



Seattle City Light

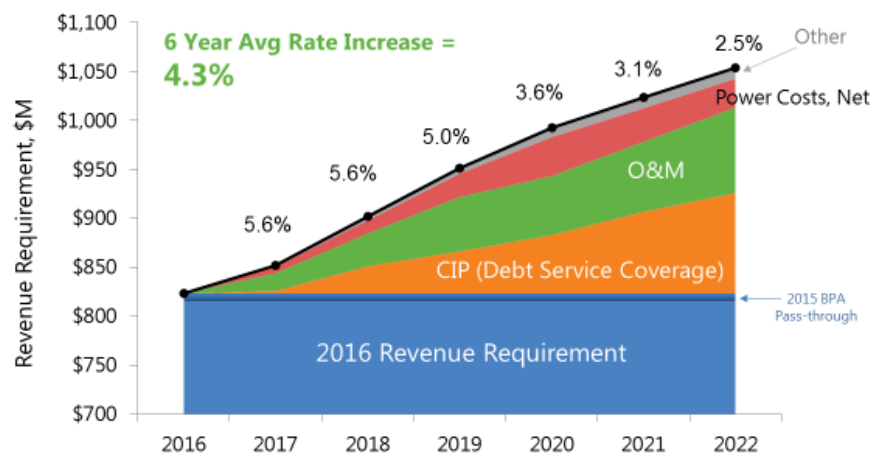
# CITY LIGHT COSTS – REVIEW OF 2016-2017 BASELINE PRESENTATIONS

Review Panel

Paula Laschober | February 27, 2018

# RATE INCREASE DRIVERS (2017-22 STRATEGIC PLAN)

## INCREASE DRIVERS 2016-2022

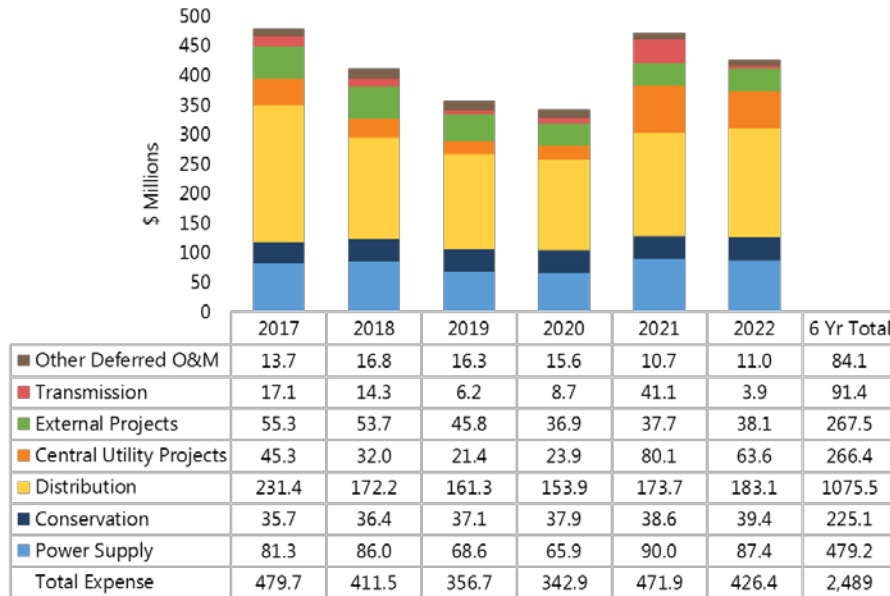


- 2019-2022 drivers will be similar – 1 change = load forecast
- Will start with 2018 revenue requirement
- CIP reflects debt service (1.8x)
- O&M = inflation + known operational changes (e.g., strategic initiatives)
- Power costs = inflation in long-term contracts + known changes
- Other = taxes, franchise payments & uncollectable revenue, net of miscellaneous revenue (like investment income, property sales)

Presented October 18, 2016

Will be updated when 2019-2024 rate path decisions are made

# ADOPTED CAPITAL IMPROVEMENT PROGRAM



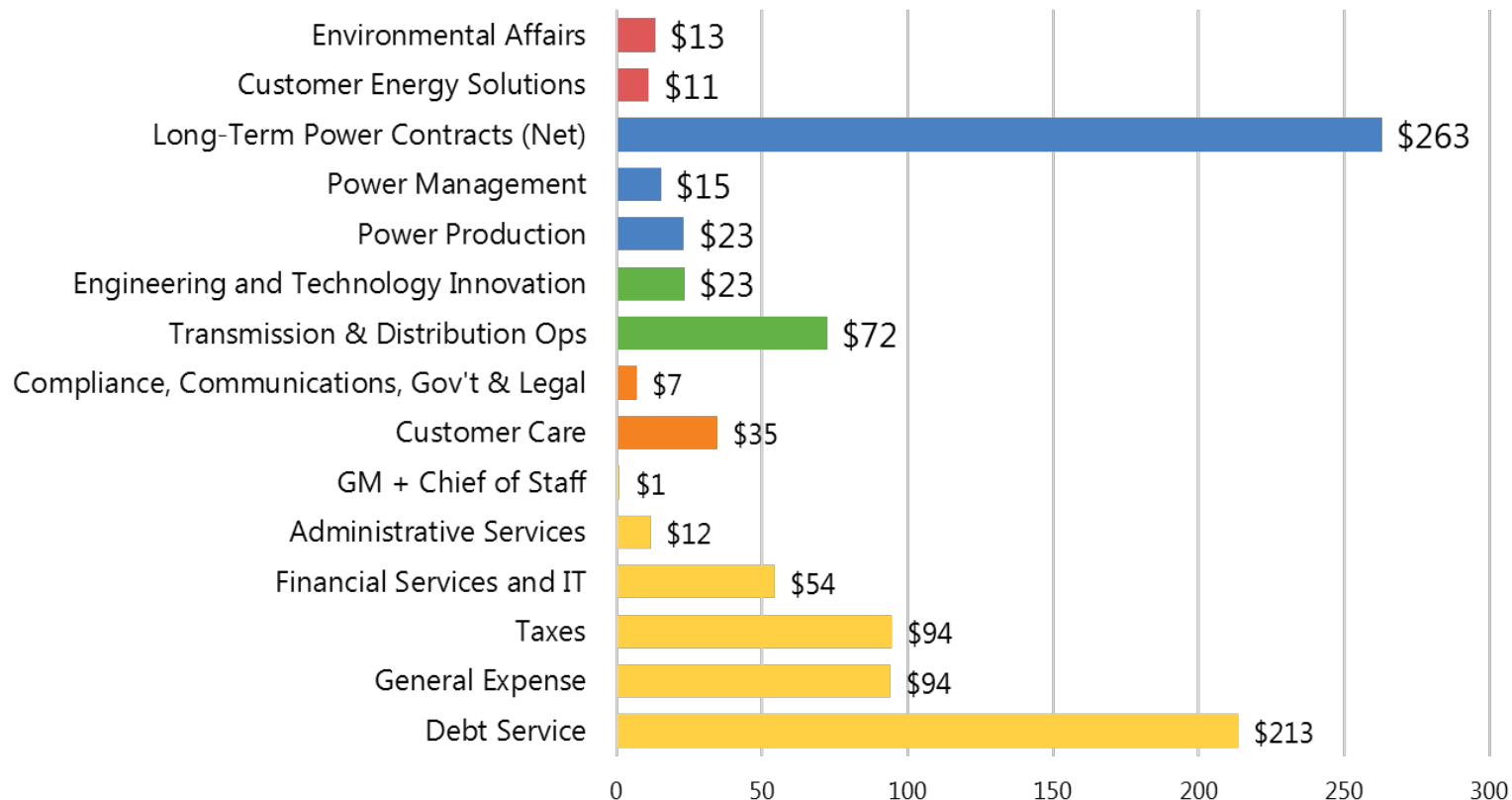
Presented November 22, 2016

2019-24 CIP will be lower in 2021-2022 due to removal of \$100M for new service center

- Power Supply-generation facilities, e.g., reservoirs, dams, turbines
- Conservation-O&M treated like CIP (=long-lived "power resource")
- Distribution-poles, wires, vaults, transformers, substations, AMI...
- Central Utility Projects-buildings, computers, furniture, communications & mobile systems...
- External Projects-infrastructure relocation due to Viaduct, other street projects, streetlights, City IT projects...
- Transmission-poles, wires, towers that carry power from generation facilities to substations
- Other Deferred O&M-environmental cleanup & mitigation, relicensing...

# OPERATING COST (O&M) OVERVIEW

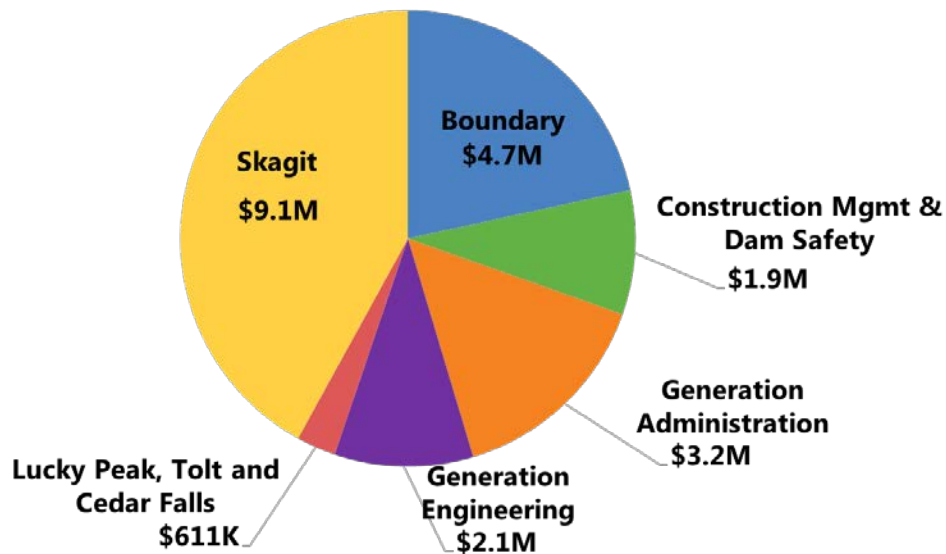
## Major Operational Expenses (\$M)



Presented April 25, 2017

# O&M: POWER PRODUCTION (GENERATION)

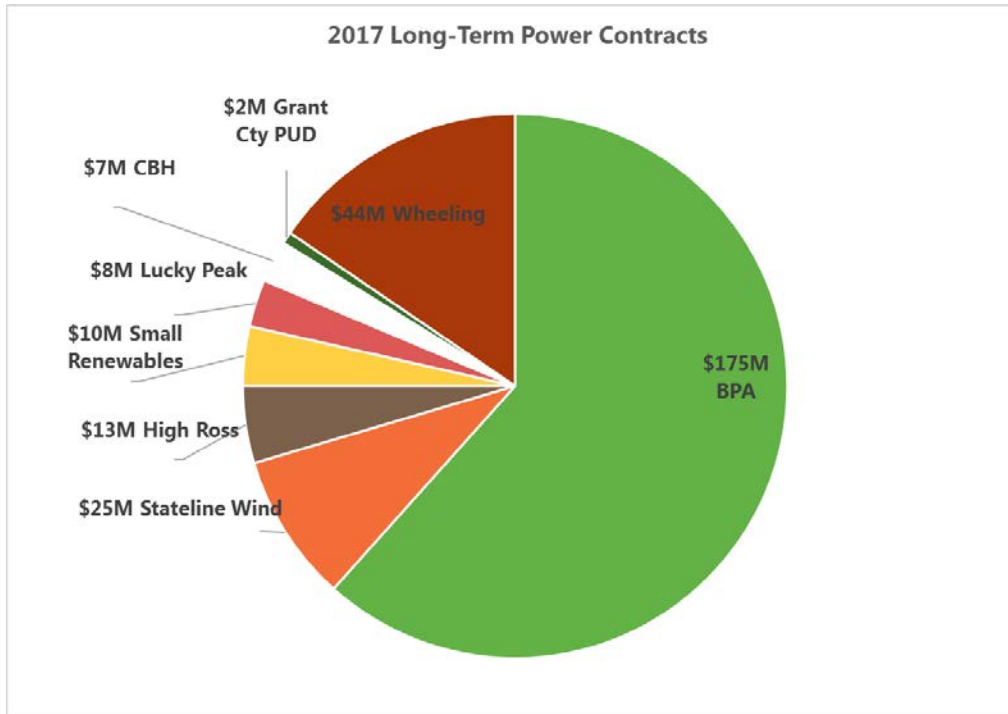
2017 Power Production O&M Budget: \$21.8 M



- Labor=\$13M, non-labor \$8.8M
- Boundary & Skagit hydro facilities = \$13.8M (64%) = salaries, operating supplies, maintenance

Presented November 22, 2016

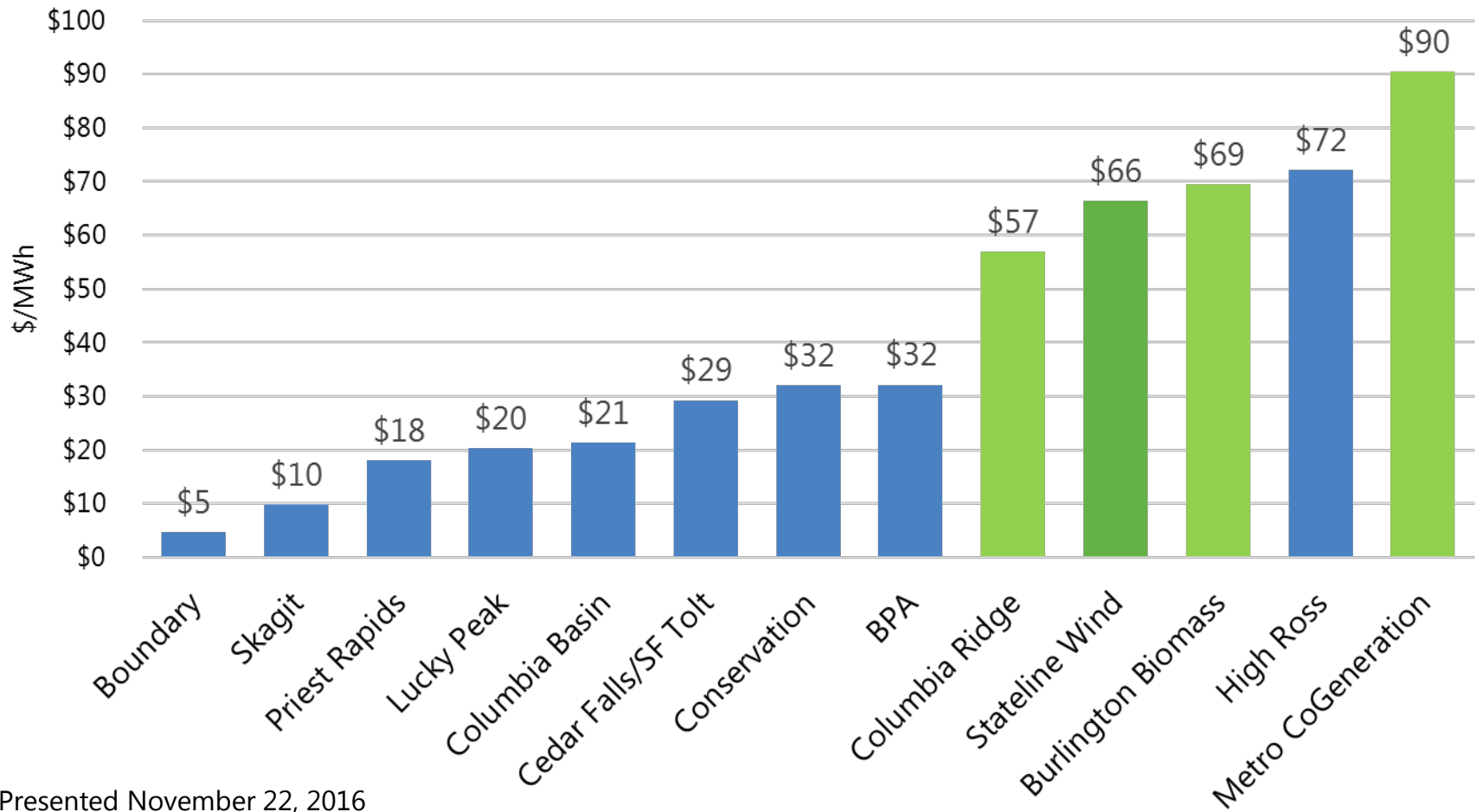
# LONG-TERM POWER CONTRACTS



- High Ross = BC Hydro power, per 1986 agreement not to raise Ross Dam
- Small Renewables = Columbia Ridge biogas, King County West Point co-gen, SMUD biomass
- Lucky Peak = Idaho irrigation project
- CBH = SCL share of 5 Columbia Basin Hydro plants
- Grant County PUD = SCL share of Priest Rapids project
- Wheeling: transmission over lines owned by others; BPA = \$43M
- Not shown: \$13M revenue from power contracts and \$8M power marketing revenue, which offset l-t contract costs

Presented November 22, 2016 but not in detail

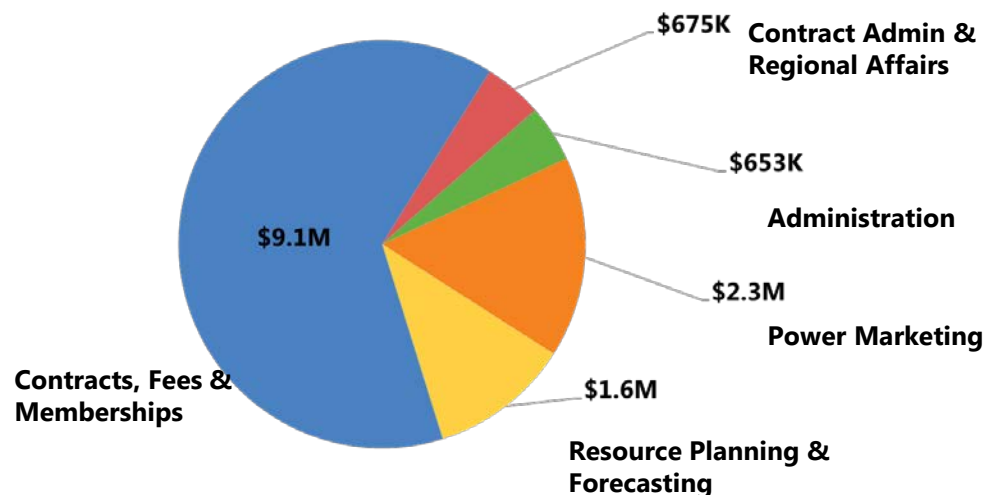
# POWER COST BY SOURCE (2014 DATA)



Presented November 22, 2016

# O&M: POWER MANAGEMENT

2017 Power Management O&M Budget = \$14.4 M



Presented November 22, 2016

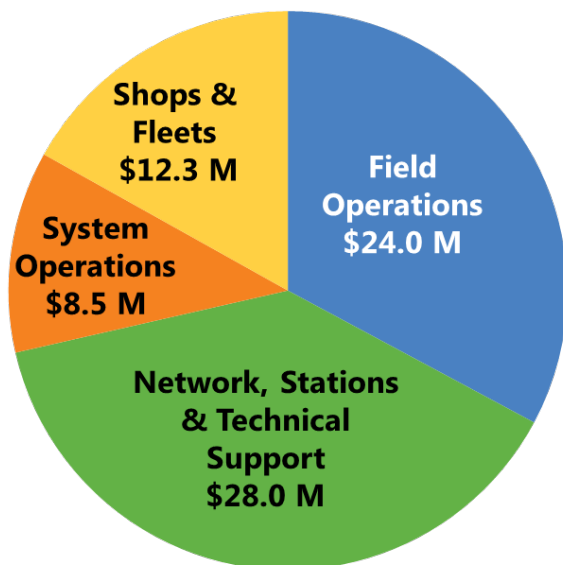
- Costs associated with obtaining, forecasting, analyzing, trading and balancing power
- Labor=\$4.6M, non-labor \$9.8M
- Contracts/Fees... = 64% (\$9.1M).
  - \$7.6M = FERC land use charges and administrative fees.
  - Dues & memberships in power-related organizations such as Northwest Power Pool (NWPP), North American Energy Standards Board (NAESB), Pacific Northwest Utilities Conference Committee (PNUCC) to ensure continued access to cost-effective, environmentally sound electricity supply
  - Consulting-Western Energy Imbalance Market (EIM) and Skagit snow survey
- Power Marketing = trading wholesale power and selling surplus transmission, capacity, etc.





# O&M: TRANSMISSION & DISTRIBUTION

**2017 O&M Budget = \$72.8M**

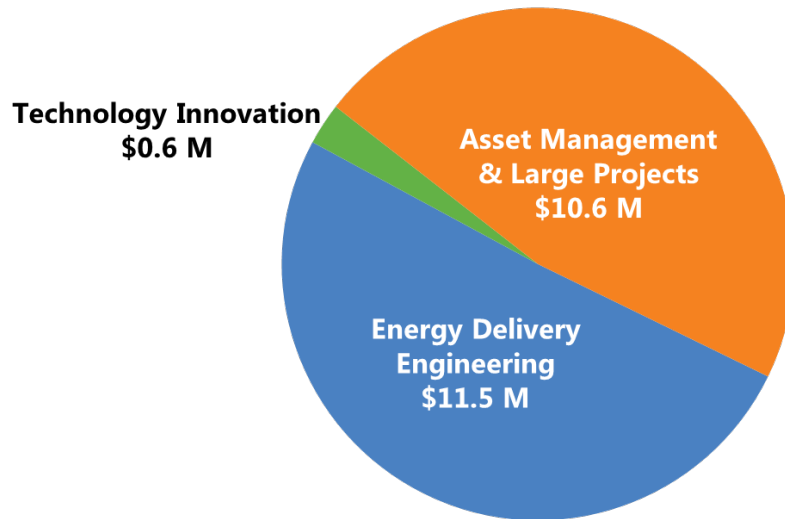


Presented December 15, 2016

- Labor=\$51M, non-labor=\$22M
- Shops & Fleets = metal, carpentry, equipment testing shops; vehicle maintenance (big trucks, cars) and fuel
- System Operations = power dispatchers, 24/7 operation of electrical grid
- Field Operations = line crews that work on poles, wires, transformers, etc.; civil crews who install/maintain underground systems (conduit & vaults); planning & scheduling of crew work
- Network, Stations & Tech Support = warehouse for materials, tool rooms, power line clearance, substation operations, protective relays & communications (fiber & radio systems)

# O&M: ENGINEERING & TECHNOLOGY INNOVATION

2017 O&M Budget = \$22.7 M

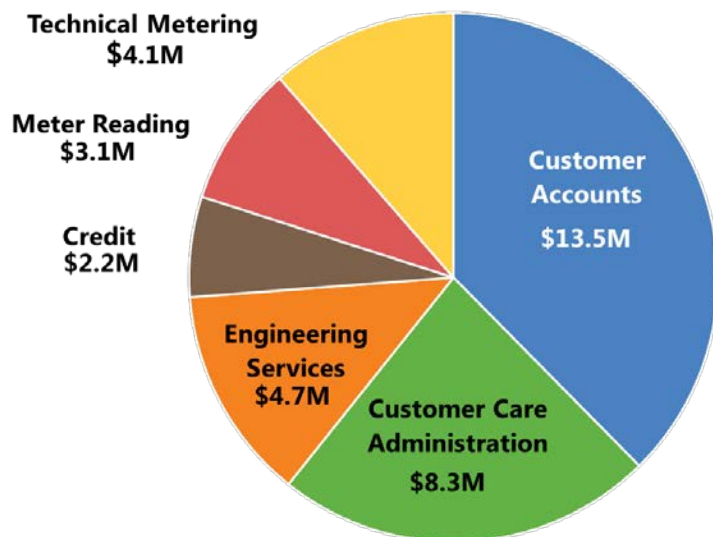


Presented December 15, 2016

- Labor=\$14.6M, non-labor \$8.1M
- Not much O&M, mostly manages capital projects
- Asset Mgmt & Large Projects = manages Alaskan Way Viaduct, Sound Transit & other large transportation projects; also mapping, material standards and asset management
- Energy Delivery Engineering = engineering for transmission, distribution, network, substations, protection & control, joint use (pole attachments) and street lighting
- Technology Innovation = evaluates new distribution technology (e.g., solar, EVs, automation, micro-grids)

# O&M: CUSTOMER CARE

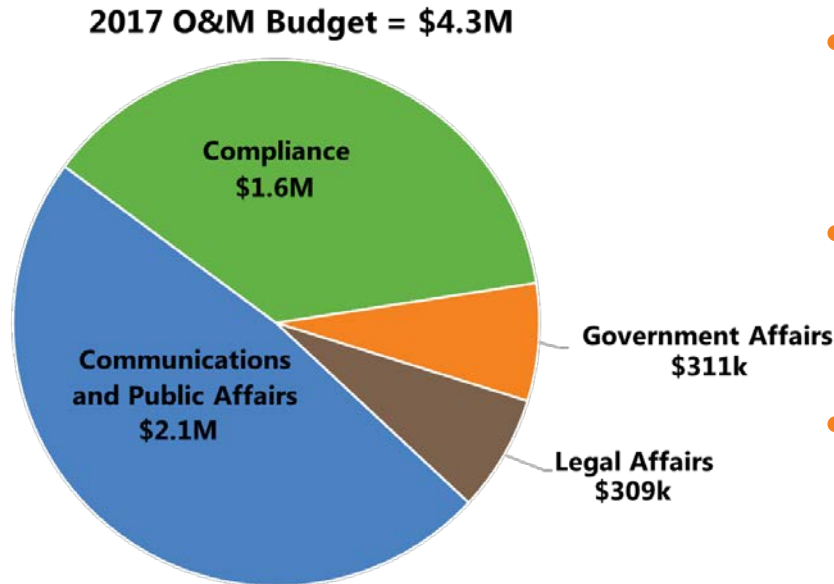
2017 Customer Care O&M Budget = \$35.9M



Presented January 24, 2017

- Labor = \$19.7M, non-labor \$16.2M
- Customer Accounts includes processing bills & customer assistance, as well as:
  - Acct Exec Office for large customers (\$0.9M)
  - Payment to Call Center run by SPU (\$6.4M)
- Customer Care Admin includes:
  - \$1.0M planning & implementation
  - \$1.5M AMI managed service contract
  - \$2.3M billing system support
  - \$0.3M software updates
  - \$1.2M office services (bill mailing & sorting, internal mail distribution)
- Engineering Services = electrical service engineers (\$1.2M) and North and South customer engineering (\$3.5M)
- Credit & Collections = \$2.2M for credit investigations, collecting past-due bills
- Meter Reading/Tech Metering: redeployed to AMI/other customer service

# O&M: COMPLIANCE, COMMUNICATIONS, LEGAL AFFAIRS, GOVERNMENT AFFAIRS

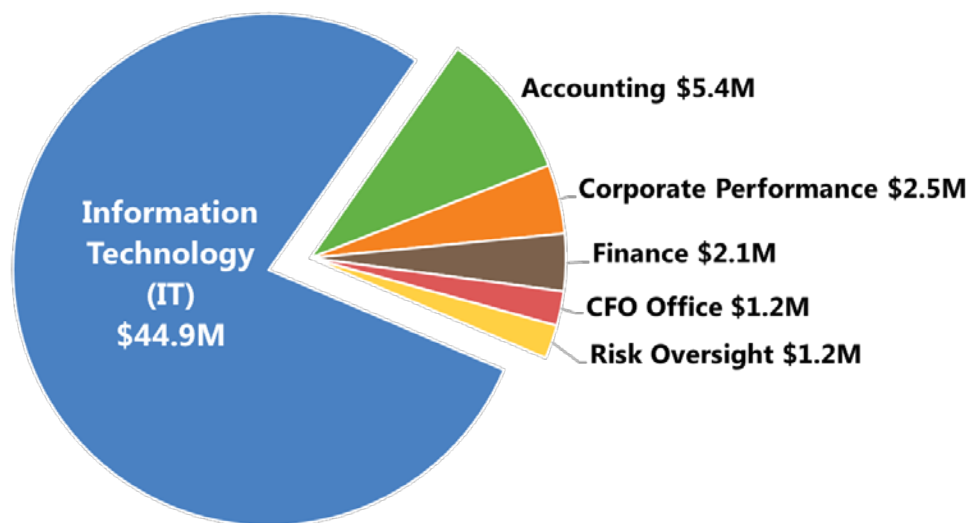


Presented January 24, 2017

- Labor = \$3M, non-labor \$1.3M
- Compliance: responsible for SCL compliance with NERC reliability standards and Cyber/physical security
- Government Affairs: tracks and influences local, regional and national policy issues affecting City Light
- Communications/Public Affairs: internal and external SCL communications--Web site, social media, graphics design, videos, flyers, customer outreach/research, publications (like annual financial report and strategic plan)
- Legal Affairs: internal SCL lawyer, hearing examiner

# O&M: FINANCIAL SERVICES

**2017 Financial Services O&M Budget = \$57.3M**



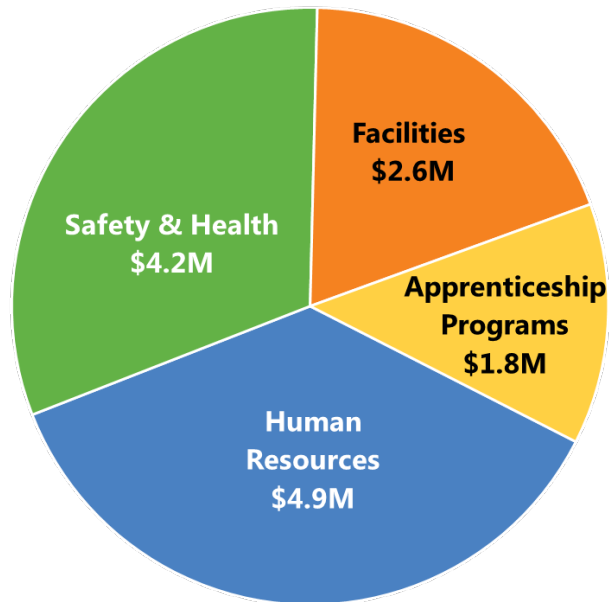
Presented February 28, 2017

(Now includes GM/Chief of Staff budget, approx. \$1M)

- IT \$ allocated to Seattle IT and billed back to SCL
- Other labor \$9.2M, non-labor \$3.2M
- Accounting: financial & cost accounting, accounts payable, contracting, material control
- Corp Perf: data warehouses, reports, performance metrics, WMBE oversight, benchmarking
- Finance: financial forecasting, rates, budgeting, bonds
- Risk: "back office" for wholesale energy trading operations; enterprise risk management
- CFO office includes administrative support for IT operations and departmental policies

# O&M: ADMINISTRATIVE SERVICES

**2017 Administrative Services O&M Budget = \$13.5M**

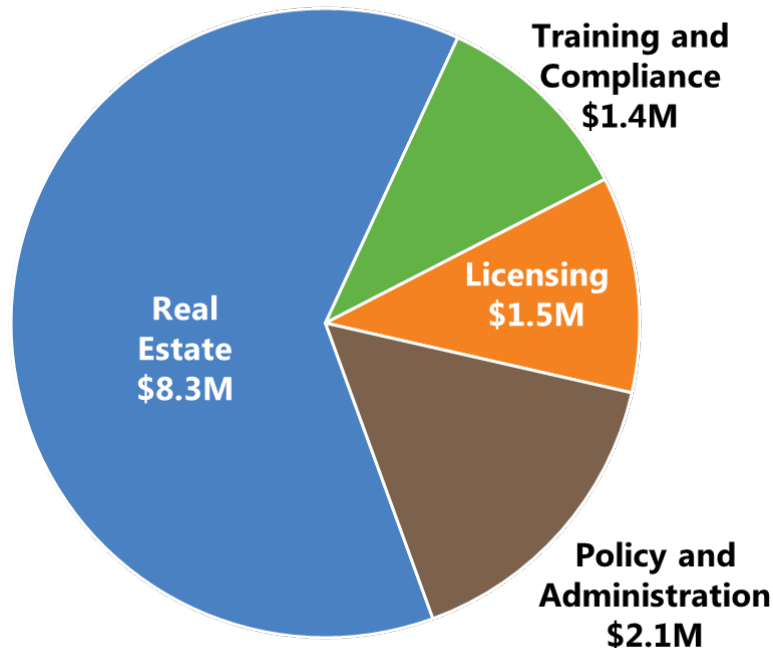


Presented February 28, 2017

- Labor = \$9M, non-labor \$4.5M
- Facilities: maintenance of all City Light structures
- Apprenticeship: training in SCL electrical trades, e.g., lineworkers, cable splicers
- Safety & Health: tracks workplace incidents, promotes employee (and contractor) safety and health programs like accident prevention & ergonomics, oversees fire retardant clothing program for field staff
- Human Resources: oversees all recruitment & hiring, labor relations, training/development/tuition programs, internship program

# O&M: ENVIRONMENTAL AFFAIRS (+LAND/LICENSING)

**2017 O&M Budget = \$13.3M**

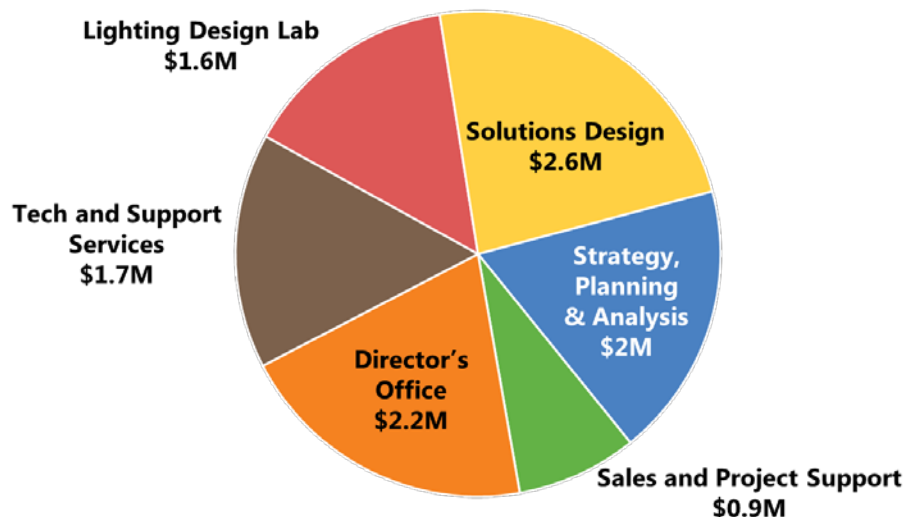


Presented March 28, 2017

- Labor = \$3.6M, non-labor \$9.7M
- Real Estate:
  - \$6.6M = rent for SCL building space
  - Maintenance of SCL surplus properties
  - Service easements, permits, encroachments
- Licensing: SCL generation projects
- Policy & Administration:
  - Greenhouse Gas offsets = \$1.2M
  - Climate change impact and adaptation studies = \$0.2M
  - Fish research = \$0.1M
- Training & Compliance:
  - Environmental analysis, review and permits
  - All other environmental cleanup and mitigation (except deferred O&M treated like CIP, approx. \$12M)

# O&M: CUSTOMER ENERGY SOLUTIONS

2017 O&M Budget = \$11.1M



Presented March 28, 2017

(Note: Does NOT include deferred O&M treated like CIP – \$30M, e.g., business & Office of Housing incentive payments, low income conservation programs, EV charging stations, conservation tracking software, payments to Seattle Dept. of Construction and Inspections for energy code work (\$.5M), consulting (\$1M), etc. - labor=\$3.4M)

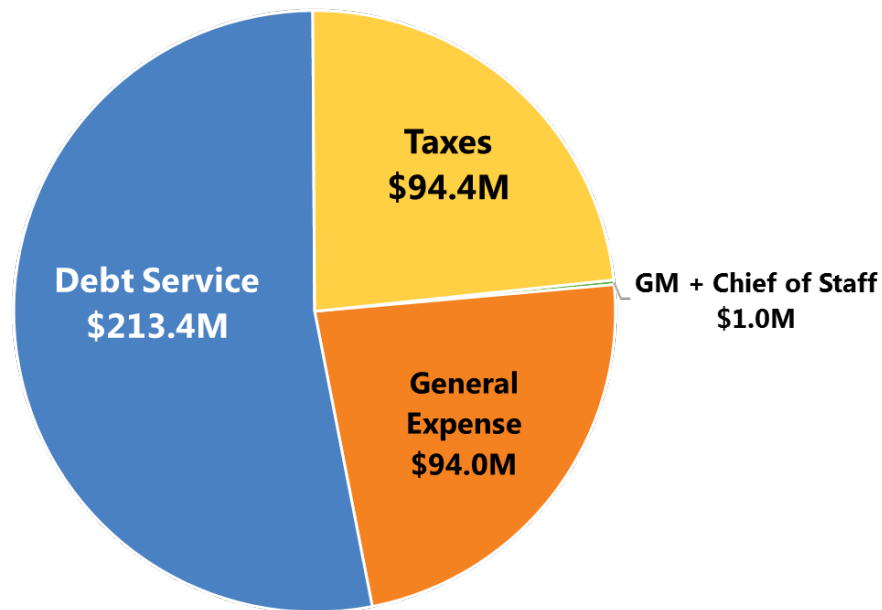
- Labor = \$4.7M, non-labor \$6.4M
- Solutions Design:
  - Designs & manages all energy efficiency and sustainable energy programs (e.g., appliance rebates, GreenUp, solar, EVs)
  - Includes OPower (customer report re power use compared to neighbors) - \$0.9M
- Strategy, Planning & Analysis assesses market opportunities, develops business strategies
- Sales & Project Support: sells & facilitates delivery of energy efficiency & sustainable energy solutions to customers
- Director's office includes \$1.1M for Northwest Energy Efficiency Alliance (cost-effective EE)
- Tech & Support Services: resources to enable efficient business operations
- Lighting Design Lab: promotes adoption of efficient lighting technologies





# DEBT SERVICE, TAXES, GENERAL EXPENSE

2017 O&M Budget = \$402.8M

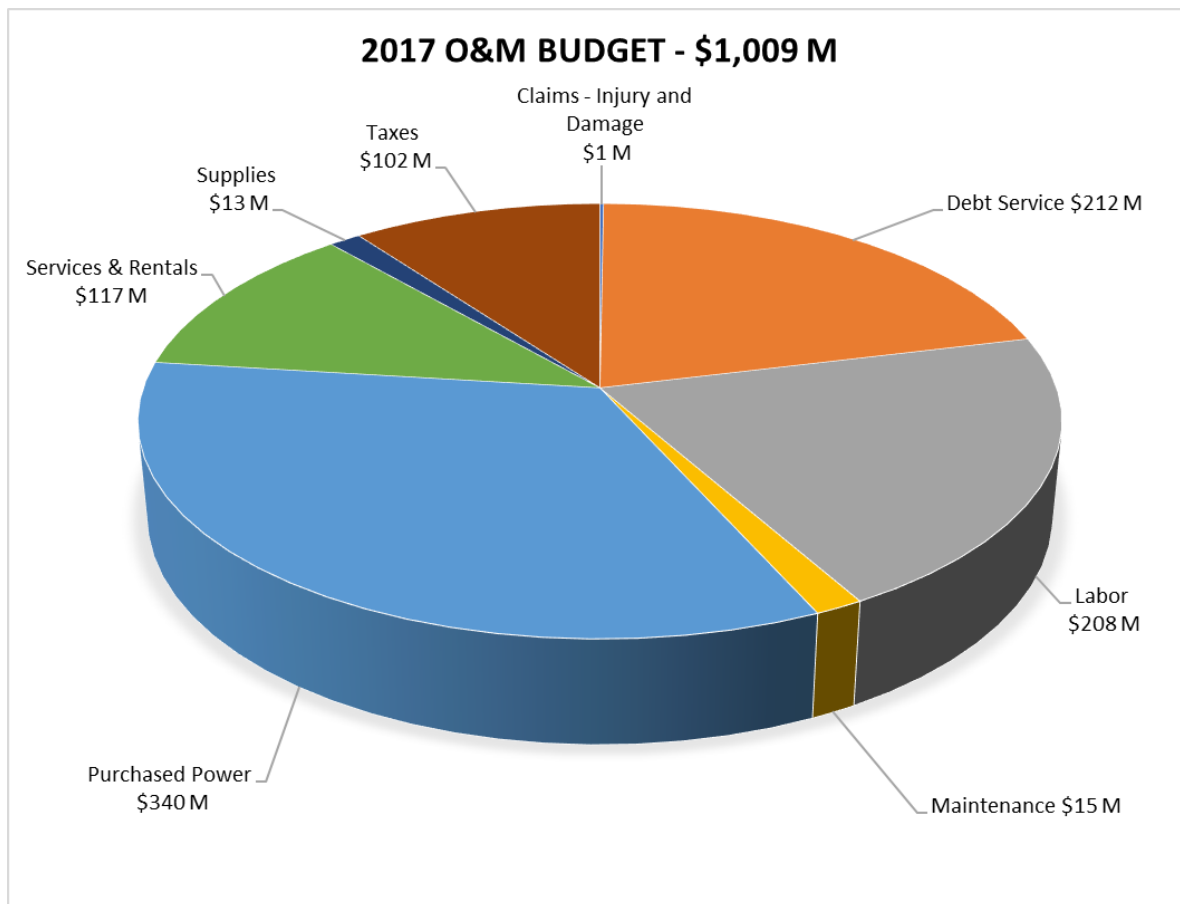


Presented February 28, 2017

- Debt Service on \$2 Billion long-term debt (bonds)
- Taxes: 6% City (\$54M), 3.87% State (\$30M), contract payments to suburban cities
- General Expense:
  - Labor benefits: \$74M
  - Other City dept. services: \$16M
  - Credit card/attorney fees: \$2.6M
  - Injury/damage claims: \$1.5M
- GM/Chief of Staff (now budgeted in Financial Services): mostly salaries and utility-wide memberships (like American Public Power Association and Large Public Power Council)

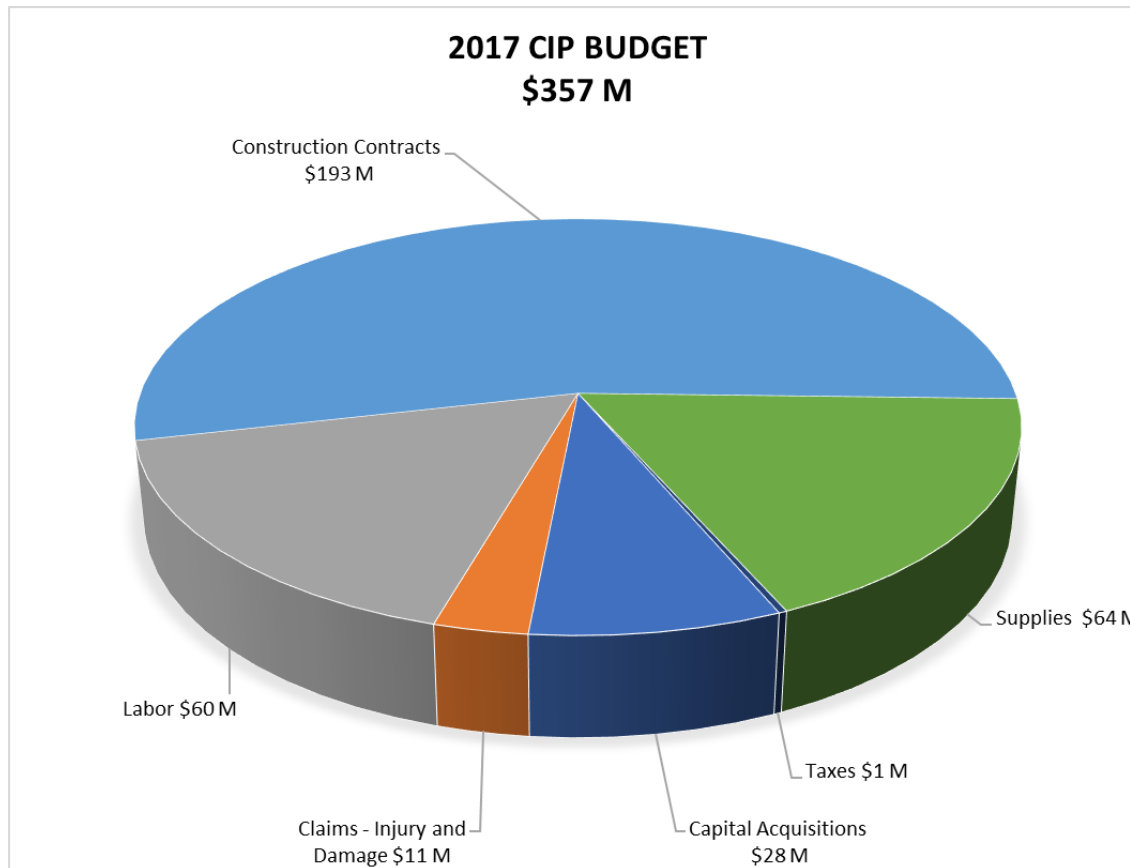


# BUDGET SUMMARY—BASELINE O&M



- “Taxes” includes \$94M shown before + \$8M in licenses and permits
- Purchased Power > than actually spent – includes long-term contracts (net \$263M) and also enough purchase authority for wholesale purchases (before netting against wholesale sales)

# BUDGET SUMMARY-BASELINE CAPITAL



- “Taxes” = various permits, e.g., street use and construction
- Capital Acquisitions = land, large pieces of equipment (e.g., transformers), large vehicles

# PROPOSED BASELINE RATES FOR SP 2019-2024

	2018	2019	2020	2021	2022	2023	2024	AVG
Revenue Requirement \$M	\$888	\$943	\$974	\$1,006	\$1,024	\$1,050	\$1,082	
Retail Sales GWh	9,456	9,279	9,230	9,116	9,034	8,955	8,903	
Avg Rate	9.40	10.17	10.55	11.04	11.33	11.73	12.15	
Annual Change		8.2%	3.8%	4.6%	2.7%	3.5%	3.6%	4.4%
<b>Typical Bill Impacts:</b>	<b>Mo. Bill</b>	<b>Monthly Increase</b>						
Residential	\$ 65.00	\$ 5.30	\$ 2.67	\$ 3.33	\$ 2.05	\$ 2.72	\$ 2.94	
UDP	\$ 26.00	\$ 2.12	\$ 1.07	\$ 1.33	\$ 0.82	\$ 1.09	\$ 1.18	

Avg. annual increase due to declining load forecast = 1%

Avg. annual increase due to inflation and other cost increases = 3.4%

# CITY LIGHT

## OUR MISSION

Seattle City Light is dedicated to delivering customers affordable, reliable and environmentally responsible electricity services.

## OUR VISION

We resolve to provide a positive, fulfilling and engaging experience for our employees. We will expect and reinforce leadership behaviors that contribute to that culture. Our workforce is the foundation upon which we achieve our public service goals and will reflect the diversity of the community we serve.

We strive to improve quality of life by understanding and answering the needs of our customers. We aim to provide more opportunities to those with fewer resources and will protect the well-being and safety of the public.

We aspire to be the nation's greenest utility by fulfilling our mission in an environmentally and socially responsible manner.

## OUR VALUES

Safety, Environmental Stewardship, Innovation, Excellence, Customer Care



Seattle City Light