

Strategic Plan 2017-2022

Presentation to Review Panel

Paula Laschober | April 6, 2016

www.seattle.gov/light/strategic-plan

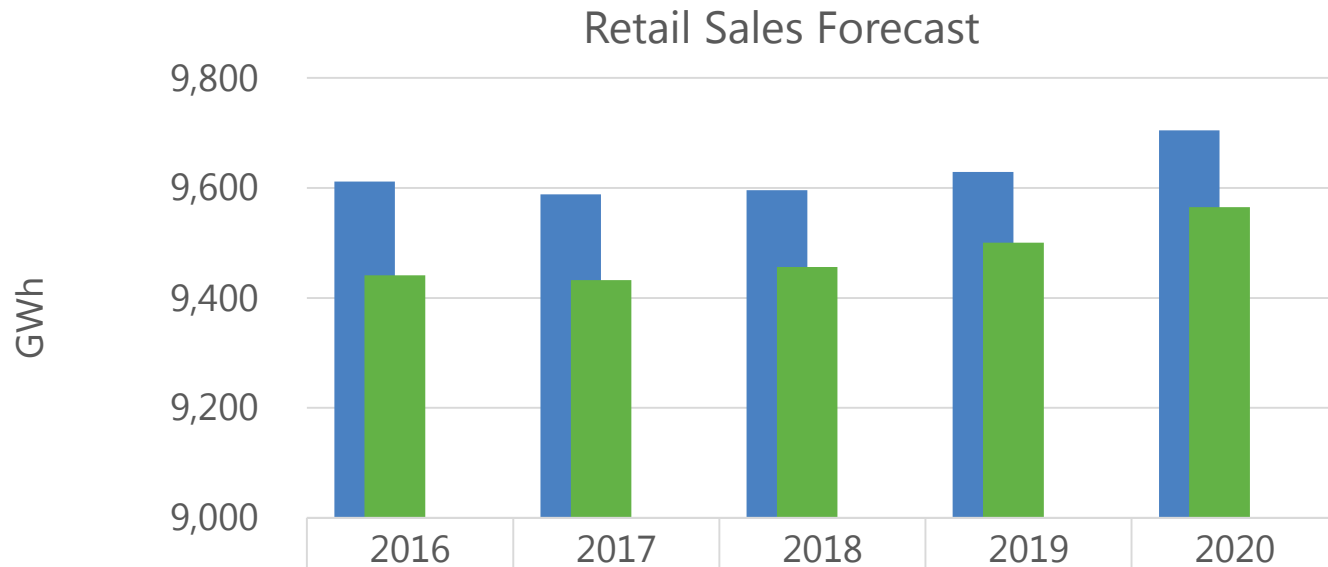


KEY ASSUMPTIONS: BASELINE

- Baseline forecast update to reflect new realities
 - Lower retail sales outlook; forecast down ~1.5%
 - Debt service savings from lower interest rates
 - Reduced CIP costs shifts labor/overhead to O&M
 - Higher power costs (mostly BPA, passed through)
 - Inflation assumptions consistent with prior Plans

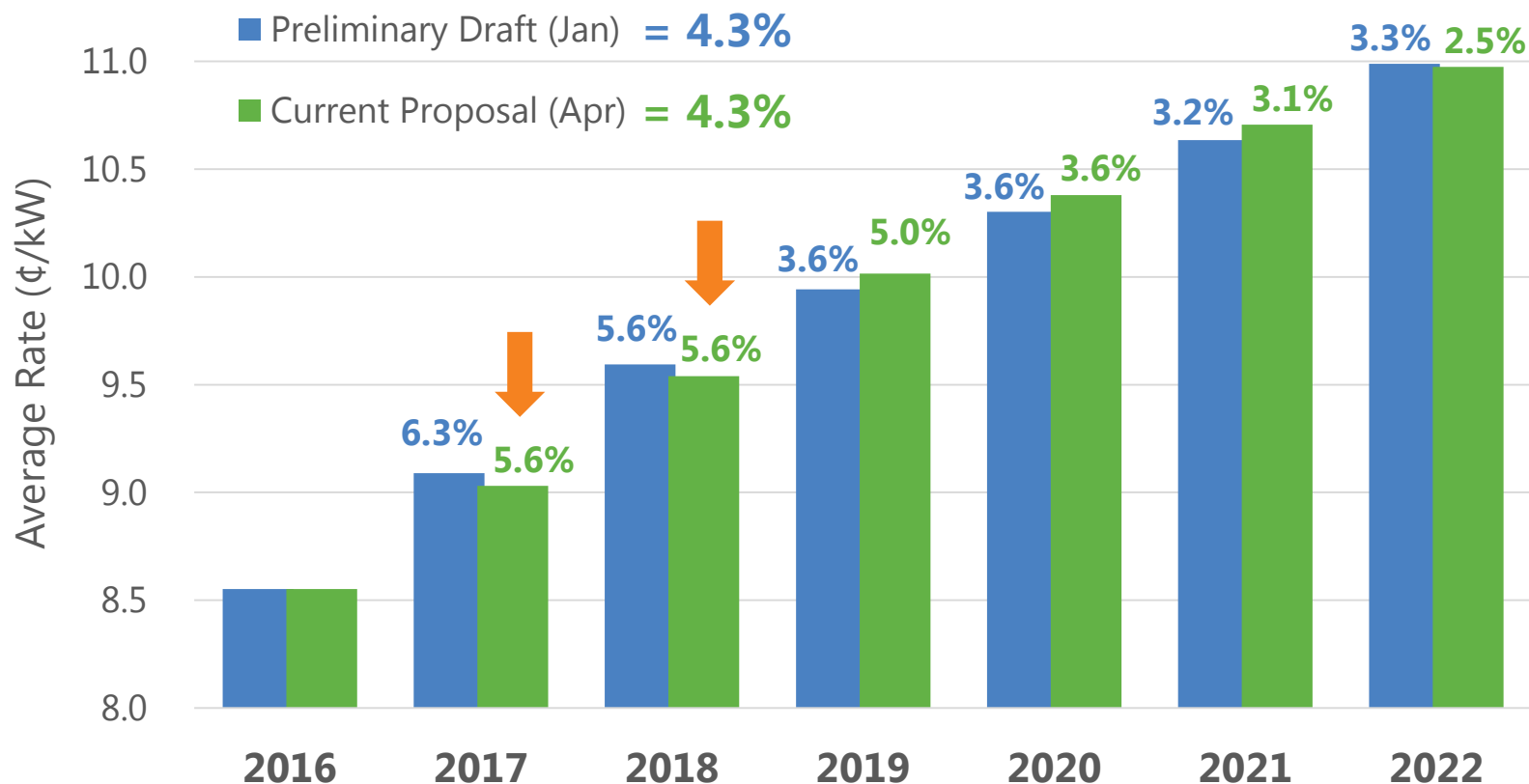
Labor	2.4%-2.75%
Labor Benefits	5.0%
Non-Labor	2.4%
Transfers to City	3.0%
Operating Supplies	8.0%

REDUCED RETAIL SALES OUTLOOK

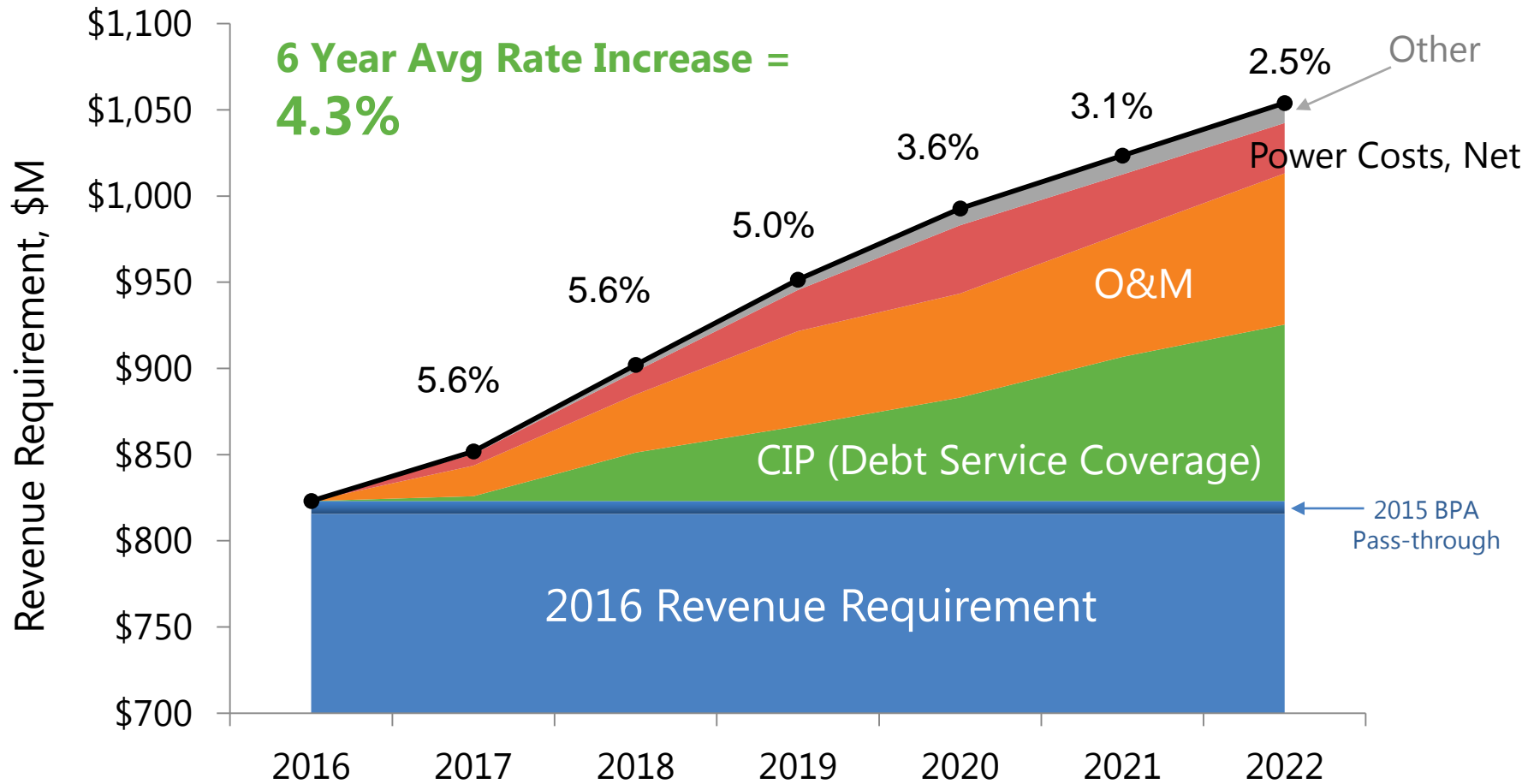


Significant 2017 rate impact from new retail sales forecast.

RATE PATH: WHAT'S CHANGED SINCE JANUARY?



2017-2022 STRATEGIC PLAN PROPOSED RATE TRAJECTORY



KEY ASSUMPTIONS: INITIATIVES & EFFICIENCIES

- Previous Strategic Plan components retained
 - 22 original baseline assumptions
 - 29 continuing strategic initiatives
 - \$18M in annual efficiencies
- 3 new/redesigned initiatives
 - Utility of the Future
 - Vehicle Electrification (A14)
 - Climate Adaptation Plan (A17)



MAJOR PROJECT UPDATES



MAJOR PROJECTS MILESTONES

APRIL 2016 UPDATE



- Denny Substation
 - **1st Q Milestones:** Substation construction contract awarded. Began Denny Triangle Network construction.
 - **Next Steps:** Begin substation facility construction April 2016.
 - **Completion:** Facility to be energized Q1 2018
- New Customer Billing System (NCIS)
 - **1st Q Milestones:** Conducted three production dress rehearsals. Completed all test scripts for Day-in-the-Life testing.
 - **Next Steps:** Complete defect correction, conduct two additional dress rehearsals and begin User Acceptance Testing.
 - **Expected In-service:** Q3 2016
- Advanced Metering Infrastructure (AMI)
 - **1st Q Milestones:** Executed vendor contract for meters and communication network. Secured Change Management vendor. Completed Phase 1 assessment determining statement of work for System Integration between AMI and NCIS.
 - **Next Steps:** Finalize System Integration plan considering impacts from Seattle IT consolidation and NCIS delay. Develop Change Management plan.
 - **Expected completion:** Q4 2018

MAJOR PROJECT MILESTONES APRIL 2016 UPDATE

- Energy Management System (EMS)
 - **1st Q Milestones:** Factory Acceptance Test completed. System Control Center Server room readied for system delivery with upgraded power, communications and network equipment, in addition to the installation of structural seismic flooring
 - **Next Steps:** System delivery mid-April, Site Acceptance Testing and system installation in Q2 2016.
 - **Completion:** Q4 2016
- Technical Training Center
 - **Completed Milestones:** Facility design, Wetland Mitigation Plan
 - **Next Steps:** Construction contract; permitting applications underway.
 - **Facility Open:** 2018
- Utility Discount Program (UDP)
 - **1st Q Milestones:** Developed legislation removing prohibition on subsidized housing residents living in Seattle and King County Housing Authority operated units from participating in program. Completed database records reconciliation for NCIS.
 - **Next Steps:** Proposal to City Council to remove sub-housing restriction.
 - **Completion:** Mayor's initiative expects 28,000 new participants by 2018





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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.

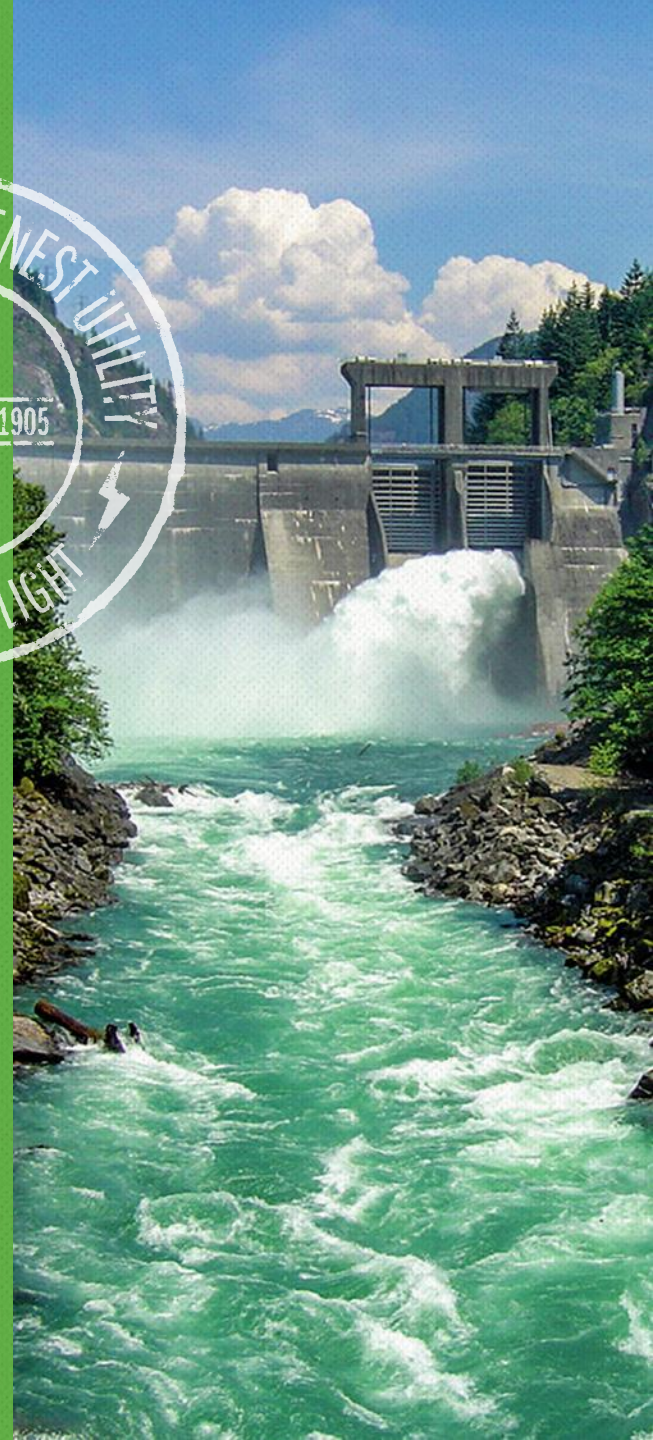
OUR VALUES

Excellence, Accountability, Trust and Stewardship.

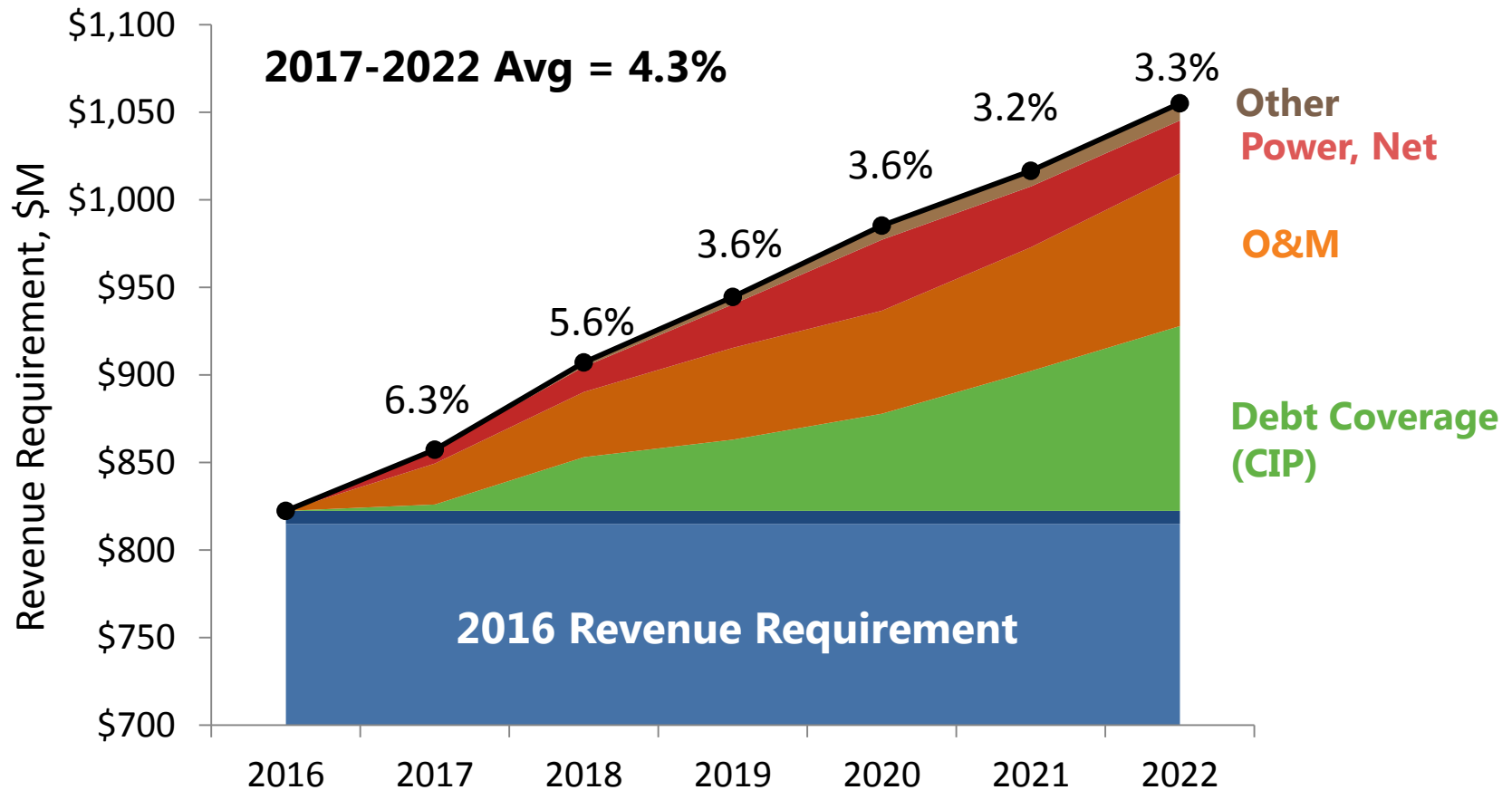




SUPPLEMENTARY INFORMATION



STRATEGIC PLAN PRELIMINARY DRAFT: 4.3%



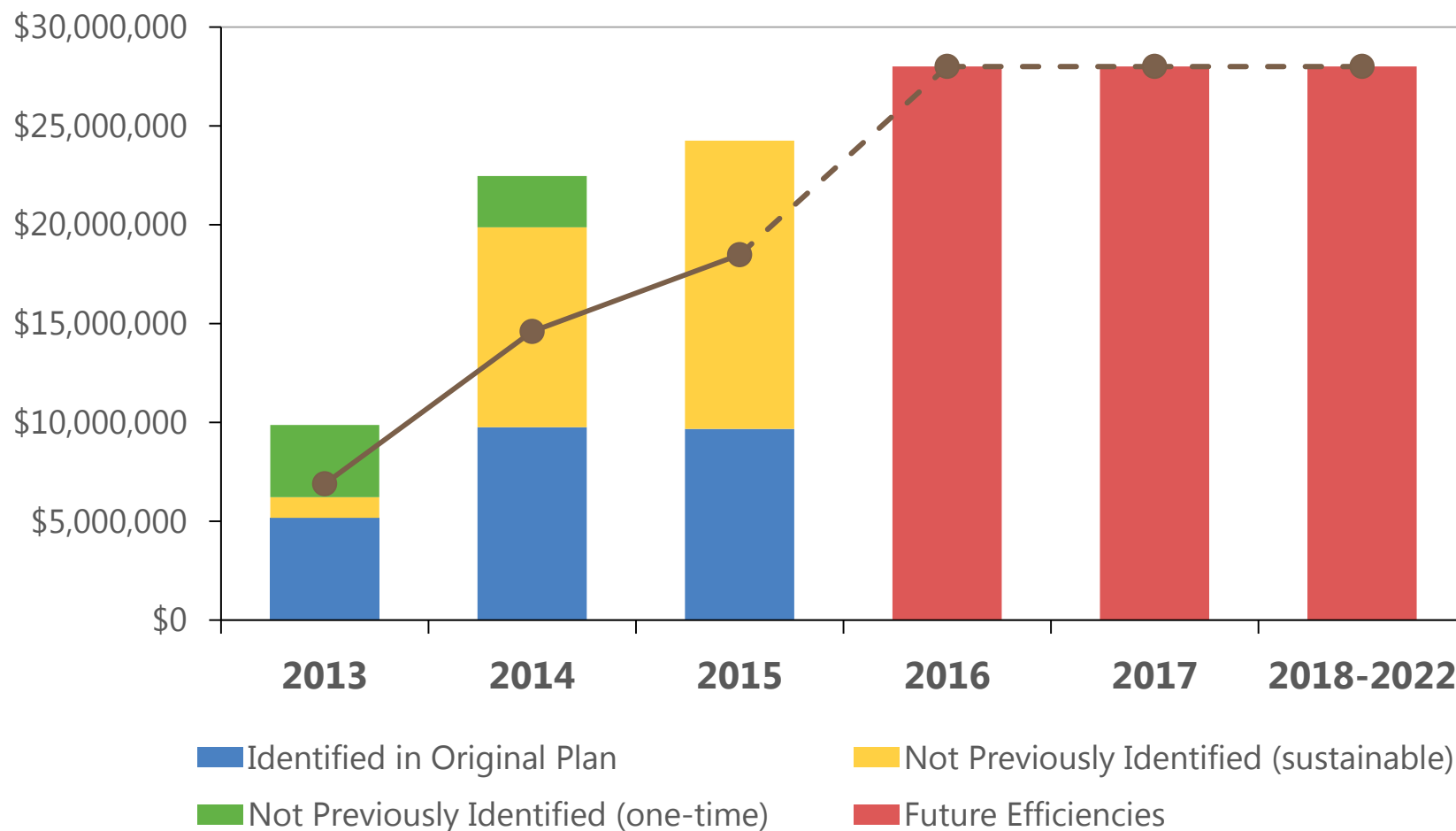
O&M INFLATION ASSUMPTIONS

	2017	2018	2019	2020	2021	2022
Annual Labor Increase	2.50%	2.75%	2.40%	2.40%	2.40%	2.40%
Avg growth all O&M	3.3%	3.4%	3.3%	3.3%	3.4%	3.4%

	Annual Inflation	Notes
Labor	2.4%-2.75%	2017-18 from Central Budget Office, 2.4% in out years
Labor Benefits	5.0%	Based on history, assumed to remain high (conservative placeholder)
Non-Labor	2.4%	Assumed to grow at close to CPI inflation
Transfers to City	3.0%	Assumed to grow at slightly higher than CPI Inflation
Operating Supplies	8.0%	Includes IT equipment and software, fuel costs, inventory material for distribution and generation systems. Growth assumed to remain high (conservative placeholder)

Inflation assumptions are consistent with prior strategic plans.

STRATEGIC PLAN EFFICIENCIES BY YEAR



INITIATIVES LIST

A2	Distribution Management System	Begins 2019
A3	IT Security Upgrades	2020
A5	Enterprise GIS	2020
A6	Denny Substation	2018
A7	Transmission System Improvements	2017
A8	Underground Cable	Ongoing
A9	Streetlight Infrastructure	Ongoing
A10	Mobile Workforce	TBD
A11	Improved Hydro System	2017
A12	Regional Electric Utility Leadership	Ongoing
A13	Advanced Metering Infrastructure	2018
A14	Electric Vehicles/ Transportation Electrification	Ongoing
A17	Climate Change Research	Ongoing
A18	Conservation Program Enhancement	Ongoing
CR8	Environmental Leadership	2018
CR9	Reduce Environmental Liabilities	Ongoing
CR10	Low Income Program	Ongoing
M3	Enterprise Document Management	Ongoing
M4	Performance Based Reporting	Ongoing
M5	Internal Audit	Ongoing
M6	Project Management	Ongoing
M7	Svc Level Agreements	Ongoing
M9	Efficiencies	Ongoing
W2A	Attract, Retain and Promote	Ongoing
W2B	Workforce Development	Ongoing
W2	Technical Training Center	2018
A20	Master Service Center	Begins 2021
New	Utility of the Future	2018

Completed

A15	Design Standards	2015
CR1	Integrated Budget System	2013
CR2	Rate Predictability	2015
CR3	Ratepayer Advocacy	2013
CR4	Rate Design Policies	2014
CR7	Contact Center Performance	2014
M1	Effective Communications and Engagement	2013
M3	IT Disaster Recovery	2014
M3	FinMap	2015
M8	Procurement Process Improvement	2014
M10	Insuring Generation Assets	2013
W1	Safe Work Environment	2015
A4	Compliance Tracking	2016
CR5	NCIS Project	2016
M2	Benchmarking	2016

MANDATORY NEW EXPENDITURES

- Known new non-avoidable O&M and capital expenses that are **not** reflected in current baseline.
 - Call Center allocation (responding to customer calls)
 - City Projects
 - Storm water compliance (prevent materials leaching into drainage systems)
 - Dam safety (FERC regulation)
 - NERC Critical Infrastructure Protection (CIP V5)