FINANCIAL HIGHLIGHTS
Preliminary December 2013
($ millions)

Preliminary actuals as of 1-27-14.
Includes December 2013 transfer of $8M to RSA.

	Year End Dec. 31		
	Plan	Preliminary Actuals	Difference
Retail Power Revenues	$ 707.2	$ 694.7	$ (12.5)
Net Wholesale Energy Sales	$ 90.0	$ 51.5	$ (38.5)
Net Power O&M	$ (257.2)	$ (245.5)	$ 11.7
Net Non-Power O&M	$ (224.4)	$ (209.2)	$ 15.2
RSA Transfers, Net	$ (1.4)	$ 31.3	$ 32.7
Taxes, Depreciation & Other	$ (209.6)	$ (200.1)	$ 9.5
Net Income	**$ 104.7**	**$ 122.7**	$ 18.0
Operating Cash	$ 135.6	$ 206.8	$ 71.2
Construction Account - Restricted	$ 42.8	$ 58.5	$ 15.7
Rate Stabilization Account	$ 93.0	$ 97.0	$ 4.0
Bond Reserve	$ 57.0	$ 46.8	$ (10.2)
Other Restricted Assets	$ 16.7	$ 11.7	$ (5.0)
Total Cash	**$ 345.1**	**$ 420.8**	$ 75.7
Debt Coverage Ratio	**1.8**	**1.9**	$ 0.0
Debt to Capitalization Ratio	**62.4%**	**61.5%**	$ (0.0)

The preliminary 2013 results show that City Light met the required Debt Coverage Ratio. Retail Revenue is slightly lower than the plan due to mild weather and lower than expected consumption by the tunnel boring machine. Net Wholesale Revenue fell below the amount in the plan but was mitigated by funding provided by the RSA. Both Net Power and Net Non-Power O&M costs came in lower than the plan due to higher vacancies, lower distribution spending, and various lower long-term purchased power costs, including Stateline Wind and Lucky Peak. Taxes, Depreciation and Other expenses were lower than planned, largely due to higher than planned offsetting contributions from two large completed projects--the SDOT Mercer Corridor project and an Amazon project.

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EFFICIENCIES – 2013 REALIZED VS. UMS REPORT

2013 Efficiencies Analysis

$'s in M's

	Target			Actual Results		
Total	$	6.9		$	7.2	
Components						
UMS CIP	$	1.9	28%	$	0.4	5%
UMS O&M	$	1.3	20%	$	1.2	17%
Other Eff.	$	3.6	53%	$	5.6	78%

- **Efficiency savings identified from UMS benchmark studies totaled $3.2m representing approx. 50% of the total targeted savings in 2013**

- **Actual savings in this area were $1.7M under target but were mitigated by other savings identified during the year**

EFFICIENCIES – 2013 REALIZED VS. UMS REPORT

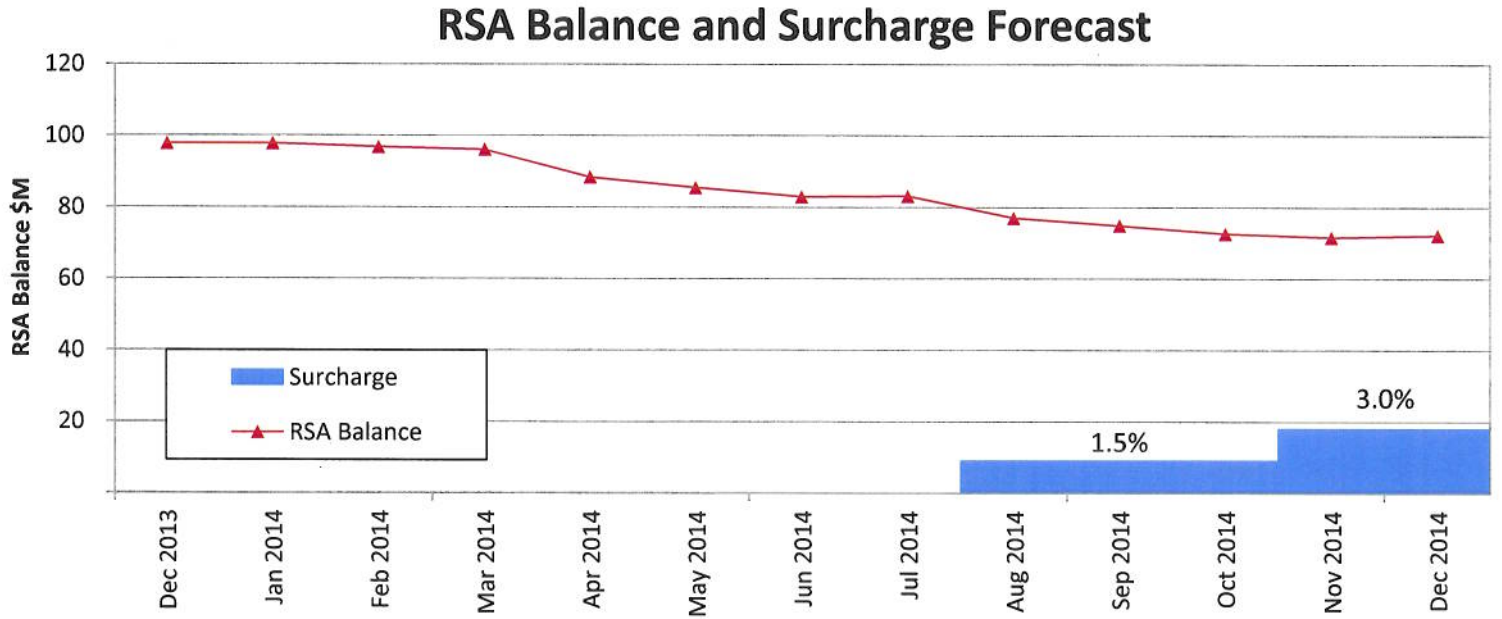
Additional savings opportunities of $2.3m identified by management in 2013:

- **NW Refund Case - Settlements from counterparties ($1.3M)**
- **BPA Refund* - Refund of power factor penalties charged by Bonneville Power Administration ($0.4M)**
- **Internal Slice Solution*- Internally developed solution for the BPA power Slice modeling ($0.6M)**

**On-going savings*

RSA SURCHARGE WILL PHASE OUT AS WE REDUCE RELIANCE ON WHOLESALE SALES

- Net Wholesale Revenue forecast reflects dry hydrological conditions for 2014, plus chronically low energy market prices
- Projection shows a surcharge of 1.5% triggering in August, increasing to 3% in November if normal water year achieved
  - A 1.5% surcharge translates to $0.90 per month for a typical residential customer.
- Forecast reflects a snapshot in time: snowpack conditions are still rapidly changing



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Workforce Initiative Update

Strategic Initiative Title and Number	Strategic Initiative Description	2013 Strategic Initiative Goals and Accomplishments/Updates	2014 Strategic Initiative Goals
W2A - Attract, Retain and Promote Efficiencies (Costs and Savings)	Provide funding that will attract and retain employees through compensation and incentive programs that are competitive with other utilities to attract experienced and new electric utility workers. This will create the flexibility that City Light needs to manage the workforce in a way that provides cost effective, reliable, and efficient service to customers.	**2013 Goals:** • Hire new staff (1.0 FTE) to administer classification/compensation programs • Implement competitive compensation program • Create broad, utility-specific classifications • Implement comprehensive incentive program • Reduce vacancy rate to 4% • Reduce turnover costs • Reduce attrition rate • Meet days-to-fill goals for non-executive positions (45 days) and executive positions **2013 Accomplishments/Updates:** • City Personnel hired a Classification/Compensation Analyst in September 2013. Due to the hiring delay, the classification and compensation programs will be developed in 2014. • Incentive program was developed but implementation has been delayed • Developed a turnover cost and attrition rate baseline in 2013 to enable us to compare savings realized year-to-year • Exceeded days-to-fill goals: 38 days for non-executive positions and 87 days for executive positions • Due to retirements and turnover in 2013, the vacancy rate at the end of the year	**2014 Goals:** • Collaborate with City Personnel to purchase salary surveys • Collaborate with City Personnel to conduct analysis on City Light employee pay versus market pay • Review analysis and implement market adjustments for non-represented and represented classifications • Collaborate with City Personnel to research job titles utilized by similarly sized utilities and gather compensation data • Review data and implement broad, utility-specific classifications • Ensure vacancies are filled according to established timelines • Reduce vacancy rate to 4% • Reduce advertising costs • Reduce relocation reimbursement costs • Reduce utilization of executive search firms
W2 - Technical Training Center	Proposal to build a technical training center for delivery of apprenticeship, technical, and safety training.	**2013 Goals:** • Budget proposal completion • Environment impact statement and resolution completion • Design phase completion • Contracting phase completion Construction phase begins **2013 Accomplishments/Updates:** • Budget proposal and contracting phase (Architect) were completed • The complexity of the pre-design phase required more time than was originally scheduled. City Light evaluated additional potential sites but ultimately determined that the original site was the most cost effective and well suited for this project.	**2014 Goals:** • Complete environmental impact statement and resolution • Complete wetland delineation report • Complete design phase • Begin the bidding phase • Complete wetland mitigation plan • PCSD award the contract • Begin construction

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Workforce Initiative Update

Strategic Initiative Title and Number	Strategic Initiative Description	2013 Strategic Initiative Goals and Accomplishments/Updates	2014 Strategic Initiative Goals
W2B - Workforce Development - Utility Training and Development	A critical talent shortage will occur in City Light based on impending retirements, a continuing shortage of workers who possess the minimum qualifications and skills, and attrition to other utilities. This program will focus on comprehensive training to ensure necessary skills are acquired and maintained, employee development to plan for future skill needs, and succession planning to ensure retention of knowledge and skills of retiring employees. RSJI strategies to promote upward mobility for entry level positions will also be supported.	**2013 Goals:** • Hire new staff (1.0 FTE) to coordinate intern-coop program • Deliver customer service training throughout City Light • Increase the computer skills of City Light staff • Develop leadership skills for Utility crew chiefs, supervisors, and managers • Identify Learning Talent Management System (LTMS) to integrate training, performance management, employee development, and succession planning • Develop a succession planning program for work locations or job titles with high retirement risk • Offer and coordinate training to earn and maintain certifications and licenses, along with other critical technical skills • Continue to offer tuition reimbursement to expand job knowledge, develop new skills, and improve effectiveness in job performance • Hire, orient, and provide development opportunities for 10 undergraduate college **2013 Accomplishments/Updates:** • Hired new staff to coordinate intern-coop program and exceeded the 2013 goal of hiring 10 undergraduate interns • Rolled out a series of training programs to City Light staff which included a Leadership Development Program, Computer Training, and Customer Service Training • LTMS request for proposal was published and the target date for selecting a vendor is March 2014	**2014 Goals:** • Develop pilot customer service training program • Offer advanced computer skills classes on an ongoing basis • Purchase and implement an online learning library of leadership skills courses • Offer ongoing communication skills classes • Select LTMS vendor, purchase software, and implement system • Develop and implement career ladder and job knowledge transfer program • Conduct a utility-wide succession planning assessment • Offer certifications and licenses classes on an ongoing basis • Continue to market tuition reimbursement program and award 90% of the allocated $75,000 budgeted for the program • Hire, orient, and provide development opportunities for college and high school interns
W1 - Safe Work Environment/Workers' Compensation/General Liability and Vehicle Collisions (Cost and Savings)	Create a safe work environment in the workplace with shared accountability to protect the health and safety of City Light employees, resulting in a Total Recordable Rate (TRR) from 8.4 in 2011 to 2.2 by the end of 2018 and a reduction in financial costs.	**2013 Goals:** • Identify a Safety and Health Management System which identifies and provides information and tools to control hazards in the workplace/worksite • Reduce City Light's Total Recordable Rate (TRR) by 20% each year during the 6 Year Strategic Plan period (2013 Goal: 6.7 TRR) • Implement additional safety programs as warranted by Injury Analysis • Implement a Driver Safety Program • Reduce the Total Recordable Rate (TRR) to 6.7 • Reduce workplace injuries by 20% • Reduce vehicle collisions by 20% • Identify and offer 2+ additional light duty positions per month to expand the potential for a prompter return to work • Settle appropriate workers compensation claims • Implement well-run "Injury Free Days" program to reduce lost work days where **2013 Accomplishments/Updates:** • Conducted a thorough Injury Analysis to identify trends, type of injuries, nature of injuries and systematic deficiencies and identified recommendations • Developed and implemented a comprehensive Driver Safety Program • Identified a Safety and Health Management System • Exceeded 2013 goal by reducing the TRR to 6.3 • Direct email program for light duty was created, implemented and rolled out on a bi-monthly basis and temporary positions were identified as opportunities for light duty work • Procedures were implemented to facilitate return to work communications	**2014 Goals:** • Receive, prioritize and develop action plan for benchmarks for safety metrics. Identify and communicate best practices for safety metrics benchmarks to management team. • Implement more comprehensive Driving Training Program to include simulators and new employee orientation • Implement Safety and Health Management System • Achieve a TRR of 5.4 or less • Identify initial leading indicators and metrics • Implement Safe Habits, Safe Worker grant program and award funds for projects that increase workplace safety, decrease injury and reduce job tasks risk

Strategic Plan Update (2015-2020)

List of rate path mitigation efforts contemplated but not currently in plan

Description	Comments
1) Property Sales	Plan currently assumes $1m/yr of property sales, No additional sales were assumed in the plan beyond the 8th and Roy Property.
2) Lower Bond Interest	Prior plan assumed a rate of 4.5% for 30 years. In consultation with bond investment advisor it was determined that 5.0% was a more reasonable rate to assume for long-term planning.
3) Savings from Continuous Improvement Program	Not included in plan due to lack of detail regarding savings that might be achieved.
4) Power Marketing Sales	Inquired on additional sales opportunities above existing energy, capacity and transmission sales assumed in the plan.
5) Environmental Clean-up	Inquired on the utility's ability to defer clean-up work completion to end of required mitigation period determined by EPA, while ensuring that all compliance and required time frames are met.
6) Conservation Program Savings	Discussed the underspend of prior encumbrance balances and whether future savings may be available. Determined that budgeted amounts are expected to be fully utilized in the future.
7) Energy Imbalance Market	Discussed including expected savings for possible participation in Northwest Power Pool Energy Imbalance Market, however, extent of participation and associated benefits have yet to be determined and quantified.

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