



CITY LIGHT REVIEW PANEL MEETING

Tuesday, April 14, 2020

11:00 AM – 1:00 PM

Skype Meeting

Proposed Agenda

| <u>Item</u> | <u>Lead</u> |
|--|----------------------------|
| 1. Welcome, Introductions (<i>5 min.</i>) | Gail Labanara, Panel Chair |
| 2. Public Comment (<i>5 min.</i>) | |
| 3. Standing Items: (<i>30 min.</i>) | |
| a. Review of agenda (Karen Reed) | |
| b. General Manager's update/Plan Delivery (Debra Smith) | |
| i. COVID-19 Recovery Plan development | |
| c. Action: Review and approval of meeting minutes of March 31 st | |
| d. Chair's Report (Gail) | |
| e. Communications to Panel (Leigh Barreca) | |
| 4. 2021 – 2026 Strategic Plan (<i>50min.</i>) | |
| a. Strategic Initiatives, continued– Review and call for approval (<i>20 min.</i>) | Leigh/Karen |
| b. Draft plan – Discussion (<i>30 min.</i>) | Leigh |
| 5. Next Steps - Looking forward (<i>20 min.</i>) | All |
| 6. Adjourn | |



**City Light Review Panel Meeting
Meeting Minutes**

Date of Meeting: March 31, 2020 | 11:00AM – 12:00PM | Meeting held via Skype “Draft”

| MEETING ATTENDANCE | | | | | |
|---------------------------|---|-------------------|---|---|---|
| Panel Members: | | | | | |
| Names | | Name | | Name | |
| Gail Labanara | √ | John Putz | | Mikel Hansen | √ |
| Sara Patton | √ | Patrick Jablonski | √ | Leon Garnett | √ |
| Thomas Buchanan | √ | Chris Mefford | √ | | |
| Staff and Others: | | | | | |
| Debra Smith | | Jen Chan | | Karen Reed (Consultant /RP Facilitator) | √ |
| Kirsty Grainger | √ | Mike Haynes | | Emeka Anyanwu | |
| Jim Baggs | | DaVonna Johnson | | Tom DeBoer | |
| Julie Moore | | Chris Ruffini | | Maura Brueger | |
| Saroja Reddy | | Carsten Croff | √ | Leigh Barreca | √ |
| Eric McConaghy | √ | Alex Pedersen | | Kathryn Aisenberg | |
| Craig Smith | | Toby Thaler | √ | Angela Bertrand | √ |
| Kathleen Wingers | √ | Vanessa Lund | | Chris Tantoco | |

Welcome\Introductions. Karen Reed, Panel Facilitator, called the meeting to order at 11:08 AM.

Public Comment. There was no public comment.

Review of Agenda Karen reviewed the agenda.

Approval of Meeting Minutes. The meeting notes were approved as presented.

Chair’s Report. Gail Labanara had no report.

Communications to Panel. Leigh Barreca shared three items:

- Nominee for the panel vacancy is being identified by Councilmember Pederson’s office. The candidates may be invited to listen to panel meetings in April.
- COVID – General Manager (GM) Debra Smith is working with Mami Hara, Director of SPU, for a collaborative approach for including COVID Impact in the department’s respective strategic plans, both of which will be submitted to Mayor and Council this spring. A sidebar will likely be included in report that describes City Light’s efforts in response to crisis (Utility Discount Program, no shut offs.) Final decision on how the utilities will address this is pending further discussion with the GM.
- Another draft Plan will be available to the Panel to review before next meeting on April 14th.



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SCL in the News/Updates. There were no news updates.

Updates to the Roadmap. There were no roadmap updates.

General Managers/CEO's Report. There were no updates.

Strategic Plan Initiatives

Karen noted that based on responses gathered to date, most Panel members expressed concerns on measuring success, and the feasibility/advisability of expenditures in light of COVID 19, but generally support direction of the initiatives.

Leigh noted that City Light staff is currently working with program leads for detailed measurements. Operational Change Management lead hiring is on hold which will mean a new timeline for the project will be defined.

Karen asked the Panel members to identify as a top-line matter whether they have any "show-stopper" concerns with any of the initiatives. Responses included:

- No showstoppers. My concern is about prioritization in light of budget cuts.
- Customer experience road map concerns—timing, value at this point
- No show stoppers.
- Grid improvements – too expensive. Is it worth switching this out for other things right now?
 - City Light response – This is one initiative with an associated big spend. It will likely be supported with stimulus funds. Use of external funding will be a primary driver. This program will be hard to fund without external support.
- Generally curious at how the initiatives will be prioritized and how they will be impacted by budget cuts
- Rate Path – we need to carefully discuss
- Would prefer fewer initiatives with more clarity. They all need clear metrics and careful prioritization. Cyber Security is extremely critical
- Agree. The first 2 seem pretty process heavy, not a lot of new stuff here. But no show stoppers. Critical is rightsizing of the CIP. I also support the rate path.

Initiative detail discussion:

Organizational Change Management:

- Concept good. Measurement is weak.
 - SCL comment: timeline is being pushed due to hiring freeze. Please note that this is a 6-year plan.
- There's no measurement currently identified to measure success on this. Not clear it is a priority at this time. Suggestion to combine this with another initiative.



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- Combine with Future of Work.
- Combine, find measures.
- How interlinked is this with other initiatives?
- Dissenting opinion: It's great and speaks to leadership and adapting teams in these uncertain times.

Karen noted that on balance most favor this being combined with another initiative, but there is not a consensus to remove the initiative.

Continuous Improvement Program:

Leigh noted this is a Continuation of Business Process Improvement initiative in current plan.

Panel comments included:

- Get things moving towards being LEAN

Panel consensus is to support this, keep it as a separate initiative, seek clarification.

Grid Modernization in Support of Electrification:

Kirsty noted that investment in this is likely to be capped by the availability of federal stimulus funds.

Additional comments:

- Concern about cost of this in this environment.
- Concern is finances and overall undertaking. It's a long process. Hopefully stimulus funds also go to cyber security.
- Need discussion in the write-up around anticipated risks, and how to balance need for beneficial electrification vs energy efficiency.
- Link to cyber security.
- We have to think long term, the capital expenditure is very large so the Utility will need to take it on in phases.
- Would like to see this include an assurance that investments will result in a positive impact on rates and how a positive return on the investment when deciding on how to phase this.

Panel consensus is to support this, keep it as a separate initiative and clarify. Add stimulus funds as funding source and discussion on return on investment in times of austerity, as well as link to energy efficiency.

Regional Energy Leadership and Collaboration:

Comments:

- We're already doing this; merge it into 'keep lights on.'
- Talk specifically about electrification vs. Energy Efficiency—need to balance these two goals.
- Talk more about salmon recovery.
- Important to think regionally and broadcast that to other utilities.



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- Feels business as usual. Not a bad idea but detracts from the new and different ideas.
- Include national/global leadership not just regional.

Panel consensus is to support as a standalone initiative and clarify.

Future of Work:

Comments:

- Will have union issues. But like to support employee survey work.
- Like, but concerns about unions. Sounds like there's a plan for that
- Text needs to reference the goal improving diversity and equity in the workforce.
- This work is important for Debra's goals.
- I like it; it is flexible. It seems to overlap with initiative 2 (Continuous Improvement).

Panel consensus to support as stand-alone initiative and clarify.

Rate Path at or Below Inflation:

Comments:

- Support but wonder if it is achievable.
- No metrics tie back to reimbursement by customers for work performed by utility for the specific benefit. Why has the utility not been fully reimbursed for work, and will there be a metric?
 - (SCL) We're not sure. We perform a lot of customer-requested work on an at-cost basis. We're not a profit making organization; we charge what it costs. Time and materials costs need to be updated to make sure we are capturing costs comprehensively. Our financial systems weren't set up to ensure we make that recovery. This is related to the existing cost of growth initiative. This is especially important as it relates to our work with telecommunications firms accessing our light poles. We will track work such as this as a separate line of business to make sure we're recouping all of our costs.
- It's fine.
- Emphasize receivables and expenses.
- I love this one.

Panel consensus to support as stand-alone initiative and clarify.

Customer Experience Roadmap:

Comments:

- Concerns with cost and if other things need to be moved up/delayed in the face of COVID. In general support of this initiative but it may be a lower priority now



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- Like the spirit. Want to see more about incorporating customer feedback and reaching out to customers more.
- I like it because it will result in more energy efficiency.
- Concerned with the costs and software. Keep the work in-house.
- Feels like this has a residential focus– don't lose sight of bigger customers.
- Budget feels large given what we're already doing in this area, although I can support the idea of it.
- I like it, but reference smart grid/grid modernization and leveraging the data driven decisions the grid modernization supports
- Speak more to commercial/industrial customers.
- Amend to more clearly address non-residential customers.

Panel consensus to support as stand-alone initiative and clarify.

At this point, the time for the meeting had nearly expired and several Panel members had other meetings.

Karen will send a short matrix seeking any additional input on the four initiatives we did not get to discuss.

Closing comments from the group:

- Well run, efficient meeting.
- When is the next meeting? A: April 14th, 11:00 a.m. – 2:00 p.m.
- Leigh thanked the Panel for their time and input through the homework.

The meeting adjourned at 12:02 PM

SCL Review Panel –Request for any additional comments on the remaining initiatives we didn’t discuss today (3.31.20)

Thanks for your time today! As discussed, please fill in any **additional thoughts in the green rows** and email this back to me at kreedconsult@comcast.net by C.O.B. Friday April 3. Thank you!! -- Karen

| Name of Initiative <i>(presented in order they appear in the 3/24 meeting packet)</i> | Questions / Comments / Concerns | My position on this initiative: Support / Oppose / Need more Info (pls. specify info needed in column 2) |
|---|---|---|
| Pricing Services for the Future | <ul style="list-style-type: none"> • No comments or questions • <i>OK, a very challenging initiative. We need to be realistic on timeline here</i> • Most of this is long overdue. However, I have some concerns about commercial rate class standardization and becoming even more un-competitive in high demand general rates than we already are. • <i>Yes, Yes, Yes.</i> • Pricing for the Future - good | <ul style="list-style-type: none"> • Support • OK • Maybe support with more info. • <i>Support</i> |
| Additional Panel Comments on Pricing Services for the Future: | Any additional comments? (insert below) | Keep separate or Combine (and if so, with what?) |
| Expand Customer Program Options | <ul style="list-style-type: none"> • No comments or questions • -- • \$15-20M over 5 years is significant enough for SCL to think about a return. • <i>This is great and goes with SCL leadership role but \$15-20M</i> • New Products - good. I like the specificity | <ul style="list-style-type: none"> • Support • OK • Support if we can see an estimated return • <i>Not at this time</i> • Good |
| Additional Panel Comments on Expand Customer Program Options: | Any additional comments? (insert below) | Keep separate or Combine (and if so, with what?) |

| Name of Initiative <i>(presented in order they appear in the 3/24 meeting packet)</i> | Questions / Comments / Concerns | My position on this initiative: Support / Oppose / Need more Info (pls. specify info needed in column 2) |
|---|--|---|
| Information & Operational Technology for Cyber Security | <ul style="list-style-type: none"> • No comments or questions • <i>Process measures should be identified now. The Anticipated Risks -says none. They are huge if this plan is not executed on now. Government agencies are a prime target for cyber attacks</i> • Critical • <i>Great, yes, but no finances...need more info</i> • Cyber security - seems important | <ul style="list-style-type: none"> • Support • -- • Support • <i>Yes, need more info</i> • |
| Additional Panel Comments on Cyber Security initiative: | Any additional comments? (insert below) | <ul style="list-style-type: none"> • Keep separate or Combine (and if so, with what?) |
| Right-Size the Capital Program | <ul style="list-style-type: none"> • No comments or questions • -- • Critical • <i>Yes, Yes, Yes...and no \$ listed, even better</i> • Rightsizing CIP - woohoo! | <ul style="list-style-type: none"> • Support • OK • Support • Yes |
| Additional Panel Comments on Right-sizing capital program initiative: | Any additional comments? (insert below) | <ul style="list-style-type: none"> • Keep separate or Combine (and if so, with what?) |

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Organizational Change Management



Initiative Basics:

| | |
|-----------------------------|--|
| Strategic Priority | Cultivate a Culture of Change |
| Initiative Name | Organizational Change Management |
| Strategic Measures Impacted | <ul style="list-style-type: none">• Current Culture Survey• |

Initiative Team:

| | |
|--------------------------------------|---|
| Initiative Sponsor/s (<i>1/BU</i>) | Lead: Jen Chan (GM Office) |
| Initiative Lead | New OCM Coordinator in General Manager's Office (<i>currently in hiring process</i>) |

Overview

Through the development of a new Organizational Change Management (OCM) initiative, we will enable City Light to become a change-ready organization by preparing, equipping and supporting individuals in successfully transitioning, embracing and adopting change in order to drive organizational success. By establishing an intentional change management support model, we will facilitate a broader transformation goal to build a culture that enabling nimble, adaptable, and effective teams and partnerships.

Reasoning

By helping City Light become a more change-ready organization, the following benefits will be achieved:

- Individuals are aware of the organizational vision and anticipated impacts and benefits from desired changes that connect to their day to day work and individual contributions.
- Individuals embrace change quickly and effectively.
- City Light will respond more quickly to new changes.
- Employees feel reassured when changes arrive.
- Staff show a reduction in negative behaviors/impact/productivity.
- Higher project success rate, including stronger and quicker adoption of technology and process changes

Timeline

| Phase | Deliverable | Start Date | Due Date |
|------------------|---|------------|-----------|
| Scoping | OCM program scope developed, including high level deliverables, timeline, stakeholder involvement, etc. | 6/1/2020 | 8/15/2020 |
| Planning | 2021 OCM work plan approved by sponsor, including identification of specific OCM projects to be led from General Manager's Office, and other key deliverables and milestones in building utility-wide framework and coordination with other OCM resources within City Light and across other City departments | 9/1/2020 | 11/1/2020 |
| Execution | Key OCM milestones and deliverables, as outlined in 2021 OCM work plan | 12/1/2020 | Ongoing |
| Monitor & Revise | Course corrections made to OCM program scope and 2021 work plan based on ongoing feedback and lessons learned. | Ongoing | Ongoing |

Process Measures

| Measure | Currently Tracking? | Baseline | Target |
|---|---|----------|--------|
| Organizational performance metrics (e.g., performance improvements, business and change readiness, project KPI measures, adherence to project plan and timeline, speed of execution) | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | TBD | TBD |
| Individual performance metrics (e.g., change adoption metrics, employee engagement, employee readiness and satisfaction survey results) | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | TBD | TBD |
| Change management performance metrics (e.g., adherence to change management plans, delivery of specific change management activities, performance improvements, project KPIs, speed of execution) | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | TBD | TBD |

Scope

The OCM initiative will establish a utility-wide framework and internal consultancy to support City Light's business units in developing and executing formal change management plans, training, readiness tools and other resources to help staff prepare for key changes in improving performance, streamlining processes, and adopting new technologies.

Anticipated Budget

The anticipated budget to hire an outside OCM consultant is estimated to be \$100,000, however this funding request will be prioritized within existing SCL resources therefore there is not an additional budget impact to the utility. The vendor will leverage industry expertise and experience in organizational change management for large, complex systems such as City Light.

Anticipated Risks

Beyond the inherent challenges associated with supporting successful change management in general, there is an organizational risk of ensuring there is clear coordination and alignment with other OCM resources within the utility, including other external OCM consultants who may be assigned to work on existing/more discrete projects, otherwise it may feel fragmented, disjointed and confusing to staff.

Continuous Improvement Program



Initiative Basics:

| | |
|-----------------------------|---|
| Strategic Priority | Cultivate a Culture of Change |
| Initiative Name | Continuous Improvement Program |
| Strategic Measures Impacted | <ul style="list-style-type: none">• Current Culture Employee survey• Reduction in O&M costs (Overtime, Temp staff) |

Initiative Team:

| | |
|-----------------------------|-----------------------------------|
| Initiative Sponsor/s (1/BU) | Lead: Jen Chan (GM Office) |
| Initiative Lead | <i>Leigh Barreca</i> |

Overview

Elements of this initiative include:

- Improve business processes to meet existing and emerging business needs using time-limited teams to solve process problems, drive efficiencies and results.
- Centralize improvement ideas sourced from employees, performance metrics, and benchmarking data to identify areas in the Utility for continuous improvement.
- Educate and train working groups participating in process improvement activities to build problem solving skills, knowledge, and experience so that a pool of internal talents is built within the Utility.
- Track and report on improvement results, operational metrics, and employee engagement for each improvement effort undertaken

Reasoning

This is a continuation of the existing Business Process Improvement strategic initiative. We will continue to identify inefficiencies in work processes that span the organization. We will work with business teams to identify problem areas, improve process flows, and engage with staff in the collaborative creation of new and more efficient processes. We will work with impacted employees during and after process improvement effort and will offer training support as needed.

Timeline

| Phase | Deliverable | Start Date | Due Date |
|------------|--|-------------|----------|
| Initiation | Annual workplan, including Utility-wide improvement projects approved by Executive Team | Annually | Q1 |
| Planning | Each improvement project's charter and workplan are approved by affected departmental sponsors | Annually | Q1 - Q2 |
| Execution | Each improvement project deliverables are executed, as outlined in plan | Ongoing | Ongoing |
| Monitor | Projects are monitored by project and Program Steering Committees | Ongoing | Ongoing |
| Close | Projects are closed with measurable metrics. 30-60-90 days post-project check-in to gather improvement results | Ongoing | Ongoing |
| Reporting | Quarterly reporting on project status to sponsors and Program Steering Committee Annual reporting to Executives | Bi-Annually | Q2, Q3 |

Process Measures

| Measure | Currently Tracking? | Baseline | Target |
|---|-----------------------------------|--|---------------------|
| Program Impact: <ul style="list-style-type: none"> - # of projects submitted - # of projects completed - # of employees impacted - # of employees involved - Estimated time /\$ saved | √ yes <input type="checkbox"/> no | TBD | TBD |
| Project Measures: Each Continuous Improvement begins with the identification of tracking measures. Measures will be standardized as much as possible. Current samples below: | | | |
| # days to complete customer construction letter | √ yes <input type="checkbox"/> no | 120 days to 110 days to 30 days (72% decrease) | 30 days or fewer |
| # min to process WO | √ yes <input type="checkbox"/> no | 60 to 32 minutes (47% decrease) | 30 minutes or fewer |

Scope

Projects are evaluated based on level of effort, degree of impact and span across the organization. Projects are selected that impact the greatest need and improve service to the greatest extent.

An additional element of this program is providing training to teams throughout City Light that are engaging in their own process improvement efforts.

Specifically, the definition of a business process improvement project includes:

- Addressing an Existing Process
- No Solution Clarity (vs. technology solution)
- Alignment with Corporate Strategy
- Clear Project Scope
- Generating Specific Benefits
- Strong Sponsorship and Management

The prioritization of improvement projects is based on the following characteristics:

- Cross-Functional
- Measurable Benefits
- Urgency/Linkage
- Employee & Customer Experience

Anticipated Budget

All work will be done with existing budget.

Anticipated Risks

- Conflicting priorities will limit the ability for staff to work on improvement efforts.
- Organizational capacity is limited. In order to successfully complete a continuous improvement effort, there needs to be strong sponsorship and commitment from upper management.

Grid Modernization in Support of Electrification



Initiative Basics:

| | |
|-----------------------------|---|
| Strategic Priority | Create Tomorrow's Energy Future Today |
| Initiative Name | Grid Modernization in Support of Electrification |
| Strategic Measures Impacted | <ul style="list-style-type: none"> • Smart Grid Technology Penetration Rate • Distributed Energy Resource (DER) Penetration Rate • Electric Transportation Adoption Rate • New Grid Architecture Implementation |

Initiative Team:

| | |
|-----------------------------|--|
| Initiative Sponsor/s (1/BU) | Lead: Emeka Anyanwu (Energy Innovation & Resources) Mike Haynes + Michelle Vargo (Operations) Craig Smith (Customer Experience) |
| Initiative Lead | Cameron Keyes |

Overview

To enable the electrified – and decarbonized – future our customers want, we will create, maintain, and execute a Grid Modernization roadmap with specific technology timelines and an associated CIP plan. This will establish a disciplined approach to prioritizing and sequencing our modernization investments that will deliver the operational capabilities required to give our customers access to the energy choices they want for themselves. The grid is a key enabler of change and the investments outlined in the Grid Modernization roadmap will be crucial to managing this evolution in core capabilities.

Elements of this initiative include:

- Smart Grid: Increase operational usage of smart grid & automation technology on the Distribution system.
- Foundational OT: Connectivity to and integration with Operational Technology; Grid Mod roadmap is incorporated in, and coordinated closely with the Enterprise Technology Roadmap
- Operational Process evolution: Planned development of operations processes and protocols to leverage new OT capabilities
- Distributed Energy Resources (DERs): Develop ability to consistently and effectively integrate DERs of all kinds – distributed generation (solar), storage, Demand Response (DR),
- New Grid Architecture: Develop framework for City Light's next generation grid including structure, design/performance criteria, component standards, etc.

Reasoning

The way our customers use energy is evolving – smart homes and commercial buildings, industrial automation, industrial automation and controls, flexible loads and transactive energy are no longer buzzwords, they are all being actively adopted. Electrification at scale will especially challenge the entire structural framework that underpins legacy electric utility systems. Challenges driving the need for foundational change come not only from behind the meter, but throughout the entire system of production, delivery, and usage. With massive new demand for energy emerging even as carbon-producing baseload generation is being shuttered, we must meet these new needs with a different portfolio of resources – distributed, renewable, and smart resources. Interconnecting these new resources will require a delivery system that can keep up in order to maintain current levels of reliability and integrity. The physics of the delivery platform will be considerably different for this new universe of customer and community needs and wants and will be an evolution decades in the making. We must execute a sustained, organized strategic approach to identifying, implementing and integrating the technology and architecture of this new system to ensure success and do so while investing our customer-owner’s funds wisely. Our plan will be informed by the best practices of peer utilities throughout the country who are implementing their own Grid Modernization plans in the face of similar challenges, and in partnership with the best solution providers that are helping utilities across the globe to build their capabilities.

As a result of this initiative, we will increase the automation, visibility and flexibility of the grid, as we move away from the reliable, but unidirectional and manually operated legacy distribution, to a multi-directional energy system with flexibility and resiliency built in, and visibility that enables situational awareness to maintain reliability and deliver customer value. This modernized grid will allow the adoption of the innovative technologies our customers demand, allowing Seattle to achieve its carbon-neutrality goals via electrification, while working to stabilize rates by increasing overall revenues and allowing for more efficient capital deployment that considers traditional T&D investments alongside potentially more cost-effective dynamic DER-based solutions.

Maintaining the Grid Modernization roadmap (including DER) with specific technology timelines and an associated CIP plan establishes a disciplined approach to prioritizing and sequencing our modernization investments that deliver operational capabilities our customers need from us.

- Grid Modernization roadmap
 - Completed and adopted; included in Strategic plan
 - CIP funded and maintained as essential to operations
 - Biennial Grid Mod Roadmap updates
 - Execution of Grid Mod projects – within scope schedule & budget; consistent with SCL PM Framework requirements
- DER Integration: Develop a robust DER program
 - Hosting capacity study capability (identify how much distributed generation or storage a given grid segment can integrate without upgrades)
 - Improved and streamlined interconnection process
 - Easier access to data and mapping
 - DERs incorporated into system planning, forecasting, and capital planning

- Next Gen Grid Architecture: Resilient, reliable, flexible
 - Develop new grid architecture framework/concepts
 - Updated system planning criteria
 - Operational use of new grid mod equipment: SOPs leverage new grid capabilities
- Smart Grid & Automation
 - Integration of foundational OT systems with grid automation equipment
 - Smart grid technology penetration – scaling smart capabilities on entire system

Timeline

| Phase | Deliverable | Start Date | Due Date |
|------------------|---|------------|----------|
| Initiation | Charter Signed by all departments involved. | Q2 2020 | Q3 2020 |
| Planning | Project management plan approved by sponsor | Q4 2020 | Q1 2021 |
| Execution | Key project deliverables, as outlined in plan | Various | Ongoing |
| Monitor & Revise | Final Report | n/a | Annual |
| Close | Presentation to Executive Team | n/a | Biennial |

Process Measures

| Measure | Baseline | Target |
|--|----------|--------|
| Project documentation completion | | |
| System penetration for smart grid technologies | | |
| Grid Mod Roadmap draft | | |
| Grid Mod Roadmap adoption | | |
| Next Gen grid template development | | |
| Operations SOPs created for use of smart grid technology | | |
| DER penetration | | |
| EV Adoption | | |

Scope

1. Grid Modernization is not a wholesale replacement of grid equipment and infrastructure assets.
2. This initiative is related to and will be coordinated with other Technology initiatives including OT and Cybersecurity – but it does not fully incorporate them.
3. Closely affiliated with and a key enabler of Transportation Electrification - but does not include it. May ultimately include Vehicle-to-Grid (V2G) as a DER option but does not explicitly include EVs or other electric transportation.

Anticipated Budget

Scope of this effort suggests an eventual annual funding level in the **\$10-20M** range. Early capability limitations likely mean this will be more in the **\$3-7M** range in first few years. Funding escalation depends on our CIP capacity and ability to successfully implement.

***Needs revisions by Kirsty & Debra before final*

Anticipated Risks

- Operational culture – changing to a culture of operating smart devices will require robust change management and disciplined adherence to new protocols
- Technology risks – vendor management, cybersecurity, ITD support, recruitment and retention of necessary talent.
- Procurement – Processes are slow and paperwork intensive and introduce execution and cost risk.

Regional Energy Leadership and Collaboration



Initiative Basics:

| | |
|-----------------------------|---|
| Strategic Priority | Create Tomorrow's Energy Future Today |
| Initiative Name | Regional Energy Leadership and Collaboration |
| Strategic Measures Impacted | <ul style="list-style-type: none"> Forecast certainty on building and transportation electric load increases on City Light's long-term load forecast. Long-term rate competitiveness from BPA and improved revenue outcomes for SCL in regional energy markets. Clearer path forward on federal BiOp obligations for BPA and the impact of the associated costs on long-term electric rates Becoming an early adopter of EDAM if certain market design elements are not averse to City Light's policy objectives. Faster and deeper reductions in carbon emissions in western United States through regional markets and greater integration of renewables through innovative hydro operations Continued and ongoing collaboration with regional and west-wide partners on major energy market initiatives including EDAM and a potential future RTO. |

Initiative Team:

| | |
|-----------------------------|--|
| Initiative Sponsor/s (1/BU) | Lead: Maura Brueger (Government & Legislative Affairs) Emeka Anyanwu (Energy Innovation & Resources) |
| | Tom DeBoer (Chief Environmental Officer) |
| Initiative Lead | Maura Brueger |

Overview

Elements of this initiative include:

- State Legislative Agenda & engagement with state and regional agencies.
- Formalized collaboration with Tacoma Public Utilities, Snohomish PUD and Puget Sound Energy on Puget Sound building decarbonization.
- Development of strategies and actionable solutions, through engagement with key trade associations & coalitions or stakeholder groups, to high profile regional energy issues.
- Active leadership and participation on upcoming and ongoing major policy initiatives throughout the west including EDAM, NWPP Resource Adequacy, regional transmission planning efforts, and other advances in regional cooperation that will lead to decarbonization of the energy sector.
- Active and continued leadership and participation in national and regional trade groups and formal coalitions to advance City Light's environmental, carbon reduction, and marketing goals.

Reasoning

Take a leadership position in defining the future of deep decarbonization in the energy sector through the expansion of electricity for buildings and transportation in our region, consistent with the city's broader environmental stewardship and racial equity and social justice values. Additionally, ensuring the capacity and availability of carbon-free generation resources will ensure reliability and affordability for our customers today and for future generations. Finally, pursuing innovative solutions that allow our hydro resources to integrate the continued proliferation of renewable resources in the west to further assist with our decarbonization goals.

- Puget Sound Utility Collaboration on Building Decarbonization established with strategy & timeline for measurable actions.
- City Light's Successful entry and operation in CAISO's EIM and future entry into EDAM provided there are benefits to our customer owners.
- Successful entry of BPA into the CAISO EIM and EDAM to benefit NW ratepayers and leverage NW hydropower for western decarbonization.
- Establishment of new CRSO BiOp with long-term vision and strategic plan to recover species, honor tribal needs, strengthen electric grid & support agricultural services.
- Aggressive and strategic state legislative agenda promoting regional decarbonization through building and transportation electrification.
- Continued support of state legislative and agency policy objectives relating to environmental outcomes and decarbonization by providing leadership and expertise on key strategic issues while also minimizing impacts to customers through undue added costs or undue compliance obligations.

Timeline

| Phase | Deliverable | Start Date | Due Date |
|------------------|---|------------|----------|
| Initiation | Charter Signed by all departments involved. | | |
| Planning | Project management plan approved by sponsor | | |
| Execution | Key project deliverables, as outlined in plan | | |
| Monitor & Revise | Ongoing rubric and metrics evaluated with regular reporting | | |
| Close | Final Report & Presentation to Executive Team | | |

Process Measures

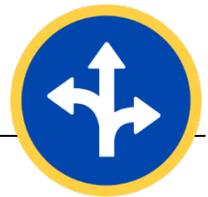
| Measure | Currently Tracking? | Baseline | Target |
|--|---|---------------------------|--|
| Groups/Coalitions SCL actively participates in | <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | Some existing groups+ new | New coalition & engagements exist |
| Issue and/or initiative participation comments | <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | | |
| Leadership roles within trade groups | <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | Current status | Staff serve on key working groups or in leadership roles |
| Coordination and collaboration tools developed | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | Current status | New useful analysis with data/info available |

Anticipated Budget

Currently, the expectation is to work within existing resources and budgets, leverage trade association and coalition affiliations.

Anticipated Risks

These are all ambitious efforts that require participation and action by parties outside of Seattle City Light's control. With that, measuring success will be difficult. However, City Light's leadership and engagement in these efforts is more likely to contribute to the establishment of actionable strategies and more rapid regional decarbonization. Absent City Light's leadership, many of these issues, in the northwest utility landscape, could create a leadership vacuum where there is no entity helping guide and deliver a coherent objective of achieving deep-decarbonization in the energy sector.



Future of Work

Initiative Basics:

| | |
|-----------------------------|--|
| Strategic Priority | Cultivate a Culture of Change |
| Initiative Name | Future of Work |
| Strategic Measures Impacted | <ul style="list-style-type: none">• Current Culture employee survey• Employee promotion rates• New hire retention rates• Percentage of employees compliant with req'd safety training• Total Recordable Incident Rate• Safety assessments completed by people leaders• % of employees participating in utility safety programs• % reduction in preventable motor vehicle collisions |

Initiative Team:

| | |
|-----------------------------|--|
| Initiative Sponsor/s (1/BU) | Lead: DaVonna Johnson (People & Culture) Jen Chan (General Manager's Office) |
| Initiative Lead | Kathy Knoelke |

Overview

This initiative will build a workforce that is rooted in flexibility, agility, and resilience while positively impacting the employee experience and achieving a culture of safety excellence.

Elements of this initiative include:

- Developing a comprehensive customer centric workforce strategy that attracts, develops, and engages the workforce for greater connection and execution of City Light's business goals.
- Driving a growth mindset culture where our employees embrace and make change a reality.
- Developing an executable safety change management strategy to achieve safety excellence.

Reasoning

As we look at needs of our customer-owners, from residential to big business, we see that the workforce and safety strategy that brought us to 2020 is not sustainable. We must build a workforce that is rooted in flexibility, agility, and resilience.

The Future of Work strategic initiative strives to:

- Align evolving customer expectation to our workforce strategy.
- Implement a strategic staffing and succession plan.
- Transform the workforce to be responsive to our changing industry and customer-owner needs.
- Embed a culture of safety excellence that drives the work of all employees regardless of location or title.

Data will be a key component of this initiative. Data will inform our decisions and how we utilize employee resources.

We anticipate that implementation and successful execution of this initiative will result in:

- A growth mindset culture that embraces change to enable innovation.
- An inclusive environment where collaboration is valued.
- A comprehensive public safety program that includes employee training and education regarding public safety issues, customer education talking points and customer education, and awareness program regarding electrical hazards.
- An employee experience that is defined by increased morale, high engagement, and effective communication.
- Increased communication to customer-owners and the general public to improve safety on and around active job sites.
- A shared vision for safety aligned around a consistent message to drive better outcomes.

Timeline

| Phase | Deliverable | Start Date | Due Date |
|------------------|---|--------------|----------------------|
| Initiation | Charter Signed by all departments involved. | October 2020 | December 2020 |
| Planning | Project management plan approved by sponsor | January 2021 | March 2021 |
| Execution | Key project deliverables, as outlined in plan | April 2021 | Quarterly report out |
| Monitor & Revise | Final Report | July 2022 | September 2022 |
| Close | Presentation to Executive Team | October 2022 | December 2022 |

Process Measures

| Measure | Currently Tracking? | Baseline | Target |
|--|---|---|---|
| Current Culture employee survey | <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | Participation 76% Engagement Index 70% | Participation 80% Engagement Index 75% |
| Pulse Surveys | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | n/a | |
| New hire retention rates | | n/a | |
| Total Recordable Rate | <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | | |
| Safety assessments completed by people leaders | <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | | |
| Training participation | | | |
| Absenteeism rates | | | |

Scope

The Future of Work initiative will touch upon every aspect of the employee experience. As such, intentional collaboration across the initiatives will be imperative.

Anticipated Budget

Budget need is still under development. There is a recognized need to engage a consultant to assist in the rollout of some of the parts of this initiative to employ a train the trainer model. Additionally, we will need to hire a survey company to help us build and implement a pulse survey to understand how employees are experiencing People and Culture.

Anticipated Risks

As we move to a workforce that is agile and flexible our traditional way of defining work will need to change. Potential risks may include:

- The City's classification system is controlled by the Seattle Department of Human Resources (SDHR). Any changes would have to be developed in partnership with SDHR and could result in the project being delayed.
- All changes in the City's classification structure require Union agreement. Even though this is a potential risk, we have been successful working in collaboration with the unions to reach an agreement on classification issues.

Rate Path at or Below Inflation



Initiative Basics:

| | |
|-----------------------------|--|
| Strategic Priority | Ensure Future Financial Stewardship & Affordability |
| Initiative Name | Rate Path at or Below Inflation |
| Strategic Measures Impacted | <ul style="list-style-type: none"> • Rate Path • Leverage Ratio • Debt Service Coverage |

Initiative Team:

| | |
|-----------------------------|---|
| Initiative Sponsor/s (1/BU) | Lead: Kirsty Grainger (CFO) DaVonna Johnson (P&C Officer) – for O&M portion |
| Initiative Lead | Chris Ruffini (Finance) |

Overview

This initiative is about delivering long-term affordability and a rate path at or below inflation.

Elements of this initiative include:

- **Long-term Debt Plan.** Research debt management policy and create a long-term debt plan to stabilize leverage ratio. Propose and gain approval for amendments to financial policies to support prudent financing of capital investments and debt levels.
- **Full Reimbursement for Costs.** Focused financial tracking for costs and revenues associated with reimbursable work, develop cost/revenue financial reporting templates for reimbursable capital work, opt-in customer programs, and other functions that operate as mini lines of business with revenue streams. Identify opportunities for amending work practices around coding costs and revenues to automate tracking by program. Full funding of reimbursable work eliminates impact on regular customer rates.
- **Contain O&M Costs.** Manage labor costs through redeployment of vacant positions resulting from efficiency improvements and reordered priorities. Labor constitutes approximately 60% of non-power O&M costs, and new initiatives and changing technology will require new positions to support this work.

Reasoning

Maintaining affordable energy costs for our customer-owners is central to City Light’s mission. In recent years, annual rate increases have averaged 5-6% range, significantly higher than inflation. This initiative proposes to flatten the rate trajectory though containing long-term costs from CIP and debt service, customer-driven work (services provided beyond regular electric service delivery), and internal labor costs.

Timeline

| Phase | Deliverable | Start Date | Due Date |
|------------------|---|------------|----------|
| Initiation | Charter Signed by all departments involved. | | |
| Planning | Project management plan approved by sponsor | | |
| Execution | Key project deliverables, as outlined in plan | | |
| Monitor & Revise | Final Report | | |
| Close | Presentation to Executive Team | | |

Process Measures

| Measure | Currently Tracking? | Baseline | Target |
|--|---------------------|----------|-----------|
| Proportion of capital work funded with bonds | Yes | 60% | tbd |
| Forecasted & actual leverage ratio | Yes | tbd | |
| "P&L" for lines of business with revenue streams | No | tbd | tbd |
| Number of positions redeployed | Yes | | |
| Total FTE | Yes | | No change |

Scope

The scope of this initiative is limited to the three items listed.

Anticipated Budget

Incremental work to be accomplished with existing finance and P&C staff.

Anticipated Risks

The main risk is bandwidth to implement change given competing priorities.

Customer Experience Roadmap



Initiative Basics:

| | |
|-----------------------------|---------------------------------|
| Strategic Priority | Focus on Customer Experience |
| Initiative Name | Customer Experience Roadmap |
| Strategic Measures Impacted | Customer Surveys |
| | Issue Resolution Time |
| | Current Culture Employee Survey |

Initiative Team:

| | |
|-----------------------------|---|
| Initiative Sponsor/s (1/BU) | Lead: Craig Smith (Customer Care & Energy Solutions) |
| | <ul style="list-style-type: none"> Jen Chan (Chief of Staff) |
| | <ul style="list-style-type: none"> Emeka Anyanwu (Energy Innovation & Resources) |
| | <ul style="list-style-type: none"> Kirsty Grainger (Finance and Load Forecasting) |
| | <ul style="list-style-type: none"> DaVonna Johnson (People & Culture) |
| | <ul style="list-style-type: none"> Robert Cromwell (Customer Operations) |
| Initiative Lead | Mike Little – CCES Business Support Services |

Overview

Through this initiative we will work to understand our customers and use that understanding to develop a customer experience roadmap. This work will involve substantial data collection and analysis through a variety of tactics and methodologies. Areas of focus will include:

- Comprehensive research to understand our customers' needs and preferences.
- Market research to understand technology trends, adoption curves and customer demands
- Survey mechanisms to gain feedback on customer experience and satisfaction with the utility
- Journey mapping to identify customer pain points and opportunities for the utility to add value
- Collection and assessment of utility AMI data, end use load research, and customer end use saturations to better understand how customers use energy in buildings, transportation and processes.

Reasoning

In late 2019 City Light established a Customer Experience Strategy and created a vision for the utility: **“We empower our customer-owners in meeting their energy needs. Simple and accessible solutions – for every customer, in every interaction.”** To transform these words from vision to reality, we must become an organization that delivers products and services that are grounded in data and research that captures our customers' values, interests, preferences and needs. We must deeply know our customers *now* so that we can anticipate -- and therefore meet -- their *future* energy needs.

The Customer Experience Roadmap is designed to help us understand customers' needs and desires through comprehensive research on preferences, behavior, energy use, building stock, customer journey mapping, and ongoing customer satisfaction measurement. We will use the voice of the customer as well as other customer data and analytics to drive ongoing empathetic process improvement, employee training and product and service design. This approach should lead to higher levels of customer satisfaction and loyalty, as well as employee engagement.

As a result of this initiative, we will:

- Establish detailed strategic roadmap that allows us to create meaningful customer initiatives.
- Build better understanding of our customers’ challenges and how to prioritize our improvement efforts to become a customer centric organization.
- Establish a customer information system(s) with real-time, actionable and ongoing feedback, tools and metrics to measure our success
- Develop customized, personalized products and services that meet customers’ energy needs and speak to their values
- Make more data-driven decisions based on customer research.
- Be able quantify the impact to our customers for current and future work to incorporate it into our business cases to support and justify the need for changes
- Strive to reduce the time it takes to develop, pilot, launch, evaluate and revise customer offerings.
- Have data and information to identify how to better equip employees with tools and resources to empathize, listen and advocate for customers

Timeline

| Phase | Deliverable | Start Date | Due Date |
|------------------|---|------------|----------|
| Initiation | Charter Signed by all departments involved. | Q2 2020 | Q4 2020 |
| Planning | Project management plan approved by sponsor | Q4 2020 | Q1 2021 |
| Execution | Key project deliverables, as outlined in plan | Various | |
| Monitor & Revise | Final Report | n/a | Ongoing |
| Close | Presentation to Executive Team | n/a | Ongoing |

Process Measures

| Measure | Currently Tracking? | Baseline | Target |
|-------------------------------------|---|----------|--------|
| JD Power – Customer Survey | <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | TBD | TBD |
| Issue Resolution Time | <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | TBD | TBD |
| Customer Satisfaction Survey Scores | <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | TBD | TBD |

Scope

- **What is included:** Understanding customers, understanding customer energy needs, understanding the buildings that customers live and work in.
- **What isn’t included:** Work with other City Departments and employee experience that does not intersect with the customer experience roadmap are considered out of scope.

Anticipated Budget

- Estimated staff resource need is \$600,000 (annual)
- Estimated consulting budget for research, analytics, and culture change is \$550,000 (annual)
- Estimated costs for acquisition and/or development of technology is \$1,000,000

Anticipated Risks

| | |
|--------|---|
| High | <p>Cooperation and collaboration with other City Departments and IT. Department goals, priorities, budgets, timing and resources may not be aligned. This will require negotiation. City-level strategic vision and sponsorship can help.</p> <p>Past interdepartmental initiatives around CRM and building data analytics have been bogged down. We worry about resourcing, our relative priority, scope creep, and timing.</p> <p>Moreover, we are aware of a parallel IT 'data lake' initiative. Customer insight that is collected in this City Light strategic initiative may be folded into that City-wide initiative</p> |
| High | Operational culture – changing to a culture that a) values customer perspective <i>in addition to</i> utility perspective, and b) emphasizes data-driven decisions will require robust change management and disciplined adherence to new norms |
| Medium | Procurement – Processes are slow and paperwork intensive and introduce execution and cost risk. |
| Medium | Recruitment and retention of necessary talent |
| Medium | Other technology risks -- vendor management, cybersecurity, ITD support |

Pricing Services for the Future



Initiative Basics:

| | |
|-----------------------------|---|
| Strategic Priority | Ensure Future Financial Stewardship & Affordability |
| Initiative Name | Pricing Services for the Future |
| Strategic Measures Impacted | <ul style="list-style-type: none"> • Contribution Margin • Rate Path • |

Initiative Team:

| | |
|-----------------------------|---|
| Initiative Sponsor/s (1/BU) | Lead: Kirsty Grainger (CFO) Craig Smith (Customer Programs)? Emeka Anyanwu (EIR) |
| Initiative Lead | Carsten Croff (Rates Manager) |

Overview

This initiative continues to deliver on the recommendations from the 2019 Rate Design Project Report and builds on the 2019-2024 Strategic Plan initiative “revenue recovery and rates”. Elements of this initiative:

- **TOD Pricing.** Establish TOD pricing alternatives available to all customers, on an opt-in basis. This initiative is already underway but will continue and evolve as more information becomes available. TOD pricing is a key to long term affordability because it facilitates customer participation in efficiently managing energy costs, demand response, and electrification.
- **Commercial Pilots.** Partner with commercial customers to create pilots and pricing programs to encourage demand response and deep decarbonization. This will impact long term affordability by increasing kWh/revenues while potentially alleviating need for new capacity investments.
- **Residential Pilots.** Study and develop new residential programs that address affordability needs (energy burden), new TOD options, and desire for new green power alternatives. Affordability programs will complement and improve the existing UDP, directly improving affordability for vulnerable populations. Meeting customers’ desire for premium green power alternatives might prevent loss of customers to alternative power providers.
- **Service Availability Pricing.** Building on a standardized fixed charge methodology that captures 100% of applicable customer costs (to be implemented 2021), design a capacity-based fixed (commercial) or minimum (residential) charge to collect for the appropriate infrastructure cost of maintaining service availability.
- **Power Cost Rate Mechanism.** Study, evaluate and (potentially) implement an integrated power cost rate mechanism that combines impacts of BPA, RSA, EIM and other wholesale marketing revenues. Develop tracking and reporting for each component for transparency. Clarify impact of net power costs on rates, and stabilize downstream impact to rates from these interrelated drivers.
- **Commercial Rate Class Standardization.** Efficient rate design may alleviate the need for four different general service rate classes. Study and recommend an ideal long term structure for commercial rates (determining the best mix of volumetric charges, capacity/demand charges, fixed/minimum charges.) Simplifying and standardizing rate classes should improve customer satisfaction, reduce administrative costs, remove incentives for false loading and increase incentives for certain types of energy efficiency.

Reasoning

Time of Day (TOD) and demand response rates contain capacity costs and maximize wholesale market benefits. Rates have mechanism to adjust for power costs, stabilizing contribution margin. Pricing alternatives that meet diverse customer needs and expectations.

Timeline

| Phase | Deliverable | Start Date | Due Date |
|------------------|---|------------|----------|
| Initiation | Charter Signed by all departments involved. | | |
| Planning | Project management plan approved by sponsor | | |
| Execution | Key project deliverables, as outlined in plan | | |
| Monitor & Revise | Final Report | | |
| Close | Presentation to Executive Team | | |

Process Measures

| Measure | Currently Tracking? | Baseline | Target |
|-------------------------|---------------------|---------------|-------------------|
| Net Power Costs | Not like this | Set by budget | Lower than budget |
| Participation in Pilots | Not yet | | |
| Customer Satisfaction | Yes (JD Power) | | |

Scope

This initiative focuses on customer classification and rate design, it doesn't include changing cost of service methodology or overall rate path. It is possible that this is too much to accomplish in 2-6 years, along with other department initiatives, and some scope adjustment or prioritization will be needed.

Anticipated Budget

Assumes this initiative will be supported by existing staff in Finance, Customer Programs, and EIR. May need external communications/marketing support depending on internal resource availability. No incremental budget specifically for this initiative.

Anticipated Risks

The largest risk is that diverse stakeholders will not be able to come to a common agreement on changes to be made, leading to failure to get support from elected officials/Council, and status quo will continue.

New rate structures will support key goals and improve the way that revenue is collected from customers. However, not all customers will directly benefit. Relative to current rate structures some customers will see decreases in their bills and other customers will experience higher bills. There is a risk that some customers will experience higher than anticipated bill impacts.

Expand Customer Program Options



Initiative Basics:

| | |
|-----------------------------|---------------------------------|
| Strategic Priority | Focus on Customer Experience |
| Initiative Name | Expand Customer Program Options |
| Strategic Measures Impacted | JD Power Score |
| | Customer Satisfaction |
| | First Contact Resolution |

Initiative Team:

| | |
|-----------------------------|--|
| Initiative Sponsor/s (1/BU) | Lead: Craig Smith (Customer Experience) <ul style="list-style-type: none">• Emeka Anyanwu – Energy Innovation and Resources• Jen Chan – Chief of Staff |
| Initiative Lead | Mike Little – CCES Business Support Services |

Overview

This Initiative expands customer-facing programs, products and services in order to improve our customers' experience and ensure we are meeting their energy needs. Areas of focus are identified through various strategic planning and research activities, and many will be initiated and informed through complementary 2020 Strategic Initiatives. Past and planned bodies of work internal to City Light guiding the content of this Initiative include:

- 2018 Strategic Initiative for Business Customer Services
- 2018 CCES Residential Customer Strategy
- Transportation Electrification Strategic Investment Plan
- Customer Experience Roadmap Initiative
- Grid Modernization Initiative
- Pricing Services Initiative
- CCES Commercial Customer Strategy

Reasoning

As we gain understanding to our customer pain points and needs, we can plan for and establish programs that meet their energy needs, improve our value proposition, and create positive experiences. This Initiative has two phases of work; work that is current underway and new work identified through the various strategic planning efforts identified above.

Phase 1. Recently completed research and strategic planning within the utility has identified areas where gaps exist and/or where there are opportunities for enhanced services or expanded offerings. Several pilots are planned or underway. Some are reaching points of scale/no scale decisions. The initial work plan for this Initiative will be focused on assessing, modifying, and scaling these programs. Existing programs and offers that are identified as obsolete or ineffective will be sunset or exited as appropriate. Five significant efforts are identified in Phase 1.

1. Expand business customer service center pilot to scale for all small and medium commercial customers; approximately 32,000 customers impacted.
2. Expand digital customer experience through adding functionality to the existing customer portal and creating a complementary customer engagement and purchase platform to help customers understand and manage energy use.

3. Develop new energy-efficiency programs for residential and commercial buildings with special emphasis on underserved populations.
4. Evaluate and scale DER programs including the large solar pilot and virtual net metering for affordable housing.
5. Evaluate and expand public charging and residential home charging pilots and introduce new transportation electrification programs that align with the City Light Transportation Electrification Strategy Investment Plan.

Phase II. As the utility completes new strategic work, new opportunities for customer facing programs will be brought forward. As these opportunities are approved for development, the Programs Initiative workplan will expand. New program development will follow a formal stage-gate process of discovery, design, build and implementation. While the specific customer solutions are not yet identified and need to be developed through a cross-functional customer-centric design process, we can anticipate potential outcomes. Some anticipated areas of programmatic expansion include:

- Distributed generation and renewable energy purchase options
- Solar storage, batteries, and load management
- Demand management and response
- Transportation charging infrastructure in commercial, residential and industrial markets
- Technologies for deep energy efficiency in multifamily and commercial buildings including efforts to achieve net zero and carbon neutrality
- Information systems to support customer energy use and pricing decisions

Outcomes. The solutions proposed under this Initiative will be designed using customer-centric methodology. The expected outcomes include increased customer satisfaction and loyalty, and in some cases, reduced cost to the utility and our customer owners. Other focuses will be on customer activities that provide added value to the utility such as demand response.

Timeline

| Phase | Deliverable | Start Date | Due Date |
|------------------|---|------------|-----------|
| Initiation | Charter Signed by all departments involved. | Q2 2020 | Varies |
| Planning | Project management plan approved by sponsor | Varies | Varies |
| Execution | Key project deliverables, as outlined in plan | Varies | Varies |
| Monitor & Revise | Final Report | N/A | Ongoing |
| Close | Presentation to Executive Team | N/A | Bi-annual |

Program-Specific Timelines. There are several programs/projects planned in this Initiative. Each program will have business objectives, and a workplan with specific milestones and due dates. Program status and health will be reported out monthly via program dashboards. We recommend bi-annual status updates to the Executive team.

Process Measures

| Measure | Currently Tracking? | Baseline | Target |
|--------------------------------|-----------------------------------|------------|--------|
| Customer Satisfaction JD Power | ✓ yes <input type="checkbox"/> no | 790 (2017) | TBD |

Program-Specific Measures. Each program/project identified in this Initiative will have a set of business success factors and program metrics. These will vary by program, and each will include a customer satisfaction component that can be measured through program workflow. Status of program metrics will be reported monthly on the program dashboards.

Scope

- **What is included.** Design, build and delivery of programs, products and services that are identified as opportunities for improving the customer experience, adding customer value, and/or adding value to the utility. Opportunities pursued in this Initiative will be driven and informed by formal strategic research and planning.
- **What isn't included.** Work that is not identified through a formal planning process is considered out of scope.

Anticipated Budget

We anticipate this Initiative will represent a \$15-20 million investment over the 5-year planning cycle. A good portion of funding will come from our existing budgets and/or the costs will be offset from new revenue sources. In addition, we will need additional dedicated staffing resources.

Anticipated Risks

| | |
|--------|--|
| High | Procurement – Processes are slow and paperwork intensive and introduce execution and cost risk. |
| High | Technology risks – there is a parallel City- IT ‘data lake’ initiative; customer insight that is collected in this City Light strategic initiative may be folded into that City-wide initiative – with associated timing and resources – or may be independent. This will require negotiation. |
| Medium | Recruitment and retention of necessary talent |
| Medium | Operational culture – changing to a culture of valuing customer perspective <i>in addition to</i> utility perspective will require robust change management and disciplined adherence to new norms |
| Medium | Other technology risks -- vendor management, cybersecurity, ITD support |
| Medium | Authority to deliver new products and services may challenge traditional utility role/perspective. |
| Medium | Cooperation and collaboration from city departments. Department goals, budgets, resources may not be aligned. City-level strategic vision and sponsorship can help. |
| Medium | Cooperation and collaboration from internal utility workgroups. Resources and budget need to be allocated throughout the utility for successful design and implementation. |



Information & Operational Technology for Cyber Security

Initiative Basics:

| | |
|-----------------------------|--|
| Strategic Priority | Create Tomorrow's Energy Future Today |
| Initiative Name | Enhance Cyber Security Capabilities and Oversight |
| Strategic Measures Impacted | <ul style="list-style-type: none"> • • |

Initiative Team:

| | |
|-----------------------------|---|
| Initiative Sponsor/s (1/BU) | Lead: Jim Baggs (Facilities and Oversight Services) Jeff Brausieck (CISO) |
| Initiative Lead | Jeff Brausieck (CISO) |

Overview:

We will establish foundational capabilities of a robust cyber security program for utility technology. Phase one includes staffing a Cyber Security team and establishing cyber security governance and risk management framework for Utility Technology. We will monitor and direct City provision of cyber security protection for critical energy infrastructure assets and centralized systems on which the utility depends. Appropriate security toolsets and controls to improve security posture in key program areas will be implemented.

Elements of this initiative include:

- Establish Cyber Security Governance and Frameworks
- Hire initial staff and build core program capabilities
- Adopt and adapt NIST Cyber Security Framework and DOE C2M2 as appropriate to City Light
- Develop Cyber security communications plan
- Provide customer oversight to services provided by SIT
- Work with SMEs to develop security policies and standards
- Develop plan for security monitoring (incident detection and response)
- Inventory all IT & OT systems the utility depends on to develop a roadmap
- Increase change management around IT/OT changes including training and support
- Build system to increase compliance with efforts to record, manage, and report on all technology projects

Reasoning:

Proactively understanding and addressing cyber risk of both current and future technology improves service reliability, protects our customers, and demonstrates due diligence in risk management for the utility. As interconnected systems can each affect the combined risk profile, an enterprise cyber security program will provide the governance, frameworks and leadership needed to manage risk across all City Light technologies. It will also provide the expertise needed to address increasing NERC-CIP, PCI-CSS, PII Privacy and other emerging cyber security requirements, reducing both security and compliance risk.

This initiative will integrate cyber security considerations into utility technology governance processes and enable secure technology innovation. A cyber security risk management program will be implemented leveraging well established frameworks to mitigate risks and maintain operational resiliency. We will provide leadership and technical expertise to throughout City Light on cyber security architecture, controls and design to support various technology initiatives including new systems upgrades and enhancements.

We will enhance cyber security operations capability and ensure the necessary tools, integrations and staff are in place to monitor and analyze utility technology systems and to detect and respond to incidents.

Timeline

| Phase | Deliverable | Start Date | Due Date |
|------------------|---|---------------|----------|
| Initiation | Charter Signed by all departments involved. | 12/31/19 | 4/30/20 |
| Planning | Project management plan approved by sponsor | 3/1/20 | 4/30/20 |
| Execution | Key project deliverables, as outlined in plan | 3/1/20 | 6/30/20 |
| Monitor & Revise | Final Report | Annual Report | 2/28/21 |
| Close | Presentation to Executive Team | No close | |

Process Measures

| Measure | Baseline | Target |
|------------------------|----------|--------|
| Staff Hired | | |
| Governance Defined | | |
| Communication Plan | | |
| Seattle IT Performance | | |
| Regulatory Compliance | | |
| | | |

Scope

Some cyber security protection is provided to all City departments including City Light by Seattle IT. They will continue to be responsible for cyber security for the information technology they are responsible for.

Anticipated Budget

Unknown currently... budget still under development.

Anticipated Risks

None.

Right-Size the Capital Program



Initiative Basics:

| | |
|-----------------------------|--|
| Strategic Priority | Ensure Future Financial Stewardship & Affordability |
| Initiative Name | Right-Size the Capital Program |
| Strategic Measures Impacted | <ul style="list-style-type: none"> • Leverage Ratio • Debt Service Coverage • Completion Rate/Capital Adherence |

Initiative Team:

| | |
|-----------------------------|--|
| Initiative Sponsor/s (1/BU) | Lead: Kirsty Grainger (CFO) Mike Haynes Andy Strong |
| Initiative Lead | TBD |

Overview

This initiative will prudently reduce and standardize the size of the capital program by changing how the capital budget is developed. Elements of this initiative include:

- Overhaul programmatic CIP– Reorganize asset management team and concentrate efforts on improving planning and estimating that precedes new capital investments. Build robust asset condition data within WAMS. Develop budgets by pooling funds (rather than using annual allocations) and use long-term system planning and condition assessments to identify most-needed capital investments. Explore new models for dividing responsibility and enforcing accountability for managing programmatic capital spending between project managers, analysts, and engineers. Improve reporting capabilities; create metrics and dashboards for monitoring & tracking of spending, budget status, milestones and timelines.
- Enhance management of discrete capital projects. Continue to expand use of project management framework. Research best practice (cost/benefit, plans/charters, stage gates, etc.) and implement augmented project controls process for use with CARE committee. Improve reporting for project status and budgets.

Reasoning

Capital improvements account for 60% of the projected 6-year rate trajectory, so carefully right-sizing the capital program will be impactful in managing overall costs and rates. Simply reducing the size of the capital program is not difficult but doing so in a way where infrastructure is not compromised for the long-term is.

This initiative proposes to fundamentally alter how the utility manages programmatic CIP, which accounts for 70% or more of the capital program. In parallel, strong project controls will help weed out unnecessary work and limit budget variances for discrete projects.

Timeline

| Phase | Deliverable | Start Date | Due Date |
|------------------|---|------------|----------|
| Initiation | Charter Signed by all departments involved. | | |
| Planning | Project management plan approved by sponsor | | |
| Execution | Key project deliverables, as outlined in plan | | |
| Monitor & Revise | Final Report | | |
| Close | Presentation to Executive Team | | |

Process Measures

| Measure | Currently Tracking? | Baseline | Target |
|--|--|----------|--------|
| Number of projects using project mgmt. framework | Yes | | |
| Various metrics for programmatic work | Some | | |
| CIP Forecast vs Actuals | Yes | | |
| Budget overages | Yes | | |
| CIP Completion Rate | Yes | | |
| | <input type="checkbox"/> yes <input type="checkbox"/> no | | |

Scope

WAMS reimplementation and integration is outside the scope of this initiative, though the timing and purview of this technology upgrade would impact how proposed new processes would use this system. Also, it is assumed that some organizational changes and reassignments will be resolved before this initiative begins.

Anticipated Budget

No incremental O&M or headcount is included in this initiative. It is likely that staffing among engineers/capital project management will need to be shifted or reorganized. There is interest in adding staffing to support project management, program management, cost estimating and project controls analysis, but a full analysis has not yet been completed.

Anticipated Risks

Culture change: this initiative will require cross-functional teamwork, and strong sponsorship to shift responsibilities from one team to another and enforce accountability.

Cost/Staffing/Technology: As this initiative progresses and we clarify how processes and responsibilities will change, we may determine that we do need headcount (at least in the short-term) consulting support or new technology.

DRAFT 3.5

4-3-2020

COVER

2021-2026 Strategic Plan

Building the Utility of the Future

4-3-2020

[logo]

INSIDE FRONT COVER:

About Seattle City Light

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

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

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

SEATTLE CITY LIGHT: BY THE NUMBERS

Service Area Population: 906,595

Service Area Size: 131.31 sq. mi.

Residential Customers: 410,650

Non-Residential Customers: 50,846

Personnel (full-time equivalent positions): 1,802

Major Substations: 16

Commercial and Industrial Power Transformers: 56

Distribution Circuit Miles: 2,334.6

Network Distribution Circuit Miles: 309

Meters: 461,496 (97% Advanced Meters)

Source: 2018 Fingertip Facts

PAGE 1: [INSERT MESSAGE FROM DEBRA: The Power of Our Plan]

GM/CEO's letter

[SIDEBAR: **UTILITY RELIEF FOR COVID-19 IMPACTED CUSTOMERS**]

The City of Seattle has provided the following utility bill relief for residential and commercial customers:

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

*Learn more about the Utility Discount Program on pg.10

Commented [VL1]: The tense is updated now

Commented [VL2]: Tom – Might want to reference the POWER Seattle branding here (WE in poWEr) is bold?

[PAGE 2]

Mission: Seattle City Light is committed to providing our customer-owners with affordable, reliable and environmentally responsible electricity services.

Vision: To connect Seattle to our shared energy future by partnering with our customers and ensuring that their energy needs are met, in whatever way they chose.

Values:

- **Safe & Engaged Employees:** Employee and public safety come first, and we will actively demonstrate that commitment to everyone around us. We treat each other with caring and respect, are personally accountable, and work effectively in teams.
- **A Customer-Centric Culture:** We value our customer-owners. We are approachable, respectful and responsive in providing the products and services that our customers want and need.
- **Financial and System Stability:** Everything we do is based on a strong financial foundation and solid, reliable infrastructure; we prioritize our investments and operating choices to that end.
- **Community Connections:** We are a community-owned utility and we will stay visible and actively involved in the communities we serve. We prioritize social justice and the equitable provision of service to all.
- **Environmental Stewardship:** We care about the environment and we will enhance, protect and preserve it.
- **Operational Excellence & Innovation:** We strive for excellence every day, and we are forward-focused, seeking new and innovative solutions to the challenges of today and tomorrow.

PAGE 3 & 4: Building Momentum: City Light Successes

The last few years have been marked by important accomplishments in customer service, affordability, support of our workforce and clean energy. As we move forward into the next six years, that momentum is driving us forward in being customer-focused, reliable, affordable and environmentally responsible.

Installed Electric Vehicle Fast Chargers

The City of Seattle has set an ambitious goal: By 2030, 30 percent of all personal vehicles will be electric. This means City Light needs to make sure people have access to clean power for transportation.

In the last two years, City Light opened eight new public electric vehicle (EV) fast chargers at three sites (North Beacon Hill, Magnuson Park and the utility's South Service Center in SODO). These EV fast chargers use time-of-day charging fees, are located in both right-of-way and parking lots, and are available for use by different types of users. These chargers give fueling choices to drivers and deliver usage data to the utility, which informs program planning.

In 2020, City Light plans to install another 18 EV fast chargers. Sites include 23rd Avenue and East Madison Street, West Seattle, Tukwila, Burien, and Shoreline. We seek out locations that serve environmental justice communities, and then we engage with neighbors and stakeholders to collect feedback and address concerns. Every stage in the expansion process guides our future investments and helps us contribute to the community.

Planned for Our Carbon-Neutral Transportation Future

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

Tapped into the Power of Smart Meters

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

Measurably Improved Workplace Safety

City Light continued to make investments in a safer work environment with fewer and less serious injuries. New systems and programs to prevent injuries and engage employees have rooted our corporate culture in safety awareness. There has been a strong focus on communication and outreach,

as well as the implementation of a safety management system, to increase the visibility of injuries and encourage operational improvements. In the 10 years prior to the implementation of the safe work environment strategic initiative, the average number of recordable injuries was 145. In 2019, the number of recordable injuries dropped to 59-- a 59 percent decrease.

Explored Opportunities for New Pricing Options

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

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

- 'Energy equity' provides discounted rates, personalized energy efficiency weatherization services and payment management options for low-income, high-use consumers.
- 'Residential time-of-day' uses advanced meter data to vary rates based on time-of-day energy is used, giving customers the ability to better manage costs and incentivizing conservation.
- 'Demand response' focuses on our largest industrial customers and provides incentives to decrease energy use during peak periods.
- 'Commercial electrification' incentivizes companies to charge electric vehicles during off-peak periods.

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

Made Customer Service More Personal and Convenient

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

Invested in Critical Infrastructure and Assets

We continued to make strategic, reliability-enhancing investments in our transmission and distribution systems. Recent investments include undergrounding facilities along the Seattle waterfront, adding capacity for light rail and accelerating wooden utility pole replacements. We also upgraded hydroelectric

generation with improvements in dam safety, outage management, and long-term system and facility planning.

Joined the Western Energy Imbalance Market

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

[PAGE 5]

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

Metrics

| Category | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 Target |
|---|--------|--------|--------|--------|--------|--------|-------------|
| RELIABILITY | | | | | | | |
| Outage Duration: SAIDI* | 69.7 | 62.3 | 61.0 | 64.5 | 58.3 | 71.9 | NA |
| Outage Frequency: SAIFI** | 0.9 | 0.5 | 0.5 | 0.4 | 0.5 | 0.5 | NA |
| Generator Availability | 83.7% | 82.0% | 83.8% | 81.5% | 89.1% | 84.1% | 77.9% |
| Miles of Line Trimmed | 587 | 572 | 553 | 417 | 373 | 408 | 387 |
| CLEAN ENERGY | | | | | | | |
| Energy Efficiency Incremental Average Megawatts (aMW) | 16.0 | 15.8 | 14.0 | 15.4 | 14.4 | 13.0 | 10.6 |
| SOCIAL JUSTICE | | | | | | | |
| Utility Discount Program participants | 16,941 | 20,229 | 28,000 | 33,000 | 31,924 | 34,028 | 36,000 |
| Purchases from Women and Minority Business Enterprise (in millions) | \$14.6 | \$17.7 | \$15.2 | \$14.0 | \$11.5 | \$13.0 | \$15.6 |
| FINANCE | | | | | | | |
| Debt Service Coverage | 1.9 | 1.6 | 1.7 | 1.9 | 1.8 | 2.1*** | 1.8 |

*SAIDI (in minutes) – System Average Interruption Duration Index

**SAIFI (in events) – System Average Interruption Frequency Index

***Preliminary, unaudited number

Pages 6 & 7: About the Plan

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

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

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

[SIDEBAR: The Value of Scenario Planning]

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

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

1. *Attack! Cyber security, grid resiliency, load loss, cost increases, etc.*
2. *I'm Melting. Climate change, electrification, heat conversion, cost increases, increase population*
3. *Poverty. Increased in impoverished customers, electric vehicle saturation, poor economy, increased unemployment*

SIDEBAR: Seattle City Light Strategic Plan 101:

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

We heard from you:

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

Here are a few ways we reached out:

Customers

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

Community

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

Employees

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

City Light Review Panel

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

Thomas Buchanan, Residential Customer Representative

Leon Garnett (Vice-Chair), Low-Income Customer Representative

Mikel Hansen, Commercial Customer Representative

Patrick Jablonski, Industrial Customer Representative

Gail Labanara (Chair), Suburban Franchise Representative

Chris Mefford, Economist

Sara Patton, Non-Profit Energy Efficiency Representative

John Putz, At-Large Customer Representative

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

PAGES 8&9: Priorities & Objectives

Overview (with strong graphic treatment) to show overarching strategy and the connection between priorities and initiatives.

| PRIORITIES | GOALS | OBJECTIVES | MEASURES | INITIATIVES |
|--|--------------------------------|--|---|---|
| Strategic issues deemed highly important to our future success | The changes we want to achieve | Results that show how we'll meet our goals | Numeric metrics we'll use to track progress | Projects that will help us accomplish our goals |

Our Priorities:

- **Ensure Future Financial Stewardship & Affordability**—City Light is committed to stable and affordable rates for our customer-owners, including vulnerable populations. This includes developing a stable and predictable approach to setting rates over time.
- **Create Our Energy Future**—Seattle has a long tradition of clean energy, and our energy future depends on electrification and technology. This means we must build and maintain resilient infrastructure, plan for small-scale generation and storage, promote energy efficiency and increase customer options.
- **Focus on Customer Experience**—A strong relationship with our customers has always been central to our work, and we're excited to do more to individualize the customer experience.
- **Cultivate a Culture of Change**—The energy industry is changing quickly, and our employees need to be prepared and empowered to act. This will require us to be nimble and accountable while delivering high-quality services.
- **Keep the Lights On**—City Light's business operations must always support our mission and vision. This means we must invest in our infrastructure, workforce and environment to provide consistent service, reliability and response.

[PAGE 10]

Priority: Ensure Financial Health & Affordability

[In this section, objectives and goals may be a sidebar or have a graphic treatment to set apart from the narrative]

| |
|--|
| <p>Objective:</p> <ul style="list-style-type: none">• Increase our financial stability and position the utility to provide affordable rates to all our customers <p>Goals:</p> <ul style="list-style-type: none">• Stable and affordable rates for all, including the most vulnerable• Financial flexibility and resiliency |
|--|

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

Some of this work happens out of the public’s eye, with long-term debt plans and improved budget monitoring. But when we make progress in these areas, our customers get more choices and stable and affordable prices.

Initiative Highlights:

- Develop a rate path that is at or below inflation: Rates need to keep up with costs in order to keep the lights on, but City Light is committed to keeping rates at or below inflation. To ensure affordability, the utility is holding down long-term costs, better managing labor costs and improving financial tracking.
- Right-size the capital program: Capital investments to maintain or improve our electricity infrastructure assets are costly relative to other investments. This initiative reduces the size of the capital program, strengthens project management standards and improves capital cost control systems.
- Price services for the future: Seattle is physically evolving to encourage smart, green energy. Transit-oriented development and green buildings are just two examples of reducing our dependence on fossil fuels. Our rate structure needs to evolve, too. This initiative will establish new rate structures to encourage decarbonization and increase affordability.

[SIDEBAR: UTILITY DISCOUNT PROGRAM]

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

Priority: Create Our Energy Future

| | |
|-----------|---|
| Objective | <ul style="list-style-type: none">• Build and maintain a resilient electric infrastructure that is ready for the clean-energy future of electrification, distributed energy resources, and increased customer choice |
| Goals | <ul style="list-style-type: none">• Build a reliable and resilient grid• Increase grid flexibility to support changing electric demand• Secure cyber and physical assets• Lead through regional partnerships and collaboration |

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

Our energy future also includes serious and evolving threats. Our city and society rely on electrical infrastructure to function. Plus, the infrastructure we provide enables other critical systems like finances, communications, transportation, water and sewers. This makes us a top target for attack. We must be vigilant in continually tracking risks, addressing vulnerabilities and securing our assets.

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

Initiative Highlights:

- **Grid Modernization in Support of Electrification:** Greater use of clean-energy electricity means we need a stronger, smarter grid to handle the increased use. This plan will help us make the right electrification modernization investments.
- **Information Technology, Operational Technology and Cyber Security Roadmap:** With more people and businesses dependent on electricity, we need strong, smart and secure technology systems to keep everything running.
- **Leadership and Collaboration:** Ending the use of fossil fuels in our area requires working with others in the region, state and nation to provide the best possible alternatives. We must step up to the leadership role to ensure the capacity and availability of carbon-free generation resources. And we will make the most of our hydro resources to reach our decarbonization goals.

POTENTIAL SIDEBAR:

[Executive Order 2020-01: Advancing a Green New Deal for Seattle](#)

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

Priority: Focus on Customers

Objective

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

Goals

- Focus SCL culture on customer engagement
- Build on our lasting customer relationships
- Individualize the customer experience through expanded programs

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

Seattle City Light has always kept the customer at the heart of our work, but there is more to be done. We are focusing our entire culture on customer engagement, so every staff person knows how they can make an impact. We're also strengthening our customer relationships and providing a better experience through expanded programs.

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

Initiative Highlights:

- **Customer Experience Roadmap:** We'll use customer research to better understand and respond to both residential and commercial customers. We'll also use this information to educate employees and shift our culture to be more customer centric.
- **Expand Customer Program Options:** We will develop programs that provide highly personalized services that our customers are requesting. This will include bringing the business customer service center pilot to scale, launching an all-electric new construction pilot, expanding energy efficiency programs and expanding public and residential home charging pilots.

Priority: Cultivate a Culture of Change

Objective

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

Goals

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

Our industry is transforming quickly, and so are our customers' needs. This is no time for our services to stop evolving. Seattle City Light employees are essential to our progress, which is why we will continue to refine work processes and develop their skills by investing in training and mentoring. We'll also plan for generational turnover of staff, and be ready to hire, prepare, promote and retain the workforce of the future.

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

Initiative Highlights:

- **Change Management:** We are living through major transformations of the energy industry and the way we work. It's imperative that we invest in our workforce, so they can manage change, build skills, adapt to new technologies, work smarter, and become even more customer-focused.
- **Future of Work:** To be prepared for the future we must anticipate new staffing requirements, prepare for the retirements of our most experienced employees, build a workforce that reflects the diversity of our community, and better deliver and share data. This initiative will improve our ability to recruit employees, address retirements and build and retain institutional knowledge.
- **Nimble Processes:** Being nimble means being able to quickly respond to new ideas and challenges. It requires breaking down barriers and abandoning old ways of doing business that no longer work. Through this initiative we will streamline the way we do our work, reduce inefficiency and provide better service to our customers

[PAGE 14]

Priority: Keep the Lights On

Objective

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

Goals

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

To continue delivering affordable, reliable and environmentally responsible electricity services, we must constantly improve our business operations.

Highlights:

- A great workforce is necessary to keep the lights on. We already have the best people in the business, but we can’t take them for granted. Their skills, experience and knowledge are critical assets. We must make investments in our human capital.
- Safety continues to be a top priority for City Light. We are responsible for ensuring public, employee and environmental safety. Utility workers are exposed to risks on a routine basis, from trips and falls to burns and electrocutions. We must also carefully consider and mitigate risks to the public and the environment. We will continue to build a safety culture to keep the well-being of our community, employees and environment at the center of all we do.
- We are also continuing to invest in the infrastructure that allows us to provide reliable and responsive services. For example, we are upgrading aging hydroelectric generation equipment and facilities, and refurbishing and replacing other critical assets. These investments will improve dam safety and outage management, while also preparing us for complex regulatory processes such as the Skagit River Hydroelectric Project relicensing agreement. By making systemic improvements in how we manage, maintain and upgrade our infrastructure, we can keep energy service reliable while our city changes.

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

[PAGES 15]

Keeping Customer Bills Affordable and Stable

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

Factors driving rates

Infrastructure Investments -- These are the costs for capital programs, and to repay money borrowed for past, present and future capital programs. Major capital projects currently in progress include underground and overhead equipment replacements, Boundary licensing mitigation and the Denny substation. City Light financial policy (Resolution 31187) requires us to have debt service coverage well above (1.8 times) what is required to pay principal and interest (our debt obligation). Our strong financial record gives us a favorable bond rating and lower borrowing costs.

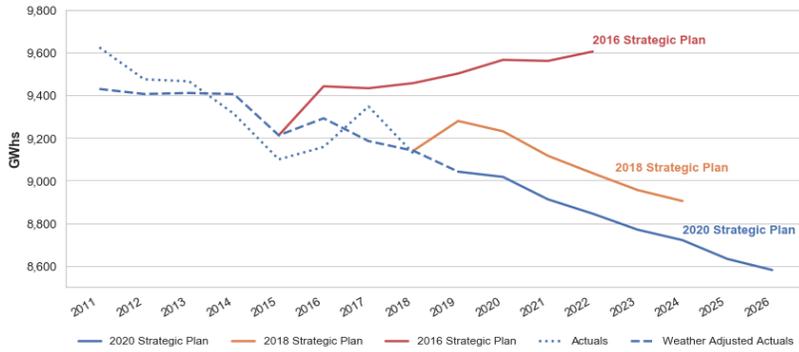
Operations and Maintenance, Taxes and Other – These are the costs to run the utility and maintain our plants and equipment. This is a broad category that includes costs associated with power production, distribution and transmission, customer services and administrative support.

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

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

Retail sales - Our retail sales forecast model anticipates that new construction will slow and energy efficiency improvements will continue into the future. This continues an ongoing, downward trend in residential and commercial retail sales.

(See figure x) [Tom – we'll get you the excel version]



[PAGE 16] ACHIEVING THE PLAN: OUR 6-YEAR RATE PATH

Seattle City Light is committed to providing a strong, secure and flexible energy infrastructure so all our customer-owners can get reliable and affordable electricity, wherever they are. Achieving this will not be easy. In the coming years, we will confront a multitude of challenges to improve our power system. We've worked hard to anticipate likely barriers, but as we have all learned this year, we also must prepare for the unexpected.

Working with customer-owners, communities and employees, this Strategic Plan builds the energy system for the future. We need a rate plan that is just as modern.

Seattle City Light recommends the rate path provided in table X. It is the best approach to ensure the utility can deliver the best customer service in an affordable, reliable and environmentally responsible manner.

We recommend rate increases averaging 2.9 percent per year through 2026. Because City Light begins with a fairly low base, that increase has a relatively modest impact on customer bills. It is estimated that the typical City Light monthly bill would rise from \$75.00 in 2020 to \$91.50 in 2026.

Rate Path

| | Proposed Rate Increase Summary | | | | | | |
|-----------------------|--------------------------------|------|------|------|------|------|------|
| Average rate increase | 3.6% | 3.6% | 3.7% | 4.0% | 0.3% | 2.5% | 2.9% |

Customer Bill Impact Examples

The Strategic Plan proposes a six-year rate path that increases x percent annually on average. The table below shows potential bill impacts as examples, only. Customers who decrease their consumption through energy efficiency measures will experience smaller bill impacts.

| Bill type | Monthly Bill | Monthly Increase | | | | | | AVG |
|-------------------------------|--------------|------------------|---------|---------|---------|--------|---------|---------|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | |
| Typical residential | \$75 | \$2.66 | \$2.81 | \$2.95 | \$3.28 | \$0.27 | \$2.13 | \$2.35 |
| Typical UDP residential (40%) | \$30 | \$1.06 | \$1.12 | \$1.18 | \$1.31 | \$0.11 | \$0.85 | \$0.94 |
| Small commercial (car wash) | \$451 | \$16 | \$17 | \$18 | \$20 | \$2 | \$13 | \$14 |
| Medium commercial (retail) | \$7,219 | \$257 | \$272 | \$286 | \$318 | \$26 | \$206 | \$228 |
| Large commercial (hospital) | \$91,851 | \$3,273 | \$3,466 | \$3,637 | \$4,045 | \$328 | \$2,619 | \$2,895 |

[PAGE 17]

Conclusion

The Strategic Plan is the roadmap that will guide Seattle City Light's work in 2021-2026.

We are pleased to present this plan for further consideration by the Seattle City Council and are eager to continue delivering outstanding service to our customers and prepare for the future.

We look forward to additional engagement on this plan with the Council and having it serve as the foundation for success in the years ahead.

Back Cover

Logo

Address

URL

Social media icons/links

Appendices:

- A. Financial forecast
- B. Summary of outreach
- C. Review Panel letter
- D. Initiatives summary
- E. COVID-19 implications

Commented [VL3]: Not sure what we're going to call it... so this is a placeholder for now.