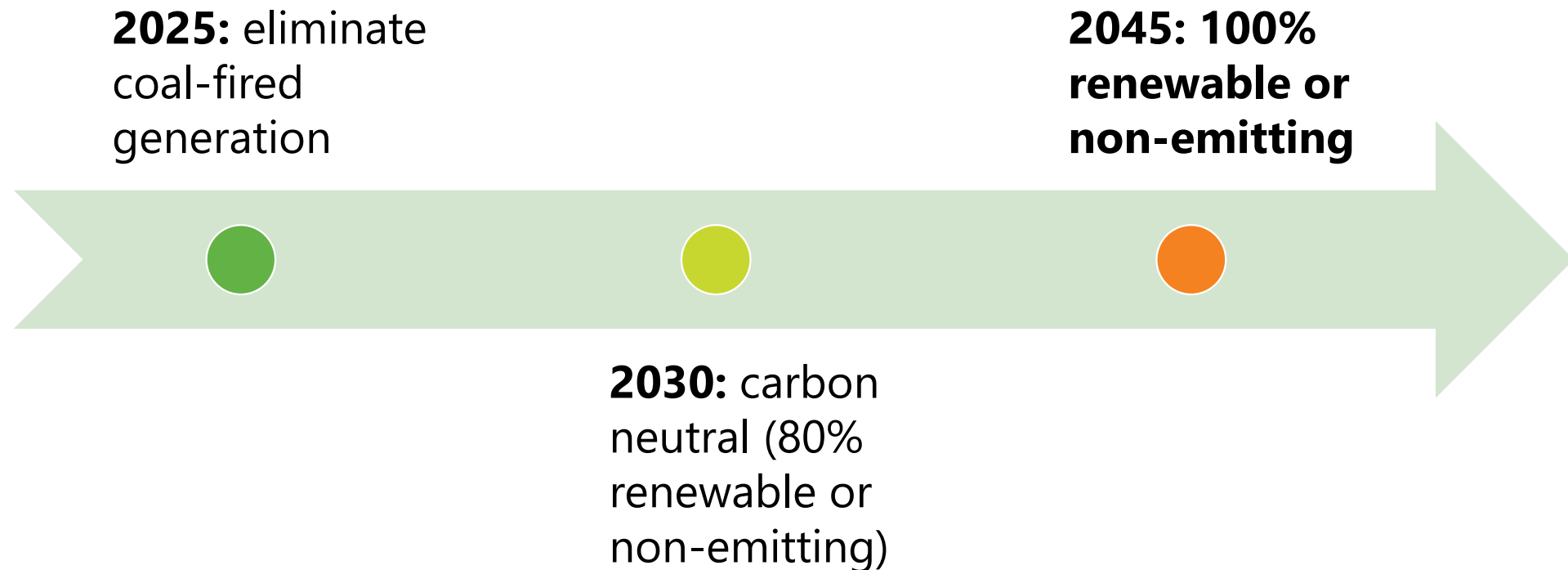


2019 POWER MIX

● HYDRO	84%
● UNSPECIFIED*	6%
● NUCLEAR**	5%
● WIND	4%
● BIOGAS.....	1%
<hr/>	
TOTAL	100%

Clean Energy Transformation Act (CETA)

- Legislature and Governor Jay Inslee enacted **CETA** in 2019 thus setting an aggressive timeline for 100% clean power in Washington State



Other CETA Provisions

- **Clean Energy Implementation Plan (CEIP) - City Light requests City Council approval, and will every 4 years until 2045.**



2022-2025 targets and actions towards 2045 goal (100% non-emitting or renewable)

- A CEIP Includes:



Plan and metrics for equitable benefits



Public Participation

- ***Equitable*** distribution of energy and non-energy benefits as we transition to clean energy for all.

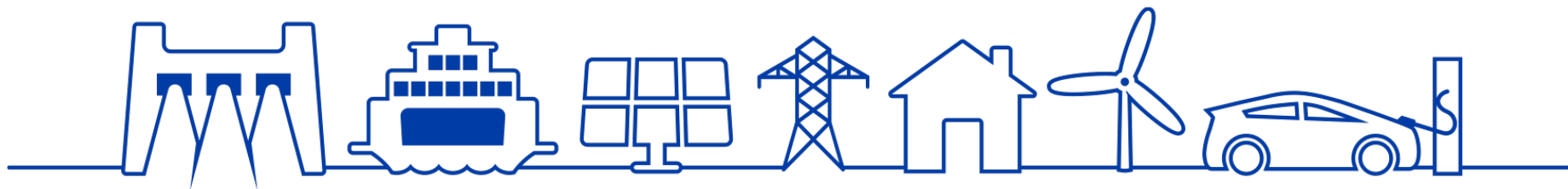
Actions to Achieve Timeline Goals

- Four-year targets for:

- Equity
- Renewable Resources
 - SCL to invest in ~140 aMW 2026-2027
- Energy Efficiency
- Demand Response
- Actions to demonstrate progress towards meeting 2030 and 2045 goals

Interim target: Percentage of retail load to be served using renewable and nonemitting resources (WAC 194-40-200(2))

Resource	2022	2023	2024	2025	4-year Period		
Renewable	92%	92%	93%	93%	92%		
Nonemitting	5%	5%	5%	5%	5%		
Total	97%	97%	97%	97%	97%		



Equitable Transformation to a Clean Energy Future

- SCL Values



CUSTOMERS FIRST



EQUITABLE COMMUNITY CONNECTIONS

- CETA: All customers benefit from clean energy transformation.

CETA Definitions



Highly Impacted Communities:

Communities designated by the Department of Health based on cumulative impact analyses or a community located in census tract fully or partially identified as being on "Indian country".



Vulnerable Populations: Communities that experience disproportionate cumulative risk from environmental burdens due to adverse socioeconomic factors and sensitivity factors.

Public Input: Clean Energy Future Survey

- Targeted questions sent to 180,000 residential customers; overall responses n=4522
- Questions informed by CETA equity indicators

	Total	BIPOC	Hispanic/Latino	Renters	Household income <\$50k
Number of responses	4522	633	175	1328	417
Confidence level	95%	95%	95%	95%	95%
Margin of error	+/-1%	+/-4%	+/-7%	+/-3%	+/-5%

Public Input: Clean Energy Future Survey

- 94% concerned about climate change
- 80% of customers not aware that City Light is carbon neutral or has a 90% clean energy portfolio

Most Important Benefits

1. 100% clean energy economy and reducing climate change impacts
2. Decreased reliance on fossil fuels
3. Reduced environmental impacts

Greatest Concerns

1. Bill increases
2. Negative impacts of clean energy technology
3. Risk to reliability.

CEIP Consistent with City Goals and Plans

- Consistent with:
 - Seattle City Light Strategic Plan
 - Race and Social Justice Initiative
 - Green New Deal
 - Climate Commitment Act
 - Greenhouse Gas Commitment Resolution
 - Mayoral Executive Orders
 - Environmental Equity Initiative
 - COP26



Future Considerations

- Changes to greenhouse gas offset inventory and emissions
- New Bonneville Power Administration (BPA) Contract opportunity
- Resource Adequacy (reliability)
- Extreme weather events
- Regional Transmission Organization

ENERGY RESOURCES

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



THANK YOU



Seattle City Light



seattle.gov/city-light



YouTube

2022- 2026 Strategic Plan

Business Strategy	Objective(s)	Success Criteria	Projects, Initiatives, Activities (PIAs)
Improve the customer experience	Consistently meet customers’ needs by providing employees with the opportunities and training required to deliver targeted and responsive solutions.	Customer satisfaction scores from industry experts and our own research	<ol style="list-style-type: none"> 1. <u>Integrate the ‘voice of the customer’ into our organizational culture:</u> 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. 2. <u>Strengthen and fix core customer services:</u> 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). 3. <u>Expand customer service options:</u> 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.
Create our energy future	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Increased load and revenue associated with electrification • Penetration of automation on our grid • Reduction of emissions in Environmental Justice communities 	<ol style="list-style-type: none"> 1. <u>Fund and implement the ‘utility next’ portfolio:</u> 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. 2. <u>Implement grid modernization roadmap:</u> 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.

	populations by intentionally prioritizing their needs as we create our energy future.		<ol style="list-style-type: none"> 3. <u>Implement electrification plans</u>: 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. 4. <u>Integrate distribution system and resource planning</u>: 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. 5. <u>Demonstrate leadership and collaboration</u>: 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.
Develop workforce & organizational agility	Foster an organization that is nimble, adaptive, and responsive and cultivate a workforce with the skills and knowledge to advance social justice.	<ul style="list-style-type: none"> • 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 	<ol style="list-style-type: none"> 1. <u>Institutionalize organizational change management</u>: 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. 2. <u>Build an agile workforce</u>: 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.
Ensure financial health & affordability	Support long-term affordability in Seattle by offering rates that are transparent,	<ul style="list-style-type: none"> • Rate path delivered according to current and prior strategic plan commitments 	<ol style="list-style-type: none"> 1. <u>Control rate increases</u>: 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

	<p>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.</p>	<ul style="list-style-type: none"> • A debt service coverage ratio of 1.8 or higher • Capital financed 60 percent or less by debt 	<p>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.</p> <ol style="list-style-type: none"> 2. <u>Price services for the future</u>: 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. 3. <u>Road to recovery</u>: 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.
<p>We power</p>	<ul style="list-style-type: none"> • 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 	<p>Operational dashboards will track performance metrics for each line of business</p>	

	<ul style="list-style-type: none">• Actively manage and mitigate the constraints, risks, and uncertainty of operating in a COVID-adjusted environment		
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Executive Reporting

Review Panel

November 23, 2021

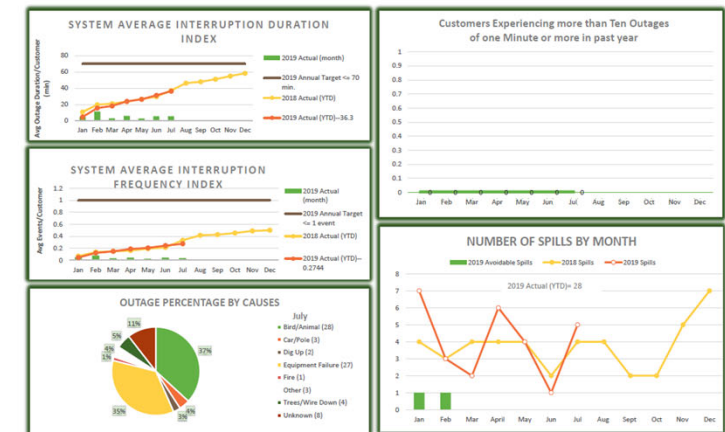


Seattle City Light

WE POWER SEATTLE

Where we've been – Executive Report

- 2019...
 - Same report for a few years – “what we’ve always done”
- 2020...
 - Gave it a ‘facelift’ & aligned with strategic plan
 - Worked with cross-functional team to create a plan
- 2021...
 - Launched new version, incorporating feedback from across the utility; have continually made improvements
 - Identified division metrics as a need in the strategic plan
 - Launched We Power Pilot



Seattle City Light Monthly Performance Dashboard October 2020

Project Highlight

On October 13th, City Light announced the installation of six new public electric vehicle (EV) fast-charging stations in Seattle. The new stations are part of a pilot program to install 20 EV fast chargers throughout the utility's service area in support of the city's Drive Clean Seattle initiative.

Read more here: <https://powerlines.seattle.gov/2020/10/13/city-light-announces-new-electric-vehicle-fast-chargers-in-seattle/>

Customer Centric Culture

Seattle City Light received results from J.D. Power on the 2020 Electric Utility Business Customer Satisfaction Study. In 2020, with a score of 822, City Light claimed the top spot, surpassing SMUD and LADWP. Across all electric utilities, SCL tied for 5th place, with 36% respondent agreement with the statement, “the utility understands my energy needs.” We are very pleased that our commitment to customer service is evidenced by these scores.

- 8th of 16 JD Power (Residential West/Midwest Segment)
- .811 Service Requests per 1,000 Customers (399 service requests)
- 44.4% Of Eligible Population Enrolled in UDP
- 51.2% E-bills*

Employee Experience

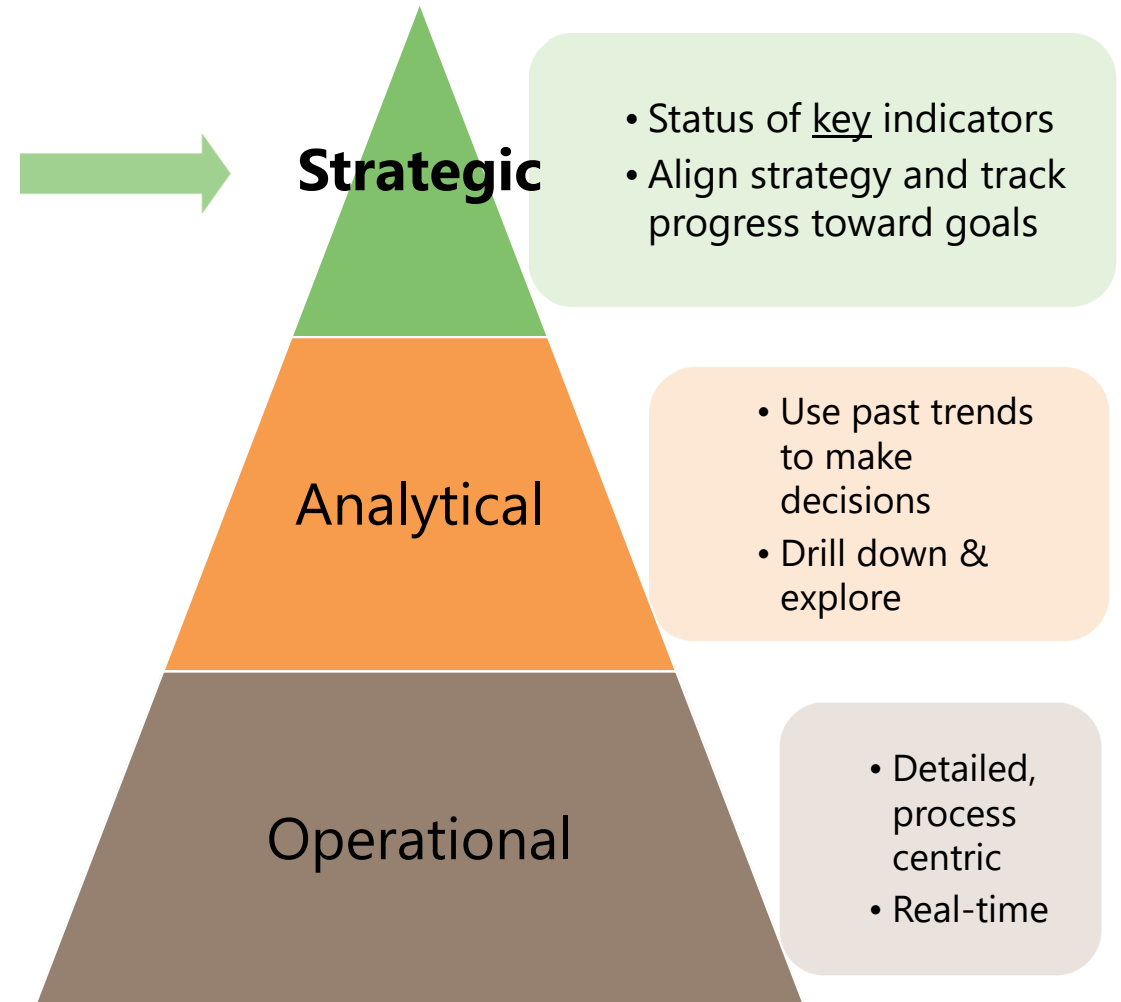
Our vacancy rate has fluctuated between 7.1% - 8.0% or 128 - 144 positions in 2020. In October, 1,663 of our 1,800 FTE pockets were filled.

- Since the beginning of the year, 29 employees have retired and 31 have resigned/left. 20 new employees joined the utility, 200 competitive hiring processes for regular employees were conducted. The average hiring cycle time in 2020 is 37 days.
- 2.81 TRR (goal < 3%) | 29 Preventable MVC (goal < 20)
- 324 Worksite Safety Assessments (vs. 172)
- 7.6% Vacancy Rate
- 730 Training Registrations | 1,408 Completions

Reporting Overview

Key Questions:

1. *Who are the primary users?*
 - Executive Officers – internal & high level
2. *What will they use it for?*
 - Strategic – raise questions, not answer them
3. *How frequent will it be viewed?*
 - Monthly; at executive team meetings





Questions to Consider

Executive Performance Dashboard



Seattle City Light

- + Where do you see positive movement?
- + Does anything you see surprise you?
- + Do you see any concerning trends?
- + What can you do differently in the next 30 days to shift the trend?



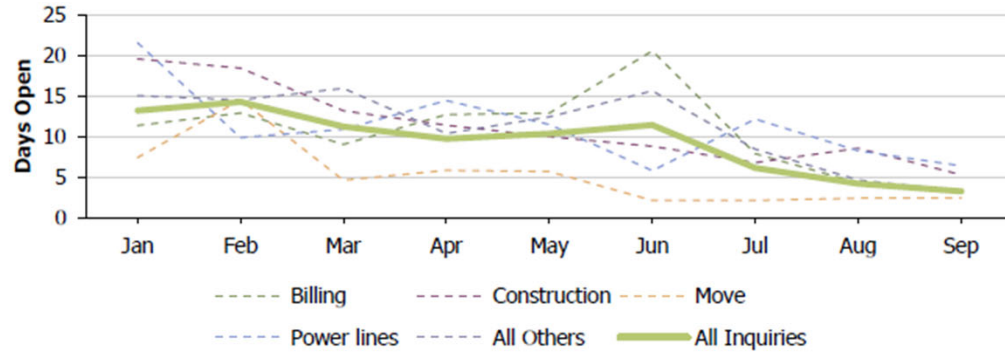
Customers First

September 2021 Performance



General Inquiries - Average Days Open by Issue*

Via Motorola CRM

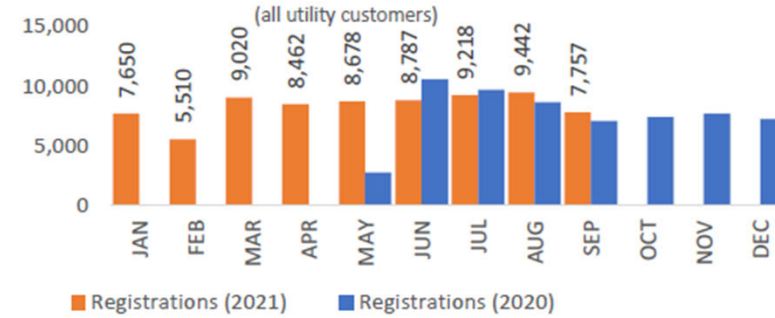


General Inquiry Resolution Rate

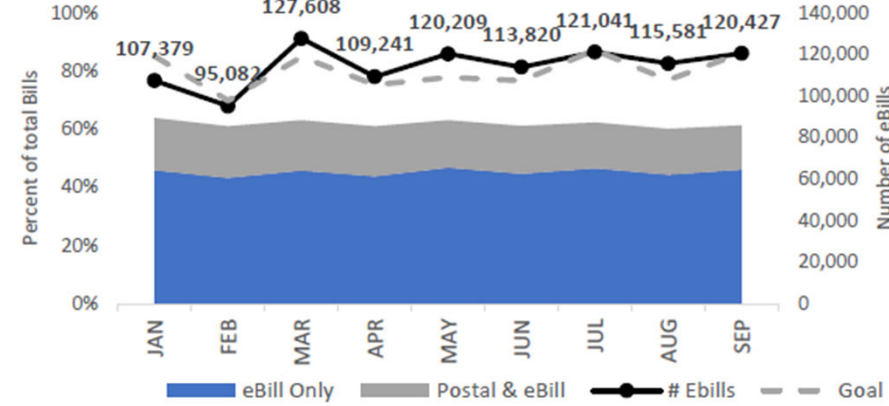
total closed / total created Via Motorola CRM

Resolution Rate	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Billing	71.1%	192.3%	90.6%	72.5%	78.1%	94.2%	85.1%	147.7%	81.9%
Construction	140.9%	176.9%	106.3%	104.2%	77.3%	108.6%	78.9%	78.1%	62.9%
Move	96.0%	63.3%	107.3%	104.1%	95.7%	111.5%	90.0%	104.7%	109.6%
Power lines	82.1%	86.5%	116.1%	17.1%	37.0%	36.8%	26.8%	53.1%	72.4%
All Others	104.2%	114.0%	86.8%	92.8%	96.9%	90.2%	87.6%	102.0%	75.6%
Total	98.9%	114.6%	95.4%	87.0%	87.5%	91.2%	82.8%	104.0%	83.5%
Remaining Open:	5	24	53	49	48	67	64	78	133
Total	354	267	520	493	424	488	541	521	486

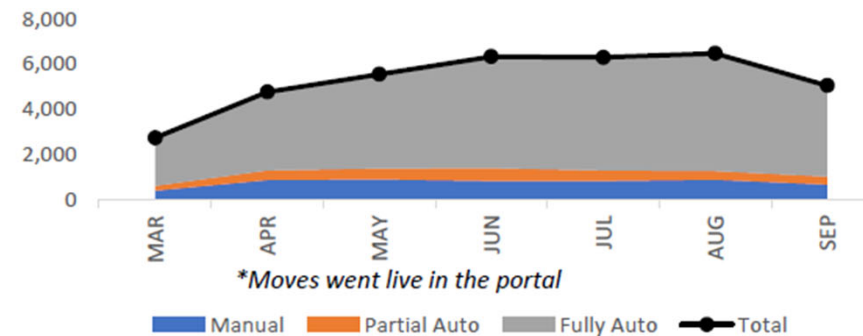
Self-Service Registrations



EBills*



Portal Moves*



JD Power

Business, 2020
Western Mid-Size Segment



1st

JD Power*

Residential, Q3 2021
Western Mid-Size Segment



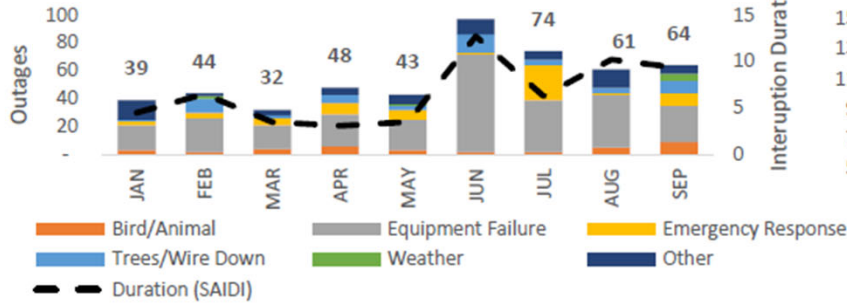
6th



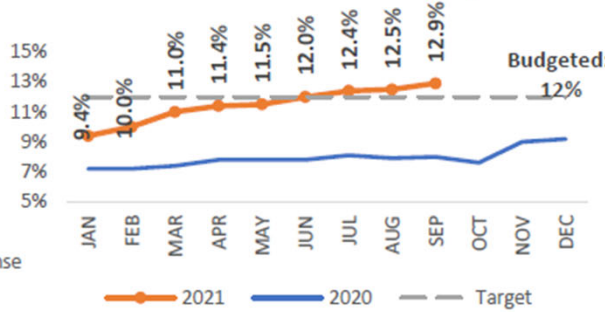
Operational & Financial Excellence

September 2021 Performance

Outages and SAIDI Trends



Labor Vacancy Rate*

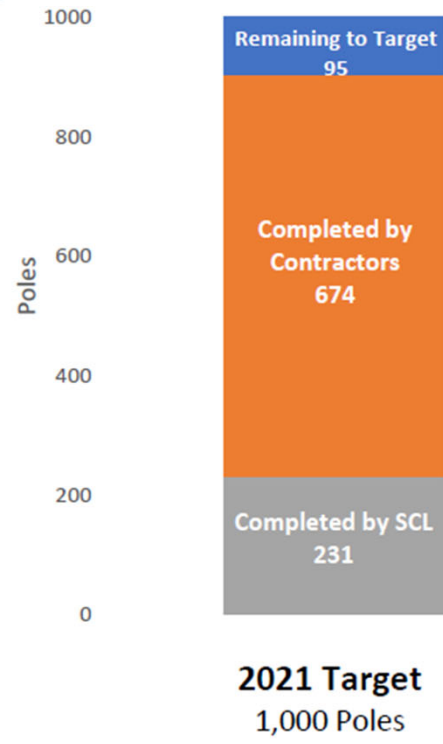
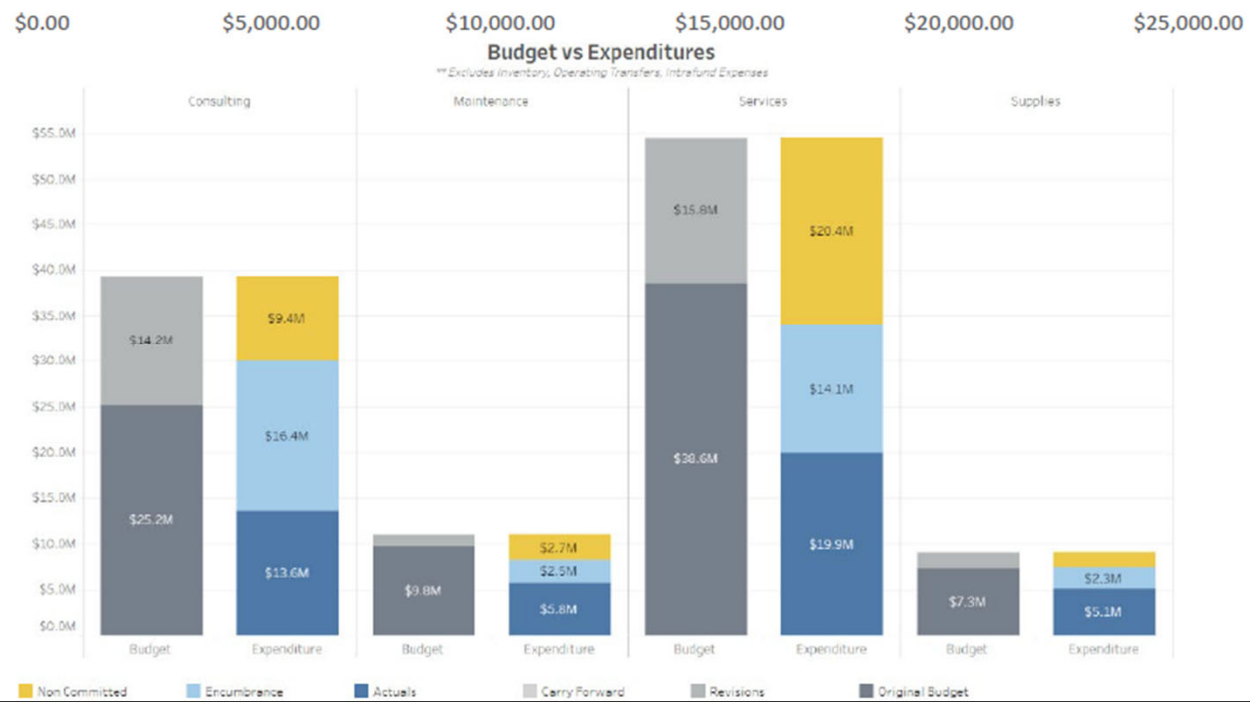
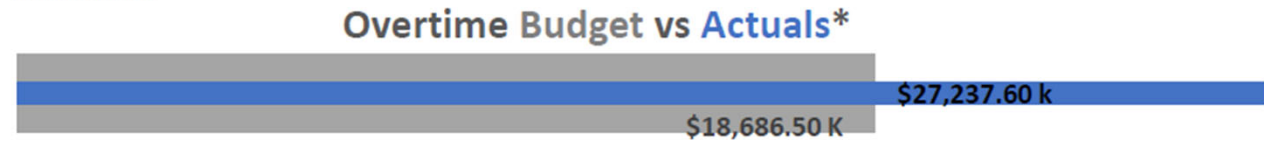


Debt Service Coverage* As of August 2021

2.00

+20 basis points over plan of 1.8

2021 Accelerated Pole Replacement Program* (as of 10/1/2021)



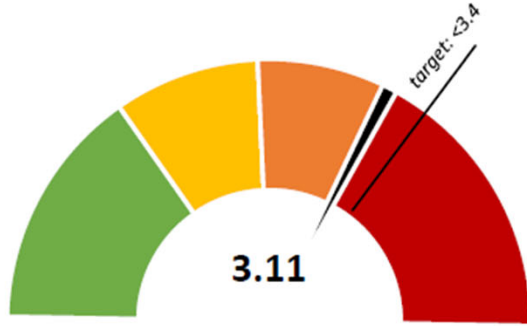


Safe & Engaged Employees

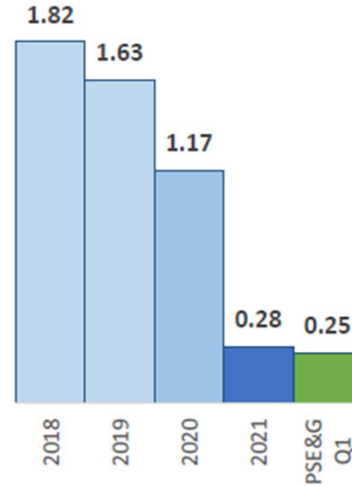
September 2021 Performance



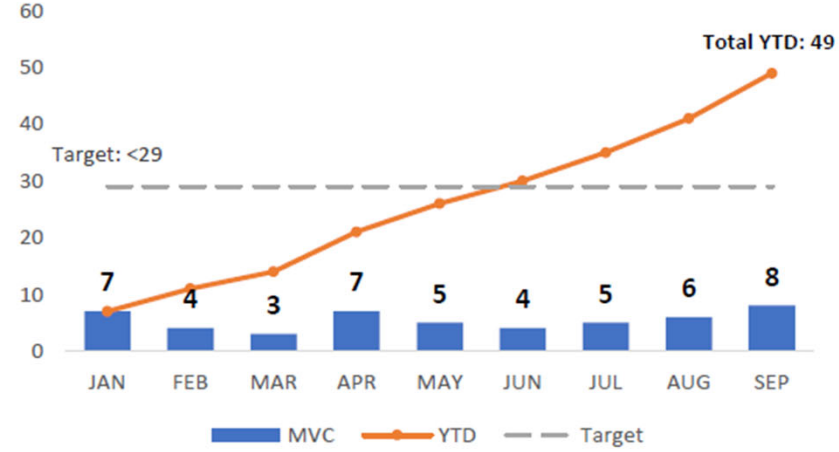
Total Recordable Incident Rate*



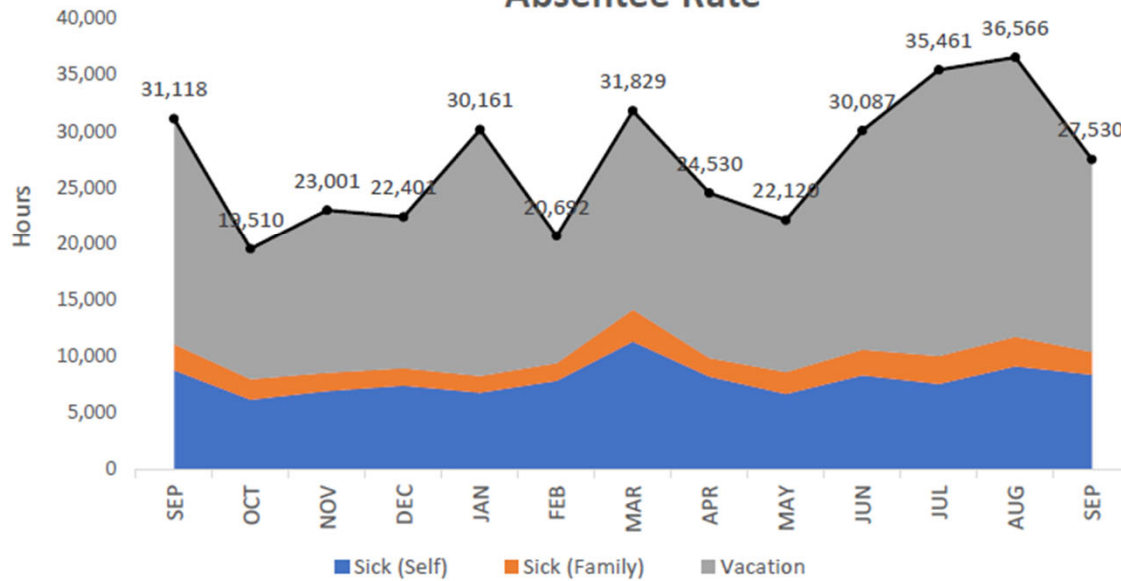
Lost Time Case Rate*



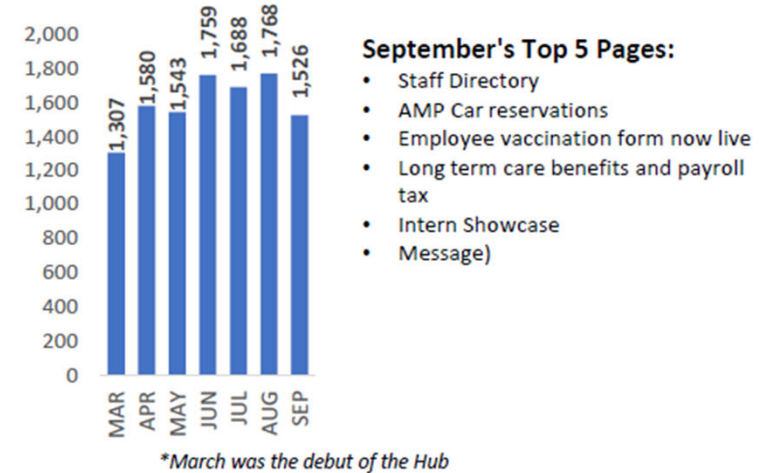
Preventable Motor Vehicle Collisions*



Absentee Rate*



SCL Hub Users



September's Top 5 Pages:

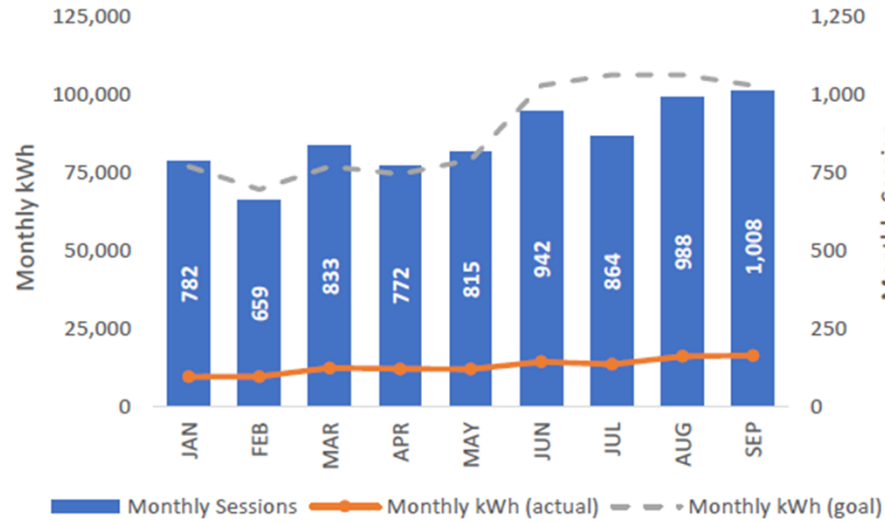
- Staff Directory
- AMP Car reservations
- Employee vaccination form now live
- Long term care benefits and payroll tax
- Intern Showcase
- Message)



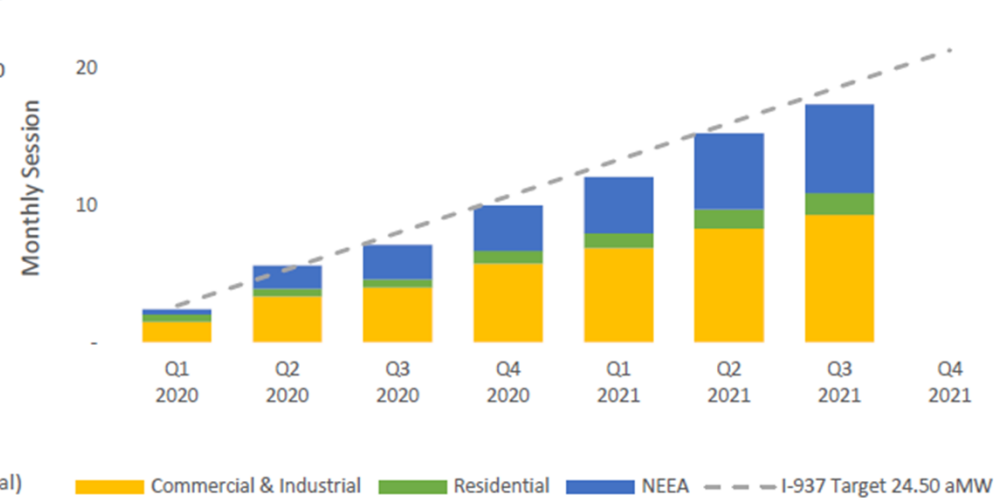
Environmental Stewardship

September 2021 Performance

Public EV Charger Monthly Performance



Energy Independence Act Compliance* (I-937)



Skagit Relicensing Project

- 12 (of 36) Studies due by Q1 2022
- 1 Technical Workshop in September
- 2 Partner Committee Meetings in September
- To do in October:
 - Terrestrial Work Group (standing)
 - Geomorphology Work Group (standing)



CIP Permitting

- 37 projects awaiting permits
- 37 on track to complete by date/quarter
- 1 awaiting responses to comments



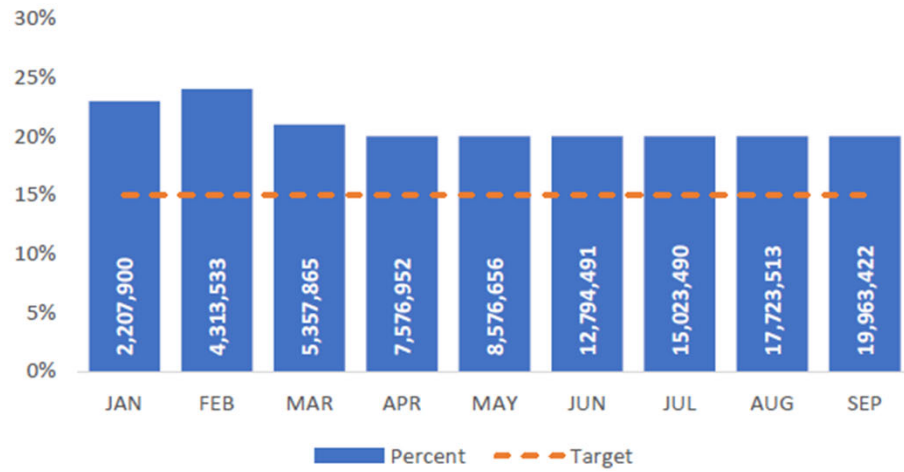


Equitable Community Connections

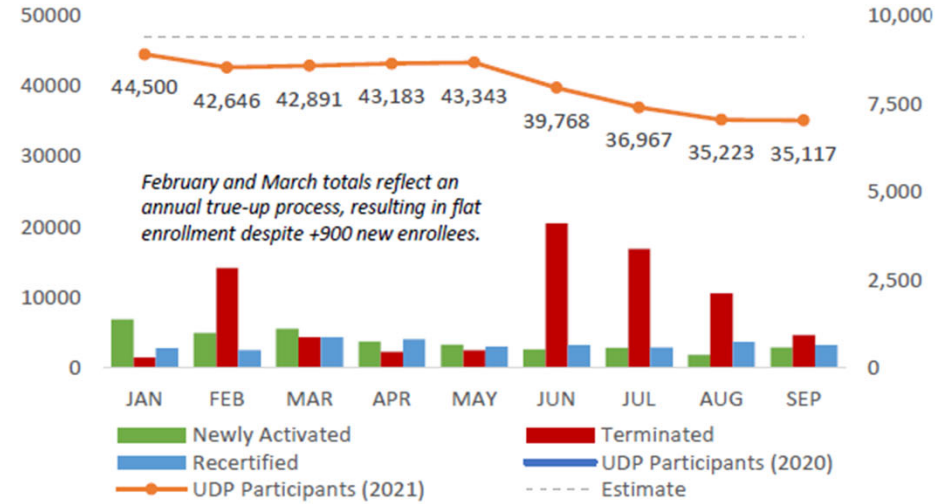
September 2021 Performance



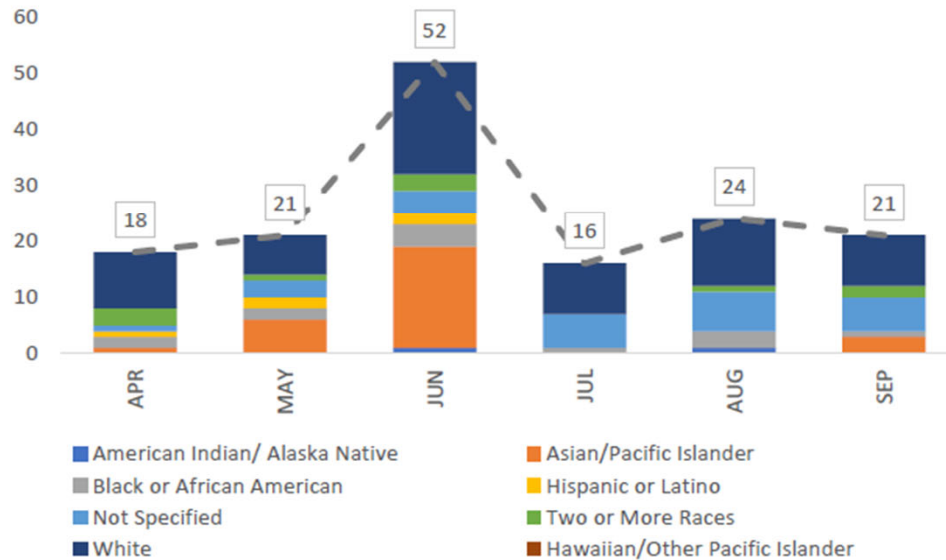
WMBE Combined Progress Toward Goal*



UDP Participation



New Hires by Race*



In Development: RSJI



JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

Follow-Up

- Update & Revise!

- Constantly working to improve alignment & relevancy
- Coordinate with teams to develop & refine

Value	Chart	Effort	Priority
Employees	Absenteeism	Medium	High
Community	Outreach	Medium	Mid
Ops & Fin	Bad Debt	Medium	High
Customers	Timely Bill	Large	Low
Environment	Fleet Electrification	Large	Low
Environment	EV Chargers	Large	Mid
Community	UDP Replacement	Large	Mid
Community	All	Large	High
Customers	Time to Connect	XLarge	High
Ops & Fin	Outage by District	XLarge	Mid
Customers	Portal Registrations	Medium	Mid
Customers	General Inquiries	Medium	High
Environment	Env. Audits	Small	Mid
Customers	General inquiries	Small	Low
Community	New Hires	Small	Mid
Environment	TESIP Incentives?	Large	Mid
Environment	CETA	Large	High

+ over 30 complete

- Discovery Sessions

- Build curiosity around data
- Explain what goes into high-level numbers

Completed:

- Customer Portal (July 2021)

Upcoming:

- Leave Programs (December 2021)
- Power Lines (in progress – post storm season)

WE POWER

WE POWER

BUSINESS STRATEGIES

"We Power"[®] 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.

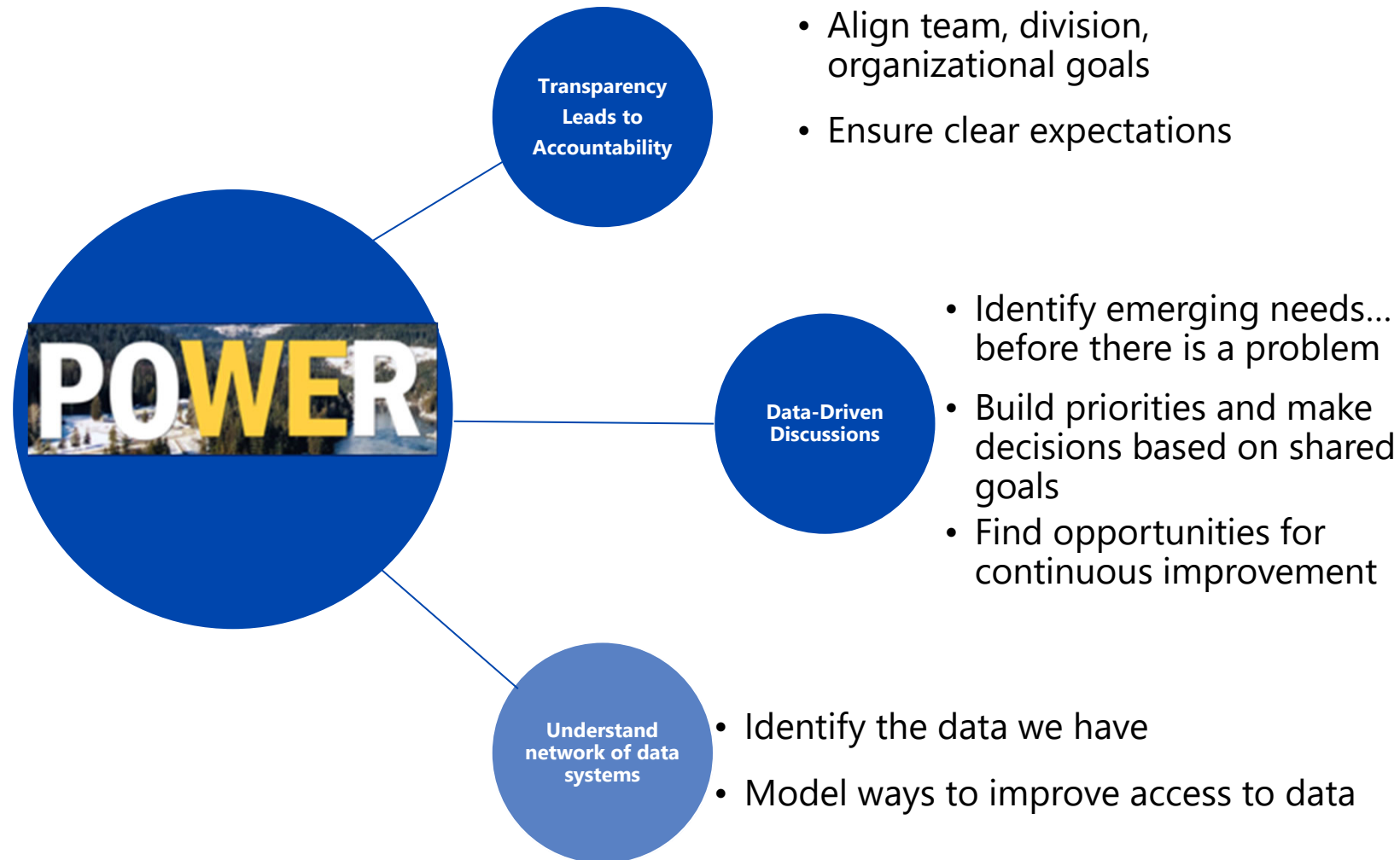
OBJECTIVES:

- 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

Why?

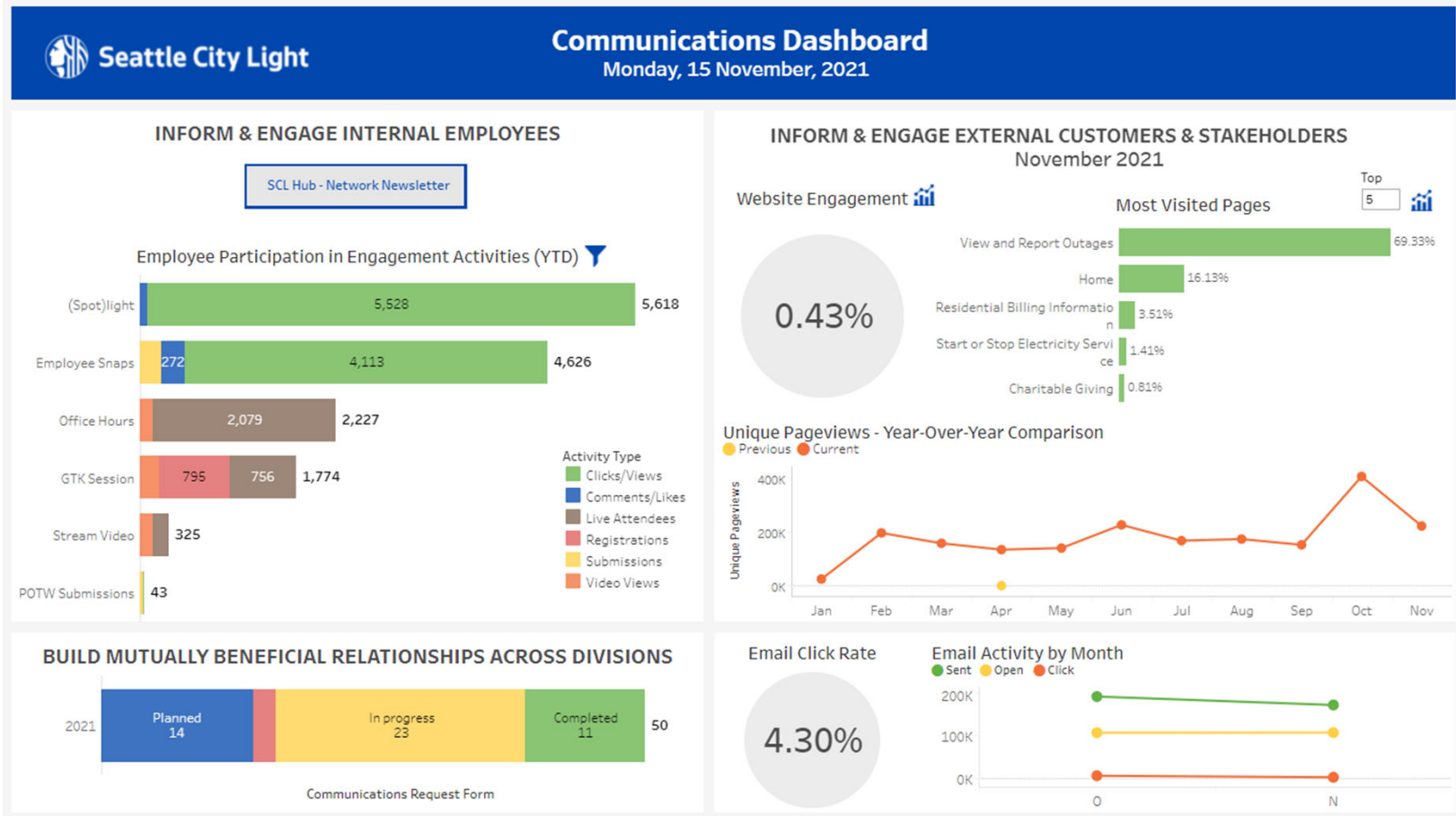


We Power

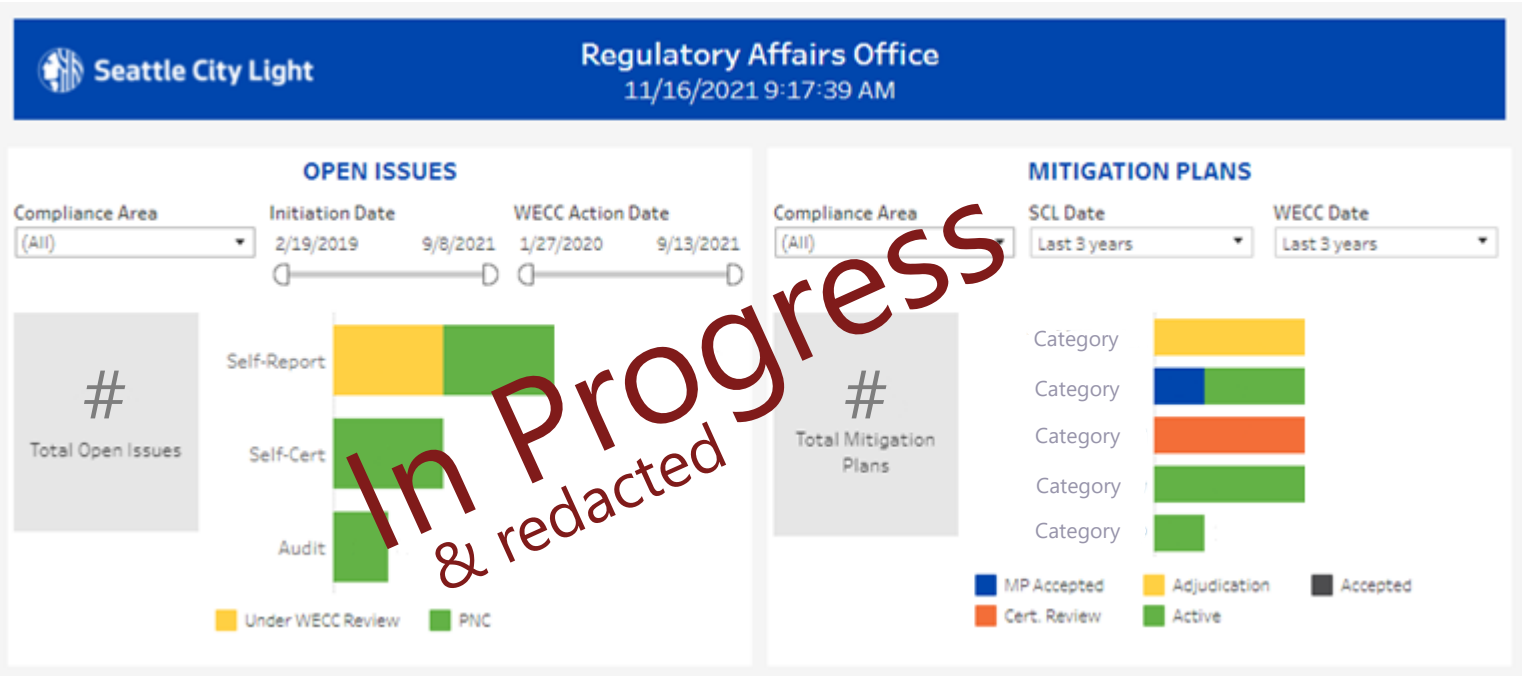
- Team has business analyst, training lead, and developers.
- Goal of 3-4/year *(est. completion 2027)*
 - Estimate between ~2 and ~5 months per dashboard
- Target audience: division directors
 - Still strategic level
 - Focused on what the director identifies as

Pilot 1: Communications

- 3 key priority areas identified
 - Inform & Engage Employees
 - Inform & Engage Customers
 - Build Mutually Beneficial Relationships



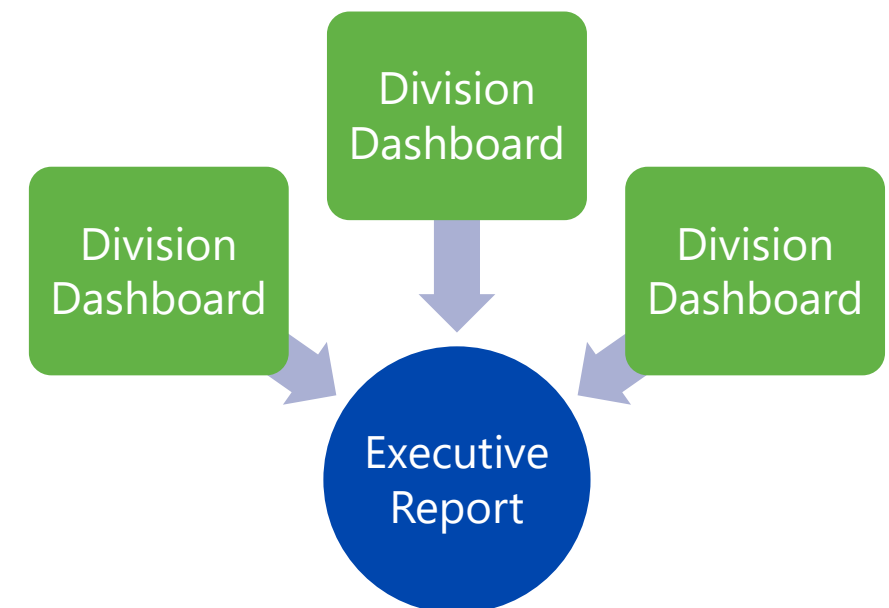
Pilot 2: Regulatory Affairs



- Currently in progress!
 - Three more measures in development
- Applying lessons learned and taking a more iterative approach

Next Steps

- Wrap up 2nd Pilot by Dec 17 → ramp up to full project
 - Goal: automated dashboards for 30 divisions
 - Finalize resources for upcoming year
- Prepare to launch next divisions in early 2022
 - Electrification & Strategic Technology
 - Transmission & Distribution Field Operations
- Align We Power Dashboards & Executive Report
 - Develop enterprise-wide reporting strategy
 - Automate the manual executive report
 - Tie into benchmarking as available or requested



Questions?



Seattle City Light



Seattle City Light

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 sign 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 SUCCESSES

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)[®] 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
RELIABILITY						
Outage Duration: SAIDI (in minutes) ¹	61.0	64.5	58.3	71.9	67.0	64.3
Outage Frequency: SAIFI ²	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 ³	553	417	373	408	323	400
CLEAN ENERGY						
Energy Efficiency Incremental Average Megawatts (aMW) ⁴	14.0	15.4	14.4	13.0	10.5	10.8
SOCIAL JUSTICE						
Utility Discount Program Participants	28,000	33,000	31,924	34,028	42,094	n/a ⁵
Purchases from Women & Minority Business Enterprises (\$ millions)	\$15.20	\$14.00	\$11.50	\$13.00	\$19.70	\$16.37
FINANCE						
Debt Service Coverage	1.70	1.90	1.80	2.10	1.73 ⁶	1.79

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

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

³ Tree trimming and vegetation management as measured by transmission line miles

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

⁵ 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.

⁶ 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 Panel⁷ 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

⁷ 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”⁸ 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



⁸ “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

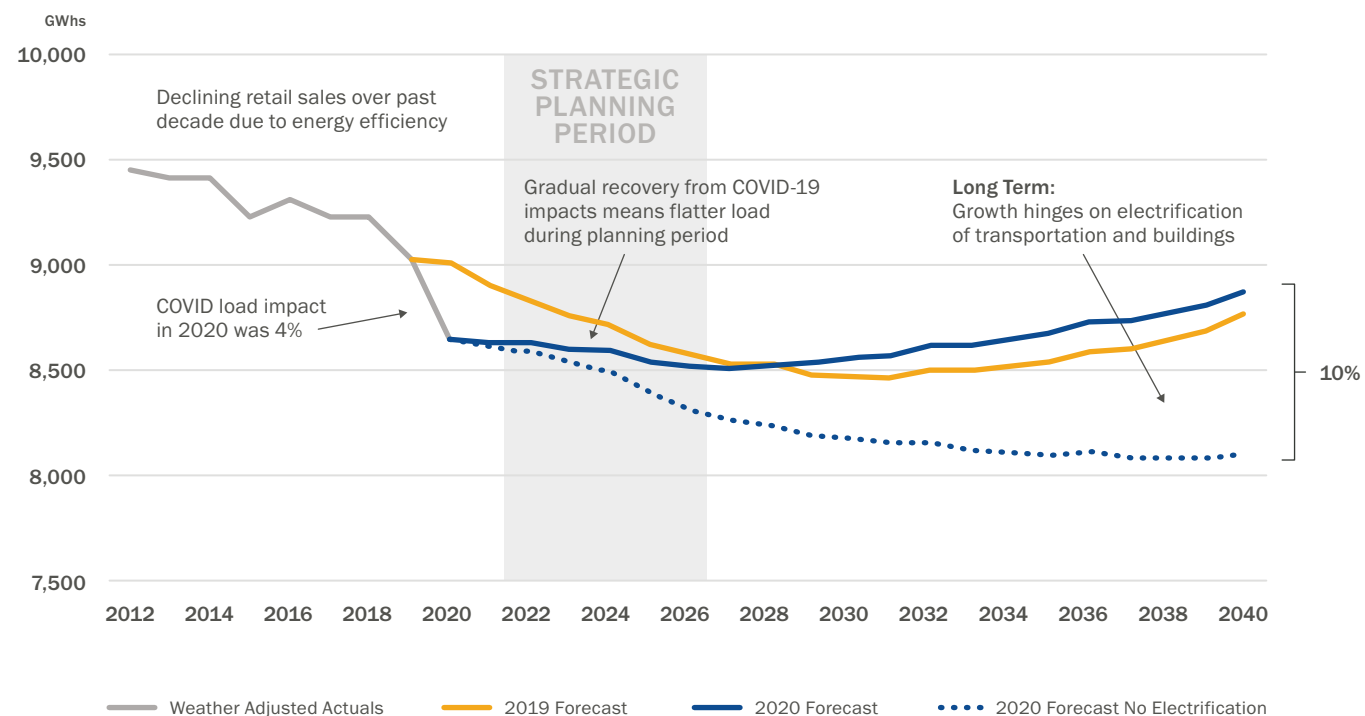


Photo Credit: Hugo C. Ludeña

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

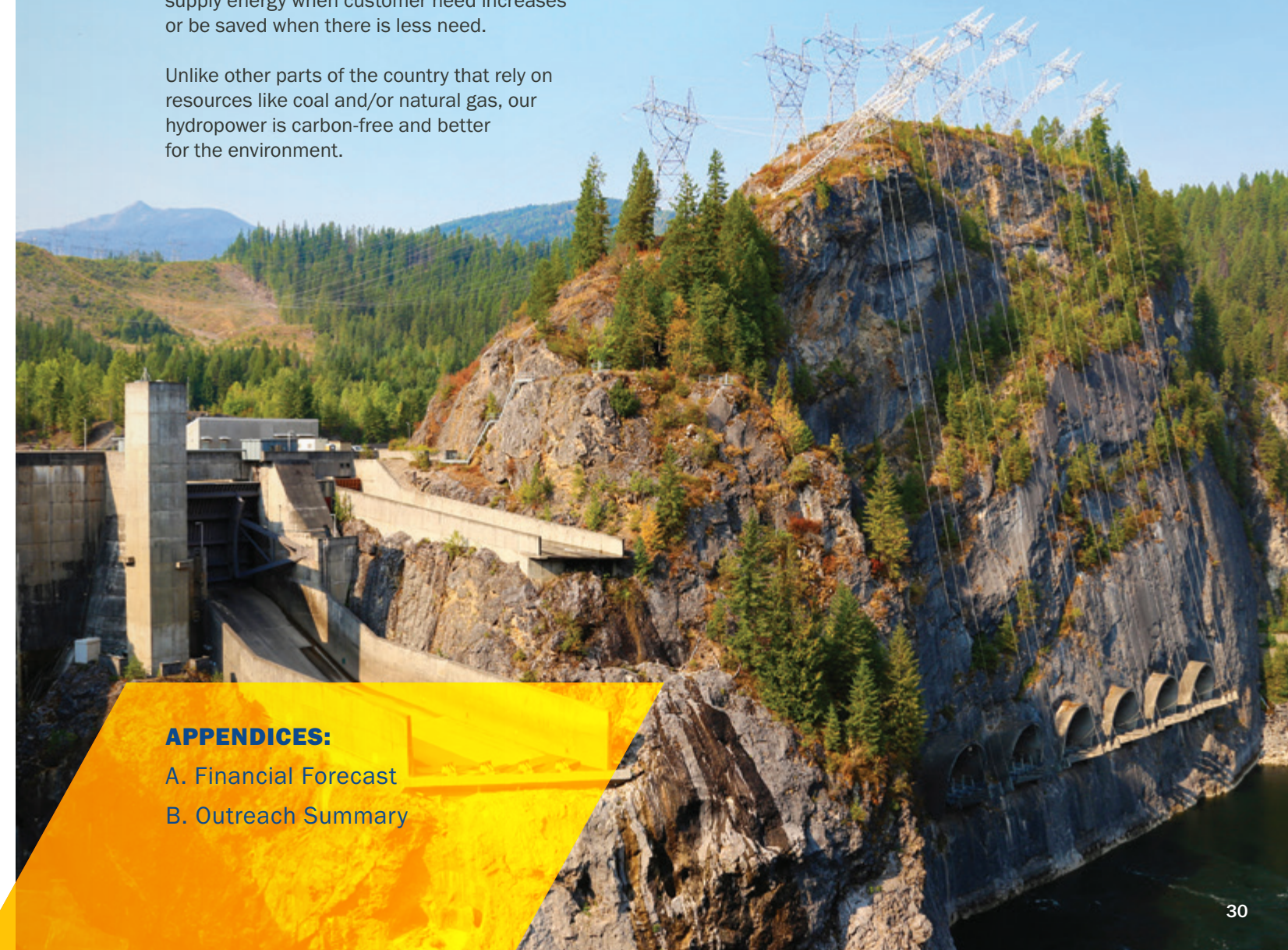
HYDROPOWER: MEETING CUSTOMERS' NEEDS FOR CLEAN, RELIABLE ENERGY

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

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Front - Peter de Lory
Back - Hugo C. Ludeña



2022-2026 Strategic Plan Financial Forecast

EXECUTIVE SUMMARY

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

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

RATE INCREASE SUMMARY

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

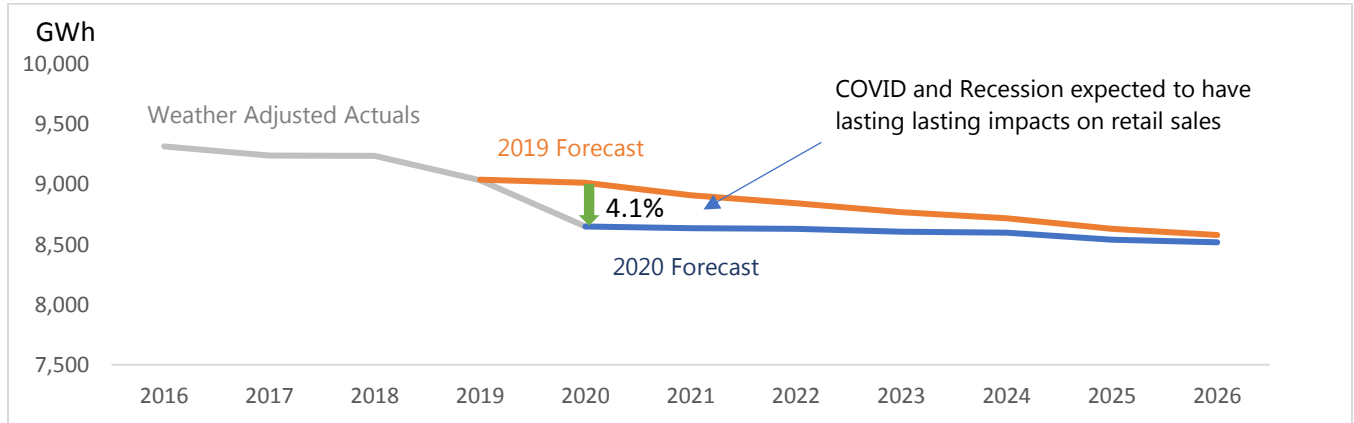
Below is a table of bill impacts assuming each customer receives the annual rate increase noted above and maintains a consistent level of consumption. These impacts are examples only and will change after the retail rate design process is completed for each year. Customers who decrease their consumption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

CUSTOMER BILL IMPACT EXAMPLES

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

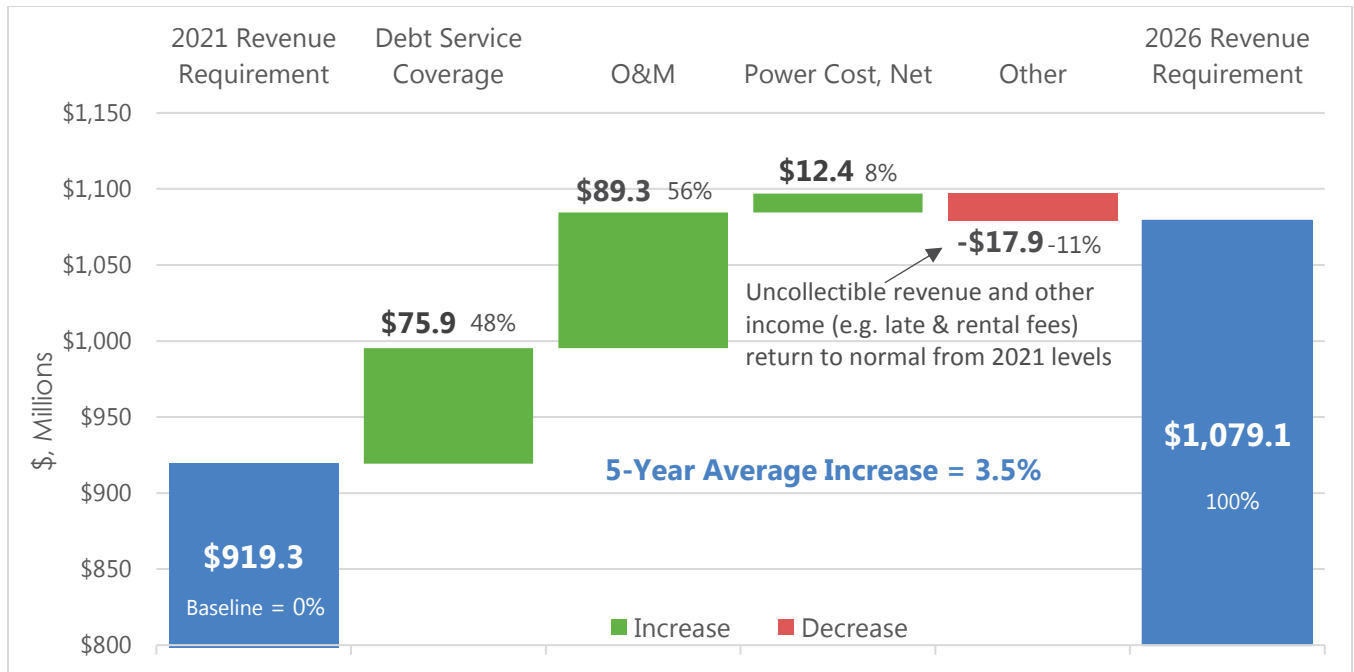
The COVID pandemic and associated recession significantly reduced City Light’s retail sales to commercial customers in 2020, and this was only partially offset by increased residential sales. The recovery is expected to last several years and, as a result, City Light’s retail sales are expected to be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

RETAIL SALES FORECAST

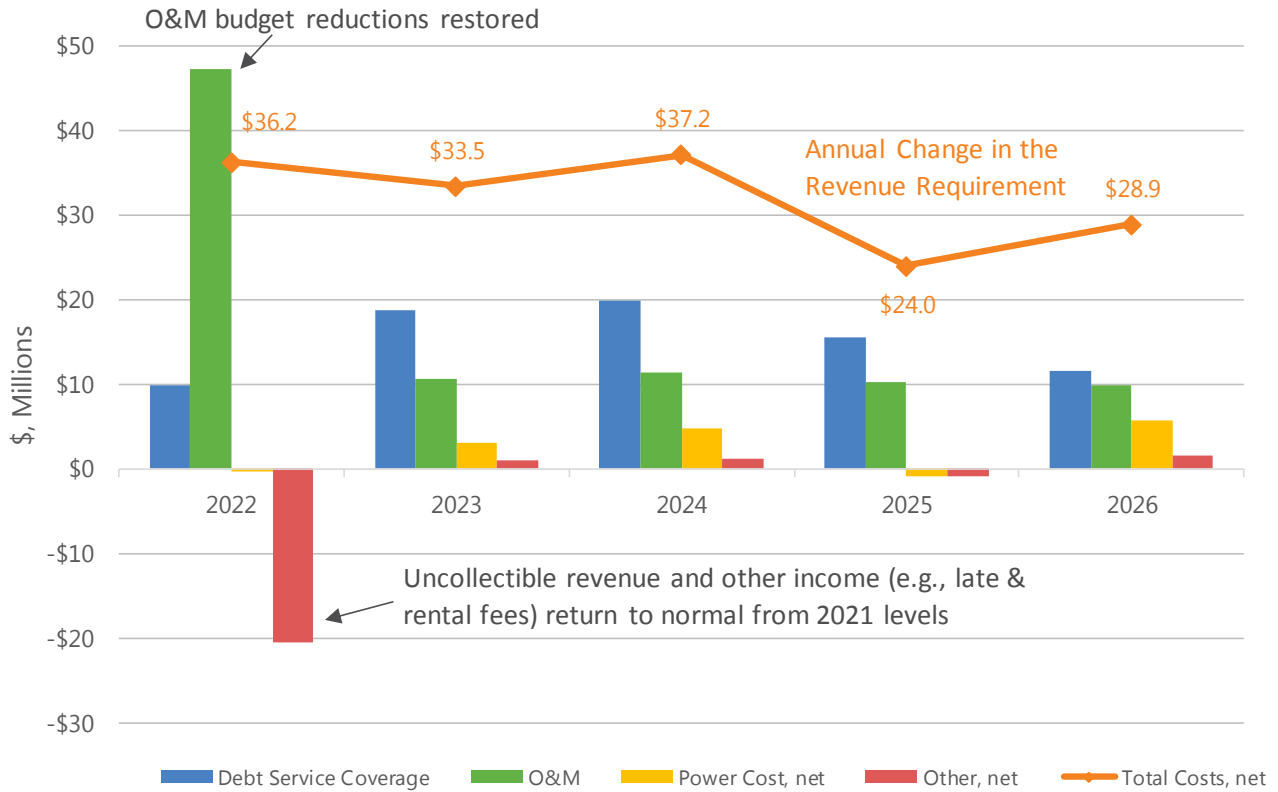


The below charts and table summarize City Light’s revenue requirements for 2022-2026

REVENUE REQUIREMENT DRIVERS CUMULATIVE 2022-2026



RETAIL REVENUE REQUIREMENT ANNUAL GROWTH DRIVERS 2022-2026



RETAIL REVENUE REQUIREMENT SUMMARY

\$, Millions	2022	2023	2024	2025	2026
Revenue Requirement	955.6	989.0	1,026.2	1,050.2	1,079.1
Debt Service Coverage					
Debt Service	234.5	244.4	256.6	254.1	256.8
Additional Coverage*	188.0	196.4	204.1	222.2	231.1
Operations & Maintenance (O&M)					
Baseline 2022 O&M	339.0	339.0	339.0	339.0	339.0
Inflation and REC Growth**	-	10.6	22.0	32.2	42.1
Net Power Costs					
Power and Wheeling Contracts	234.5	237.7	242.3	241.2	246.7
Net Wholesale Revenue (NWR)	(40.0)	(40.0)	(40.0)	(40.0)	(40.0)
Power Related Revenues, Net	(17.1)	(17.1)	(17.0)	(16.8)	(16.5)
Other					
Taxes, Payments and Uncollectibles	56.1	57.9	59.9	61.4	64.0
Miscellaneous Revenue	(39.4)	(39.8)	(40.8)	(43.2)	(44.2)
* Debt Service Coverage	1.80	1.80	1.80	1.87	1.90
** Inflation on existing O&M and incremental renewable energy credit (REC) investments to meet I-937 requirements. Additional detail is included in the O&M section.					

Drivers of 2022-2026 Revenue Requirements and Rates

1. Debt Service and Debt Service Coverage

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

2. Operating and Maintenance (O&M)

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

3. Net Power Cost

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

4. Other Revenues/Costs²

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

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

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

INTRODUCTION

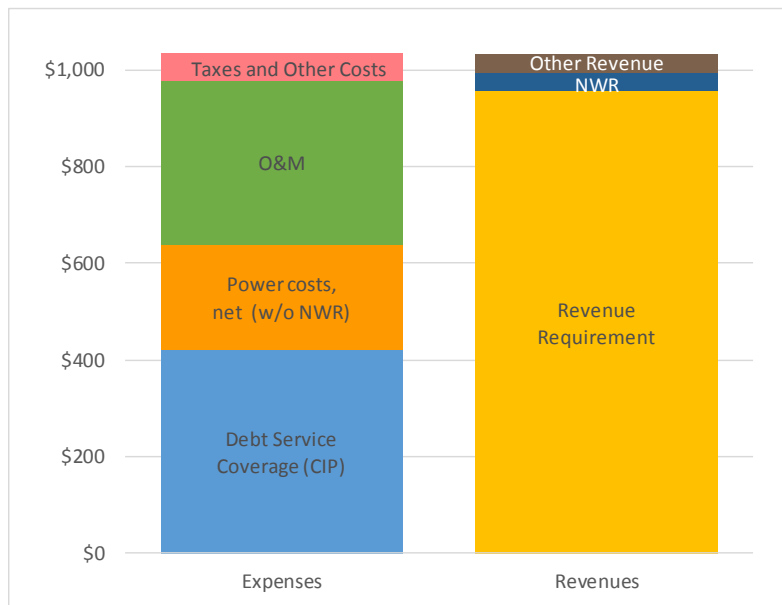
The 2022-2026 Strategic Plan builds on the 2019-2024 Strategic Plan Update (also called the 2018 Strategic Plan), extends the horizon an additional two years to 2026 and shortens the Plan horizon to five years. The 2021-2026 Strategic Plan was postponed while the Utility focused on COVID-19 related issues.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

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

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

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

REVENUES AND EXPENSES (2022 FORECAST, \$MILLIONS)



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

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

Debt Service Coverage

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

O&M

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

Power, Net

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

Other

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

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

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

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

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

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

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

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

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

CAPITAL EXPENDITURES FORECAST

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

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

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

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

CAPITAL REQUIREMENTS AND FUNDING

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

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

BOND SALES AND DEBT SERVICE, \$MILLIONS

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

OPERATING AND MAINTENANCE (O&M)

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

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

BUDGET O&M INFLATION BY CATEGORY

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

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

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

O&M ADJUSTMENTS DETAIL

\$, millions	2022	2023	2024	2025	2026
Inflated 2022 Budget	337.2	347.8	358.0	368.2	378.9
<i>adjustments</i>					
REC Expense ¹	12.2	12.2	13.5	13.6	13.6
Intertie Expense ¹	1.1	1.1	1.1	1.2	1.2
PNCA Payment ¹	1.9	1.9	1.9	1.9	1.9
Solar Tax Credit ²	1.6	1.6	1.6	1.6	0.8
Engineering OH (excl from budget)	(5.0)	(5.1)	(5.1)	(5.2)	(5.2)
Under Expenditure ³	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Total O&M	339.0	349.6	361.0	371.2	381.1
2022 O&M Baseline	339.0	339.0	339.0	339.0	339.0
Inflation and REC growth	-	10.6	22.0	32.2	42.1
Total O&M	339.0	349.6	361.0	371.2	381.1

¹Items that are budgeted as purchased power budget but recognized as O&M in financial statements

-Renewable Energy Credits (RECs) required to meet regulatory requirements, 2022 reflects the purchase of Stateline RECs under a new, REC-only contract.

-Maintenance costs associated with ownership of the 3rd AC intertie.

-Payments for the Pacific Northwest Coordination Agreement (PNCA) related to the compensation for the benefits of upstream storage at the Boundary project.

²Passthrough of the production tax credit, offset as a credit to state taxes

³Remove \$10 million per year to reflect an assumption of budget under-expenditure.

POWER COSTS, NET

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

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

LONG-TERM POWER AND WHEELING CONTRACTS

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

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

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

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

⁴Reflects production O&M cost growing with inflation.

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

⁶Cost inflates per contract terms.

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

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

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

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

BPA DETAIL

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

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

POWER REVENUES, NET DETAIL

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

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

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

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

OTHER COSTS AND MISCELLANEOUS REVENUES

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

OTHER COSTS (TAXES, PAYMENTS AND UNCOLLECTIBLES) DETAIL

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

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

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

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

MISCELLANEOUS REVENUE SOURCES DETAIL

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

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

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

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

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

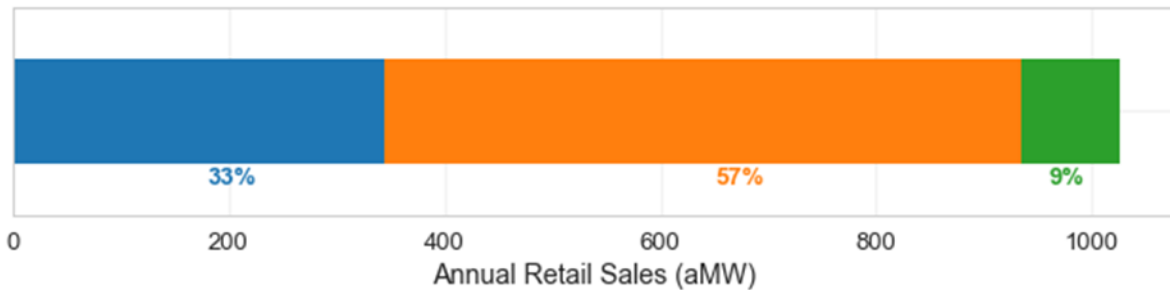
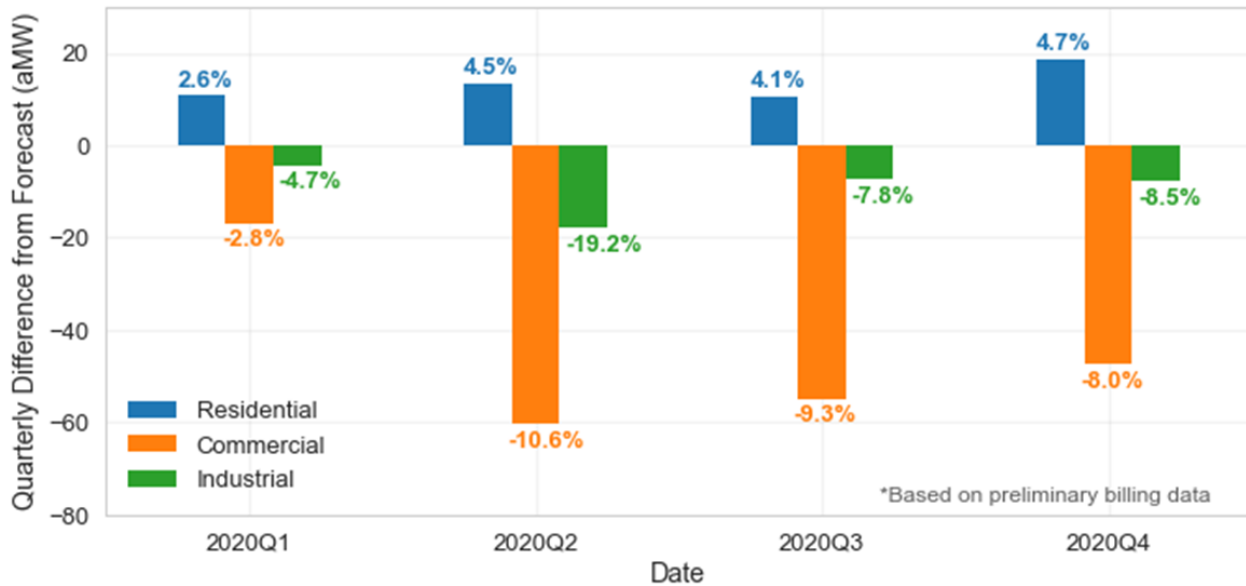
⁵ Interest income assumes City Cash Pool cash holdings accrue interest at an annual rate of 1.5%.

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

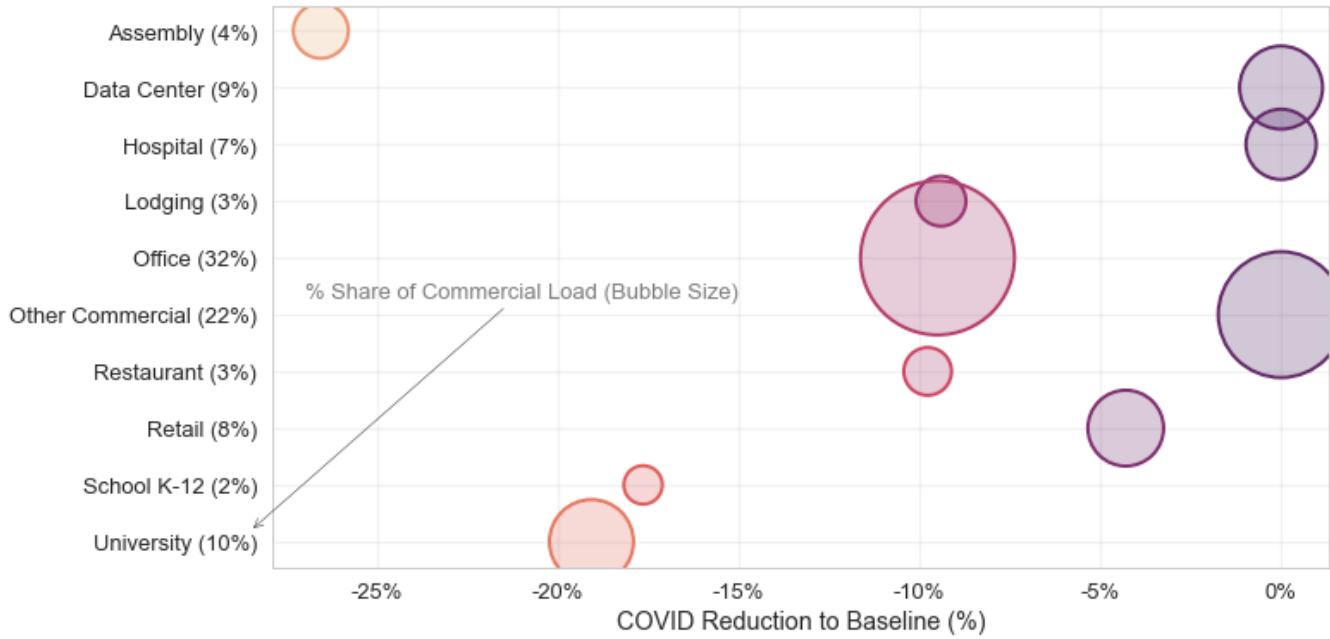
RETAIL SALES

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

COVID Impacts on Retail Sales



COVID Impacts by Commercial Segment



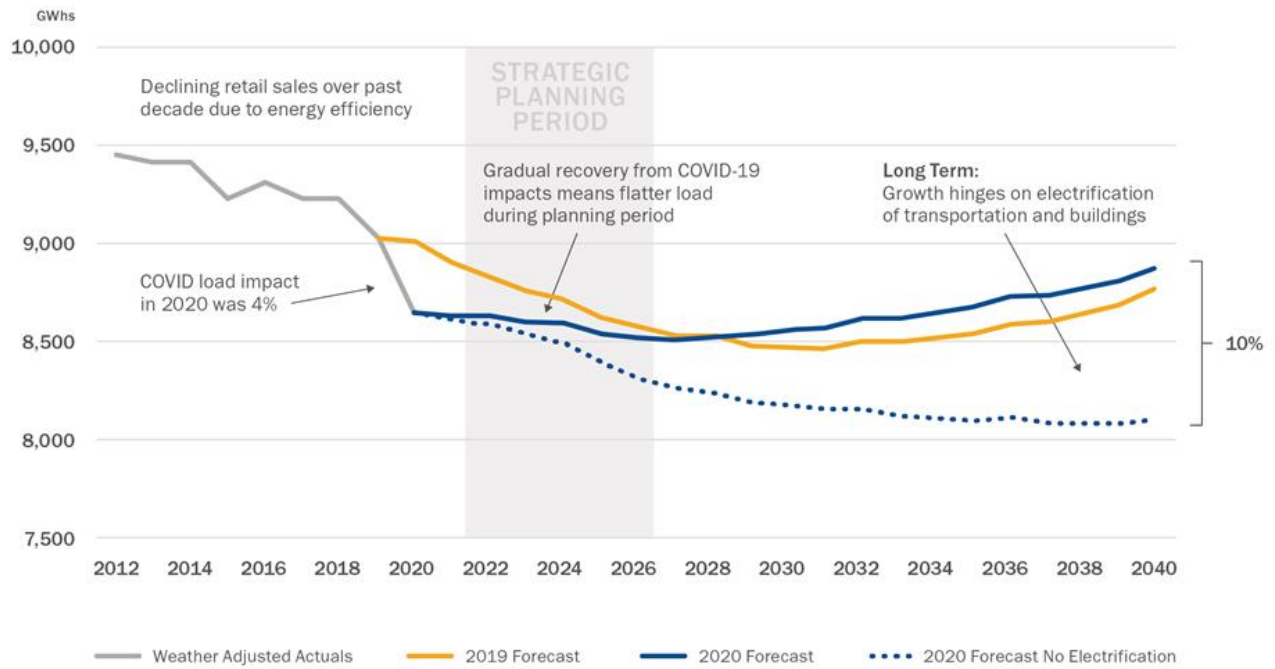
The current forecast projects most of this lost load will gradually return over the next few years. Energy efficiency investments by both the Utility and customers are expected to continue to reduce sales. However, gradually bringing back most of the lost load during the pandemic will offset some of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

RETAIL SALES FORECAST

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

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

Long-Term Retail Sales Forecast

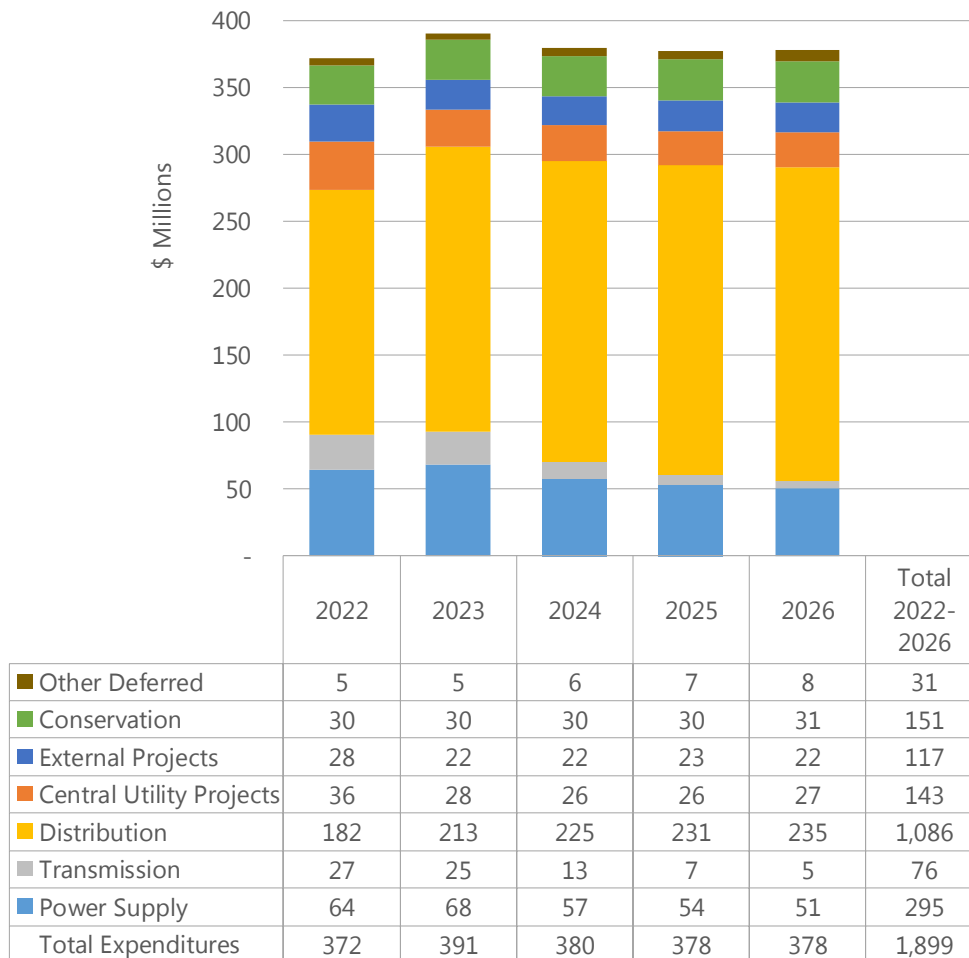


APPENDIX A: CAPITAL REQUIREMENTS DETAIL

CIP

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

CAPITAL REQUIREMENTS FORECAST: BASED ON 2021-2026 ADOPTED CIP



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

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

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

MAJOR CIP PROJECTS 2022-2026 SPENDING, \$MILLIONS

Included in 2021-2026 Adopted CIP Budget

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



2022-2026 Strategic Plan Outreach Summary

Executive Summary

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

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

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

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

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

Outreach Methods

Stakeholder Meetings

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

Virtual Town Hall

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

Online Materials

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

Employee Outreach

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

Customer Experience Outreach

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

Stakeholder Meetings and Virtual Town Hall

Summary of Meetings

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

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

Key Findings

Affordability and Predictability of Rates

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

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

Mixed Feelings Around Electrification

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

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

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

Customer Involvement in Utility Decision Making

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

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

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

Positive Reaction to Debt Strategy

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

Customer Experience Outreach

Background

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

Utility Discount Program Updates

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

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

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

New Utility Services Website

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

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

Conclusion and Next Steps

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



Seattle City Light

EXECUTIVE SUMMARY 2022–2026 STRATEGIC PLAN

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

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

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

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

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

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



BUSINESS STRATEGIES:



Improve the Customer Experience

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



Create our Energy Future

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



Develop Workforce and Organizational Agility

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



Ensure Future Financial Stewardship and Affordability

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



We Power Seattle

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

Connect with Us

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

City Light 2022–2026 Strategic Plan

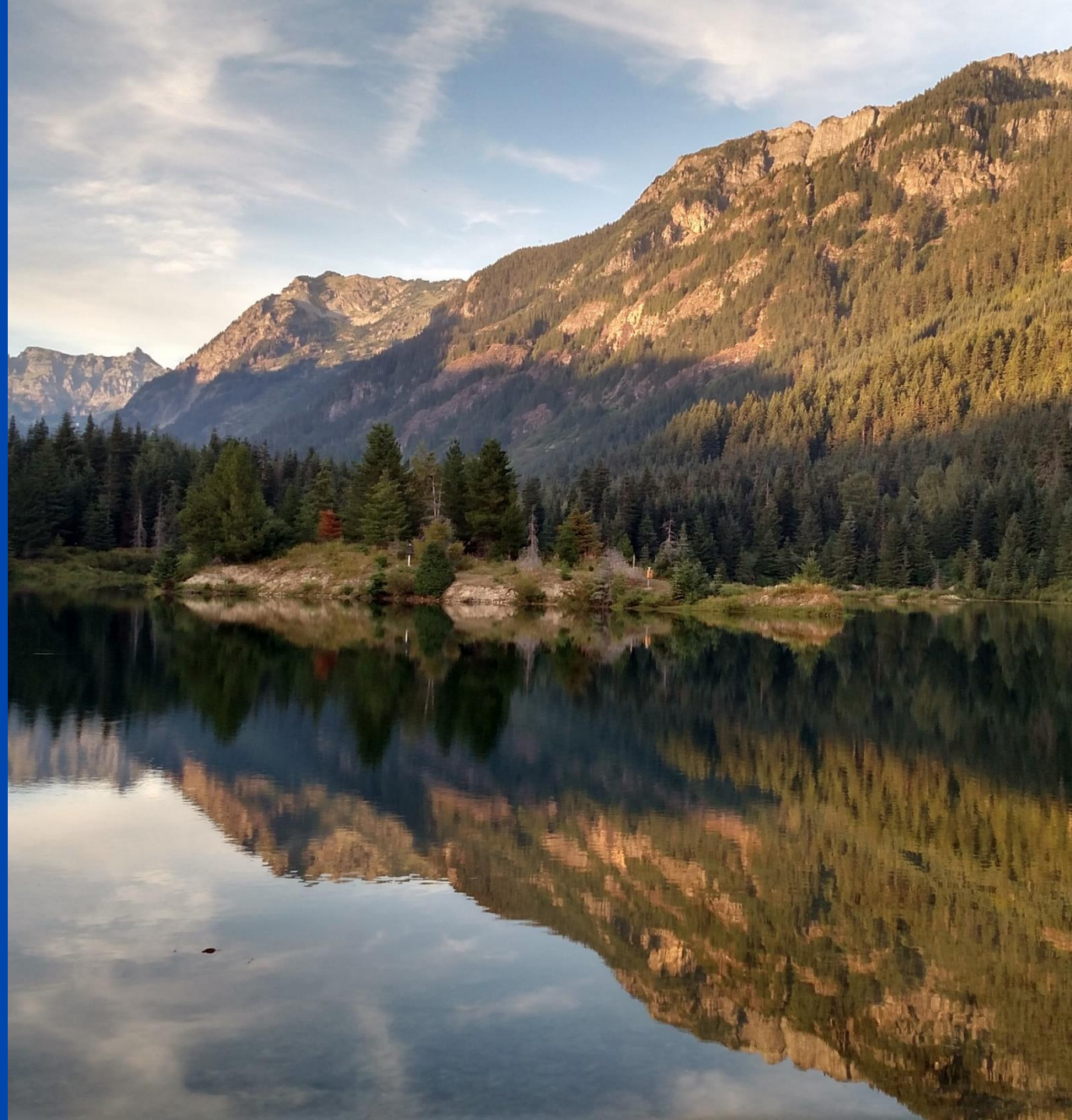
Stakeholder Presentation



Seattle City Light

WE POWER SEATTLE

Plan Foundations



This is Our Fifth Strategic Plan

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

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

Guiding our Path – City Light Mission, Vision & Values

Mission

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

Vision

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

Values



Customers First



Environmental Stewardship



Equitable Community Connections



Operational and Financial Excellence



Safe and Engaged Employees

2022-2026 Strategic Plan



Seattle City Light



Strategic Plan Business Strategies



Improve the Customer Experience



Create our Energy Future



Develop Workforce and Organizational Agility



Ensure Future Financial Stewardship and Affordability



We Power

Improve the Customer Experience

Objective:

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



Success Measures:

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

Improve the Customer Experience

Projects, Initiatives and Activities:

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



Create our Energy Future

Objective:

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



Success Measures:

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

Create our Energy Future

Projects, Initiatives and Activities:

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



Develop Workforce and Organizational Agility

Objective:

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



Success Measures:

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

Develop Workforce and Organizational Agility

Projects, Initiatives and Activities:

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



Ensure Future Financial Stewardship and Affordability

Objective:

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



Success Measures:

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

Ensure Future Financial Stewardship and Affordability

Projects, Initiatives and Activities:

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



We Power

Objective:

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



Success Measures

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

Rate Path



Compare Strategic Plan Rate Increases

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



Approved by Seattle City Council in March 2021

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

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

Questions and Comments



Seattle City Light



THANK YOU



Seattle City Light

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