

# One Utility's Journey to Systematically Gain Focus on Equity

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## ABSTRACT

Equity in energy programs has moved to the forefront of conversations throughout the utility community. Historic inequities are complex and evolving. To affect change, a utility must adopt a holistic and deliberate framework to integrate equity into outcomes, design, build, and implementation.

In 2017, Customer Energy Solutions (CES) at Seattle City Light began development of a new business management system to improve strategic alignment to work and desired outcomes. At the same time, equity was established as a key strategic objective for the utility. As we designed our new program portfolio structure, we intentionally established equity as a core portfolio segment to increase investment and focus on it. The portfolio structure consisted of four segments: Resource Acquisition, Value Added Services, Equity, and Program Enabling.

Initially, the equity portfolio segment consisted of one program. Over time investments in that segment increased three-fold. In 2019, we realized that equity should be a core pillar of all customer offerings rather than an independent body of work. The flexibility of the new management system allowed our team to pivot by embedding equity into portfolio prioritization criteria for all programs, as well as key decision-making and program-design criteria within the program lifecycle. Affordability then replaced equity as a portfolio segment. The result was a symbiotic alignment that combined bill assistance programs with traditional conservation programs. The new business management system has increased our focus and investment in equity and differentiated the value of Affordability programs from other strategic efforts.

## Introduction

While equity and community value have been a long-standing element of City Light's conservation programs, the journey to identify equity as a strategic focus began when our staff embarked on creating a new management system to improve our business operations. We needed our work to be nimbler and more responsive to customer needs and adaptive to market changes. We needed to be more efficient and effective at leveraging our resources to achieve results. And we needed to broaden the scope of program offerings, support innovation and collaboration, and provide equitable services to all segments of the customer base, particularly those who have been historically underserved.

This repositioning required that CES restructure itself organizationally, adopt new governance processes, and establish consistent operational procedures. Leveraging the guidance of a consulting team, we decided to stand up a portfolio system to inventory and prioritize our work. We adopted a program life-cycle (stage-gate) process to guide decision-making from ideation, design, build, implementation, management, and exit of a program. And we established a dedicated team of program managers to create a consistent and accountable approach to program design and delivery. The full system creates links between utility strategies, the CES

program portfolio, and program lifecycle decisions. Together, the components function to balance program selection, design, and execution against the utility strategic goals.

The new management system represents a holistic approach. By aligning portfolio decisions to strategy and strategic drivers, we ensure that our team is dedicating resources to work that aligns with customer, community, and organizational values. It enables the team to prioritize and potentially reject new work and identify and stop doing work that is obsolete. And perhaps most importantly, the system, when functioning as designed, enables timely decision-making and results in consistent and repeatable work that is transparent and accountable.



Figure 1 – The CES Business Management System

As designed by the CES team, our new management system created a focus on equity at the strategic level. The portfolio planning process aligned current program offerings and resources to the equity segment. New and existing program work in equity is guided by the program lifecycle - building programs from ideation, to design, to implementation. Finally, Program Managers now apply a consistent program management methodology to drive the delivery of the equity program offerings through the matrixed organization.

### **Bringing Focus - The 2017 Equity Journey began with Strategy**

In the 2017-2022 Strategic Plan Update, Seattle City Light brought the focus on Race and Social Justice to the forefront, stating that the “purpose is to advance equity, environmental justice, and support actions for those most affected by environmental issues.” (SCL 2017).

As CES leadership set about defining a set of strategic drivers to guide the future direction of the division, the inclusion of equity and environmental justice in the Seattle City Light Strategic Plan brought equity to the forefront of our discussions. The outcome was Equity, Race, and Social Justice becoming one of six strategic drivers for the division. The full set of strategic drivers was identified as:

- City Policies and Climate goals
- Integrated Resource Plan
- New Revenue Streams
- New Technologies

- Racial/Social Justice and Equity (RSJI)
- City Light's Distribution Plan

Like many organizations, CES division leaders were challenged with how to align our workforce and resulting work outcomes to the new strategic drivers of the organization. This occurred while the CES leadership team embarked on the development of a portfolio management capability as part of their business processes.

## Ensuring Alignment - The Next Stop on the Equity Journey was to use a Portfolio Approach

Portfolio management is an organizing and decision-making process that aligns an organization's inventory of programs and projects to the strategic goals of that organization (Martinelli, Waddel, and Rahschulte 2014). Through portfolio management, senior leaders of an organization can align their available resources and budget to the bodies of work that represent the highest value and are most strategically significant to ensure the achievement of strategic outcomes.

Creating a strategically aligned portfolio involves making thoughtful decisions about what types of programs and projects the organization chooses to invest in, and what level of investment to provide for each type. When initially structuring its portfolio, our CES leadership team used an investment segment approach to align its programs and projects to the strategic drivers of the organization. Through a series of workshops, we identified four investment segments, shown in Figure 2, that directly supported multiple strategic drivers, including Race, Social Justice, and Equity. Additionally, several pipeline bodies of work were recognized and inventoried in a New Opportunities portfolio. The result was a fully categorized view of all major work.

- **New Opportunities Portfolio** - Potential programs in the discovery phase that are being evaluated for value and portfolio fit.
- **Resource Acquisition** - Programs with energy savings tied to the Conservation Potential Assessment
- **Value-Added Services** - Programs that generate new revenue streams such as renewables, etc.
- **Equity** - Programs focused on equity and racial and social justice
- **Program Enabling Infrastructure** - Projects that support multiple programs or segments in the portfolio such as workforce development.

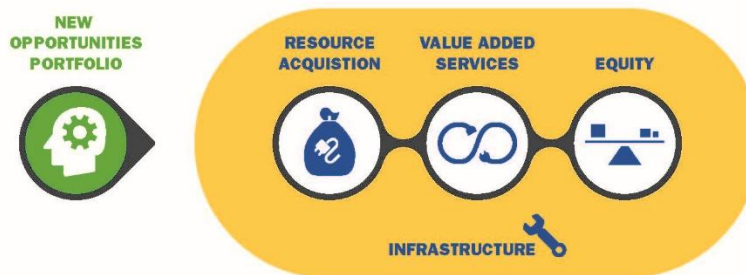


Figure 2 – CES’s 2017 Portfolio Structure

With the three primary portfolio segments and the supporting program enabling infrastructure segment created, we were now positioned to adjust the investment in resources and budget across these segments over time. For example, when the portfolio was initially stood up and programs and projects were assigned to the various segments, it became evident that we were over-investing in resource acquisition-focused programs and under-invested in equity-focused programs. As we will explain later, a redistribution of resources and budget investment across the portfolio segments was accomplished over time to balance customer-focused program investments across all portfolio segments.

For a portfolio management process to be effective, an organization must have a set of factors that facilitates the prioritization of the various programs and projects within the portfolio (Martinelli, Waddel, and Rahschulte 2014). Our team developed a scoring mechanism that consisted of valuation criteria for each portfolio segment. The result was a set of programs within each segment that were ranked by value as defined by the scoring criteria. The team could now clearly see which programs provided the most strategic value to the organization. In addition to the scoring criteria for ranking, our team divided each segment into three tiers - priority 1, priority 2, and priority 3. This allowed the inclusion of mandated programs, due to statutory obligation or directed by various stakeholders such as the City Council, into the top tier regardless of their scoring.

The scoring mechanism helped our organization identify the strategic importance of each program which allowed investment prioritization and to eventually exit programs with low scores to find room for the development of new more strategically aligned programs. Or, alternatively, to move a program to another segment, thereby refocusing the intent and outcomes and often forcing a full or partial redesign. Exiting programs and transitioning programs into different segments were key portfolio decisions that enabled the redistribution of programs and resources to equity.

Defining the set of scoring criteria for the equity portfolio segment proved to be a challenging exercise. Today, organizations are becoming much more adept at defining metrics to measure equity. That was not the case in 2017. The CES team discovered they had entered new territory. After multiple work sessions and peer reviews, we created the following scoring criteria for the equity portfolio segment and rolled it into the portfolio system.

## Equity Criteria

| Criterion                                                                                | Points                                                                                                      |            |                                                                                                              |
|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------|
|                                                                                          | 10                                                                                                          | 5          | 1                                                                                                            |
| <b>Base Criteria</b>                                                                     |                                                                                                             |            |                                                                                                              |
| <b>Market access: differential between underserved communities and the larger market</b> | 2/1 Differential or greater                                                                                 | In Between | One to One                                                                                                   |
| <b>ROI to customer</b>                                                                   | Very Positive                                                                                               | Positive   | Marginal                                                                                                     |
| <b>TRC</b>                                                                               | Higher than .8                                                                                              | .3 - .8    | Less than .3                                                                                                 |
| <b>Non-energy benefits</b>                                                               | High                                                                                                        | Medium     | Low                                                                                                          |
| <b>Scale</b>                                                                             | Is reaching (in implementation) or has potential (in design) to reach 10,000 under served customers         | In between | Is reaching (in implementation) or has potential (in design) to reach less than 1,000 under served customers |
| <b>Bonus Criteria</b>                                                                    |                                                                                                             |            |                                                                                                              |
| <b>Workforce development</b>                                                             | There is a deliberate effort to include workforce development                                               |            |                                                                                                              |
| <b>Value to City</b>                                                                     | Participation is critical to ensure success of another department OR aligned to at least 1 city hi-pri goal |            |                                                                                                              |

Figure 3 – CES’s 2017 Equity Segment Criteria

Besides serving as the ranking and priority-setting mechanism for programs within the equity segment, the criteria also serve as a guide for the design of new programs for the purpose of equity. For a new program to rank high in the portfolio segment, and thus receive resources and budget, it must be designed to meet the prioritization criteria.

Additionally, it is worth noting that to underscore the strategic importance of equity within CES, an equity criterion can be found in each of the other portfolio segments. This means that if a program in the Value-added Services portfolio segment, for example, had an equity component in its design, it would receive a higher prioritization score and ranking.

Initially, the equity portfolio segment contained only one program. This program provides energy efficiency improvements to income-qualified homes, increasing comfort, and saving money at no cost to the homeowners. The challenge moving forward was to increase the number of equity-focused programs in the CES portfolio.

## Guiding the Decisions - The Next Stop on the Equity Journey was to Increase Investment in Equity

As stated earlier, the initial investment in programs focused on equity was minuscule. Of the twenty-six programs, twenty-two programs were in the Resource Acquisition segment, three were in the Value-added Services segment, and only one was in the Equity segment. Over time, the CES portfolio team worked to rebalance the investment across the segments, with a particular focus on increasing their investment in equity programs.

To facilitate the rebalancing of the portfolio investments, the CES team utilized the next element of its management system - the Program Lifecycle (PLC). CES’s PLC is a decision framework that shepherds a program through the various decisions needed to bring a new product or service offering to the customer. It serves as a decision-making guide for program teams as a program moves through the stages of ideation, value screening, design, build, implementation, evaluation and adaptive management, and the eventual exit of a program. We also employ a Racial, and Social Justice toolkit which lay out a process, and a set of questions to align policies, initiatives, programs and budget issues to address the impacts on racial equity. The PLC framework allowed us to nimbly integrate this toolkit into all aspects of the program lifecycle and its decision-making. Integrating an equity analysis into the PLC has further enabled program teams to keep Racial, and Social Justice at the forefront of their work. It has elevated the Race, Social Justice, and Equity conversation to be at every decision-making step for the organization.

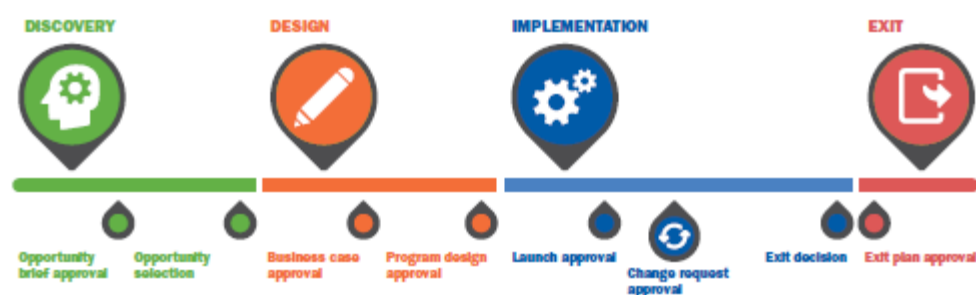


Figure 4 – CES Program Life Cycle

Rebalancing the portfolio was accomplished through the use of the PLC decision framework to exit some programs, redesign other programs to shift their focus to value-added services or equity and bring new programs into the portfolio.

The decision to exit. As mentioned above, portfolio segment scoring informs the alignment of existing programs to key-value criteria. Programs with low scores or ranking are candidates for cancellation and portfolio exit. The portfolio team can decide to exit a program to create resource and budget capacity to bring new programs into the portfolio. Alternatively, the program team can make a recommendation to exit if the program value proposition has changed and is no longer aligned with the portfolio goals. The exit decision is an example of how the portfolio and PLC elements of CES's management system are integrated. While the decision to exit is a portfolio team decision, the PLC is the mechanism that provides the information necessary to make that decision. Since its inception, the PLC system has informed the exit of 8 programs. The decision to exit these programs provided the much-needed resources and budget to focus on new and priority programs. Two of these decisions were made specifically to enable incoming equity work.

The decision to redesign: Upon establishing portfolio segments, decisions were made to move programs from resource acquisition into the equity segment. This proved challenging for a governance system in its infancy. It took a few years of continued development of process, skills, and tools before the team found clarity on how to accomplish a segment transition. The program teams needed to revisit the program's business objectives, value streams, and the fundamental design approach. To transition fully to the equity segment, two programs needed major changes: Powerful Neighborhoods, a direct install program, as well the Small Business program. Both programs refocused their designs on equity using the segment criteria as a guide and employed a customer-focused design process. Another program that moved from value-added services to equity, Green-Up Community, required few changes as it was already well-aligned to the equity criteria.

Introducing new opportunities: In 2018, CES formed a team to develop a comprehensive residential strategy. This process resulted in five focus areas and 36 recommended actions. Leadership identified two opportunities to be considered for the equity segment: an electric whole-home program and a whole-home savings program that increases access to the benefits of efficiency for low and moderate-income customers and underserved customer groups. To create the capacity to do this work, as mentioned above, CES management decided to sunset two existing programs: residential and retail rebates and home energy reports.

The PLC framework was used to guide the new programs from market concept or "discovery" to business case definition and then design based on their equity focus. This was done first by attempting to incorporate the right points of view, bringing in the right research, and moving more and more to integrating the voice of the highly impacted customers into the problem statement and program design.

By 2019, the portfolio balance had shifted. There were now twelve programs in the Resource Acquisition segment, eight in the Value-added Services, and four in the Equity segment. Also, 5 new programs were under assessment as potentials to enter the portfolio, including those listed above.

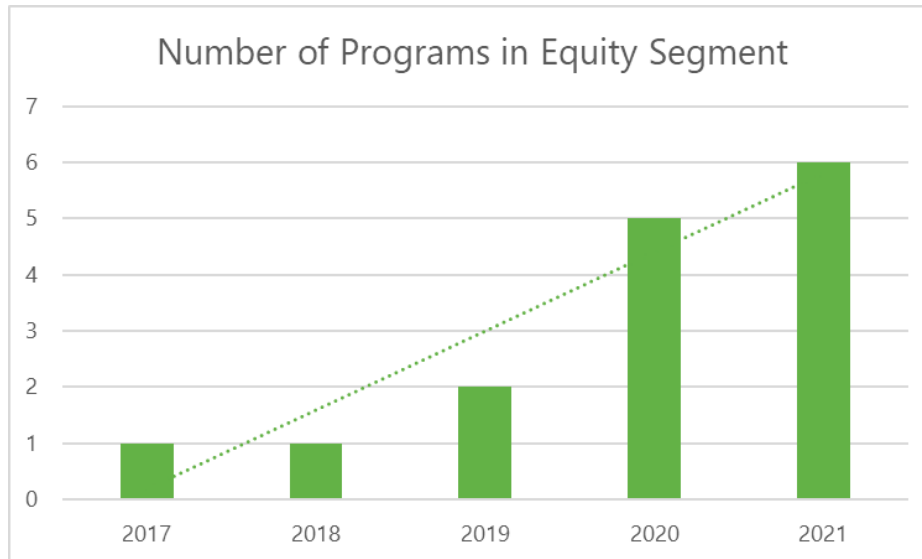


Figure 5 – Number of programs in the Equity and later Affordability Segment

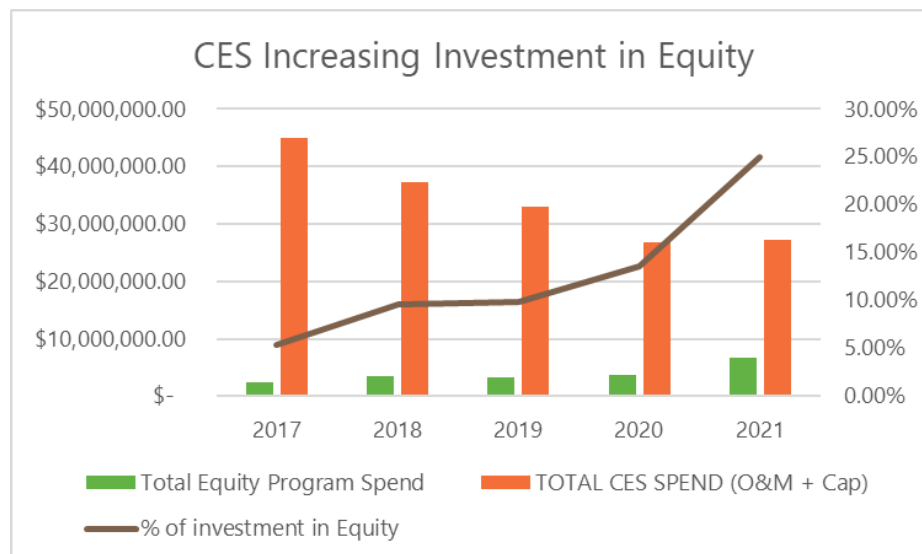


Figure 6 – Equity Segment as a % of Division total spend.

## Delivering the Work - Equity Journey is a Thoughtful Team Effort

To make a change like this happen and to make it sustainable, an organization needs to rely on more than systems and processes. It needs people from across the organization to understand and embrace equity in order to change both the way they work together and the way they work on their own personal growth. Embracing equity, racial and social justice, and unlearning what has been taught for years, requires self-awareness, accepting discomfort, and embracing the fact that this work is messy and imperfect. This, in many organizations, requires a shift in the way people interact with each other.

In CES, the team members work collaboratively in a matrixed structure, with functional silos de-emphasized and cross-functional collaboration as the basis for creating equity-focused products and services. Creating those products and services becomes the shared responsibility of

a cross-functional team that is led by an experienced program manager. Each team member is responsible for creating her or his piece of the product or service.

The program manager is responsible for coordinating and leading these highly collaborative efforts in program design, build, and implementation. This means that as leaders, the program managers are at the center of our equity journey. They use all elements of the management system as well as specialized program management tools and processes to make sure the efforts, discussions, and work towards racial and social justice and equity are authentic while ensuring that discomforts created by some of the discussions are managed in a constructive way. Our program managers in CES work with their cross-functional teams to drive decisions and rely on their program sponsors to champion this change.

The journey of growing individual understanding of Racial and Social Justice is a continuous one. In 2020, CES chartered a division-wide RSJ Strategy team. The objective was to establish a baseline understanding of the state of race and social justice in the division, identify leverage points to undo structural racism and eliminate barriers and create a roadmap for implementation. Pushing through the challenges of the pandemic and staffing changes, the team delivered a plan outlining 3-5 goals in six focus areas and proposed metrics for each area of impact. Currently, CES leadership is participating in a series of workshops with the RSJ team to further refine, prioritize and determine how to integrate this body of work across our organizational structure and business operations.

Additionally, the utility established a committee, composed of Seattle City Light employees to continue to build knowledge and expand capacity to support the strategic plan. There is a clear understanding that processes and toolkits alone are not adequate and that to genuinely be able to remove the historic injustices, people have to understand what needs to be analyzed and accomplished and unlearn their past biases and ways of doing things.

## **Adapting to organizational changes and new equity opportunities**

Beginning in 2020, two significant changes occurred which brought organizational changes and opened new opportunities for a significant increase in focus on equity. First, transportation electrification was identified as a key strategic focus for Seattle City Light. Transportation electrification brought with it a dedicated strategy throughout which a strong focus was given to Equity and Racial, Social Justice, and Inclusion. Second, through business reorganizations, the Customer Experience, Customer Electric Services, and Business Customer Services organizations were merged with the Customer Energy Solutions team to form a single customer-focused organization. Through this reorganization, CES program management was able to begin supporting the existing utility bill assistance programs for income-qualified customers. In addition, a new pilot was initiated to focus on deeper discounts for customers with a high energy burden. The established CES governance system guided the integration of this new work into our portfolio and helped capture benefit from the changes.

With these business changes, it was time to evaluate the portfolio structure to re-align the work of the organization with the changes in strategic drivers. It was clear that we needed a new portfolio segment to encompass the work focused on transportation electrification. It was also clear that as the organization was maturing in its journey in equity, it was expected that all aspects of transportation electrification bring equity, racial, and environmental justice into the forefront of its work (SCL 2019b).

In the meantime, with the incoming energy burden and bill assistance programs, our portfolio team decided to shift its base view of equity. The result was a decision to re-craft the

Equity portfolio segment as an Affordability program segment. Additionally, the portfolio team made Equity a ‘horizontal’ focus area, meaning all programs in all portfolio segments have an equity component wherever feasible. The rationale behind this was that Affordability programs were designed to assist in reducing the energy burden for lower-income and small business customers. While the top strategic intention of the Racial and Social Justice Initiative was to end racial and social injustice in all aspects of the Seattle City Light work and incorporate and elevate the voices of environmental justice communities who have traditionally been excluded in the design and delivery of the programs.

So, it was evident that Equity is not only a separate focus area, but it is to be incorporated in every segment of the portfolio. Equity is a spectrum of work in all segments, including the Affordability segment. With this change, the scoring criteria for the new affordability segment changed from market access to energy burden.

## **Where we are Today in our Equity Journey**

As we and our work evolve in this journey, we have seen significantly more focus at the strategic level on Equity which has elevated the conversations throughout Seattle City Light. As the conversations elevate, the focus on the work elevates too.

A comparison of Seattle City Light’s 2017 Strategic Plan to 2022 Strategic Plan reveals that the words “equity” and “social justice” were referenced in the 2017 plan twice and used in the 2022 plan about 8 times, with significantly more focus on weaving the concept of Equity, Racial and Social Justice into the core values of the organization.

## **Clean Energy Transformation Act**

In the meantime, the entire nation’s and industries’ awareness of equity is growing. With that, we see more driving forces such as Washington’s Clean Energy Transportation Act (CETA) introduced on May 7th, 2019, by Governor Jay Inslee. This new law commits Washington to an equitable transition to a 100% greenhouse gas-free, electric future by 2045.

Clean electricity will allow Washington residents and businesses to power their buildings and homes, vehicles, and appliances with carbon-free resources such as wind and solar. Reductions in fossil fuel use will improve the health of communities, grow the economy, create family-sustaining jobs, and enable the state to achieve its long-term climate goals.

The law provides safeguards to maintain affordable rates and reliable service. It also requires an equitable distribution of the benefits from the transition to clean energy for all utility customers and adds, expands energy assistance programs for low-income customers, and sets expectations for community outreach and co-creation. (WSDOC 2019)

CETA required Washington’s consumer-owned utilities to complete a Clean Energy Implementation Plan by January 1st of 2022. The plan outlines how each utility intends to comply with CETA’s clean energy and equity requirement over the next 4 years. As part of this implementation plan, utilities need to show how they will track, measure, and report on equity.

## **Non-Energy Impacts**

In addition to the work that we are doing to implement CETA, we are currently developing a set of Non-Energy Impact (NEI) values for measures in our Resource Acquisition portfolio as well as measures in the emerging Transportation Electrification portfolio.

Incorporating NEIs into cost-effectiveness calculations will provide a well-recognized methodology to more fully account for the benefits and costs of measures, projects, and relevant programs across the portfolio. NEIs will also offer a more holistic perspective of program impacts, improve cost-effectiveness, and may be used to help increase incentives for measures with non-energy benefits. Measure-level NEI benefits will allow new technologies to be integrated into City Light's conservation portfolio without reducing the overall portfolio's cost-effectiveness below 1.0, thereby offering additional opportunities to meet strategic objectives for environmental stewardship, customer satisfaction, and equity. Categories for NEI values could include societal benefit value components such as public health and welfare, air quality, water quality, and economic development and employment. They could also include non-energy benefits for program participants, such as operations and maintenance cost savings, health benefits, comfort, and productivity.

The CES team is also planning on more refined equity goals and metrics for each segment as well as each program. The team will establish key segment goals around equity, racial and social justice, similar to what the conservation potential sets out for the resource acquisition. This work has already begun in the transportation electrification segment and will continue through 2022 for the other portfolio segments and programs.

## Conclusion

A journey through equity work is a hard and messy one, requiring both business process adjustments and self-work to facilitate the conversations. Our management system helped us bring focus, alignment, and clear guidelines to integrate Race and Social Justice into our portfolio of program offerings. We can demonstrate increased investments in program offerings to customers in need. We can point to deliberate programmatic design and delivery changes to better overcome customer barriers. And as program managers establish business success factors for each program, we can evaluate the ongoing alignment of program delivery to desired outcomes. We continue to evolve our system, its framework, criteria, and contents. As we move through this process and learn new things as individuals, we understand how our focus needs to be re-adjusted and our systems need to be improved.

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