

2013 – 2018 Strategic Plan Update

Final Strategic Initiative Summary

BUDGET/RATE ALIGNMENT

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

City Light streamlined its budget development process by purchasing a new budget system and aligned 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 Three outdated software systems were replaced, and the new system was integrated with existing forecasting and rate software. The new system was used beginning with the 2015-2016 budget process.

This initiative was completed, and work continues as part of baseline operations.

NET WHOLESALE REVENUE PRACTICES

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

Prior to implementation of this initiative, City Light's net wholesale revenue budget target was calculated as the simple average of net wholesale revenues realized in past years beginning with 2002 (Ordinance 123260, 2010). The 2013-2018 Strategic Plan altered the budget target to be a set value which would become more conservative each year. The 2015-2020 Plan Update further reduced the target to reflect lower expectations for future wholesale market prices. The Strategic Plan proposed for the 2017-2022 period maintains the target levels of the initiative through 2020, but reduces it further in 2022.

This initiative was completed, and work continues as part of baseline operations.

RATEPAYER ADVOCACY INITIATIVE

CR3: Strengthen ratepayer advocacy in the rate process

During implementation of this initiative, City Light restructured the rate review process as well as updates of the strategic plan to ensure meaningful ratepayer input. The new process involves the Seattle City Light Review Panel as well as outreach to customers. City Light will continue to communicate and seek opportunities to improve this process.

This initiative was completed, and work continues as part of baseline operations.

COST OF SERVICE & RATE DESIGN POLICIES

CR4: Review and update cost of service and rate design policies for 2013 – 18

In 2016, City Light completed the update for 2017 and 2018 rates that reflected the authorized base budgets and strategic initiative spending in those years. As planned, the utility worked with the review panel, mayor and council to develop these rates and to reflect new policy decisions in the cost of service and rate designs.

This initiative was completed, and work continued as part of baseline operations. A rate design initiative is included in the 2019 – 2024 Strategic Plan.

CUSTOMER-FOCUSED WEBSITE/SERVICES

CR5: Customer Portal Development

Customer Focused Portal Development (formerly called Web Redevelopment) makes 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 enhances not only overall customer satisfaction but operational efficiency as well. The goal was to provide an informative, easy-to-use portal that offers customers 24/7 access to a wide range of City Light programs and services. This project was included in the new customer information system (NCIS) replacement project. System implementation occurred in fall 2016. Improvements to the portal will be ongoing.

This initiative was completed, and work continued as part of baseline operations. A customer service initiative is include in the 2019 – 2024 Strategic Plan.

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 the utility. This included a benchmarking and best practices study as well as initiation of a transactional customer satisfaction survey. These analyses resulted in a work plan that identified business process improvement efforts. The process improvements included increased customer self-service options, enhancements to the automated voice response system and implementation of technology changes to support improved customer service and operational efficiency. Projects included in the initial work plan were implemented in 2014.

This initiative was completed, and work continues as part of baseline operations.

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 with an environmental report and website. Key accomplishments include: Mapping vegetation and assessing habitat conditions in the ROW for the Creston-Duwamish transmission line; Implementation of a pilot vegetation study to determine effectiveness of native pollinator habitat to suppress weeds and trees on ROW, with initial results supporting effectiveness of habitat approach; and collaboration with Duwamish Alive,

Duwamish River Clean-up Coalition, and other habitat stewardship efforts in the Green-Duwamish watershed, including development of two symposia and three workshops focused on building inclusive collaboration to solve environmental justice issues; Established a low-input nursery, focused on growing native species that require very little water or care but are pollinator friendly, to help propagate appropriate plants for ROW stewardship; and recommendations for improving stewardship across the transmission system.

This initiative was completed, and work continues as part of baseline operations.

ENVIRONMENTAL LIABILITY REDUCTIONS

CR9: Reduce Environmental Liability

The purpose of this initiative was to reduce the presence and use of toxic materials in current operations through implementation of an environmental management plan. The plan coordinates risk reduction efforts including: 1) testing City Light transformers for polychlorinated biphenyls (PCBs) and removal of transformers with a PCB concentration greater than 1 ppm, 2) initiation of projects to reduce the spill risk at generating plants, and 3) development and implementation of an environmental compliance risk reduction program. An environmental compliance auditing program was created. Oil sensors and control valves were installed on Gorge and Ross Transformer Sumps, and if transformers are found to contain PCBs, are routinely removed from operation. Comprehensive testing of transformers with no documented PCB concentration will begin after the implementation of a new tracking system. This is targeted for 2020.

This initiative was completed, and work continues as part of baseline operations.

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 percent discount on electric bills. City Light continues efforts to assist customers who are having difficulty paying their bills by increasing enrollment in this program. At the end of 2018, there were approximately 31,924 customers enrolled. A recent University of Washington study determined that there are approximately 98,000 households eligible for participation. City Light is developing a marketing plan and online application to increase enrollment in 2019. With increased marketing and outreach, City Light aims to help all those who are in need.

This initiative was completed, and work continues as part of baseline operations.

SAFETY CULTURE PROMOTION/PRACTICES

W1: Safe Work Environment

The focus of this initiative was to reduce injury frequency and severity rates. This effort also focused on reductions in motor vehicle accidents, cost per injury, workers' compensation costs, and third-party claims. Several programs were established to meet these goals. A comprehensive driving safety program was developed in 2013. A new safety management system was implemented, and safety awareness became part of new employee orientation in 2014. In 2015, driving simulators were installed and were included in the utility's safe driving

program. These efforts and City Light's focus on improving the City Light safety culture will be an ongoing part of doing business.

This initiative was completed, and work continues as part of baseline operations.

SKILLED WORKFORCE ATTRACTION & RETENTION

W2: Attract, Retain and Promote /Workforce Development

City Light completed the review, development, and implantation of professional certification tracking within Cornerstone, the Human Resources Talent Management System. This accomplishment helped create a full safety training matrix and developed a process for both inputting and tracking required certifications. This allows our skilled trade employees to accurately track their required training, reducing employee downtime and City Light's exposure to fines. In addition, City Light completed a pilot program for knowledge capture and retention in place. This included capturing current processes, location specific operations, and institutional knowledge at risk of loss due to retirement.

This initiative was completed, and work continues as part of baseline operations.

IT SECURITY UPGRADES

A3: Implement IT Security Upgrades

This initiative focused on improving the security of information technology assets by updating and/or replacing the information security infrastructure. Infrastructure modernization includes upgrading firewalls, routers and switches. The outdated network infrastructure is also being improved with implementation of new enterprise security information and event management (SIEM) tools. This initiative defined the operational standards, policies, guidelines and tools to integrate information and operational technology security into a cohesive program to manage the utility's critical assets.

This initiative was transitioned to the Seattle Department of Information in 2016. Work continues as part of Seattle IT's baseline operations.

RELIABILITY & CYBERSECURITY STANDARDS

A4: Compliance Tracking System and Compliance Program Standardization

The Western Electricity Coordinating Council (WECC), the North American Electric Reliability Corporation (NERC) and the Federal Energy Regulatory Commission (FERC) periodically audit City Light for compliance with over 900 critical infrastructure protection and reliability standards requirements. Violations can incur penalties of \$1 million per day of violation. This initiative standardized and automated compliance with these regional and cyber security standards by 1) implementing an online system to manage and track workflows and compliance with the regulatory standards, and 2) adding labor resources to develop a standardized approach to standards compliance, including documented procedures and controls, training, and self-monitoring. The tracking system was implemented in the second quarter of 2017.

This initiative was completed, and work continues as part of baseline operations.

ENTERPRISE GIS

A5: Integrated Geospatial Information System (GIS)

This initiative supports the establishment of a strategic direction for City Light's Geospatial Information Systems (GIS) and the implementation of an enterprise-wide GIS. The solution replaces City Light's existing environment that includes multiple, incompatible GIS systems as well as supporting both the current and emerging GIS needs of the utility. Replacing multiple systems with a single, integrated GIS eliminates redundant data entry, increase data quality and make locational information available. In 2018 a unified GIS database system and end user viewing solution was selected.

This initiative was completed, and system implementation continues as part of baseline operations.

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. Construction for both the network distribution system and the substation facility began in 2016. The Denny substation was energized in May 2018 followed by the work to energize the network distribution system backbone feeders.

This initiative was completed, and work continues as part of baseline operations.

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 is partially reimbursed by other utilities in the area. In 2017, continuation of engineering and construction proceeded in coordination with the Denny substation project. Transmission line inductor installation for the Denny project was completed in 2018.

This initiative was completed, and work continues as part of baseline operations. The Broad substation inductor and capacitor is scheduled for installation in 2020 and 2021.

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.

This initiative was completed, and work continues as part of baseline operations.

STREETLIGHT PLANNING, DESIGN, CONSTRUCTION

A9: Streetlight Infrastructure Replacement

The streetlight infrastructure replacement project replaced 867 (or 18 percent) 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 10-year streetlight horizon plan. Replacement of failing systems reduces costly stop-gap repairs by crews and improves customer safety and satisfaction.

This initiative was completed, and work continues as part of baseline operations.

MOBILE WORKFORCE IMPLEMENTATION

A10: Mobile Workforce Implementation

City Light will implement a mobile workforce solution known as Oracle Field Service Cloud (OFSC). This technology interfaces with City Light's Customer Care and Billing system (CCB), Work and Asset Management system (WAMS) and Outage Management System (OMS). The Oracle Field Service Cloud system will enable comprehensive operational management of work planning, scheduling and dispatching activities. Implementation began with rolling out tablets with appropriate software (such as WAMS) for customer service field reps as well as operations employees in 2017. Full implementation of the Oracle Field Service Cloud System was delayed due to the number of competing projects assigned to the Seattle Department of Information Technology. It is currently projected that the implementation will be completed in early 2020.

This initiative was completed, and work continues as part of baseline operations. Project status will be reported to the Mayor's office though completion.

HYDRO PERFORMANCE AND GENERATOR AVAILABILITY

A11: Improve Hydro System Optimization and Generator Availability

This initiative ensures that investments in and maintenance of City Light's hydro system maximize performance and reduce unit outages. In 2017, an Excel optimization tool was developed 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. Goals through 2018 included prioritizing crew deployment for preventive maintenance to minimize unit outages.

This initiative was completed, and work continues as part of baseline operations.

REGIONAL POWER AND TRANSMISSION LEADERSHIP

A12: Regional and Industry Leadership

This initiative focused on City Light's 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.

This initiative was completed, and work continues as part of baseline operations.

ADVANCED METERING INFRASTRUCTURE

A13: Advanced Meter Infrastructure

In 2014, City Light began implementation of advanced metering infrastructure (“AMI”), which will provide a substantial net financial benefit to City Light as well as greatly improve customer service. AMI provides an operating platform that supports emerging consumer technologies, including customer generation, electric vehicle charging and home energy-management protocols. By the end of 2018, the AMI project had largely completed mass deployment with 409,054 meters installed. Integration between the advanced metering system and the billing system was also completed. The remaining work in 2019 is more complex metering for our key commercial customers and clean-up work that could not be resolved as part of mass deployment.

This initiative was completed, and work continues as part of baseline operations.

TRANSPORTATION ELECTRIFICATION

A14: Transportation Electrification/ Electric Vehicle Infrastructure

Electric transportation, including passenger vehicles, transit and non-road applications, aligns closely with City Light’s environmental ethic and commitment to customer value. A comprehensive strategy was developed in 2015 based on the foundation that every electric vehicle coming on to the grid creates a net benefit to all ratepayers, while supporting the city’s climate action plan. Similarly, analysis has shown that electric vehicle charging offers a highly flexible load that has the potential to optimize the use of existing infrastructure. City Light’s initial role will be to install 20 public fast charging stations. This effort began in 2017 and will be completed in 2019.

This initiative continues in the 2019 – 2024 Strategic Plan.

ENGINEERING AND OPERATION STANDARDS

A15: Standards and Compatible Units

The standards and compatible units initiative enabled City Light to develop material, design 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 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 2013 the first batch of four standards was developed for publication. The final three batches were published in 2015.

This initiative was completed, and work continues as part of baseline operations.

CLIMATE RESEARCH

A17: Environmental Leadership Climate

This initiative established a program to carry out ongoing research and assessments of the impacts from climate change to City Light assets and operations and to develop a plan to reduce the risks from these impacts. In 2017, City Light expanded efforts to implement the Climate Change Adaptation Plan, including consideration of the impacts from warming temperatures on the load forecast, adapting land restoration practices to account for climate change, and updating the sea level rise map for the city. In 2017 the initiative funded a new study to assess the potential of climate change on landslide risk to infrastructure. In 2018, work

continued to implement and update the Climate Change Adaptation Plan. The ongoing initiative continues to identify next priorities for climate impact assessments and adaptation actions.

This initiative continues in the 2019 – 2024 Strategic Plan.

CONSERVATION PROGRAM ENHANCEMENT

A18: Conservation

This initiative focused on researching and testing innovative ways to invest conservation funds while maximizing program effectiveness and increasing partnership opportunities with City Light customers. The pay-for-performance pilot program examined whole-building savings analysis as a technique for monitoring real-time building energy performance, incentive and payment structures for periodic savings-based payments, staff and project processing efficiencies, and customer acceptance of the methods. An external consultant was engaged to assist in the evaluation of the pilot and provide recommendations for future program offerings.

This initiative continues in the 2019 – 2024 Strategic Plan with new program milestones.

COMMUNICATIONS AND PUBLIC ENGAGEMENT

M1: Effective Communications and Engagement

By working in close cooperation with the Seattle City Light Review Panel, City Light identified methods to strengthen communication and public engagement. The initiative provided the means for the utility to leverage work already completed on the Strategic Plan. The Review Panel continues to provide an important third-party perspective on strengthening communications and engagement, as the panel members represent City Light's customer groups.

This initiative was completed, and work continues as part of baseline operations.

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 are developed for each study area. Benchmarking and best practice studies completed for this initiative addressed the following business areas: accounting (accounts payable, procurement, material control, general and cost), finance (financial planning and budget), customer energy solutions, facilities, fleets, tool room, safety, environment, real estate and pole attachments, contact center/customer contacts, customer service, HUB/WMBE program, a data warehouse health check and others. In addition, City Light participated and continues to participate in studies coordinated by other organizations such as the American Public Power Association and the Corporate Key Indicators Consortium.

This initiative was completed, and work continues as part of baseline operations.

INFORMATION TECHNOLOGY ROADMAP

M3: Implement IT Roadmap

This initiative included three separate projects: 1) City Light's contribution to upgrading the city's financial system (which is also used by City Light), 2) Development of a plan for recovery of City Light's information technology assets in the event of a major disaster, and 3) Implementation of an enterprise document management (EDM) system. The financial system project completed all efforts to consolidate data and update existing data interfaces in 2016.

The disaster recovery/business continuity plan effort has also completed all program milestones with the building of a data co-location site, engaging in disaster recovery exercises and conducting a business impact analysis. The EDM initiative completed the Work and Asset Management System (WAMS) repository for the work order process, integrating with the WAMS application, allowing ease of access to all the documents related to a work order. In addition, the Skagit Relicensing project that was completed in 2017 leads the way to a more global FERC Relicensing project that will provide a structured document repository to support all the relicensing work. And finally, four projects were initiated in 2018: Utility Assistance Program, Procurement, Accounts Payable Invoicing, and an upgrade of WebCenter Suite.

This initiative was completed, and work continues as part of baseline operations.

PERFORMANCE-BASED REPORTING

M4: Performance-Based Reporting

The performance-based reporting initiative successfully developed new data marts for human resources, real estate, accounts payable and accounts receivable, as well as automation of HUB/WMBE reporting. A proof of concept for the risk oversight and power marketing organization was successfully concluded in 2016, as well as the automation of overtime, travel, multiple HR, real estate, and financial requests. This initiative was also given the responsibility to produce reports for the new customer billing system. Under this initiative staff also completed training on Oracle OBIEE, BI Publisher, Oracle Utilities Analytics, Tableau, and Socrata software tools which are in use along with the Cognos BI tools.

This initiative was completed, and work continues as part of baseline operations.

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 assumed responsibility for managing audits performed by the state auditor.

This initiative was completed, and work continues as part of baseline operations.

PROJECT MANAGEMENT QUALITY IMPROVEMENT

M6: Project Management Quality Improvements

This initiative 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. A project management methodology was published in 2014. In 2016, efforts included baseline measurement of key performance indicators and development of project performance reporting. In 2017 Project Status Report expectations, and a roadmap for the Portfolio Management System were completed.

This initiative was completed, and work continues as part of baseline operations.

SERVICE AGREEMENTS/PERFORMANCE METRICS

M7: Service Agreements with City Departments

The goal of this initiative was to establish a consistent, repeatable process for the development and implementation of service agreements between City Light and other City departments to which City Light provides funding. The agreements which contain metrics and performance guarantees foster enhanced accountability, improved and measured performance, and cost oversight. A service level agreement template was developed and was implemented with multiple city departments, including Seattle Public Utilities, the Department of Planning and Development, Seattle Information Technology, the Seattle Office of Civil Rights and the Department of Finance and Administrative Services.

This initiative was completed, and work continues as part of baseline operations.

EXTERNAL SERVICE CONTRACT PROCUREMENT

M8: Review and Improve Procurement Processes for External Service Contracts

This initiative evaluated and implemented 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 recommendations to improve efficiencies. In 2014 new dashboards were put in place to track key performance indicators and metrics needed to ensure that the efficiency gains are achieved.

This initiative was completed, and work continues as part of baseline operations.

EFFICIENCY INITIATIVES

M9: Efficiency Projects

By focusing on value-added activities, City Light exceeded its \$18.9 million efficiency savings target for 2016 by several million dollars. In 2017, this initiative was baselined into daily City Light activities (i.e., now considered part of regular activities in the budgeting, expense reporting, and operating considerations). A new efficiency target was set for the two-year Strategic Planning period 2017-18. The target was to achieve additional efficiencies, on an annual basis, of \$10M, by year-end 2018, with the first \$5M of these additional efficiencies to be achieved by year-end 2017. The Utility achieved its year-end 2018 goal of \$10M in 2017.

This initiative was completed, and work continues as part of baseline operations.

FINANCIAL POLICIES INITIATIVE

M10: Review and affirm or amend financial policies

As the Strategic Plan was being implemented, an analysis of 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 the potential cost of insuring them. When the analysis was completed, 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.

This initiative was completed.