



Initiative #4: Managing the Cost of Growth

INITIATIVE INFORMATION

Business Unit/Division	Engineering Technology and Innovation/Financial Services Business Unit						
Initiative Executive Sponsor	Pavel Krupa/Paula Laschober						
Initiative Project Manager	Tuan Tran/Kristi Mauck/Kirsty Grainger						
Legally mandated/Required?	No						
(\$000's)	2019	2020	2021	2022	2023	2024	Total
O&M \$ Amount	150	150	150	50	50	50	600
CIP \$ Amount	350	2,350	10,850	12,600	12,600	10,600	49,350
FTEs Added	0	0	0	0	0	0	0

INITIATIVE SUMMARY

- a) Description: City Light's service territory is growing rapidly, adding thousands of service connections each year. Customer-driven requests and system expansion represent significant capital cost. This initiative will look at what City Light can do to minimize these costs and ensure developers are reimbursing the utility appropriately. At a glance, contributions (contributions in aid of construction, or CIAC) and fee revenue appear to recover only about a third of "customer focused" capital costs. Is the utility appropriately recovering the costs of system expansion?
- b) Component(s) of initiative:
 - **Audit**: Study fees and charges for customer-initiated construction services, and determine if they yield sufficient revenue to recover the appropriate portion of costs. (No added cost or FTEs)
 - **Policy recommendations**: A proposal of new and amended policies that would dictate what components of system work are charged upfront, and what is added to rates.
 - **Related large projects**:
 - i. **UW Expansion**: Capital (\$46.5M total) for system work to serve the electrical needs of the University of Washington's Campus Expansion plan. Includes work to build feeder and substation infrastructure to serve 24 MW of new load in the University District. The system currently in place is less than optimal and will benefit from improvements to operability and reliability. Expected to be about 80% reimbursable.
 - ii. **Sound Transit 3 (ST3) Expansion**: Capital (\$2.8M) and O&M (\$600k) to support system expansions associated with Sound Transit 3 (ST3). Two contract positions (O&M) would

join the Large Project group to oversee the implementation of City Light's ST3 program. Expected to be 100% reimbursable.

- c) Business Value: This initiative could reduce rates if costs that are not recovered through targeted fees become part of the general rate base and add to rate pressure. Reimbursable system improvements would be tracked to ensure that costs are recovered and in a timely manner.

2019 - 2024 INITIATIVE MILESTONES AND DELIVERABLES

Milestone	Due Date	Deliverables and Comments
Initiative Start	6/30/2019	Preliminary analysis, identify areas of study, and scope. Include the review of results and recommendations from 2018 recovering cost of service connection work (pilot study underway).
Installation Charges	12/31/2019	Report on charges and recommend changes
Implement new installation charges	4/1/2020	New fees in DPPs approved
Study impact of major system expansions	6/30/2020	Report on upcoming major system expansions and potential costs
Implement recommended policy changes	4/1/2021	Implement policy changes in SMC and DPPs
Audit/Policy Initiative Complete	Q1/2021	Report on current customer focused capital costs and expected contributions/revenue
UW: Expansion Design	Q4 / 2019	Complete design of UW expansion
ST3: Start	Q1 / 2019	Environmental Review and Project Development Phase
ST3: Design Start	Q2 / 2022	Start of design based on current (8/2017) high level ST3 Central Corridor schedule
ST3: Construction Start	Q2 / 2025	Start of construction based on current (8/2017) high level ST3 Central Corridor schedule
ST3: Construction End	Q4 / 2035	End of construction

SOCIAL EQUITY

This initiative could reduce cost impacts of development and urban growth on vulnerable populations.

STAKEHOLDER OR CUSTOMER IMPACT

In general, this is not expected to be a contentious issue. However, large increases to installation charges and other fees could be met with pushback from developers and other impacted customers, particularly if changes are not communicated thoughtfully.

METRICS

- Amount of revenue for various construction services and percentage of cost
- Increased revenue amount
- Cost recovery for large projects