

#18

**CITY OF SEATTLE**  
**RESOLUTION 31529**

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2  
3 A RESOLUTION relating to the City Light Department; adopting a 2015-2020 Strategic Plan for  
4 the City Light Department and endorsing a six-year rate path required to support the  
5 Strategic Plan.

6 WHEREAS, the City Light Department ("City Light") is the 10<sup>th</sup> largest public utility in the  
7 nation, serving more than 400,000 customer accounts, and providing safe, affordable and  
8 reliable electricity to its customers; and

9 WHEREAS, Resolution 31383 of July 2012 adopted City Light's 2013-2018 Strategic Plan and  
10 endorsed a six-year rate path that supported that plan; and

11 WHEREAS, Resolution 31383 also specified that City Light would review and update the  
12 Strategic Plan every two years, adding two years and re-evaluating the remaining four  
13 years of the existing Strategic Plan; and

14 WHEREAS, City Light has reviewed and updated the Strategic Plan by: (a) reviewing changes  
15 in its operating environment for the 2015-2018 period and making adjustments to remain  
16 within the previously approved rate path; and (b) adding a forecast of revenues,  
17 expenditures and investments for two additional years, 2019 and 2020; and

18 WHEREAS, City Light continues to face challenges which include: (a) providing ever higher  
19 levels of customer service; (b) encouraging even more conservation while also covering  
20 its fixed costs; (c) satisfying power requirements with increasingly expensive resources;  
21 (d) maintaining aging infrastructure while improving its technology; (e) training and  
22 developing its workforce to adapt to evolving industry requirements; and (f) finding and  
23 achieving new operational efficiencies; and

24 WHEREAS, City Light seeks to provide rate predictability and stability in future rates, and to  
25 avoid the pattern of volatile rate adjustments that characterized the decade before the  
26 adoption of the 2013-2018 Strategic Plan; and

27 WHEREAS, in consultation with the Mayor and the City Council, City Light initiated the  
Strategic Planning process in 2010 to provide more transparency and accountability for  
decision-making within City Light; and

1 WHEREAS, Ordinance 123256 establishes the City Light Review Panel (Review Panel) to  
2 represent City Light ratepayers and requires the Review Panel to review and assess City  
Light's strategic plans; and

3 WHEREAS, the Review Panel has reviewed City Light's progress in carrying out the first year  
4 of the Strategic Plan on a quarterly basis in 2013, and also reviewed the Utility's  
proposed changes for the 2015-2020 Strategic Plan Update; and

5 WHEREAS, Ordinance 123256 also charges the Review Panel with assessing City Light's rate  
6 design and its implementation of marginal cost allocation, by its second year of  
7 operation; and

8 WHEREAS, the Strategic Plan update, including the rate design assessment, included extensive  
9 customer engagement, with customer and stakeholder group meetings, neighborhood  
10 council meetings, limited-English-speaking customer outreach, online surveys,  
advertising, and social media outreach; and

11 WHEREAS, the resulting Strategic Plan Update, which includes the rate design proposal, is a  
12 package of investments and improvements to achieve operational efficiencies, improve  
13 customer service and reliability, strengthen City Light's workforce, increase rate  
predictability and financial stability, and continue City Light's commitment to  
conservation and environmental leadership; and

14 WHEREAS, the City Council has reviewed the Strategic Plan Update, the associated six-year  
15 rate path, the recommendation of the Review Panel, and the results of customer  
16 engagement; NOW, THEREFORE,

17 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE**  
18 **MAYOR CONCURRING, THAT:**

19 Section 1. The City Council adopts City Light's proposed 2015-2020 Strategic Plan  
20 Update (the "Strategic Plan"), a copy of which is attached as Attachment A and incorporated by  
21 reference.  
22

23 Section 2. To achieve the goals of the Strategic Plan, an average system rate increase of  
24 4.4% per year is anticipated over the period of 2015-2020. The following six-year rate path for  
25 City Light rates is endorsed:  
26

	2015	2016	2017	2018	2019	2020
Anticipated System Rate Adjustment	4.2%	4.9%	5.0%	3.9%	3.6%	4.9%

Section 3. The City Council requests that the executive submit the 2015-2016 City Light Proposed Budget in support of the Strategic Plan.

Section 4. The City Council requests that the executive submit the 2015-2016 City Light Rate Proposal in support of the Strategic Plan, including the endorsed system rate increases of 4.2% in 2015 and 4.9% in 2016.

Section 5. City Light will continue to review and update the Strategic Plan every two years, adding two years to the Strategic Plan and evaluating the subsequent six-year rate path. The next review and adjustment of the Strategic Plan will be finalized in 2016 and will encompass the years 2017-2022.



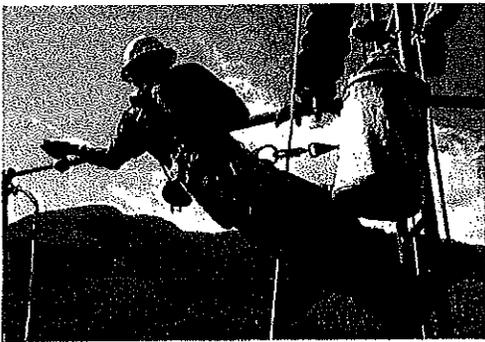
May 2014

SEATTLE CITY LIGHT 2015-2020 STRATEGIC PLAN UPDATE

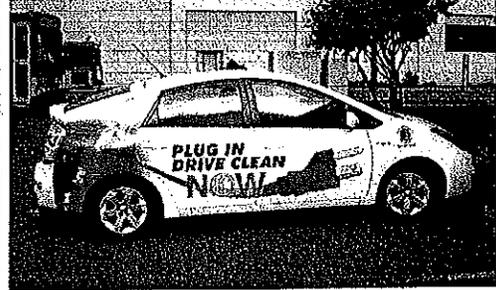
# A PROGRESS REPORT ON YOUR POWER FUTURE



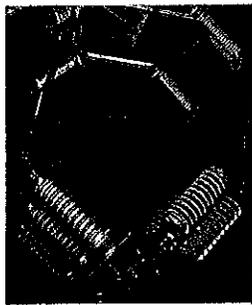
The Seattle City Light Strategic Plan Update highlights the progress the utility is making to realize its goal to exceed customers' expectations in producing and delivering environmentally responsible, safe, affordable and reliable power.



**FUTURE- FORWARD  
ELECTRIC POWER**



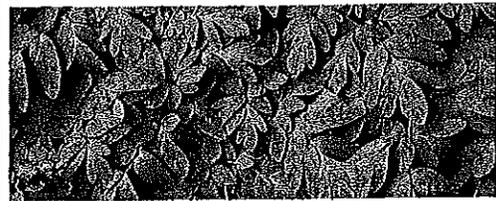
**MAXIMUM EFFICIENCIES**



**COMMUNITY INVOLVEMENT**



**ENHANCED RELIABILITY**



# Letter From The General Manager

## INVESTING NOW: A BRIGHTER FUTURE FOR CUSTOMERS

Now in the second year of our six-year Strategic Plan, I am pleased to report Seattle City Light is delivering on its promise and providing environmentally responsible, safe, affordable and reliable power – today and for years to come.

I would like to thank City Light's Review Panel for its hard work and thoughtful input into our Strategic Plan Update. Panel members spent countless hours reviewing information, analyzing data and discussing all facets of the Update, from rate design to community outreach. We are fortunate to have their involvement.

Initiatives and investments launched last year to improve our performance and provide rate reliability and predictability are well under way, with several already completed. The utility has increased its financial strength, exceeding both its net income and debt service goals for 2013. Additionally, City Light's bond rating was upgraded, which gives us the highest rating of any publicly-owned electric utility in the Pacific Northwest.

The original Strategic Plan is updated every two years to adjust for new forecasts and operational changes, and to make certain the utility delivers on the plan's promises. The updated Strategic Plan reflects what we've learned in the past two years, as well as input from our independent Review Panel, customers and the community.

For 2015-2020, an adjusted rate path of 4.4 percent, down from 4.7 percent, is proposed to address changing conditions. The average increase for a typical residential bill will be \$2.96 a month. Some of the refinements account for higher-than-predicted costs for the Denny Substation due to design changes that were requested by the community, and higher environmental remediation costs. These cost increases will be offset by City Light's lower debt service costs. We also reduced our load growth assumptions based on recent history and our expectation and support for increased conservation in our service area.

To meet these challenges and keep the plan on track, we continue to look for efficiencies. From improving internal processes and incorporating new technologies to improvements to our generating system, our hard work is paying off. We exceeded our efficiency target in 2013 by \$3 million and are on track to achieve overall savings of at least \$18 million per year starting in 2015.

To ensure our revenue model meets the needs of a changing utility and policy direction from the City Council, the Review Panel also conducted an extensive review of City Light's rate design. The result of this process is a new strategic initiative.

As we move forward, we will continue to refine the plan, incorporating new information and lessons learned; however, the fundamentals will remain unchanged.

Most importantly, the Strategic Plan Update is about fulfilling our commitment to transparency and accountability. This blueprint outlines our path forward and is our report card to the community on how we're doing.

On behalf of all the dedicated employees of City Light, thank you for your involvement in our work and in helping us be the best utility in the country. We're making progress. Let's keep it going.

Sincerely,

Jorge Carrasco  
*General Manager*

*Learn more about the Seattle City Light Strategic Plan Update at [www.seattle.gov/light](http://www.seattle.gov/light)*

# Why A Strategic Plan Update?



Two years ago, City Light completed the most extensive planning process ever undertaken by the utility to serve as a road map for how to best meet customers' current and future needs. The plan was the product of a process launched by the mayor and City Council in 2010 and overseen by a newly chartered City Light Review Panel representing key customer groups.

City Light's general manager and officers led the planning effort, with extensive involvement from the Review Panel, other city departments, business groups, neighborhood councils, ethnic communities, business leaders, customers, employees and other key stakeholders. The Seattle City Council unanimously adopted the plan in May 2012.

The Strategic Plan is updated every two years to reflect current conditions, incorporate necessary adjustments and provide a report on progress. The Review Panel is charged with overseeing the Strategic Plan Update and rate policies. Members meet at least monthly to analyze data, hear public input, review new initiatives and consider rate policies.

For the Strategic Plan Update, a number of factors made adjustments necessary. To address changing conditions, four strategic initiatives are proposed, including changes to City Light's rate design that will more accurately reflect its cost structure. Even with these adjustments, the main elements of the Strategic Plan adopted in 2012 remain unchanged.

## CITY LIGHT REVIEW PANEL

Created in 2010 by City of Seattle Ordinance, the City Light Review Panel includes representatives from private, public and non-profit sectors; utility experts; business leaders and community representatives.

The panel met 26 times to hear briefings from City Light leaders about progress made on the original Strategic Plan, to provide input into the update and to consider rate design policy.

### Members include:

- Tom Lienesch  
(Economist)
- Julia M. Ryan  
(Financial Analyst)
- Stan Price  
(Non-profit Energy Efficiency Advocate)
- Eric Thomas  
(Residential Representative)
- David Allen  
(Commercial Customer)
- Chris Roe  
(Industrial Customer)
- Sue Selman  
(Low-Income Customer Representative)
- Eugene Wasserman  
(At-large Customer)

# 2013 Strategic Plan Progress Report

In 2012, the City Council and Mayor adopted a six-year Strategic Plan to predictably and responsibly guide City Light's ability to meet current and future needs. The plan is organized around four key objectives:

## 1. Improve Customer Experience and Rate Predictability

Seattle's technology-savvy population expects City Light to efficiently manage the energy system, respond quickly to customer concerns and outages, and to be able to predict and budget their utility costs.

## 2. Increase Workforce Performance and Safety Practices

The Strategic Plan gives City Light a path to proactively manage an impending wave of retirements and be able to retain highly skilled workers. City Light must also continuously improve its employee safety record, which as of the end of 2013, is ahead of target.

## 3. Enhance Organizational Performance

City Light's goal is to be in the top 10 percent of peer utilities on measures of efficiency and effectiveness, and to reduce baseline costs by an ongoing \$18 million per year, at a minimum, starting in 2015.

## 4. Continue Conservation and Environmental Stewardship Leadership

The Strategic Plan ensures that the utility remains the nation's greenest utility. City Light invests in research and strategic initiatives such as promoting electric vehicles that will help it adapt to the impacts of climate change. The utility is also looking at ways to strengthen its financial resources in environmentally-responsible ways such as optimizing its ability to sell excess power on the wholesale energy market, among other things.

### SIGNIFICANT PROGRESS: KEY ACCOMPLISHMENTS IN 2013



#### **Improved reliability: Achieved average of one outage per customer during 2013 – beating goal**

A new work and asset management program to identify, assess and prioritize work, along with increased tree trimming and a systematic pole replacement program, helped improve reliability in 2013.



#### **Street lights: Exceeded goal of responding to 90 percent of street light outage reports within 10 days**

City Light revamped its street light re-lamping cycle to improve service, speed up street light repair time and reduce costs.



#### **Unit 55 rewind: Increased revenue under normal hydro conditions through 15 percent improvement in generating**

This project repaired the Unit 55 Generator at the Boundary Dam, which had been damaged by long-term exposure to excessive vibration, and replaced turbine runners to improve efficiency. Overhaul and rehabilitation work will improve its performance and ensure it continues to operate efficiently for years to come.



#### **Boundary Dam relicense: New FERC license secures a low-cost clean resource until 2055**

City Light successfully developed protection, mitigation and enhancement measures leading to successful renewal of the Boundary Bay Dam FERC license issued in 2013.



#### **Energy conservation and environmental leadership: City Light is implementing a five-year energy conservation strategy that will double the utility's energy savings**

In 2013, City Light launched a "pay-for-performance" pilot project with three commercial office buildings to test innovative new approaches for building energy savings. City Light also supported two Solarize Seattle neighborhood campaigns resulting in more than 300 customer solar installations with a total of 452 installed city-wide.

# 2013-2018 Strategic Initiative Update

Organized around its four key objectives, City Light is also making 36 strategic investments during the 2013–2018 timeframe. The following chart summarizes progress being made on these strategic investments. For more detailed information, please see Appendices.

STATUS	INITIATIVE	O&M (\$M)	CIP (\$M)
<b>Objective 1: Improve customer experience and rate predictability</b>			
●	Compliance Tracking And Standardization	3.5	0.8
●	*Denny Substation	1.5	173.6
●	Transmission System Improvement		18.2
●	Underground Cable Replacement	1.2	5.3
●	Improved Streetlight Infrastructure		29.9
●	Hydro Performance And Generation Availability	1.4	
○	Advanced Metering Infrastructure	(6.4)	80.5
●	Align Budget And Rates	0.3	
●	Net Wholesale Revenue Practices	126.3	
●	Strengthen Ratepayer Advocacy		
●	Cost Of Service And Rate Design		
●	Customer Portal (Web Site, Services)	0.7	1.4
●	Customer Contact Center Performance		
●	Low Income Assistance Program		
<b>Objective 2: Increase workforce performance and safety practices</b>			
●	Safety Culture Promotion/Practices	(4.6)	
●	**Skilled Workforce Attraction And Retention	27.2	6.2
<b>Objective 3: Enhance organizational performance</b>			
●	Effective Communication And Engagement		
●	Benchmarking City Light Performance		
●	IT Roadmap	1.7	12.5
●	Performance-Based Reporting	5.7	3.1
●	Internal Audit	5.4	
●	Project Management Quality Improvement	4.1	
●	Service-level Agreements	2.8	
●	Procurement Process Improvements	0.8	
●	Efficiency Initiatives	(55.9)	(37.5)
●	Financial Policies	3.0	
●	IT Security Upgrades	1.2	4.2
●	Enterprise GIS	4.1	6.4
○	Mobile Workforce	0.8	-0.8
●	Regional Electric Utility Leadership	(10.2)	
●	Updated Standards	3.0	
<b>Objective 4: Continue conservation and environmental leadership</b>			
●	Enhance Environmental Leadership	0.1	
●	Reduce Environmental Liability	1.4	9.1
○	Electric Vehicle Infrastructure		
●	Climate Research	1.3	
●	Conservation Program Enhancement		

**STATUS KEY:**

- Completed
- On-track
- Behind schedule, expected to be delivered on time
- Scope or timeline adjusted
- Not started



\*Denny Substation costs have increased by \$62 million due to changes in the design in response to community input and higher-than-anticipated environmental remediation costs that were identified in the draft Environmental Impact Statement.

\*\*Refers to the Technical Training Center. The complexity of the pre-design phase resulted in the need for additional funding. City Light also spent time and resources evaluating other potential sites but ultimately determined that the original site was the most cost-effective and well-suited for this project.

# 2013 Strategic Plan Efficiencies Exceed Target

The 2013-2018 Strategic Plan includes both efficiencies that have already been undertaken and new initiatives yet to be implemented. In 2013, City Light achieved \$9.9 million in new savings, exceeding the target of \$6.9 million by \$3 million.

All told, City Light has identified efficiencies that are projected to save \$18 million per year by 2015, including revised transmission, distribution and generation practices, Improved project management on capital projects and improved work processes. The utility will continue to look for efficiencies above and beyond these savings.

EFFICIENCIES	PROPOSED ANNUAL SAVINGS BY 2015	ANNUAL SAVINGS ACHIEVED IN 2013
Revised transmission, distribution and generation practices	\$15,000,000	\$1,874,611
Modified cost allocation and service-level agreements	\$380,000	\$399,000
Improved work process ( <i>billing, credit/collection, procurement, fleet management, street use permitting, project mgt, online security</i> )	\$2,640,000	\$2,893,849
One-time revenue and savings ( <i>real estate sales, Northwest refund, BPA power factor refund</i> )		\$4,321,610
New sustainable savings ( <i>BPA power factor reduction, power management silce solution</i> )		\$379,000
<b>TOTAL</b>	<b>\$18,000,000</b>	<b>\$9,868,070</b>

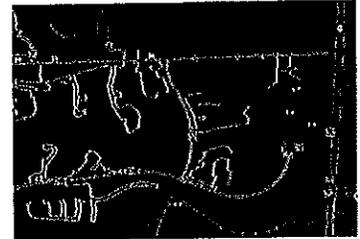


# New Initiatives For 2015-2020 Strategic Plan Update

The updated plan contains four new initiatives which will provide enhanced services and greater efficiencies.

## 1. Distribution automation technology

New technologies are now available to give City Light the ability to actively monitor and manage its distribution system in real time. This initiative will reduce outage duration and frequency. This improves safety and customer service, saving time and money, all key strategic priorities for City Light. The system utilizes a network of field equipment and software to actively monitor, respond to faults and automatically restore electric service, while also managing demand response and optimizing energy delivery.



**2019-2020 cost: \$12 million**

## 2. Service centers master plan

City Light's service centers are the backbone of its operations, directly impacting its mission to provide reliable, low-cost power to customers. Many essential functions are located in the service centers including line trucks and dispatching, materials and equipment, shipping and receiving, staging of supplies, shops operations and fabrication. Built in the 1950s and 1920s respectively, City Light's North and South Service Centers have exceeded their intended operational lifespans:



- Building systems are aging and increasingly unreliable
- Service yard areas are constrained and highly congested
- Little opportunity to accommodate growth or reconfiguring to meet changing needs

Additionally, the South Service Center sits in an area of Seattle that has a high susceptibility to soil liquefaction during an earthquake, which would have significant impacts to continuity of operations following an earthquake.

This initiative will undertake a site master planning process to evaluate options for making improvements to the current facilities or potentially consolidating them into one centralized location.

**2019-2020 cost: \$106 million (this figure represents the lowest cost option)**

## 3. Net wholesale revenue/rate stabilization account

This initiative will reduce the amount of net wholesale revenue assumed in City Light's budget faster than was projected in the original Strategic Plan. It reduces the probability of a rate surcharge in the near term and increases the chances of giving customers a credit or reducing long-term debt in the future.

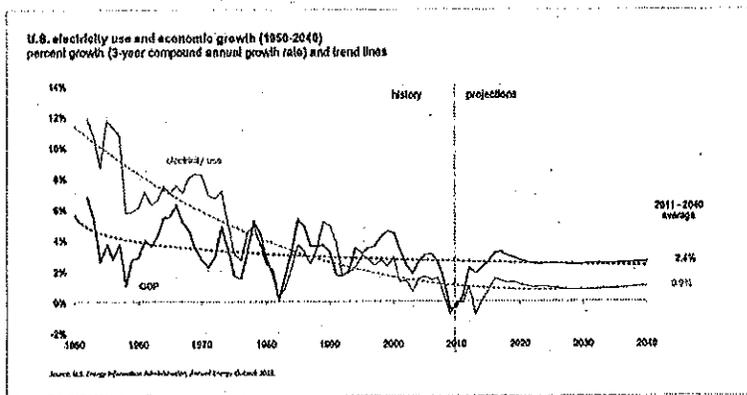


City Light's net wholesale revenue budget target is mandated by ordinance. Over the past few years, the wholesale revenue targets have been higher than City Light's forecast and actual net wholesale revenue. The key reason is the amount of revenue City Light can generate from wholesale power sales is largely dependent on weather and the demand for energy in other markets.

#### 4. Rate Design: Addressing challenges

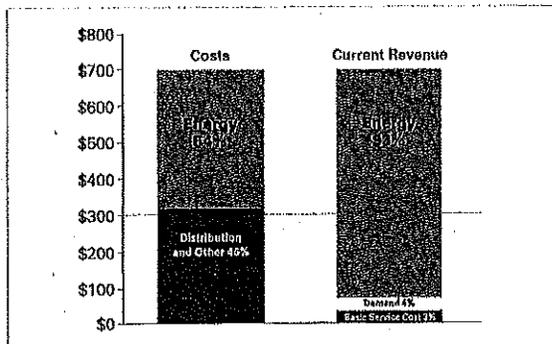
The Strategic Plan reflects the kind of services City Light customers want and the values of the community it serves. Customers expect the utility to use modern technology, operate efficiently, have predictable rates and continue its rich tradition of environmental leadership. They are proud that City Light was the first carbon-neutral utility in the country.

In fact, environmental and conservation programs are changing the landscape. In 1950, energy consumption grew about 12 percent a year. Now, growth averages less than one percent a year.



While customers are using less energy, they want more services, access to new tools like mobile and online outage information and the ability to monitor their energy consumption in real time. Electric utilities across the country are shifting to a more service-driven model of operation.

However, even though customers are using less energy, City Light needs to maintain poles and wires and provide reliable energy and excellent customer service. Nearly 50 percent of the costs of running the utility are fixed, yet 93 percent of its revenue is from variable electric usage (per kilowatt-hour).



### REVIEW PANEL RATE DESIGN GOALS

- **Predictability:** Rates/bills should be predictable.
- **Simplicity/transparency:** Rates should be understandable and changes are implemented in an orderly way.
- **Price signals:** Rates should provide meaningful price signals that ratepayers can observe and act on, to encourage consumption awareness and conservation.
- **Equity:** Everyone should pay their true cost of service.
- **Financial stability:** Rates should collect the full revenue requirement with a reasonable level of certainty.

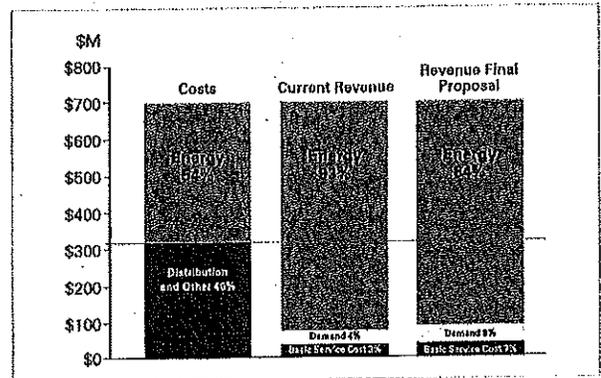
This model has not changed significantly since the 1980s. Consequently, it does not accurately reflect the cost of maintaining City Light's infrastructure and providing high-quality customer service. For example:

- Customers who use electricity consistently (e.g. hospitals and grocery stores) are paying more than it costs the utility to provide electric service to them.
- Customers who generally use a relatively small amount of electricity but have occasional high consumption needs, such as stadiums and convention facilities, are paying less than it costs the utility to provide electric service to them.

### 2015-2016 PROPOSED RATE DESIGN

There is a way to provide customers with better service and rate predictability through some small changes proposed in the utility's rate design. These proposed adjustments would more accurately reflect the utility's cost structure (see figure on right).

These adjustments would not change how much revenue the utility collects from each customer class in a given year, but within a customer class, some will pay slightly more and others a bit less. Here is a snapshot of what it would mean to commercial and residential customers:



#### Commercial customers

- Moving from a minimum charge to a monthly base service charge. The majority of income will still come from the amount of energy a customer uses and promote conservation.
- A time-of-use rate, as appropriate. Instead of using a single flat rate for energy use, time-of-use rates are higher when the cost of electricity is higher.
- A moderate increase in the demand charge for medium, large and high-demand customers.

#### Residential customers

- A continued commitment to the Utility Discount Program which offers qualified customers a 60 percent discount on their electric bill.
- The seasonal rate difference would be removed for residential customers while retaining the two block structure to encourage conservation.
- A small increase in the base service charge, from \$4.70 to approximately \$7 per month. There will also be a reduction in the per kWh charge for the first block of energy used (up to 300 kWh/month), again to encourage conservation.

# City Light: Predictable And Stable Rates

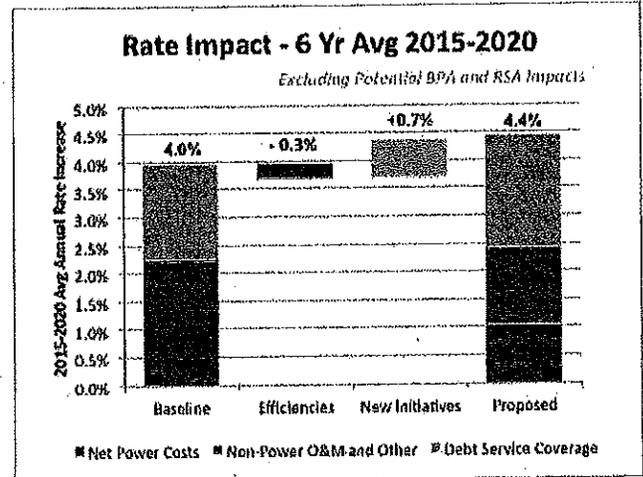
## NEW SIX-YEAR RATE PATH

City Light's long-term rate path, the overall revenue needed by the utility, is represented by the Strategic Plan Update, which establishes predictable and stable rates for the coming years.

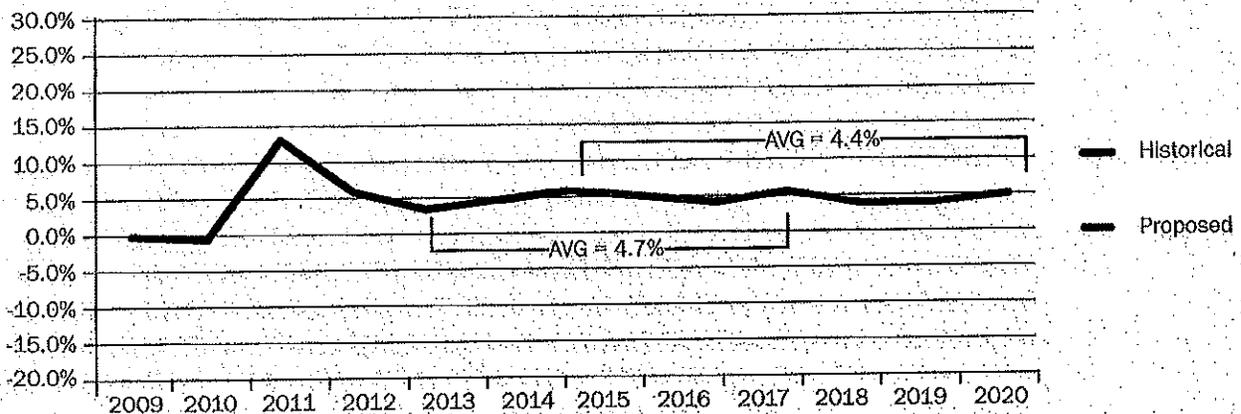
In developing the annual rate increase, City Light began with a baseline of 4 percent. This increase provides for investments and practices required to continue the current level of service. When new efficiencies are deducted and the cost of new initiatives is added, the resulting proposed average annual rate increase is 4.4 percent.

City Light is also exploring other opportunities to increase revenue in environmentally responsible ways, including additional electrification (e.g. industrial/port), optimizing power marketing (e.g. transmission capacity sales, wholesale power into California, energy imbalance market, etc.), and electric vehicle promotion.

The 2012 Strategic Plan established a path for rate increases which averaged 4.7 percent/year through 2018. The updated plan lowers that to 4.4 percent/year for 2015-2020. The rate path is based on several assumptions, including that demand for electricity will increase 0.3 percent per year during 2015-2020, inflation will remain low, and low energy prices will continue affecting the value of the surplus power City Light sells on the wholesale market. The average increase for a typical residential bill will be \$2.96 a month. The actual amount may vary slightly from year to year as revenue and cost assumptions change. Additional rate information is online at [www.seattle.gov/light/strategic-plan](http://www.seattle.gov/light/strategic-plan).



## UPDATED STRATEGIC PLAN RATE PATH 2013-2018 VS. 2015-2020



Proposed rate increases do not include RSA surcharges or automatic passthrough of increased BPA cost.

## EXTENSIVE CUSTOMER ENGAGEMENT

Public outreach and customer engagement were essential to the development of the original 2013–2018 Strategic Plan. These efforts fostered in-depth conversations with customers about how City Light is doing as it produces and delivers environmentally responsible, safe, affordable and reliable power. For the 2015–2020 Update, the utility continued its outreach to make certain its proposed adjustments and new initiatives were on the right track.

There were two distinct phases of public engagement and outreach:

- **Phase 1.** Conducted in fall and winter 2013 and 2014, this outreach gathered feedback for the utility and the Review Panel about possible changes in rate design. The outreach was targeted at both commercial and residential customers, as well as other stakeholders.
- **Phase 2.** Conducted in spring 2014, this outreach gave customers a progress report on the 2013-2018 Strategic Plan and provided an opportunity for them to give feedback on new initiatives proposed for the 2015-2020 update. The outreach targeted both commercial and residential customers utilizing some of the most extensive community involvement strategies in the utility's history.

In addition, the utility launched an extensive engagement campaign with the city's large and diverse non-English speaking communities, focusing on both rate design and Strategic Plan Update for a more comprehensive discussion and review.

Following is a summary of the public engagement and outreach efforts.

## RATE DESIGN AND STRATEGIC PLAN UPDATE OUTREACH

- **Surveys.** Two surveys were conducted to gather customer feedback on rate design and the Strategic Plan Update. In each survey 20,000 residential customers were invited to participate. The surveys were also promoted via social media and prominently displayed on the Strategic Plan website.
- **Focus Groups and town hall-style meetings with non-English speaking customers.** City Light hosted six focus groups and four community presentations with Seattle's diverse ethnic communities. All presentations were conducted in the participants' native languages. Ethnic communities participating included Chinese, Korean, Somali, Vietnamese, Filipino, Spanish, Cambodian, Native American and Pan-Asian. (See Appendix.) A highlight of this outreach was a first-ever, all-Spanish-language Town Hall meeting in partnership with KUNS-TV Univision featuring City Light General Manager Jorge Carrasco. The half-hour show aired twice and was viewed by tens of thousands of Spanish-speaking customers in the Seattle area.
- **In-person meetings with Neighborhood District Councils.** City Light's leadership team made presentations and facilitated discussions with customers at Neighborhood District Councils throughout the city.
- **Online/Social media.** City Light staff used social media (Twitter, Facebook) to talk with customers about the values inherent in the Strategic Plan. This outreach featured a live online chat session with City Light leadership and links to the Strategic Plan website with opportunities to provide feedback. The utility's Power Lines blog also promoted the public survey, the live chat and the schedule of community meetings.

## MEETING OUR COMMITMENT TO ADDRESS THE IMPACT TO LOW INCOME CUSTOMERS

City Light's Utility Discount Program assists income-qualified customers by offering a 60 percent discount on their electric bill. The program currently has approximately 14,000 customers enrolled receiving more than \$7.3 million annually in discounts funded by ratepayers.

In 2013, City Light, in collaboration with other city departments and community-based organizations, launched a comprehensive outreach effort to increase the number of customers participating in the program. Activities included targeted marketing to non-English speakers, community partnerships, visibility at farmers markets, schools and community events, and advertising and outreach to seniors.

In 2013, the utility's efforts garnered 1,094 new program enrollments. The original plan goal was to increase enrollment by 2,500 and move toward a total of 22,000 by 2018. Under Mayor Murray's leadership, this goal will increase to 28,000 by 2018.

Another way the utility is assisting low income customers to save money is by helping them reduce their power use through home energy visits and weatherization improvements.

City Light also offers emergency assistance programs to help customers in need pay their utility bills, energy use education, and budget counseling. budget counselling and weatherization services.



## ABOUT SEATTLE CITY LIGHT

Seattle City Light was created by the citizens of Seattle in 1902 when they approved bonds to build a hydroelectric power plant on the Cedar River. The plant delivered its first electricity to customers in 1905.

As a municipally-owned public power system, City Light is governed by elected Seattle officials and primarily supported by customer revenues as well as surplus power sales.

Recognized as a national leader in energy efficiency and environmental stewardship, City Light provides low-cost, reliable and environmentally responsible electric power. Over half of customers' electric needs are met from hydropower dams owned and operated by City Light; most of the remaining power needs are met by hydropower purchased from the Bonneville Power Administration and investments in renewable and conservation resources. City Light is the 10th largest public power system in the United States on the basis of retail energy sales.

# Appendices

- Financial update
- Outreach summary
- Strategic Plan Initiative update summaries
- Review Panel recommendations letter



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Seattle, WA 98124-4023

## 2014 Strategic Plan Financial Assumptions 2015-2020

### Summary

This document outlines the financial assumptions behind City Light's 2015-2020 Strategic Plan Update. Overall, customers can expect an average annual increase of 4.4% in Retail Rates from 2015 to 2020.

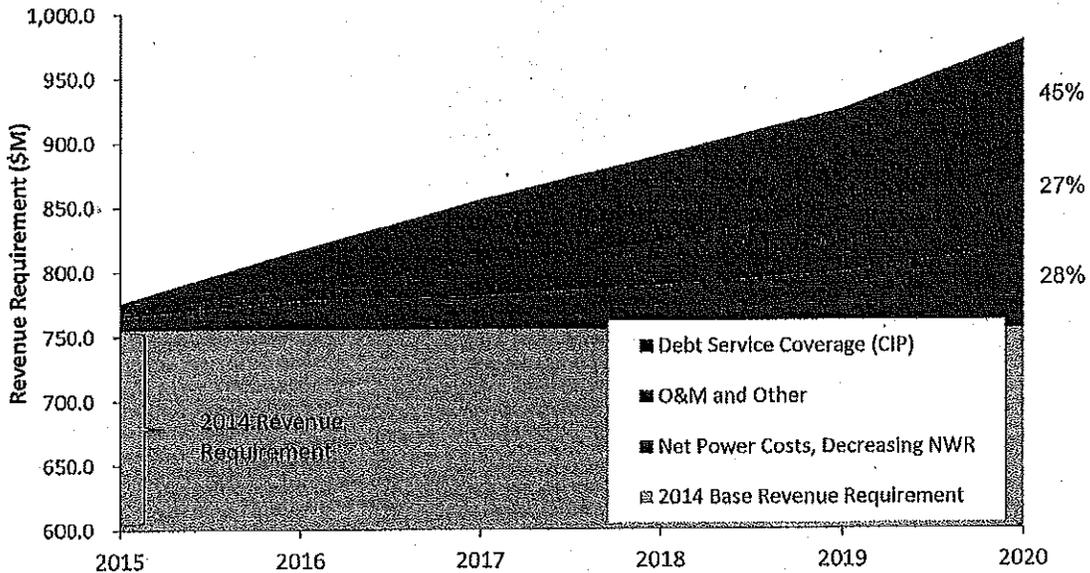
#### Rate Increase Summary

*Does not include rate impacts from any future BPA pass-through or RSA surcharges/credits*

	2015	2016	2017	2018	2019	2020	6 Yr Avg
Revenue Requirement (\$M)	774.1	815.6	854.0	888.2	923.5	976.6	
Retail Sales (GWh)	9,567.3	9,611.4	9,588.2	9,595.8	9,629.1	9,704.9	
Average Rate (\$/MWh)	80.9	84.9	89.1	92.6	95.9	100.6	
Annual Rate Increase	4.2%	4.9%	5.0%	3.9%	3.6%	4.9%	4.4%

The major driver of the increase in City Light's revenue requirement is a 45% increase in repayment of debt that is issued to fund City Light's capital requirements. The remaining drivers of the increase are due to rising power and O&M costs.

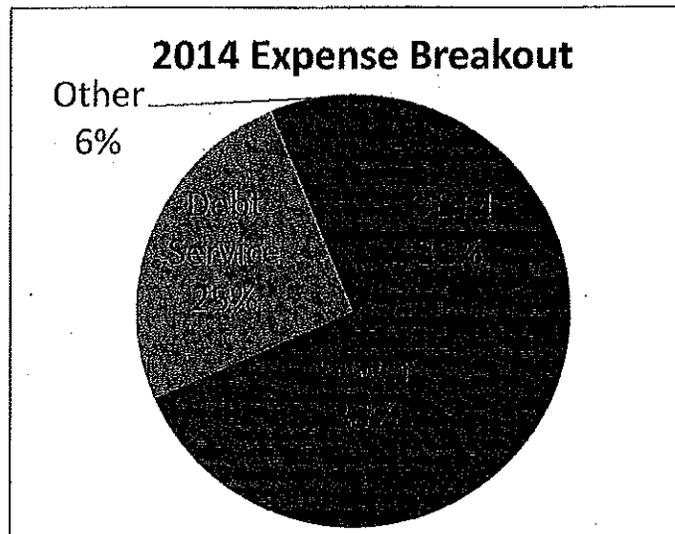
### 2015-2020 Strategic Plan Revenue Requirement Drivers



The following table shows revenue requirement drivers in more detail.

**Components of Revenue Requirement (\$M)**

Element	2014 Budget	2020 Plan	Increase (Decrease) 2020 vs. 2014	Proportion of Increase to the Revenue Requirement
<b>Debt Service Coverage</b>				
Debt Service Coverage for Capital Program (CIP) and Deferred O&M	\$341	\$440	\$99	45%
<b>O&amp;M, Taxes and Other</b>				
O & M	\$238	\$291	\$54	27%
Taxes, Uncollectible Revenue, & Other	\$49	\$61	\$12	
Miscellaneous Revenue	(\$40)	(\$45)	(\$5)	
<b>Net Power Costs</b>				
Power Contracts Expense	\$274	\$296	\$22	28%
Net Wholesale Energy Revenue	(\$85)	(\$50)	\$35	
Power Revenues, Net	(\$23)	(\$17)	\$6	



**Debt Service Coverage (CIP, Deferred O&M and Bonds)**

*Debt Issues*

- Assumes a planned 2014 bond issue of \$200 million.
- Future bonds are sized to meet cash requirements for 12 months. Cash requirements are driven by the Capital Requirements and are partially offset by Capital Contributions and the amount of Operating Revenues used to fund CIP.

**Capital Requirements**

<b>Capital Improvements (\$M)</b>							
	2015	2016	2017	2018	2019	2020	Total
<b>Power Supply</b>	<b>70.2</b>	<b>84.7</b>	<b>63.0</b>	<b>63.6</b>	<b>44.6</b>	<b>80.7</b>	<b>406.8</b>
Boundary	36.6	41.6	40.4	41.1	23.0	36.5	219.2
Skagit	27.7	37.0	16.6	17.3	14.5	30.9	144.0
Cedar Falls - Tolt	1.8	1.7	2.1	2.6	6.0	7.7	21.9
Power Supply Other	4.1	4.4	3.9	2.6	1.1	5.6	21.7
<b>Transmission</b>	<b>7.7</b>	<b>14.6</b>	<b>5.5</b>	<b>4.5</b>	<b>21.4</b>	<b>12.4</b>	<b>66.1</b>
<b>Distribution</b>	<b>206.4</b>	<b>234.7</b>	<b>157.2</b>	<b>123.4</b>	<b>156.9</b>	<b>178.6</b>	<b>1,057.2</b>
Substations	48.8	84.4	20.2	19.2	20.8	7.2	200.6
Network	28.5	29.7	25.5	17.7	26.7	38.1	166.2
Radial	50.8	49.1	50.3	46.6	48.7	71.5	317.0
Service Connections	57.8	54.4	54.9	33.4	37.3	48.0	285.8
Distribution Other	20.5	17.1	6.3	6.5	23.4	13.8	87.6
<b>External Projects</b>	<b>45.2</b>	<b>32.3</b>	<b>28.3</b>	<b>26.7</b>	<b>17.8</b>	<b>27.1</b>	<b>177.4</b>
Local Jurisdictions	17.2	11.3	11.4	11.2	12.1	20.0	83.2
Transportation Relocations	27.1	21.0	16.9	15.5	5.7	7.1	93.3
Customer Other	0.9	0.0	0.0	0.0	0.0	0.0	0.9
<b>Central Utility Projects</b>	<b>33.9</b>	<b>19.1</b>	<b>17.1</b>	<b>17.7</b>	<b>77.9</b>	<b>45.1</b>	<b>210.8</b>
Customer and Billing	8.1	0.0	0.0	0.0	0.0	0.0	8.1
Finance and IT Systems	7.8	7.7	7.0	6.9	7.7	7.8	44.9
Fleets and Facilities	18.0	11.4	10.1	10.8	70.2	37.3	157.8
<b>Totals</b>	<b>363.4</b>	<b>385.4</b>	<b>271.1</b>	<b>235.9</b>	<b>318.6</b>	<b>343.9</b>	<b>1,918.3</b>

- Based on SCL's 2015-2020 proposed six-year Capital Improvement Plan (CIP):
  - Cash requirements (which differ slightly from the budgeted amount since budget dollars can be encumbered and carried forward to future years).
  - Assumes a 10% under-expenditure.
  - Inflated using CPI index (see below in O&M section).
  - Includes two new strategic initiatives in 2019-2020:
    - Distribution Automation - \$12.9 million (\$11.4 million in 2014 dollars),
    - Service Center replacement - \$106 million based on low cost option-- seismic upgrade only. Total price range is approximately \$90-\$450 million in 2014 dollars, not expected to exceed \$106 million in 2019-2020 for any of the options.

Paula J. Laschober  
SCL 2015-2020 Strategic Plan RES Att B  
May 13, 2014  
Version 1

- Conservation forecast reflects planned expenditures necessary to achieve 14 aMW of new savings per year.
- Other Deferred O&M reflects forecasted costs for environmental cleanup, Skagit project license costs and a small amount related to S. Fork Tolt and the Endangered Species Act.
- Capital contributions and grants are anticipated sources of capital funding for specific projects from third parties.

*Debt Service*

- Outstanding debt will be repaid based on existing repayment schedules.
- Future bond issues have repayment assumptions of 30 years at 5% interest.
- For the 2014 issue an additional \$2.5 million reduction to debt service per year was included to account for new practices in City Light's liquidity management (which will ultimately reduce the required 2014 issue size).

**Debt Issues, Capital Requirements and Debt Service (\$M)**

Debt Service Component	2015	2016	2017	2018	2019	2020
<b>Bond Issues</b>						
Bond Issue Amount	292.4	240.3	212.3	206.9	283.1	207.6
Issue Costs	(1.8)	(1.4)	(1.3)	(1.2)	(1.7)	(1.2)
Deposits to Bond Reserve	(16.0)	(11.0)	(14.0)	(13.0)	(16.0)	-
<b>Net Bond Proceeds</b>	<b>274.6</b>	<b>227.9</b>	<b>197.0</b>	<b>192.7</b>	<b>265.4</b>	<b>206.4</b>
<b>Capital Contributions and Grants</b>	<b>32.3</b>	<b>39.0</b>	<b>28.8</b>	<b>27.6</b>	<b>23.9</b>	<b>24.2</b>
<b>Capital Requirements</b>						
Capital Projects	363.4	385.4	271.1	235.9	318.6	343.9
Conservation Projects	39.8	40.9	42.1	43.3	44.6	45.9
Other Deferred O&M	5.2	4.7	7.1	7.3	7.4	7.6
Deferred High Ross Charges	9.1	9.1	9.1	9.1	9.1	9.1
<b>Total</b>	<b>417.5</b>	<b>440.2</b>	<b>329.4</b>	<b>295.7</b>	<b>379.8</b>	<b>406.5</b>
<b>Debt Service</b>						
Existing Debt (debt held in 2013)	182.2	175.8	171.9	167.7	159.5	153.9
Future Debt Issues	11.8	28.9	45.3	59.2	72.8	90.6
<b>Total Debt Service</b>	<b>194.0</b>	<b>204.7</b>	<b>217.2</b>	<b>226.9</b>	<b>232.3</b>	<b>244.5</b>
<b>Debt Service Coverage (1.8x)</b>	<b>349.2</b>	<b>368.4</b>	<b>391.0</b>	<b>408.5</b>	<b>418.2</b>	<b>440.1</b>

**O & M, Taxes and Other**

**O&M**

*Inflation*

- The base forecast of O&M expenses for 2015 through 2020 was developed by taking the 2014 Adopted Budget and inflating it to account for the growing costs of operating the Utility. Different inflation factors were used based on the specific budget category.

**City Light Inflation for Budget Categories**

O&M Category	2015-2020 Growth Rate	Comments
Labor	2.4%	Expected to grow at around CPI inflation.
Maintenance - Data Processing	3.0%	Grows slightly faster than CPI Inflation.
Non-Labor	2.4%	Grows at CPI Inflation.
Supplies - Operating	8.0%	Includes IT equipment and software, fuel costs, inventory material for distribution and generation systems. Expected to increase much faster than CPI inflation.
Taxes - Licenses and Permits	2.4%	Grows at CPI inflation.
Labor Benefits	5.0%	Includes pensions, social security (FICA), medical-dental-vision insurance and all other labor benefits. Assumed to grow at a rate greater than CPI Inflation.

- CPI Inflation forecast for 2015-2020 is based on Dick Conway's forecast for the Puget Sound Region, which is approximately 2.4% per year.

	2015	2016	2017	2018	2019	2020
CPI Inflation	2.4%	2.4%	2.4%	2.4%	2.3%	2.3%

*Non-Inflation Adjustments*

In addition to inflation, the following adjustments were made:

- Adding O&M costs for Strategic Initiatives above what is included in 2014 inflated budget.
- Including a \$10 million under-expenditure assumption based on historical spending vs. budget authority. This is equivalent to roughly 3% of the non-power O&M budget.
- Capitalized overheads—expenses in the O&M budget that will be recorded as capital or deferred O&M.
- Other adjustments:
  - Replacing the inflated 2014 FERC Fees with a forecast from City Light's Power Contracts Division.
  - Adding expenses for Renewable Energy Credits and Intertie O&M (items budgeted in purchased power but recorded as non-power O&M in City Light's financial reporting).

Non-Power O&M (\$M)	2015	2016	2017	2018	2019	2020
Inflated 2014 Budget	318.4	328.6	339.2	350.2	361.6	373.5
Initiatives above Inflated 2014 Values	3.5	1.3	1.7	1.0	3.0	4.0
Under Expenditure Assumption	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
Capitalized Overheads	(79.4)	(81.1)	(81.1)	(84.8)	(87.2)	(89.2)
Other Adjustments	6.8	8.3	8.1	9.8	13.2	13.2
<b>Total</b>	<b>239.3</b>	<b>247.0</b>	<b>257.9</b>	<b>266.2</b>	<b>280.5</b>	<b>291.4</b>

**Taxes, Franchise Payments, RSA Transfers and Uncollectible Revenue**

- State taxes are 3.8734% of retail revenues, some other revenues and contributions. City taxes are 6%, but are not a direct rate driver since they are junior to debt service.
- Suburban franchise contractual payments for future years are calculated using the same percentage of retail revenue that is currently in use.
- Uncollectible Revenue is modeled as 0.9% of retail revenues.

**Taxes, Franchise Payments, RSA Transfers and Uncollectible Revenue**

\$ Millions	2015	2016	2017	2018	2019	2020
State Taxes	31.0	32.5	33.4	34.6	35.8	37.9
Other Taxes and Payments	4.4	3.7	3.8	3.9	4.0	4.0
Franchise Payments	5.9	6.2	6.4	6.7	7.0	7.3
RSA Transfers, net	0.2	1.1	1.6	1.6	1.6	1.6
Uncollectible Revenue	7.0	7.4	7.7	8.0	8.7	9.6
<b>Total</b>	<b>48.5</b>	<b>50.8</b>	<b>52.9</b>	<b>54.8</b>	<b>57.1</b>	<b>60.5</b>

**Miscellaneous Revenue**

- Miscellaneous Retail Revenue includes revenues from retail customers for services or programs that are not considered as part of "base rates" such as Green Power programs and Power Factor Charges.
- The "Other" category includes a broad range of income sources such as small property sales, suburban undergrounding, operating fees and grants, late payment fees, payments for damages to SCL property, transmission tower attachments, distribution pole attachments and account change fees.
  - The forecasts of these items are indexed to simple indicators such as inflation or number of accounts.
  - An \$18m Roy Street property sale is assumed in 2015. However, it is treated as an offset to CIP and, therefore, is not a direct rate driver and is not included in this category.
  - Miscellaneous small property sales assumed in the range of \$1-2m per year.
- Interest Income assumes cash holdings accrue interest at an annual rate of 1.5% on average.

Other Revenue Sources (\$M)	2015	2016	2017	2018	2019	2020
Misc Retail Revenue	3.9	4.0	4.1	4.2	4.3	6.9
Other	27.3	27.1	27.7	28.1	28.3	28.6
Interest Income	7.4	8.4	8.1	8.7	9.4	9.3
<b>Total</b>	<b>38.6</b>	<b>39.4</b>	<b>39.9</b>	<b>41.0</b>	<b>42.0</b>	<b>44.9</b>

## Net Power Costs

### Power Contracts

- BPA power and wheeling costs are based on values adopted in the 2013-2018 Strategic Plan, which assumed annual growth at about CPI inflation. Values for 2019 and 2020 were estimated assuming 2018 values growing at CPI inflation.
- No new resources acquired. Per the IRP, load growth is substantially offset by conservation and served with existing resources.
- No election of Priest Rapids Meaningful Priority.
- No costs associated with owned resources (e.g., Skagit, Boundary); these are categorized as O&M and CIP.

Power Contracts & Wheeling (\$M)	2015	2016	2017	2018	2019	2020
BPA	165.0	169.4	172.1	177.0	181.1	185.2
Priest Rapids	3.1	3.2	3.3	3.4	3.4	3.4
High Ross Contract	13.1	13.1	13.1	14.1	13.0	13.0
Grand Coulee	5.9	6.1	6.2	6.4	6.7	7.0
Lucky Peak	7.1	7.3	7.6	7.8	8.0	8.2
SPI Purchases	2.6	2.6	1.6			
Wind Resources	27.0	27.2	27.3	27.4	27.6	27.7
Columbia Ridge	6.1	6.2	6.3	6.5	6.6	6.7
King County West Point	2.0	2.0	2.1	2.1	2.2	2.3
Wheeling and Other	36.5	37.6	38.1	39.4	39.4	42.4
<b>Total</b>	<b>268.4</b>	<b>274.8</b>	<b>277.6</b>	<b>284.1</b>	<b>287.9</b>	<b>295.9</b>

### Net Wholesale Revenue

- Planned Net Wholesale Revenue (or NWR budget) is a conservative planning value adopted by policy and intended to yield a low likelihood of RSA surcharges in future years.
- The assumed budgeted NWR is shown below both for the original Strategic Plan 2013-2018 as well as the Strategic Plan Update 2015-2020.

#### Net Wholesale Revenue Budget (\$M)

	2013	2014	2015	2016	2017	2018	2019	2020
Original Strategic Plan Budget (2013-2018)	90	85	85	75	70	64	N/A	N/A
Proposed Budget for Plan Update (2015-2020)	N/A	N/A	65	60	60	60	55	50

- A \$20m decrease in the net wholesale assumption in 2015 dramatically reduces the likelihood of a surcharge and increases transparency and consistency in rates. This

decrease would have the impact of increasing base rates in 2015 from 1.4% to 4.2% but decreasing the 2016 base rate change from 5.6% to 4.9%, thereby evening out the rate impacts in all the years of the updated plan. City Light selected \$65m as the 2015 target because it was the value that provided the smoothest rate path in 2015-2016.

- The total impact of reducing net wholesale revenue from the amounts assumed in the 2013-2018 Strategic Plan is only a slight increase in average annual rate increases, from 4.2% to 4.4%.

#### Power Revenues, Net

- City Light generates revenues from a handful of long-term power contracts. These revenues are projected to decline beginning in 2019 due to the phasing out of a look-back credit from BPA's Residential Exchange program.
- Power Marketing Revenues are from sales of auxiliary services associated with generation and transmission assets.

Power Revenues, Net (\$M)	2015	2016	2017	2018	2019	2020
Power Contract Revenue	16.6	16.5	16.3	16.0	14.7	10.3
Power Marketing, Net	11.1	9.6	9.2	8.4	8.5	6.2
<b>Total</b>	<b>27.7</b>	<b>26.0</b>	<b>25.5</b>	<b>24.5</b>	<b>23.2</b>	<b>16.5</b>

#### Retail System Load / Retail Sales

- Based on the May 2013 official long term load growth forecast, which shows retail sales growing at an average rate of 0.3% per year from 2015 to 2020.
- Load growth is mostly in the commercial sector. The effects of the recent recession and slow economic recovery, as well as efficiency improvements, reduce growth in the industrial and residential sectors.
- Assumes utility-driven conservation levels of 14 aMW in savings per year.

Retail Sales						
GWh	2015	2016	2017	2018	2019	2020
Residential	3,158	3,157	3,140	3,130	3,118	3,114
Small and Medium Commercial	3,777	3,808	3,810	3,826	3,854	3,902
Large Commercial and High Demand	2,633	2,647	2,639	2,640	2,657	2,689
<b>Total</b>	<b>9,567</b>	<b>9,611</b>	<b>9,588</b>	<b>9,596</b>	<b>9,629</b>	<b>9,705</b>
Annual Change						
Residential		0.0%	-0.5%	-0.3%	-0.4%	-0.1%
Small and Medium Commercial		0.8%	0.1%	0.4%	0.7%	1.2%
Large Commercial and High Demand		0.5%	-0.3%	0.0%	0.6%	1.2%

## Seattle City Light – 2015-2020 Strategic Plan Update Summary of Outreach

### OVERVIEW

In February and March 2014 Seattle City Light leadership engaged in a robust outreach effort to inform its commercial and residential customers, community advocates, employees and other interested parties about progress made on the 2013-2018 Strategic Plan, and new initiatives that may be proposed for the updated 2015-2020 plan.

This outreach builds upon the extensive community and stakeholder engagement done in 2011 and 2012 to create the original six-year plan, which was unanimously approved by the Mayor and City Council in 2012. That plan established a path for rate increase, which average 4.7 percent/year through 2018. The updated plan lowers that to 4.4 percent/year for 2019-2020.

The utility's strategy for getting feedback on the proposed updated plan was to maximize its outreach efforts by using a combination of in-person meetings with Neighborhood District Councils and business groups, surveys and focus groups, social media, as well as an unprecedented level of outreach to non-English speaking communities.

### SPECIFIC OUTREACH EFFORTS

#### Surveys

Customers were asked to give City Light feedback by taking an online survey about the original 2013-2018 plan and proposed initiatives for the 2015-2020 updated plan. Approximately 20,000 customers (residential and commercial) were randomly selected and sent an email with an invitation and a link to the survey. In addition, the survey was promoted via social media and prominently displayed on the Strategic Plan website.

Overall knowledge, interest and support for the Strategic Plan is strong. Residential customers give City Light particularly good marks for customer service and environmental leadership. Regarding the Strategic Plan objectives, residential customers rate affordability, investing in renewable energy, and increased efficiencies as important priorities. A slight majority of survey respondents feel that the rate path for the current six-year plan and the update is reasonable.

#### Focus Groups and Town Hall meetings with non-English speaking customers

In February and March, City Light hosted a large number of focus groups and community presentations to engage Seattle's diverse ethnic communities in the utility's rate design and Strategic Plan update. All presentations were conducted in the participant's native languages. Ethnic communities participating included: Chinese, Korean, Somali, Vietnamese, Filipino, Spanish, Cambodian, Native American and Pan-Asian. A summary report of this outreach is attached.

A highlight of this outreach was a first-ever all-Spanish language Town Hall meeting in partnership with KUNS-TV Univision featuring City Light General Manager Jorge Carrasco. City Light staff created a Spanish language video summarizing the Strategic Plan that was included in the broadcast. The half-hour show aired twice and was viewed by tens of thousands of Spanish speaking customers in the Seattle area.

#### In-person meetings with neighborhood District Councils

An important component of the outreach included a series of presentations by members of the City Light leadership team followed by discussions with members of Seattle's Neighborhood District Councils (Lake Union, Magnolia/Queen Anne, Central and Northwest. Information was also given to the Department of Neighborhoods District Coordinators, so they could share the information at community events and meetings). The purpose was to gauge customer knowledge of the original six-year plan and talk about the new initiatives proposed for the update. Through this outreach, the utility met with at least one Neighborhood District Council in each of the three regions of the city; South, Central, and North.

Overall, customers clearly understood the concepts in the original plan and generally understood the new initiatives being offered in the updated version. Specific knowledge about the work of Seattle City Light beyond providing electricity varied greatly. While some customers knew little about the utility's conservation efforts and how it produced power, others had extensive knowledge of the utility's operations and programs. Below is a summary of the type of questions asked and comments made at the District Council meetings:

##### *Rates*

There was some discussion at each meeting regarding the rate path described in the original Strategic Plan and in the update. Participants felt that offering some of the lowest rates in the country is a key attribute of the utility. They went on to say that residential and commercial customers are proud of this and want to keep it that way. Some participants wanted more details on how low-income customers could access the utility discount and conservation programs in order to mitigate any rate increases.

Overall, while rate increases are not desirable, customers expressed an understanding that they are necessary in order to ensure continued service reliability. Customers also valued predictable rate increases as a positive change from the unexpected rate increases of the past.

##### *Reliability*

For the most part, customers were pleased with the reliability of City Light's service. One participant said that he had not experienced an outage in 30 years. A participant from the Fremont area said that some businesses had experienced 6 outages in the past year and clearly understood the need for increased attention to the utility's infrastructure.

#### *Carbon reduction*

Conservation and carbon reduction came up at every meeting. Customers are very proud that City Light was the first public utility in the country to be carbon-neutral. Others wanted more information on City Light's carbon reduction programs and how climate change is impacting the utility. There were questions about conservation services available to homeowners and if there will be an increase in the subsidies offered for LED lights.

#### *Maintenance/Tree trimming*

Customers had questions about the maintenance backlog. Some wanted to know why it is such a problem and how long it will take to catch up. There were also some questions about trees. Some customers would prefer the utility cut fewer and plant more of them for other City properties.

#### *Operations*

Overall, participants were engaged in learning about how their utility operates. They had specific questions about City Light's annual budget, its debt service, customer count, and revenue from wholesale power sales. At one meeting, a customer wanted to talk about undergrounding all of its power lines.

Unrelated to the Strategic Plan, some customers who live in large apartment complexes wanted to talk about how they are billed and if their bill included a basic service charge.

#### Online/Social Media

City Light staff used social media (Twitter, Facebook) to talk with customers about the values inherent in the Strategic Plan. Utility communications staff organized and hosted a live online chat with City Light chief of staff Saphir Hamilton and chief financial officer Jeff Bishop. Promotion of the live online chat included postings on social media platforms with links to the Strategic Plan website and information about how customers could provide feedback. Customers were asked to submit questions via Twitter to @seacitylight with a #strategicplan hashtag. Currently, City Light's Twitter reach is more than 8,000 customers. Facebook was also used as a forum for customers to submit questions. Answers were displayed on the Facebook page as well as the Strategic Plan website.

The vast majority of questions posted related to rates and environmental protections. Customers wanted to know how the Strategic Plan would impact their bills, and gave support to the utility's environmental programs.

Social media was also used to promote the online survey. All followers of City Light's Twitter and Facebook pages were given a link to the customer survey and encouraged to give City Light their feedback.

Utility communications staff also created content for the Power Lines blog promoting the survey, the live chat and links to community meetings.

The Strategic Plan website was also revised with content related to the update. New content included:

- A folio which included progress made on the 2013-2018 plan and new initiatives planned for the 2015-2020 update.
- A calendar of community meetings
- A customer survey

#### Correspondence/emails

The utility received very few letters or emails from customers about the Strategic Plan- less than ten. Most provided comments about keeping rates low, the Utility Discount Program, new metering technology and continuing the utility's environmental leadership.

#### Materials created

- Printed folio for use at community meetings and other outreach
- PowerPoint presentation for use at community meetings
- Spanish language video for KUNS-TV Univision Town Hall Meeting

## **Seattle City Light Strategic Plan Update and Rate Design Outreach & Engagement of Non-English-Speaking Communities**



**February, March & April 2014**

## **Background**

In February and March 2014, The Connections Group (TCG) worked with Seattle City Light (SCL) to conduct a series of focus groups, community presentations and an innovative all-Spanish-speaking Town Hall event – to engage Seattle’s diverse ethnic communities in Seattle City Light’s rate design model and strategic plan update. Through the engagement of these often underrepresented communities, our primary purpose was to gauge the public’s ongoing reaction to the long-term plans and priorities of the utility. In addition, our goals included further educating SCL customers about their utility’s service, how to access information, how to apply for the low-income assistance and other programs, and measure the audience’s reaction about the proposed changes in fixed costs that might affect their bills.

Our initial recommendation to Seattle City Light was that the best strategy to engage Seattle’s many ethnic communities is not through a “one-size-fits-all model”, but through a multifaceted approach, connecting individually with each community using key connectors from that culturally-diverse group. These best practices included:

- Presenting the information in the participants’ native languages;
- Explaining hard-to-understand and technical topics simply, allowing for many questions;
- Finding relevancy for these communities in rate discussions and benefits they might access;
- Personalizing the experience in small groups, individual interviews or at locations participants feel safe to express their opinions.

Our action plan was to host a series of focus groups and community presentations in the native language of the participants and in locations that were familiar, then we asked very basic questions about SCL in the form of a quiz. We would then present specific information on rate design changes and listen to their more in-depth conversations through interpreters hired to talk to the audience members in their native language and SCL staff and TCG listened to that conversation through a second interpreter. Through this approach, SCL and TCG could establish an environment that welcomed the unique perspective of each varying ethnic background with the result being unique and valuable ideas pertaining to SCL’s rate design and strategic plan update – results that were very different for some groups.

## **Methodology**

Recognizing the inefficiency and expense of recruiting participants from non-English communities from a phone list, we decided to utilize existing relationships that TCG has developed in working with various community organizations over the past decade. This re-enforced TCG’s recommendation of creating safe spaces for ethnically-targeted populations using familiar local organization staff and volunteers who then helped recruit the participants. TCG worked with the individual community organizations to find meeting rooms convenient to the attendees, and coordinated logistics to make the presentations as inviting as possible. There was an informal screening process allowing our recruiting organizations a chance to review many potential participants from their respective communities. TCG required participants be SCL customers (except not SCL employees), and requested a mix of gender and ages. At least one Seattle City Light staff member attended each event to answer specific questions and to present information on the low-income assistance program.

TCG organized six community (45-60 minute) focus groups for the Chinese, Vietnamese, Korean, Somali, Filipino, and Pan-Asian communities in Seattle. The focus groups began with a seven-question quiz related to City Light services, customer base, and proposed changes. TCG reviewed the answers of the quiz in order to better grasp the audiences’ understanding of their utility and to help them get engaged

with the material before reviewing more specific topics such as the proposed rate changes and City Light service information. The community presentations were between fifteen and thirty minutes in length --- with some of them longer as it was important everyone understood the basics so we could move onto the strategy plan update and rate design information. We presented to El Centro's leadership staff, Cambodian activist community members, a Spanish-speaking family support group, and a lunch group of Native American elders. Both the focus groups and the community presentations resulted in more than 100 participants. The dates, details, and locations of the focus groups and community presentations were:

#### **I. Focus Groups**

- February 19, Chinese Information and Service Center (14 Chinese participants)*
- February 22, Spartan Recreation Center (9 Korean participants)*
- February 22, The Harry Thomas Community Center at Lee House (15 Somali participants)*
- February 25, Garfield Community Center (15 Vietnamese participants)*
- March 18, Filipino Community Center (17 Filipino participants)*
- March 22, Pan Asian Community Meeting (9 Pan-Asian participants)*

#### **II. Community Presentations**

- March 5, El Centro De La Raza (10 participants from El Centro's Leadership Staff)*
- March 14, Southwest Youth and Family Services (17 Cambodian participants)*
- March 24, Southwest Youth and Family Services (8 Spanish-speaking participants)*
- March 26, Seattle Indian Health Board (25 Native American Elders)*

In order to achieve a relaxed tone and natural flow of discussion, we were wary of conducting the five focus groups and community presentations with an English-speaking moderator and interpreter. Using an interpreter instead of a trained moderator would mean that every time we stopped for interpretation, the conversation would be halted. Also simultaneous interpretation would add a formal overtone that might similarly halt conversation.

We trained one of the interpreters on the material and effective moderating of focus groups -- not a typical assignment for professional local interpreters. This interpreter presented the information to the audience, making sure the terms and priorities were understood by the participants. The second interpreter was hired to interpret on the side for the observers. At some of the events, the observer, usually a low-income assistance SCL staff person, presented information on the program in English and the moderator translated. We recorded both the interpretation to the observers and the entire event with a camera so that we could review the entire session with an interpreter again if needed.

#### **III. Broadcast Town Hall Event -- KUNS-TV UNIVISION**

- March 17<sup>th</sup> Spanish-speaking TV show, Fisher Plaza East (64 Spanish-speaking participants)*

For the first time in local TV history, TCG and SCL produced a half-hour TV Town Meeting entirely in Spanish. With the help of several local agencies and organizations, TCG recruited over 60 Spanish-speaking local customers to attend a forum which would engage and discuss local electric power issues with Hispanic, Latino, Central American and other non-traditional meeting attendees. This included Spanish-speaking former and current state legislators, local county officials fluent in Spanish, and many service providers. While taped in the Fisher Plaza studios on Monday March 17<sup>th</sup>, the show was actually broadcast on Saturday, March 22<sup>nd</sup> at 6 pm and rebroadcast on Saturday, March 29<sup>th</sup>.

## Executive Summary & Findings

- Though some of the Rate Design model explanation is dense and complicated, our multi-cultured audiences were not daunted by the explanation of the proposed changes. In fact, finding, recruiting, arranging for a convenient meeting, engaging and answering questions from these more than 14 different language population proved to be more arduous than getting them to understand the content of what we were discussing.
- Where people from more than 14 different ethnicities were not very familiar with the specifics of the SCL Strategic Plan – or key factors which drive the Plan – they were familiar with the messages the utility has driven over the past several years: it is good to conserve and there are many practical ways you can conserve; our costs for electricity in the past have been driven by our water level conditions and that can be more dependable; SCL has lots of help for you, and it has information in your language; etc.
- Like most government agencies, SCL is not the first priority of our customers for staying up-to-date with changes, how it works and why customers should pay attention. Our attendees did not know how low our rates are compared to the rest of country, nor did they know how good a job the City was doing in conservation. However, their underlying faith, patience and acceptance of SCL were evident in that they said they tended to believe what they were told by SCL – not the case for other agencies.
- Most of these communities are not reading information that comes from “the government” (less than even the majority cultures with whom SCL deals). They prefer the cultural norms of getting important information – or even reading important info – from a few (usually older, wiser, trusted, empowered) well-connected members of their community as well as intake officers from various community organizations. In several groups, there were obvious elder customers whom the entire group would let lead, ask questions or sum up aspects of the points we presented.
- In understanding complicated material from SCL, many of these groups are reliant on seeing, hearing and talking about policies instead of reading about them.
- Several groups did refer to the mish-mash of government utility processes where it seems that the same government seems incapable of coordinating utility priorities so that if one utility requires rate increases that are substantial, then the others could wait. Several groups mentioned the recent rate increases being proposed by both SCL and SPU at the same time.
- The participants were very cost-sensitive – more than any other population or lifestyle group TCG has tested. Intrinsic in their concern is that prices don’t rise. They believe they took the brunt of the recent recession. They believe that as immigrants and differently-cultured customers, they also are victimized by “systems” so they have to pay more without recourse. They also believe the rich have advantages they do not and pay far below what is fair.

- SCL customers from other cultures are often living in residences where they share space and do not have separate billing accounts for electricity. Landlords in these cases adjust or apportion who pays what – and it becomes hard to impossible to object or even ask for a review so that a customer might more fairly pay for his or her fair share. In addition, customers from several different countries who are new immigrants are often victimized by landlords who threaten to turn them into “authorities” if they do not pay full rate increases the landlords have said much be paid each time there is a reported SCL rate increase. Many of our ethnic customers urged SCL take the lead in cleaning up this intimidation and possible unfair charging of utility rate increases to tenants.
  
- Finally, the low-income assistance program is definitely needed, but seldom known, used or spread by word of mouth by the very customers who would qualify and reap the benefits of up to 60% reduction in electricity bills. In every one of our meetings, presentations or even at the Town Hall, customers who seemed likely to be good applicants listed a range of reasons why they do not apply:
  - The applications are very complicated, take lots of time and paper to fill out with potential language barriers as many participants did not speak English;
  - Though an applicant may be receiving other assistance which should make the energy program accessible to them as well, this other program verification is not valid to qualify;
  - Once an applicant does apply, there is no acknowledgement that the application is even under review;
  - There are two (at least) on-ramps to getting accepted to the program – and neither seems to talk to the other, meaning that if a customer forgets which of the avenues he or she took to apply, the agencies are no help in tracking his application down;
  - The time to receive approval is too long;
  - Reapplying seems random with no advance notice that customers on the program will fall off if they do not apply in a timely manner;
  - There seems to be little outreach to the people who really could use the low-income program as there are always lots of openings available – it’s almost as if the utility knows that if few people sign up, then there will be more money the utility can use for other priorities.

## **Individual Results from Each Public Engagement Session**

### **Knowledge of Seattle City Light (based on quiz questions and answers)**

Based on the feedback and quiz results of the participants at the start of the process, the majority of participants had little understanding of SCL's services, rates, and customer base. In many of the countries from whence they came, utilities are undependable, costly, subject to political whims and purposely mysterious. The quiz was taken in large part as a game, but the conversation which followed it was worthwhile. At least a third of the participants brought their bills, a recent newsletter or a special mailing from City Light. In general, audience members at all of the presentations were eager to ask questions and state their opinions.

Participants were very surprised to hear that SCL is owned by the rate-payers. Audience members were also very surprised to hear that Seattle has the lowest rates compared with the other top 25 cities in the U.S. However, there was always an expressed opinion in every forum about the need for rates to stay the same and not increase. One participant responded to this by saying, "do you think what we pay now is cheap?" When asked about why they thought SCL rates were lowest, many knew that Seattle had access to a large amount of hydropower and other forms of energy. When questioned about the low-income assistance program, the majority of people had no knowledge of how the utility discount program could benefit many customers.

### **Understanding the proposed Rate Design and proposed changes**

Once presented with the information, the participants acknowledged an overall understanding of SCL's proposed rate design change. When asked to reiterate what they learned, many discussed the increase in the fixed rates and the decrease in the flexible rates. The audience members demonstrated understanding that the service and infrastructure costs of running SCL have increased while energy consumption has gone down due to better conservation practices by customers. One Filipino woman articulately summarized the presentation, saying,

"In the future we will need more services than energy consumption, so right now little by little you are increasing the percentage for the fixed rate so that in the future it will not be too much for us to increase all at once. We will not consume too much energy in the future, so we will be ready to pay more for the fixed rate for the services, little by little."

Once there was a general understanding, participants stated that increasing the fixed rate in the future would lessen the incentive to conserve energy. One participant said, "Customers aren't going to like this." When the audience members were presented with the graph that illustrated the proposed changes, several participants asked why high usage customers were getting the break.

One woman from the Chinese focus group questioned, "Is this really going to make the rich pay less and the poor pay more? It sounds like it."

After this question came up several times, TCG and SCL had the moderator explain that higher usage does not necessarily correlate with wealth, often it is poorer customers who do not have access to expensive conservation materials.

Participants, often the elderly who rely on a fixed income, stated that any increase in cost would be difficult to manage. They were concerned of any change and while they wanted SCL to remain a viable,

well-run utility, they were more insistent that Seattle City Light minimize the increase on customers – especially those most affected by downturns in the economy.

#### **Utility Discount Program**

Only a few participants were aware of the utility discount program (UDP), and a much lower percentage was actually enrolled in the program. After a brief explanation of the qualifications for the UDP, audience members expressed interest and excitement about enrolling, but also explained difficulties they faced supplying the relevant documentation and working with materials that were only in English. They said the application process was hard. They seldom got any verification the application had been accepted, or that it was still under review, or even if it had been rejected. Many participants strongly urged City Light to produce more materials that were in their native languages. Staff from the community organizations recommended setting up a table at some of the upcoming popular community events, so that people could approach and apply directly. At the end of the presentations, many participants took several copies of the UDP brochure and promised to distribute to their friends and family and share what they learned.

When giving the presentation at community centers, including El Centro de la Raza and the Filipino Community Center, there were several questions about qualifying for the low-income assistance program as the organization pays for the housing.

One area that came up at several meetings was the awkwardness that happens when many individual and/or families share the same living space and the landlord arbitrarily determines who pays what. In addition, the landlord may charge more than the actual cost of a person's share but there is no way for the consumer to be able to receive the justification for subsequent utility increases to the consumer. Three different people from separate groups mentioned that landlords sometime use a consumer's immigrant status to keep them from asking about rate increases. This came up in the Chinese, Spanish-speaking and Somali audiences.

#### **Other Key Questions**

Other key questions centered on requests for more detailed information about the rate design changes. For example, consumers asked how Seattle City Light determines low usage, medium usage, and high usage. One participant asked how this change would affect their community positively. Several groups questioned why SCL was doing this outreach, if ultimately they are not going to see significant changes in their bill. When people were told that Seattle has the lowest energy rates in the country, some were wary, and asked if they were told this so as to justify a rate increase in the future.

#### **Spanish TV Town Hall**

On Monday, March 14<sup>th</sup> the Connections Group and Seattle City Light organized the first Spanish TV Town Hall meeting, taping it at the Univision Studio at KUNS-TV studios (KOMO TV offices). There were approximately 64 Spanish-speaking community members that attended the event, including some of Seattle's top Latino leaders. The community members sat in the audience while Jorge Carrasco, General Manager and CEO, was interviewed by Univision's news anchors. Audience members were invited to ask Mr. Carrasco questions at the end of the recording session. The program will be aired on Saturday, March 29<sup>th</sup>, 2014.

**Identified questions to be asked in the Q&A section of Town Hall Event:**

1. How will this plan impact my monthly bill?
2. How are the changes with Seattle City Light going to benefit the community?
3. How can I monitor my own usage so I can conserve if I want to do that?
4. You have mentioned "values" like conservation and maintenance -- how much is this going to add to my bill?
5. The story mentioned we're saving \$18 million dollars. If we're saving so much why are rates going up?
6. How much do I need to make to qualify for rate assistance?
7. I value conservation, even if it means I pay a little more. Will SCL be expanding its investments in renewable energy like solar and wind power?
8. I don't mind paying my fair share but I want those who use a lot of power to be paying more. What are you doing about this?
9. I know we depend on hydro power which is dependent on the weather....how can you make rates predictable if we can't predict how much rain or snow we'll get from year to year?
10. Are there other things City Light can do to tighten its belt?
11. Once we get done implementing the plan, will we still have the lowest rates in the country?
12. How can I make more comments on the plan?
13. How are you going to improve customer service?
14. My power went out for a short time -- will these changes mean my power won't go out?

## **Community Focus Groups:**

### **Community Focus Group (Chinese)**

**Noon to 2 PM, Wednesday, February 19, 2014**

**Chinese Information and Service Center, 611 S Lane St, Seattle, WA 98104**

#### **Summary**

- Fourteen Cantonese and Mandarin participants from various communities attended from across Seattle, five of them were already in the SCL utility discount program.
- Participants were highly involved in the discussion (which is very unusual) and most of them understood what Seattle City Light was proposing to do with rate design changes.
- From the initial quiz exercise, participants demonstrated they had little knowledge about Seattle City Light, its rate structure and especially how the utility discount program could benefit many customers.
- Some participants had issues with the proposed fixed rate increase, suspecting that all changes will result in higher rates for low income customers (disproportionately to others).
- Most participants were not aware of the Seattle City Light's number 206-684-3417.
- Many participants strongly urged that the utility produce more materials in Chinese so that they could understand their bills, general information, and especially information that deals with applications for the utility discount program.
- Some participants wanted to know how to compare their usage with other customers, with customers heeding SCL conservation recommendations, with their own past history and with new proposed rate structure changes. In general, they also thought that it would waste less time and get right to the point if SCL would propose changes based on what their specific bill looks like. One gentleman who brought his bill (retired engineer and active volunteer), said after seeing the rate design change presentation that one or two additional slides with specific rate change examples would be the easiest way to understand the impacts.
- Most participants had various problems understanding the details of their bills and how to seek help, mainly because of the language barrier. One participant gave an example of how she gave up seeking help because she couldn't understand the process and decided not to go back and forth with Seattle City Light. "Seattle City Light estimated my bill while I was on vacation in Hong Kong for more than a month. At the end, it's easier to just pay the bill than to deal with them... even though that was \$400."
- Some participants worry the rate design changes could impact them significantly as they are already struggling financially (homemaker, unemployed and retired).
- Even the five of the participants who are already on the utility discount program knew very little about it. They said the application process was hard (they seldom got any verification the application had been accepted, or that it was still under review, or even if it had been rejected.)

One gentleman said it was confusing with two different paths (agencies) to getting approved and that one side was not prepared to explain what the other side was doing (HSD versus SCL). Some of the process was in Chinese; some in English. This is the most important process that must be all in Chinese, he said.

- For those interested in applying for the utility discount program, they had little or no knowledge regarding the income eligibility requirements and how they could potentially contact Seattle City Light to apply for the program.

### **Key Participants' Questions**

- What is the definition of summer and winter periods?
- How does Seattle City Light determine high, middle, and low end usage?
- How does Seattle City Light estimate electricity usage? Isn't that unfair sometimes?
- How will these rate design changes impact me and my bill?
- You told me about the need to have a rate design adjustment. Yet, you are telling me Seattle City Light wants to do a better job to assist low income customers. Isn't that going to create more financial pressure/problem for the utility?
- How come high usage customers could potentially get a lower rate?
- Where do you find the electricity meter? Why can't we be told how to find it, read it and monitor our own usage?

### **Most Interesting Comments**

- There was much interest and excitement in the utility discount program. Many participants had heard of the program but had found the application too hard to complete, not convenient to finding an application, and not easily processed with no follow up as to what is happening during the long review process (over two months, according to two participants).
- One participant said he was raised to make sure businesses were run on a strong fiscal basis -- first and foremost, and wondered if SCL had researched the impact of so much conservation before advising it.
- Another interesting comment came from a woman on utility discount program who said SCL should not be so aggressive about marketing the utility discount program as it might also result in the "rest of us" having to pay more to keep the utility's fiscal picture strong.
- A woman who spoke English, Mandarin and Cantonese said in astonishment, "is this really going to make the rich pay less and the poor pay more? It sounds like it."

**Community Focus Group (Korean)**  
**11AM to 12:30 PM, Saturday, February 22, 2014**  
**Spartan Recreation Center 202 NE 185th St, Shoreline, WA 98155**

**Summary**

- Nine Korean speaking participants, the majority were graduate students at the University of Washington who have paid Seattle City bills for more than five years. There was also one senior who has been using Seattle City Light for 27 years.
- Based on the feedback gathered after the quiz, the participants demonstrated very little knowledge about Seattle City Light.
- After some questions and answers by the Seattle City Light staff member, the participants showed an in-depth understanding of the material presented; though many expressed concern that Seattle City Light was conducting outreach because they were going to raise rates in the future. They informed the moderator after the presentation that they understood the content and planned on explaining to others in the Korean community about the changes.
- Some participants were confused as to why the graph on the initial slide used U.S. GDP rather than Seattle's GDP specifically. The audience member asked, "U.S. GDP and not Seattle GDP, how does this relate to Seattle City Light's reason to raise the 'fixed cost'?"
- Much of the conversation centered on the difference between the fixed rate and the "flexible" energy rate. There were questions focused on why they were raising the fixed rates now and whether they would actually be saving money or paying the same. They were concerned about the unknown future changes in energy demand.
- Some participants wondered why they were being included in the outreach process if the changes do not make a significant difference to most residential customers.
- When the Seattle City Light employee guided the discussion, one participant was concerned about the lack of incentive to conserve energy if the fixed costs kept going up. He said consumers were not going to like this.
- Participants wanted more specific data about the changing costs, one asked, "Is there a before and after bill that we can look at?"
- Everyone took the utility discount program application forms to share with friends and family members to see if they would qualify.

**Questions and Audience Feedback:**

- "What is the financial reason for changing the rate?"
- "Energy means usage of electricity?"

- "Is Seattle City light losing money so they are trying to raise the rate?"
- "Seattle City Light has the lowest rate now, are you just saying that so residents will accept a higher rate in the future?"
- "There is not reasonable understanding of the concept about why the price has to raise."
- "So what you are saying is that the amount we will be paying is the same, even though the rate is going up?"
- "So this doesn't make a difference for the customer? It sounds the same."
- "Has the utility rate been changed?"
- "So fixed amount goes up and the rate is the same?"
- "Is the price per kilowatt going to change?" Yes - I see it will go down.
- "This presentation is about raising the awareness for the Seattle consumer?"

#### Most Interesting Comments

- "The customer is not going to like if they continue to become more energy efficient, but the fixed costs continue to go up."
- "I am worried that if this is a trend that we will follow, that the base charge will go up and up."
- "So what is the difference right now? So it will be different how we collect the distribution fee from the cost, revenue, but the energy is the same?"
- "So the kilowatt cost proportion goes down with the increase of the base charge?"

### **Community Focus Group (Somali)**

**2:30 PM to 4 PM, Saturday, February 22, 2014**

**The Harry Thomas Community Center at Lee House, 7315 39th Ave S., Seattle**

#### **Summary:**

- There were fifteen Somali speaking participants. There were about 70% women, several with children or their mothers. There was one male business owner and two other male participants, ages ranging between 25 and 55.
- All of the participants have been customers of Seattle City light for at least seven years. A couple participants mentioned that they have been living here for nearly 20 years. Many expressed the desire for some reduction in their Seattle City Light bills while making an introduction or signing in.
- The quiz revealed that the participants had little knowledge of Seattle City Light. People were especially surprised that SCL has the lowest rate and is owned by Seattle citizens. When the moderator informed participants Seattle had the lowest rate, one person responded, "Do you think the money we pay is cheap?"
- All of the audience members complained that their bills were far too high, some mentioned that they felt Seattle City Light had increased the cost over the last year and are simultaneously becoming more aggressive in their bill collection. Many wondered if they can lower their bills through conserving energy and using LED lights or if there was some assistance available.
- Very few audience members were aware of the utility discount program; though some mentioned that they may have seen information flyer came with their bills, but they have since lost it or have trouble reading the paperwork because it is in English. One participant said, "It's in their best interest not to advertise the discount program – what they should do is to call us using local representatives that speak our language."
- The audience members that were aware of the utility discount program said that they have tried to apply several times, but have been consistently rejected. One said, "When someone applies several times and continues to get rejected they are less likely to apply again."
- There was a lot of confusion about discrepancies between one person's bill and their neighbor's bill. They said they are never home and yet their bill is the same.
- One of the female community leaders expressed gratitude for being kept informed about the Seattle City Light rate process and strategy update, but also wanted to know more about how they thought the changes will benefit her community.
- All participants took copies of the utility discount program application to distribute to their friends and families.

#### **Audience concerns and questions:**

- "The bills are getting too high, we want to learn more about conserving energy."

- *In regards to the utility discount program*
  - "They sent me something like that, but I lost it."
  - "We didn't know about it."
  - "In real life these costs are not what I pay, usually they are \$200-300 every two months."
  - "The problem is everything (all the paperwork on the low income programs) is in English, and many people cannot read English."
  - "There is one in Somali and English, but I have never seen it."
  - "But most of the time when I apply, they tell me I am not qualified."
- "I'm concerned because my bill is getting \$10-\$15 higher per month. I can barely afford to keep food on the table or provide for my kids, why can't SCL distribute energy saving bulbs, these apartment buildings use so much energy, they don't trap heat well."
- "Let me tell you an example, we turn off all the lights and we do not use the energy, but my bill is still \$300."
- "Sometime there is conflicting information between my bill and my neighbor."
- "So we should conserve energy and turn off our lights to save money?"
- "Can you change some of your rules, like when someone has children and cannot afford to pay for their electricity and then Seattle City Light shuts it off, can you change the system? Can you at least give them a chance?"
- "A year ago Seattle City Light became aggressive and turned electricity off more quickly if someone did not pay their bill."
- "Why do two neighbors have different bills? What is the cause of the high bill? I noticed that in the last two years the bills are changing. Wanting to know what is going on. One year I do not qualify, another year maybe I do."
- "Is there something poisonous in the light bulbs that may cause negative effects on children?"

**Most Interesting Questions and Comments:**

- "Puget Sound energy is more expensive."
- "How are the changes with Seattle City Light going to benefit the community?"
- *In response to the question, do you think this change is fair?* "We have to see the change, and then we will know if it is fair."
- "Why don't they work on other ways to make more money instead of targeting customers and citizens...if we're truly owners, our decision is to suggest they find a new way of increasing revenue, maybe taxes? – or focus on the big businesses that use so much"
- "Can you change the system so that the electricity isn't turned off right away, but maybe they can set up a payment plan instead?"

**Community Focus Group (Vietnamese)**  
**Tuesday, February 25, 12 pm to 1:30 pm**  
**Garfield Community Center: 2323 E Cherry St, Seattle, WA 98122**

**Audience:**

- There were 15 participants. The audience was primarily composed of Vietnamese speaking seniors from a variety of areas in Seattle City Light's service area including, Yesler, West Seattle, Rainier, Beacon Hill, Broadway, and Jackson and 23<sup>rd</sup>.
- In general, the audience demonstrated little knowledge of Seattle City Light based on the results of the survey. However, most of the participants were aware that Seattle residents own Seattle City Light. As they answered, "the people who pay the bills own the utility."
- Participants guessed that Seattle is in the average rate range for utilities and many were surprised to hear that Seattle has the lowest rates.
- The audience was especially interested in the discussion of declining energy use. Many did not understand why this was happening. After the audience was given an explanation about energy conservation, they became concerned about the future of Seattle City Light and many said that they were going to tell their friends and family to use more energy so that the utility would not fail.
- While the participants acknowledged an understanding of the content covered in the presentation, in general, many did not understand what services their Seattle City Light bill covered. As some said, "I have paid my bill every month, why is my cable signal not good?"
- The participants were divided about costs and the rate change. One participant mentioned that he was retired and did not make much money when he was younger so any increase would be a burden. Another said, "If I have to pay a little bit more, it won't be a problem."
- At the end of the presentation, all participants took at least five copies of the low-income discount program paperwork. Many had not heard of the program before the presentation and expressed that they will share it with friends and family.

**Questions and Concerns:**

- "If I live on Broadway, how come my bill is over \$100 something?"
- "If the revenue is low, the electricity is low, but the distribution is high, then why do we need to save energy?"
- "You have explained everything, I do not have anymore questions."
- "If the distribution of energy is high, then why do we need to save it with LED light bulbs and other conservation techniques?"



**Community Focus Group (Filipino)**  
**11:00 AM to 12:00 PM, March 12, 2014**  
**Filipino Community Center, 5740 Martin Luther King Jr. Way S Seattle, WA**  
**98118**

**Summary**

- There were a total of seventeen participants from the Filipino community. They lived in a range of places in the Seattle City Light customer area, the majority living in south Seattle.
- Audience members expressed surprise that Seattle's rate payers are the owners of Seattle City Light, one woman said, "E is the answer for the corporation?"
- The participants were very astonished to hear that Seattle has the lowest rate. There was a large vocal response after the answer was given.
- In response to why Seattle has the lowest rates, the audience seemed to understand that Washington has a lot of energy sources, like hydropower. One person said, "Washington has a lot of dams."
- Overall, the responses to the quiz demonstrated that the participants had little understanding of Seattle City Light and its services.
- Throughout the presentation, audience members acknowledged understanding of the material. When the moderator asked participants to relay what they grasped from the presentation, many responded by saying that SCL is raising the fixed rate and lowering the flexible rate.
- Many acknowledged that they thought this would deter people from conserving their energy.
- Only one woman in the audience was signed up for the low-income assistance program. Some demonstrated a little background understanding of it, saying that they had applied for it before.
- Every audience member took a copy of the low income brochure and promised to share the information that they learned with family and neighbors.

**Key Participant Questions/Comments:**

- "Every two months I pay my utility bills, and then I apply for the low income, do I qualify for every two months?"
- "We have applied for this program, but we pay to the owner of the building because it (SCL bill) is included in the overall cost."
- "Why aren't the winter and summer prices the same?"

- "That's not a small increase, it's almost half."
- "What happened to the 180 allowance for the winter?"
- "How are you increasing your incentive for consumption, if you are shifting the fixed rate up?"
- "Does this take into consideration issues like solar energy? Because there are many businesses that focus on energy conservation, so does this take this into consideration? For example, solar energy. Would that flexible rate drop? And how much?"
- "This is a community center who gives housing to people, but we are the ones that pay the bill. How can we help those people save money?"
- 

**In response to the question about what the audience learned from the presentation:**

- "You are lowering the fixed cost and the rate will be solely based on consumption."
- "Lower consumption and pay more."
- "I'm surprised that I have ownership of the public utility."
- "In the future we will need more services than energy consumption, so right now little by little you are increasing the percentage for the fixed rate so that in the future it will not be too much for us to increase all at once. We will not consume too much energy in the future, so we will be ready to pay more for the fixed rate for the services, little by little."
- "According to what we have heard, how do we encourage our neighborhood to save money?"

**Community Focus Group (Pan-Asian)  
11:30 AM to 12:30 PM, March 19, 2014  
Four Seas Chinese Restaurant**

**Summary**

- There were nine participants who represented several pan-Asian community organizations in Seattle.
- Participants in this focus group demonstrated a deeper understanding of City Light's services than any other previous group. On the whole, they answered most of the questions on the quiz correctly.
- At first participants were confused about the information presented, as they were unfamiliar with the current rate design. After some in depth explanation from the City Light staff person, participants demonstrated a deeper understanding of the material and showed great interest in the upcoming changes.
- Participants wanted to know about the specifics of the proposed rate design including what constitutes the different levels of energy consumption illustrated on the graph.
- Another concern of the participants was what effects the changes would have in another ten years. One woman said she would stop using City Light if the fixed rates kept increasing.
- Many participants gave feedback about how to spread information on the utility discount program. Some recommended contacting listservs of the various organizations they represented. They promised to share their recommendations with Ramnika over email.

**Questions/Comments**

- "What proof of income is needed to apply for the (UDP) program?"
- "You are saying that you will raise the fix cost and lower the variable cost?"

- “Sometimes it is hard to rely on raising the fixed cost, if I know that the fixed cost is going up and up and in the future maybe it will go up to \$100 per month then I will switch off City Light and go with a different utility company.”
- “How many years is this strategic plan?”
- “Isn’t there an internal policy where you can shift the source of the revenue?”
- “If you are increasing the fixed cost, what percentage is that compared with the variable cost?”
- “Is it better to shift the variable, fixed costs, or is it better just to give them a rebate back?”
- “Does it cost the same for city light to charge a condo versus a single family house?”
- “What constitutes the low, medium, and high consumption on the graph?”
- “You talk about the impact of this change for just the first year, but what about in five years, or six years?”
- “You are going to raise the fixed cost to maintain the average cost of using the utility, you want to keep it one rate so the customers don’t get confused.”
- “The basic concept is that the basic charge per month will go up a little bit, which is the same service that everyone pays across the board, but the rate that I’m charged for actually using the lights will decrease a little bit.”
- “Is this likely to be approved by the council?”
- “The earlier comment where the price is going up 3 to 7 dollars, this is huge!” “That’s the actual service charge not the per dollar rate”

**Most Interesting Questions/Comments**

- "I think my bill will go up in five years, as I am a low use consumer, and right now I'm being provided an incentive to not use that much energy. This will no longer be true."
- "90% of the people do not go line by line over their bill." "I don't think you guys would really have to worry about it given its only a \$3.00 increase per bill."
- "What is the timeline for implementing this?"
- "When you set a rate you account for all of the costs right? So why do you need to raise the fixed cost?"
- "Does City Light make a profit that they turn back to the general fund in the city?" "So the answer is yes, we pay a butt-load to the city, 6% is a lot of money."
- "I like living in a city that electricity is cheaper than other cities."
- "What percentage of the residential units are in the low, medium, and high consumption brackets?"

**Community Presentations:**

**El Centro Leadership Meeting, El Centro de la Raza  
Wednesday, March 5, 2014, 2:30 PM-3:30 PM**

**Questions and Comments from Participants:**

"So you are jumping from four something to seven something?"

"Seattle's rates are three hundred percent less than the east coast because of air conditioning. I see this changing."

"To me, that sounds like an increase in cost. But given the lower energy costs maybe not?"

"It needs to be clearer that the energy cost is going down."

The Institution/owner is paying the bill and the customer is not able to get the discount, even though he is paying on behalf of low-income community members.

The enrollment happens in the office of human services? How does that work? For someone who doesn't speak English, where would we tell them to go?

"We have a very successful Cinco de Mayo event where lots of people come out. This would be a great opportunity to have a table to help people enroll."

"This is clearly not enough information for us, even for the food bank, the child care center. We need somewhere between five to six thousand pieces of information."

**(Cambodian) Community Presentation  
Southwest Youth and Family Services,  
Friday, March 14, 10 AM to 12 PM  
4555 Delridge Way SW Seattle, WA 98106**

**Questions and Comments from the Participants**

The audience was composed of approximately seventeen Cambodian, Seattle residents attending a regular family health seminar at Southwest Youth and Family Services.

A woman brought her bill along with her. She said that she is in the process of applying for a new UDP application and wanted to know if her request was being processed. She applied three months ago.

\*\*\*This woman's name was Yoeurn Yin, Wendy Johnson from the UDP program followed up with her case, and she was able to be enrolled on the program as of March 21, 2014.

When questioned about the utility discount program, about five out of the seventeen audience members are in the UDP program. Participants were eager to take home a copy of the UDP brochure and share it with family and friends.

**Community Presentation (Spanish Speakers)  
Southwest Youth and Family Services  
March 21, 2014 at 6:30 PM to 7:00 PM**

There were a total of eight Spanish speaking audience members who were attending their regular positive family discipline course at Southwest Youth and Family Services.

**Questions and Comments from the Participants**

On the slide with the blue and the green table, what is the green color referring to?

What about the houses that are now setting up their own energy panels, do they have a certain rate?

The smaller heating unit is more expensive?

Changing the temperature up and down also uses more electricity?

When you leave things plugged in they are constantly using energy?

If there is going to be a fixed rate, will there be a fee if you go over a certain amount of energy use?

I have been calling the electric company (and a woman named Monica) to make some arrangements to pay my bill, but I never receive an answer.

Does the water company have a discount program?

**Community Presentation (Indian Elders Program)  
Seattle Indian Health Board  
March 26, 2014 at 11:00 AM to 11:30 AM**

There were approximately 25-30 Native American Elders attending weekly luncheon at Seattle Indian Health Board.

No one attending the event was aware of the UDP program.

**Questions and Comments of Participants**

Microsoft saves more money than I would save? You know how many computers they use?

My bill is covered in the rent, so I don't expect to be affected by this change.

My brother put in solar panels to lower our monthly fee of \$500.

## Seattle City Light – Rate Design Outreach Commercial and Residential Customer Outreach Summary

### Overview

Over the past four months Seattle City Light (SCL) has sought feedback from its commercial and residential customers regarding potential changes in its rate design. The outreach was both qualitative and quantitative in nature in order to give the utility a complete picture of what customers value most in terms of rate predictability and fairness as well as the services SCL provides. Overall, the utility reached more than 30,000 customers representing all rate classes.

Below is a brief description of the various methods used, as well as a summary of the feedback received to date.

### Surveys

In Oct. 2013, approximately 20,000 randomly selected residential and commercial customers were invited to take an online survey about SCL rates and services. There were 1,177 total respondents. Nine out of 10 respondents represented the residential perspective. Real estate and manufacturing companies were among the top business respondents.

A majority of those surveyed felt that the amount charged by City Light for electricity is fair. Fifty-seven percent of the business customers and 66 percent of the residential customers surveyed did not see the current rate design as much of a problem. The survey also revealed that prices are more of a factor in motivating conservation for businesses than for residential customers. Across all respondents, conservation and environmental programs are rated very highly. In fact, residential customers ranked it number one. Business customers put rate predictability first. Approximately 232 respondents shared suggestions about rate design.

### Social media outreach

More than 8,000 residential and business customers were invited to participate in a first-ever live social media chat about SCL and rate design with some of the utility's top executives. The event, which took place on Jan. 28 was promoted through online advertising and on the utility's Facebook and Twitter pages in the days leading up to the session. Promotion also included a link to a recorded PowerPoint presentation which offered customers background information. Customers were invited to submit questions in advance via Twitter (@seacitylight with a #ratedesign hashtag) or in the comments section of the SCL Facebook page. The utility received approximately 20 questions in advance of and during the session.

### City Light Website

The utility built a special website dedicated to offering information about the rate design process and seeking feedback from customers. The site included a one-page fact sheet, a rate structure video and PowerPoint presentation, a rate calculator and a place to submit comments, among other things.

The utility also posted an article about rate design and the live chat on its online blog.

### **Paid advertising**

The utility placed online banner ads in several community newspapers to increase interest in the live chat and the rate design website. This also led to an increase in our outreach impression numbers and being able to reach customers from our service territory.

### **In-person discussions with commercial ratepayers**

City Light executives hosted a series of group discussions with various commercial and residential ratepayers (Dec., 2013 through Jan., 2014).

- Seattle Metropolitan Chamber of Commerce Policy Committee
- The Northwest Energy Coalition
- The Manufacturing Industrial Council
- The Building Owners & Managers Association
- Representatives of the 150 largest City Light customers
- Hospitals/Major Institutions
- Low Income/Affordable Housing Stakeholders

### **Outreach to non-English speaking communities**

Focus groups with non-English speaking business customers will begin on Feb. 19 and last until the end of March. This outreach will also include information and discussions about the Strategic Plan update.

### **CUSTOMER FEEDBACK**

Below is a summary of the topics covered during the outreach sessions with commercial, and some residential customers:

**Rate Stabilization Account (RSA):** Customers asked about the history of why the RSA was created, how it works and its current balance.

**Timeline:** Customers asked when the utility anticipated any rate design changes taking effect.

**Calculating energy use:** Customers asked if there is a way for them to calculate the specific impact of the new rate design concepts on their business. Businesses customers also asked about net metering and how the utility plans to continue promoting conservation.

**Recovering fix costs:** Customers were generally supportive of the utility's need to recover its fixed costs, but encouraged SCL to think about the pace of implementation. Some customers want SCL to create a rate structure that does not encourage commercial customers to deliberately increase their usage in order to get the benefit of lower rates. Comments from business customers also touched on making certain that we continue to provide conservation incentives. Customers were very supportive of the utility's goal of keeping rates low, and predictable were also mentioned.

**Efficiencies:** Commercial customers, in particular, praised the utility for its cost savings and efficiency efforts. Some wanted to know how the utility was going about controlling its operating costs. Specifically, they asked about the utility's projected savings and increased load demands

**Low income:** Advocates representing low income rate payers complimented the utility on its generous Utility Discount Program and recent efforts to increase enrollment. There were questions about the utility's Home Wise program, which helps customers with energy conservation, and the impact of a proposal to lower the size of the low income discount from 60 to 50 percent. Most felt that the discount should be kept at 60 percent for the neediest customers, but perhaps tiered based on income.

**Impact on businesses:** Commercial customers were supportive of the new rate design concept, but wanted more information about the specific impact on the different business classes. There were some concerns about the impact on the cruise line industry and small general service business customers.

**Resource stabilization:** Customers wanted to know about the utility's plans for pursuing new energy resources, since water levels are becoming more and more unpredictable.

**Rate predictability:** Both commercial and residential customers mentioned, several times, that slow, consistent rate increases are better than big jumps after a period of no increases.

**Decoupling:** The decoupling concept was discussed with commercial customers with a few asking questions about how it could be structured.

## Strategic Investments Summary

### Budget/Rate Alignment

CR1: Align budgets and rates to strategic plan priorities/Implement new budget system

City Light planned to streamline its budget development process in this initiative by purchasing a new budget system and to align budgets and rates with the strategic plan. The new budget system was implemented one year ahead of the planned target date and expenditures were under the authorized budget. Three outdated software systems have been replaced and the new system is integrated with the forecasting and rate software. The new system is in use for the 2015-2016 budget process.

### Net Wholesale Revenue Practices

CR2: Reduce rate shocks; conservative net wholesale revenue/analyze financial investments to reduce volatility

Prior to implementing this initiative City Light's net wholesale revenue budget target was calculated as the simple average of wholesale revenues realized in past years beginning with 2002 (Ordinance 123260, 2010). While actual 2011 net wholesale revenue was not far from the budgeted target, such revenue in 2012 was significantly under it and forecasts showed little likelihood of price recovery over the foreseeable future. This initiative gradually lowers the target to a level more likely to be achieved by 2018. However, 2013 net wholesale revenue was not only lower than the gradually reduced target, and more so than expected, but future expected prices were even more pessimistic than estimated in 2012. This result appears to indicate that even the gradual reductions included in the initiative may not be adequate to prevent the need to add surcharges to rates paid by customers. At the end of the last three years, operating revenue was transferred to the Rate Stabilization Account in order to forestall such surcharges. The Strategic Plan proposed for the 2015 - 2020 period proposes yet a further reduction in budgeted net wholesale revenues.

### Ratepayer Advocacy Initiative

CR3: Strengthen ratepayer advocacy in the rate process

City Light worked with the Review Panel, Mayor and Council to establish by Resolution a ratepayer engagement process for the development of biennial revisions to the utility's strategic plan and a schedule for regular adoption of the strategic plan and electricity rates necessary to implement them. The rate payer engagement process would be based on industry best practices and provide a stronger, more transparent link between the strategic plan and the biennial electricity rate ordinance adopted by the City Council. The resolution was adopted in September 2013.

### Cost of Service & Rate Design Policies

CR4: Review and update cost of service and rate design policies for 2013 - 2018

In 2014 City Light will complete an update for 2015 and 2016 rates that reflect the authorized base budgets and strategic initiative spending in those years. As planned, the utility has been working with the Review Panel, Mayor and Council to develop these rates and to reflect policy decisions in the cost of service and rate designs.

### Customer-Focused Website/Services

#### CR5: Web redevelopment

Customer Focused Web Redevelopment will make it easier for ratepayers to find important information, use online tools or mobile applications and participate in energy saving programs without costly messages and phone calls. This will enhance not only overall customer satisfaction but efficiency as well. The goal is to provide an informative, easy-to-use portal that offers the customer 24/7 access to a wide range of City Light programs and services. This project is part of the Customer Information System (CIS) replacement project so timelines follow those of the larger project. System implementation is scheduled for October 2015.

#### Customer Service Center Improvements

##### CR7: Enhance and Improve Customer Contact Management model

In 2013 City Light completed a comprehensive review and analysis of ways in which City Light customers conduct business with us. This includes accessing account information, reporting concerns, and paying bills. The review resulted in the development of a work plan that identified business process improvement efforts. The process improvements include work force consolidation, increasing customer self-service options and implementing technology changes to support improved customer service and operational efficiency. Projects included in the work plan will be implemented by the end of 2014.

#### Enhanced Environmental Leadership

##### CR8: Environmental Leadership

This initiative includes two efforts to ensure that City Light continues to be an environmental leader among electric utilities: 1) developing an ecological approach to vegetation management along select portions of the transmission line rights-of-way to reduce long-term maintenance costs while improving habitat values and 2) increasing awareness of City Light's many environmental achievements by updating the environmental report and website plus developing new methods to communicate with stakeholders. In 2013 a new employee was hired to support this project and a website content update was completed and published for the Skagit and Tolt projects. Additional web content will be developed in 2014.

#### Environmental Liability Reductions

##### CR9: Reduce Environmental Liability

The purpose of this initiative is to reduce the risk of an oil spill and the presence and use of toxic material in current operations. It includes the development of an environmental management plan to systematically coordinate risk reduction efforts. The plan will include: 1) testing City Light transformers for polychlorinated biphenyls (PCBs) and removing of transformers with a PCB concentration greater than 1 ppm, 2) projects to reduce the spill risk at generating plants, and 3) development and implementation of an environmental compliance risk reduction program. The 2014 goal is to hire staff for this initiative.

#### Utility Discount Program

##### CR10: Increase enrollment in the Utility Discount Program

City Light's Utility Discount Program is one of the most generous income-qualified assistance programs in the country with a 60% discount on electric bills. In addition, those customers who also have a Seattle Public Utility account automatically save 50% on their water, sewer

and garbage bills. City Light has undertaken a major effort to assist customers who are having difficulty paying their bills by increasing enrollment in this program. At the end of 2013, there were approximately 14,000 people enrolled in the discount program with 75,000 potential eligible participants in Seattle and neighboring cities. With increased marketing and outreach, City Light aims to provide help to all those who are in need. A goal of 2,500 new enrollees is targeted for 2014.

#### **Safety Culture Promotion/Practices**

##### **W1: Safe Work Environment**

Through this initiative, City Light seeks to incorporate electric utility best practices to reduce injury frequency and severity rates. This should result in a reduction in motor vehicle accidents, cost per injury, workers compensation costs, and third party claims. An injury analysis was conducted throughout 2013 to identify job classifications with the greatest number of workplace injuries. A safety benchmarking study was also conducted to identify best safety practices in utility operations. Also in 2013 a comprehensive Driving Safety Program was developed and implemented. In 2014 an action plan will be developed from the safety benchmarking study results as well as a new safety component for employee orientation. A new Safety Management system is also expected to be in service.

#### **Skilled Workforce Attraction & Retention**

##### **W2: Attract and Retain Workforce**

To ensure having a qualified high performance workforce in place, City Light is implementing a comprehensive workforce strategy that includes developing and implementing an incentive pay program and the roll out of a series of training programs, such as Leadership Development, Computer Training and Customer Service Training. Review, analysis, and implementation of market pay adjustments will be completed in 2014. An RFP for a Learning Management System was released with planned implementation before year-end and the design phase for the Technical Training Center should also be completed in 2014.

#### **IT Security Upgrades**

##### **A3: Implement IT Security Upgrades**

This initiative is focused on staffing and updating and/or replacing information security systems that are at high risk of failure due to obsolescence and lack of resources for maintenance. Outdated network infrastructure will be improved with new network security vigilant devices. Further, this initiative will facilitate the creation of an IT security program that includes procedures, policies and technologies to assist the expanding IT environment. Project staff was hired in 2013 and implementation continues in 2014.

#### **Reliability & Cybersecurity Standards**

##### **A4: Compliance Tracking System and Compliance Program Standardization**

City Light seeks an integrated software solution to reduce compliance risk and increase internal compliance program efficiency and effectiveness. Under federal law, City Light must comply with approximately 1,000 complex and ever-changing electric reliability Standard Requirements which cover City Light's power plant and high-voltage transmission operations. City Light must demonstrate continuous compliance and performance against these Standards is subject to periodic audits and spot-checks by City Light's regulators, the

Western Electricity Coordinating Council (WECC), the North American Electric Reliability Corporation (NERC) and the Federal Energy Regulatory Commission (FERC). Failure to maintain full compliance with the Standards can result in financial penalties of up to one million dollars per day per incident. This Strategic Plan initiative will acquire a Compliance Tracking System to consolidate identification of applicable standards, necessary compliance activities, responsible parties, and documentation necessary to comply with mandatory reliability standards.

#### **Enterprise GIS**

##### **A5: Integrated Geospatial Information System (GIS)**

City Light is implementing an Enterprise Geographic Information System (GIS) Program utilizing current technology to leverage GIS functionality to improve business processes and decision-making. Replacing the multiple, GIS systems as well as supporting both the current and emerging GIS needs of the Utility. Replacing multiple systems with a single, integrated GIS will: eliminate redundant data entry, enhance user accessibility for complete geographic information, improve operating efficiency, improve field worker safety and ease integration into other utility systems. In 2013 three staff members were hired to work on this initiative. In 2014 work will continue setting the strategic direction.

#### **North Downtown Substation**

##### **A6: Denny Substation Program**

The new Denny substation and its associated transmission circuits and South Lake Union network distribution system provides needed capacity and operational flexibility to deliver highly reliable electrical service to the high-density, high-tech/bio-tech load centers and neighborhoods that make up the north downtown area. In 2013 a number of key substation and network milestones were completed including the engineering for 30% design work and drafting of required environmental impact statements. Significant additional substation and network distribution design work is scheduled for 2014 as well as public notice of the Final EIS for facility and transmission projects.

#### **Transmission System Improvement**

##### **A7: Transmission System Improvements in Puget Sound area**

The transmission system improvement project increases transmission capacity in City Light's service territory to relieve congestion in the Puget Sound area resulting from changes in area generation; load growth; transfers of power to Canada required by treaty; and outages needed to maintain the lines. The cost of these improvements will be reimbursed partially by other utilities in the area. Preliminary engineering on the Broad Substation inductor was completed on schedule in 2013 as well as preparation of the SEPA check list for transmission line reconductoring. Continuation of engineering and completion of construction contract documents will proceed in 2014 in coordination with the Denny Substation project.

#### **Underground Cable Replacement**

##### **A8: Cable Rehabilitation and Replacement**

The cable rehabilitation and replacement program is an ongoing system-wide reliability program. Cable rehabilitation prolongs the life of existing direct buried electrical cables by testing, and where suitable, injecting cables with an approved silicon fluid. The cables not

suitable for injection require replacement. City Light completed about 12 miles of civil and electrical design work combined in 2013 and replaced about 8 miles of cable. Plans for 2014 include continuation of engineering design and installation of 2 miles of cable, 1.5 miles of conduit installation and 3 miles of cable injection

**Streetlight Planning, Design, Construction**  
**A9: Streetlight Infrastructure Replacement**

The streetlight infrastructure replacement project will replace 867 (or 18%) of City Light's highest priority aging, dysfunctional and/or damaged streetlight poles and related infrastructure, which were identified in the "Seattle City Light Street Lighting Ten-Year Streetlight Horizon Plan". Replacing failing systems will reduce costly stop gap repairs by crews and improve customer safety and satisfaction. Planned work on the Rainier Vista Seattle Housing Authority and High Point Seattle Housing Authority was completed in 2013 and upgraded all of the grounding to current standards. Work was also completed within Denny Blaine and Innis Arden neighborhoods that replaced poles and related infrastructure. Two neighborhood construction projects are scheduled for 2014 and 2 additional neighborhood projects will be designed.

**Mobile Workforce Implementation**  
**A10: Mobile Workforce Implementation**

City Light will implement a mobile workforce management software. This technology will interface with both the work and asset management systems and the new Customer Information System (CIS) to enable automated scheduling and dispatch of our field workforce. Software licensing has been secured and implementation will begin in 2015.

### **Hydro Performance and Generator Availability**

#### **A1.1: Improve Hydro System Optimization and Generator Availability**

This initiative will ensure that investments in and maintenance of City Light's hydro system maximize performance and reduce unit outages. Goals for 2013-2018 are 1) to develop an Excel optimization tool to better inform power marketing and system control decision-making "within the hour" for hydro operations, and thereby increase generation efficiency/water utilization from utility revenue and State Renewable/I-937 perspectives; and 2) to prioritize crew deployment toward preventive maintenance in order to minimize unit outages.

### **Regional Power and Transmission Leadership**

#### **A1.2: Regional and Industry leadership**

This initiative will allow City Light to take a proactive leadership role on various regional power supply and transmission matters, particularly related to BPA wholesale power and transmission rates. The goal is to protect City Light customer interests, regionally and nationally, regarding new regulations affecting reliability, transmission planning and cost allocation, integration of renewable resources, and relieving transmission constraints.

### **Advanced Metering Infrastructure**

#### **A1.3: Advanced Meter Infrastructure**

This initiative begins in 2014 to implement an Advanced Metering Infrastructure ("AMI") which will provide a substantial net financial benefit to City Light as well as greatly improving customer service. AMI provides an operating platform that supports emerging consumer technologies including customer generation, electric vehicle charging, and home energy management protocols. Installation of the new meters begins in 2015 and will continue through 2017.

### **Electric Vehicle Infrastructure and Rates**

#### **A1.4: Electric Vehicles**

The Electric Vehicle program is an educational resource for City Light customers. The program consists of public outreach through the City Light website, printed materials, and public interaction opportunities, with the goal of helping customers become acquainted with the requirements for electric vehicle charging. Additionally, City Light is represented on the State of Washington's Electric Vehicle task force, and the Electric Power Research Institute's Electric Vehicle Advisory Committee. This Strategic Initiative began in 2013 with a goal to complete an electric vehicle Clean Cities grant project to install electric vehicle charging stations and to analyze their use.

### **Engineering and Operation Standards**

#### **A1.5: Standards and Compatible Units**

The Standards and Compatible Units initiative enables City Light to develop material, design and construction standards, and update the existing standards in accordance with new products on the market, new regulatory requirements, and the latest applicable construction methodologies. These standards, once established, will form the building blocks of compatible units for City Light's most frequent and repetitive work. Standard operating procedures ensure consistent, quality installation of utility material and equipment. In 2014

the first batch of twenty design standards will be completed and published. The final batches are expected to be published by the end of 2015.

#### **Climate Research**

##### **A17: Environmental Leadership Climate**

This initiative established a program to carry out climate research on the impacts of climate change on City Light operations and to develop a strategy to adapt to these impacts. In 2013 a strategic advisor was hired to identify partners for climate change research, identify research proposals, and obtain funding for initial research. Upcoming milestones include analyzing research results and developing the first phase of a Climate Adaptation Plan by early 2015.

#### **Conservation Program Enhancement**

##### **A18: Conservation**

Three pilot participants were selected and initial contracts were approved and signed by all parties for the Pay for Performance pilot in 2013. Legislation authorizing the three-year agreements was also approved in 2013. In 2014 an evaluation consultant will be selected through an RFP process. This consultant will track and analyze performance results over the three year pilot project period.

#### **Communications and Public Engagement**

##### **M1: Effective Communications and Engagement**

By working in close cooperation with the Seattle City Light Review Panel (Review Panel), City Light was able to identify methods to strengthen communication and engagement. The initiative has provided the means by which the utility has been able to leverage work already completed on the Strategic Plan. The Review Panel continues to provide an important third-party perspective on strengthening communications and engagement as the panel members represent customers in their ongoing work.

#### **Performance Benchmarking & Efficiencies**

##### **M2: Benchmarking Performance**

City Light established this initiative to reduce costs and enhance service by identifying process, performance and efficiency gaps. Action plans to correct deficiencies identified by the benchmarking and best practices studies were developed and began implementation for three financial areas in 2013. Safety, workers compensation, and tool room benchmarking and best practice studies will be completed early in 2014 and priority recommendations implemented. Scoping and work plans for several other studies are also underway.

#### **Information Technology Roadmap**

##### **M3: Implement IT Roadmap**

This initiative includes three separate projects: City Light's contribution to upgrading the City's financial system (which is also used by City Light), implementation of an enterprise document management (EDM) system, and a plan for recovery of City Light's information technology assets in the event of a major disaster. In 2013 the financial system project completed several efforts to consolidate data and update existing data interfaces. This work will continue throughout 2014. In 2013 The EDM project successfully implemented the

software program and integrated the files for the first group, Power Contracts, into the system. Implementation for other groups will continue through 2018. The Disaster Recovery/Business Continuity Plan effort completed several important milestones in 2013. These include hiring staff and the completion of the Disaster Recovery program plan. Efforts continue in 2014 with the building of a data co-location site, engaging in disaster recovery exercises and conducting a Business Impact Analysis.

#### **Performance-Based Reporting**

##### **M4: Performance-Based Reporting**

The Performance-Based Reporting initiative made significant progress in 2013 after completing hiring for the four term-limited positions (two information technology developers and two business analysts) needed to support collecting, aggregating and reporting from multiple system applications using the enterprise business intelligence system. Among the data marts with completed development are those for streetlights from the Work and Asset Management system, Accounts Payable and Accounts Receivable from the City's financial system, and Human Resource HRIS. Work will continue in upcoming years to add other applications and to update the previously developed financial data mart including integration with the UI Planner budget and forecasting software.

#### **Internal Management Review Unit**

##### **M5: Establish Internal Audit/Management Review Group**

In 2013 the Internal Audit/ Management Review Group was established and staffed. The group completed an initial risk assessment of City Light and developed an annual audit plan as specified in the 2013 deliverables. Internal Audit also has assumed responsibility for managing audits performed by the State Auditor

#### **Project Management Quality Improvement**

##### **M6: Project Management Quality Improvements**

This initiative is focused on establishing a consistent project management capability to ensure proper project development, oversight, management and accountability. Efficiencies can be gained through standardizing processes and training employees involved in all levels of project management. The Project Steering Committee was established and a Statement of Work was completed in 2013. A Project Management methodology will be adopted and staff will be trained to use the new processes beginning in 2014. Program efficiencies will be measured annually.

#### **Service Agreements/Performance Metrics**

##### **M7: Service Agreements with City Departments**

The goal of this initiative is to achieve enhanced accountability, improved and measured performance, and cost oversight with departments through signed service level agreements that contain metrics and performance guarantees. In 2013 City Light briefed the City's Central Budget Office on the project plan. A service level agreement template was also developed. Efforts going forward include finalization of agreements with each department to which City Light provides funding.

#### **External Service Contract Procurement**

##### **M8: Review and Improve Procurement Processes for External Service Contracts**

This initiative will evaluate and implement process improvements to the City Light procurement process and the administration of purchase, consultant and public works contracts while maintaining financial controls to prevent fraud and abuse. A 2013 benchmarking study provided recommendations for procedural, changes, organizational structure to align with customer expectations, staff competencies and other changes to improve efficiencies. In 2014 new dashboards will be put in place to track key performance indicators and metrics needed to ensure that the efficiency gains result.

#### **Efficiency Initiatives**

##### **M9: Efficiency Projects**

By focusing on value added activities, City Light expects to save up to \$18 million annually by 2015 in addition to savings already reflected in the baseline budget. In 2013, the utility was able to achieve about \$10 million in cost savings and revenue enhancements or \$3.1 million more than the \$6.9 million promised.

#### **Financial Policies Initiative**

##### **M10: Review and affirm or amend financial policies**

As the strategic plan was being implemented, whether to purchase insurance to cover City Light's generation assets became the major focus of this initiative. A consultant was retained to update the value of the assets and potential costs of insuring them, as well as to make a recommendation on whether to purchase an insurance product. Near the end of 2013 when the analysis was complete, City Light decided not to move forward with buying an insurance product because the annual cost was prohibitively high while the risk of catastrophic generating unit failure remained very low.

## Seattle City Light Review Panel

c/o K. Kinney, Seattle City Light  
P.O. Box 32023 Seattle, WA 98124-4023  
[CLRPquestions@seattle.gov](mailto:CLRPquestions@seattle.gov)

May 6, 2014

Honorable Edward B. Murray, Mayor  
The City of Seattle  
600 Fourth Avenue  
PO Box 94749  
Seattle, WA 98124-4749

**RE: Seattle City Strategic Plan Update for 2015-2020**

Dear Mayor Murray:

We are pleased to submit our comments regarding City Light's updated Strategic Plan for 2015-2020 (the "2015-2020 Plan Update"). Since the original 2013-2018 Strategic Plan (the "Initial Plan") was adopted in the summer of 2012, we have received periodic progress reports from City Light leadership on its implementation. Beginning last December, we began reviewing proposed adjustments and additions to the Initial Plan. In addition, we spent much of the last year and a half considering potential changes to City Light's rate design policy, an initiative incorporated in the 2015-2020 Plan Update. Our deliberations have benefitted from reviewing the results of two separate rounds of public outreach, one focused on proposed investments and the rate path, the other focused on rate design policy.

**The Panel strongly encourages your support for the 2015-2020 Plan Update.** We believe the Plan has and will continue to provide strong policy guidance for City Light, transparency and rate predictability for customers, a positive statement to bond rating agencies, and an important means of holding the Utility accountable to decision-makers and public. The Panel believes the four core areas of strategic key objectives of the Initial Plan are still appropriate, and that the 2015-2020 Plan is best viewed as an update of the Initial Plan.

We divide our comments below into four parts:

1. Progress in the first year of the Initial Plan
2. Proposed Adjustments to maintain the 4.7% average annual rate path in 2015-2018
3. New Initiatives and Efficiencies in the 2015-2020 Plan Update
4. Rate Design Proposal for 2015-16

### **Progress in Implementing the Initial Plan**

**In our view, City Light has made impressive progress in delivering on the commitments in the Initial Plan.** There has been good progress on most of the 36 strategic investments outlined

Mayor Murray  
May 6, 2014  
Page 2 of 6

in the Initial Plan. City Light has exceeded the efficiency targets for 2013 and 2014. While there have been some significant adjustments in the timing and budget for a few of the 36 strategic investments, the Utility has been transparent about these matters and, we believe, is taking appropriate corrective action. We commend City Light on implementing an impressive tracking system to provide detailed quarterly updates on the status of all 36 Strategic Plan initiatives.

We would call out three successes in particular of the last year. First, City Light received an upgrade in its bond rating in 2013, apparently due in part to the fact that the Utility has a 6-year strategic plan. Second, the Utility has made significant progress towards its goal of reducing employee on-the-job injuries. Third, as noted, the Utility has exceeded its efficiency targets to date, and reports it is on track to meet the full target of \$18 million by 2018.

**Proposed Adjustments to Maintain the 4.7% Annual Average Rate Path in 2015-2018**

We support the actions the Utility proposes in the 2015-2020 Plan Update to maintain the 4.7% average annual increase in rates in the first four years of the plan (2015-2018). Overall, the six-year Plan Update results in an average annual rate increase of 4.4% each year from 2015 through 2020. A tremendous amount of effort went into the development of the Initial Plan and the rate path presented--including a baseline forecast premised on many assumptions. The most significant assumption that has not been realized is the projected 0.6% per year increase in load growth; current projections cut that in half to 0.3% per year. With less demand comes less revenue and more pressure on rates to recover largely fixed costs.

As events have unfolded, the Utility has to choose between additional rate increases, or making offsetting adjustments to the timing of investments and implementing other operating changes. City Light has proposed the latter path and we support this decision. The actions the Utility has identified in order to maintain the 4.7% annual average rate path through 2018 appear to us to be a prudent set of choices, supporting a cornerstone commitment by the Utility in the Initial Plan. (It is important to note that the 4.7% rate path excludes increases in Bonneville Power Administration rates in excess of inflation, and excludes any surcharges or credits on rates resulting from changes in the Utility's Net Wholesale Revenues.)

It is possible that some of the fixes identified to maintain the rate path rate may not hold over time, and future events may further impact rates. This bears careful monitoring by the Panel and City leaders. The Panel has also discussed the challenge of continuing rate increases above inflation. While this is a concern, it is not an anomaly. Nationally, electric utilities project ongoing significant rate increases as massive historic investments in generation and distribution systems must be replaced, renewed and upgraded. City Light is in the same position. We are

Mayor Murray  
May 6, 2014  
Page 3 of 6

therefore pleased that—as discussed below-- the Utility has found a path to *reduce* average rates increases in the 2015-2020 period down to a level of 4.4% average annual increases.

#### **New Initiatives and Efficiencies in the 2015-2020 Plan Update**

Baseline rates—defined as the rates required in order to fund the cost of delivering current levels of service, already approved initiatives, and meeting known regulatory requirements—constitute over 85% of the Utility's rate requirements. Baseline costs are increasing over the 2015-2020 period for several reasons: inflation in the cost of doing business; demand increasing more slowly than forecast; and the cost of the 36 strategic investments in the original Plan. The Utility calculates that the average annual baseline rate increase for the 2015-2020 will be 4.0% a year.

The rate of baseline increase in rates is reduced slightly by efficiencies (0.3% annual average reduction), and as noted, the Utility reports it is on track to deliver \$18 million a year in ongoing efficiencies by 2018. The Utility has not proposed *additional* efficiency targets in the 2015-2020 Plan Update beyond the \$18 million. Some of the efficiencies in 2013 and 2014 have been one-time savings from property sales and thus other savings must be found to continue to meet targets. On the other hand, some of the strategic investments now underway should provide operating savings that can help meet efficiency targets. Also, some of the hoped for efficiencies will require support from City leaders in adjusting union contracts. **It is important to the Panel that the Utility come back to decision-makers and the Panel before the next Strategic Update with a specific plan for increasing efficiencies in the period from and after 2018, and we appreciate the commitment of City Light's leadership to do so.**

City Light has proposed three new initiatives that, after accounting for efficiencies, will result in average annual rate increases of 4.4% per year over the 2015-2020 planning period. As noted, this is a decrease from the rate increases in the 2013-2018 period of 4.7%. **The Panel supports all three initiatives, for reasons summarized below:**

- **Service Centers Master Plan & Investment:** The Utility is wise to address the issue of replacing its two aging service centers, particularly given that one is located in a soil liquefaction zone at high risk in a major earthquake. The Plan includes \$106 million for this project—the low end of cost estimates, which range as high as \$450 million. Thus, there could be significant additional costs associated with this project, depending on the outcome of the master planning process, which would make it difficult to scale back to a more moderate path on overall rate increases.
- **Distribution Automation Technology:** This is a modest investment with significant benefits for customer service levels, and is expected to result in substantial operating

Mayor Murray  
May 6, 2014  
Page 4 of 6

savings as well. This investment builds on the Initial Plan commitment to Automated Metering Infrastructure (AMI).

- **Accelerate Reduction in Rate Stabilization Account Target Levels to Better Match Net Wholesale Revenue Forecasts:** The Panel supports SCL's recommendation to shift from a historical forecasting methodology to a forward-looking methodology budgeting for net wholesale revenue. For the last several years, **forward-looking** wholesale power revenue forecasts more accurately predicted the Utility's actual Net Wholesale Revenues by tens of millions of dollars. That budget gap must be filled by the Rate Stabilization Account (RSA). The Initial Plan included a key initiative to begin better aligning wholesale revenue forecasts and budget assumptions. The Utility proposes to accelerate this initiative, meaning City Light will more quickly reach a point where forecasts and budget assumptions align. This should reduce the frequency and size of surcharges that must be imposed on customers.

In sum, the Panel strongly supports the 2015-2020 Strategic Plan Update. It provides transparency about the Utility's priorities. It ties rate increases to specific actions and investments. It helps the Utility communicate with City leaders and customers. It helps the Mayor and Council hold the Utility accountable for delivering on rates and services. The 2015-2020 Strategic Plan Update illustrates both a solid record of accomplishment by City Light thus far and a measured path forward through 2020, appropriately balancing the need for highly reliable electrical service, efficient operations, and predictable and affordable rates.

#### Rate Design Proposal for 2015-2016

One of the major tasks assigned to the Panel when it was established in 2010 by Council Ordinance 123256 was to review City Light's rate design. Rate design is not about the *amount* of revenue that the Utility recovers but rather, it is about *how and from whom* that revenue is collected. Rate design policy has been the focus of Panel deliberations for much of the last 18 months. The 2015-2020 Strategic Plan Update includes a proposed initiative to adjust current electric rate design policy in the next biennium, 2015-2016. The primary focus of the proposal is to increase the amount of revenue recovered through fixed charges, as opposed to variable charges, to more closely reflect the nature of the Utility's costs. To achieve this, the proposal increases base service charges and significantly increases demand charges.

**The Panel (excepting one member) supports the 2015-2016 rate design proposal, although the rationale for that support differs amongst Panel members.** Most Panel members agree that in order to increase the Utility's financial stability and advance the concept of customers paying

Mayor Murray  
May 6, 2014  
Page 5 of 6

more of the actual cost of their electric service, City Light should increase the amount of rate revenue generated from fixed demand and service charges. All Panel members desire to continue to send a strong price signal to customers to be efficient in their use of energy, and acknowledge there is a tension between this goal and increasing fixed cost recovery. The Panel urges the City to carefully monitor how changes in rate design impact energy use by City Light customers.

The Utility made some key adjustments to its original rate design proposals that helped secure support of Panel members, including: (1) adjusting the pricing on residential energy blocks such that the impact on residential bills will be minimal; (2) scaling back the size of demand charges for General Service customers; and (3) working to increase enrollment in the low income rate assistance program.

The Panel believes that the long-term trajectory on rate design requires more discussion: we hope and expect this will be a matter for deliberation in developing the next Strategic Plan update.

It should be acknowledged that the proposed changes will affect non-residential customers differently based upon their load profile. It will increase cost pressure on some and decrease it on others.

While supporting the proposal, the residential customer representative would prefer to postpone any increases in fixed charges for residential customers until the next Strategic Plan update, when this could be discussed as part of a longer-term strategy for residential rate design that includes consideration of changes brought about by AMI.

The non-profit energy efficiency advocate representative does not support the rate design component of the Strategic Plan. He has concerns with the strategic direction of the proposal and has agreed to articulate those concerns during any public comment period conducted in association with the Plan.

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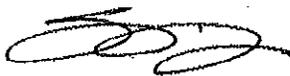
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Mayor Murray  
May 6, 2014  
Page 6 of 6

We thank the Mayor and Council for the opportunity to submit this comment letter, and for your continued support of our work. We would be pleased to meet with you to answer any questions you may have about our comments.

Sincerely,

Seattle City Light Review Panel



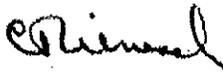
**Stan Price, Co-Chair**  
Panel Position 3:  
Non-Profit Energy  
Efficiency Advocate



**Eugene Wasserman, Co-Chair**  
Panel Position 8:  
At-Large Customer



**David Allen**  
Panel Position 5:  
Commercial Customer



**Tom Lienesch**  
Panel Position 1:  
Economist



**Chris Roe**  
Panel Position 6:  
Industrial Customer



**Julia M. Ryan**  
Panel Position 2:  
Financial Analyst  
Representative



**Sue Selman**  
Panel Position 7:  
Low-Income  
Communities Advocate



**Eric Thomas**  
Panel Position 4:  
Residential Customer

*(Position 9 Currently Vacant)*

cc: City Councilmembers  
Jorge Carrasco, General Manager and CEO, City Light

**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
Seattle City Light	Jorge Carrasco 684-3500	Gregory Shiring 386-4085

**Legislation Title:** A RESOLUTION relating to the City Light Department; adopting a 2015-2020 Strategic Plan for the City Light Department and endorsing a six-year rate path required to support the Strategic Plan.

**Summary of the Legislation:** This resolution adopts a six-year Strategic Plan update for City Light, endorses an average 4.4% per year rate increase required to support the Plan, and requests that the Utility prepare the 2015-2016 Proposed Budget and Proposed Rates assuming a 4.2% rate increase in 2015 and a 4.9% rate increase in 2016.

**Background:**

In 2010, City Light began a two-year Strategic Planning process to identify the challenges facing the utility and to vet the investments necessary to meet them. The Mayor and City Council appointed customer stakeholder representatives to the City Light Review Panel, and asked the Panel to review and advise on the development of the Strategic Plan, which it did. City Light engaged in an extensive public outreach process, received and incorporated feedback, and presented a 2013-2018 Plan with a six-year rate path averaging increases of 4.7% per year, which was adopted by the Council in Resolution 31383 in July 2012. That Resolution also specified that City Light would update the Plan every two years, with the next update to be finalized in 2014 to cover the period 2015-2020.

City Light has completed the process of updating the Plan by dropping two years and adding two more, with the related proposed investments and improvements to the Plan. As before, all changes to the Plan, along with accomplishments to date, were presented and vetted through both the Review Panel and an extensive public outreach process. The outreach was carried out over about a year's time, and divided into two parts: proposed rate design changes and proposed strategic investment/improvement changes. Public feedback was incorporated from both sets of outreach activities.

The Plan was adjusted to incorporate slower expected load growth and changes in forecasted capital expenditures. Two new capital initiatives were added for the 2019-2020 period: a Distribution Automation and Demand Management System to improve distribution system reliability, and a Service Center Master Plan investment to begin to address the Utility's aging service centers. The two other significant changes to the Plan were: a proposed revision to rate design policy in order to begin to recover more of the Utility's fixed costs through fixed charges, and a reduction in the Plan's assumed net wholesale revenue. The proposed reduction will more rapidly reduce the Utility's reliance on this source of revenue and the likelihood of surcharges to replenish the Rate Stabilization Account (RSA), which will provide customers with more bill

predictability.

The resulting Strategic Plan update is a package of investments and improvements to achieve operational efficiencies, maintain current service levels, increase reliability, strengthen City Light's workforce and financial stability, and support job growth and economic development in the region. The Strategic Plan Update requires additional investment and implies a six-year rate path with increases averaging 4.4% per year.

The Strategic Plan provides a forum for discussion between the Utility, elected officials, and customer stakeholders, and provides more transparency and accountability for decision-making within the Utility. It is intended to guide budget and rate development for the Utility. Therefore, this legislation requests that the Utility prepare the 2015-2016 Proposed Budget to support the Strategic Plan update and the 2015-2016 Rate Proposal with increases of 4.2% in 2015 and 4.9% in 2016.

The Strategic Plan will continue to be revised and updated every two years, with the next update scheduled for 2016, to cover the six-year period 2017-2022.

Please check one of the following:

This legislation does not have any financial implications.

This legislation has financial implications.

**Appropriations:** *N/A*

Appropriations Notes: There are no appropriations as a direct result of this legislation. Appropriations related to it will be submitted with the 2015-2016 budget legislation.

**Anticipated Revenue/Reimbursement Resulting from this Legislation:** *N/A*

Revenue/Reimbursement Notes: There are no revenues/reimbursements as a direct result of this legislation. Revenues related to it will be submitted with the 2015-2016 budget legislation.

**Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:** *N/A*

Position Notes: This legislation does not create, modify or abrogate any positions. FTE impacts related to it will be submitted with the 2015-2016 budget legislation.

**Do positions sunset in the future?** *N/A*

**Spending/Cash Flow:** *N/A*

Spending/Cash Flow Notes: This legislation does not directly impact spending or cash flow. Related spending and cash flow impacts will be submitted with the 2015-2016 budget legislation.

**Other Implications:**

- a) **Does the legislation have indirect financial implications, or long-term implications?**  
Yes, adoption of the Strategic Plan update implies a trajectory of rate increases averaging 4.4% per year over the 2015-2020 period, and directs City Light to prepare the 2015-2016 Proposed Budget and proposed rate increases of 4.2% for 2015 and 4.9% for 2016 in support of the Plan.
- b) **What is the financial cost of not implementing the legislation?**  
N/A
- c) **Does this legislation affect any departments besides the originating department?**  
This legislation does not directly affect any other department. Certain projects, such as capital work and customer service, are carried out jointly with other City departments including SDOT and SPU, but coordination is established and on-going.
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** N/A
- e) **Is a public hearing required for this legislation?** No.
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No.
- g) **Does this legislation affect a piece of property?** No.
- h) **Other Issues:** None.

**List attachments to the fiscal note below:** None.



**City of Seattle**  
**Edward B. Murray**  
**Mayor**

May 20, 2014

Honorable Tim Burgess  
President  
Seattle City Council  
City Hall, 2<sup>nd</sup> Floor

Dear Council President Burgess:

I am pleased to transmit the attached resolution for the Seattle City Council's consideration. If adopted, the resolution would approve the Seattle City Light 2015-2020 Strategic Plan Update and the six-year rate path required to support it.

City Light's initial Strategic Plan covered the 2013-2018 time period and was the product of a two-year effort launched by the Mayor and City Council in May 2010. It was developed in close collaboration with a newly-appointed independent Review Panel and extensive community input. The thoroughness of the process, as well as the breadth of input from stakeholders, led to its unanimous approval by the City Council in 2012.

City Light's commitment to the City Council, and the utility's customers, is to update the Strategic Plan every two years by refining forecasts, re-evaluating the Plan's underlying assumptions and gathering community feedback on new initiatives. This legislative package is the culmination of a second two-year effort to fulfill this commitment.

The attached update reflects input from a variety of stakeholders using an unprecedented level of new and innovative customer engagement strategies, including an all-Spanish language televised town hall meeting. The 2015-2020 Strategic Plan Update has been vetted by the independent Review Panel, thousands of residential customers through surveys and social media forums, Neighborhood District Councils, non-English-speaking customers (eight languages), business customers and community leaders. It also reflects input from the Mayor's Office and City Council members.

Just like the first six-year plan, the 2015-2020 Strategic Plan Update provides long-term guidance to the utility. It affirms Seattle City Light's mission and values, takes stock of current conditions, analyzes future demand, considers strengths and challenges, and commits the utility to save even more money through efficiencies.

The updated plan continues City Light's reputation as the nation's greenest utility in a variety of ways, including using its latest research to guide new investments needed to adapt to the impacts of climate change and promoting the use of electric vehicles.

The 2015-2020 Strategic Plan Update also explores opportunities to strengthen the utility's financial resources in environmentally responsible ways including providing more clean energy options to industrial and port-related businesses, and optimizing City Light's ability to sell excess power on the wholesale energy market.

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[www.seattle.gov/mayor](http://www.seattle.gov/mayor)

Also important, the updated plan includes a set of fiscal strategies that will ensure the utility's long-term success while keeping customer rates at some of the lowest levels in the country.

The original 2013-2018 Strategic Plan adopted by the City Council included an average annual rate increase of 4.7%. The 2015-2020 Strategic Plan Update reduces that to 4.4%, starting in 2015.

The new plan also offers a way to reduce the utility's reliance on unpredictable revenue from surplus hydro power and provides customers with more predictability in their electricity bills. The 2015-2020 Strategic Plan Update includes a proposal to reduce further its projected income from net wholesale revenue, thereby reducing the likelihood of rate surcharges. The updated plan also proposes rate design changes that will enhance the utility's financial stability by slightly increasing its fixed cost recovery, thereby reducing the utility's over-reliance on variable energy charges for revenue recovery.

Increases in utility rates are, of course, always a concern. However, the proposed increases are modest and allow the utility to build on the successes of the first six-year plan. The original plan included significant efficiency targets which the utility has already exceeded. City Light commits to continue reducing its costs in the updated plan.

It should be noted that the 2015-2020 Plan has been strongly endorsed by the City Light Review Panel. All but one of the Review Panel members also support the proposed rate design changes.

I am confident that the investments included in the 2015-2020 Strategic Plan Update will bring economic returns and increased productivity for City Light and its customer-owners, including an infusion of jobs from the nearly \$2 billion in capital investment over the next six years. Likewise, the rate policy changes will bring both increased financial stability to City Light as well as promote more equitable payment of costs among ratepayers.

City Light's annual budget will reflect implementation of its Strategic Plan. Through such implementation, the utility will continue to raise its performance, increase its accountability to its customers, improve the strategic nature of its capital expenditures, and adopt better business practices to successfully manage the assets and operations that are the foundation of City Light.

This Strategic Plan Update, the ongoing role of the Review Panel in ensuring accountability, and the extensive customer engagement undertaken maintain the high standards set with the first six-year plan. I request that the City Council consider this resolution adopting the 2015-2020 Strategic Plan and request that the utility prepare the 2015-2016 Proposed Budget and Proposed Rates assuming a 4.2% rate increase in 2015 and a 4.9% rate increase in 2016.

Thank you for your consideration of this legislation. Should you have questions, please contact Jorge Carrasco, at 684-3500.

Sincerely,

  
Edward B. Murray  
Mayor of Seattle

cc: Honorable Members of the Seattle City Council