CITY LIGHT REVIEW PANEL MEETING

Wednesday, May 15, 2024
9:00 – 11:00 A.M.
In Person - SMT 3204
—or—
Microsoft Teams Meeting

Proposed Agenda

Item	Lead
1. Welcome *(5 min.)*	Julie Ryan, Facilitator
2. Public Comment *(5 min.)*	
3. Standing Items: *(10 min.)*	
a. Chair's Report (Leo Lam)	
b. Review of agenda (Julie Ryan)	
c. **Action**: Review and approval of meeting minutes of April 17, 2024	
d. Communications to Panel (Leigh)	
4. General Manager Update (*30 min.*)	Dawn Lindell
5. Strategic Plan Update	Leigh
a. Revenue Requirement & Rate Path follow up (*30 min.*)	Kirsty Grainger
i. Rate path assumptions	
ii. Cost Savings	
b. Strategic Plan Draft (*15 min.*)	Leigh
c. Finalize Review Panel letter (*45 min.*)	Julie
6. Adjourn	

Next Meeting: June 26, 2024 – Topic(s): 2024 – 2025 Review Panel workplan.

City Light Review Panel Meeting
Meeting Minutes

Date of Meeting: April 17, 2024 | 9:00 – 11:00 AM
Meeting held in SMT 3204 "Draft"

MEETING ATTENDANCE					
Panel Members:					
Mikel Hansen	√	Leo Lam	√	Oksana Savolyuk	√
Joel Paisner	√	John Putz	√	Thien-Di Do	
Kerry Meade	√	Tim Skeel		Amy Altchuler	√
Dawn Lindell *(New GM, pending appointment)*	√	Jen Chan	√	Julie Ryan (Consultant /RP Facilitator)	√
Mike Haynes	√	Andrew Strong	√	Craig Smith	
Kirsty Grainger	√	DaVonna Johnson		Maura Brueger	√
Julie Moore	√	Chris Ruffini	√	Leigh Barreca	√
Greg Shiring		Carsten Croff	√	Angela Bertrand	√
Eric McConaghy	√	Caia Caldwell		Brian Taubeneck	√
Jeff Wolf	√	Karin Estby	√	Bridget Molina	
Pat Leyritz		Siobhan Doherty	√	Drew Grissom	

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

Public Comment. There was no public comment.

Standing Items:

Chair's Report. Leo Lam welcomed everyone to the meeting.

Review Agenda. Julie Ryan reviewed the agenda.

Approval of March 20, 2024, Meeting Minutes. Minutes were approved as presented.

Communications to Panel. There was one communication to the Panel regarding a customer's inquiry about getting service at his construction project. This inquiry was forwarded to the City Light Escalation Team and is being resolved.

The Strategic Plan submission timeline was pushed forward until June 3rd, so the Panel will have the May 15th meeting to work on their letter.

Q: When will the Panel present the Strategic Plan to the Council?
A: Current schedule would be for July 5th, though this meeting may be cancelled due to the holiday. Timelines will be adjusted if that occurs.

General Manager's Update.

Good morning! It is great to see you in person. We truly appreciate the time and commitment you have made to working with us and I am so happy to really meet you today.
It has been just about a month and a half at Seattle City Light! It's been a busy and informative time, and I'm benefitting from conversations with employees, customers, regional leaders, community partners, and our colleagues across City government. I thought I'd share some of what I've been up to!

1. Wholesale market trading in the Pacific Northwest

   Twenty-four hours a day, seven days a week, City Light's Power Management Division is transacting in the wholesale energy market. Grid physics demand that the system is always balanced, matching "resources" (supply) with "load" (demand). If resources are below load, we are out in the wholesale market buying electricity. If resources exceed the amount our customers need, we sell power.

   By their nature, wholesale market transactions pose financial risk. They are also a significant part of our budget and operations. If a cold snap hits Seattle, and everyone turns up the heat, creating a sudden spike in load, we go out on the market to buy megawatts from other energy-producing entities to cover the gaps. Drought last year caused hydropower to lag in the Pacific Northwest. As a result, City Light spent $131 million on purchasing power and sold $66 million – we were a net importer. Many thanks to our energy traders and our control centers for ensuring City Light can match resources to load and can help offset costs through wholesale market transactions. More than 88% of the power we deliver is generated from renewable hydroelectricity. We must identify more renewable sources, such as wind and solar, to power our energy future. We have signed two contracts for Solar in the past few weeks, making progress on this need.

   In response to this, I made clear my desire to tackle the monumental shifts in the energy market with Seattle City Councilmembers when I appeared before the Council's Sustainability, City Light, Arts & Culture Committee for the first time in my role as general manager and CEO on March 15. I joined City Light leaders to brief the Council committee on the utility's Wholesale Energy Risk Management (WERM) policy, which establishes how the utility operates in the wholesale energy market. We continue to work with our committee to amend policies and practices.

2. A tour of City Light's 'nerve center'

   I'd also like to acknowledge the power dispatchers at our System Operations Center (SOC) who work around the clock to manage transmission, distribution, and generation dispatch, as well as provide oversight of power system automation activities. Last week, I toured the SOC, which houses a control room and critical power management infrastructure. It functions as a sort of nerve center for City Light, where critical work happens behind the scenes to ensure we balance our load. I visited our South Service Center last week and look forward to visiting the other sites this spring.

3. Engaging with top public power leaders

   I've spent the past month on the move, including a quick trip to Pasadena, Calif., for the American Public Power Association's CEO Roundtable. We discussed a range of topics, including issues compounding grid reliability and the impact of artificial intelligence on the utility industry. I've heard AI and energy referred to as the new "power couple." As a former utility Chief Information Officer, I recognize the critical role of AI for managing the grid of the future. However, risks associated with AI must also be considered and addressed before the technology is scaled across the sector. Keeping in mind energy moves at the speed of light, we also need tools to manage it at that speed as well.

4. Stakeholder meetings

   In late March I had the opportunity to meet with several of City Light's key stakeholder groups: BOMA (the Seattle Building and Managers Association,) an environmental roundtable, a homebuilder consortium, and a Franchise Suburban cities session. During each of these meetings I was able to introduce myself and to share our strategic planning and rate process with them. In addition, these were good venues for our stakeholders to share their concerns with me.

5. Hydro Power Production (from an article on the Marketplace website)

   U.S. hydropower production was down 11% from the year before and dipped to a 22-year low last year, according to the federal Energy Information Administration. With climate change making drought patterns more volatile, places that rely on hydro are having to look for alternatives, just like we are.

   About half of the country's hydropower is generated in the Pacific Northwest. The region saw high spring temperatures and early mountain snow melt last year. "The earlier melt that we've been seeing for quite a while is a relatively clear climate change signal," said Adrienne Marshall, a hydrologist at the Colorado School of Mines.

   Early, rapid runoff makes it harder to store water and generate hydroelectricity year-round, she said. So, utilities turn to other power sources.

   We spent in the neighborhood of $100 million purchasing supplemental power for our customers last year," said Kirsty Grainger, the CFO of Seattle City Light, the city's electric utility. To make up for the hydro deficit, she said it bought natural gas power, which emits more carbon than hydro does, as well as some solar energy. "So, it increased rates for all of our customers by 4%," Grainger said.

   Seattle is working to further diversify its energy portfolio as hydropower gets less reliable, she added. With variable weather the diverse portfolio becomes even more essential.

6. EV adoption in Washington (from an article on NPR/KUOW website)

   Demand for electric vehicles has been surging more in Washington than in any other state, according to data provided by the Electric Power Research Institute (EPRI).

   One in five new cars sold in Washington in 2023 can plug into an electrical outlet. EVs' market share in the Evergreen State was higher than in any other state except California, and its growth was the highest in the country in 2023. We know EV load of us is on the rise, confirming our forecasts.

   Electric vehicles' share of new passenger-vehicle sales rose from 18% in the first half of 2023 to 23% in the second half, according to Washington Department of Licensing data.

7. Affordable housing

   In the last week of March, the site of a former City Light substation will be transformed in Highland Park into housing, "affordable homeownership" to be specific, with ground floor commercial space. The City Council voted in December to approve transferring the 10,000+ square foot parcel from City Light to the Office of Housing for $424,000 (the appraised value) in mandatory housing affordability fees from developers who chose to pay fees instead of building affordable units in their projects. The Office of Housing will open a request for proposals for developers interested in the site. It is projected that the site might be able to house 16 units. This was completed with tremendous support from Mayor Harrell and Marco Lowe.

A couple of other things before we jump into the meeting:

Today we will see another presentation on our rate path. This rate path reflects the financial policies we updated as part of our debt management strategy work. Those updated policies will be included in a stand-alone resolution as part of the strategic plan sent to Council. We continue to make adjustments to the rate path with the dual goals of limiting the burden on our customers while also providing the revenue necessary to deliver reliable service.

In this strategic plan we continue our commitment to 5 priorities:

- Service to our customers, including process improvements to our service delivery model, a project we refer to as Service to Bill, the goal of which it to improve predictability and length of service connection timelines.
- Creating an energy future that supports increased load from customer electrification and decarbonization efforts requires investment on our part in both infrastructure and procurement of alternative energy sources.
- Creating an agile workforce requires investments in employee training, leadership training, and a focus on our culture so all employees feel supported and have opportunities for growth.

- Financial stewardship and accountability, which means that all employees are well versed in our financial policies and have the knowledge needed to fulfill SCL's stewardship of rate payer dollars.
- And with We Power we focus on the work needed to continue optimizing our unique power delivery infrastructure. As you know, we are currently in negotiations for the relicensing of Skagit. We will be happy to give you an update when this process is completed.

We are excited to see where the outcomes and programs in this strategic plan take us in coming years.

Q: To follow financial outcomes with regards to drought, were those numbers this winter or last winter?
A: It was in the calendar year of 2023, so it was in December. We also had a cold snap in 2022 and January of 2023 was a very dry year. There was a deficit in 2022 that continued through 2023. In 2023 we had surplus through November. This first quarter of 2024 was also surplus.

Q: Is the $100 million tied to the $60 million from this January?
A: The $100 million was the Rate Stabilization Account (RSA) deficit.

Q: Since December 2022 you had discussed bringing in a risk management consultant.
A: Yes, we have risk management policies working their way through the Mayor's Office and City Council. We will also be bringing in an external audit perspective following this process. We haven't asked for an update to these policies since 2015. We're finding that as we join external markets, we need to be able to provide updated, accessible policy documents. The previous document had both parameters and process steps. Our new version will be simpler in that it will focus only on parameters of how to operate in the market, not the process steps. Pulling the process out allows us to be able to operate with greater agility in this space.

Q: Will you be sharing these policies with us?
A: Yes, we can share the materials we have presented to the Council with you.

Q: You commented that the labor market is still very tight. What is your prediction on that?
A: There are a few areas that we need to consider. First, we need to raise employee pay to market rates. 95% of our employees are represented across 16 unions (23 across the City). Many of our employees can only afford to live in Snohomish or Pierce County while they work here. Once we get pay rates adjusted, we will recruit in earnest, as we will then be competitive in the market. Two, this is a good place to work. I've spent time at SOC and South Service Center and people are grateful to work here. Three, we need to build a culture where people feel comfortable and look forward to coming to work. We're working on succession planning and identifying the workforce of the future as this is a different skillset than what we need now. We're doing both leadership training and employee training. We are engaged and working on this – we want it to be a fun place to work.

Q: What percent of the 95% are allowed to work remotely.

A: The 2 days in person applies to our entire office workforce. Operational boots on the ground staff are in person all day, every day and have been through the pandemic. 2/3 of our workforce work in Operations.

Power Marketing Overview. Siobhan Doherty presented. Materials are included in the Review Panel packet.

Q: Is there solar here in the power mix?
A: There is none on this chart but there is some wind. The two contracts for 40 and 45 MW that we recently signed will begin in 2025 and the projects are based in Oregon.

Q: In the EIM, my understanding is that there are prices that are set.
A: We submit the price at which we are willing to sell. We set a high price so our unit will not be dispatched, if we think we will need the power later in the day.

Q: Is the 2024 hydro assumption an estimate? Will this be updated?
A: This may be a little high to you, given the current water year projections being low. However, what you are seeing here is calendar year 2024, which spans the end of the current hydro year, and includes the beginning months of the next hydro year (which commences in October). The forecast is currently normal for the next hydro year. We are expecting a transition to la Nina in September bringing wetter weather.

Q: Do you have a sense from relicensing about how many more constraints on the hydro projects that there will be?
A: The flood control operational constraints will shift – the Corps of Engineers has a big say in that. Flood control will happen a little earlier in the season. It's a big issue for the Skagit Valley – the agriculture community cares a lot about this. This might actually be good for markets. Right now, we don't typically start drawing down the Ross reservoir down until February and that might shift.

Q: Does the Energy Imbalance Market (EIM) add volatility to the wholesale market price?
A: In the long-term EIM brings value through coordinated dispatch of the most economic units across the region. In the short term, sometimes events compound. We will sometimes see market prices that reflect multiple utilities trying to cover peak demand.

Regarding the higher market prices and increased volatility, it is not the EIM causing this but rather weather events are longer, stronger and in a larger region. Everyone is trying to buy the same power, driving prices up. These are "100-year" or "1,000-year" events using historical data series, yet they have occurred multiple times in the past five years. This is an industry problem. Across the industry CEOs are being encouraged to plan for more of these lifetime events. We will need to budget to buy at a high price at least once a year in addition to hardening our infrastructure.

C: Surprised to see the levels of natural gas usage on the chart. It seems like it went down and then back up.

A: That is a correct observation. Natural gas has lower emissions compared to coal, but gas generation is generally declining due to new carbon policies. But, in years when hydro conditions are dry, the existing natural gas plants are dispatched at a higher rate to meet regional demand.

Q: Is the gap in supply relative to demand in August due to drought?
A: We usually have a gap in August as that is when we have the fewest resources. Also, summer air conditioning demand is increasing.

Q: Why is there no BPA contract in June?
A: Historically, because we have had surplus energy in June, we have not requested long term contract power from BPA in that month.

Q: It's hard to draw too many conclusions going back to 2020 due to COVID.
A: Yes and going back you'll see many years that look like 2020 did. It mostly decreased load but did not change usage patterns.

Q: In addition to acquiring resources, is City Light also adding load management programs?
A: Yes, we have load management in the model assumptions. We will incur some costs to add staff and software to deliver these programs that will help reduce peak load.

Q: Will we hear about EDAM (Day Ahead) and Markets Plus?
A: We're exploring all of the options. Markets Plus is still under construction – it's an idea not yet a reality. As the markets develop and we have more data on which to base our decisions, we will share this with you at a future Review Panel meeting. We will eventually have to decide which market to join, if any. We want to join the market that best benefits us. We can't stay solo as we need people to trade with.

Strategic Plan Update. Leigh Barreca introduced the topics related to the 2025 – 2030 Strategic Plan Update. All materials are included in the Review Panel packet.

a. Revenue Requirement and Rate path Follow up (Kirsty Grainger presented. Materials are in the Review Panel Packet).

Q: Why did you pick 30% percentile assumption for future hydro?
A: It is a conservative planning number based on the previous 25 years and made sense to us given the recent five years of dry conditions. The last rate path used a planning value of $40M for wholesale net revenue. That was a policy number and was not tied to a specific resource stack or price. On slide 6 of the presentation, you can see the prior year planning assumptions. In prior years, we had adopted a more conservative planning number, and we have found it was not conservative enough. We need to balance that more conservative forecasts raise rates.

Q: I thought you were buying solar because you're short?
A: Yes, on an average basis we have adequate resources today, but we will need more resources to meet

demand in future years. However, we are limited to clean energy resources due to CETA. Solar is not the only resource that we're looking at. However, at this time, we believe that we can use hydro storage to store solar power in the middle of the day, and then use the stored solar later in the day to meet load during the evening peak hours. For the purposes of the rate path, we are using some assumptions based on available information today. And we will continue to update the financial model as we develop the integrated resource plan and receive actual offers from sellers.

Q: The other side of this is demand-side resources. Is that factored in here?
A: It is factored in. We are working on bringing these into our portfolio in a meaningful way.

Panel member comment: It would be helpful to see in a table how the assumptions have changed from the prior Plan to this Plan.

b. Strategic Plan draft (Leigh directed the panel to the packet)
c. Outreach Report (Leigh directed panel to the packet)
d. Review Panel letter discussion (Julie asked the panel to contact her and Leo with edits to the letter)

Adjourn. The meeting was adjourned at 11:22 a.m.

Next meeting: May 15, 2024, 9:00 – 11:00 a.m., via Teams.

2025-2030 Strategic Plan Rate Path

Review Panel Meeting

May 15, 2024

Seattle City Light

WE POWER SEATTLE

Recap: Rate Path Development

Feb 21: Assumptions & Uncertainties
- Higher retail load forecast
- New power resource needs
- Larger CIP for Skagit & electrification
- Debt strategy KPIs

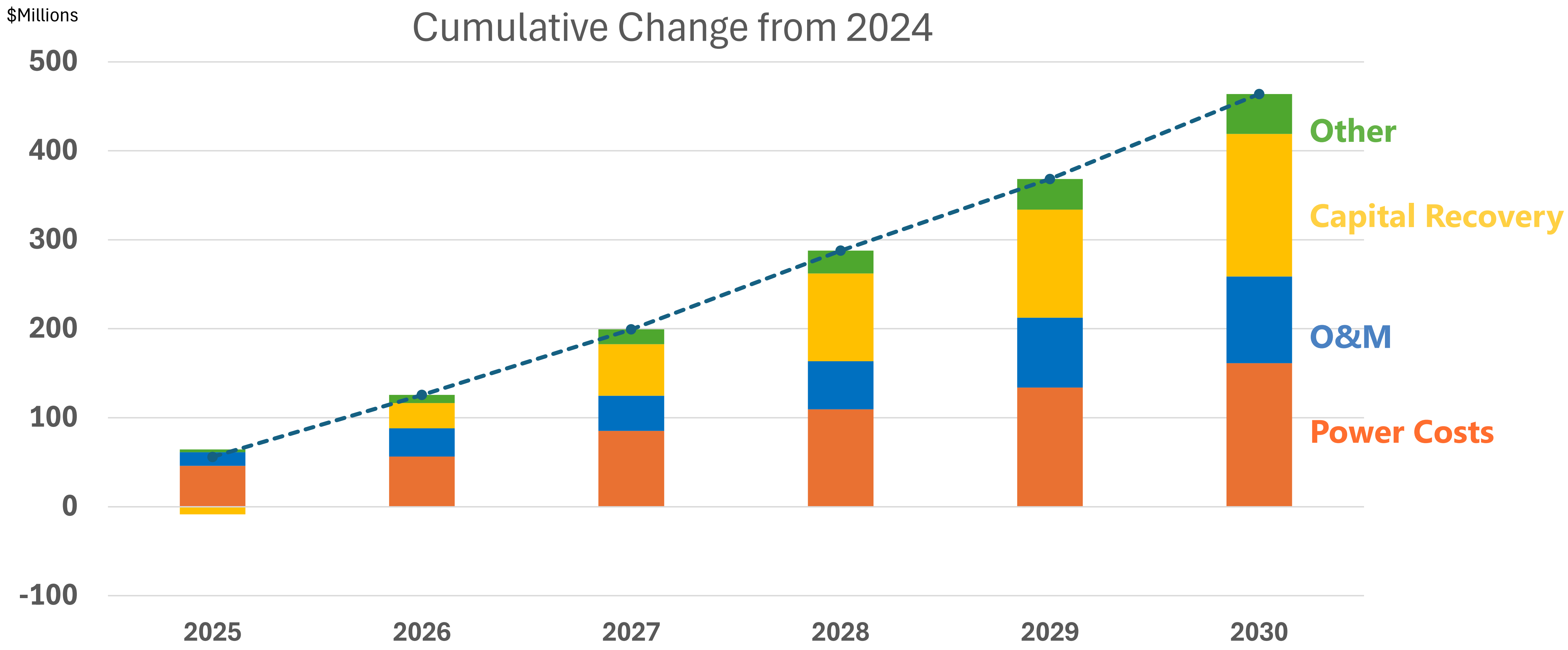
Mar 21: Acknowledging Our New Reality
- Load forecast drivers
- New electrification regulations
- Added labor and materials inflation
- Value of surplus power

Apr 17: Rate Path Q&A
- Minor changes to rate path
- Review power costs and wholesale revenue
- Review inflation and new O&M spending
- Power marketing deep dive

	2025	2026	2027	2028	2029	2030
2022 SP	3.0%	3.0%	3.0%	3.0%		
v1.0	4.8%	4.8%	3.3%	3.6%		
v2.0	5.3%	5.4%	4.8%	4.8%	4.4%	4.3%
v3.0	5.2%	5.2%	4.9%	4.9%	4.4%	4.4%
2024 SP	**5.4%**	**5.4%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**

May 15: Final Proposed Rate Path
- Rates increased to create room for emergent labor and other cost increases

2025 – 2030 Revenue Requirement Drivers

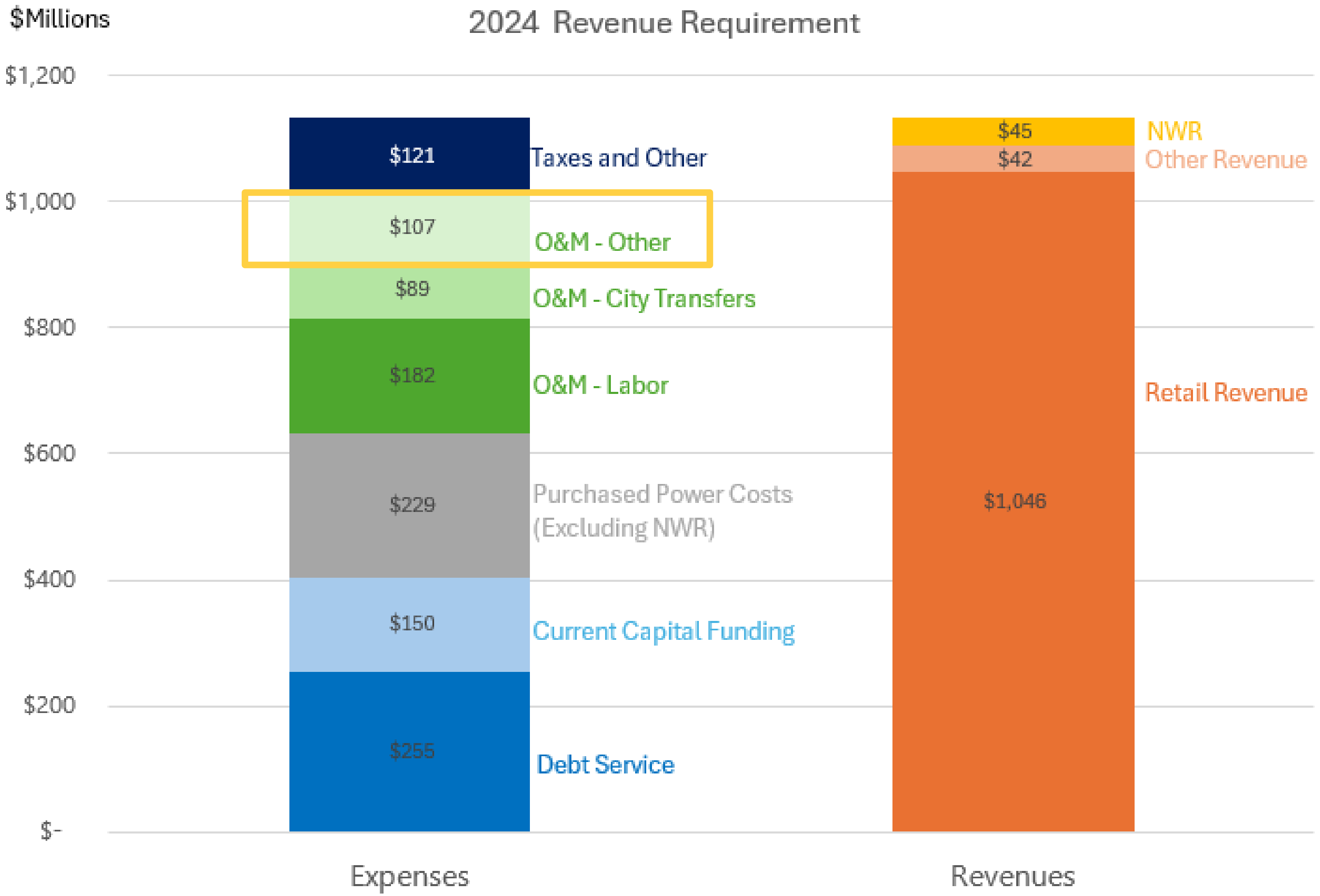


2025 Rate Increase Walkthrough

	2025
Rate Increase from Last Strategic Plan (A)	**3.0%**
Cost Impact (B)	
Power Cost Increases	+3.7%
Net Wholesale Revenue Reduction	+1.9%
O&M (Inflation Impacts)	+1.6%
Other (Primarily Taxes)	+0.9%
Capital Recovery	- 1.0%
Cost Subtotal	*+7.1%*
Revenue Impact (C) *Higher Retail Sales*	-4.7%
Rate Increase in New Strategic Plan (A+B-C)	**5.4%**

- Power costs and revenue are the big headline for 2025's rate increase.
- Inflation is also a big driver, particularly labor inflation for market-based wage adjustments.

Constraints (Many) and Opportunities (Few)



- We set rates to balance our budget
- Many expenses are not controllable
- Controllable expenses are reviewed and reallocated every budget cycle

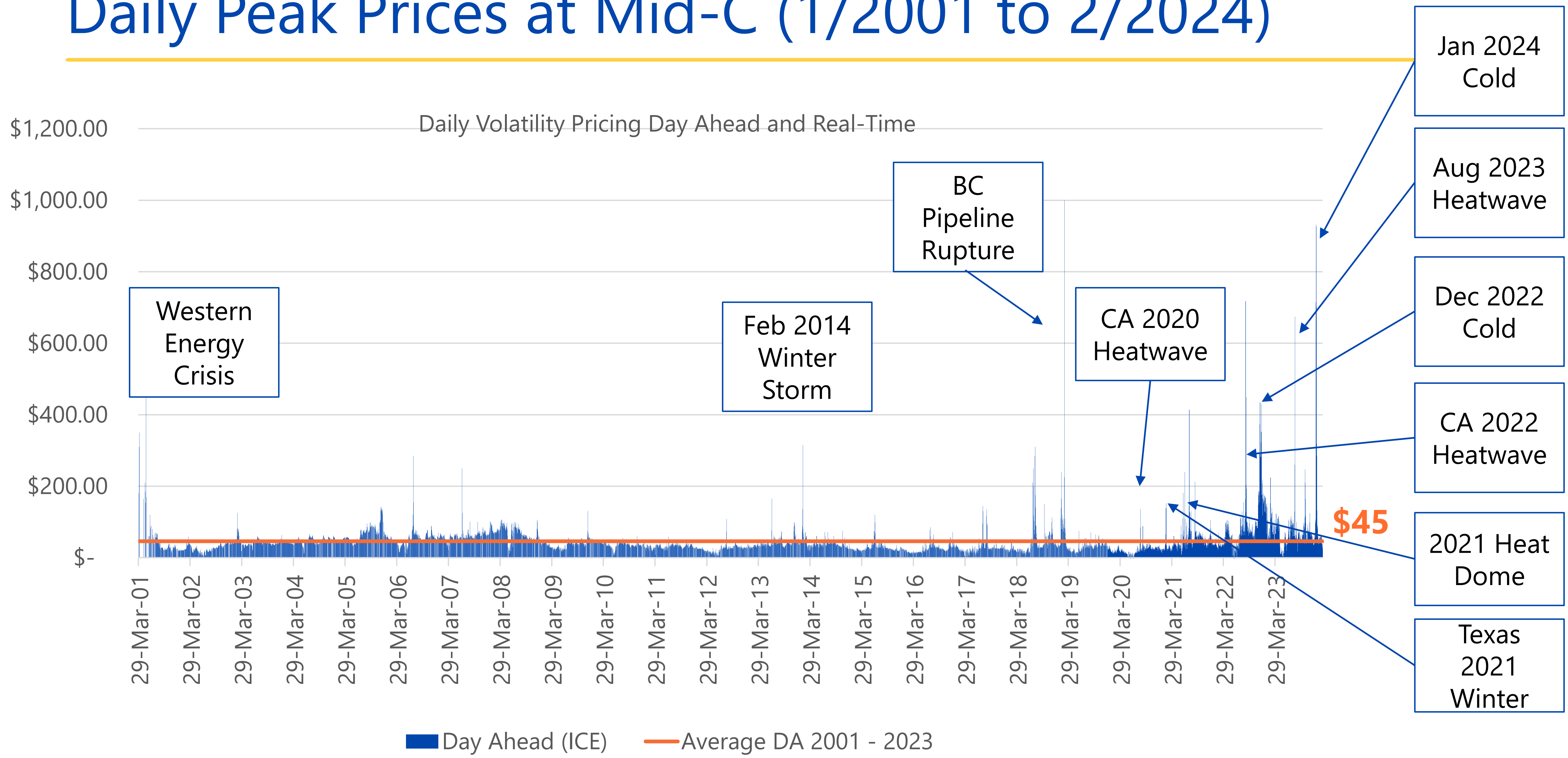
Being Good Stewards

Highlights of 2023 Cost Savings, Recovery & Leveraged Funding	**Estimated Amount**
BPA Refunded Power Costs	$30.9M
Waterfront Project Savings	$14.0M
Deployment of New Customer Payment Plan Option	$3.0M
DOE Port of Seattle Hydrogen Grant Funding	$1.3M
DOE Affordable Mobility Platform	$1.3M
Transmission Tower Landslide Mitigation Grant	$1.0M
Other (e.g., grants, IT inventory management, member & early bird training discounts, etc.)	$4.9M
Total	**$56.4M**

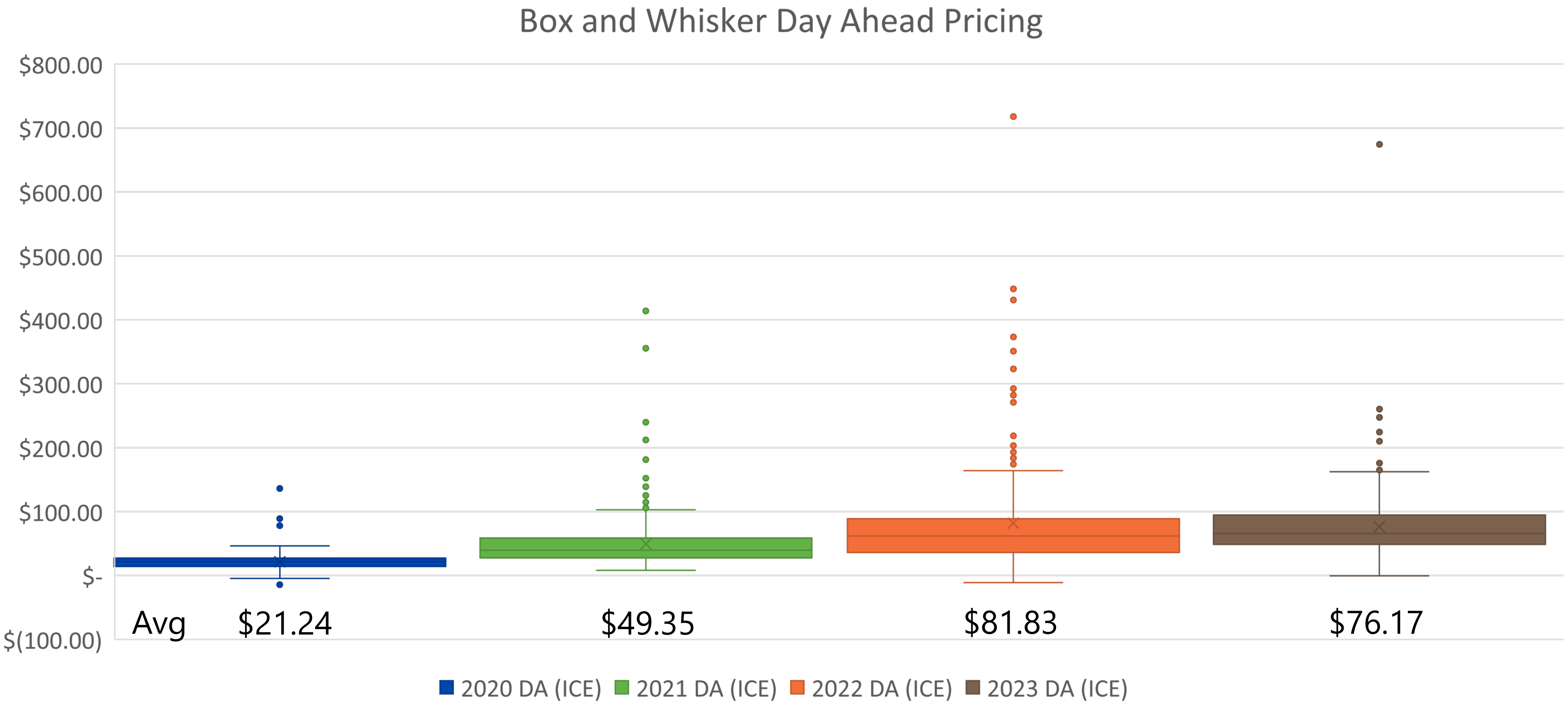
THANK YOU

Seattle City Light

Daily Peak Prices at Mid-C (1/2001 to 2/2024)



Daily Price Volatility



Seattle City Light

seattle.gov/city-light

YouTube

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**

Seattle City Light

DRAFT

2025-2030 Strategic Plan Update Financial Forecast

EXECUTIVE SUMMARY

This document details the financial assumptions behind the rate path established by City Light's 2025-2030 Strategic Plan Update (the "Plan"). The proposed rate path provides the revenue required to deliver the goals outlined in the Plan.

Average rates are derived by dividing the revenue requirement by retail sales. City Light's revenue requirement is increasing around $77 million (6.1%) per year and retail sales are growing by almost 1% per year.

RATE INCREASE SUMMARY

	2024[1]	2025	2026	2027	2028	2029	2030
Revenue Requirement, $M	$1,091	$1,147	$1,217	$1,291	$1,379	$1,460	$1,555
Annual Increase		5.1%	6.1%	6.0%	6.9%	5.8%	6.5%
Retail Sales GWh	9,099	9,075	9,134	9,225	9,388	9,463	9,602
Annual Change		-0.3%	0.6%	1.0%	1.8%	0.8%	1.5%
Average Rate, ¢/kWh	12.0	12.6	13.3	14.0	14.7	15.4	16.2
Annual Increase (Rate Path)		**5.4%**	**5.4%**	**5.0%**	**5.0%**	**5.0%**	**5.0%**

[1]2024 values are current planning values using current consumption profiles and retail rates (RSA surcharge is excluded).

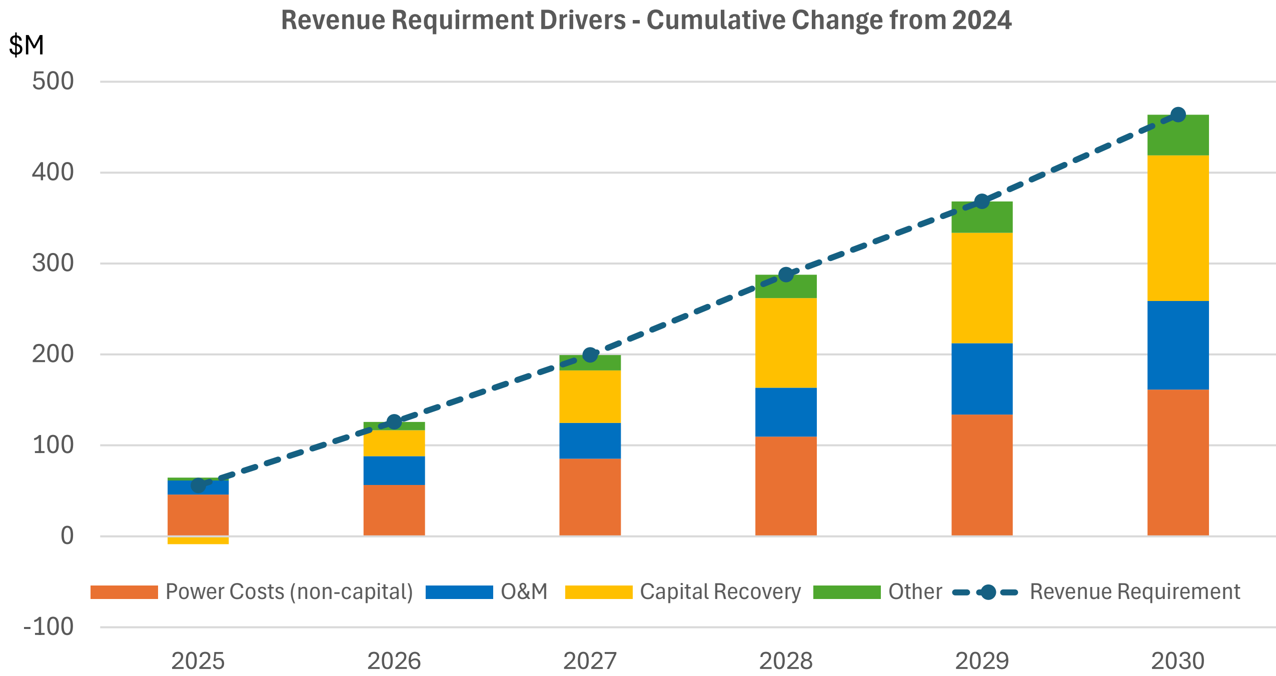
Below is a table of bill impacts assuming each customer receives the annual rate increase noted above and maintains a consistent level of consumption. These impacts are examples only and will change after the cost of service and rate design process is completed for each year. Customers who decrease their consumption through energy efficiency measures will experience smaller bill impacts. Monthly bills for a typical residential customer are expected to grow around $5 every year, making the total annual increase around $60 per year.

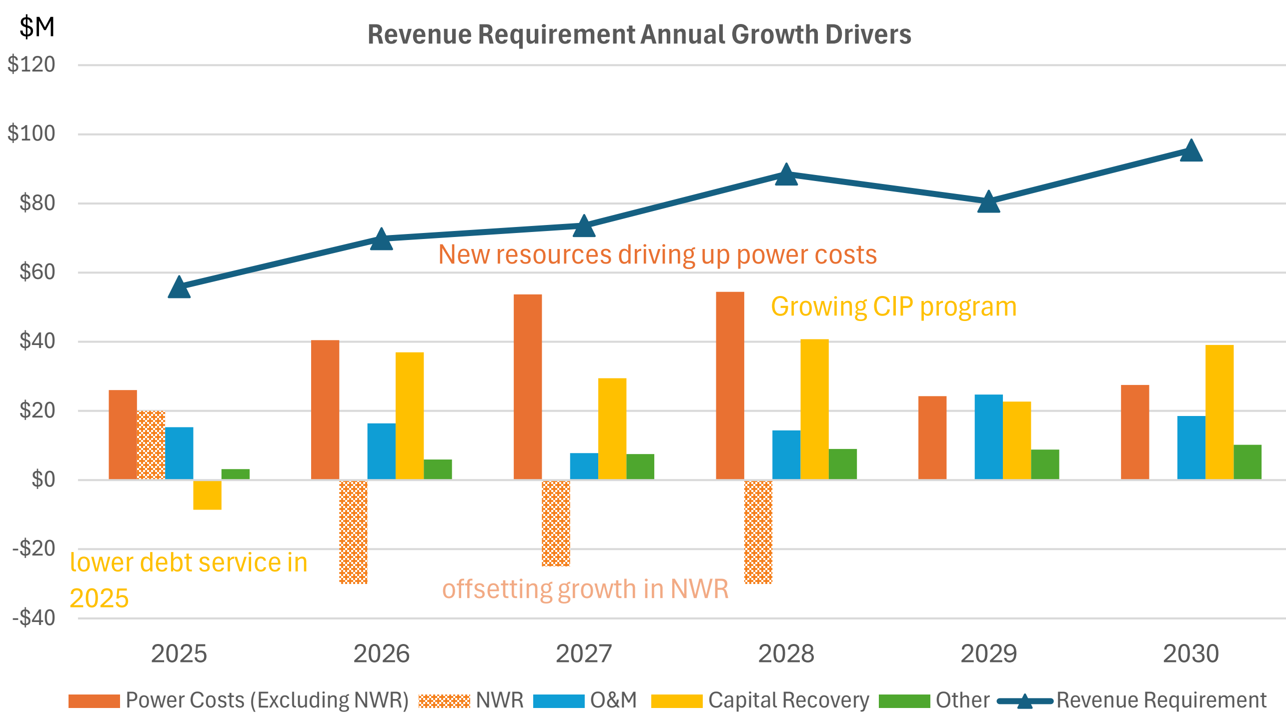
CUSTOMER BILL IMPACT EXAMPLES

	Monthly Bill	Monthly Increase						
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**AVG**
Residential (630 kWh/month)	$87.99	$4.75	$5.01	$4.89	$5.13	$5.39	$5.66	$5.14
Residential - UDP (60% Discount)	$35.20	$1.90	$2.00	$1.96	$2.05	$2.16	$2.26	$2.06
Small Commercial - Car Wash	$515	$28	$29	$29	$30	$32	$33	$30
Medium Commercial - Retail Store	$8,298	$448	$472	$461	$484	$508	$534	$484
Large Industrial- Cement	$27,060	$1,461	$1,540	$1,503	$1,578	$1,657	$1,740	$1,580
Large Commercial-Hospital	$105,206	$5,681	$5,988	$5,844	$6,136	$6,443	$6,765	$6,143
Large Commercial-Education	$2,311,844	$124,840	$131,581	$128,413	$134,834	$141,576	$148,654	$134,983

The below charts and table summarize City Light's revenue requirements for 2025-2030.

REVENUE REQUIREMENT DRIVERS 2025-2030





RETAIL REVENUE REQUIREMENT SUMMARY

	2024	2025	2026	2027	2028	2029	2030
$, Millions							
Revenue Requirement	$1,091	$1,147	$1,217	$1,291	$1,379	$1,460	$1,555
Capital Recovery							
Debt Service	$246	$241	$252	$241	$258	$267	$264
Revenue Available for Capital & Liquidity*	$168	$164	$190	$230	$254	$268	$310
Operations & Maintenance (O&M)							
2024 O&M Baseline	$372	$372	$372	$372	$372	$372	$372
Inflation	$18	$29	$43	$55	$68	$81	$94
Renewable Energy Credits	$0	$1	$0	-$6	-$6	-$6	-$8
New Programs	$0	$3	$7	$8	$10	$21	$28
Net Power Costs							
New Resources	$0	$8	$49	$99	$147	$147	$164
Other Power and Wheeling Contracts	$260	$275	$274	$277	$282	$305	$311
Net Wholesale Revenue (NWR)	-$45	-$25	-$55	-$80	-$110	-$110	-$110
Power Related Revenues, Net	-$19	-$16	-$16	-$15	-$14	-$13	-$7
Other Revenues/Costs							
Taxes, Payments and Uncollectibles	$136	$140	$144	$153	$163	$174	$185
Miscellaneous Revenue	-$44	-$44	-$43	-$44	-$45	-$47	-$48

**This is the amount of operating revenue that is available to cash fund the capital program or add to overall liquidity*

Drivers of 2025-2030 Revenue Requirements and Rates

1. Capital Recovery
   - Funds historic and future capital investments.
     - Capital requirements expected to increase significantly.
     - 43% of 2025-2030 capital requirement expected to be funded with revenue/operating cash.
     - Also includes cash to support increased liquidity per new debt strategy. (See Appendix A)
   - Debt service expected to have moderate growth as the utility issues debt over time.
     - Payments on new debt exceed payments on retired debt.

2. Operations and Maintenance (O&M)
   - Based on 2024 adopted O&M budget and expected to grow greater than CPI inflation.
   - Increased 2024 labor costs around 11% as a placeholder for anticipated labor costs not included in the Adopted 2024 budget.
     - The 2024 Adopted Budget assumed a cumulative cost of living adjustments (COLA) of around 6.4% for 2023 and 2024.
     - The COLA agreement with the coalition of labor unions was 9.7% cumulative for 2023 and 2024. Many job classes are expected to have additional wage adjustments.
   - Base O&M expected to grow a little under 1% higher than CPI per year.
   - Additional funds to cover additional market-based wage adjustments and support new programs.

3. Net Power Costs
    - Bonneville (BPA) power and transmission costs are the largest single component at over $225 million; BPA power and transmission costs are expected to increase around 3% per year on average.[1]
    - New power resources required to meet resource adequacy targets. Planning assumption is $164 million for roughly 235 aMW 2030 for a combination of solar, wind, battery storage and transmission.
    - NWR planning value decreased to $25 million in 2025 but gradually grows as the utility adds more renewable resources.

4. Other Revenues/Costs[2]
    - Not a large driver, taxes grow proportionally with revenue.

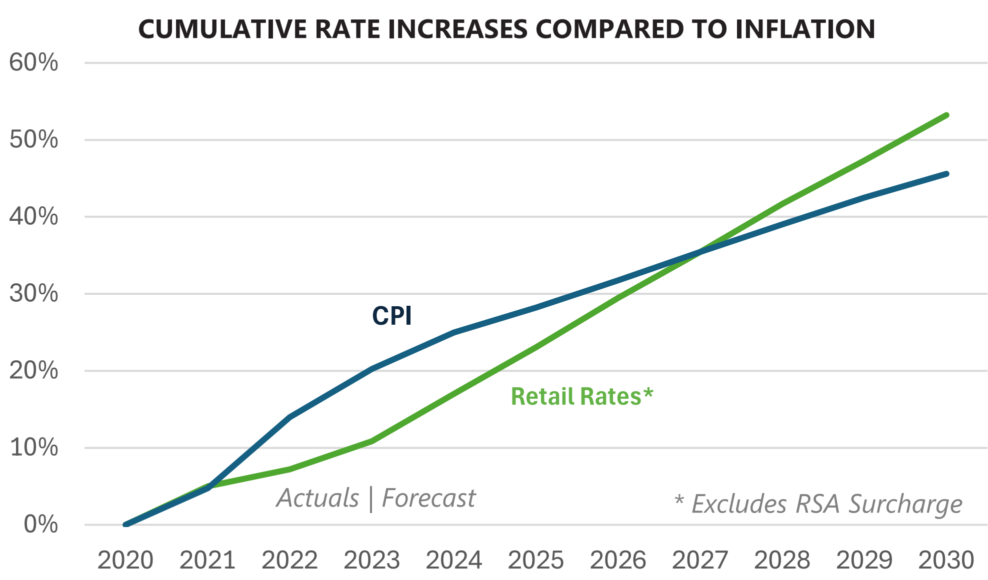
Inflation Outlook

Price inflation continues to put upward pressure on costs. The below table shows recent actual CPI inflation along with a forecast through 2030.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
CPI*	4.8%	8.8%	5.5%	3.9%	2.6%	2.8%	2.8%	2.6%	2.5%	2.2%

**Consumer Price Index, Source: City of Seattle Office of Economic and Revenue Forecasts*

CPI inflation is not a perfect indicator of total cost pressures faced by an electric utility. However, it can be a useful indicator of how City Light retail rate/bill increases compare with other cost increases faced by customers. The below chart shows that cumulative rate increases from 2020 are expected to be less than CPI inflation through 2027. For the period 2020-2030 retail rate increases are expected to grow around 6% more than CPI inflation.



[1] Once BPA announces final record of decision for fiscal year 2026 rates, any material cost differences between the planning values and expected BPA bills with final BPA rates will be passed through to City Light customers with the BPA passthrough mechanism.
[2] Includes city and 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 interest earnings.

INTRODUCTION

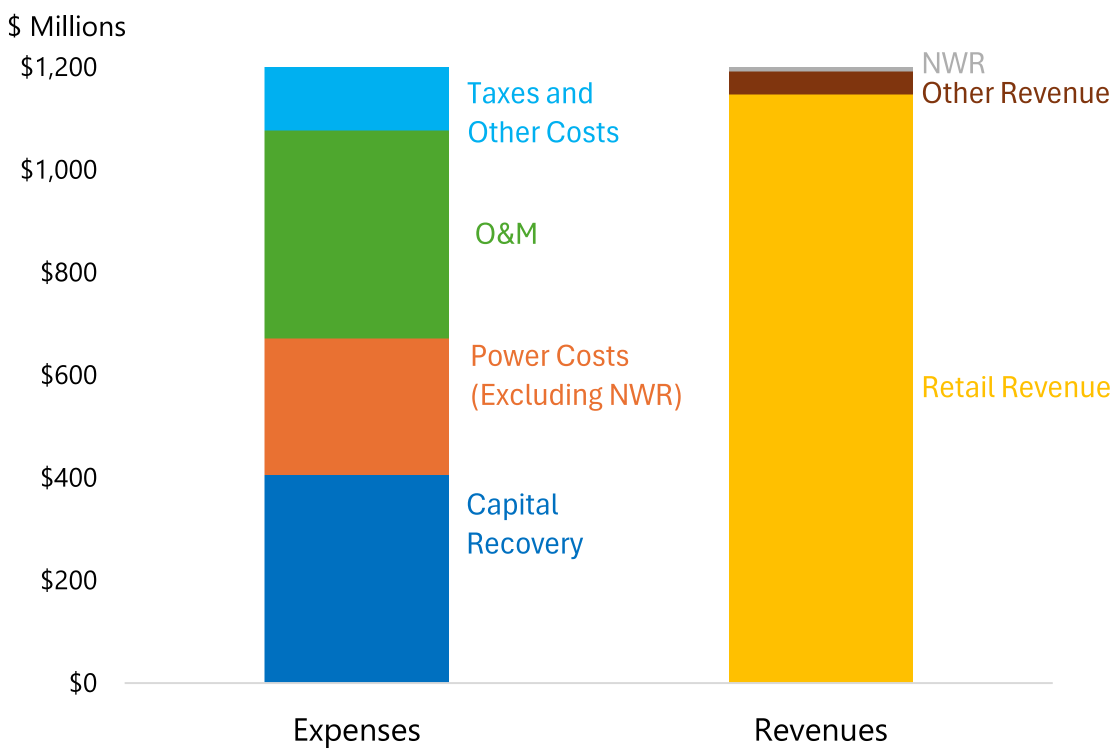
The 2025-2030 Strategic Plan Update (the Plan) builds on the 2023-2028 Strategic Plan approved in July 2023. The Plan extends the horizon an additional two years to 2030.

This document details the assumptions that determine the average retail rate path for the years 2025-2030. 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 financial policies. The chart below illustrates how the revenue requirement is sized to meet expenses.

REVENUES AND EXPENSES (2025 FORECAST)



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

Capital Recovery

- Includes the cost of debt-funded capital investments (debt service payments) and funds a portion of the current capital requirement, so they are not all debt financed.
- Per policy, retail revenue should be sized to achieve at or above 1.80 times the annual debt service obligation.
- For this planning horizon, debt coverage is higher than 1.80x every year so as to meet the policy of revenue-funding greater than 40% of the 6-year CIP (See Appendix A).

O&M

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

CAPITAL RECOVERY (CIP AND BONDS)

Capital recovery reflects the cost of capital spending, as recovered over time. Net capital requirements are comprised of the capital improvement program (CIP) less capital contributions, which are payments from outside sources that offset capital expenses.

$$\textit{Net Capital Requirements} = \textit{CIP} - \textit{Capital Contributions}$$

Net capital requirements are not a direct component of the revenue requirement but, along with financial policies, determine the amount of debt (bonds) issued and the amount of net capital requirements funded with operating cash. The principal payments on outstanding debt and associated interest expense make up debt service.

Net capital requirements, along with financial policies, also help determine the amount of debt (bonds) issued and the amount of CIP funded with operating revenue. City Light’s current financial policies (established by Resolution 31187) calls for setting rates to yield sufficient revenue net of expenses to cover annual debt service obligations by 1.8 times and fund at least 40% of the capital program with operating revenue over a six-year average. Both conditions are met when sizing the revenue requirements for this Plan.

The capital expenditures forecast is based on the 2024-2029 Adopted CIP Plan and adds additional costs to account for increases for labor and material costs, as well as placeholders for new capital cost pressures including relicensing the Skagit hydro generation project and supporting electrification of buildings and transportation. The 2030 CIP is sized based on the size of the projected capital plan in 2028 and 2029. The CIP forecast used to set rates also 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.

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 and 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 during the 2025-2030 planning period total around $1.5 billion and will bring total outstanding debt to over $3.5 billion by 2030. The average funding of the 2025-2030 net capital requirements with operating proceeds is 43%, slightly above the 40% target.[3]

CAPITAL REQUIREMENTS AND FUNDING

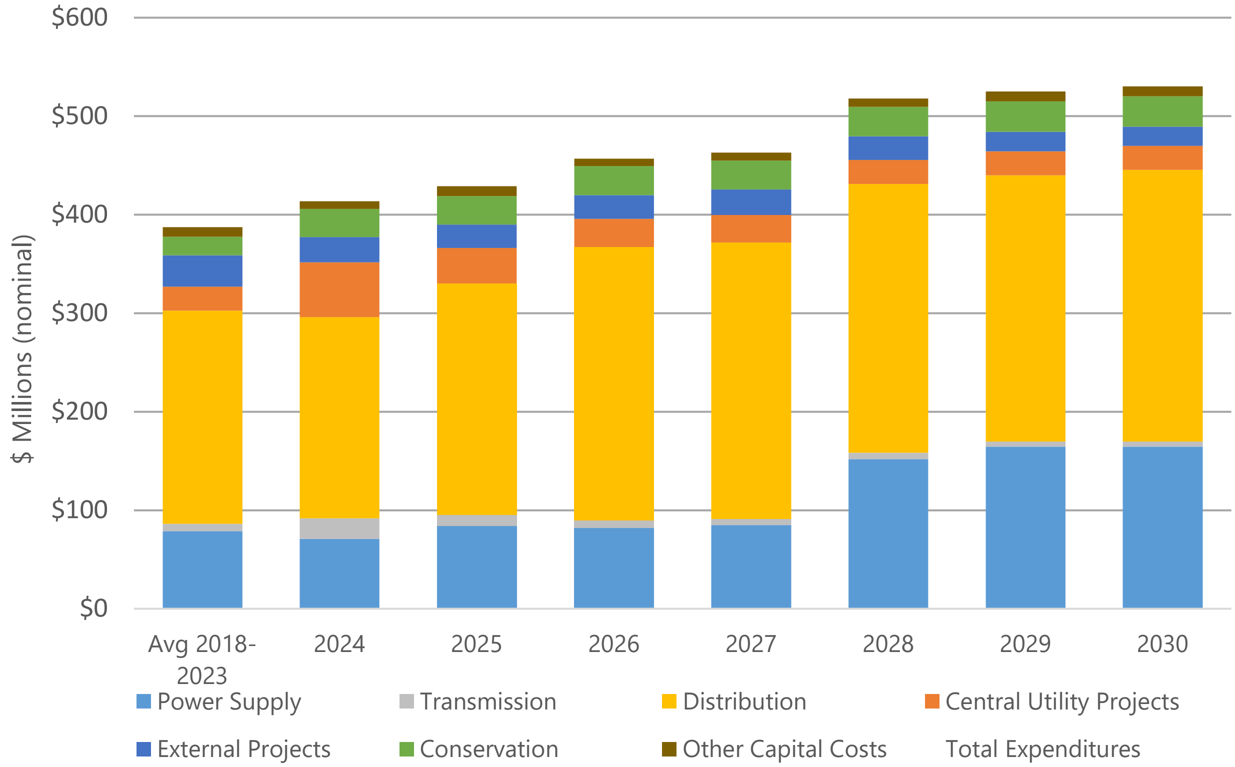
$, Millions	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Capital Requirements							
Adopted CIP	$414	$404	$397	$398	$398	$425	$400
Additions		$25	$60	$65	$120	$100	$130
Total CIP	$414	$429	$457	$463	$518	$525	$530
Capital Contributions	-$64	-$43	-$42	-$44	-$46	-$49	-$49
Total Net Capital Requirements	**$349**	**$385**	**$414**	**$419**	**$472**	**$476**	**$481**
Capital Funding							
Bond Proceeds	$194	$292	$230	$273	$262	$247	$194
Operations	$156	$93	$185	$146	$209	$229	$287
Total	**$349**	**$385**	**$414**	**$419**	**$472**	**$476**	**$481**
Total Debt Outstanding	$2,713	$2,888	$3,017	$3,177	$3,325	$3,467	$3,549

MAJOR CIP PROJECTS INCLUDED IN THE 2024-2029 ADOPTED CIP

Master Project Number and Description	**Six-year Total Spend, $M**
8351: Overhead Equipment Replacements	$269.4
2250: Energy Efficiency	$187.7
8353: Underground Equipment Replacements	$158.5
8333: Distribution System Replacements	$157.2
8366: Medium Overhead and Underground Services	$144.8
8630: Network Systems	$118.0
8370: Network Services	$116.3
8452: Pole Attachments	$108.8
6987: Boundary Licensing Mitigation	$101.4
3133: Environmental Cleanup	$71.3

CAPITAL IMPROVEMENT PLAN

[3] *The average 2025-2030 capital funding from operations is calculated by taking the total 2025-2030 funding from operations ($1,095 million) and dividing by the total 2025-2030 Net Capital Requirements ($2,647 million) to get 41%.*



Capital requirements determine the size of future bond sales and resulting debt service, and the sales are timed to ensure sufficient liquidity to provide at least 150 days of operating cash on hand. 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. All bond issues are assumed to have a 30-year term. Borrowing costs are assumed to be 4.5% in 2024 and 5.0% in 2025-2030. Debt service payments on the 2030 bond issue are assumed to start in 2031, so there is no direct impact on debt service during the planning period from the 2030 debt issue. In efforts to smooth the rate path, debt service coverage is allowed to fluctuate year to year but managed at an overall level that meets the six-year target of 40% or greater capital funding from operations.

BOND SALES AND DEBT SERVICE, $MILLIONS

	Bond Size	2025	2026	2027	2028	2029	2030
Existing[1]		$228	$220	$194	$193	$185	$166
2024 (Aug)[2]	$200	$12	$12	$12	$12	$12	$12
2025 (Aug)[3]	$299		$19	$19	$19	$19	$19
2026 (Aug)[3]	$236			$15	$15	$15	$15
2027 (Aug)[3]	$275				$18	$18	$18
2028 (Aug)[3]	$264					$17	$17
2029 (Aug)[3]	$248						$16
Total Debt Service		$241	$252	$241	$258	$267	$264
Debt Service and Coverage		$476	$515	$549	$595	$622	$667
Debt Service Coverage ratio		1.98	2.04	2.28	2.31	2.33	2.53

[1]*As of December 2023*, [2]*Fixed Rate Issue (30 year/4.5%)*, [3]*Fixed Rate Issue (30 year/5.0%)*

OPERATIONS AND MAINTENANCE (O&M)

Operations 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 separate categories.

The basis for the 2025-2030 O&M forecast is the 2024 Adopted O&M budget, which is then increased each year to reflect rising costs. An $18 million placeholder was added to the 2024 Adopted Budget to reflect emergent market-based labor cost increases. The annual cost increase is between 3% and 4% per year and is around 0.6% higher than CPI inflation on average. Specific funding in certain areas may change as resource and organizational adjustments are made to deliver on the strategic initiatives and core services.

BUDGET O&M INFLATION BY CATEGORY

$, Millions	2024[1]	2025	2026	2027	2028	2029	2030
Labor	$186	$194	$202	$210	$218	$226	$234
Labor Benefits	$78	$80	$83	$85	$88	$91	$94
Overhead Credit	-$64	-$66	-$69	-$71	-$74	-$77	-$79
Non-Labor	$112	$114	$117	$120	$122	$125	$128
Transfers to City	$90	$92	$96	$99	$102	$105	$108
Total Inflated O&M Budget	$401	$414	$429	$442	$456	$470	$484
Annual Change		$12	$15	$13	$14	$14	$15
Annual Change %		3.1%	3.6%	3.1%	3.1%	3.1%	3.1%

[1] *2024 reflects current forecast*

There are numerous adjustments made to the O&M budget values to produce O&M financial forecast values consistent with financial reporting and policies. These adjustments are outlined in the below table. Proposed incremental program funding in 2025 and 2026 is expected to primarily support increased capabilities around power planning and new markets, power line clearance, cyber security and wildfire management. Additional program funding is included the out years forecast to reflect anticipated emergent cost pressures to be addressed in future budget cycles. The following table details the adjustments and shows the relationship between the inflated O&M budget and the O&M forecast.

O&M ADJUSTMENTS DETAIL

$, Millions	2024	2025	2026	2027	2028	2029	2030
Inflated 2024 Budget	$401	$414	$429	$442	$456	$470	$484
Adjustments							
add I937 RECs (included in PP budget)	$13	$14	$13	$7	$7	$7	$5
add Intertie included in wheeling budget	$1	$1	$1	$1	$1	$1	$1
subtract Engineering OH not included in budget	-$6	-$6	-$7	-$7	-$7	-$7	-$8
Subtract under expenditure assumption	-$20	-$21	-$21	-$22	-$23	-$23	-$24
add New and expanded programs	$0	$3	$7	$8	$10	$21	$28
Total O&M	$390	$405	$422	$429	$444	$468	$487
Adopted 2024 O&M Budget	$372	$372	$372	$372	$372	$372	$372
Changes from 2024							
Inflation	$18	$29	$43	$55	$68	$81	$94
REC Costs	$0	$1	$0	-$6	-$6	-$6	-$8
New and Expanded Programs	$0	$3	$7	$8	$10	$21	$28

[1] *Includes costs for additional wage increases above the initial cost projections and funding for new and expanded programs including power planning and new markets, demand side management programs and support, increases in cyber security and wildfire management.*

[2] *Renewable Energy Credits (RECs) and maintenance costs associated with ownership of the 3rd AC intertie are budgeted as purchased power but recognized as O&M in financial statements. RECs required to meet state regulations are expected to decrease in the out years as City Light brings on more renewable energy.*

[3] *Assumes 5% of the O&M Budget will remain unspent.*

POWER COSTS, NET

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

Current projections reflect the expiration of the Columbia Basin Hydro contracts in 2024 through 2026 and the acquisition of new resources from 2025 onward. The volume of new resources now projected to be acquired in 2027 and later is significantly higher than it was in the previous Strategic Plan (2023-2028). The resource acquisition plan includes a mix of solar and wind generation, as well as utility scale battery storage. New resource acquisitions may be pursued in greater or lesser quantities than currently planned based on factors including power market outlook, reliability studies and customer programs. The costs of new power resources are partially offset by increases in planning values for Net Wholesale Revenue. Below is a table outlining long-term power and wheeling costs.

LONG-TERM POWER AND WHEELING CONTRACTS

$, Millions	2024	2025	2026	2027	2028	2029	2030
BPA Power[1]	$162	$179	$175	$177	$172	$191	$193
BPA Wheeling[2]	$66	$68	$71	$74	$77	$80	$83
New Resources[3]	$0	$8	$49	$99	$147	$147	$164
Lucky Peak[4]	$9	$10	$10	$10	$11	$11	$11
Other Wheeling[5]	$4	$5	$5	$5	$14	$15	$15
Columbia Ridge[6]	$7	$7	$7	$7	$5	$4	$4
King County West Point[6]	$2	$3	$3	$3	$3	$3	$3
Priest Rapids[7]	$1	$1	$1	$1	$1	$1	$1
High Ross[8]	$0	$0	$0	$0	$1	$1	$1
Columbia Basin Hydro[9]	$8	$2	$2	$0	$0	$0	$0
Total LT Power & Wheeling Contracts	$260	$283	$323	$376	$429	$452	$475

[1] Assumes that BPA base power rates increase around 2% on average every year. Changes to purchase volumes, load shaping rates and a 3-year Fiscal Year 2026-2028 BPA rate period make the annual changes to the BPA bill non-uniform.

[2] Assumes BPA wheeling costs increase 4.5% annually on average and purchased transmission volumes gradually grow.

[3] New Resources identified to meet resource adequacy targets in the 2022 Integrated Resource Plan. The planning values include a mix of solar and wind resources including transmission and also utility scale battery storage. The new resources are expected to provide around 234 aMW by 2028.

[4] Reflects production O&M costs growing with inflation.

[5] Forecast assumes Lucky Peak production is brought to load in all years and City Light pays for the transmission.

[6] Cost inflates per contract terms.

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

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

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

City Light's largest contracted power purchase is with the Bonneville Power Administration (BPA). BPA power and wheeling bills are complex and based on many factors including City Light load, BPA base rates, BPA's load shaping charges and BPA's rate setting periods. In general, BPA sets rates every two years and new rate periods start in October of odd years. However, BPA will have a 3-year rate period for fiscal years 2026-2028 to align with the start of the new contract period in October 2028. For planning purposes this forecast reflects the same product and contract terms as before in the new contract period. Once BPA announces its record of decision for BPA rates for FY 2026-2028, City Light's 2026 BPA power and transmission bills under the new rates will be compared to the planning values in this report. Any material differences will be automatically implemented in rates per the BPA pass-through mechanism (SMC 21.49.081).

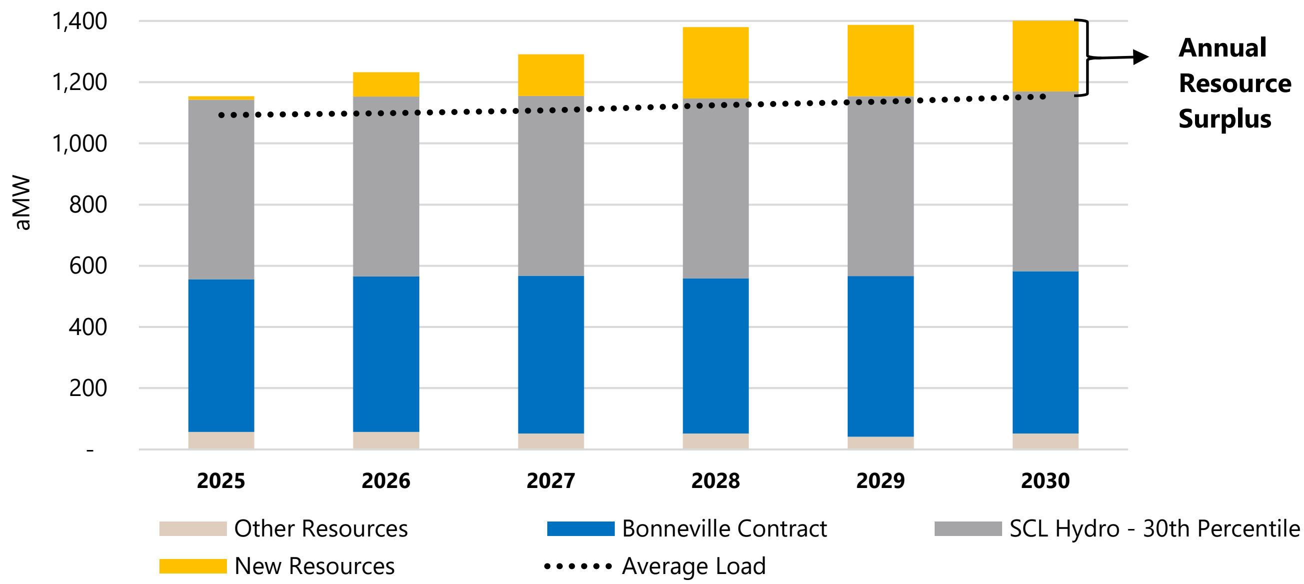
BPA DETAIL

$ Millions	2024	2025	2026	2027	2028	2029	2030
Block Power Costs	$162	$179	$175	$177	$172	$191	$193
Transmission (Wheeling) Costs	$66	$68	$71	$74	$77	$80	$83
Total BPA Costs	$227	$247	$246	$251	$249	$271	$276
BPA Block Purchases, GWh	4,325	4,363	4,448	4,514	4,459	4,602	4,601
BPA Transmission Purchases, MW	2,241	2,241	2,241	2,241	2,391	2,391	2,391

Long-term purchased power acquisitions are expected to exceed retail load growth, on a volumetric basis. Because new wind and solar resources are intermittent, additional resources will be required to ensure that retail demand can be reliably met under varying conditions. Also, City Light's peak load is projected to increase faster than average load, further increasing firm resources needs to reliably meet load under stress conditions (typically extreme weather events).

The below chart shows City Light's annual resource mix and retail load. Production from owned hydro generation facilities is uncertain and varies significantly year-to-year. For planning purposes, this forecast assumes the 30th percentile of hydro generation from the years 2001-2023. New power resource acquisitions are expected to increase the overall volume of surplus power available to be sold on the wholesale market. Net Wholesale Revenue is the revenue from selling surplus energy, net of purchases for load balancing.

ANNUAL SUPPLY AND DEMAND BALANCE



Planning values for revenues from surplus power sales, or Net Wholesale Revenues (NWR) are summarized in the table below. The NWR value for 2025 is $20M lower than 2024 to reflect recent observed trends towards dry conditions, weather anomalies, and more dynamic market activity, which appear to be deteriorating revenues City Light is able to realize from sales of surplus power. NWR is projected to grow as new resources come online, however given evolving markets and climate change, there is a great deal of risk around this assumption. Variations in surplus electricity sales (NWR) are mitigated by the Rate Stabilization Account (RSA), a cash reserve and rate mechanism designed to insulate customers from wholesale market and weather risk. Any differences between actual NWR and these planning values will be transferred to/from the RSA (SMC 21.49.086).

WHOLESALE REVENUES, NET

$, Millions	2024	2025	2026	2027	2028	2029	2030
NWR	$45	$25	$55	$80	$110	$110	$110

Power related revenues are comprised of long-term power sales, net revenues from sales of ancillary market services, and transmission sales. The following table details these assumptions.

POWER RELATED REVENUES, NET

$, Millions	2024	2025	2026	2027	2028	2029	2030
Power Contracts							
Delivery to Pend Oreille County[1]	$4	$4	$4	$4	$4	$5	$0
Priest Rapids[2]	$5	$1	$1	$1	$1	$0	$0
BPA Credit for South Fork Tolt	$3	$3	$3	$3	$2	$0	$0
Power Marketing Net[3]	$5	$5	$5	$4	$4	$4	$4
Transmission Sales[4]	$3	$3	$3	$3	$3	$3	$3
Total Power Related Revenues, net	**$19**	**$16**	**$16**	**$15**	**$14**	**$13**	**$7**

[1] Current agreement ends in 2029.

[2] Reflects Reasonable Portion contract with Grant PUD. Decreases in the out years to under $500k.

[3] Power marketing revenues (net of purchases) are earned from sales of ancillary services associated with generation and transmission assets, such as reserve capacity sales.

[4] Short-term transmission sales. Includes resale of BPA point-to-point transmission and 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	2024	2025	2026	2027	2028	2029	2030
City Taxes[1]	$68	$71	$73	$77	$83	$87	$93
State Taxes[2]	$49	$49	$51	$54	$58	$62	$66
Franchise Payments and Other Taxes[3]	$11	$11	$11	$12	$13	$13	$14
Uncollectible Revenues[4]	$8	$9	$9	$10	$10	$11	$12

[1] City taxes, which are 6% of retail revenues, plus some other revenues.

[2] State taxes are 3.8734% of retail revenues, plus some other revenues and contributions.

[3] Payments associated with franchise contracts with the cities of Burien, Lake Forest Park, SeaTac, Shoreline, Tukwila and King County (expected to be approved in 2022). Franchise payments range from 4% to 6% of total retail revenue in each franchise territory. Franchise payments for King County are assumed to start at 8% effective April 2022 and decrease to 6% in 2026 and thereafter. Also includes a utility tax passthrough for Normandy Park and Lake Forest Park and other miscellaneous taxes (e.g., B&O tax) to other jurisdictions where the utility has operations.

[4] Uncollectible revenue is assumed to be 0.75% of retail revenues.

MISCELLANEOUS REVENUE SOURCES DETAIL

$, Millions	2024	2025	2026	2027	2028	2029	2030
Non-Base Rate Retail Revenue[1]	$6	$6	$7	$7	$7	$7	$7
Other Revenue[2]	$21	$22	$22	$23	$23	$24	$24
Suburban Undergrounding[3]	$2	$2	$2	$2	$2	$2	$2
Property Sales[4]	$1	$1	$1	$1	$1	$1	$1
Interest Income[5]	$9	$10	$11	$11	$12	$12	$12
Operating Fees & Grants	$0	$0	$0	$0	$0	$0	$0
Net RSA Transfers[6]	$4	$3	$0	$0	$0	$0	$0
Total Other Revenue Sources	$44	$44	$43	$44	$45	$47	$48

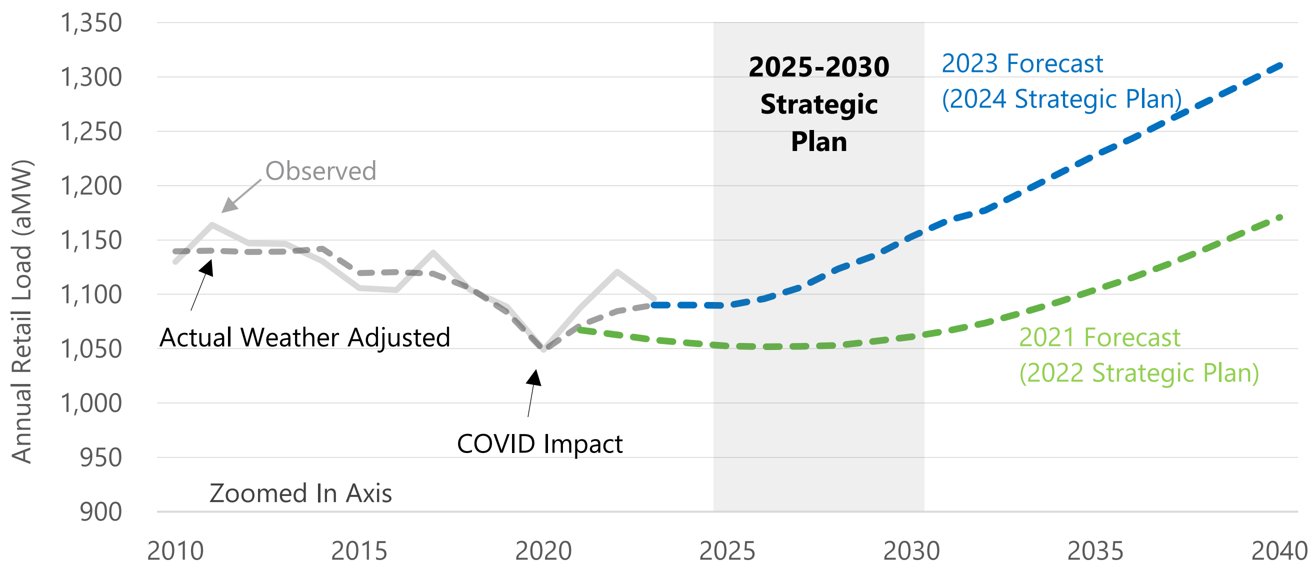
[1] Non-base rate retail revenue includes revenues from retail customers for services or programs which are not dictated by the revenue requirement. Examples include elective green power programs, distribution capacity charges and power factor charges.

[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. These revenues are expected to increase over time, mostly growing with inflation.*
[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.*

RETAIL SALES

The forecast of retail sales is based on City Light's 2023 official load forecast, which predicts load growth of 5.5% from 2024 to 2030. Energy efficiency investments by both the Utility and customers are expected to continue to reduce sales and outpace new load from economic growth. However, electrification of transportation and buildings is expected to gradually bring on more load, resulting in material load growth during the Strategic Planning period. The amount and timing of new electrification load is very uncertain and will continue to be studied. The below chart shows retail load is expected to be significantly higher than assumed in the previous Strategic Plan.

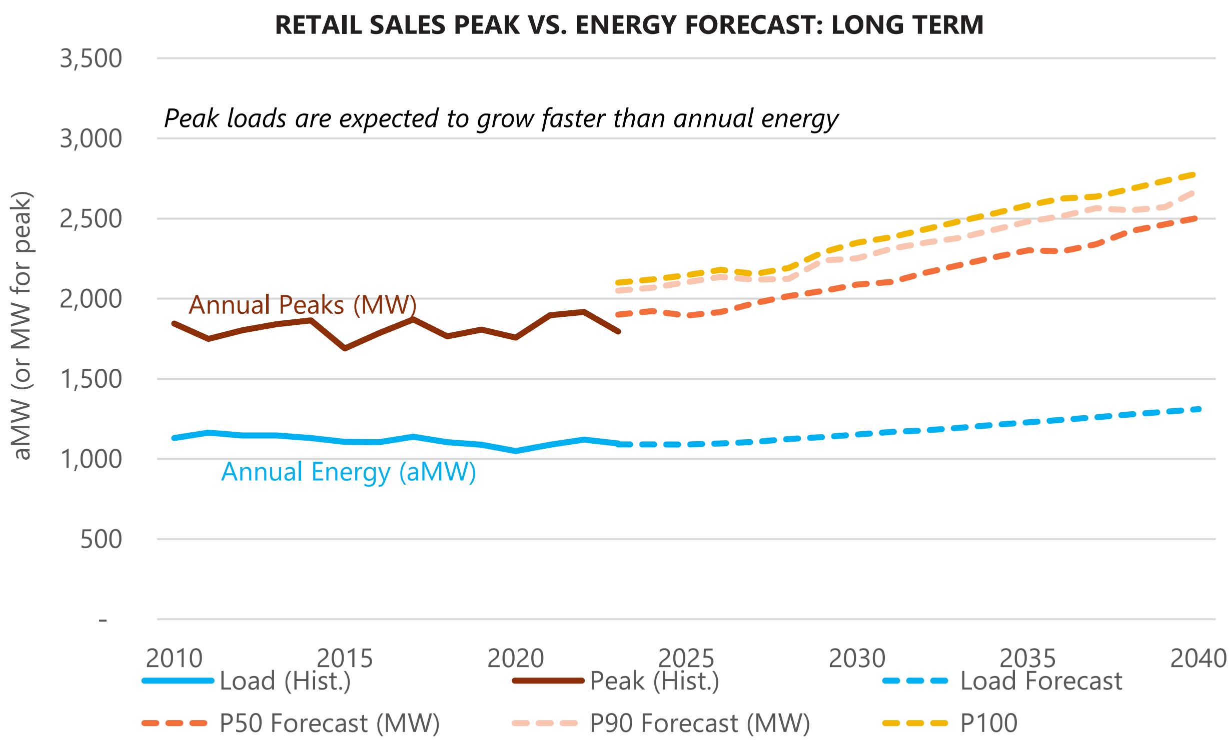
RETAIL LOAD FORECAST: LONG TERM



RETAIL SALES FORECAST BY CUSTOMER CLASS: 2024-2030

GWh	2024	2025	2026	2027	2028	2029	2030
Residential	3,144	3,147	3,161	3,187	3,226	3,234	3,269
Small and Medium	3,557	3,540	3,570	3,613	3,695	3,740	3,809
Large and High Demand	2,398	2,388	2,403	2,425	2,468	2,489	2,523
Total	**9,099**	**9,075**	**9,134**	**9,225**	**9,388**	**9,463**	**9,602**
Annual change							
Residential		0.1%	0.4%	0.8%	1.2%	0.3%	1.1%
Small and Medium		-0.5%	0.8%	1.2%	2.3%	1.2%	1.8%
Large and High Demand		-0.4%	0.6%	0.9%	1.8%	0.9%	1.4%
Total		**-0.3%**	**0.6%**	**1.0%**	**1.8%**	**0.8%**	**1.5%**

As City Light customers continue to electrify vehicles and buildings, peak load is expected to grow faster than average energy consumption. In general, City Light sizes its energy, transmission and distribution requirements to reliably meet peak load and, given the long planning and construction timelines, capacity expansions need to be in place before the load growth arrives. Revenue is primarily recovered by energy sales so higher growth in peak load can add more cost pressure than is brought in by additional retail revenue, driving up average retail rates. The below chart shows the growth in peak load (P50 = 50th percentile, P90 = 90th percentile and P100 = 100th percentile or max load).



APPENDIX A: FINANCIAL POLICIES AND DEBT STRATEGY

Producing and delivering electricity to customers requires a significant amount of physical infrastructure, making electrical utilities among the most capital-intensive industries. Designed to last multiple decades, this infrastructure and its associated installation require large upfront costs. City Light uses long-term debt as a tool to help spread out the cost recovery of these long-lived assets, which enables it to provide lower and more stable retail rates to its customer-owners.

Part of implementing City Light's 2023-2028 Strategic Plan is developing an official strategy for developing an optimal mix of funding for the capital plan and managing the growth in overall debt. As part of this process, in 2023 City Light reviewed its current policies and practices and proposed changes to its financial policies and rate setting strategies. While the current financial policies are generally still relevant, City Light proposes they can be refined and augmented to better provide flexibility when setting rates, ensure adequate annual financial performance and manage the amount of outstanding debt.

Proposed changes to the financial policies

1. Updating the target debt service coverage
   - *at least* 1.80x in any given year and the 6-year rolling average greater than 1.90x.
2. Refining the target for funding of the capital plan from operating cash
   - Six-year average operating cash funding of *net* capital requirements greater than 40%.
3. Introducing a leverage target
   - Debt-to-fixed asset ratio less than 60%.
4. Introducing a liquidity target
   - Days cash on hand is greater than 150 days.
5. Allow for temporary flexibility
   - Suspension of capital funding and leverage targets is permissible for up to 5 years under exceptional circumstances.[4] Requires written letter to City Council stating the current situation and the plan for returning into compliance with all financial policies.

Current Financial Policies (established in 2010 by Resolution 31187)

1. *Rate Setting Guideline*: It is the policy of the City of Seattle to set electric rates for the City Light Department at levels sufficient for it to achieve a debt service coverage ratio of 1.8.

2. *Debt Policy*: The City Light Department will manage its capital improvement program so that on average over any given six-year capital improvement program it will fund 40% of the expenditures with cash from operations.

In addition to proposing updated financial policies, the 2023 debt strategy also proposed exceeding the debt service coverage and capital funding targets in the 2025-2028 Strategic Plan in order to provide more financial buffer if projected capital costs increase significantly in the future. The financial forecast at the time indicated that the utility would be able to significantly exceed the 40% capital funding from operations target without large rate increases. However, two primary factors have changed in the financial forecast that caused City Light to revisit how much it proposes to exceed the financial targets by.

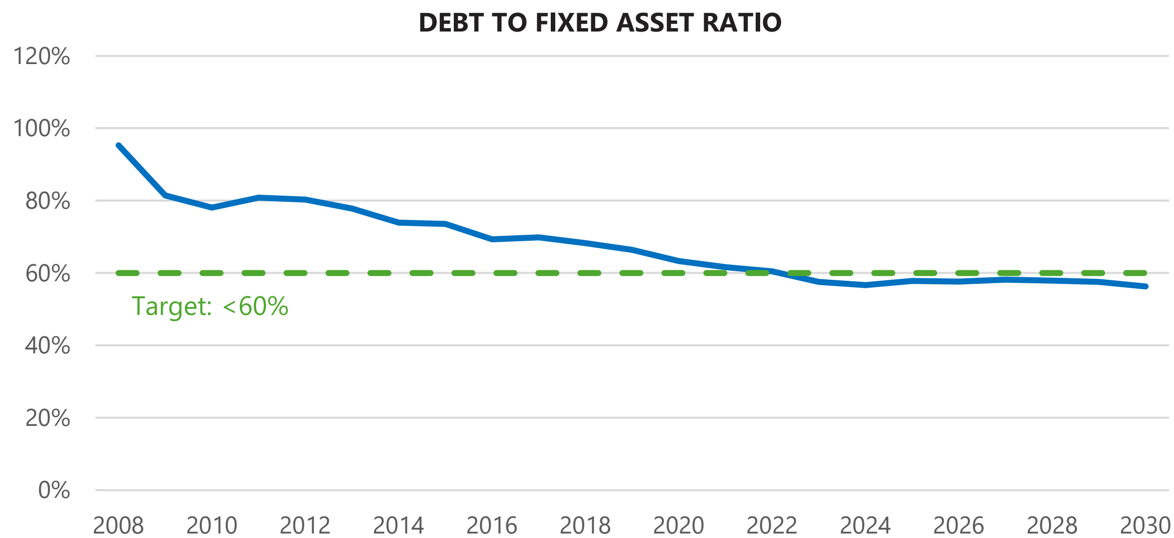
1. Significant increases in the amount and cost of planned new renewable energy resources required to reliably meet load.

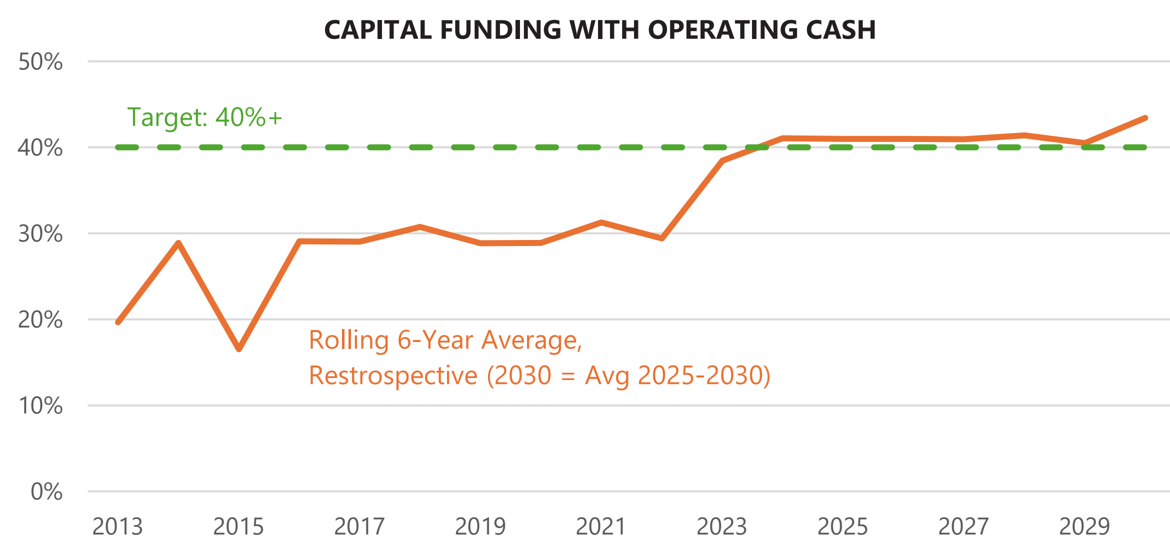
[4] *An example of a possible exceptional circumstance is if City Light decided to build and own a large amount of new renewable power generation over a short period of time, which would require a significant amount of capital.*

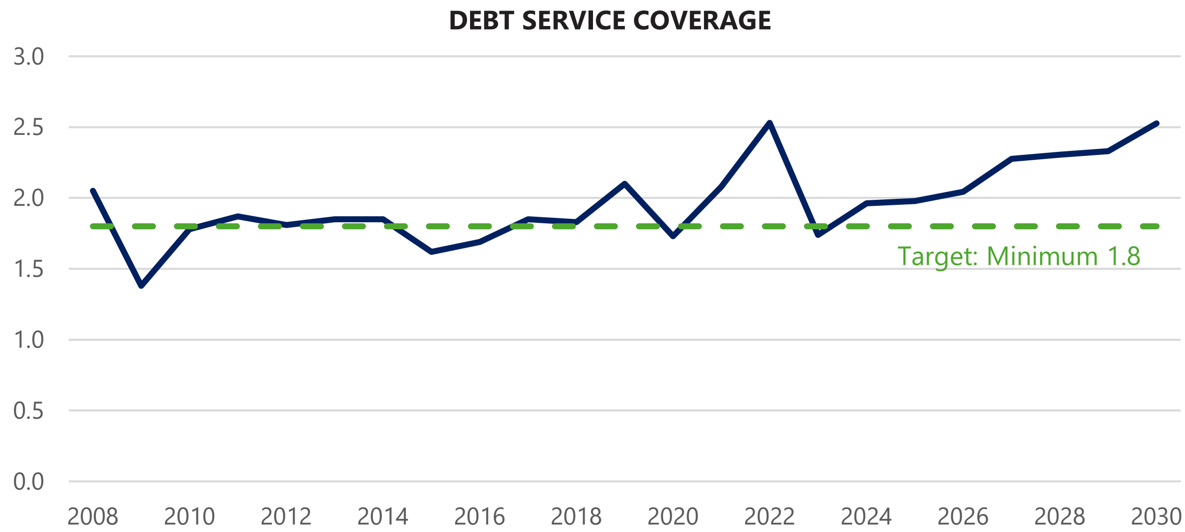
2. The expected capital requirements are much larger, primarily from significantly higher anticipated relicensing costs, supporting electrification of buildings and vehicles and higher labor costs.

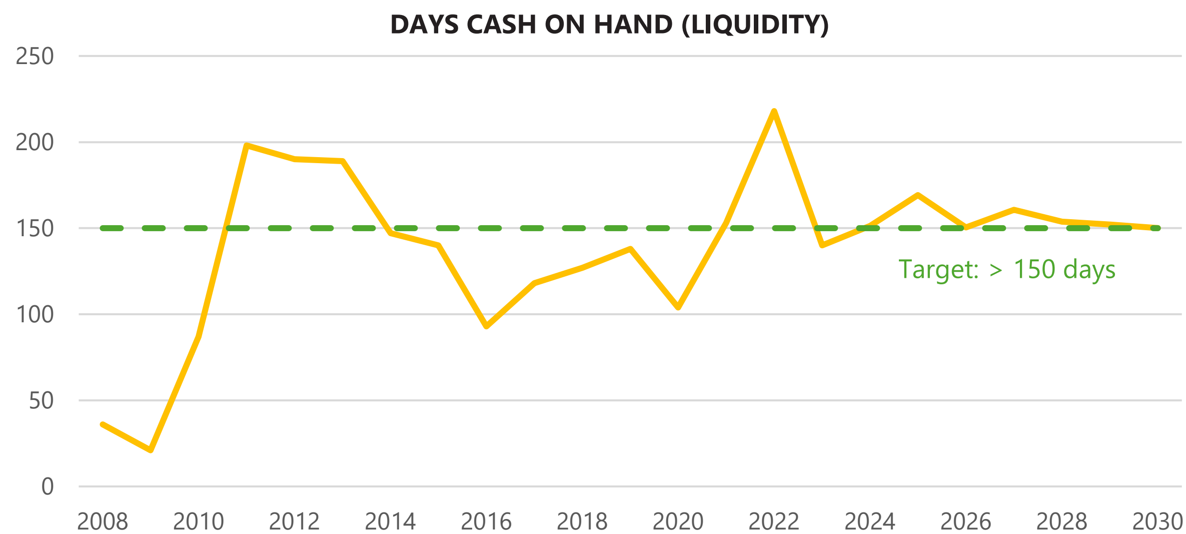
Both factors have added significant rate pressure. The current financial forecast shows City Light only slightly exceeding the capital funding target at 43% from operations, which is achieved with approximately 5% annual rate increases. In many ways the high capital cost scenarios that the utility was looking to buffer against are now the expected case. Increasing the portion of the expected capital requirements higher than 43% would require additional retail rate increases over 5% per year. In evaluating affordability for both current and future customers, City Light proposes that the current 43% is a sufficient trade-off between affordability and debt management. In future Strategic Plan updates, there may be more room to increase the percentage of the capital funding from operations to build more buffer to handle years of large capital outlays.

The below charts show the history and forecast of the financial metrics included in the proposed financial policies. The Revenue Requirements and associated rate path outlined in this report meet all the new proposed financial policies and overall put the utility in a much stronger financial position when compared to the past 20 years.









METRIC CALCULATIONS

Debt Service Coverage = (Operating Revenues – Operating Expenses + Cash Adjustments. + City Taxes[5])/ Debt Service

Debt-to-Fixed Asset Ratio = Long-Term Debt / (Plant in Service net of Accumulated Depreciation + Construction Work in Progress)

Capital Funding from Operations = 6 Year Operating Funding / (6 Year CIP – 6 Year Contributions)

Days Cash on Hand = (Operating Account + RSA) / ((Operating Expenses – Depreciation and Amortization[6]) / 365)

[5] *Because City Light is part of the City of Seattle, taxes paid to the City of Seattle are considered junior lien to debt service and are not included in the taxes category when calculating debt service coverage.*

[6] *Also includes amortization (non-cash) amounts in operating expenses (i.e., hydro relicensing, energy efficiency)*

Seattle City Light Strategic Plan Financial Assumptions

Current SP (2025-2030), $Millions	**2024**	**2025**	**2026**	**2027**	**2028**
Revenue Requirement	**$1,091**	**$1,147**	**$1,217**	**$1,291**	**$1,379**
Capital Recovery					
Debt Service	$246	$241	$252	$241	$258
Revenue Available for Capital and Liquidity	$168	$164	$190	$230	$254
Operations & Maintenance (O&M)					
O&M	$390	$405	$422	$429	$444
Net Power Costs					
New Resources	$0	$8	$49	$99	$147
Other Power and Wheeling Contracts	$260	$275	$274	$277	$282
Net Wholesale Revenue (NWR)	-$45	-$25	-$55	-$80	-$110
Power Related Revenues, Net	-$19	-$16	-$16	-$15	-$14
Other Revenues/Costs					
Taxes, Payments and Uncollectibles	$136	$140	$144	$153	$163
Miscellaneous Revenue	-$44	-$44	-$43	-$44	-$45

Previous SP (2023-2028) $Millions	**2024**	**2025**	**2026**	**2027**	**2028**
Revenue Requirement	**$1,046**	**$1,072**	**$1,103**	**$1,137**	**$1,176**
Capital Recovery					
Debt Service	$251	$250	$255	$243	$255
Revenue Available for Capital and Liquidity	$150	$166	$155	$181	$187
Operations & Maintenance (O&M)					
O&M	$377	$388	$393	$402	$412
Net Power Costs					
New Resources	$14	$16	$64	$73	$74
Other Power and Wheeling Contracts	$233	$229	$243	$245	$250
Net Wholesale Revenue (NWR)	-$45	-$45	-$80	-$85	-$85
Power Related Revenues, Net	-$19	-$18	-$16	-$15	-$14
Other Revenues/Costs					
Taxes, Payments and Uncollectibles	$126	$129	$133	$138	$143
Miscellaneous Revenue	-$42	-$43	-$44	-$45	-$47

Difference (Current vs. Previous) $ Millions	**2024**	**2025**	**2026**	**2027**	**2028**
Revenue Requirement	**$45**	**$76**	**$114**	**$154**	**$203**
Capital Recovery					
Debt Service	-$6	-$9	-$3	-$2	$3
Revenue Available for Capital and Liquidity	$18	-$1	$35	$49	$67
Operations & Maintenance (O&M)					
O&M	$12	$17	$28	$27	$32
Net Power Costs					
New Resources	-$14	-$8	-$15	$26	$73
Other Power and Wheeling Contracts	$27	$45	$31	$33	$32
Net Wholesale Revenue (NWR)	$0	$20	$25	$5	-$25
Power Related Revenues, Net	-$1	$3	$1	$0	$0
Other Revenues/Costs					
Taxes, Payments and Uncollectibles	$10	$11	$11	$15	$21
Miscellaneous Revenue	-$2	-$1	$2	$1	$1

Difference Notes

Capital Recovery: Slightly lower debt service in most years, mostly due to recent bond issues having lower than planned interest rates. Revenue available for capital increases in most years due to higher debt service coverage and associated cash funding of the capital program.

O&M: Higher amount reflects increased labor costs and a placeholder for new or expanded programs

New Resources: Fewer new renewable resources expected in the front years and significantly more expected in the back years. Resources are also more expensive.

Other Long-Term Power and Wheeling Contracts: Predominantly reflects higher BPA costs. Higher volumes of BPA Block purchases due to higher City Light Load. Higher transmission costs due to slightly higher volumes and the change to settling losses financially.

NWR: Lots of moving pieces. In general, 2024-2027 is lower due to higher load, less renewables and lower hydro planning values. 2028 is higher due to a large acquisition of new renewable power (partial offset by higher load and lower hydro planning values)

Taxes, Payments and Uncollectibles: reflects higher taxes from higher retail revenue

	2024	2025	2026	2027	2028
Debt Service Coverage					
Current SP (2025-2030)	2.0	2.0	2.0	2.3	2.3
Previous SP (2023-2028)	1.9	1.9	1.9	2.0	2.0
Difference	0.1	0.1	0.1	0.3	0.3
Net Capital Requirements*					
Current SP (2025-2030)	$349	$385	$414	$419	$472
Previous SP (2023-2028)	$365	$361	$357	$356	$360
Difference	-$16	$24	$57	$63	$112

**This is the amount of CIP City Light is responsible for funding (i.e., total CIP less third party funding)*

	2024	2025	2026	2027	2028
Retail Sales (GWh)					
Current SP (2025-2030)	9,099	9,075	9,134	9,225	9,388
Previous SP (2023-2028)	8,782	8,733	8,728	8,730	8,767
Difference	317	342	406	495	621
% Difference	3.6%	3.9%	4.7%	5.7%	7.1%
Average Retail Rate (cents/kWh)					
Current SP (2025-2030)	12.0	12.6	13.3	14.0	14.7
Previous SP (2023-2028)	11.9	12.3	12.6	13.0	13.4
Difference	0.1	0.4	0.7	1.0	1.3
% Difference	0.7%	3.0%	5.4%	7.5%	9.5%
Annual Rate Increase					
Current SP (2025-2030)	5.5%	5.4%	5.4%	5.0%	5.0%
Previous SP (2023-2028)	4.5%	3.0%	3.0%	3.0%	3.0%
Difference	1.0%	2.4%	2.4%	2.0%	2.0%

Drivers for Higher 2025 Rate Increase	
Change from higher revenue requirements	7.1%
Offset from higher retail sales	-4.7%
Total Change	2.4%
Previous 2025 Rate Increase	**3.0%**
Higher Retail Sales	-4.7%
Power Costs (excluding NWR)	3.7%
NWR	1.9%
O&M	1.6%
Capital Recovery	-1.0%
Other (mostly taxes)	0.9%
Proposed 2025 Rate Increase	**5.4%**

	2024	2025	2026	2027	2028	2029	2030
Current SP (2025-2030), $Millions							
Revenue Requirement	$1,091	$1,147	$1,217	$1,291	$1,379	$1,460	$1,555
Capital Recovery							
Debt Service	$246	$241	$252	$241	$258	$267	$264
Revenue Available for Capital and Liquidity	$168	$164	$190	$230	$254	$268	$310
Operations & Maintenance (O&M)							
O&M	$390	$405	$422	$429	$444	$468	$487
Net Power Costs							
New Resources	$0	$8	$49	$99	$147	$147	$164
Other Power and Wheeling Contracts	$260	$275	$274	$277	$282	$305	$311
Net Wholesale Revenue (NWR)	-$45	-$25	-$55	-$80	-$110	-$110	-$110
Power Related Revenues, Net	-$19	-$16	-$16	-$15	-$14	-$13	-$7
Other Revenues/Costs							
Taxes, Payments and Uncollectibles	$136	$140	$144	$153	$163	$174	$185
Miscellaneous Revenue	-$44	-$44	-$43	-$44	-$45	-$47	-$48

Debt Service Coverage	1.96	1.98	2.04	2.28	2.31	2.33	2.53
Net Capital Requirements	$349.0	$385.0	$414.0	$419.0	$472.0	$476.0	$481.0
Retail Sales, GWh	9,099	9,075	9,134	9,225	9,388	9,463	9,602
Average Retail Rate (cents/kWh)	12.0	12.6	13.3	14.0	14.7	15.4	16.2
Annual Rate Increase		5.4%	5.4%	5.0%	5.0%	5.0%	5.0%

	2024	2025	2026	2027	2028	2029	2030
Current SP (2025-2030), $Millions							
Revenue Requirement	$1,091	$1,145	$1,213	$1,284	$1,371	$1,443	$1,529
Capital Recovery							
Debt Service	$246	$241	$252	$241	$258	$266	$263
Revenue Available for Capital and Li	$178	$165	$191	$230	$253	$268	$308
Operations & Maintenance (O&M)							
O&M	$380	$402	$417	$424	$439	$453	$467
Net Power Costs							
New Resources	$0	$8	$49	$99	$147	$147	$164
Other Power and Wheeling Contract	$260	$275	$274	$277	$282	$305	$311
Net Wholesale Revenue (NWR)	-$45	-$25	-$55	-$80	-$110	-$110	-$110
Power Related Revenues, Net	-$19	-$16	-$16	-$15	-$14	-$13	-$7
Other Revenues/Costs							
Taxes, Payments and Uncollectibles	$136	$140	$144	$152	$163	$172	$182
Miscellaneous Revenue	-$44	-$44	-$43	-$44	-$45	-$47	-$48
Debt Service Coverage	2.00	1.98	2.05	2.28	2.30	2.33	2.51
Net Capital Requirements	$349.5	$385.5	$414.3	$419.1	$471.8	$475.9	$480.9
Retail Sales, GWh	9,099	9,075	9,134	9,225	9,388	9,463	9,602
Average Retail Rate (cents/kWh)	12.0	12.6	13.3	13.9	14.6	15.2	15.9
Annual Rate Increase	5.5%	5.2%	5.2%	4.9%	4.9%	4.4%	4.4%

Current SP (2025-2030), $Millions	2024	2025	2026	2027	2028	2029	2030
Revenue Requirement	1,091	1,146	1,216	1,287	1,374	1,446	1,531
Capital Recovery							
Debt Service	249	246	256	244	261	269	266
Revenue Available for Capital and Liquidity	177	168	196	235	257	271	311
Operations & Maintenance (O&M)							
O&M	379	395	410	419	434	450	463
Net Power Costs							
New Resources		8	49	99	147	147	164
Other Power and Wheeling Contracts	260	275	274	277	282	305	311
Net Wholesale Revenue (NWR)	(45)	(25)	(55)	(80)	(110)	(110)	(110)
Power Related Revenues, Net	(19)	(16)	(16)	(15)	(14)	(13)	(7)
Other Revenues/Costs							
Taxes, Payments and Uncollectibles	135	140	144	153	164	172	182
Miscellaneous Revenue	(44)	(45)	(43)	(44)	(46)	(47)	(48)

Debt Service Coverage	2.0	2.0	2.1	2.3	2.3	2.3	2.5
Net Capital Requirements	349	375	414	419	472	476	481
Retail Sales, GWh	9,099	9,075	9,134	9,225	9,388	9,463	9,602
Average Retail Rate (cents/kWh)	12.0	12.6	13.3	14.0	14.6	15.3	15.9
Annual Rate Increase	5.3%	5.3%	5.4%	4.8%	4.9%	4.4%	4.3%

Current SP (2025-2030), $Millions	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Revenue Requirement	**$1,091**	**$1,140**	**$1,202**	**$1,254**	**$1,322**	**$1,374**	**$1,422**
Capital Recovery							
Debt Service	$249	$246	$255	$244	$257	$263	$255
Revenue Available for Capital and Liquidity	$177	$168	$195	$218	$230	$233	$246
Operations & Maintenance (O&M)							
O&M	$379	$390	$401	$406	$418	$430	$440
Net Power Costs							
New Resources	$0	$8	$49	$99	$147	$147	$164
Other Power and Wheeling Contracts	$260	$275	$274	$277	$282	$305	$311
Net Wholesale Revenue (NWR)	-$45	-$25	-$55	-$80	-$110	-$110	-$110
Power Related Revenues, Net	-$19	-$16	-$16	-$15	-$14	-$13	-$7
Other Revenues/Costs							
Taxes, Payments and Uncollectibles	$135	$139	$143	$149	$158	$164	$170
Miscellaneous Revenue	-$44	-$45	-$43	-$44	-$45	-$46	-$47

Debt Service Coverage	2.0	2.0	2.1	2.2	2.2	2.2	2.3
Net Capital Requirements	$349	$360	$408	$406	$404	$401	$401
Retail Sales, GWh	9,099	9,075	9,134	9,225	9,388	9,463	9,602
Average Retail Rate (cents/kWh)	12.0	12.6	13.2	13.6	14.1	14.5	14.8
Annual Rate Increase	5.3%	4.8%	4.8%	3.3%	3.6%	3.0%	2.0%


POWERING AHEAD
STRATEGIC PLAN UPDATE 2025–2030
Seattle City Light

Powering Ahead

STRATEGIC PLAN UPDATE 2025-2030

DRAFT UPDATED 5/13/24

Message from the General Manager

The energy landscape is rapidly transforming, presenting monumental challenges for the public utilities sector. We are facing rising wholesale energy prices, more frequent extreme weather events caused by climate change, and the impacts of low-water flow on our hydroelectric generation capacity.

At the same time, customer demand is escalating quickly. Retail demand from building electrification is growing three times faster than we projected in 2022 and transportation electrification demand has increased 70% above 2022 estimates. In a matter of years, demand will outpace energy savings from efficiency.

Seattle City Light, a leader in clean energy and environmental stewardship, is primed to meet these challenges, and the Strategic Plan is our guide. It keeps us pointed toward our long-term goals, helps us navigate uncertainties, and reinforces our commitment to deliver affordable, reliable, and environmentally responsible energy services.

We develop a full strategic plan every six years and update it every two years to incorporate input from City Light's Review Panel, customers, and stakeholders, adjust for new forecasts, and report our progress.

This 2025-2030 Strategic Plan Update reflects what we've learned since 2022 and reiterates our commitment to developing our workforce; identifying cost-saving opportunities; investing in infrastructure; incorporating new technologies; and enhancing cyber security. It also includes bold initiatives to meet the challenges ahead, like technology expansions that integrate renewable energy and demand response programs to reduce strain on the grid.

Like many public power utilities, City Light is undergoing an expansive – and expensive – transformation. This Strategic Plan Update calls for rate increases to produce enough revenue to cover rising costs and invest in our energy future. As a not-for-profit utility, we work hard to keep rates affordable. We also offer utility assistance programs for customers with limited incomes.

I am honored to lead City Light and to share this Strategic Plan Update with you. With this plan we will continue to power our region and build a more equitable and sustainable future, while maintaining the flexibility to adapt in an evolving energy landscape.

Dawn
General Manager/CEO

Mission, vision, and values

Our mission, vision and values help to define and guide who we are, where we are going, and what is most important to focus on in the work we do every day.

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.

Accomplishment highlights

City Light continues to make significant progress on strategic priorities. Below are key accomplishments that highlight just a few of the ways we have supported our customers and community, invested in our people and processes, managed our resources wisely, and built a strong energy future.

Spent $12+ Million to Assist Customers Who Struggled to Pay Bills

City Light remains committed to helping customers facing financial challenges. In 2022, we distributed $9,756,600 in state pandemic funds to 16,990 customers to help reduce past-due balances. We also distributed $1,056,200 through our Emergency Bill Assistance program and $2,706,400 in Low-Income Home Energy Assistance Program funds. In 2023, we allocated another $880,000 in state funds to help low- and moderate-income residential customers who were receiving help from utility bill assistance programs.

Additionally, as part of our shared commitment to meeting customers' needs, we partnered with Seattle Public Utilities to launch a newly designed online application process for the City of Seattle Utility Discount Program called the Utility Assistance Program. Consolidating three separate applications into one created a simplified approach that provides customers with a more straightforward process and a better user experience.

Gave Customers New Tools to Understand and Manage their Energy Use

City Light has continued to roll out enhancements to our Utility Services Website since it was introduced in 2020. Most recently, we have made daily electricity usage data available, giving customers the information they need to understand their household energy use and make decisions for cost-saving energy adjustments.

Improved the Customer Experience

City Light is committed to improving the customer experience. In 2022 and 2023, City Light secured the highest business customer satisfaction index score among midsize electric utilities in the Western United States in the J.D. Power 2023 Electric Utility Business Customer Satisfaction Study℠.

Collaborated with Partners to Steward the Skagit River Watershed and Plan for the Future of the Skagit Hydroelectric Project

City Light's Skagit River Hydroelectric Project is a series of three dams that make up 20% of our power portfolio. In April 2023, we submitted a final license application to the Federal Energy Regulatory Commission detailing plans to operate the Skagit River Hydroelectric Project for the next 50 years. The final license application is a significant milestone and represents years of collaboration among Treaty Tribes, Canadian First Nations, federal and state regulatory bodies, environmental groups, and nearby communities. The application is a complete and comprehensive plan that balances the need for renewable energy with the need to respect Tribal interests and be good stewards of the ecosystem.

Refined Our Wildfire Risk Reduction Strategy

Climate change is making wildfires more frequent and intense. To address the escalating challenge of wildfire, we refined our Wildfire Risk Reduction Strategy. Released in August 2023, the strategy prioritizes minimizing potential damage through risk reduction plans that deter wildfire occurrences while ensuring we are prepared to respond effectively and recover quickly when fires occur. We applied the strategy during the 2023 Sourdough Fire near our Skagit Hydroelectric Project facilities.

Advanced Transportation Electrification

The electrification of transportation is key to reducing carbon emissions and combating climate change. In 2023, we launched incentive programs and technical support for businesses transitioning to electric fleets and multifamily customers looking to install EV chargers at their properties. We are close to completing our pilot program to install public curbside EV charging stations at 31 neighborhood locations across the city. We also joined statewide partners in unveiling the first electric bus in the Amtrak National Network.

Supported Green Energy in the Community

In 2023, City Light invested $785,000 in renewable energy credits through the Green Up Community program, which incentivizes the installation of new rooftop solar energy hosted by affordable housing, local non-profits, and public entities. The goal is to help them reduce operating costs, allowing them to focus on their respective missions to provide quality services to meet the needs of our community. Green Up is funded by a voluntary renewable energy credit (REC) purchasing program in partnership with the Washington State Housing Finance Commission's (WSHFC) Sustainable Energy Trust.

Expanded the Energy Heroes Program

During the 2022-2023 school year, we expanded our Energy Heroes program. We taught more than 2,000 students at 17 schools in our service area about electrical safety, energy conservation, and all things renewable. We also completed a pilot for a new high school workshop on electrification and equity. Since 2008, Seattle City Light has provided the Energy Heroes educational program to classrooms across our service area. We've been hard at work helping students learn the ins and outs of electrical safety, energy conservation, renewable energy, and more.

Welcomed a New Tenant to the Denny Substation

In late 2023, we celebrated the opening of a newly designed and built-out section of the Denny Substation in South Lake Union. YouthCare, a nonprofit youth homelessness services provider, will use the space to provide education and workforce development services for young people experiencing homelessness.

Expanded Access to Recreational Opportunities

In the summer of 2023 we opened two new overlook areas in northern Pend Oreille County, home to City Light's Boundary Dam Hydroelectric Project. The Peewee Falls and Riverside Canyon overlooks make breathtaking views accessible to the public with new restroom facilities, picnic tables, ample parking, and gravel walking trails with easy grades. Future improvements will include the completion of a trail that links the two new overlooks, which has been officially named sɫqqax̣s č̓ čax̣íwɫkʷ (the Salmo Passage Trail) in consultation with the Kalispel Tribe of Indians.

Gave Back to the Community
City Light's employee-led fundraising efforts brought in thousands of dollars to support important community causes. Our annual Toys for Tots holiday drive brought in a record $11,000 and filled 91 bags with toys—our most successful toy drive to date.

Strategic Priorities

Our strategic priorities support our mission, vision, and values and reinforce our commitment to operational excellence and customer service. While our business strategies remain unchanged from the previous update, the way we define success has evolved. As we plan for the future of providing customers with affordable, reliable, and environmentally responsible energy services, we are focusing on outcomes—why we do what we do. The sections below describe the outcomes City Light aims to reach in the coming years along with examples of our work in each area.

Improve the Customer Experience

We prioritize our customers and strive to tailor our services to meet their needs and exceed expectations. That's why we're investing in improvements that will make our services more accessible and provide more options. Whether we're enhancing our programs or introducing new ones, our goal is to better serve our customers.

Our work in this area strives to deliver the following outcomes:

Deliver programs aligned with customer priorities
City Light is focused on enhancing our understanding of customers' needs so we can offer products and services that make a difference in their lives.

Initiative Highlight: Customer Insights
We are enhancing our Voice of the Customer program by expanding and improving our data collection to deepen our understanding and inform our work. We are also increasing internal engagement with the program through briefings, workshops, and feedback opportunities, ensuring employees have the information necessary to design and deliver services and programs that match customers' needs.

Decrease unplanned outages in service areas that experience above-average outage rates
Some regions of City Light's service area experience above-average power outages. We are committed to changing that.

Initiative Highlight: Outage Management System
We are updating our Outage Management System, including increasing our capacity to collect and analyze outage data. This will improve our awareness of the health of our power grid and help us identify and respond to outage trends.

Provide more predictable service connection timelines
City Light is committed to providing customers awaiting service connections with timelines that allow them to plan accordingly.

Initiative Highlight: Service to Bill
City Light's Service to Bill program uses data from a comparative study of peer utilities to inform our Residential Electric Service Connection timelines strategy. We are also continuing our work to better communicate service delivery expectations and create a more transparent application process, and we are exploring ways for customers to request early design guidance before starting a project or submitting an application.

Create Our Energy Future

The future of energy is arriving ahead of schedule and is dramatically impacting the energy landscape. Disruptive forces have accelerated, and we must be prepared to address climate change, a shift from using fossil fuels to clean electricity, and an increase in electric demand from electric vehicles and building standards. These changes impact our infrastructure from generation to how we connect to your home or business. We are improving our systems and infrastructure to meet our capacity needs now and in the future.

Our work in this area strives to deliver the following outcomes:

Secure a diverse mix of long-term energy resources to meet growing demand
We aim to have enough different energy sources to keep up with growing needs and future growth. This will help people make the switch to electricity for transportation and buildings.
We are planning ahead with the help of our Integrated System Resources Planning initiative, trying new ideas like asking big energy users to cut back during peak times, and encouraging people to install their own solar panels.

Initiative Highlight: Long-term Energy Portfolio
City Light is considering a broad set of resources to incorporate into our resource portfolio, including different types of storage technologies, geothermal, solar, and onshore and offshore wind. The Integrated Resource Plan will inform a request for proposals for new electric generation or storage projects.

Support customers adoption of transportation and building electrification
Making the switch to electricity for transportation and buildings will be a tremendous change. We are committed to equitably supporting all customers, big and small, in their decarbonization efforts.

Initiative Highlight: Transportation Electrification
Our Transportation Electrification work offers customer programs that provide technical support, as well as charger incentives. City Light also owns and operates public chargers for our customers and aims to bring community-focused projects to residents.

Improve energy delivery infrastructure to meet current & future capacity needs
Creating our energy future depends on converting to clean electric power. We must improve our energy delivery infrastructure to support current and future growth.

Initiative Highlight: Grid Modernization

As our world and environment change, the grid must keep up. City Light's grid modernization work will ensure the grid is efficient, reliable, resilient, and secure. We will improve security and resiliency from climate change impacts, severe weather, and cyber-attacks by updating grid infrastructure, integrating renewable energy resources, and accommodating new technologies.

Develop Workforce and Organizational Agility

As our industry and customers rapidly change, we must invest in our people and processes to enable them to respond, adapt, and thrive. We are creating a flexible and responsive organization by focusing on change management, training, and new technology.

Our efforts aim to attract, train, and keep talented staff. We want to see higher employee engagement, more career opportunities, and staffing that supports our organizational priorities.

Outcomes of our work in this area will include:

Increase employee engagement

We're focused on using organizational change practices to increase employee satisfaction and build a more engaged and empowered workforce.

Initiative Highlight: Organizational Change Management

City Light is creating a Change Management Community of Practice to provide opportunities for continuous learning, knowledge sharing, and collaboration in support of a more engaged and motivated workforce. We aim for this initiative to spark creative solutions and foster a culture of innovation that benefits the entire organization.

Provide opportunities for career mobility

We're focused on supporting our employees at every stage in their career, ensuring they have the tools and resources they need explore opportunities and take on new roles.

Initiative Highlight: Performance Development

City Light's performance development work will provide managers with the performance tools and resources needed to help employees achieve their career goals within the organization. We aim to foster an environment where employees can flourish in their current role, while preparing them for future career exploration and growth within the utility.

Prioritize our work and staff it accordingly

Our recruitment strategy, particularly in trades, will help us ensure we have the right people to help us perform our work and deliver essential services.

Initiative Highlight: Attract, Train, and Retain

City Light will develop a comprehensive talent recruitment, training, and retention strategy to help the organization become a top choice for prospective employees and align our hiring practices with emerging market and talent trends. This work will involve talent acquisition, workforce planning, and learning & development experts to assess the utility's staffing needs, forecast hiring trends, and design data-driven recruitment strategies.

Ensure Financial Health and Affordability

Financial stability is crucial to our future. It allows us to create innovative energy solutions, invest in critical infrastructure, and keep our rates affordable.

We are dedicated to supporting long-term affordability in Seattle. This means having rates that are clear and fair for everyone, especially those who are more vulnerable. We are committed to setting rates in a way that is sustainable and predictable over time. We're also offering new pricing options to help people manage their energy costs better.

Our outcomes in this area include:

Outcome: Reduce volatility in power supply costs
To reduce volatility in power costs and improve rate stability for customers, we will adapt our internal risk, forecasting, monitoring, and contracting practices to respond to changes in the wholesale power market.

Initiative Highlight: Market Risk Management

Increasingly severe weather events, growing demand, and the region's changing energy supply mix make markets more dynamic and increase City Light's financial risk. We will update our power marketing practices to mitigate risks and optimize the value of our resource portfolio. We will also pursue participation in new markets, allowing us to efficiently use our power generation and transmission assets to integrate new green resources like wind and solar.

Allocate resources to balance growing energy costs and customer expectations
Adjusting our resourcing strategies to better match customer priorities is a win-win. For example, time-of-use pricing rewards customers who use electricity when power is cheaper and demand is lower, with lower rates. Customers enjoy cost savings, and we all benefit from reduced strain on the electric grid.

Initiative Highlight: Renewable Plus
City Light's Renewable Plus program will offer large customers a "bundled" renewable energy product—solar/wind energy (kWh) along with the associated Renewable Energy Certificates—to help meet their sustainability and climate goals. The program will include new solar resources located in the Pacific Northwest, with an online target date of 2025. Customers will sign 15-year Participation Agreements and will receive the bundled product once projects are complete and generating power.

Limit energy burden on customers
Lastly, we'll continue supporting and improving programs that help ensure customers can afford their utility bills and get assistance when they need it.

Initiative Highlight: Utility Assistance Programs
Upon completion of a comprehensive evaluation of the City of Seattle's Utility Assistance Programs, City Light will begin implementation of program redesign initiatives aimed at re-centering customer needs in our income-qualified service offerings. This includes intentional and systematic changes to eliminate barriers of access to programs, increase enrollment and retention of eligible

customers, and drive down customer energy burden to help customers keep current on their utility bills.

[Call-out] What is "Energy Burden"?
"Energy Burden" is the share of annual household income used to pay annual home energy bills. A household that pays 6% or more of its income on energy costs is considered a high energy burden household. City Light is committed to ensuring a low energy burden and that all customers have access to clean, affordable electricity no matter their financial circumstances.

We Power

"We Power" refers to our core mission as a utility—to provide affordable, reliable, and environmentally-responsible energy services to our customers. This drives everything we do, and our values guide us in achieving this goal.

Our commitment to our core business operations and delivering value to our customers includes: providing the energy services our customers need by taking care of our key assets and infrastructure; prioritizing diversity, equity, and inclusion; and managing and mitigating the challenges, risks, and uncertainties of a changing world.

City Light's "We Power" outcomes include the following:

Enhance our response to the environmental impacts of climate change.
We're implementing initiatives to ensure we continue to have a reliable power supply in a changing environment.

Initiative Highlight: Wildfire Reduction and Mitigation Strategy
We are committed to reducing wildfire risks by implementing City Light's Wildfire Risk Reduction Strategy. The strategy, completed in 2023, addresses the potential for our assets and infrastructure to cause wildfires and be impacted by them. Key elements include risk assessment and mitigation, including actions such as grid hardening and vegetation management; emergency management to monitor for high-risk weather conditions; stakeholder engagement; coordination with emergency management agencies and municipalities; and governance and accountability.

Efficiently manage operations to comply with expanding regulations
As we plan for the future of providing affordable, reliable, and environmentally responsible energy services, we commit to meeting regulatory obligations such as dam safety and emissions requirements.

Initiative Highlight: Emissions Regulation Compliance
City Light must comply with a variety of local, state, and federal policies related to climate change and greenhouse gas emissions. We will manage compliance as a holistic program to help ensure the reduction of City Light's greenhouse gas emissions, minimize compliance costs, optimize our portfolio of resources, and capitalize on opportunities.

Enhance technology to adapt to the rapidly evolving energy landscape
We are investing in technology and cyber infrastructure enhancements to ensure we continue to be responsive and resilient to the challenges presented by a changing energy landscape.

Initiative Highlight: Distributed Energy Resource Management System
City Light's Distributed Energy Resource Management System is an essential technology for establishing a grid that supports the two-way exchange of energy between the utility and our customers. This will allow us to securely manage the integration and operation of distributed energy resources such as solar panels, wind turbines, and energy storage systems—all key to decarbonizing the energy sector. It will also manage the charging and discharging of electric vehicles and other energy storage systems, supporting both vehicle and building electrification and enhancing the stability of the grid.

Financial Requirements and Rate Path

Seattle City Light's revenue requirements and rates are expected to increase as the projected pace of electrification intensifies.

Factors Impacting Rates
City Light's cost to provide reliable service is increasing due to growing customer demand spurred by building and transportation electrification; securing additional power resources to meet growing load and to ensure reliability; anticipating costs associated with relicensing the Skagit Hydroelectric Project; and incorporating wage & materials inflation.

Chart 1: *This chart shows the drivers that pushing retail load up or down compared to 2023 levels. Electrification of buildings and transportation is expected to drive significant load growth in the coming years.*

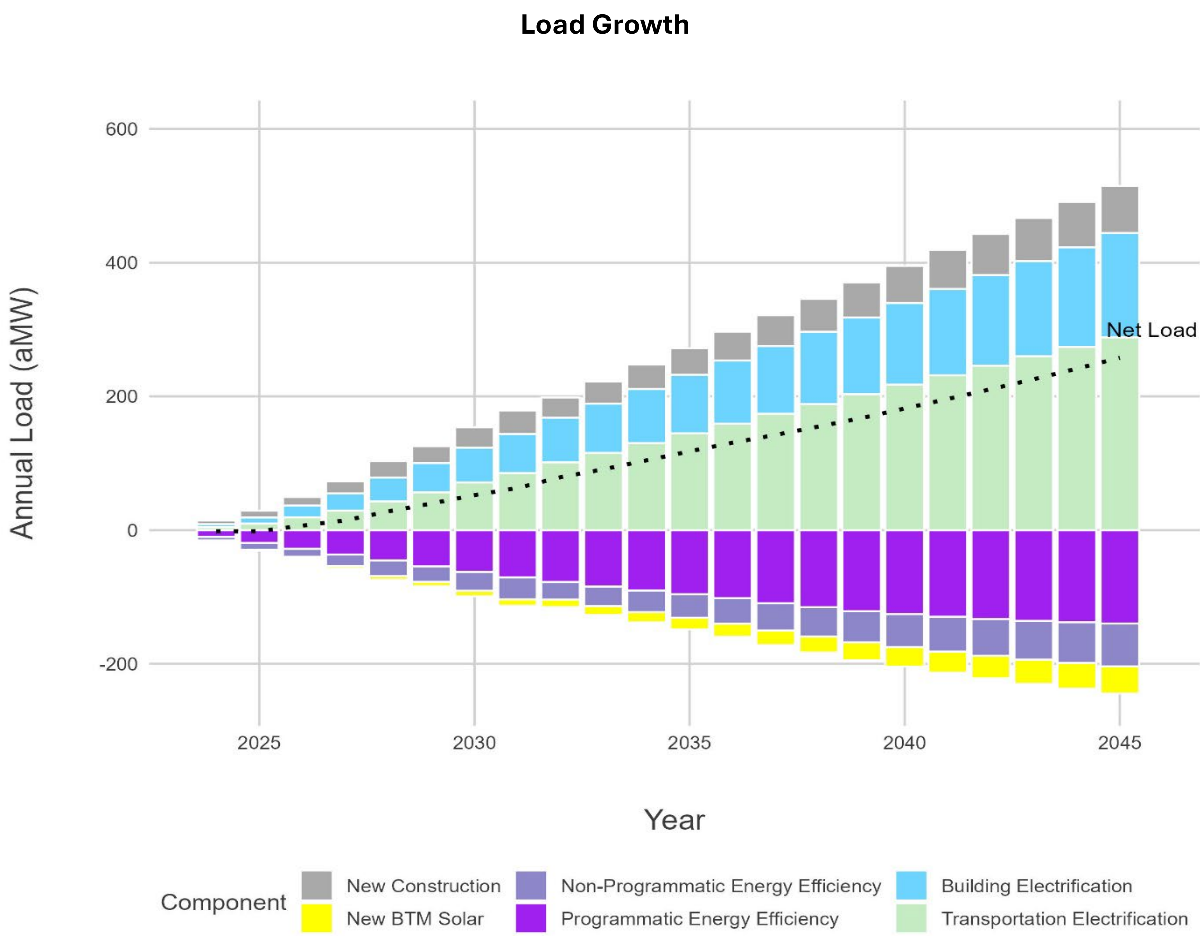
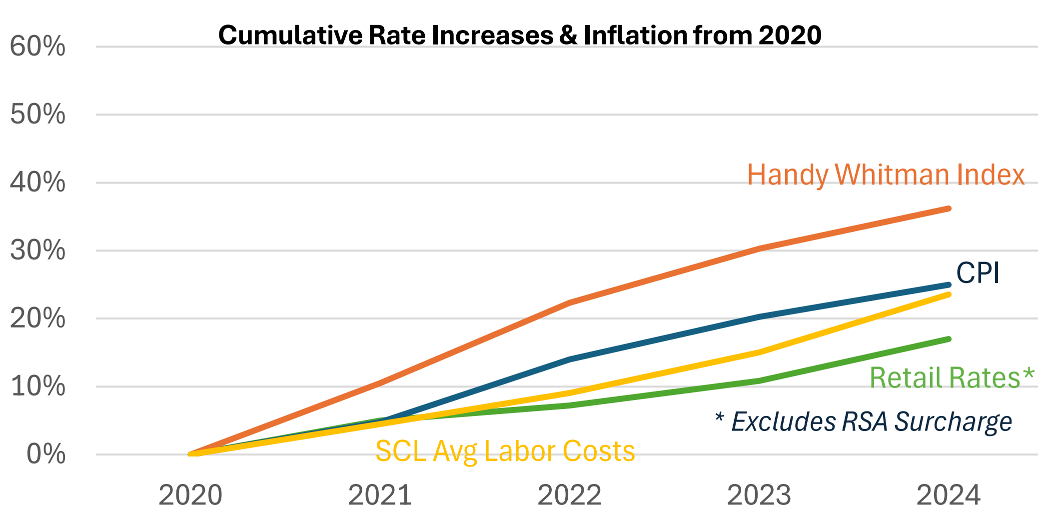


Chart 2: Retail Rates have not kept pace with increasing costs for labor and materials, particularly in the energy industry.



Cost Management Savings

City Light recognizes the challenges rate increases present to our customers and community, and we continue to identify cost savings and cost avoidance opportunities wherever possible. For example, City Light's Hiring Advisory Team evaluates every position request, including backfills for existing positions, to ensure the utility uses each position for the best, highest purpose. The utility's Capital Governance & Oversight Committee performs a similar function for City Light's Capital Improvement Program.

Rate Path

As a public utility, City Light operates to benefit the public – you are our shareholders. This means we spend ratepayer money carefully and we drive down costs through prudent management. While we remain committed to managing costs, we cannot meet the increasing financial pressures of higher power costs, electrification, and the impact of new regulatory requirements without also raising rates.

This Strategic Plan Update results in a rate path of 5.4 percent increases annually for the first two years, 5.0 percent annually the following four years.

Table 1: 2025-2030 Rate Path

	2025	**2026**	**2027**	**2028**	**2029**	**2030**
2025-2030 Rate Path	*5.4%*	*5.4%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*

Bill Impact

For 2025 and 2026, the 5.4% percent increase translates to about $4.88 a month for a typical residential bill or $1.95 a month for a typical residential Utility Discount Program (UDP) bill.

Table 2: Customer Bill Impacts

Customer Bill Impact examples

	Monthly Bill	Monthly Increase						
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**AVG**
Residential (630 kWh/month)	$87.99	$4.75	$5.01	$4.89	$5.13	$5.39	$5.66	$5.14
Residential - UDP (60% Discount)	$35.20	$1.90	$2.00	$1.96	$2.05	$2.16	$2.26	$2.06
Small Commercial - Car Wash	$515	$28	$29	$29	$30	$32	$33	$30
Medium Commercial - Retail Store	$8,298	$448	$472	$461	$484	$508	$534	$484
Large Industrial- Cement	$27,060	$1,461	$1,540	$1,503	$1,578	$1,657	$1,740	$1,580
Large Commercial-Hospital	$105,206	$5,681	$5,988	$5,844	$6,136	$6,443	$6,765	$6,143
Large Commercial-Education	$2,311,844	$124,840	$131,581	$128,413	$134,834	$141,576	$148,654	$134,983

**Typical residential customer who uses 630 kWh per month*

[Call out: Affordability] Access to affordable electricity for everyone is our goal. As a community-based electric utility, rates include funding for income-based bill discount programs, emergency bill repayment resources, and outreach to historically excluded communities, so all customers can access help when they need it.

Review Panel

The Seattle City Light Review Panel is comprised of nine members drawn from among City Light's customers, to 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 the City Council.

Timothy Skeel, Consultant, Economics and Asset Management
(Position 1: Economist)

John Putz, Senior Strategist, The Energy Authority
(Position 2: Financial Analyst)

Kerry Meade, Executive Director, Northwest Energy Efficiency Council
(Position 3: Non-Profit Energy Efficiency Advocate)

Leo Lam, Chief Executive Officer, WEVE Design
(Position 4: Residential Customer Representative)

Mikel Hansen, Chief Operating Officer, Sabey Corporation
(Position 5: Commercial Customer Representative)

Amy Altchuler, Director of Sustainability, First Mode
(Position 6: Industrial Customer Representative)

Oksana Savolyuk, Energy Program Director, Multi Service Center
(Position 7: Low Income Customer Representative)

Di Do, Vice President of Marketing and Communications, NorthStar Energy
(Position 8: At-Large Customer Representative)

Joel Paisner, Partner, Ascent Law Partners, LLP
(Position 9: Suburban Franchise Representative)

Additional Resources

Seattle City Light 2025-2030 Strategic Plan Update
- Financial Forecast
- Outreach Summary

Visit the Seattle City Light Strategic Plan website to learn more.