



4TH QUARTER STRATEGIC PLAN UPDATE

Seattle City Light Review Panel

May 1, 2015

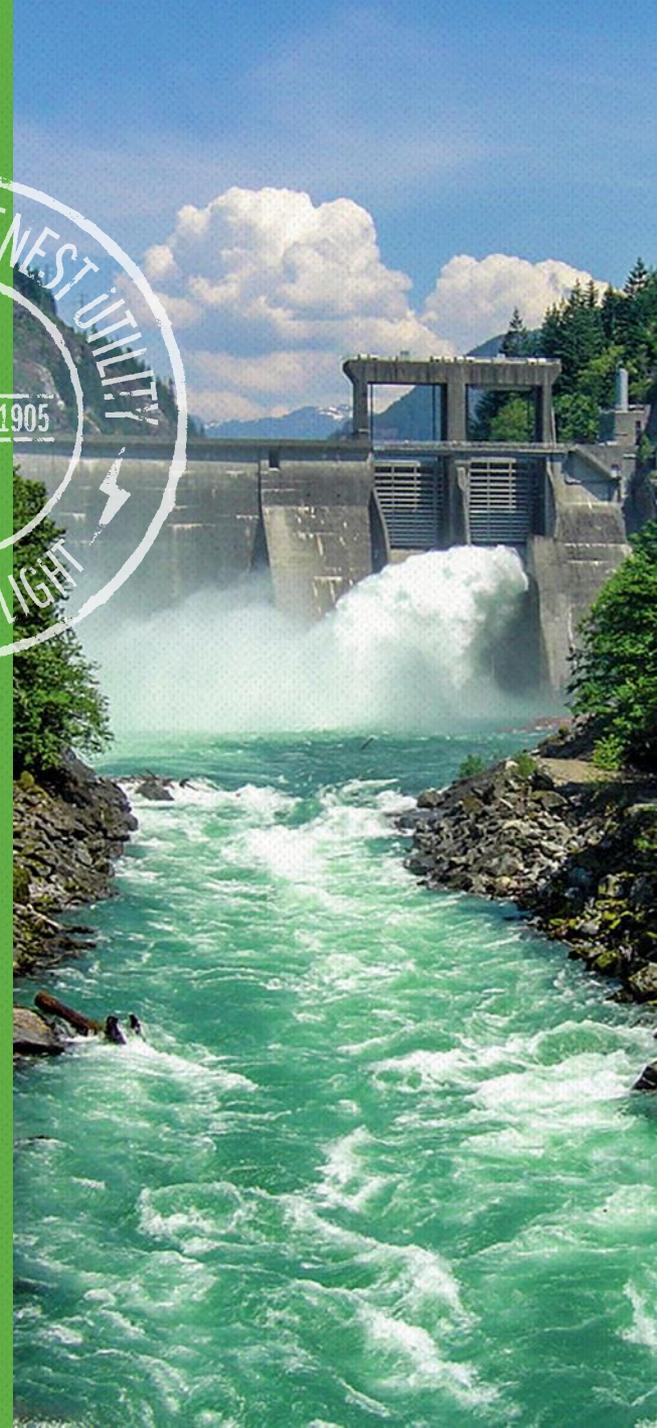


TODAY'S PRESENTATION

- Major Project Updates
 - Denny Substation
 - New Customer Billing System
 - Automated Metering Infrastructure
 - Energy Management System
 - Technical Training Center
 - Utility Discount Program
- Financial Update
 - Financial Forecast
 - 2014 Financial Results
- Strategic Plan Metrics
 - Baseline
 - Initiatives
 - Efficiencies



MAJOR PROJECT UPDATES



DENNY SUBSTATION

Major Milestones

- Completion of 60% Substation Design
- Completion of 90% Denny Network Design

Next Steps

- Release final Environmental Impact Statement – January 2015
- 90% Substation Design – March 2015
- Begin Distribution Network construction – September 2015

Other Updates

- Presentation to Seattle Design Commission of proposed public benefits of substation facility
- The ALL RISE temporary arts program is actively inviting the public to view art displays at the proposed site

Completion

- Facility to be energized by June 30, 2017

NEW CUSTOMER BILLING SYSTEM

Major Milestones

- Transformation Design workshops completed
- Business processes defined
- Finalized data clean up and conversion design
- Completed initial System Configuration

Next Steps

- Configuration - April 2015
- System Build - June 2015
- System Test - September 2015
- Training - October 2015

Other Updates

- Coordination with Bill Print vendor on track to support bill testing efforts

Completion

- System go-live scheduled for fourth quarter 2015

ADVANCED METERING INFRASTRUCTURE (AMI)

Major Milestones

- AMI vendor evaluation in process
- On Call Consultation Services RFQ released
- Meter Install and System Integration QA RFPs in development

Next Steps

- AMI vendor Evaluation - January 2015
- Select AMI vendor – March 2015
- Meter Install and System Integration QA RFPs released – March 2015

Other Updates

- Project team hired
- White paper in compliance with Resolution 31529 delivered to City Council

Completion

- Project will be completed by December 31, 2017 with 430,000 meters installed

ENERGY MANAGEMENT SYSTEM

Major Milestones

- System Integrator selected
- Project Kick off

Next Steps

- Complete system configuration – January 2015
- Order system hardware – March 2015
- Begin system end-user training – March 2015

Other Updates

- System will enhance compliance monitoring by implementing functions required by new NERC standards

Completion

- System go-live is scheduled for September 30, 2016

TECHNICAL TRAINING CENTER

Major Milestones

- 100% facility design completed
- Wetland Mitigation Plan published

Next Steps

- Approval of permitting applications (submitted to King County and Army Corps of Engineers September 30, 2014) – September 2015
- Completion of construction contract – October 2015

Other Updates

- The complexity of the permitting process resulted in a one year delay in the contract bidding phase now targeted for 10/31/15

Completion

	<u>Permitting</u>	<u>Facility Open</u>
Original	July 2013	Jan. 2015
Current	Sept. 2015	Jan. 2017

UTILITY DISCOUNT PROGRAM (UDP)

Major Milestones

- City Light's targeted marketing and expanded outreach efforts resulted in 3,168 new enrollments in 2014, exceeding the target of 2,500

Next Steps

- Continue targeted marketing and expanded outreach – Ongoing 2015
- Partnership with Financial Empowerment Center program which incentivizes low income customers to participate in financial coaching – March 2015
- Home energy audits of 400 participating residences – December 2015

Other Updates

- Update Interactive Voice Response phone system to include information about UDP
- Expand Pass It On campaign which creates greater awareness of UDP among City of Seattle employees

Completion

- Project ongoing
- Total of 16,941 program enrollees as of December 31, 2014



FINANCIAL UPDATE



FINANCIAL FORECAST

As of December 31, 2014

\$ Million	ACTUAL				FINANCIAL PLAN	
	2011	2012	2013	2014	2015	2016
Operating Revenues:						
Retail Energy Sales	\$656.0	\$664.3	\$697.7	\$728.4	\$775.8	\$817.2
Net Wholesale Revenues	98.4	63.9	51.6	88.6	65.0	60.0
Power Contracts and Other Revenues	75.1	52.4	63.2	73.2	67.9	59.6
Transfer from/(to) the Rate Stabilization Account	(62.2)	13.2	18.3	(4.4)	(1.3)	(1.7)
Total Operating Revenues	\$767.3	\$793.8	\$830.8	\$885.8	\$907.4	\$935.1
Operating Expenses:						
Purchased Power, less Wholesale Purchases	\$262.0	\$253.7	\$263.0	\$280.7	\$286.8	\$285.3
Operating and Maintenance Expenses	227.7	232.1	255.0	257.5	276.0	286.2
Taxes and Depreciation	164.0	169.7	181.6	188.6	202.3	209.1
Total Operating Expenses	\$653.7	\$655.5	\$699.5	\$726.7	\$765.1	\$780.7
Other Non-Operating Income (Expense)	(\$21.4)	(\$34.3)	(\$18.5)	(\$31.0)	(\$12.5)	(\$22.4)
Net Income	\$92.2	\$104.0	\$112.7	\$128.0	\$129.8	\$132.0
Revenue Available for Debt Service	\$269.9	\$306.1	\$319.6	\$344.0	\$341.2	\$364.0
Debt Service	\$146.7	\$169.1	\$172.8	\$184.8	\$189.8	\$197.0
Debt Service Coverage Ratio	1.84	1.81	1.85	1.86	1.80	1.85
Debt as Percent of Total Capitalization	64.0%	63.1%	61.7%	59.8%	59.6%	59.3%
Mid-C Wholesale Electricity Price, \$/MWh	\$23.5	\$19.2	\$32.4	\$33.5	\$23.1	\$25.8
Average Realized Wholesale Electricity Price, \$/MWh	\$20.7	\$15.4	\$30.2	\$27.5	\$23.3	\$22.7
Base Rate Change from Prior Year, %	4.3%	3.2%	4.4%	5.6%	4.2%	4.9%
BPA Pass-through Rate Change, %			1.2%			

2014 FINANCIAL RESULTS (PRELIMINARY)

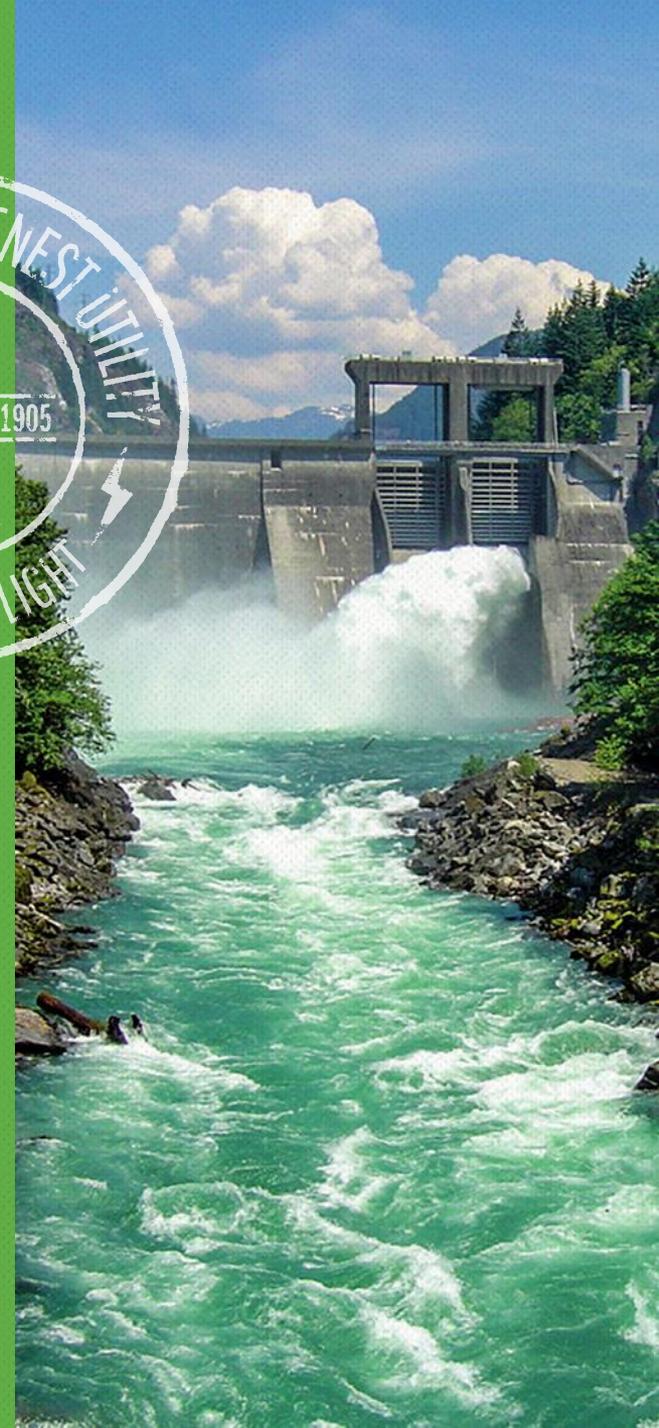
Strong 2014 financial results

- Debt service coverage of 1.86x, better than 1.80x plan target
 - Retail load 2.8% below plan, mostly due to tunnel boring delay and mild weather
 - Debt service, O&M and long-term purchase power costs favorable to plan
- Net Income of \$128.0 million
- Debt to Cap ratio of 59.8% (under 60%)

Net wholesale revenue of \$88.6 million, above target of \$85 million.

- RSA end of year balance of \$114 million
- No RSA surcharges anticipated through 2017

BASELINE, INITIATIVES AND EFFICIENCIES



GOOD PROGRESS MADE IN 2014 ON STRATEGIC PLAN

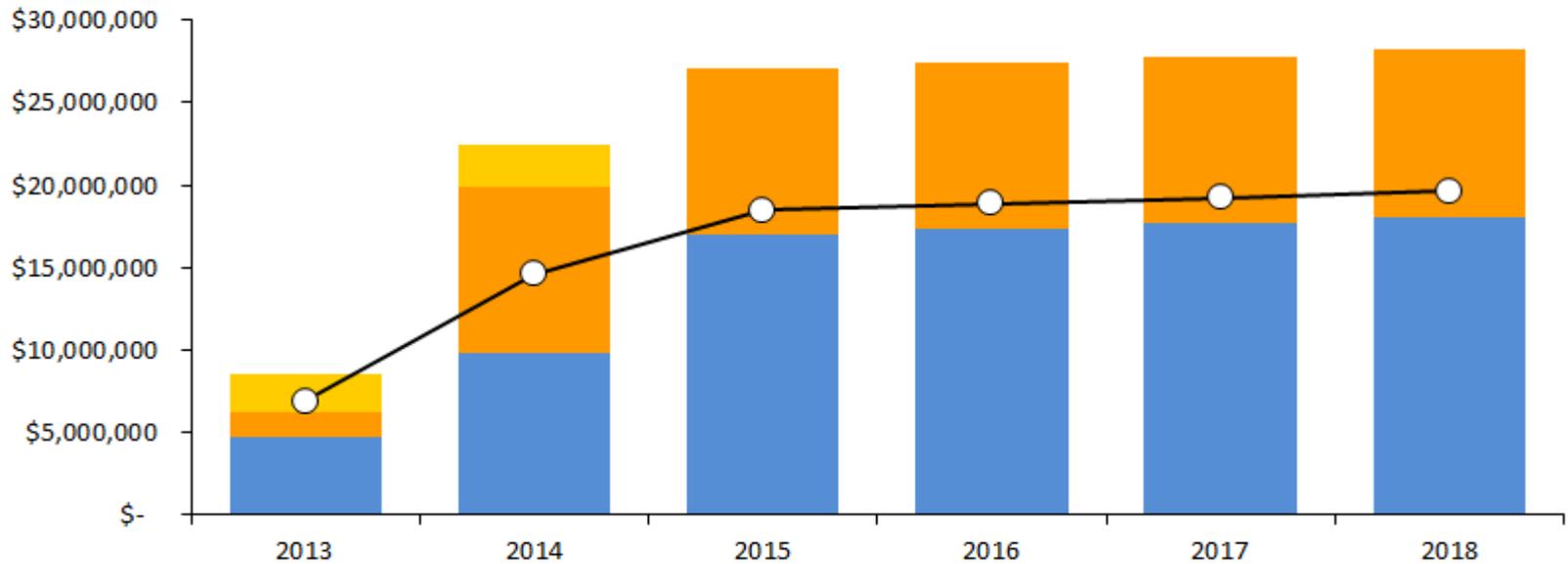
- **Baseline:**
 - Delivered on 22 baseline assumptions in the plan
- **Efficiencies:**
 - Achieved \$22.4 million in efficiency savings in 2014 and well exceeded the year-end target of \$14.6m
- **Initiatives:**
 - 33 strategic initiatives were active in 2014
 - 7 initiatives have in-service dates rebased one year out
 - As of December 31, 2014, 25 initiatives were on track and eight experienced delays in meeting year-end milestones
 - Three initiatives were completed in 2014

2014 EFFICIENCY SAVINGS

Efficiency Summary

Plan Efficiencies by Year

- Not Previously Identified (one-time)
- Not Previously Identified (sustainable)
- Identified in Original Plan
- Total Efficiencies in Plan





CITY LIGHT

OUR VISION

To set the standard—to deliver the best customer service experience of any utility in the nation.

OUR MISSION

Seattle City Light is dedicated to exceeding our customers' expectations in producing and delivering environmentally responsible, safe, low-cost and reliable power.

OUR VALUES

Excellence, Accountability, Trust and Stewardship.

