

Strategic Plan Initiative Tracker First Quarter 2016

This report provides status on the utility’s performance in meeting the commitments in the City Light Strategic Plan. Status is provided for individual initiatives as well as for the delivery of financial benefits.

Progress on these initiatives is reported under Seattle City Light’s four themes:

- 1) Improve Customer Experience and Rate Predictability;
- 2) Increase Workforce Performance and Safety Practices;
- 3) Enhance Organizational Performance; and
- 4) Continue Leadership in Conservation and Environmental Stewardship.

The detailed information is broken into three sections which discuss the following elements:

- Section I** - Assessment of Initiative Performance
- Section II** - Summary of the Strategic Plan Results
- Section III** - Summary Performance Assessment for Each Initiative.

Section I – Assessment of Initiative Performance

Each initiative is detailed in a template that identifies start and finish dates, Operations & Maintenance (“O&M”) and Capital Improvement Project (“CIP”) budgets and actual expenditures for the period, as well as other information to track progress.

The Strategic Initiative achievements have been evaluated in the following way:

Green	Year-to-date	Metrics are met YTD
	Full-Year	Metrics are expected to be achieved by year-end
	Project Life-Cycle	Metrics are expected to be achieved by end of project life-cycle on schedule
Yellow	Year-to-date	Metrics are not met YTD, but are expected to be met by year-end
	Full-Year	Uncertainty exists around the achievement of metrics by year-end
	Project Life-Cycle	Uncertainty exists around the achievement of metrics by scheduled completion date
Red	Year-to-date	Metrics are not met YTD
	Full-Year	Metrics are not expected to be achieved by year-end
	Project Life-Cycle	Metrics are not expected to be completed on schedule; completion date revised

Where appropriate, progress metrics include scope and schedule, milestones, and deliverables under the “Milestones” column. The financial impact (costs and/or savings) generated by each initiative compared to budget are included under the “Financial” column.

Section II – Summary of Strategic Plan Results

Table 1 provides an assessment of the overall expected outcome of the Strategic Plan initiatives assigned to the four themes.

Table 1 – Summary Initiative Progress

Summary Initiative Progress	YTD	Full -Year	Project Life - Cycle Forecast
Improve Customer Experience & Rate Predictability	●	●	●
Increase Workforce Performance & Safety Practices	●	●	●
Enhance Organizational Performance	●	●	●
Continued Leadership in Conservation & Environmental Stewardship	●	●	●
Overall	●	●	●

- Ratings are determined based on a combination of aggregate initiative progress relative to financial and project milestones, weighted to the initiatives with the largest financial impact.

City Light’s original Strategic Plan included 36 initiatives, several of which had multiple components or projects. Thirty-one initiatives were active in 2015 with four reaching completion by year-end.

There are 27 active initiatives in 2016. At the end of the first quarter, 24 were on track and three were delayed. Further detail of variances can be found in Section III. Savings resulting from strategic investments are reported below.

Financial Analysis

Capital Delivery of Program Improvements – City Light’s 2016 CIP budget is \$413.7 million to implement continuing Strategic Plan initiatives and to deliver on baseline projects during the year.

Operations and Maintenance - Table 2 provides a holistic view of the status of costs and revenues. These figures include both dollars in the baseline and those associated with initiatives.

Table 2 - Summary Financial Plan Tracker – 2016

\$M	Year-to-Date			Full-Year Forecast		
	Actual	Plan	Diff	Forecast	Plan	Diff
Retail Revenue	218.1	227.0	(8.9)	790.5	811.2	(20.7)
Wholesale Revenue (net)	21.7	18.0	3.7	49.5	60.0	(10.5)
Power O&M (net)	(76.4)	(80.9)	4.5	(277.2)	(280.4)	3.3
Non-Power O&M (net)	(56.3)	(50.2)	(6.1)	(247.7)	(243.0)	(4.8)
RSA Transfers (net)	(3.5)	(0.2)	(3.3)	5.2	(1.0)	6.2
Taxes, Depreciation & Other	(62.2)	(58.9)	(3.3)	(202.8)	(206.6)	3.8
Net Income	41.4	54.7	(13.3)	122.5	140.2	(17.7)
Available for Debt Service				328.7	346.3	(17.6)
Debt Service				197.3	197.4	(0.1)
Debt Coverage Ratio				1.67	1.75	(0.09)

Projected net income for 2016 is \$122.5 million, which is \$17.7 million or 13% unfavorable compared to the 2016 Financial Plan of \$140.2 million. The primary drivers of the unfavorable variance were a shortfall in retail power revenue driven by above normal temperatures year-to-date and higher than planned general and administrative expense due primarily to COLA and retro pay adjustments.

Baseline Budget Performance - Budgeted annual initiative spend in the areas of Non-Power O&M and CIP comprises 3% and 4%, respectively, of total City Light spend in these categories. City Light spent 31% of the overall O&M budget through March with the initiative spending consistent with overall O&M budget spending. City Light forecasts spending to be below baseline budget levels through the year in the areas of Non-Power O&M and CIP.

The baseline projects represent the investment required to maintain a consistent level of reliability and customer service. City Light is delivering on all 22 baseline programs in 2016, 19 of which are exceeding or meeting target performance measures. Some of the major projects in the baseline include implementation of a new customer billing system, work associated with the Denny Substation design and construction, and performance maintenance projects at Boundary, Skagit, Cedar Falls and Tolt dams.

Efficiency Initiatives/Savings

City Light committed to \$18.8 million of savings associated with planned efficiencies by year-end 2016. Efficiencies achieved to date are on track to meet the year-end target and are as follows:

Efficiency Initiative	As of 3/31/16
Lower Financing Costs	\$ 2,625,000
BPA Power Factor	\$ 32,250
BPA Slice Solution	\$ 63,837
Credit Savings	\$ 20,750
Current Diversion	\$ 288,882
Fleet Reduction	\$ 135,303
Inventory Costs	\$ 27,061
Permitting Penalty Reduction	\$ 11,426
CSED O&M	\$ 207,458
CSED CIP	\$ 204,273
PSEA O&M	\$ 833,116
PSEA CIP	\$ -
TOTAL	\$ 4,449,356

Section III - 2016 Summary Performance Assessment for Each Initiative

Section III provides an assessment of individual Strategic Plan initiative performance, associated major milestones achieved, and discussion of material variances. Dollar amounts listed in the second column (\$M) are 2016 net revenues or costs in millions of dollars.

Improve Customer Experience and Rate Predictability

2016 Progress			Year-to-Date		Full-Year Forecast		Project Life-Cycle Forecast	
#	\$M ¹	Description	Financial	Milestones	Financial	Milestones	Financial	Milestones
A2		Distribution Management System	Initiative begins in 2019				●	●
A4	0.6	Compliance Tracking System <i>(In-Service revised to July 2016)</i>	●	●	●	●	●	●
A6	65.4	Denny Substation Program <i>(In-Service revised to December 2018)</i>	●	●	●	●	●	●
A7	14.0	Transmission System Improvements - Inductor Installation	●	●	●	●	●	●
		Transmission System Improvements - Reconductoring	●	●	●	●	●	●
A8	1.2	Underground Cable Replacement	●	●	●	●	●	●
A9	0.8	Improved Streetlight Infrastructure	●	●	●	●	●	●
A11	(1.4)	Hydro Performance and Generation Availability	●	●	●	●	●	●
A13	24.9	Advanced Metering Infrastructure <i>(In-Service revised to December 2018)</i>	●	●	●	●	●	●
A20		Master Service Center	Initiative begins in 2021				●	●
CR5	0.8	Customer Portal Development <i>(In-Service revised to September 2016)</i>	●	●	●	●	●	●
CR10	0.4	Utility Discount Program	●	●	●	●	●	●

¹ Financial impacts of each initiative are reflected as Expense/(Savings)

- Compliance Tracking System – A delay in procurement and contract finalization affected project completion dates. Final system Go-live is targeted for July 31, 2016. This is a further delay from the Go-live date of May 30, 2016 forecast in late 2015. (A4)
- Customer Portal Development – The Customer-Focused Web Redevelopment is part of the billing system replacement project. Its completion date aligns with that of the larger project. The Go-Live date for the multi-departmental billing system was revised from October 2015 to September 6, 2016. Several factors were considered in this decision, including the need for additional time for testing the new applications and interfaces, and ensuring that system training will closely mirror a live production environment. (CR5)

Increase Workforce Performance and Safety Practices

2016 Progress			Year-to-Date		Full-Year Forecast		Project Life-Cycle Forecast	
#	\$M ¹	Description	Financial	Milestones	Financial	Milestones	Financial	Milestones
W2a/b	(1.5)	Attract and Retain Workforce	●	●	●	●	●	●
	3.2	Training and Development <i>(In-Service revised to December 2017)</i>	●	●	●	●	●	●
W2	0.9	Technical Training Center <i>(In-Service revised to January 2017)</i>	●	●	●	●	●	●

- Technical Training Center - The opening of a new Technical Training Center is delayed until January 30, 2017. The complexity of the permitting process has resulted in a significant delay in the project timeline. The contract bidding phase will begin when permits are approved by the Army Corps of Engineers and King County. It is unknown when all permits will be approved and the contracting phase can begin. (W2)

Enhance Organizational Performance

2016 Progress			Year-to-Date		Full-Year Forecast		Project Life-Cycle Forecast	
#	\$M ¹	Description	Financial	Milestones	Financial	Milestones	Financial	Milestones
A3	0.9	Information Technology (IT) Security Upgrades	●	●	●	●	●	●
A5	3.1	Enterprise Geospatial Information System (GIS)	●	●	●	●	●	●
A10	1.5	Mobile Workforce Implementation <i>(In-Service revised to December 2017)</i>	●	●	●	●	●	●
A12	(1.9)	Regional Power and Transmission Leadership	●	●	●	●	●	●
M2	0.3	Benchmarking City Light Performance	●	●	●	●	●	●

2016 Progress			Year-to-Date		Full-Year Forecast		Project Life-Cycle Forecast	
#	\$M ¹	Description	Financial	Milestones	Financial	Milestones	Financial	Milestones
M3	1.0	Information Technology Roadmap - Enterprise Document Management <i>(In-Service revised to 2020)</i>	●	●	●	●	●	●
M4	1.5	Performance-Based Reporting	●	●	●	●	●	●
M6	0.5	Project Management Quality Improvement	●	●	●	●	●	●
M7		Service Level Agreements	n/a	●	n/a	●	●	●
M9	(18.8)	Efficiency Initiatives	●	●	●	●	●	●

Continued Leadership in Conservation and Environmental Stewardship

2016 Progress			Year-to-Date		Full-Year Forecast		Project Life-Cycle Forecast	
#	\$M ¹	Description	Financial	Milestones	Financial	Milestones	Financial	Milestones
A14		Electric Vehicle Infrastructure/Transportation Electrification	n/a	●	n/a	●	●	●
A17	0.2	Climate Research and Adaptation	●	●	●	●	●	●
CR8	(.01)	Enhanced Environmental Leadership <i>(In-Service revised to December 2018)</i>	●	●	●	●	●	●
CR9	4.0	Reduce Environmental Liability	●	●	●	●	●	●