

Six Year Strategic Plan Efficiencies

City Light's Response to Review Panel

What level of efficiency improvements is City Light undertaking in the Strategic Plan?

The strategic plan has in it both efficiencies that City Light has already undertaken and new efficiency initiatives yet to be implemented. During the past 8 years, City light has looked for opportunities to reduce costs and improve business efficiency. The result is \$53 million in savings per year. These savings are reflected in the baseline assumptions of the strategic plan and include projects such as aggressive tree trimming operations to reduce outages and a long-term power contract with the Bonneville Power Administration that is expected to provide more than \$230 million in savings for City Light customers during the next 17 years.

Additionally, City Light has identified a number of new efforts that can produce further efficiencies in operations having a projected savings of \$18 million per year within the next six years.

How was the \$18 million in efficiencies arrived at?

City Light is taking specific actions that came from efficiency recommendations contained in a report prepared by UMS, a consulting firm hired by City Light in 2011 to produce an operations benchmarking study. City Light used the information contained in the report, interviews with the UMS staff, and interviews with City Light employees to identify 36 specific operational changes that might produce even more efficiencies. These 36 changes were then further explored; historical data was gathered, interviews conducted, and analytical analysis was performed in order to quantify what expected cost and savings might result from each of the changes.

The results of this deeper analysis were:

- 17 of the changes identified produced little or no savings to City Light and should not be pursued at this time;
- 7 could produce savings but require re-negotiation of existing labor contracts; and
- 12 produce savings and can be implemented without changes to existing labor contracts.

Each of these 19 projects (7 requiring labor contract changes and 12 that do not) are currently being prioritized for implementation taking into consideration how readily the change could be made when weighed against the operational and financial savings to be gained from each change.

What kinds of efficiencies are being discussed?

The efficiencies that were detailed and further studied by City Light fall into the following broad categories of change:

- Work process changes – For example, having one crew set a new pole and transfer wires in one site visit.

- Broader job descriptions –For example, less specialization of crew types; allowing more flexibility for crew configuration and work assignments.
- Crew Sizing - For example, the flexibility to match the right size crew to the work.

Didn't the UMS report identify even more?

Yes. The UMS consultants benchmarking report stated that up to \$27 million in savings could ultimately be achieved if City Light were to attain Industry Best Practice “top quartile level of efficiencies” in its operations. It is important to note that the UMS study looks broadly at industry metrics and applies them to City Light, and does not provide a specific roadmap of what processes, systems, or procedures should be changed in order to achieve those Industry Best Practice results. The study also does not place detailed values on areas of potential improvement, making it difficult to isolate how a particular change would be expected to produce a specific associated dollar savings.

Can City Light do more?

For initial planning purposes for this strategic plan, City Light has committed to \$18 million in annual savings (achieved by the 3rd year of the plan). We feel this is achievable with identified projects, but still a challenging goal, given the labor contract changes and business process changes that are required.

The management of City Light is committed to always looking for additional opportunities to reduce cost and achieve quality results in the most efficient manner possible. As we implement the Six Year Strategic Plan, we will continue to identify and aggressively pursue additional areas that will improve our processes and reduce costs.