

Strategic Investments Summary

Budget/Rate Alignment

CR1: Align budgets and rates to strategic plan priorities/Implement new budget system

City Light planned to streamline its budget development process in this initiative by purchasing a new budget system and to align budgets and rates with the strategic plan. The new budget system was implemented one year ahead of the planned target date and expenditures were under the authorized budget. Three outdated software systems have been replaced and the new system is integrated with the forecasting and rate software. The new system is in use for the 2015-2016 budget process.

Net Wholesale Revenue Practices

CR2: Reduce rate shocks; conservative net wholesale revenue/analyze financial investments to reduce volatility

Prior to implementing this initiative City Light's net wholesale revenue budget target was calculated as the simple average of wholesale revenues realized in past years beginning with 2002 (Ordinance 123260, 2010). While actual 2011 net wholesale revenue was not far from the budgeted target, such revenue in 2012 was significantly under it and forecasts showed little likelihood of price recovery over the foreseeable future. This initiative gradually lowers the target to a level more likely to be achieved by 2018. However, 2013 net wholesale revenue was not only lower than the gradually reduced target, and more so than expected, but future expected prices were even more pessimistic than estimated in 2012. This result appears to indicate that even the gradual reductions included in the initiative may not be adequate to prevent the need to add surcharges to rates paid by customers. At the end of the last three years, operating revenue was transferred to the Rate Stabilization Account in order to forestall such surcharges. The Strategic Plan proposed for the 2015 – 2020 period proposes yet a further reduction in budgeted net wholesale revenues.

Ratepayer Advocacy Initiative

CR3: Strengthen ratepayer advocacy in the rate process

City Light worked with the Review Panel, Mayor and Council to establish by Resolution a ratepayer engagement process for the development of biennial revisions to the utility's strategic plan and a schedule for regular adoption of the strategic plan and electricity rates necessary to implement them. The rate payer engagement process would be based on industry best practices and provide a stronger, more transparent link between the strategic plan and the biennial electricity rate ordinance adopted by the City Council. The resolution was adopted in September 2013.

Cost of Service & Rate Design Policies

CR4: Review and update cost of service and rate design policies for 2013 – 2018

In 2014 City Light will complete an update for 2015 and 2016 rates that reflect the authorized base budgets and strategic initiative spending in those years. As planned, the utility has been

working with the Review Panel, Mayor and Council to develop these rates and to reflect policy decisions in the cost of service and rate designs.

Customer-Focused Website/Services

CR5: Web redevelopment

Customer Focused Web Redevelopment will make it easier for ratepayers to find important information, use online tools or mobile applications and participate in energy saving programs without costly messages and phone calls. This will enhance not only overall customer satisfaction but efficiency as well. The goal is to provide an informative, easy-to-use portal that offers the customer 24/7 access to a wide range of City Light programs and services. This project is part of the Customer Information System (CIS) replacement project so timelines follow those of the larger project. System implementation is scheduled for October 2015.

Customer Service Center Improvements

CR7: Enhance and improve Customer Contact Management model

In 2013 City Light completed a comprehensive review and analysis of ways in which City Light customers conduct business with us. This includes accessing account information, reporting concerns, and paying bills. The review resulted in the development of a work plan that identified business process improvement efforts. The process improvements include work force consolidation, increasing customer self-service options and implementing technology changes to support improved customer service and operational efficiency. Projects included in the work plan will be implemented by the end of 2014.

Enhanced Environmental Leadership

CR8: Environmental Leadership

This initiative includes two efforts to ensure that City Light continues to be an environmental leader among electric utilities: 1) developing an ecological approach to vegetation management along select portions of the transmission line rights-of-way to reduce long-term maintenance costs while improving habitat values and 2) increasing awareness of City Light's many environmental achievements by updating the environmental report and website plus developing new methods to communicate with stakeholders. In 2013 a new employee was hired to support this project and a website content update was completed and published for the Skagit and Tolt projects. Additional web content will be developed in 2014.

Environmental Liability Reductions

CR9: Reduce Environmental Liability

The purpose of this initiative is to reduce the risk of an oil spill and the presence and use of toxic material in current operations. It includes the development of an environmental management plan to systematically coordinate risk reduction efforts. The plan will include: 1) testing City Light transformers for polychlorinated biphenyls (PCBs) and removing of transformers with a PCB concentration greater than 1 ppm, 2) projects to reduce the spill risk at generating plants, and 3) development and implementation of an environmental compliance risk reduction program. The 2014 goal is to hire staff for this initiative.

Utility Discount Program

CR10: Increase enrollment in the Utility Discount Program

City Light's Utility Discount Program is one of the most generous income-qualified assistance programs in the country with a 60% discount on electric bills. In addition, those customers who also have a Seattle Public Utility account automatically save 50% on their water, sewer and garbage bills. City Light has undertaken a major effort to assist customers who are having difficulty paying their bills by increasing enrollment in this program. At the end of 2013, there were approximately 14,000 people enrolled in the discount program with 75,000 potential eligible participants in Seattle and neighboring cities. With increased marketing and outreach, City Light aims to provide help to all those who are in need. A goal of 2,500 new enrollees is targeted for 2014.

Safety Culture Promotion/Practices

W1: Safe Work Environment

Through this initiative, City Light seeks to incorporate electric utility best practices to reduce injury frequency and severity rates. This should result in a reduction in motor vehicle accidents, cost per injury, workers compensation costs, and third party claims. An injury analysis was conducted throughout 2013 to identify job classifications with the greatest number of workplace injuries. A safety benchmarking study was also conducted to identify best safety practices in utility operations. Also in 2013 a comprehensive Driving Safety Program was developed and implemented. In 2014 an action plan will be developed from the safety benchmarking study results as well as a new safety component for employee orientation. A new Safety Management system is also expected to be in service.

Skilled Workforce Attraction & Retention

W2: Attract and Retain Workforce

To ensure having a qualified high performance workforce in place, City Light is implementing a comprehensive workforce strategy that includes developing and implementing an incentive pay program and the roll out of a series of training programs, such as Leadership Development, Computer Training and Customer Service Training. Review, analysis, and implementation of market pay adjustments will be completed in 2014. An RFP for a Learning Management System was released with planned implementation before year-end and the design phase for the Technical Training Center should also be completed in 2014.

IT Security Upgrades

A3: Implement IT Security Upgrades

This initiative is focused on staffing and updating and/or replacing information security systems that are at high risk of failure due to obsolescence and lack of resources for maintenance. Outdated network infrastructure will be improved with new network security vigilant devices. Further, this initiative will facilitate the creation of an IT security program that includes procedures, policies and technologies to assist the expanding IT environment. Project staff was hired in 2013 and implementation continues in 2014.

Reliability & Cybersecurity Standards

A4: Compliance Tracking System and Compliance Program Standardization

City Light seeks an integrated software solution to reduce compliance risk and increase internal compliance program efficiency and effectiveness. Under federal law, City Light must comply with approximately 1,000 complex and ever-changing electric reliability Standard Requirements which cover City Light's power plant and high-voltage transmission operations. City Light must demonstrate continuous compliance and performance against these Standards is subject to periodic audits and spot-checks by City Light's regulators, the Western Electricity Coordinating Council (WECC), the North American Electric Reliability Corporation (NERC) and the Federal Energy Regulatory Commission (FERC). Failure to maintain full compliance with the Standards can result in financial penalties of up to one million dollars per day per incident. This Strategic Plan initiative will acquire a Compliance Tracking System to consolidate identification of applicable standards, necessary compliance activities, responsible parties, and documentation necessary to comply with mandatory reliability standards.

Enterprise GIS

A5: Integrated Geospatial Information System (GIS)

City Light is implementing an Enterprise Geographic Information System (GIS) Program utilizing current technology to leverage GIS functionality to improve business processes and decision-making. Replacing the multiple, GIS systems as well as supporting both the current and emerging GIS needs of the Utility. Replacing multiple systems with a single, integrated GIS will eliminate redundant data entry, enhance user accessibility for complete geographic information, improve operating efficiency, improve field worker safety and ease integration into other utility systems. In 2013 three staff members were hired to work on this initiative. In 2014 work will continue setting the strategic direction.

North Downtown Substation

A6: Denny Substation Program

The new Denny substation and its associated transmission circuits and South Lake Union network distribution system provides needed capacity and operational flexibility to deliver highly reliable electrical service to the high-density, high-tech/bio-tech load centers and neighborhoods that make up the north downtown area. In 2013 a number of key substation and network milestones were completed including the engineering for 30% design work and drafting of required environmental impact statements. Significant additional substation and network distribution design work is scheduled for 2014 as well as public notice of the Final EIS for facility and transmission projects. The Denny substation facility is scheduled for completion in mid-2017.

Transmission System Improvement

A7: Transmission System Improvements in Puget Sound area

The transmission system improvement project increases transmission capacity in City Light's service territory to relieve congestion in the Puget Sound area resulting from changes in area generation; load growth; transfers of power to Canada required by treaty; and outages needed to maintain the lines. The cost of these improvements will be reimbursed partially by other

utilities in the area. Preliminary engineering on the Broad Substation inductor was completed on schedule in 2013 as well as preparation of the SEPA check list for transmission line reconductoring. Continuation of engineering and completion of construction contract documents will proceed in 2014 in coordination with the Denny Substation project.

Underground Cable Replacement
A8: Cable Rehabilitation and Replacement

The cable rehabilitation and replacement program is an ongoing system-wide reliability program. Cable rehabilitation prolongs the life of existing direct buried electrical cables by testing, and where suitable, injecting cables with an approved silicon fluid. The cables not suitable for injection require replacement. City Light completed about 12 miles of civil and electrical design work combined in 2013 and replaced about 8 miles of cable. Plans for 2014 include continuation of engineering design and installation of 2 miles of cable, 1.5 miles of conduit installation and 3 miles of cable injection

Streetlight Planning, Design, Construction
A9: Streetlight Infrastructure Replacement

The streetlight infrastructure replacement project will replace 867 (or 18%) of City Light's highest priority aging, dysfunctional and/or damaged streetlight poles and related infrastructure, which were identified in the "Seattle City Light Street Lighting Ten-Year Streetlight Horizon Plan". Replacing failing systems will reduce costly stop gap repairs by crews and improve customer safety and satisfaction. Planned work on the Rainier Vista Seattle Housing Authority and High Point Seattle Housing Authority was completed in 2013 and upgraded all of the grounding to current standards. Work was also completed within Denny Blaine and Innis Arden neighborhoods that replaced poles and related infrastructure. Two neighborhood construction projects are scheduled for 2014 and 2 additional neighborhood projects will be designed.

Mobile Workforce Implementation
A10: Mobile Workforce Implementation

City Light will implement a mobile workforce management software. This technology will interface with both the work and asset management systems and the new Customer Information System (CIS) to enable automated scheduling and dispatch of our field workforce. Software licensing has been secured and implementation will begin in 2015.

Hydro Performance and Generator Availability

A11: Improve Hydro System Optimization and Generator Availability

This initiative will ensure that investments in and maintenance of City Light's hydro system maximize performance and reduce unit outages. Goals for 2013-2018 are 1) to develop an Excel optimization tool to better inform power marketing and system control decision-making "within the hour" for hydro operations, and thereby increase generation efficiency/water utilization from utility revenue and State Renewable/I-937 perspectives; and 2) to prioritize crew deployment toward preventive maintenance in order to minimize unit outages.

Regional Power and Transmission Leadership
A12: Regional and industry leadership

This initiative will allow City Light to take a proactive leadership role on various regional power supply and transmission matters, particularly related to BPA wholesale power and transmission rates. The goal is to protect City Light customer interests, regionally and nationally, regarding new regulations affecting reliability, transmission planning and cost allocation, integration of renewable resources, and relieving transmission constraints.

Advanced Metering Infrastructure
A13: Advanced Meter Infrastructure

This initiative begins in 2014 to implement an Advanced Metering Infrastructure ("AMI") which will provide a substantial net financial benefit to City Light as well as greatly improving customer service. AMI provides an operating platform that supports emerging consumer technologies including customer generation, electric vehicle charging, and home energy management protocols. Installation of the new meters begins in 2015 and will continue through 2017.

Electric Vehicle Infrastructure and Rates
A14: Electric Vehicles

The Electric Vehicle program is an educational resource for City Light customers. The program consists of public outreach through the City Light website, printed materials, and public interaction opportunities, with the goal of helping customers become acquainted with the requirements for electric vehicle charging. Additionally, City Light is represented on the State of Washington's Electric Vehicle task force, and the Electric Power Research Institute's Electric Vehicle Advisory Committee. This Strategic Initiative began in 2013 with a goal to complete an electric vehicle Clean Cities grant project to install electric vehicle charging stations and to analyze their use.

Engineering and Operation Standards
A15: Standards and Compatible Units

The Standards and Compatible Units initiative enables City Light to develop material, design and construction standards, and update the existing standards in accordance with new products on the market, new regulatory requirements, and the latest applicable construction methodologies. These standards, once established, will form the building blocks of compatible units for City Light's most frequent and repetitive work. Standard operating procedures ensure consistent,

quality installation of utility material and equipment. In 2014 the first batch of twenty design standards will be completed and published. The final batches are expected to be published by the end of 2015.

Climate Research

A17: Environmental Leadership Climate

This initiative established a program to carry out climate research on the impacts of climate change on City Light operations and to develop a strategy to adapt to these impacts. In 2013 a strategic advisor was hired to identify partners for climate change research, identify research proposals, and obtain funding for initial research. Upcoming milestones include analyzing research results and developing the first phase of a Climate Adaptation Plan by early 2015.

Conservation Program Enhancement

A18: Conservation

Three pilot participants were selected and initial contracts were approved and signed by all parties for the Pay for Performance pilot in 2013. Legislation authorizing the three-year agreements was also approved in 2013. In 2014 an evaluation consultant will be selected through an RFP process. This consultant will track and analyze performance results over the three year pilot project period.

Communications and Public Engagement

M1: Effective Communications and Engagement

By working in close cooperation with the Citizens Review Panel, City Light was able to identify methods to strengthen communication and engagement. The initiative has provided the means by which the utility has been able to leverage work already completed on the Strategic Plan. The Citizens Review Panel continues to provide an important third-party perspective on strengthening communications and engagement as the panel members represent customers in their ongoing work.

Performance Benchmarking & Efficiencies

M2: Benchmarking Performance

City Light established this initiative to reduce costs and enhance service by identifying process, performance and efficiency gaps. Action plans to correct deficiencies identified by the benchmarking and best practices studies were developed and began implementation for three financial areas in 2013. Safety, workers compensation, and tool room benchmarking and best practice studies will be completed early in 2014 and priority recommendations implemented. Scoping and work plans for several other studies are also underway.

Information Technology Roadmap

M3: Implement IT Roadmap

This initiative includes three separate projects: City Light's contribution to upgrading the City's financial system (which is also used by City Light), implementation of an enterprise document management (EDM) system, and a plan for recovery of City Light's information technology

assets in the event of a major disaster. In 2013 the financial system project completed several efforts to consolidate data and update existing data interfaces. This work will continue throughout 2014. In 2013 The EDM project successfully implemented the software program and integrated the files for the first group, Power Contracts, into the system. Implementation for other groups will continue through 2018. The Disaster Recovery/Business Continuity Plan effort completed several important milestones in 2013. These include hiring staff and the completion of the Disaster Recovery program plan. Efforts continue in 2014 with the building of a data co-location site, engaging in disaster recovery exercises and conducting a Business Impact Analysis.

Performance-Based Reporting

M4: Performance-Based Reporting

The Performance-Based Reporting initiative made significant progress in 2013 after completing hiring for the four term-limited positions (two information technology developers and two business analysts) needed to support collecting, aggregating and reporting from multiple system applications using the enterprise business intelligence system. Among the data marts with completed development are those for streetlights from the Work and Asset Management system, Accounts Payable and Accounts Receivable from the City's financial system, and Human Resource HRIS. Work will continue in upcoming years to add other applications and to update the previously developed financial data mart including integration with the UI Planner budget and forecasting software.

Internal Management Review Unit

M5: Establish Internal Audit/Management Review Group

In 2013 the Internal Audit/ Management Review Group was established and staffed. The group completed an initial risk assessment of City Light and developed an annual audit plan as specified in the 2013 deliverables. Internal Audit also has assumed responsibility for managing audits performed by the State Auditor

Project Management Quality Improvement

M6: Project Management Quality Improvements

This initiative is focused on establishing a consistent project management capability to ensure proper project development, oversight, management and accountability. Efficiencies can be gained through standardizing processes and training employees involved in all levels of project management. The Project Steering Committee was established and a Statement of Work was completed in 2013. A Project Management methodology will be adopted and staff will be trained to use the new processes beginning in 2014. Program efficiencies will be measured annually.

Service Agreements/Performance Metrics

M7: Service Agreements with City Departments

The goal of this initiative is to achieve enhanced accountability, improved and measured performance, and cost oversight with departments through signed service level agreements that contain metrics and performance guarantees. In 2013 City Light briefed the City's Central Budget Office on the project plan. A service level agreement template was also developed.

Efforts going forward include finalization of agreements with each department to which City Light provides funding.

External Service Contract Procurement

M8: Review and Improve Procurement Processes for External Service Contracts

This initiative will evaluate and implement process improvements to the City Light procurement process and the administration of purchase, consultant and public works contracts while maintaining financial controls to prevent fraud and abuse. A 2013 benchmarking study provided recommendations for procedural, changes, organizational structure to align with customer expectations, staff competencies and other changes to improve efficiencies. In 2014 new dashboards will be put in place to track key performance indicators and metrics needed to ensure that the efficiency gains result.

Efficiency Initiatives

M9: Efficiency Projects

By focusing on value added activities, City Light expects to save up to \$18 million annually by 2015 in addition to savings already reflected in the baseline budget. In 2013, the utility was able to achieve about \$10 million in cost savings and revenue enhancements or \$3.1 million more than the \$6.9 million promised.

Financial Policies Initiative

M10: Review and affirm or amend financial policies

As the strategic plan was being implemented, whether to purchase insurance to cover City Light's generation assets became the major focus of this initiative. A consultant was retained to update the value of the assets and potential costs of insuring them, as well as to make a recommendation on whether to purchase an insurance product. Near the end of 2013 when the analysis was complete, City Light decided not to move forward with buying an insurance product because the annual cost was prohibitively high while the risk of catastrophic generating unit failure remained very low.