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August 1, 2011

Implementing the Strategic Plan

The Strategic Plan is intended to establish a path forward for the next six years at City Light. In early 2012, City Council will be asked to adopt the Plan and to adopt the first two years of the implied rate path and endorse the following four years of it. At the same time the Council will be asked to adopt both a cost allocation and rate design methodology to be used in developing the actual rates. With adopted rates for the following two years, and the Rate Stabilization Account to protect against revenue fluctuations, City Light will develop the 2013-2014 Proposed Budget to pursue the objectives of the Plan within the resource constraints of the established rate path.

The Strategic Plan is intended to inform and simplify the budget process. With the direction set by the adopted Strategic Plan, the budget will provide the legal authority to spend money and become an accountability document between the elected officials and the utility management for implementing the Strategic Plan.

The Strategic Plan is intended to be updated by City Light and adopted by the Council every two years. In the first year of each cycle, City Light will revisit the Strategic Plan with the Review Panel, extending the planning window by two years. In the second year, City light will develop the subsequent biennial budget based on the approved plan, and focus on reviewing rate design and cost allocation issues with the Review Panel.

The hope and intent is that the Strategic Plan will become City Light's venue for communicating with the Mayor, the Council, and the public on strategic or important choices facing the utility. The assumption is that with the exception of a true emergency future biennial budgets will faithfully reflect the Plan.

Strategic Plan: Building Preferred Alternative and Options, Core Themes & Criteria
annotated to show Review Panel input & E-Team follow-up

I. Proposed Conceptual Approach

Step 1: **Define Baseline**

Current document to be updated and released with draft Strategic Plan. Items potentially impacting baseline to be reviewed with Panel in September.

Step 2: **Reduce baseline by:**

- 1. No-cost efficiency measures**
- 2. Efficiency targets assumed to be achieved**

Note that some efficiencies will require changing how the utility does business.

Step 3: **Add to baseline:**

Preferred alternative: E-Team recommended investments.

E-team to select investments based on criteria developed through discussion with Review Panel

Step 4: **Identify alternatives / options**

Final approach not yet determined. There are several options. For example, the baseline could be one alternative. The result of Step 2 (baseline less efficiencies) could be another. The Review Panel preferred alternatives LESS or PLUS certain items (defined by cost and/or other criteria) could be basis for other alternatives.

Review Panel 7-19 Meeting Notes:

There are "jaws of uncertainty," a range of outcomes is probable. Ultimately, we pick an alternative based on values.

E-Team follow-up:

We will use the approach described; how we present options to the preferred alternative is still T.B.D. We expect to have a better feeling for what makes sense here after we build the preferred alternative.

II. Core Themes

In order to succinctly express our main goals and focus for the strategic plan, we need to consolidate our messages—well above the level of 40+ initiatives, and also above the level of the 12 objectives.

City Light management is committed to making progress over the next 6 years on all 12 objectives. But we acknowledge there will need to be trade-offs. And not all 12 objectives are equally important.

Based on what we know about our challenges, what we have heard from the Review Panel, and what we have heard in the interim outreach effort, we are working to develop this succinct message—you might call it our “elevator speech.”

The key concepts we think it should include are expressed below in *draft* form for your consideration:

City Light remains committed to being a national leader in environmental stewardship. We will remain a carbon neutral utility with a major ongoing investment in cost-effective conservation programs.

The biggest changes we seek to achieve in the strategic planning period are to improve organizational performance and our ability to provide excellent customer service.

To do this, we believe the most critical targets are the foundations of the utility’s operations: addressing our major workforce challenges, improving asset reliability and improving safety and efficiency of operations.

Review Panel 7-19 Meeting Notes:

- *Efficiency and environmental leadership are linked; can’t have one w/o the other*
- *Think about how your core themes will play externally—to public, unions.*
- *Leading with employee safety can be powerful base from which to launch cultural change.*

E-Team follow-up:

We will be building our preferred alternative consistent with the core themes expressed above. We will identify the strategies to be deployed to address the core themes.

III. Criteria

The baseline represents what will maintain our current level of service over the next six years—current maintenance levels, current means of doing business. In addition to having core themes, we need a way to decide which initiatives make it into our preferred alternative (step 4 above)—what’s in? what’s out? This is where criteria come in.

We have not fully developed our approach to criteria for ranking initiatives. We have looked at very simple approaches, and others that are somewhat complex. Below, for discussion, is a simple approach. We welcome your feedback and ideas.

Review Panel 7-19 Meeting Notes:

- *Leading with safety issues will help advance culture change.*
- *Can you join with other departments on workforce challenges?*
- *Help the Council embrace its management role & City Light’s unique place versus other depts.—one size doesn’t fit all.*
- *In municipal enterprise issues: who controls the ability to achieve desired outcomes?*

E-Team follow-up:

We will determine next week whether to rank the Initiatives using a simple 4-tier ranking approach using the criteria on the table below (as presented on 7-19) or whether to use an approach that incorporates these criteria into a point-ranking mechanism.

(see Criteria Table below)

Strategic Plan Initiative Rating Criteria

Highest ratings will go to Initiatives that most cost-effectively, or to the greatest degree:
<ul style="list-style-type: none"> • address & resolve workforce challenges •
<ul style="list-style-type: none"> • improve asset reliability •
<ul style="list-style-type: none"> • Improve workforce and system safety
<ul style="list-style-type: none"> • Implement efficiencies to reduce costs of operations while maintaining or enhancing service
<ul style="list-style-type: none"> • Increase our ability to increase performance from existing workforce and assets
<ul style="list-style-type: none"> • Improve the results produced by conservation program expenditures
<ul style="list-style-type: none"> • Are necessary to maintain our carbon-neutral status now and in the future
<ul style="list-style-type: none"> • Fund mandatory compliance items (if not in baseline)
The second highest ratings will go to Initiatives that:
<ul style="list-style-type: none"> • Are consistent with the above criteria, but have less impact than other initiatives or are less cost-effective
The third highest ratings will go to Initiatives that:
<ul style="list-style-type: none"> • Will make a substantial impact in promoting other objectives
Low rankings will go to Initiatives that:
<ul style="list-style-type: none"> • May be deferred with little or no impact on customer service, safety or reliability
<ul style="list-style-type: none"> • Are more expensive means of accomplishing desired outcomes than other available options



Seattle City Light

ONLINE SURVEY RESULTS – PUBLIC AND EMPLOYEES

Total number of respondents:

Public: 153

Employee: 195

QUESTION	PUBLIC RESPONSE	EMPLOYEE RESPONSE
Are you a City Light Customer		
Yes	83%	51%
No	17%	49%
If so, how many years		
0 – 10 years	28%	20%
11 – 20 years	22%	13%
More than 20 years	37%	25%
Greatest Challenges facing City Light		
Aging Infrastructure	50%	48%
Keeping rates low	24%	28%
Ensuring financial stability	22%	21%
Most important items to you for City Light to address:		
- Anticipate and exceed customer expectations	56%	65%
- Reliable/safe electrical service	86%	85%
- Balance multiple goals, plus a positive business environment & conservation	66%	NA (not on employee survey)
- Ensure safe work environment	67%	83%
- Attract/retain skilled workforce	66%	80%
- Environmentally responsible power portfolio	71%	65%
- Financial Strength	72%	80%
- Best practices & technology up-grades across the utility	67%	68%

The demographics for the online survey were:

Male 53%/public 62%/employees

Female 46%/public 37%/employees

For both the public and the employees, the predominant age range was 35 – 54 (Both 54%)

Thirty-seven percent (37%) of the public were interested in hearing more about City Light's strategic planning process; and 41% of the employees indicated a willingness to attend a small group discussion about the strategic plan.



STRATEGIC PLAN OUTREACH – PHASE II

- PURPOSE:** Educate, inform and engage customers, stakeholders and media about the final draft of the strategic plan with the goal of supporting the plan for adoption by the City Council in early 2012
- OVERVIEW:** Phase I of the Strategic Plan outreach was completed in July of 2011. The comments gathered during a series of meetings, as well as through surveys will be used to develop the draft Strategic Plan. The draft will be taken back out to the public for Phase II of the outreach, with comments gathered for the document that will go to the Mayor and City Council.
- TIMELINE:** Plan draft completed in November
Stakeholder meetings in November and early December
Direct mail piece to customers in late December/early January
Online survey January 2012
Telephone survey January 2012
Three public forums late January 2012
Final revisions and Review Panel comments mid-February 2012
Strategic Plan to Mayor late February 2012
Strategic Plan to City Council mid-March 2012
Adoption of final six-year Strategic Plan April 2012
- TARGET AUDIENCES:** Key Customers/Municipal Customers
Business community
Environmental community
Labor Partners/Employees
Residential Customers
Media
Policy Makers
- STRATEGY:** Using a similar approach to Phase I, City Light will reach out to customers and stakeholders to gather insights, feedback, concerns and recommendations in an effort to be as comprehensive as possible in this first six-year strategic planning effort.
- City Light will use a combination of direct contact with customers via a telephone survey, public and stakeholder outreach forums, online surveys and a direct mail piece to all customers in the service territory.

To the extent possible, paid and earned media will be used to support the outreach efforts.

TACTICS:

1. **Stakeholder forums:** Schedule three stakeholder forums to engage target audiences in the final draft Strategic Plan review. These would include: Businesses; Environmental Groups; and labor partners and would be held in November and early December 2011. Format for the forums to be determined, by may include a combination of “instant poll” voting and table discussions.
2. **Direct mail:** Prepare a simple direct mail piece that provides information about general themes and summarizes objectives, initiatives, and trade-offs contained within the Strategic Plan. In addition, the mailer will identify the scheduled public outreach forums and online survey opportunities. There will be a link to more detailed strategic plan information. Send to customers in late December or early January.
3. **Online Survey:** Prepare an online survey for customers to express their views regarding the Strategic Plan. Post in late December through January 2012. Compile results and include in report to the Review Panel, the Mayor and the City Council.
4. **Telephone Survey:** Conduct a 400-respondent telephone survey in early January that assesses initiatives and trade-offs. Compile results and prepare findings and recommendations for Review Panel, the Mayor and the City Council as a part of the final report.
5. **Scheduled Public Forums:** Hold at least three public forums (North, South and Central) in early January 2012 to allow customers to express their views on the draft final Strategic Plan. Use “robo-calling” to drive public engagement. Format to be similar to the stakeholder meetings.
6. **Media:** Engage the media – primarily print media – with briefings about the Strategic Plan. In particular, target: the Seattle Times; the Puget Sound Business Journal; and The Daily Journal of Commerce.
7. **Collateral Materials:** Create the following materials in support of the outreach efforts:
 - = Simple, straight-forward, two-sided document explaining the Strategic Plan; initiatives and trade-offs for general distribution and promotions about the plan;
 - = A direct mail piece for all City Light Customers
 - = Display advertising for community-based advertising (online and print);

Summary of Rate Setting and Cost of Service Policies

1. Long-Term Rate-Setting Objectives

A. Revenue Requirement

- Consistent with Strategic Plan and financial policies
- Rates sufficient to meet revenue requirement
- *Policy options:*
 - Higher or lower debt service coverage
 - Higher or lower capital funding with cash from operations vs debt

B. Customer Payment of Costs of Service

- Rates based on cost of service
- Periodic review
- *Policy options:* When to review/change cost allocation

C. Equity

- Fair apportionment of revenue requirement to customer classes
- *Policy options:* Exceptions such as low income, gradualism

D. Efficiency

- Rate incentives for efficient use of resources (conservation)
- *Policy options:*
 - Marginal cost indicators in rates (2nd block residential, time-of-use)
 - Pace of changes to reflect marginal costs in rates

E. Rate Predictability

- Orderly changes over time
- *Policy options:* Delay rates justified by cost changes due to external factors

F. Public Involvement

- Clear information
- Opportunities for participation in rate process
- *Policy options:* Form and timing of participation and provision of information

2. Rate Design Policies

A. Ascending Rates for Energy Blocks

- Rates designed so that higher amounts of energy are charged at higher rates
- *Policy options:*
 - Size and number of residential blocks
 - Blocks for other customer classes
 - Descending rates for higher amounts of energy

B. Demand Charges

- Demand charges in non-residential rate schedules should not decrease as peak demand increases

- *Policy options:* Decreasing demand charges for higher use

C. Residential First Block

- Lifeline rate (low to cover essential needs)
- *Policy options:* Size and price of first block

D. Rate Discounts

- For customer transformer ownership and metering on primary side of meter
- *Policy options:* No discounts

E. Time-of-Use Rates

- Should be implemented where feasible
- *Policy options:*
 - Re-establish seasonal rates if warranted by costs
 - Time-of-use rates for Medium customers in downtown network area
 - More time-of-use periods than current peak and offpeak
 - Time-of-use rates for all customers when metering allows it

F. Low Income Rates

- Lower than regular residential rates by at least 50%
- *Policy options:*
 - Return to previous 50% subsidy policy (from current 60%)
 - Sliding scale subsidy according to income
 - Different subsidy level

3. Marginal Cost Allocation Among Customer Classes

A. Marginal Cost of Service Study

- Rates shall be based on a marginal cost of service study
- *Policy options:*
 - Which costs are considered marginal, long-term vs short-term
 - Extent to which marginal costs are “unbundled” or kept together

B. Gradualism Adjustments

- Mitigation of disproportionate bill impacts by moving to full cost of service over multiple rate periods may be considered
- *Policy options:* Set limits to percentage rate changes

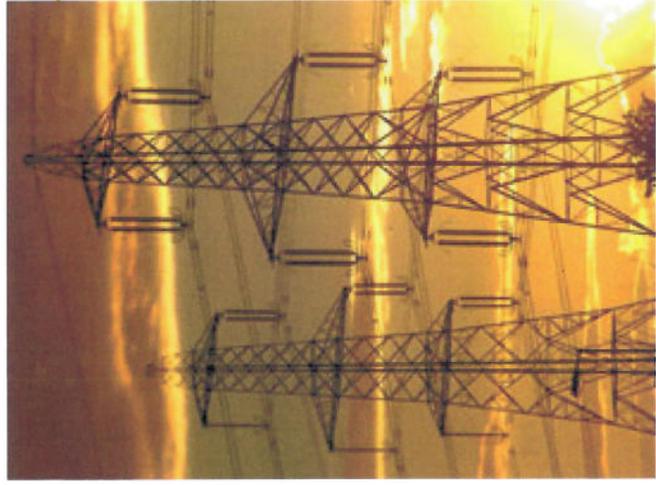
C. Conservation Expense

- Conservation is a power resource and the expense is allocated to all rate classes
- *Policy options:* Allocate conservation to the classes that directly benefit

D. Low Income Rates and Bill Payment Assistance Expense

- Social responsibility that all customers should share
- Allocated to classes based on share of total marginal costs
- *Policy options:* Allocate only to certain class(es)

Seattle City Light



Workforce Strategic Initiatives
August 5, 2011

Safety Strategy

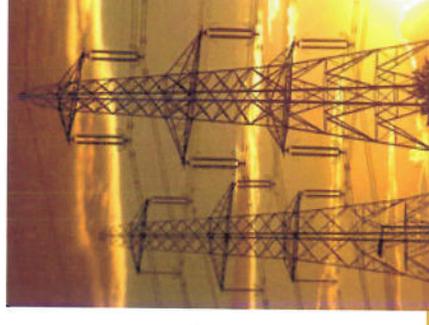
Protect the health and safety of our employees and customers by fostering a safety culture that supports continuous improvement in the delivery of safety and health programs at Seattle City Light.

Desired Outcomes

- All employees are motivated to work in a way to ensure that everyone returns home safe
- Ensure Compliance with all Federal, State and local worker safety regulations
- Reduce injury frequency and severity rates by 20% annually reach a rate that is in the top quartile of other comparable electric utilities (SCL current Total Recordable Rate = 8.4 comparable utility average = 4.3)

Success of the Initiative would be Measured

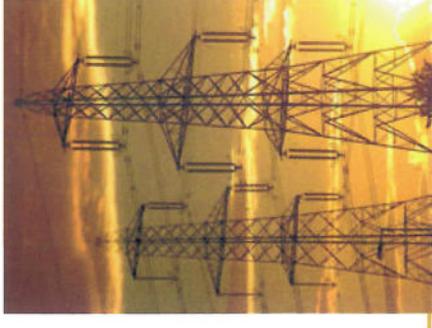
- 20% annual reduction in injury and severity rates
- Reduction in motor vehicle accidents
- Reduction in number of lost work days
- 20% decrease in workers comp costs



Proposed Safety Program Improvements

Additional Investment Required = \$5m over 6 years

- Develop and document consistent safety standards, policies, procedures and work practices
- Dashboard to report safety statistics and metrics to the crew level
- Awards and recognition programs – “On the Spot” recognition for safe work behavior
- Regular skills assessment to identify workers that require additional training
- Crew Audit program to identify areas of concern to eliminate unsafe behavior before it leads to injury

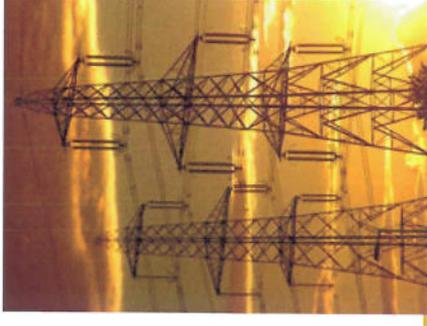


Workforce Strategy

Attract, develop and retain an efficient high performing workforce to meet the Utility's current and future customer needs.

Desired Outcomes

- Compensation and incentive programs that are competitive with similarly sized public utilities to attract and retain a qualified workforce
- Invest in developing our workforce so that they are able to effectively and efficiently perform their jobs and are competitive for future career advancement
- Improve workforce productivity and efficiency by increasing SCL flexibility to directly influence labor relations and classification



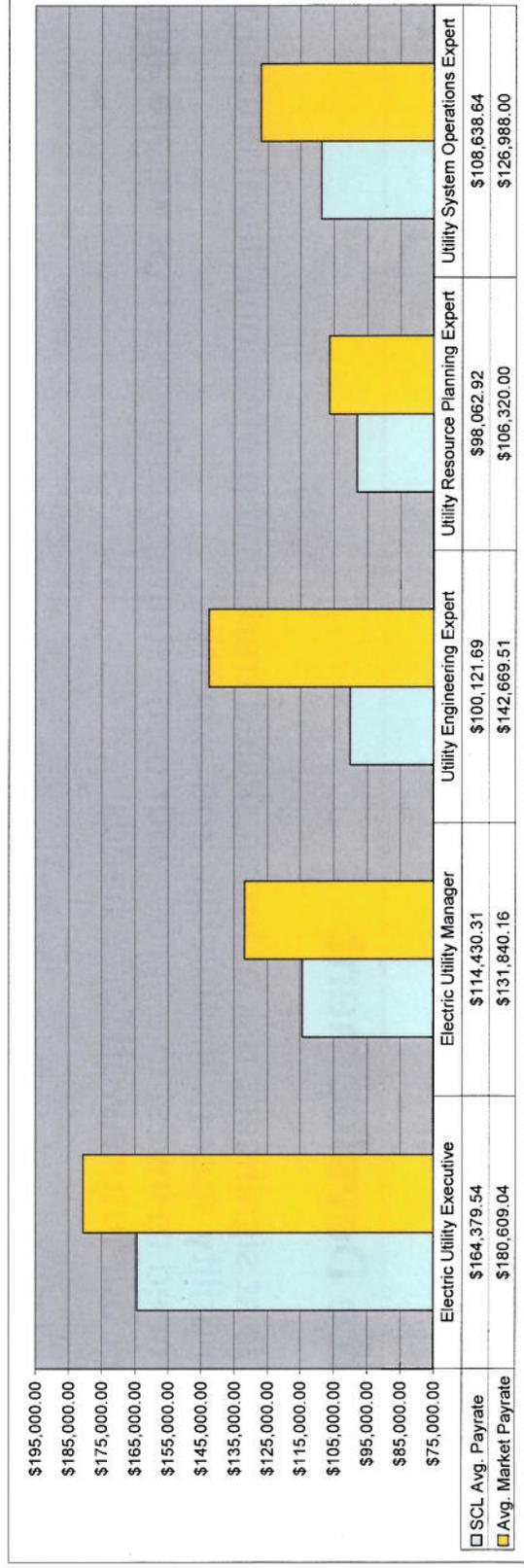
Proposed Workforce Enhancements

Attract and Retain

- SCL lags other comparably sized public utilities in compensation for employees with utility specific knowledge and expertise by 20-40%
- 60% of other public utilities have a performance based incentive program

Proposed Improvements to Compensation

- 2% increase to 2011 total payroll
- Market based compensation program - \$2.4m
- Performance based incentive program - \$1.4m annually

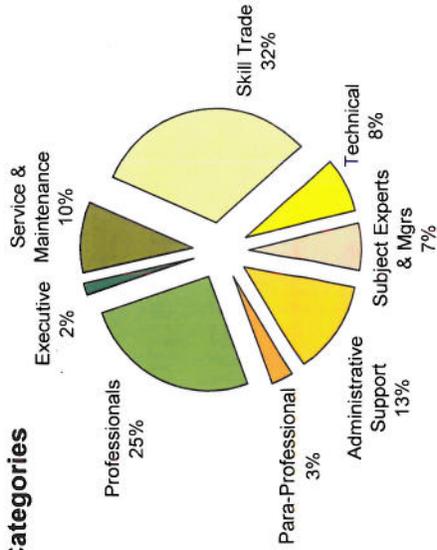


Proposed Workforce Enhancements Cont.

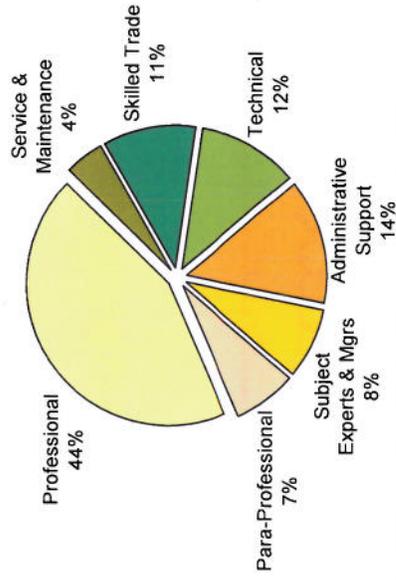
Workforce Development

- SCL is at significant risk of losing skilled trade and professional level employees with utility specific knowledge and expertise.
- We need to invest in a “grow your own” strategy to ensure that we are able to meet our future workforce needs
- Proposed Improvements to Workforce Development
 - Training and Development (1750 employees)
 - Current budget \$200 per employe annually
 - Propose \$1.75m - \$3.85m annually - \$1,000 to \$2,200 per employee
 - Internships/Co-operatives/High school programs
 - \$570k annually
 - Technical Training - \$6m (one time cost)

Job Categories



Intent to Retirees by Job Category

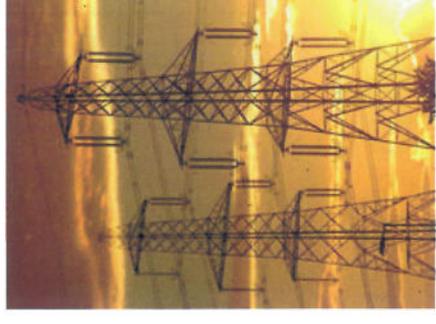


Proposed Workforce Enhancements

■ Cont Workforce Efficiency

SCL has constraints in its ability to directly impact workforce efficiency

- Proposed Improvements in Workforce Efficiencies
 - SCL led labor relations, negotiations, work practices - \$100k annually
 - SCL led classification development and determination - \$100k annually
 - Gainsharing – Reduces costs



Summary of Cost of Workforce Initiatives

Initiative	2013	2014	2015	2016	2017	2018
Safety Improvements						
Costs	\$833,333	\$833,333	\$833,333	\$833,333	\$833,333	\$833,333
Savings	(701,485.00)	(\$561,188)	(\$448,951)	(\$359,160)	(\$287,328)	(\$229,863)
Workforce Improvements						
Compensation and Incentives						
Costs	\$3,808,750	\$3,808,750	\$3,808,750	\$3,808,750	\$3,808,750	\$3,808,750
Savings	(\$1,307,936)	(\$1,307,936)	(\$1,307,936)	(\$1,307,936)	(\$1,307,936)	(\$1,307,936)
Workforce Development						
Costs	\$2,320,000	\$2,320,000	\$3,195,000	\$3,195,000	\$4,990,000	\$4,990,000
Workforce Efficiencies						
Costs	\$280,000	\$280,000	\$280,000	\$280,000	\$280,000	\$280,000
Savings	(\$1,559,064)	(\$1,559,064)	(\$1,559,064)	(\$1,559,064)	(\$1,559,064)	(\$1,559,064)
Note: Efficiencies from labor contract efficiencies reflected in initiative M9						
Net Cost of Workforce Initiatives	\$3,673,598	\$3,813,895	\$4,801,132	\$4,890,923	\$6,757,755	\$6,815,220

Objective: Ensure a safe work environment

Initiative #W1

Initiative Title: Promote a safety culture in the workplace with shared accountability

Who would "Own" this Initiative within SCL: DaVonna Johnson/and HRBU Safety Manager

<p>Part A:</p> <p>Brief description of proposed effort / sample tactics:</p> <p>Protecting the health and safety of our employees and customers to foster a safety culture that supports continuous improvement in the delivery of safety and health programs at Seattle City Light.</p> <p>Desired outcome/Rationale for proposal (what part of the SWOC does it address, if any?)</p> <ul style="list-style-type: none"> • All employees are motivated to work in a way to ensure that everyone returns home safe • Ensure compliance with all Federal, State and local worker safety regulations. • Reduce injury frequency and severity rates a level that is in the top quartile of other fully integrated electric utilities (public and private) (SCL's currently at 8.4 total recordable rate(trr), public and private fully integrated electric utility industry average 2009= 4.3 trr) <p>This initiative addresses the SWOC objective of ensuring a safe work environment.</p> <p>What, if anything, is underway in this area and funded within the 6 year baseline? Why is additional investment proposed?</p> <p>The current worker safety program is funded at a level to meet the current minimum state, federal and local health and safety regulations.</p> <p>Additional Investment Required:</p> <ul style="list-style-type: none"> • Develop and document consistent safety standards, policies, procedures and work practices for the utility • Awards and recognition program including "On the spot" recognition program for safe work behavior • Annual recognition for employees that have a year without a safety violation, OSHA recordable and vehicle accident • Skills assessment program for electrical workers that identifies areas where additional training or coaching are needed • Dashboard to report safety statistics and metrics to the crew chief level • Crew Audit program to identify areas of concern and teach employees how to work safe with the goal of eliminating unsafe behavior before it leads to injury <p>Category of proposed investment?¹ (Briefly identify basis for the categorization(s)—see endnote for definition)</p> <p>A. Efficiency –</p> <p>B. Correcting existing deficiency: Providing all employees with a safe work environment and maintain</p>

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Document date: 8/2/2011

compliance with federal, state and local safety regulations. Ensuring our workforce has the adequate skills, tools and expertise to perform their work safely.
C. Service level enhancement: Implement a safety and health management program that incorporates industry best practices that significantly reduces injury frequency and severity rates. Create a culture of continuous safety improvement where each employee is responsible for their own safety, the safety of other employees and the safety of our customers.

Ballpark cost estimate over 6-year period (2013-2018)

O&M (check one if applicable)		Capital (check one if applicable)	
	<\$1 million		<\$1 million
X	\$1-5 million		\$1-5 million
	\$6-10 million		\$6-10 million
	\$11-25 million		\$11-25 million
	\$26-50 million		\$26-50 million
	\$51-100 million		\$51-100 million
	\$101-200 million		\$101-200 million
	>\$200 million		>\$200 million

Part B:

Rough estimated cost (capital and operating)

If project would be bond-funded, note total capital cost estimate.
 If initiative has ongoing annual operating costs, rough estimate over 6 year period (see Ex. 1)
 \$5,000,000 O&M

General Implementation Plan

- **Does this require new staffing to accomplish or can it be accomplished within existing staff levels?**
 To meet industry best practice ratio of safety professional to employee, three additional utility safety professionals are needed.
- **From the time work begins, how long until the Initiative is completed/begins to deliver desired results?**
 The initiative would have a goal of reducing injury and severity rate by 20% per year. SCL would achieve the goal to be in the top quartile for TRR compared to other public fully integrated electric utilities by the end of the 5th year of the initiative.
- **How time sensitive is this initiative? What year would you propose work to begin? Why?**
 This initiative is time-sensitive. The work would begin as soon as funding for the initiative is in place. Our current injury rates far exceed acceptable industry standards. Worker safety and health is a critical concern and primary responsibility of SCL.

What alternatives are there?

- **Is the initiative scalable (can it shrink and still deliver measurable value)?**
 No; while we could implement components of a comprehensive safety program we would not be able to achieve the goals of the initiative and the full value of a comprehensive safety and health program would not be realized.

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- **Other ways to achieve a similar desired outcome?**
No
 - **Different policy direction (give example, and note why not recommended)**
Maintain current safety program. This is not recommended because our current safety investment is yielding substandard results.
- Sample metrics: How would you measure the success of this initiative?**
- Decrease in employee injury and severity rates related to safety
 - Reduction in motor vehicle accidents
 - Onsite safety audits completed
 - Reduction in number of lost workdays
 - Reduction in cost per injury
 - Decrease in worker’s compensation costs and third-party claim costs.

Exhibit 1 Rough Estimated Costs—Operating and Capital

(All data is to be entered here: [Strategic Initiatives Cost Master File.xls](#))

What is in the current baseline to support this Initiative?

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
W1: O&M	\$2,428,000	\$2,428,000						
W1: CIP	\$ 229,000	\$ 234,000	\$ 239,000	\$ 244,000	\$ 250,000	\$ 256,000		

CIP Project 9006-Safety Modifications

What additional funding is proposed?

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
W1: New O&M	N/A	\$1,300,000	\$900,000	\$700,000	\$700,000	\$700,000	\$700,000
W1: Prop. CIP							

O&M \$: Initiative proposers should use 2011 dollars for all years (i.e., NO assumed inflation). Finance will take care of inflation assumptions later, to make sure we have uniform assumptions. If you plan to add O&M staff, use 35% loading on base salary for benefits. Use 2011 salaries. Remember to add any support costs that may go with the position, e.g., desktops and phones, or vehicles for crews or engineers, etc.

Capital \$: Initiative proposers should leave these cells blank. All capital dollars for both initiatives and current baseline projects should be input to ESPro only, in 2011 dollars for all years. Finance (Jon Lutton) has arranged for subprojects where there may be both existing funding for a project and new initiative funding for the same project, to keep the two parts separate. Finance will use loaded CIP values to estimate rate impacts. Subsequently, Finance will copy these same capital \$ amounts into this initiative form. This will allow us to have just one source for CIP \$.

What financial benefits will this program achieve? (New revenues, or O&M avoided)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
W1: Proj Rev	\$0	\$0	\$0	\$0	\$0	\$0
W1: O&M Saved	(\$701,485)	(\$1,262,673)	(\$1,711,624)	(\$2,070,784)	(\$2,358,113)	(\$2,587,975)

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If this initiative will reduce O&M costs, include those reductions in the table above (as negative amounts). If the program generates incremental revenue, include that in the table above.

¹ Projects may have attributes of more than one category; this should be noted. General definitions of categories follow:

Efficiencies—a project that pays for itself (please estimate payback period)/has a positive net present value.

Correcting an existing deficiency—projects that bring up SCL operations to *good* (not “gold standard”) utility practice, correct existing weaknesses in safety or operating standards.

Enhancement: projects that increase the level of service (to internal or external customers)

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Objective: Attract and retain high performance workforce

Initiative #W2

Initiative Title: Attract, develop and retain an efficient, high-performing workforce to meet the Utility's current and future customer needs.

Who would "Own" this Initiative within SCL: DaVonna Johnson/and HR Talent Director

Part A:

Brief description of proposed effort / sample tactics:

Seattle City Light employs a highly specialized workforce that is recruited specifically for their skills and knowledge of hydro-powered electric utility operations. The average age of employees at Seattle City Light is 50, and 55% of the workforce is eligible to retire within the next 5 years. Electric utilities across the Country are experiencing challenges in recruiting and retaining talent in roles where utility specific expertise is required. To ensure that we have a qualified high performance workforce to meet our customers' needs, SCL will need to implement a comprehensive workforce strategy that includes:

Attract/Retain

Seattle City Light competes in a national market for talent with other public and private utilities and our current compensation programs for positions that require specific utility knowledge and expertise are not competitive. In some job categories SCL lags other public utilities in compensation and benefits programs by 20-50%. In addition approximately 60% of comparably sized public utilities have annual performance based incentive programs for managers, utility subject matter experts and executives.

- Implement compensation and incentive programs that are competitive with other public electric utilities and attract candidates/retain existing employees with electric utility expertise
- Develop high school, technical college and university partnerships to create a qualified candidate pool for entry level technical or professional utility positions

Workforce Development

There is an increasing shortage of workers available that possess the minimum qualifications or utility expertise to work in the electric utility industry. SCL will need to implement a "grow your own" strategy as a component in meeting its future workforce needs:

- Expand the Apprenticeship program to address current attrition to ensure adequate staffing in the field
- Implement a succession planning strategy that includes evaluating future workforce/staffing needs, knowledge transfer and career development opportunities for new or existing employees
- Implement Leadership development programs that support high performance, effective management, improved decision making and efficient operations
- Invest in a technical training center that ensures apprentices and skilled electrical workers are trained in safe, efficient work practices and new technology.
- Implement trainee programs for positions that require specialized utility expertise, e.g., power operations, conservation, environmental

Workforce Efficiency

Seattle City Light needs discretion and flexibility to direct the workforce in a way that provides cost effective, reliable, efficient service to customers:

- Implement gainsharing programs that incentivize employee productivity and efficiency

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- Align labor agreements and work practices to promote workplace efficiency and customer service
- Create broad utility specific classifications that increase workforce flexibility

Desired outcome/Rationale for proposal (what part of the SWOC does it address, if any?)

A highly qualified workforce that operates efficiently and provides excellent service to our customers.

SWOC objective of attracting and retaining a high performance workforce.

What, if anything, is underway in this area and funded within the 6 year baseline?

Why is additional investment proposed?

Attract/Retain

SCL currently has funding in the baseline for market adjustments based salary survey data once market rate salaries are achieved that funding would be used to maintain competitive salaries. Additional funding would be required to implement market rate compensation and incentive programs. In order for Seattle City Light to be able to attract and retain qualified staff with expertise in utility operations the organization needs to provide compensation that is competitive with other public utilities.

Workforce Development

There is minimum level of funding in the baseline that currently does not cover the full cost of mandatory training. Industry best practice recommends investing \$2,200 annually per employee on non-mandatory technical and development training (SCL currently budgets approximately \$200 annually per employee).

The market for talent is competitive and while we will likely always need to recruit externally for some positions, we also need to invest in the development of our current workforce. With a significant portion of the workforce nearing retirement there will be a need for well qualified people to fill these roles. SCL needs to ensure that existing employees have opportunities to expand their current skills through an effective workforce development program to be competitive for future career advancement. The expected outcome of investing in employee development is improved performance, effective management, better decision making and more efficient operations.

Technical Training Center

Currently Seattle City Light conducts technical training in multiple locations across the service territory. In some cases we lease facilities/property to conduct safety/regulatory training. Our intent is to explore options for partnership with other agencies/educational institutions or secure a consolidated technical training facility that would support technical training of employees across the entire utility eg apprenticeship, electrical workers, skilled trades, conservation and new technology.

Workforce Efficiency

Seattle City Light currently has constraints in its ability to directly influence workforce efficiency. Work practices dictated by the labor agreement limit operational changes that could improve efficiency and customer service. In addition the City's classification system has hundreds of narrowly defined job titles that impede management's ability to efficiently assign work based on employees' qualifications or skill in the utility industry.

We currently have funding in the budget that pays the City Personnel department for labor relations and classification services. If SCL assumed lead responsibilities for these functions it would require additional staffing at the utility but that cost could be offset by a reduction in the cost paid to City Personnel for these services.

Labor Relations

Currently 89% of the utility’s workforce is represented by 15 labor unions. Effective relationships with our labor partners is critical to ensuring that City Light labor agreements allow for efficient delivery of electrical services to our customers. The current structure for managing labor relations at the City of Seattle is centralized in the City Personnel department. City Light’s labor interests are only one amongst 20+ other City departments. SCL needs the authority to serve in a lead role on labor issues that directly impact the daily operations of the utility.

Classification

Seattle City Light needs a classification system that is designed to help attract, retain, and motivate qualified individuals by providing job classifications and salaries that reflect internal equity, external competitiveness, and individual performance. Our current classification system does not meet the needs of an electrical utility in a dynamic highly competitive market. The centralized classification compensation system favors consistency across the City. Generic general government titles are utilized rather than titles that reflect the unique qualifications and expertise required in an electric utility.

Gainsharing

Seattle City Light currently has no mechanism in place to incentivize improved performance. An effective Gainsharing program would improve productivity through employee involvement, with the gains from "working smarter" shared between the utility and the employees. In addition this would foster a culture of continuous improvement at the utility. The funding for this program would be generated by the savings from employee identified efficiencies.

Category of proposed investment?¹ (Briefly identify basis for the categorization(s)—see end note for definition)

B. Correcting existing deficiency – At our current funding level we will not be able to maintain a qualified workforce that is able to meet customers’ needs. If attrition rates increase and our compensation continues to fall further behind other public electric utilities we will be unable to attract or retain qualified candidates. By not investing in the development of existing staff we will be unable to implement new technology that improves productivity and the pool of qualified employees to draw from for succession will be limited.

Ballpark cost estimate over 6-year period (2013-2018)

O&M (check one if applicable)		Capital (check one if applicable)	
<input type="checkbox"/>	<\$1 million	<input type="checkbox"/>	<\$1 million
<input type="checkbox"/>	\$1-5 million	<input type="checkbox"/>	\$1-5 million
<input type="checkbox"/>	\$6-10 million	X	\$6-10 million
<input type="checkbox"/>	\$11-25 million	<input type="checkbox"/>	\$11-25 million
X	\$26-50 million	<input type="checkbox"/>	\$26-50 million

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	\$51-100 million		\$51-100 million
	\$101-200 million		\$101-200 million
	>\$200 million		>\$200 million

Part B:

Rough estimated cost (capital and operating)

If project would be bond-funded, note total capital cost estimate.

If initiative has ongoing annual operating costs, rough estimate over 6 year period (see Ex. 1)

Attract/Retain

Improvements in compensation:

Market based salaries

\$2,419,750 annually / \$14,518,500 (over 6 yr period)

Incentive Program

\$1,389,000 annually / \$8,334,000 (over 6 year period)

Implementing a market rate compensation and incentive program would increase payroll cost by 2%.

Workforce Development (over 6 years):

Training and development (1750 employees \$1000-\$2200)

\$1,750,000 – 3,850,000 annually /\$16,450,000 (over 6 year period)

Internship/High school program/Cooperative Programs

\$570,000(annually) / \$3,420,000 (over 6 year period)

Total estimated cost of this initiative:

Total O&M amount of Initiative: \$6,128,000- \$8,228,750 annually

Total Capital amount of Initiative: \$6,000,000

General Implementation Plan

- **Does this require new staffing to accomplish or can it be accomplished within existing staff levels?**

Staff person to lead SCL dedicated Labor Relations function

(Assumes funding for this role would be offset by a reduction in the costs currently paid to City Personnel)

Staff person to lead SCL managed classification and compensation program

(Assumes funding for this role would be offset by a reduction in the costs currently paid to City Personnel)

Staff person to support expanded workforce development program

- **From the time work begins, how long until the Initiative is completed/begins to deliver desired results?**

The initiative will begin to deliver results approximately one year after the programs are authorized.

New compensation/incentive programs and classifications would need to be developed and legislated. After the new programs are authorized City Light will be able to reduce the time to fill utility specific roles that have been vacant for a long period of time due to lack of competitive pay. In addition more competitive compensation will increase SCL's ability to retain current employees. With new opportunities for gain sharing and incentive pay, employees would be focused on increased performance and identifying operational efficiencies.

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Planning for the employee training and development program would begin in 2012 with implementation planned in 2013. The desired results would begin to be realized in 2014. Employees would begin to apply the new knowledge and expertise obtained in the workplace. Investment in the workforce is as important as investment in the aging electrical systems. Proactive, systematic investment in developing the future workforce when more than 50% of the workforce is eligible to retire in the next five years, will position the utility to meet customer needs and avoid reactionary approaches to finding skilled talent as we face shortages in the years to come.

- **How time sensitive is this initiative? What year would you propose work to begin? Why?**

Year	Action	Reason
2012	Plan and develop compensation, workforce development and workforce efficiency programs Labor Relations/Compensation	New programs need to be planned and possibly legislated. Some programs may require labor negotiations.
2013	Workforce Efficiency Compensation/Incentives Phased implementation: Training and Development	Limited staff to provide program development and implementation.
2014	Internships/Cooperatives Apprenticeship Expansion Technical Training Center	Limited staff to provide program development and implementation.

What alternatives are there?

- **Is the initiative scaleable (can it shrink and still deliver measurable value)?**
Yes; City Light could implement aspects of this initiative or phase in some components. There are parts of the initiative that have a diminished return if not completely implemented. For instance, the efficiency initiatives should be developed and implemented in concert with labor negotiations in 2012 and 2013. The training and development component should be implemented over time to minimize the impacts on daily operations. The compensation component would not deliver measurable results if it shrank below the low end of the estimate. A change this low would not bring SCL in line with the market and thus not make an appreciable difference in the utility's ability to attract and retain qualified talent.
- **Other ways to achieve a similar desired outcome?**
No
- **Different policy direction (give example, and note why not recommended)**
City Light could continue with its current programs at the current level. This will significantly hamper the utility's ability to recruit and retain a highly specialized workforce knowledgeable about hydro-powered electric utility operations. SCL will be unable to fully achieve the productivity gains that can be achieved by having a highly qualified stable workforce that can maximize efficiency and still exceed customers' expectations.

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Sample metrics: How would you measure the success of this initiative?

- Time to fill a vacancy
- Cost per hire
- Turnover rate/costs
- Number of days that key positions are vacant
- Increased operational efficiency
- New hire turnover rate

Exhibit 1 Rough Estimated Costs—Operating and Capital

(All data is to be entered here: [Strategic Initiatives Cost Master File.xls](#))

What is in the current baseline to support this Initiative?

	<u>2011¹</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
W2: O&M	\$2,010,000	\$2,010,000						

¹ The figure above includes current annual funding for 2011-12 in the following areas:

\$340,000 or \$194 per employee annually for training

\$1,450,000 for Apprenticeship program (no additional funding is required to expand the program)

\$20,000 for recruitment expenses

\$200,000 for workforce development (2 FTE)

W2: CIP								
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What additional funding is proposed?

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
W2: New O&M	N/A	\$6,128,750	\$6,128,750	\$7,003,750	\$7,003,750	\$8,228,750	\$8,228,750
W2: Prop. CIP	\$0	\$3,629,644	\$2,634,410	\$0	\$0	\$0	\$0

Notes:

O&M \$: Initiative proposers should use 2011 dollars for all years (i.e., NO assumed inflation). Finance will take care of inflation assumptions later, to make sure we have uniform assumptions. If you plan to add O&M staff, use 35% loading on base salary for benefits. Use 2011 salaries. Remember to add any support costs that may go with the position, e.g., desktops and phones, or vehicles for crews or engineers, etc.

Capital \$: Initiative proposers should leave these cells blank. All capital dollars for both initiatives and current baseline projects should be input to ESPro only, in 2011 dollars for all years. Finance has arranged for subprojects where there may be both existing funding for a project and new initiative funding for the same project, to keep the two parts separate. Finance will use loaded CIP values to estimate rate impacts. Subsequently, Finance will copy these same capital \$ amounts into this initiative form. This will allow us to have just one source for CIP \$.

What financial benefits will this program achieve? (New revenues, or O&M avoided)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
W2: Proj Rev	\$0	\$0	\$0	\$0	\$0	\$0
W2: O&M Saved	(\$2,867,000)	(\$2,867,000)	(\$2,867,000)	(\$2,867,000)	(\$2,867,000)	(\$2,867,000)

\$280,000 annual savings from cost currently paid to City Personnel for Labor Relations and Classification Services

\$1,307,000 annual savings from reduced turnover costs

\$1,000,000 annual savings from Gainsharing program

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Savings from productivity gained by implement and negotiating more efficient work practices into labor agreements captured in Initiative M9

If this initiative will reduce O&M costs, include those reductions in the table above (as negative amounts). If the program generates incremental revenue, include that in the table above.

ⁱ Projects may have attributes of more than one category; this should be noted. General definitions of categories follow:

Efficiencies—a project that pays for itself (please estimate payback period)/has a positive net present value.

Correcting an existing deficiency—projects that bring up SCL operations to **good** (not “gold standard”) utility practice, correct existing weaknesses in safety or operating standards.

Enhancement: projects that increase the level of service (to internal or external customers)

