



# Strategic Plan Update

Review Panel Meeting (Part 3 of 3 Part Series)  
February 24, 2014

[www.seattle.gov/light/strategic-plan](http://www.seattle.gov/light/strategic-plan)

## WHAT WILL WE ACHIEVE TODAY?

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- **Understand the Strategic Plan updates for 2015-2020**
- **Understand the Rate Revenue Requirement Proposal for 2015-2020**
- **Understand the Key Strategic Plan Update components that the Utility proposes to include in public outreach effort**
- **Understand the public outreach plan for the Strategic Plan Update**

# Recap Strategic Plan Update 2015-2020

# Key Assumptions 2015-2020

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**Maintained Original Plan Glide Path of 4.7% for 2013-2018** - Largest component of plan update

## Baseline Assumptions

- Ensure current levels of service by delivering on 22 original assumptions

## Strategic Plan Initiatives

- 2013-2018 plan has 36 – 26 assumed to continue into 2019-2020
- Three new initiatives
  - Distribution Automation (2019-2020)
  - Master Service Center Plan (2019-2020)
  - Net Wholesale Revenue Concept

## Efficiencies

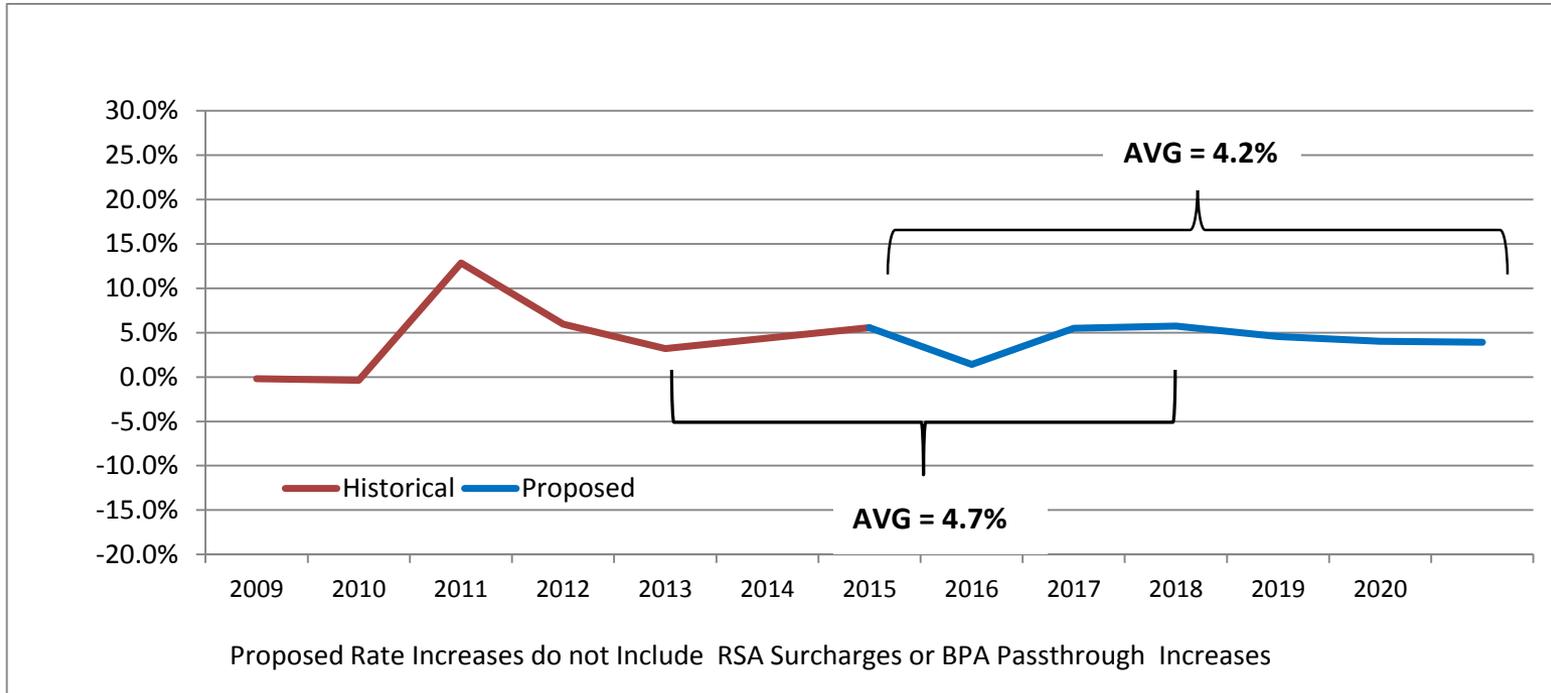
- Continue to deliver \$18m in annual savings
- Identify additional savings opportunities through future benchmarking efforts

# Strategic Plan Update 2015-2020

What is the proposed 6 year annual rate path?

What drives the revenue requirements in 2019 -2020?

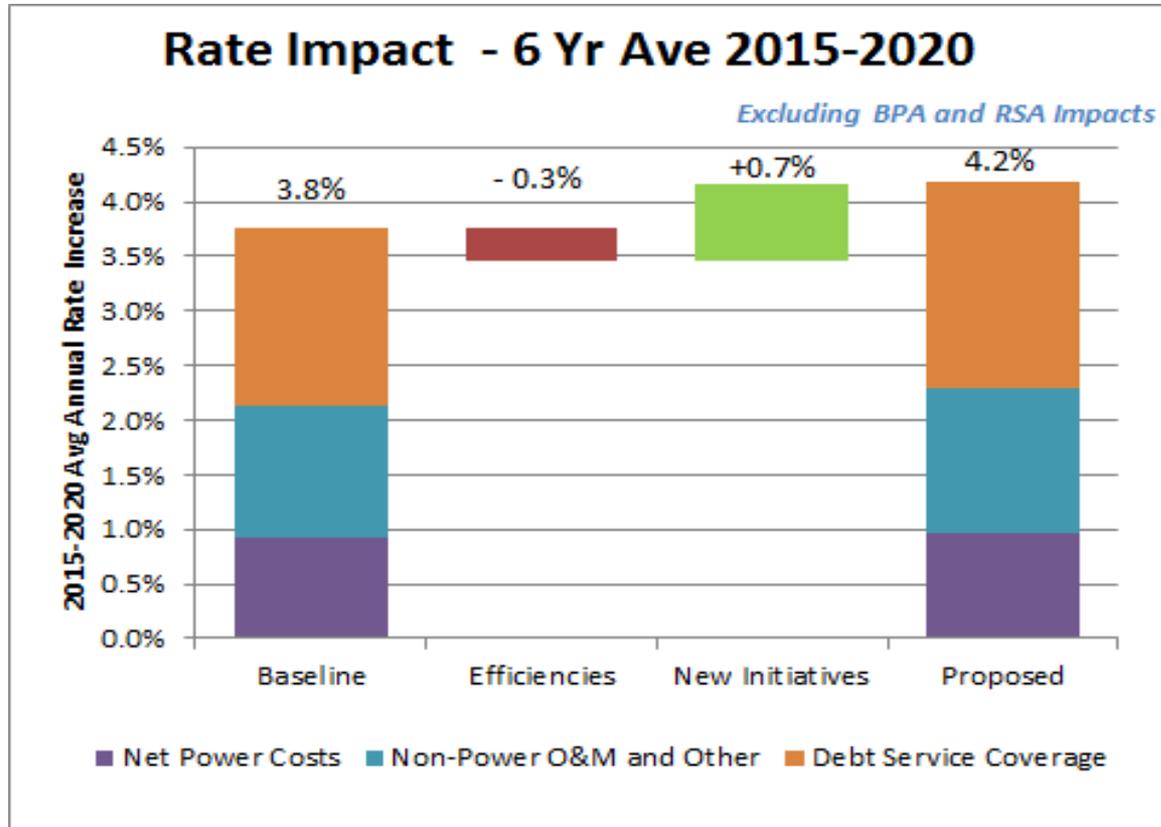
# UPDATED STRATEGIC PLAN RATE PATH 2013-2018 VS. 2015-2020



**New 6 year glide path reflects average annual rate increases of 4.2%**

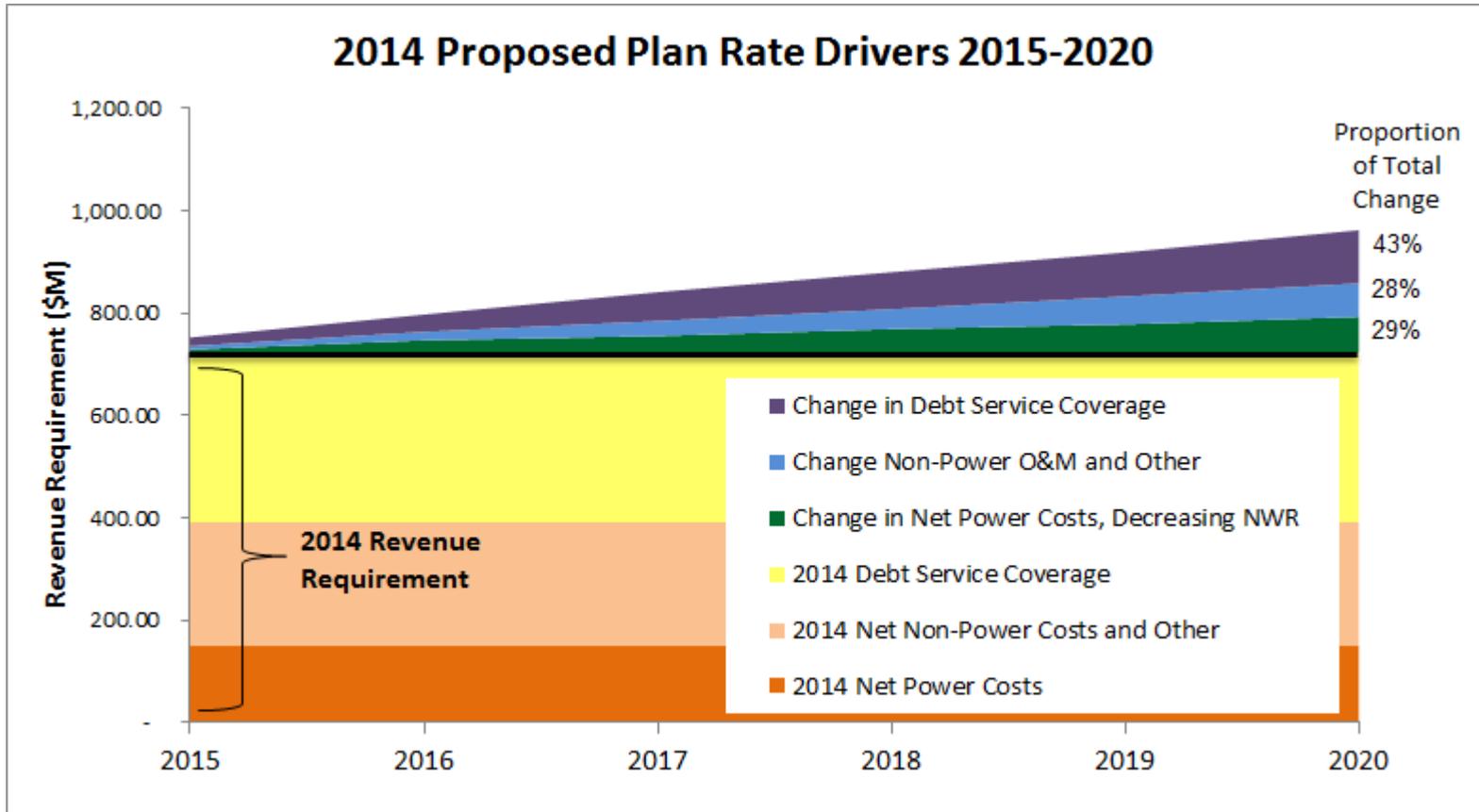
**Reduction in rate pressure with the addition of two new years**

# STRATEGIC PLAN: BASELINE AND DRIVERS



With two new years added to the plan, the rate increase continues to be largely driven by baseline costs to maintain current levels of service and infrastructure

# 2015-2020 STRATEGIC PLAN UPDATE



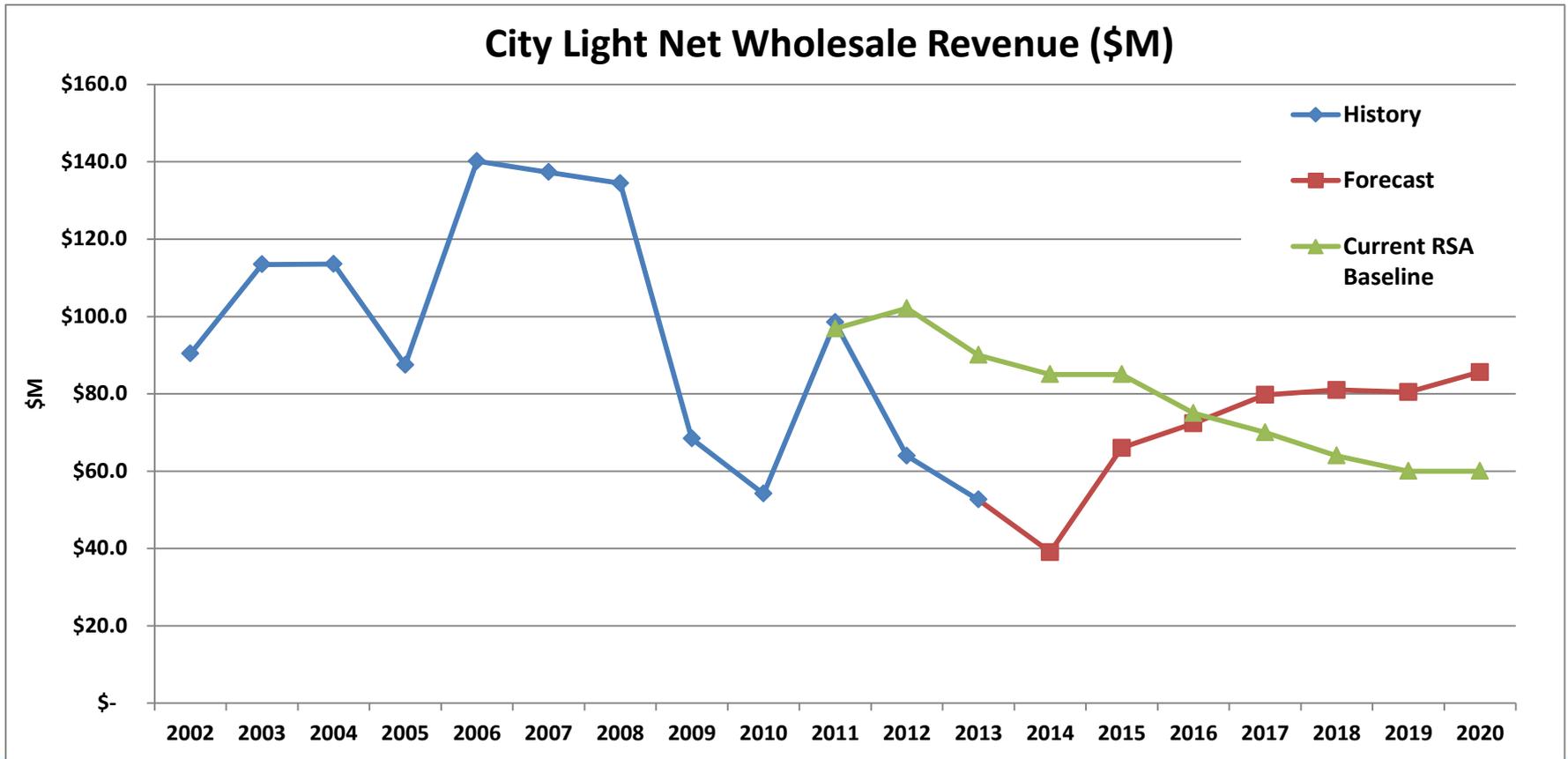
Increase in revenue requirement is driven primarily by investment in infrastructure and inflation

Concept

Net Wholesale Revenue/Rate  
Stabilization Account

# OUTLOOK - NET WHOLESALE REVENUE

In the near term the current RSA Baseline is much higher than the forecasted NWR.  
This could lead to prolonged RSA surcharges



# NET WHOLESALE REVENUE CONCEPT

	2014	2015	2016	2017	2018	2019	2020	Total 2015-2020
<b>RSA Baseline NWR, \$M</b>								
Assumed in Strategic Plan	85	85	75	70	64	60	60	414
Proposed	85	60	60	60	60	55	50	345
Difference	0	25	15	10	4	5	10	69

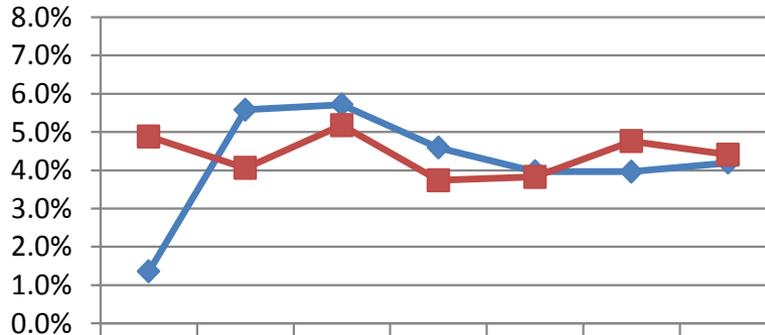
The Concept will:

- Address the chronic gap between the NWR Budget and expected NWR in the near term
- Smooth the base rate increase over the 6 year period of the Strategic Plan
- Reduce the probability of a surcharge in the near term and increase the probability of giving customers a credit in the out years or reduce long-term debt.

# COMPARATIVE IMPACT OF CONCEPT

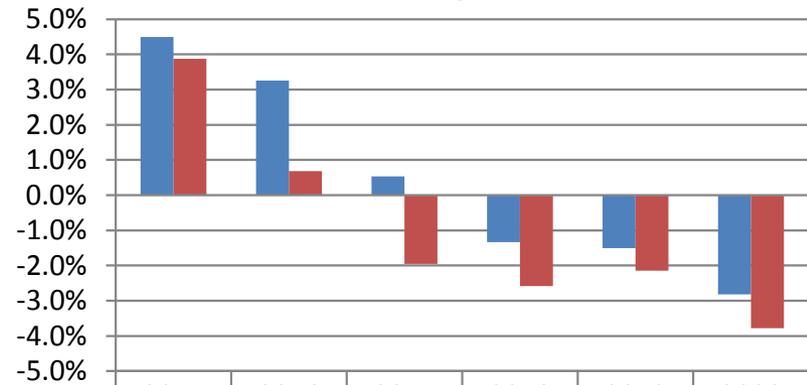
The proposal would slightly increase base rates but would reduce the size and/or duration of RSA surcharges

**Base Rate Annual Increase**



Current	1.4%	5.6%	5.7%	4.6%	4.0%	4.0%	4.2%
Proposed	4.9%	4.1%	5.2%	3.7%	3.8%	4.8%	4.4%

**Forecasted RSA Surcharges /(Credits)**



Current	4.5%	3.3%	0.5%	-1.3%	-1.5%	-2.8%
Proposed	3.9%	0.7%	-2.0%	-2.6%	-2.1%	-3.8%

2015-2020 Avg Effective\*  
Rate Change

Current	3.4%
Proposed	3.5%

\* Includes Impacts of base rates and surcharges/credits

# Strategic Plan Update 2015-2020

What are the key update components to include in public  
outreach effort?

# KEY UPDATE COMPONENTS

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## Fundamentals of the Strategic Plan remain unchanged

### Focus on four business objectives

1. Improve **customer experience** and **rate predictability**
2. Increase **workforce performance** and **safety practices**
3. Enhance **organizational performance**
4. Continue **conservation and environmental leadership**

### Execute on delivering

1. Baseline investments to maintain current level of service
2. Initiatives to enhance the level of service
3. Efficiencies to improve the utility's productivity

# KEY UPDATE COMPONENTS

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## We Kept Our Word

- Good outcome achieved with delivering our first year of the strategic plan initiatives and goals

## Plan Update Reflects Adding Two New Years to Existing Plan

- Able to mitigate rate pressures and maintained original plan glide path of 4.7% for 2013-2018
- Existing baseline, initiative and efficiencies objectives expected to continue, plus,
- Three new initiatives
  - Distribution Automation (2019-2020)
  - Master Service Center Plan (2019-2020)
  - Net Wholesale Revenue Concept

# Strategic Plan Update 2015-2020

What is the plan for the Strategic Plan Update public outreach Process?

(See Handout)

# Panel Discussion