

Overview of Facilities and Programs

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

- A distribution system with 14 major substations and more than 2,500 miles of overhead and underground cable;

- A generation system comprising seven major hydroelectric plants on the Skagit, Cedar, Tolt, and Pend Oreille Rivers with a combined capacity of almost 2,000 megawatts;

- 650 miles of high-voltage transmission lines linking these plants to Seattle;

- A state-of-the-art System Control Center coordinating these activities; and

- Billing and metering equipment tracking almost 350,000 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 and mitigation activities. The CIP's overriding goal is assuring that the facilities required to serve City Light customers with low-cost, reliable power are in place when and where the power is requested.

Several major transportation projects in Seattle will make unprecedented demands on City Light's resources in the next few years. Security concerns also have increased. City Light's 2006-2011 Adopted CIP reflects increases in planned spending for interagency projects adopted in 2005.

The funds shown in this document are expressed as total project costs, including both direct and overhead costs. This makes the funds comparable to other City department funds and estimates the amounts to be capitalized upon completion of the project. The total project cost combines the direct project charges shown in the operating budget under CIP with the applicable intradepartmental expenses, commonly referred to as overhead costs or loadings. As is the case with direct cost, the project overhead costs are included in the operating budget, but overhead costs are not necessarily reflected in the line of business where the direct cost of the project is incurred. City Light applies overhead costs to capital project expenditures only as they occur.

Highlights

In 2006, the \$109.7 million CIP for the Customer Services & Energy Delivery - CIP Budget Control Level provides funding for utility design work and relocations supporting the Sound Transit Light Rail system and Alaskan Way Viaduct; resources to connect new customers and perform major maintenance on the transmission and distribution system throughout the City Light service area; and underground design and relocation work for franchise customers in Shoreline and Burien. Work continues on rehabilitating the downtown network and ensuring reliable service for all City Light customers. Forty-four capital projects are planned in support of the Utility's Customer Services & Energy Delivery functions.

The \$9.6 million CIP for the Financial Services - CIP Budget Control Level includes program expenditures for the Utility's Information Technology program. The Information Technology program consists of four continuing projects: Consolidated Customer Service System, Information Technology Infrastructure, Information Technology Projects, and Mapping System for Non-Network Areas.

The \$29.2 million CIP for the Power Supply and Environmental Affairs - CIP Budget Control Level includes expenditures for Generation, Facilities Management, Environmental Affairs, and Vehicle Replacement programs. In 2006, the \$22.1 million CIP for the Generation program is allocated over 54 active projects. Of these, 45 are multi-year projects continuing from 2005. The Generation program CIP includes \$5.9 million for rebuilding two generators at the Ross hydroelectric facility. Approximately \$5.1 million is allocated to Boundary facility projects to restore major equipment, auxiliary systems, and support features. The \$1.8 million budget for the Facilities Management program includes 11 projects that preserve and improve buildings and physical plant. The \$900,000 Environmental Affairs program includes capital portions of license-required mitigation expenses on the Skagit and Tolt Rivers, which enable the City to meet its commitments for habitat protection and restoration for Chinook salmon under the Endangered Species Act (ESA). \$4.4 million is provided for the replacement of vehicles.

By a combination of actions, the City Council reduced City Light's 2006 project allocations in the 2006-2011 Proposed Capital Improvement Program by a total of \$5.2 million. Based on an analysis of City Light's CIP spending in recent years, the Council directly reduced the 2006 allocations for fourteen City Light projects by \$4.2 million, as part of a reduction in funding for City Light's Customer Services & Energy Delivery - CIP Budget Control Level. In addition, the Council indirectly reduced the allocations for thirty projects by \$976,000 through a reduction in funding for overtime by City Light crews and staff. Out of the projects referenced above, six projects were impacted by both the direct reduction in CIP spending and the reduction in overtime.

Project Selection Process

In making capital investments in its infrastructure, the City tries to balance four goals:

- Rehabilitation of existing facilities to avoid the higher costs of deferred maintenance;
- Improvement of existing facilities to meet growing demand;
- Development of new facilities to provide additional services; and
- Maximization of the productive use of technology.

The following summarizes the selection process City Light uses to develop its CIP:

Project Identification: City Light staff throughout the Utility identifies potential projects by giving consideration to several criteria, including economics, environmental impact, reliability, customer service, regulations, and safety. Existing strategic plans are a primary resource utilized to identify capital projects. Staff working in the field also provides input based on their understanding of customer demands. A master list of projects is then developed in the capital budgeting system.

Project Selection: To refine the list of projects meeting the criteria listed above, City Light management and staff, with the help of the Department of Finance, evaluates projects on the master list, further using the results of studies, load forecasts, and rate forecasting estimates. Following this review, City Light refines the list of potential projects to those that can be accomplished with available revenue.

Project Scheduling and Budgeting: After the project list is refined, City Light staff enters detailed information about the selected projects into the capital project scheduling system. The scheduling system tracks and refines labor hours and non-labor costs, and allows staff to crosscheck projects against Mayor and Council priorities.

CIP Budget Control Levels

City Light's Capital Improvement Program consists of the capital budgets of its lines of business and overhead costs associated with their projects. A detailed list of all projects in City Light's CIP follows this overview. The dollar figures reflected in City Light's CIP represents fully loaded project costs.

Customer Services & Energy Delivery - CIP: The CIP for this Budget Control Level supports fundamental electric utility service. It covers design, construction, and major maintenance of the distribution system. This system includes 14 principal substations, 650 miles of high-voltage transmission lines, 1,800 miles of overhead feeder circuits, 600 miles of underground feeder cables, 53,000 transformers, and 100,000 poles. An array of projects in the BCL spans six major areas: Services, Capacity, Reliability, Interagency, Streetlights, and Ancillary.

Financial Services - CIP: The CIP for this Budget Control Level consists of Information Technology projects. These projects provide modern and efficient information systems and related services to meet City Light's business objectives.

Power Supply and Environmental Affairs - CIP: The CIP for this Budget Control Level consists of Generation, Facilities Management, Environmental Affairs, and Vehicle Replacement programs.

The Generation program includes projects improving and enhancing Seattle's hydroelectric generating facilities. These facilities include seven major plants on the Skagit, Pend Oreille, Cedar, and Tolt Rivers which, on average, meet 70% of Seattle's annual electrical power demands. The remainder comes from long-term contracts and spot-market purchases.

The Facilities Management program includes projects that keep City Light's buildings and grounds functional, safe, and up-to-date. City Light owns 1.4 million square feet of building space in four counties with an aggregate value of approximately \$525 million. These include service centers, substations, switchgear buildings, training centers, communications buildings, office buildings, warehouses, construction and maintenance shops, garages, remote employee housing, and tourist facilities.

The Environmental Affairs program includes projects that mitigate the environmental effects of City Light's hydroelectric projects, meeting the City's commitments to provide wildlife habitat protection and restoration. Projects include purchasing and setting aside critical habitat for wildlife in the Skagit and Nooksack river basins, constructing additional salmon spawning and rearing areas, and acquiring and restoring habitat for threatened Chinook salmon.

The Vehicle Replacement program includes replacement of trucks and vehicle used by City Light crews.

City Council Changes to the Proposed CIP

With Adoption of Ordinance 121991, Council adopted a number of changes proposed by the Mayor to City Light CIP project allocations. The Council adjusted appropriations to City Light CIP budget control levels as follows:

Reduce the 2006 Customer Services & Energy Delivery – CIP BCL by \$2.6 million.

Reduce the 2006 Financial Services - CIP BCL by \$262,000.

2006-2011 Adopted Capital Improvement Program

Reduce the 2006 Power Supply & Environmental Affairs – CIP BCL \$1.3 million.

Council adopted no provisos that condition spending on CIP projects beyond those described and accounted for above.