

Overview

Seattle City Light (City Light) is a municipal electric utility, owned by the residents of Seattle and run by the City's elected officials. The Utility serves a population of almost 700,000 people living in a 130 square-mile area, which includes the City of Seattle and several adjoining jurisdictions. To serve these customers, City Light owns, maintains, and operates a multi-billion-dollar physical plant. The physical plant includes:

- ◆ A power supply generation system consisting of seven hydroelectric plants on the Pend Oreille (Boundary Dam), Skagit, Cedar, and Tolt Rivers with a combined capacity of almost 2,000 megawatts;
- ◆ 650 miles of high-voltage transmission lines linking these plants to Seattle;
- ◆ A distribution system with 14 major substations and more than 2,500 miles of overhead and underground cable;
- ◆ A state-of-the-art System Control Center coordinating these activities; and
- ◆ Billing and metering equipment tracking approximately 395,000 accounts.

City Light's Capital Improvement Program (CIP) is the vehicle for maintaining, upgrading, and expanding this infrastructure. The CIP also funds a variety of safety improvements, mitigation activities, and licensing requirements. The CIP's overriding goal is to ensure that the facilities required to serve City Light customers with low-cost, reliable power, are in place when and where the power is requested.

In 2009 and 2010, City Light received significantly less net wholesale revenue than anticipated due to lower precipitation levels and falling energy prices for the Utility's surplus power. This revenue shortfall required City Light to reduce spending on planned maintenance and capital improvement projects. In response to the revenue shortfall, City Council and the Mayor undertook a series of actions to help strengthen oversight and the financial management of the Utility. The Rate Stabilization Account was created to protect against future fluctuations in wholesale revenues, the City Light Review Panel was established to advise elected officials on rate and Utility issues, and City Light was directed to develop a Strategic Plan with input from the Review Panel and the public.

The Strategic Plan will be submitted for City Council approval in early 2012, and will establish spending priorities and a six-year rate path for the Utility. Once approved, the Strategic Plan will be used to guide development of City Light's budget and CIP in future years.

2012-2017 CIP

The 2012-2017 Proposed CIP outlines \$1.5 billion in capital spending over six years for a variety of power supply, transmission, distribution, customer services, and central utility needs. Approximately \$240 million of this spending is in response to external projects, including suburban undergrounding requests, maintenance of the streetlight system, infrastructure relocations due to transportation projects, and reimbursable customer-requested work.

The 2012-2017 Proposed CIP reflects a basic level of funding for CIP projects necessary to maintain current levels of service. The CIP provides the baseline for capital spending in the Strategic Plan. Projects that are being reconsidered as initiatives in the Strategic Plan have been pulled out or have reduced spending in the CIP. Compared to 2011-2016 Adopted CIP, the 2012-2017 Proposed CIP reduces planned spending for 2012 by \$18.5 million. Based on the direction of the approved Strategic Plan, new projects or additional spending may be added in next year's 2013-2018 Proposed CIP.

2012-2017 Proposed Capital Improvement Program

The 2012-2017 Proposed CIP continues efforts to improve the readability of this document and to provide more transparency of the Utility's capital program in the budget process. Projects have been summarized into functional categories so that similar or related projects can be easily identified and viewed together, and the document provides a breakdown of project allocations to match the appropriations for CIP Budget Control Levels in the 2012 Proposed Budget.

CIP Revenue Sources

Funding for City Light's CIP comes primarily from retail electricity sales and surplus energy sales on the wholesale market. A minor amount of additional revenue come from direct customer billing (including service connections and other customer requested work) and assorted fees, grants and transactions. City Light finances a portion of the CIP through the sale of revenue bonds. City Light's policy is to limit debt financing to 60% of any given six-year CIP period (Resolution 31187).

Thematic Priorities and Project Selection

Projects included in the CIP meet a variety of thematic needs:

- ◆ **Maintain existing infrastructure and support basic operations** – The majority of City Light's CIP projects provide for the maintenance and upkeep of existing systems and equipment, and support the on-going daily operations of the Utility. These projects include major maintenance work to extend the life of facilities and equipment, scheduled replacement of old and failing equipment, and capital programs to support customer connections and repair unexpected system outages. Projects are also included in the CIP to respond to external conditions, such as infrastructure relocations due to major transportation projects.
- ◆ **Upgrade capacity and services to provide new functionality** – Projects proposed in the CIP may also seek to increase the Utility's generation or distribution capacity, or provide new functionality for the management and customer service systems of the Utility. These projects strive to change the way the Utility operates and delivers service. While the 2012-2017 CIP includes funding for some such projects currently being implemented (such as the Work and Asset Management System), spending for several other capacity projects (such as the Gorge Auxiliary Tunnel, North Downtown Substation, and Automated Metering Infrastructure) have been reduced or removed from the CIP for reconsideration as Strategic Plan initiatives. Funding for these initiatives or other prudent projects may be included in the future, based on the direction of the approved Strategic Plan.
- ◆ **Address licensing, regulatory and safety requirements** – Federal licenses governing the operation of the Utility's dams require a number of environmental, historic preservation, and recreation mitigation measures. In addition, federal requirements regulating the transmission grid and energy market transactions require system upgrades and improvements. The CIP also includes projects to improve safety and proactively reduce risk to the Utility's infrastructure.
- ◆ **Maintain information technology systems** – Over the last several decades, the electric utility industry has come to rely heavily on information technology systems to provide real time management and automation of operations, design and record utility systems and assets, regulate power across the regional transmission grid, manage financial transactions on the energy market, and increase business efficiencies throughout the organization. The CIP includes projects to maintain the hardware and software necessary to provide these functions.

Project ideas are generated from staff throughout the organization and are developed into proposals by the operational divisions of the Utility. Each of the Utility's organizational lines of business (power supply,

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transmission and distribution, customer service) prioritizes proposed capital spending within their divisions and submits recommended projects to a centralized capital budgeting system.

City Light management compares proposals against criteria that evaluate the projects' costs, benefits and risks. The Utility gives priority to mandatory requirements and projects currently underway, before considering scheduled future projects and new initiatives. Business cases are developed and revised to document the projects' expectations and rationale, and include a cost benefit analysis of alternatives, including the do nothing scenario.

The Utility's CIP is constrained by the availability of funding and labor resources to devote to capital projects. City Light management seeks to balance the overall needs of the Utility within these constraints and may rescope, reschedule, or defer projects to prepare a comprehensive six-year CIP. The Strategic Planning process provides a venue for vetting major capital spending decisions with elected officials and the public. City Light intends to revisit the Strategic Plan every two years to maintain transparency and set direction for future CIP development.

Recent investments in Utility systems will help identify and evaluate future capital proposals. The Outage Management System (OMS) began operation in 2010, and the Work and Asset Management System (WAMS) went live for distribution operations and engineering groups in 2011. OMS allows the Utility to evaluate the reliability of specific portions of the distribution system and identify necessary improvements. WAMS provides the platform for tracking City Light's estimated 900,000 assets, as well as generating the associated work orders and maintenance records of the Utility. WAMS will be extended to cover substation operations and power supply assets in 2012 and 2013.

Tracking this information will allow the Utility to identify operational efficiencies by identifying high maintenance cost assets and equipment prone to repetitive failure. This data will be used to develop management plans for each asset type and will inform operational practices and capital replacement decisions. Through the asset management program, the Utility has already conducted condition assessments on 115,000 poles, 88 transmission towers, and 7 power transformers and made adjustments to the CIP based on the results.

CIP Expenditures by Major Category

Projects and spending in City Light's 2012-2017 Proposed CIP are summarized below. The dollar amounts shown in this document are the projects' total costs to be capitalized, and include both direct costs and associated overhead costs.

	Summary of CIP Project Allocations (in \$1,000s)						
	2012	2013	2014	2015	2016	2017	Total
Power Supply	44,210	67,579	50,143	47,265	55,691	54,813	319,701
<i>Boundary</i>	21,525	40,406	25,619	21,039	26,683	25,645	160,917
<i>Skagit</i>	14,895	15,065	17,054	19,185	22,700	24,117	113,016
<i>Cedar Falls - Tolt</i>	2,894	6,216	1,406	2,453	2,790	2,843	18,602
<i>Other</i>	4,896	5,892	6,064	4,588	3,518	2,208	27,166
Transmission	2,779	2,912	2,973	3,037	3,104	3,177	17,982
Distribution	128,893	129,891	127,296	133,625	133,195	129,358	782,258
<i>Substations</i>	19,851	28,573	23,774	30,042	27,669	24,380	154,289
<i>Network</i>	12,835	14,005	13,674	15,957	16,311	16,710	89,492
<i>Radial</i>	44,825	38,767	44,713	41,968	43,308	42,026	255,607
<i>Service Connections</i>	34,930	39,200	39,097	39,933	40,775	41,657	235,592

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<i>Other</i>	16,452	9,346	6,038	5,725	5,132	4,585	47,278
External Projects	65,025	44,395	40,575	38,564	18,452	33,410	240,421
<i>Local Jurisdictions</i>	14,975	15,059	10,699	10,901	5,017	5,129	61,780
<i>Transportation Relocations</i>	48,260	29,300	29,839	27,625	13,369	28,213	176,606
<i>Other</i>	1,790	36	37	38	66	68	2,035
Central Utility Projects	19,763	37,517	36,579	23,619	18,942	17,735	154,155
<i>Customer and Billing</i>	0	8,000	10,000	2,000	0	0	20,000
<i>Finance and IT Systems</i>	8,519	13,940	10,442	9,504	6,788	7,020	56,213
<i>Fleets and Facilities</i>	11,244	15,577	16,137	12,115	12,154	10,715	77,942
Totals:	260,670	282,294	257,566	246,110	229,384	238,493	1,514,517

A more detailed description and summary of each category follows. ***In addition, projects are highlighted if their 2012 allocations are more than \$5 million, have changed by more than \$1 million than was planned for 2012 in the 2011-2016 Adopted CIP, or are new projects in this year's 2012-2017 Proposed CIP.***

Power Supply: Projects in this category include improvements to City Light's dams, generators, powerhouses, and other related projects. Projects to comply with federal licensing and environmental mitigation requirements at City Light's dams are also included in this category. City Light sequences work on major power production equipment (i.e., generator rebuilds and runner replacements) to reduce the impact to power generation and level capital spending. The Utility maintains 22 generators in seven power plants that are managed as three separate facilities. The Boundary Facility generates 1,051 megawatts, the Skagit Facility (comprising the Newhalem, Gorge, Diablo, and Ross power plants) generates 823 megawatts, and the Cedar Falls – Tolt Facility generates 47 megawatts.

To more accurately represent a baseline level of Power Supply spending in line with Strategic Plan assumptions, three projects show significantly increased spending in 2015-2017. These projects include the Boundary Dam – Minor Improvements Program (6401), Skagit Facility – Minor Improvements Program (6405), and Cedar Falls/South Fork Tolt – Minor Improvements Program (6450). These future year allocations reflect a consistent level of investment in Power Supply over time and will be broken out into specific CIP projects for next year's 2013-2018 Proposed CIP.

The CIP shows significantly increased spending for Power Supply projects in 2013. This is largely due to the Boundary Powerhouse – Transformer Bank Rockfall Mitigation (6485) project, which identifies \$17.5 million of spending in 2013. This project addresses safety and operational risk from observed rockfall to transmission lines running along the rock cliff at Boundary Dam. The cost of this project reflects a permanent solution to relocate these transmission lines into new shafts drilled through the hillside in lieu of on-going costs to stabilize the rockface and shield the transmission lines in place.

For 2012, the CIP includes \$44.2 million in funding for 67 projects in Power Supply. ***Highlights include:***

- ◆ **Boundary Powerhouse – Unit 56 Turbine Runner Replacement (6490):** \$7.5 million in 2012 allocations. This project replaces the turbine runner that powers the generator. The 2012 allocations are \$1.2 million higher than the 2012 amount shown in the 2011-2016 Adopted CIP and reflect increased cost estimates for the project. This is a multi-year project scheduled to coincide with the Boundary Powerhouse – Unit 56 Generator Rebuild (6354) project.

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- ◆ Diablo Powerhouse – Rebuild Generator Unit 32 (6423): \$0 in 2012 allocations. This project shows a decrease of \$6.9 million in 2012 allocations from the 2011-2016 Adopted CIP, which represents a scheduling change to defer construction until 2014.
- ◆ Newhalem – Generator 20/Support Facility Rebuild (6479): \$15,000 in 2012 allocations. This project was created in the 2011 Second Quarter Supplemental Budget and appears as a new project in the 2012-2017 Proposed CIP. The project rehabilitates a small older generator, turbine runner, and penstock that generates 2.5 megawatts of power at the Skagit Facility. Completion of the project was deferred in recent years.
- ◆ Skagit Facilities Plan (6520): \$1.2 million in 2012 allocations.
- ◆ Skagit – Facilities Energy Conservation Program (6515): \$2.7 million in 2012 allocations. These projects are new in the CIP this year. As part of the reorganization of the Skagit Facility, these projects address the surplus housing stock and support facilities in Newhalem and Diablo neighborhoods. The Skagit Facilities Plan include demolition of vacant structures that are deteriorating due to lack of maintenance funds, renovation of historic structures to be retained, paving and utility upgrades, and open space site restoration for a total project allocation of \$6.5 million over a five-year schedule. The Skagit – Facilities Energy Conservation Program provides for energy efficiency upgrades to the facilities being retained. These projects will be conducted with due consideration of the National Historic Preservation Act and federal licensing requirements for operating the Skagit Facility.
- ◆ Skagit Facility – Minor Improvement Program (6405): \$3 million in 2012 allocations. This project provides for small capital projects and other unforeseen, unscheduled capital needs that arise at the Skagit Facility. The project shows an additional \$1.7 million in 2012 allocations from the 2011-2016 Adopted CIP. This increase reflects the Utility’s reorganization of the Skagit Facility and the phasing out of the Ross Facility – Minor Improvement Program (6402), Diablo Facility – Minor Improvement Program (6403), and Gorge Facility – Minor Improvement Program (6404).
- ◆ Cedar Falls – Powerhouse Emergency Generator (6495): \$1,000 in 2012 allocations. This is a new project in the 2012-2017 Proposed CIP, which provides for backup power to protect against interruptions in water flow at the Cedar Falls Powerhouse. This project had been removed from the CIP during 2009-2010 due to lack of resources.
- ◆ Power Production – Network Controls (6385): \$2.3 million in 2012 allocations. This project shows an increase of \$1.8 million in 2012 allocations from the 2011-2016 Adopted CIP, where it was previously shown as a Skagit Facility project. The project scope has expanded to establish the network controls for all of City Light’s generating facilities. The project requires a considerable amount of upfront planning and system design before implementation.

Transmission: Projects in this category include transmission capacity and reliability projects to deliver power from City Light’s dams to City Light’s distribution system and connections to the regional power grid. City Light owns and maintains 650 miles of transmission capacity that connect the Skagit Facilities to Seattle. City Light leases additional transmission capacity to connect to the Boundary, Cedar Falls, and Tolt Facilities.

The CIP shows a baseline level of spending from 2012 to 2017 for Transmission that reflects current practices. City Light is conducting a condition assessment of transmission lines and towers and may propose changes to future capital spending based on that assessment. In addition, the Puget Sound power grid is experiencing transmission congestion due to the changing nature of power generation and load growth around the Northwest, including transmission capacity to Canada required by treaty. Regional

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transmission projects to address these issues will be considered as Strategic Plan initiatives, but are not included in the 2012-2017 Proposed CIP.

For 2012, the CIP includes \$2.8 million in funding for three projects in Transmission. *No Transmission projects meet the criteria for highlighting.*

Distribution: Projects in this category include improvements to City Light's distribution substations, relays, feeders, network distribution systems, overhead and underground radial distribution systems, service connections, customer meters, and other projects related to the distribution system.

City Light is focusing its asset management efforts on the distribution system, and this has directly influenced a number of CIP projects. Examples of decisions influenced by asset management include sequencing five substation transformer replacements projects (7776, 7777, 7778, 7810, and 7811) based on condition assessments, creating the Neighborhood Cable Injection Program (8440) to extend the life of buried power cables, and prioritizing work under the Wood Pole Replacement Program (8371). Additional changes to the CIP are expected in the future as the asset management program identifies high maintenance cost assets and equipment prone to repetitive failure.

The CIP reflects a baseline level of spending on the distribution system and does not include potential Strategic Plan initiatives such as investment in smart meters or targeted system efficiencies. The Utility is undertaking a long-term effort to standardize distribution practices for engineering, construction, and maintenance with industry best practices. More consistent standards will allow for greater efficiencies in distribution capital projects.

For 2012, the CIP includes \$128.9 million in funding for 63 projects in Distribution. *Highlights include:*

- ◆ Neighborhood Cable Injection Program (8440): \$5.5 million in 2012 allocations. This project was an early asset management initiative to extend the life of buried cable by injecting a silica fluid to maintain the integrity of the cable. Cable injection may extend the life of a cable by 20 to 40 years, depending on preexisting conditions. The cost of replacing cable is roughly 30 times the cost of cable injection.
- ◆ Laurelhurst – Underground Rebuild (8373): \$2.8 million in 2012 allocations. This project shows an additional \$1.2 million in 2012 allocations from the 2011-2016 Adopted CIP reflecting cost increases to complete the project. The project replaces deteriorating direct buried cable with a buried conduit system and is an example of a system that could not be preserved through the Neighborhood Cable Injection Program. Additional resources to replace deteriorating cables Citywide are budgeted within the Underground Equipment Replacement (8353) project.
- ◆ Wood Pole Replacement Program (8371): \$7.2 million in 2012 allocations.
- ◆ Overhead Equipment Replacements (8351): \$6.7 million in 2012 allocations. These projects show a change in 2012 allocations from what was planned in the 2011-2016 Adopted CIP. Project 8371 was reduced by \$6.4 million, while project 8351 was increased by \$5.6 million. This is largely a result of budgeting changes in the way the Utility manages pole replacement operations. Project costs for replacing poles on the basis of asset management condition assessments are charged to project 8371. Costs for operational replacements (including response to storm events and vehicle-pole collisions) are charged to project 8351.
- ◆ Network Maintenance Hold and Vault Rebuild (8130): \$3 million in 2012 allocations. This project shows a \$1.4 million decrease in 2012 allocations from the 2011-2016 Adopted CIP. This decrease reflects a shift of labor resources (engineering and network crews) to support the Alaskan Way Viaduct and Seawall Replacement – Utility Relocations (8307) project.

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- ◆ Large Overhead and Underground Services (8365): \$6.1 million in 2012 allocations.
- ◆ Medium Overhead and Underground Services (8366): \$8.6 million in 2012 allocations.
- ◆ Small Overhead and Underground Services (8367): \$6.1 million in 2012 allocations.
- ◆ Overhead Customer Driven Capacity Additions (8355): \$3.6 million in 2012 allocations.
- ◆ Underground Customer Driven Capacity Additions (8360): \$3.2 million in 2012 allocations.
These projects provide for service connections to the 26 kV radial distribution system for different sized customers classes, and for direct overhead and underground customer connections to substations. Most of this work is billed directly to the customer. The 2012 allocations have been adjusted from the 2011-2016 Adopted CIP to reflect recent trends in customer requests – project 8365 has increased by \$1.9 million, project 8366 has decreased by \$604,000, project 8367 has decreased by \$88,000, project 8355 has increased by \$2,000, and project 8360 has decreased by \$1.5 million.
- ◆ Work and Asset Management System (9941): \$8.7 million in 2012 allocations. This project provides the main software platform for tracking City Light’s estimated 900,000 assets, as well as generating the associated work orders and maintenance records of the Utility. This project has been implemented for the Utility’s distribution and engineering functions, and is scheduled to be fully implemented by 2013. A separate project, Asset Management Program (9940), provides for additional information technology tools associated with asset management and has \$66,000 in 2012 allocations.
- ◆ Radial Distribution System GIS Editor Replacement (9958): \$623,000 in 2012 allocations. This project was created in the 2011 First Quarter Supplemental Budget and appears as a new project in this year’s 2012-2017 Proposed CIP. The project replaces out-of-date software necessary to maintain the digital records of the distribution system.

External Projects: Projects in this category respond to requests from local jurisdictions to relocate distribution services from overhead to underground systems per the terms of franchise agreements, maintain and upgrade the streetlight system, relocate utility infrastructure in response to major transportation projects, and provide capital improvements in response to other customer-requested service needs.

Because projects in this category respond to external drivers and specific customer requests, the CIP generally shows a decreased level of spending in future years for External Projects. There is an increase in 2017 for the State Route 99 Capacity Additions and Relocations (8434) project of \$12.3 million to relocate utility infrastructure in conjunction with a future Washington State Department of Transportation project to lower the grade of State Route 99. This project was previously included in last year’s CIP with 2016 spending and has been pushed out a year as a placeholder estimate of future spending.

For 2012, the CIP includes \$65 million for 19 projects in External Projects. **Highlights include:**

- ◆ Shoreline Undergrounding: North City and Aurora Avenue North (8320): \$2 million in 2012 allocations. This project shows an additional \$1.7 million in 2012 allocations from the 2011-2016 Adopted CIP, and reflects additional requests for undergrounding work in Shoreline. Costs for this project are fully recovered through rate adjustments to City of Shoreline ratepayers per the terms of City Light’s franchise agreement.
- ◆ Streetlight LED Conversion Program (8441): \$5.6 million in 2012 allocations. This program replaces all residential streetlight fixtures with energy-efficient LED fixtures and is scheduled to be complete in 2015. Costs for this project are recovered through Streetlight rates.

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- ◆ Alaskan Way Viaduct and Seawall Replacement – Utility Relocations (8307): \$41.4 million in 2012 allocations. This project shows a \$14.7 million decrease in 2012 allocations from the 2011-2016 Adopted CIP. This reflects changes in the project schedule rather than any significant change to the total project cost. The project provides for the relocation of utility infrastructure in conjunction with the Washington State Department of Transportation project.
- ◆ Mercer Corridor West Phase Relocations (8443): \$436,000 in 2012 allocations. This project shows a \$7.6 million decrease in 2012 allocations from the 2011-2016 Adopted CIP. This reflects reduced cost estimates in response to project scope changes. As a result of design revisions, fewer transmission lines will need to be relocated and the amount of utility undergrounding has been reduced.
- ◆ First Hill Connector Streetcar (8442): \$2.1 million in 2012 allocations. This project shows a \$2 million increase in 2012 allocations from the 2011-2016 Adopted CIP, and reflects additional costs due to the refined scope of the Streetcar project. The project provides for utility relocations and distribution system improvements along the Streetcar route.
- ◆ Cedar Falls – Chester Morse Lake Pump Station Line Extension (8420): \$1 million in 2012 allocations. This project shows a \$1 million increase in 2012 allocations from the 2011-2016 Adopted CIP. The project costs reflect scope and schedule changes in SPU's project to build a back-up pump to support water operations during drought conditions at Chester Morse Lake. This project builds the distribution line to support the pumps and costs will be billed to SPU. City Light's system capacity improvements to support this project are covered in Cedar Falls Switchyard – Expansion for Morse Lake Pumps (7805).
- ◆ Creston-Nelson to Intergate East Feeder Installation (8430): \$1.8 million in 2012 allocations. This project installs a new feeder to supply the Intergate East Internet Center in Tukwila at the customer's request. The 2012 allocations reflect an additional \$1.6 million over the 2011-2016 Adopted CIP which is due to the customer's deferral of the project. Project costs will be billed to the customer.

Central Utility Projects: Projects in this category provide for centralized billing and customer service systems, financial and information technology systems that are critical to the Utility's operation, and vehicle fleets and facilities that are not part of the power generating plant (e.g., equipment shops, service centers, maintenance yards).

For 2012, the CIP includes \$19.8 million for 25 projects in Central Utility Projects. **Highlights include:**

- ◆ Inventory System Redevelopment (9959): \$0 in 2012 allocations. This is a new project in the CIP with \$1.6 million in total proposed spending to replace an unsupported supply chain and inventory management system that was last updated in 2002. The current system is experiencing loss of functionality due to its age, including the loss of barcode reading capability and increased platform instability. The project is scheduled to begin in 2013.
- ◆ Vehicle Replacement (9101): \$8.9 million in 2012 allocations. This project provides for the scheduled replacement of vehicles. The Utility maintains a fleet of approximately 500 light duty vehicles and 430 heavy duty vehicles, including some very specialized and complex equipment (such as bucket trucks for maintaining distribution lines, a high aerial platform for maintaining transmission wires, and mobile cranes at the dams). The estimated replacement value of the vehicle fleet is \$95 million.
- ◆ Pole Yard Relocation (9226): \$263,000 in 2012 allocations. This project was created in the 2011 Second Quarter Supplemental Budget and appears as a new project in the 2012-2017 Proposed CIP. The Pole Yard was displaced from the South Service Center to accommodate new off-

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ramps from the Spokane Street Viaduct. The current temporary site, located along the Duwamish River, has been leased for development of habitat restoration projects to provide mitigation credits for potentially responsible parties on Duwamish Superfund sites. This project will develop a permanent replacement site for the Pole Yard.

CIP Budget Control Levels in the 2012 Proposed Budget

The dollar amounts shown in the CIP are total project costs to be capitalized, and include both direct costs and associated overhead costs. Overhead costs include a share of the department’s support functions (such as finance, administration, and human resources), employee benefits, and interest incurred during construction. City Light applies overhead costs to capital project expenditures only as direct costs are incurred.

Because City Light requests budget authority for indirect overhead costs in Operating Budget Control Levels, the total project allocations in the CIP Programs are higher than the corresponding CIP Budget Control Levels in the 2012 Proposed Budget. A table explaining how the CIP Program totals align with CIP Budget Control Levels in the 2012 Proposed Budget is shown below.

		CIP Programs – Project Totals for 2012					2012 Proposed Appropriations
Direct Costs (in \$1,000s)		Power Supply	Transmission	Distribution	External Projects	Central Utility Projects	
CIP Budget Control Levels	Power Supply & Environmental Affairs – CIP (SCL250)	35,680	0	0	0	10,516	46,196
	Transmission and Distribution – CIP (SCL360)	0	1,570	63,302	0	0	64,872
	Customer Focused – CIP (SCL370)	0	0	20,975	50,294	0	71,269
	Financial Services – CIP (SCL550)	0	0	0	0	7,790	7,790
	Total Direct Costs	35,680	1,570	84,277	50,294	18,306	190,126
Loadings and Overhead Estimates (appropriated separately in Operating BCLs)							
	Interest During Construction	2,313	27	1,565	1,610	534	6,049
	Paid Time Off	876	134	4,967	1,333	138	7,448
	Fringe Benefits	1,371	211	7,775	2,087	216	11,660
	Payroll Tax (FICA)	384	65	2,395	625	57	3,526
	Material	20	104	4,134	2,722	0	6,980
	Transportation	149	125	2,988	926	11	4,199
	Shop	18	0	159	16	9	202
	Administrative & General	3,399	544	20,633	5,412	492	30,480
	CIP Project Allocations (in \$1,000)	44,210	2,779	128,893	65,025	19,763	260,670

City Light typically abandons unspent capital appropriation authority in the CIP Budget Control Levels at the end of each year and re-appropriates the necessary capital authority in the following year’s budget. In order to manage total spending on certain high-profile projects, the Utility manages the total “lifetime” appropriations for some projects and carries forward the unspent capital appropriation authority for these

projects into subsequent years. This allows for careful review of project changes, and easier tracking of total budget and spending on these projects. Examples of “lifetime” appropriation projects include:

- ◆ Alaskan Way Viaduct and Seawall Replacement – Utility Relocations (8307)
- ◆ Mercer Corridor Relocations (8376)
- ◆ Mercer Corridor West Phase Relocations (8443)
- ◆ First Hill Connector Streetcar (8442)
- ◆ North Downtown Substation Development (7757)
- ◆ Work and Asset Management System (9941)

Because unspent “lifetime” budget authority is carried forward from year to year, the allocations for these projects can vary significantly from the spending plans shown on the project pages. The spending plans reflect the anticipated scheduled spending on these project. Other project may also show variance between allocations and spending plans because of encumbrances for multi-year contracts on the project.

Anticipated Operating Expenses Associated with Capital Facilities Projects

Operations and maintenance costs, where identified, are included in the Department’s operating budget. In some projects, City Light has identified operations and maintenance costs of zero, or has not calculated a number (N/C). In these cases, the cost impacts of the project are either insignificant or are offset by cost savings realized by other projects.

