

Seattle City Light 2013-2018 Strategic Plan

Frequently Asked Questions

Q. Why is City Light developing a six year strategic plan now?

A. City Light has been through a tumultuous decade and faces challenges in the years ahead. A strategic plan will inform decision makers so they can make predictable and cost effective choices for the Utility and its customers in a six-year time frame. These choices will help Seattle City Light navigate uncertain challenges including acquiring additional power resources; addressing its aging equipment that soon will be inadequate to meet customer expectations for reliability; recruiting and retaining highly skilled employees who will be needed soon because 50 percent of City Light's workforce is eligible to retire within five years; and achieving efficiencies through technology and improved business processes. The Strategic Plan will provide customers with rate predictability and transparency in order to manage their own costs during the years ahead.

Q. What is the impact on my electric bill?

A. Rates will vary somewhat depending on the plan options selected by city leaders when the Strategic Plan is adopted. The plan includes a Preferred Path that achieves the most in terms of efficiencies, reliability and rate stability. The Preferred Path would increase rates an average of 4.7 percent per year or about \$2.93 a month, each year for the next six years for the typical residential customer. City Light will provide additional information on our website www.seattle.gov/light/strategic-plan for commercial and industrial customers.

Q. If approved, when would I see increases in my electric bill? Will I have some assurances that the rate increases in the plan will be consistently applied?

A. If the Preferred Path is approved by the City Council and the Mayor, a rate increase averaging 4.7 percent each year during the next six years would begin in 2013. It is unlikely to equal exactly 4.7 percent in any specific year, but it will be near that target. The Strategic Plan provides a framework to guide the Utility and ensure rate predictability for residents and businesses. The plan will require biannual measurements to hold the Utility accountable. The plan will be reviewed annually to reflect new realities in the utility's costs, energy prices and surplus power sales. Customers could experience additional rate changes related to funding of the Rate Stabilization Account and/or rates imposed by the Bonneville Power Administration on City Light for purchased power.

Q. If power consumption (load growth) is increasing less than 1 percent a year, why do rates have to go up so much?

A. The utility world is changing, primarily due to aging infrastructure, pressure for new technologies for a number of operational efficiencies, and a desire to use more new, renewable energy sources. Even though City Light has reduced annual expenses by \$53 million during the past eight years, costs are projected to increase to maintain the current levels of service. This is due to increased capital spending and rising debt service costs, increasing power costs and inflation.

Q. Why does the Strategic Plan have five options?

A. The Strategic Plan provides a predictable course for how to best meet City Light's customers' current and future needs. The Strategic Plan provides five policy and tactical options, each of them building on the cost efficiencies that have been put in place during the past six years resulting in lower staffing levels, lower interest costs and better management. The preferred option builds on the current level of service option and the added cost efficiencies option – while the final two paths, Aggressive Reliability and Bolder Environmental, build off the first three options either individually or combined with each other. This allows policy makers to make informed choices.

Q. It looks like more than half the expected rate increases go for debt service. Why does City Light have to spend so much just for debt?

A. City Light's debt service is expected to rise significantly in the future to cover needed capital investments, including replacing and repairing the distribution and transmission networks. While some of this debt service is due to these increased capital expenditures, additional drivers include: 1) increased borrowing to offset low wholesale revenues in prior years; 2) a policy change that requires the Utility to finance a larger portion of its Capital Improvement Program with debt, spreading significant investment costs over a longer period of time; and 3) taking bond refinancing savings earlier to keep rates lower in the short term instead of spreading them over the longer term of the bonds.

Q. Why doesn't City Light cut costs first before looking at raising rates?

A. Between 2004 and 2011, City Light adopted a business model that took a number of steps to improve performance and increase efficiencies resulting in \$53 million a year in savings. The Strategic Plan acknowledges these significant savings and envisions even more efficiency in the future, totaling an additional \$18 million per year. However, during the next six years, cost cutting alone will not free up enough funding to enable City Light to pay for expected cost increases to maintain even the current level of service. In some cases, investments will need to be made to acquire or upgrade the utility's technology in order to realize higher operational efficiencies.

Q. Is this a done deal or do customers and policy makers have an opportunity to comment, review and change the plan?

A. The recommendations in the Strategic Plan are the culmination of a two year effort launched by the Seattle City Council and Mayor in May 2010 that included extensive involvement and input from the Review Panel, City of Seattle leaders, community members, business leaders, customers and other key stakeholders. There will be additional opportunities for public and stakeholder input on the draft Strategic Plan before final decisions are made by the City Council this spring.

Q. What are the next steps?

A. During February and March 2012, City Light will be reaching out to the public and stakeholders to solicit their feedback on the draft Strategic Plan including community meetings, online surveys and discussions. Following this outreach, City Light will present the final plan to the Mayor's office and City Council for their deliberation leading to a final decision in spring 2012.