

Strategic Plan Update

Baseline Metrics and Efficiencies

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www.seattle.gov/light/strategic-plan



WHAT WILL WE ACHIEVE TODAY?

1. Understand the components of the 2015-2020 Plan
2. Review the baseline assumptions
3. Determine the appropriateness of baseline metrics
4. Understand the 2014-15 efficiency targets and accomplishments



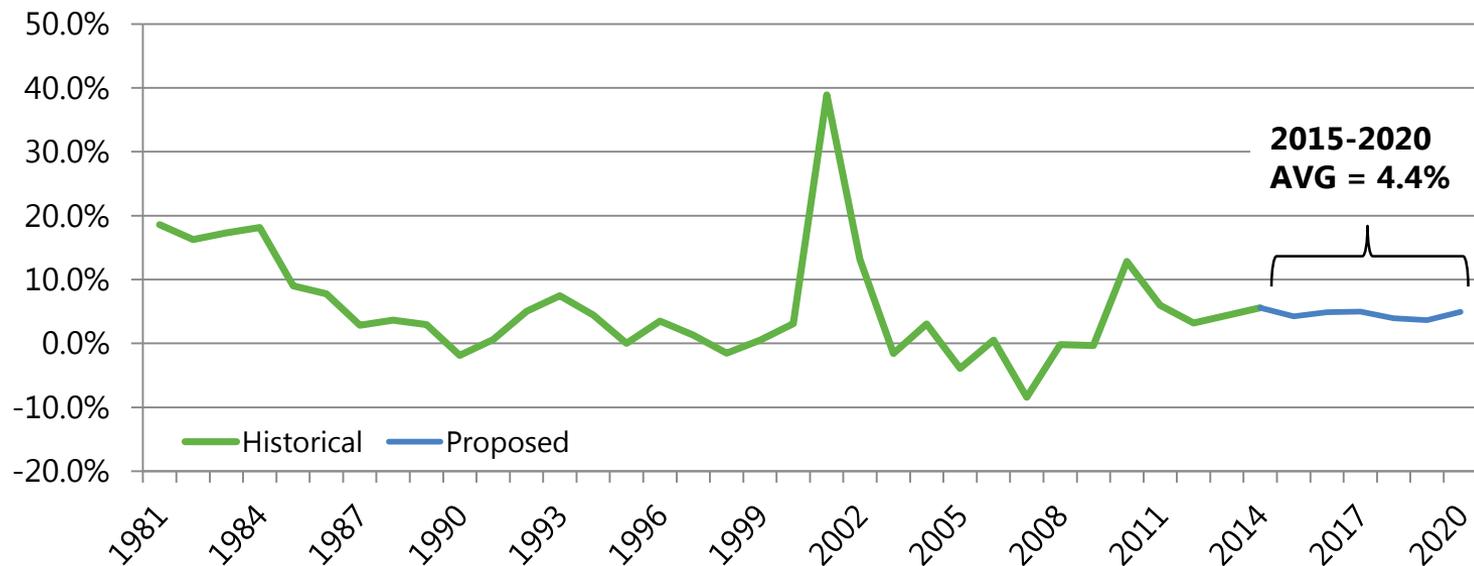
WHAT WAS THE PLAN?

2015-2020 Strategic Plan



WHY A STRATEGIC PLAN?

- Consistent customer experience and rate predictability
- Promised an average rate increase of 4.4% per year over six years

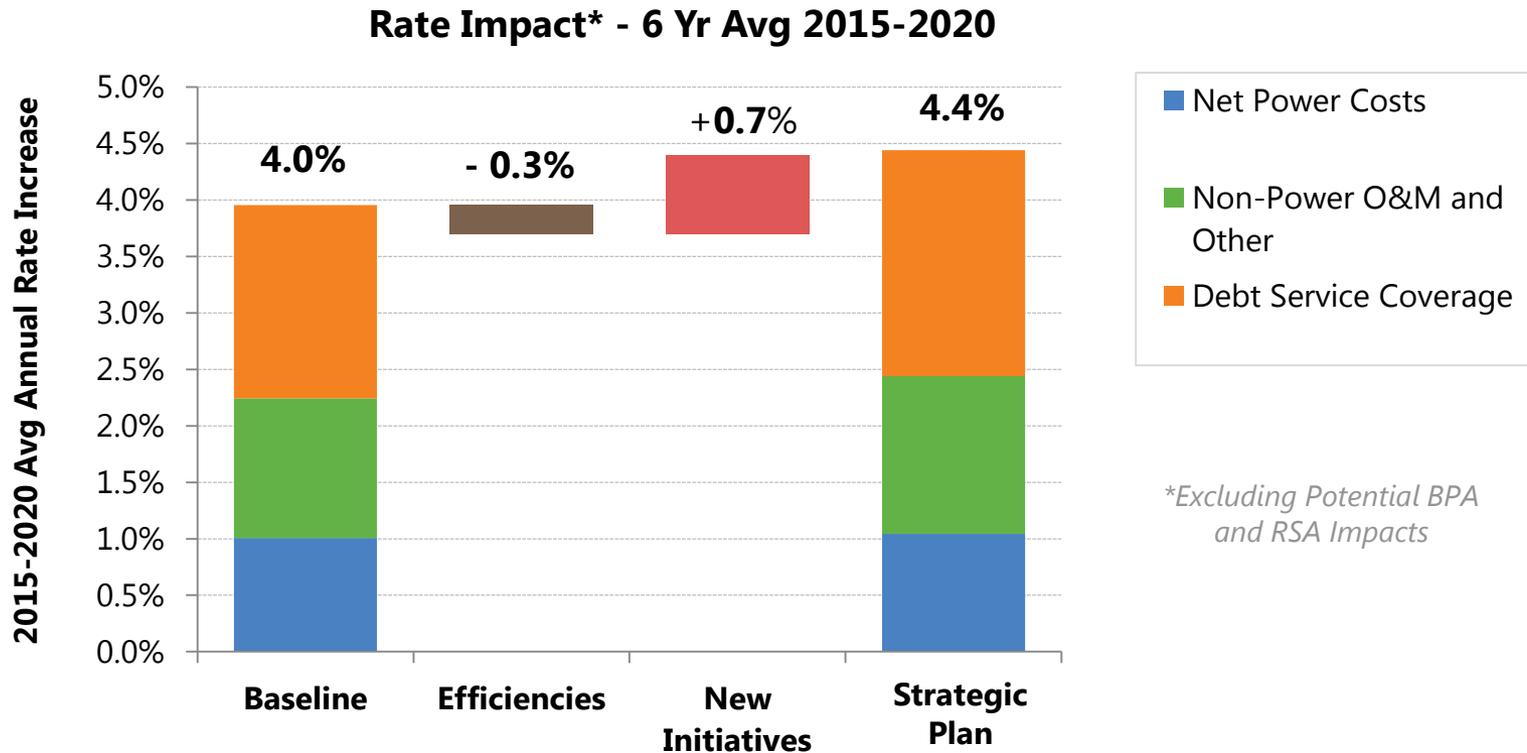


Proposed rate increases do not include RSA Surcharges or BPA Pass-through increases

2015-2020 STRATEGIC PLAN

- **Baseline Investments** to MAINTAIN current levels of service
 - Invest in power supply & environment, reliability, customer service, and infrastructure at levels needed to maintain current level of service.
- **Efficiencies** to improve the utility's productivity
 - Identified efficiencies to produce \$18 million per year in savings by 2015.
- **Initiatives** to ENHANCE the level of service
 - Improve customer experience and rate predictability
 - Increase workforce performance and safety practices
 - Enhance organizational performance
 - Continue conservation and environmental leadership

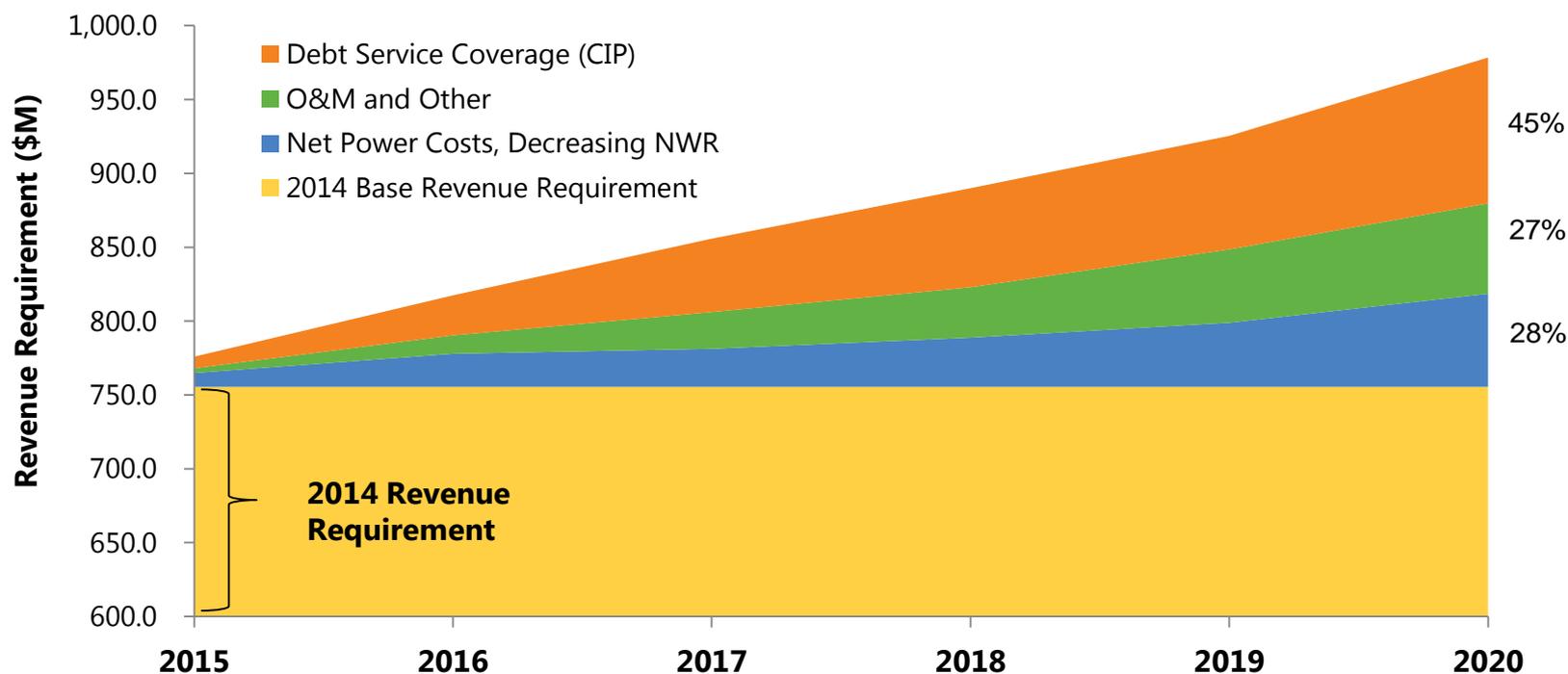
STRATEGIC PLAN: BASELINE AND DRIVERS



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

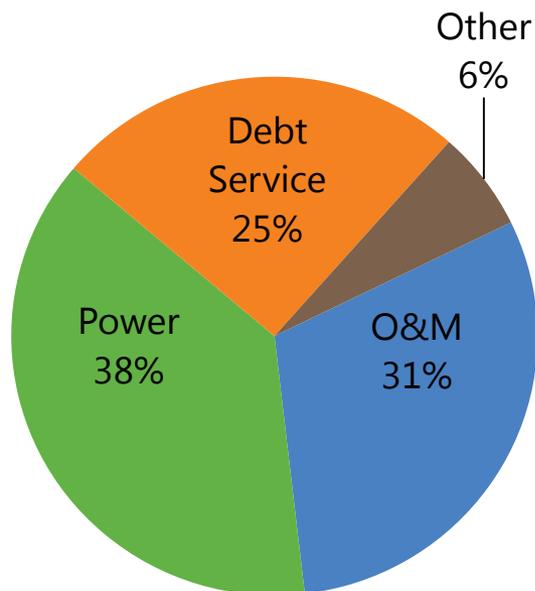
2015-2020 Strategic Plan Revenue Requirement Drivers



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

REVENUE REQUIREMENT DRIVERS

2014 Expense Breakout



See Plan Appendix A - Financial Update

| Element | 2014 Budget | 2020 Plan | Increase (Decrease) 2020 vs. 2014 | % of Revenue Requirement Increase |
|--|-------------|-----------|-----------------------------------|-----------------------------------|
| Debt Service Coverage | | | | |
| Debt Service Coverage for Capital Program | \$341 | \$440 | \$99 | 45% |
| O&M, Taxes and Other | | | | |
| O & M | \$238 | \$291 | \$54 | 27% |
| Taxes, Uncollectible Revenue, & Other | \$49 | \$61 | \$12 | |
| Miscellaneous Revenue | (\$40) | (\$45) | (\$5) | |
| Net Power Costs | | | | |
| Power Contracts Expense | \$274 | \$296 | \$22 | 28% |
| Net Wholesale Revenue | (\$85) | (\$50) | \$35 | |
| Power Revenues, Net | (\$23) | (\$17) | \$6 | |

BASELINE

- The Strategic Plan identified 22 baseline assumptions which underpin the utility's ability to deliver current service levels to its customers.
- Four Pillars:
 - Power supply and Environment
 - Reliability
 - Customer Service
 - Intrastate and Support

See Baseline Handouts



EFFICIENCY TARGETS AND ACCOMPLISHMENTS

2014-2015



DEVELOPMENT OF EFFICIENCIES

- Long history of continuous operational improvement studies
- Strategic Plan Development
 - Efficiencies in plan based on benchmarking report from a third-party energy consulting firm
 - Thirty-six potential operational changes were explored to see if they could produce additional efficiencies.
 - Seattle City Light identified opportunities that can save a total of \$15 million in the next six years from revising practices in transmission, distribution, and generation

FINALIZED STRATEGIC PLAN EFFICIENCIES

- **\$15m Generation and T&D benchmark savings**
- **\$3m in support service savings added**
- **Three Year implementation period to full savings**
 - 2013 \$6.9M
 - 2014 \$14.5M
 - 2015 and beyond \$18M

| Efficiencies | Proposed Annual Savings by 2015 |
|--|--|
| Revised transmission, distribution, and generation practices | \$15,000,000 |
| Modified cost allocation and service level agreements | \$360,000 |
| Improved work process (billing, credit/collection, procurement, fleet management, street use permitting, project mgt, online security) | \$2,640,000 |
| TOTAL | \$18,000,000 |

CHALLENGES IN EFFICIENCY DELIVERY

- Delay in effective date and full savings not delivered in negotiations

- Impact

| \$'s in Millions | 2015 | 2016 |
|---------------------|----------|----------|
| Forecast | \$ 3.1 | \$ 5.0 |
| Budget Total | \$ 10.0 | \$ 10.1 |
| Difference | \$ (6.9) | \$ (5.1) |

Examples

- One person Service crews as first responders for outages and emergencies
- Review of overlap of Line Service and Field System Operations functions
- Allowing any qualified electrical worker to operate overhead or underground switching

2015 EFFICIENCY – GOAL AND FORECAST

| | Goal 2015 | Forecast 2015 |
|---------------------------------|----------------------|---------------------|
| O&M | | |
| <i>O&M Subtotal</i> | \$ 5,415,600 | \$ 2,150,416 |
| CIP | | |
| <i>CIP Subtotal</i> | \$ 7,650,000 | \$ 1,100,000 |
| O&M Operational | | |
| Operational Efficiencies | \$ 2,138,335 | \$ 2,843,691 |
| Benefit Savings from Op Savings | \$ 2,264,400 | \$ 545,000 |
| <i>Operational Subtotal</i> | \$ 4,402,735 | \$ 3,388,691 |
| CIP Operational | | |
| Project Management Improvements | \$ 1,045,290 | \$ 1,045,290 |
| Total Original | \$ 18,513,625 | \$ 7,684,397 |

2015 EFFICIENCY – NEW SAVINGS GOAL AND ACTUAL

| | Goal 2015 | Forecast 2015 |
|--|----------------------|----------------------|
| New Sustainable | | |
| BPA Power Factor | N/A | \$ 129,000 |
| BPA Slice Solution | N/A | \$ 255,348 |
| BPA Rates | N/A | \$ 866,250 |
| 2013 Bond Issue Timing | N/A | \$ 600,000 |
| 2014 Bond Refunding | N/A | \$ 2,000,000 |
| 2013 Bond Size Reduction | N/A | \$ 4,600,000 |
| 2014 Bond Size Reduction | N/A | \$ 5,200,000 |
| Real Estate Leases | N/A | \$ 860,338 |
| Real Estate Sales | N/A | \$ 424,730 |
| Risk Audit | N/A | \$ 180,000 |
| Decant Facilities | N/A | \$ 125,000 |
| Onboard generators in trucks | N/A | \$ 307,800 |
| Savings from real estate sales | N/A | \$ 9,726 |
| Environmental Grants | N/A | \$ 2,003,673 |
| Subtotal New Sustainable | \$ - | \$ 17,561,865 |
| Total of original and new sustainable savings | \$ 18,513,625 | \$ 25,246,262 |

OTHER EFFICIENCIES 2015

Finance:

- 2013 Financing - \$5,200,000
- 2014 Financing - \$7,200,000
- 2015 Financing – \$1,600,000
- Environmental Grants - \$2,006,673
- Real Estate Leases – \$860,338

Power Marketing:

- BPA Power Factor Refund - \$129,000
- BPA Slice Solution - \$255,348

Risk Management:

- Risk Audit - \$180,000

OTHER EFFICIENCIES 2015

Support Services:

Benchmarking Studies - \$ impact TBD

- Fleets
- Facilities
- Budget & Finance
- General Accounting & Cost Accounting
- Conservation
- Environmental Affairs

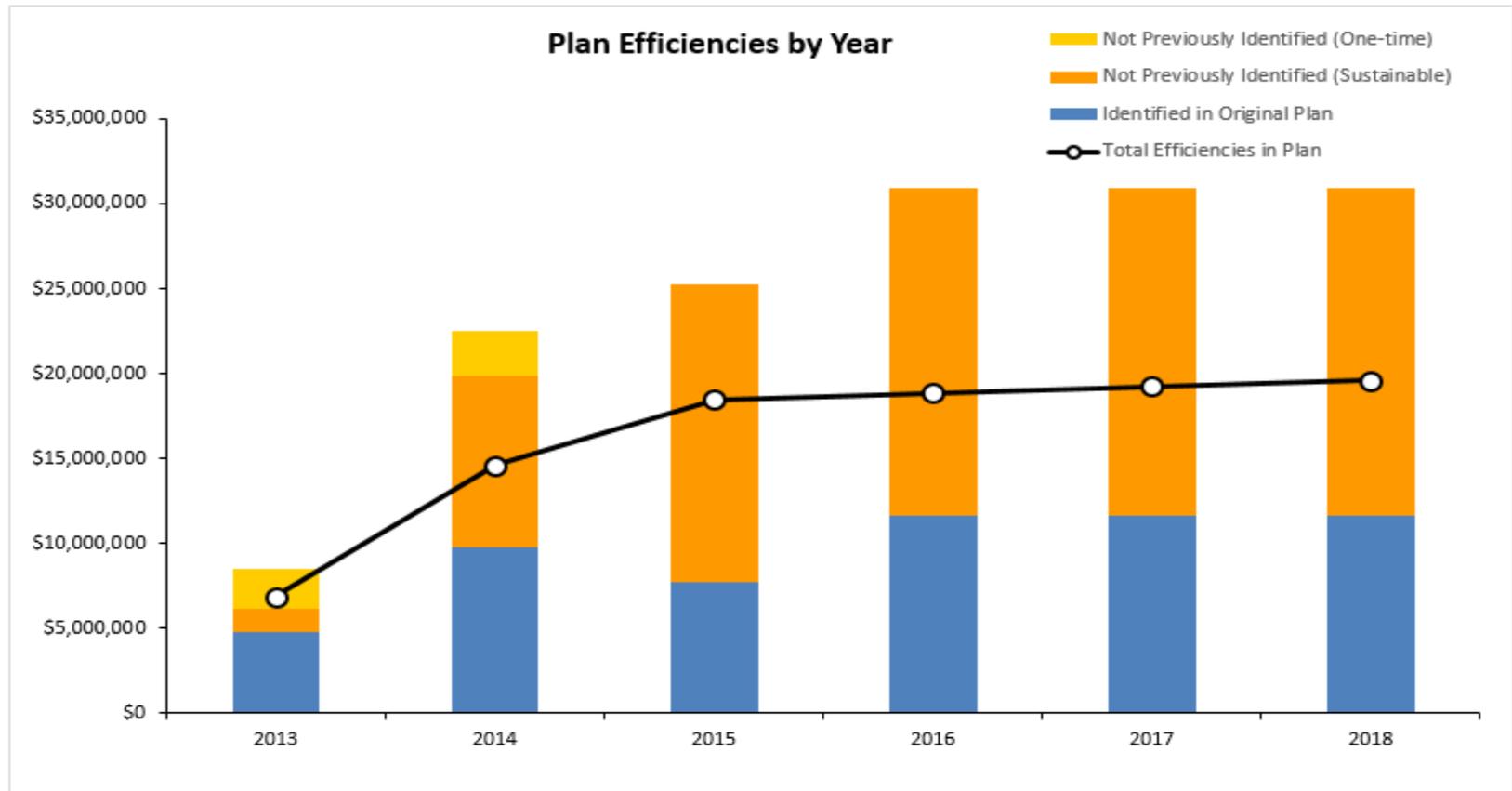
Operations:

- AMP Fee - \$75,000
- Decant Facility - \$125,000
- Onboard Generators - \$307,800
- Transmission D-Line – \$ impact TBD

TOTAL - \$17,561,865

EFFICIENCY SAVINGS BY YEAR

Efficiency Summary





CITY LIGHT

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.

