

Draft-For Deliberative Purposes

City Light Strategic Plan Preferred Path and Rate Impacts

Presentation to City Light Review Panel

December 2, 2011

We recommend investments to position the Utility to best meet customer needs

Six Year Avg Rate Increase

Baseline	4.1%
Add Efficiencies	- 0.4%
Add Preferred Path Initiatives	+1.0%
Add NWR Fix (+0.8% gross, +0.3% net)	+0.3%

Alternatives:

Add Higher Reliability Initiatives	+ 0.2%
Add Enhanced Green Initiatives	+ 0.3%

Preferred Path = 5.0% per year

Preferred Path: Prudent Strategic Investments

1. Continued support for key strengths
2. Capture operational efficiencies
3. Cost-effective responses to key challenges through additional investment in:
 - Improve Customer Experience and Rate Predictability
 - High Performance Workforce/ Safety
 - High Performance Organization
 - Continue Leadership in Conservation and Environmental Stewardship

Improve the Customer Experience and Rate Predictability



Context/Drivers	Key Strategies (groups of Initiatives)
<ul style="list-style-type: none"> • System reliability, investing in aging infrastructure and rate predictability: key findings from interim outreach 	<ul style="list-style-type: none"> • Improve and ensure continued system reliability (NoDo Substation, cable replacement, regional transmission, distribution mgmt, etc.) • Improve customer interface and information exchange capacity (Web, Advanced Metering) • Improve efficiency of our legacy hydro-electric generation assets. • Provide greater rate predictability and transparency



- Cost of 0.62% (\$2.66 per month) more in rate increases annually.
- *Plus 0.8% for NWR fix (0.3% net, or \$0.23 per month).*

High Performance Workforce /Safety

Context/Drivers	Key Strategies
<ul style="list-style-type: none"> •Unacceptable business risks if the utility fails to improve its safety record, or implement strategies to manage the impending wave of retirements and our record in retaining skilled employees. 	<ul style="list-style-type: none"> •Improve workforce safety •Attract and retain workers with expertise specific to electric utilities •Pay competitively •Invest more in employee training •Increase workforce flexibility and efficiency



- Cost of 0.13% (\$0.56 monthly) more in rate increases annually.

High Performance Organization

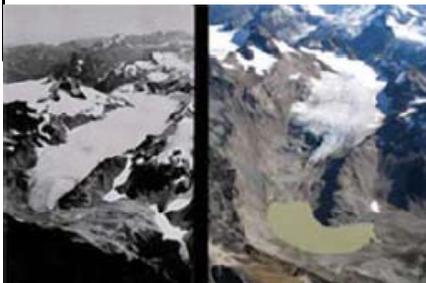
Context/Drivers	Key Strategies (groups of initiatives)
<ul style="list-style-type: none"> • Limited opportunities to engage policymakers through existing budget process • Customers should have confidence we are performing as efficiently and effectively as possible • Aging IT systems • Newly adopted financial policies 	<ul style="list-style-type: none"> • Improved communication about Utility priorities and progress • Improve efficiency through benchmarking and process improvements. • Improving external procurement process and supplier performance • Replace outdated technology systems • Monitor and revise fiscal policies as appropriate to ensure continued fiscal strength



- Saves 0.09% (\$0.38 monthly) in rate increases annually.

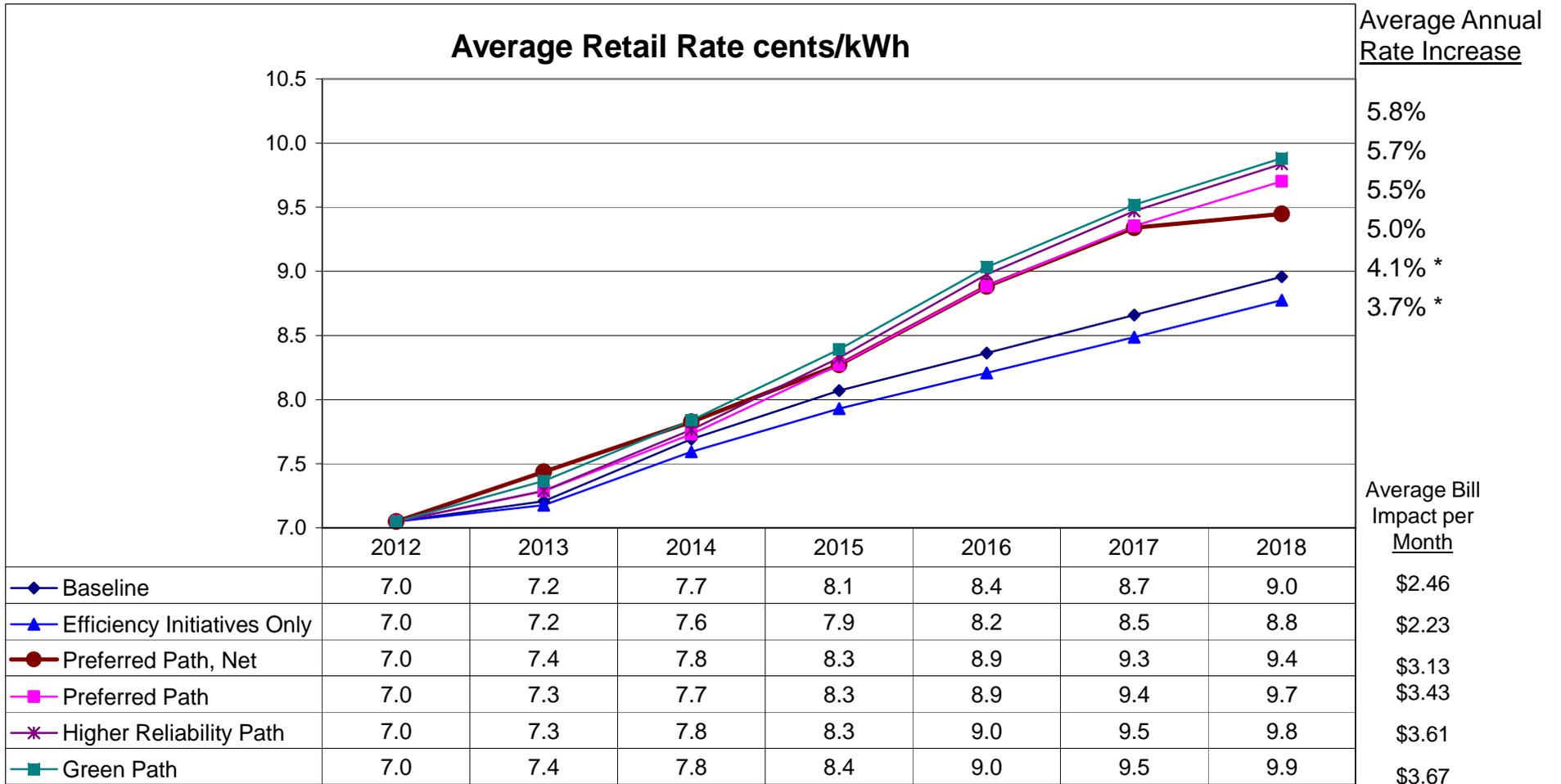
Continue Leadership in Conservation and Environmental Stewardship

Context/Drivers	Key Strategies
<ul style="list-style-type: none"> • Initiative I-937 requires additional procurement of renewable energy • Seattle residents more likely to become “first adopters” of electric vehicles • Utility exposed to risk of climate change • Customers want City Light to continue environmental leadership 	<ul style="list-style-type: none"> • Meet I-937 renewable requirements, & aggressive conservation targets in current Council adopted 5-year plan • Improve effectiveness in conservation program • Support customer adoption of electric vehicles (infrastructure/rates) • Address long-term resource risks with climate change • Enhance Environmental Leadership • Reduce environmental liability associated with our activities.



- Cost of 0.03%(\$0.06 monthly) more in rate increases annually.

Rate Change Alternatives



* Not inclusive of any RSA surcharges

Preferred Path with Adjustments for Net Wholesale Revenue Fix

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2013-2018</u> <u>AVG</u>
<u>New Proposal</u>								
Typical Residential Bill (base rates) \$	55.05	\$ 56.92	\$ 60.38	\$ 64.61	\$ 69.38	\$ 73.06	\$ 75.76	
Annual Rate Increase	3.2%	3.4%	6.1%	7.0%	7.4%	5.3%	3.7%	5.5%
<u>Net of Anticipated Surcharges and Credits</u>								
Expected RSA Surcharge/(Credit)		2.0%	1.2%			-0.1%	-2.6%	
Typical Res Bill (w/ surcharge/credit) \$	55.05	\$ 58.08	\$ 61.12	\$ 64.61	\$ 69.38	\$ 72.95	\$ 73.79	\$ 66.65
Annual Rate Increase (w/surcharge/credit)		5.5%	5.2%	5.7%	7.4%	5.1%	1.1%	5.0%

Context: Rate Increases at Other Utilities

- Recent Oliver Wyman consulting study on future projected electric utility rates:
 - U.S. electric bills growing 5.5% in future years (higher than recent average of 2.7%) due to factors including environmental mandates, cybersecurity regulations to grid modernization
 - Avg. 9.6% rate increases pending before regulators