

STRATEGIC PLAN UPDATE 2017-2022

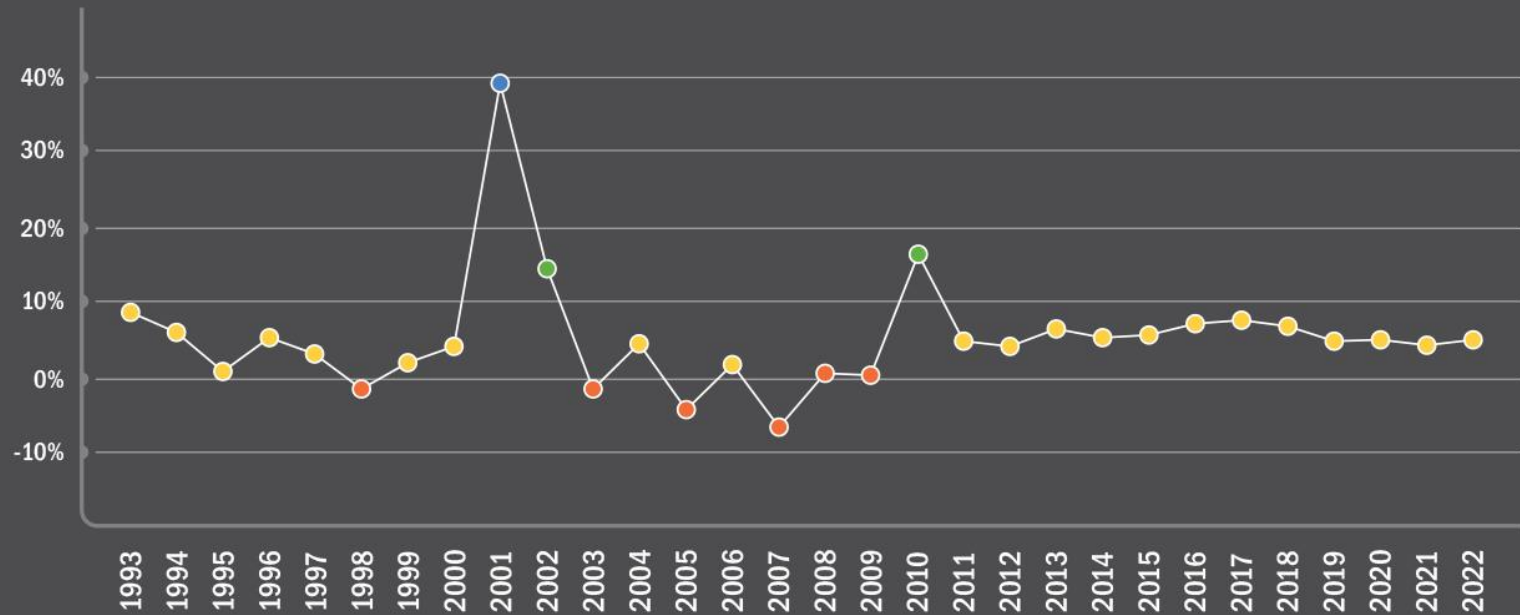
Presentation to City Council Select Committee on
Seattle City Light Strategic Planning

June 23, 2016



WHY A STRATEGIC PLAN?

RATE INCREASES – HISTORY vs. FUTURE



WHY A STRATEGIC PLAN?

- Road map to meet customer needs
- Blueprint to make informed decisions
- Report current conditions and progress
- Gather community input



A photograph of a male technician wearing a yellow hard hat with a 'DANGER' sticker, safety glasses, and yellow work gloves. He is working on the interior of a white wind turbine nacelle, reaching up to adjust a component. The background is a clear blue sky. An orange rectangular box with a speckled pattern is overlaid on the lower-left portion of the image, containing white text.

OBJECTIVES, INVESTMENTS & METRICS

HASTINGS
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STRATEGIC PLAN: FOUR KEY OBJECTIVES

#1

Improve Customer
Experience and Rate
Predictability

#2

Increase Workforce
Performance and Safety
Practices

#3

Enhance
Organizational
Performance

#4

Continue Conservation
and Environmental
Leadership

KEY OBJECTIVE #1:

IMPROVE CUSTOMER EXPERIENCE AND RATE PREDICTABILITY

Goal: Efficiently manage the energy system, respond quickly to customer concerns and outages, and make it possible for customers to predict and budget their utility costs.



CUSTOMER EXPERIENCE & RATE PREDICTABILITY METRICS

OBJECTIVE #1: IMPROVE CUSTOMER EXPERIENCE AND RATE PREDICTABILITY

	2003	2008	2012	2013	2014	2015	Goal 2017-22
Outage Duration: SAIDI (avg. cum. minutes/customer)	77.8	88.4	69.0	68.7	69.7	62.3	60-65
Outage Frequency: SAIFI (avg. # of events/customer)	1.6	1.0	1.0	0.9	0.9	0.5	0.6-0.8
Residential Customer Service Ranking (JD Power West Rgn)	#18	#11	#2	#3	#3	#3	#1
Business Customer Service Ranking (JD Power West Rgn)	N/A	N/A	#4	#1	#1	#2	#1
Utility Discount Program (# of participants)	12,702	12,351	13,415	14,000	16,941	20,779	28,000
Streetlight Repairs (% responded to in <14 days)	N/A	N/A	N/A	93.5%	95.4%	94.7%	90%
Service Connections (days for connection)	N/A	59.7	33.5	35.2	36.1	36.0	30-40
Rate Predictability (avg. annual increase 6 years)	N/A	N/A	N/A	4.7%	N/A	4.4%	4.3%

RELIABILITY

Outage Duration-SAIDI/Outage Frequency-SAIFI: Target = 5% improvement over the previous 3-year average.

Supporting Investments (examples):

- Vegetation management (annual): \$6.2M
- Underground cable injection/replacement (annual): \$6.1M
- Denny Substation (total project): \$209.5M
- Energy Management System (total project): \$22.5M
- Alaskan Way Viaduct Relocations (total project): \$229M

OBJECTIVE #1: IMPROVE CUSTOMER EXPERIENCE AND RATE PREDICTABILITY

CUSTOMER SERVICE EXPERIENCE

Residential/Business Rankings for Customer Service (JD Power):

City Light strives to be #1.

Supporting Investments (examples):

- IT Security Upgrades (annual): \$0.7M
- New Customer Information System (total for City Light): \$57M
- Advanced Metering Infrastructure (total): \$95.0M

OBJECTIVE #1: IMPROVE CUSTOMER EXPERIENCE AND RATE PREDICTABILITY

BILL ASSISTANCE

Utility Discount Program (# of participants): Goal is Mayor's target for 2018 (28,000).

Supporting Investments (examples):

- Value of UDP bill subsidy (annual): \$18.9M
- Low-income assistance outreach (annual): \$0.4M
- UDP (HSD), ELIA, Project Share administrative support (annual): \$1.1M
- Support for low-income housing weatherization (HomeWise program-Seattle Office of Housing) (annual): \$2.3M
- Free home energy audits

OBJECTIVE #1: IMPROVE CUSTOMER EXPERIENCE AND RATE PREDICTABILITY

STREETLIGHTS AND SERVICE CONNECTIONS

Streetlight Repairs: Goal is rapid response to lighting outages and reduced need for repairs.

Supporting Investments (examples):

- Streetlight Infrastructure (annual): \$3.5M
- LED Conversion Program (annual): \$6.0M
- Waterfront (Viaduct replacement) Streetlighting (annual): \$2.5M

Service Connections: Goal is rapid hook-up of new customers.

Supporting Investment:

- Establishment of standards and compatible units (annual): \$0.5M

OBJECTIVE #1: IMPROVE CUSTOMER EXPERIENCE AND RATE PREDICTABILITY

KEY OBJECTIVE #2:

INCREASE WORKFORCE PERFORMANCE AND SAFETY PRACTICES

Goal: Maintain a well-trained up-to-date workforce, proactively manage impending wave of retirements, retain highly skilled workers, and continuously improve employee safety record.



WORKFORCE PERFORMANCE AND SAFETY METRICS

OBJECTIVE #2: INCREASE WORKFORCE PERFORMANCE AND SAFETY PRACTICES							
	2003	2008	2012	2013	2014	2015	Goal 2017-22
Hiring Cycle (days)	184	57	49	42	24	28	30
Vacancy Rate (% of FTE)	9.6%	6.3%	7.0%	7.0%	5.0%	5.4%	4.0%
Accident Rate (TRR)	13.1	6.9	7.0	6.3	5.3	6.0	0-2.2
Preventable Vehicle Collisions (#/year)	N/A	N/A	N/A	N/A	30	31	0-30
Avg. Training \$/Employee	\$593	\$798	\$622	\$799	\$1,223	\$1,689	\$2,000

HIRING AND VACANCIES

Hiring Cycle: Improved hiring means less vacancy time lost, reduced need for temporary hiring and continued productivity. Goal is continued improvement, less than a month from advertising for a position to filling it.

Vacancy Rate: Goal is vacancy rate assumed in annual budget.

Supporting investments (examples):

- Workforce Development (annual): \$1.9M
- Facility Improvements (annual): \$2.9M

OBJECTIVE #2: INCREASE WORKFORCE PERFORMANCE AND SAFETY PRACTICES

ACCIDENT REDUCTIONS

Accident Rate (TRR): Goal is continued improvement, ideal is 0 accidents.

Preventable Vehicle Collisions: Goal is no more than 30, ideal is 0.

Supporting investments (examples):

- Safe Driving program (annual): \$0.4M
- Arc Flash Resistant Clothing (annual): \$0.6M

OBJECTIVE #2: INCREASE WORKFORCE PERFORMANCE AND SAFETY PRACTICES

TRAINING

Avg. Training \$/Employee: Goal is continuous improvement and maintenance of employee skills at a high level.

Supporting investments (examples):

- Apprenticeship Program (annual): \$1.5M
- Internship Program (annual): \$0.6M
- Technical Training Center(total project): \$14M

OBJECTIVE #2: INCREASE WORKFORCE PERFORMANCE AND SAFETY PRACTICES

KEY OBJECTIVE #3:

ENHANCE ORGANIZATIONAL PERFORMANCE

Goal: Be in the top 10 percent of peer utilities on measures of efficiency and effectiveness, and reduce baseline costs by an ongoing \$18 million per year, at a minimum.



ORGANIZATIONAL PERFORMANCE METRICS

OBJECTIVE #3: ENHANCE ORGANIZATIONAL PERFORMANCE							
	2003	2008	2012	2013	2014	2015	Goal 2017-22
Average Rate (¢/kWh)	6.2	5.6	6.8	7.2	7.6	8.1	9-11
Rate Ranking among 25 Major US Cities	#5	#1	#1	#1	#1	N/A	#1
Debt Service Coverage	1.56	2.05	1.81	1.85	1.86	1.62	1.80
S&P Credit Rating	A-	AA-	AA-	AA	AA	AA	AA
Efficiencies (\$M)	N/A	N/A	N/A	\$9.9	\$22.4	\$18.5	\$28.0
Major Generator Rewinds completed	1	3	2	1	1	1	7
Generator Transformer Replacements completed	1	4	4	1	1	6	9

LOW RATES AND BILLS

Average Rate: Goal is rates as low as possible while providing sufficient revenue for excellent customer service and well-functioning infrastructure.

Rate Ranking Among Major U.S. Cities: Goal is to be #1 (i.e., lowest average rate among 25 largest cities).

Supporting Investments (examples):

- Efficiencies (annual): \$28M
- Generation improvements resulting in more surplus power to sell, low cost hydro generation.

EFFICIENCIES

Committed to increasing efficiencies to a total of \$28M in annual savings by 2018.

In 2015, City Light achieved \$18.5M in efficiencies:

Current diversion	\$1,105,820
Fleet reduction	\$530,000
Lower financing costs	\$9,347,000
Steel stay pole reinforcement	\$879,262
Fuel savings from on-board truck generators	\$307,800
Renegotiation of leases and permits	\$860,338
Staff reduction/reallocation	\$347,000
Credit and collection efficiencies	\$608,280
Inventory reduction	\$106,121
Environmental grants	\$2,566,399
Other operational efficiencies	\$1,841,980
Total	\$18,500,000

OBJECTIVE #3:

ENHANCE ORGANIZATIONAL PERFORMANCE

FINANCIAL TARGETS

Debt Service Coverage: Goal is 1.80 per City Council resolution, sufficient to provide cash for capital investment (40% over 6-year CIP).

S&P Credit Rating: Goal is to maintain AA rating (highest = AAA).

Supporting Investments (examples):

- Variable rate debt issuance savings (annual): \$1.4M
- Financing of Diablo generator rewinds with Clean Renewable Energy Bonds (CREBs) @ 1% interest (total): \$32M

GENERATION IMPROVEMENTS

Generator Rewinds/Transformer Replacements: Goal is to achieve maximum production and efficiency from City Light generating equipment.

Supporting Investments (examples):

- Boundary Unit 51 Generator Rebuild (total): \$22.2M
- Boundary Unit 52 Generator Rebuild (total): \$19.2M
- Boundary Transformers (total): \$47.3M
- Diablo Unit 31 & 32 Generator Rebuilds (total): \$43.4M

KEY OBJECTIVE #4:

CONTINUE CONSERVATION AND ENVIRONMENTAL LEADERSHIP

Goal: Remain the nation's greenest utility.



CONSERVATION & ENVIRONMENTAL LEADERSHIP METRICS

OBJECTIVE #4: CONTINUE CONSERVATION AND ENVIRONMENTAL LEADERSHIP							
	2003	2008	2012	2013	2014	2015	Goal 2017-22
Conservation (aMW added/year)	7.0	10.1	13.0	14.7	16.0	15.8	14.0
Residential Incentives (\$M/year)	\$5.7	\$4.7	\$7.4	\$14.6	\$11.4	\$10.5	\$7.2
Commercial & Industrial Incentives (\$M/year)	\$10.5	\$6.8	\$7.7	\$11.4	\$12.7	\$14.2	\$16.1
Solar Installations (cumulative # installed)	-	159	674	1,126	1,610	2,244	4,300
Solar Installations (cumulative MW)	-	0.5	4	6	8	13	26
I-937 Compliant (note: 9% by 2016)	N/A	N/A	3%	6%	6%	6%	15%
GHG Emissions (metric tons)	296,219	0	0	0	0	0	0

CONSERVATION AND SOLAR GENERATION

Conserved Energy: Goal is 14.0 aMW/year, more than recent conservation potential assessment that yielded a 2016-17 target of 25.6 aMW for two years (12.8 aMW/year).

Solar Installations: Goal is to continue to facilitate Community Solar and customer self-generation.

Supporting Investments (examples):

- Green Up Program RECs (annual): \$0.2M
- Various lighting retrofit and rebate programs (annual): \$22.5M
- Support for community/customer solar installations (annual): \$3.7M (pass through of state funds)

OBJECTIVE #4: CONTINUE CONSERVATION AND ENVIRONMENTAL LEADERSHIP

RENEWABLES

I-937 Compliant: Washington's Renewable Portfolio Standard (Initiative 937) of 2006 requires percentages of retail load be served with renewable resources (excluding hydropower existing as of 1999) or by offset purchases of equivalent Renewable Energy Credits (RECs).

Requirements: 9% by 1/1/2016 and 15% by 1/1/2020.

Supporting Investments (examples):

- Renewable Purchases (annual): \$37M
- REC purchases (annual): \$3M

OBJECTIVE #4: CONTINUE CONSERVATION AND ENVIRONMENTAL LEADERSHIP

GREENHOUSE GAS NEUTRALITY AND ENVIRONMENTAL MITIGATION

Greenhouse Gas Emissions: Goal is to remain at 0 net emissions.

Supporting Investments (examples):

- Carbon offsets (annual): \$1M
- Environmental cleanup of Duwamish River (annual): \$10.4M
- Boundary licensing mitigation (total to 2021): \$151M
- Skagit licensing mitigation (total to 2021): \$58M

OBJECTIVE #4: CONTINUE CONSERVATION AND ENVIRONMENTAL LEADERSHIP



2016 STRATEGIC PLAN

2016 STRATEGIC PLAN REPRESENTS A CONTINUATION OF PAST STRATEGIC PLANS

- This 2016 strategic plan is a continuation of the original 2012 strategic plan and the 2014 strategic plan update.
- Previous components retained:
 - 22 original baseline assumptions
 - 29 continuing strategic initiatives
 - \$18M in annual efficiencies*
- Two redesigned initiatives:
 - Transportation Electrification
 - Climate Adaptation Plan

**plus \$10M more by 2018, for a total of \$28M annually.*

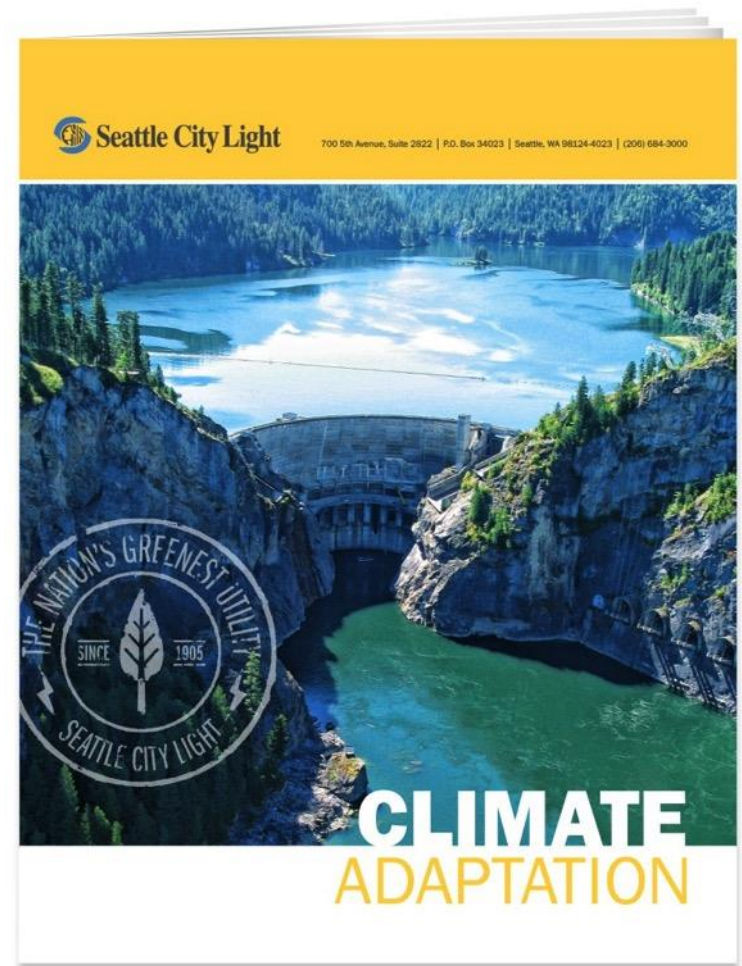
TRANSPORTATION ELECTRIFICATION INITIATIVE

- Participate in the Mayor's "Drive Clean Seattle" Initiative
- With Port, City and other large customers, identify opportunities to electrify operations
- Use phased approach to ensure utility investments are beneficial to utility and ratepayers
- Plan charging infrastructure pilot programs



CLIMATE ADAPTATION PLAN

- Developed to address challenges of climate change
- Research impacts of utility operations
- Develop actions to minimize those impacts
- Recognized by U.S Department of Interior for our climate leadership

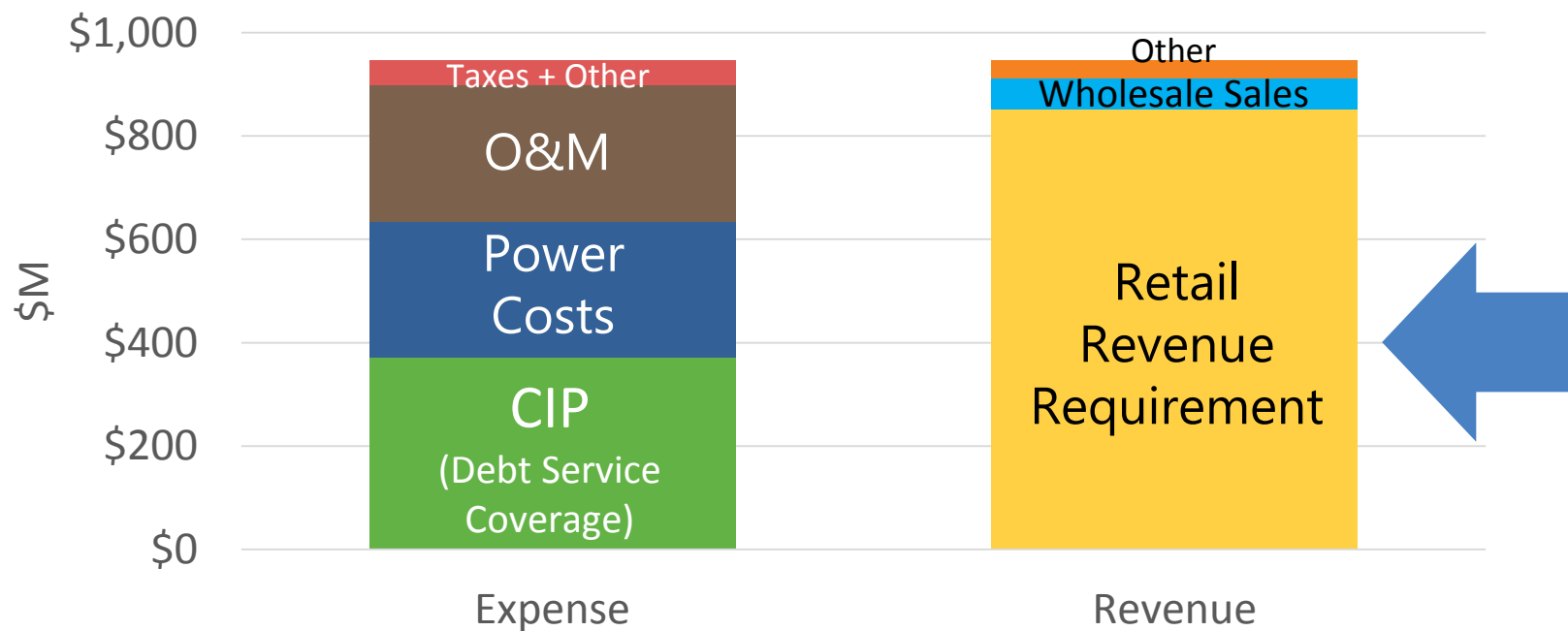




FINANCIAL DETAILS

DRIVERS OF RATES

$$\text{"AVERAGE RATES"} = \frac{\text{REVENUE REQUIREMENT (\$)}}{\text{RETAIL SALES (kWh)}}$$

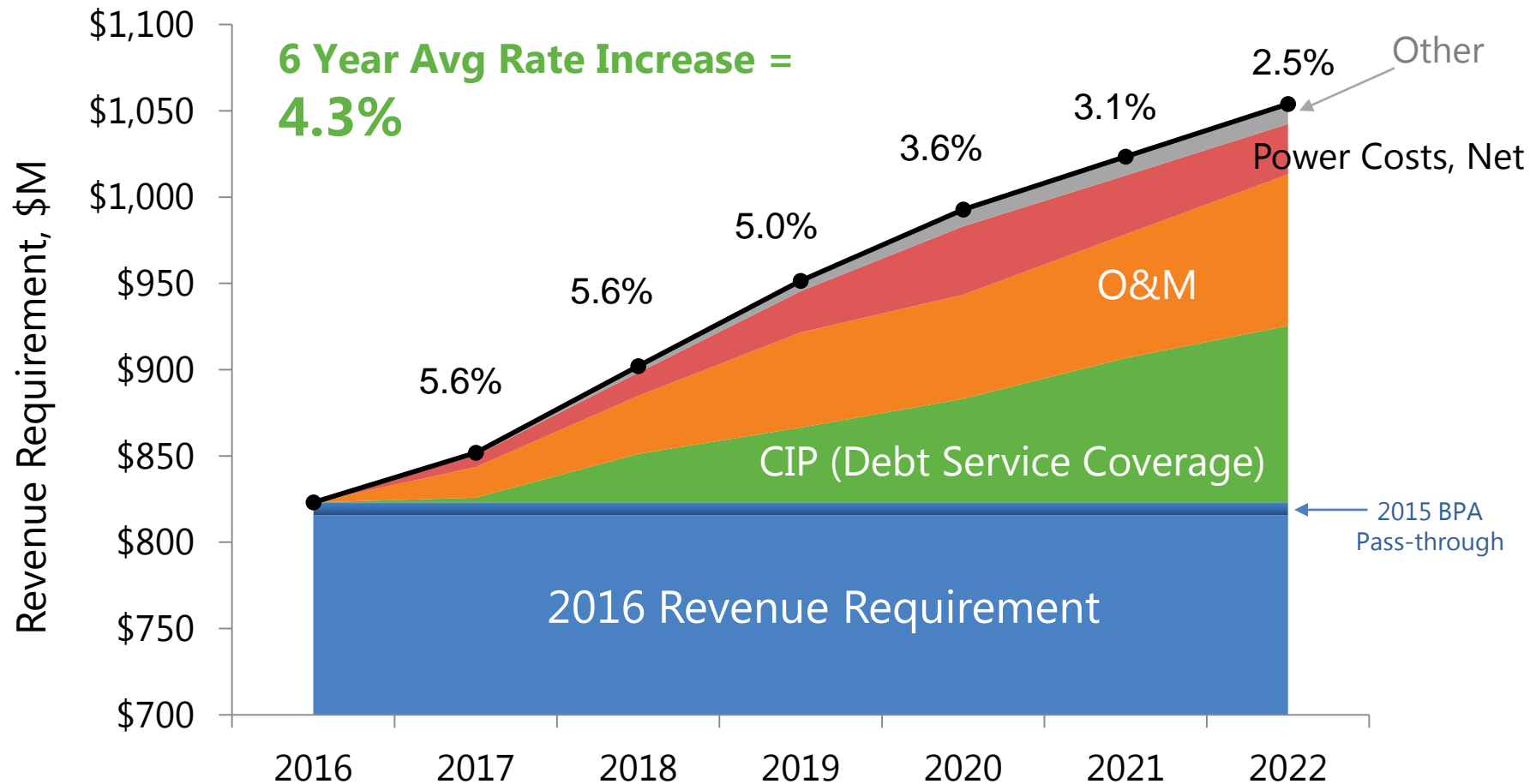


KEY FINANCIAL ASSUMPTIONS

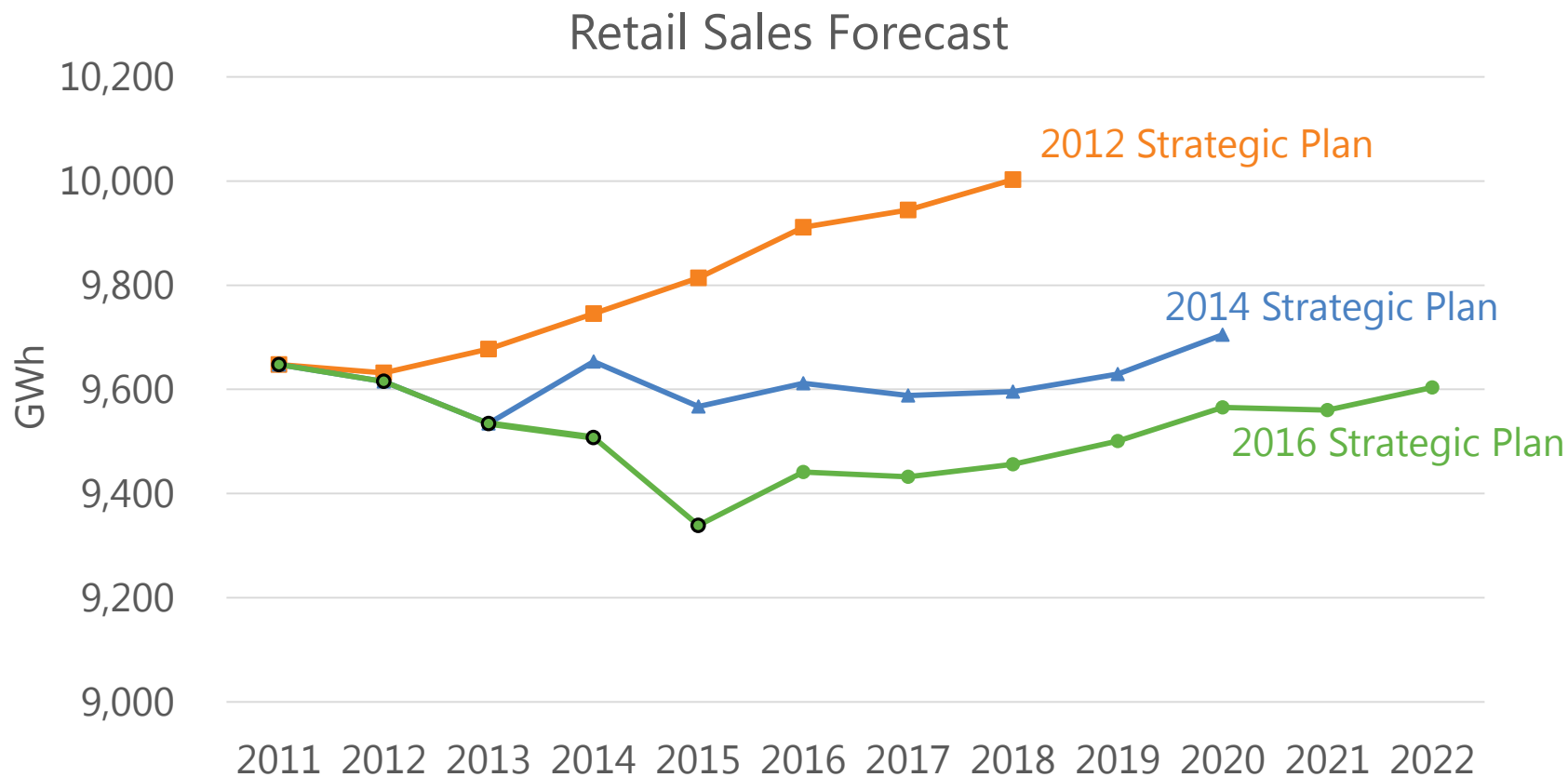
- Baseline forecast reflects new realities
 - Lower retail sales outlook: forecast growth reduced
 - Debt service savings from lower interest rates
 - Higher power costs (mostly BPA, passed through)
 - Decreasing CIP shifts labor/overhead costs to O&M
- Inflation assumptions consistent with prior Plans

Labor	2.4%-2.75%
Labor Benefits	5.0%
Non-Labor	2.4%
Payments for City Services	3.0%
Construction and Field Materials	8.0%

REVENUE REQUIREMENT DRIVERS

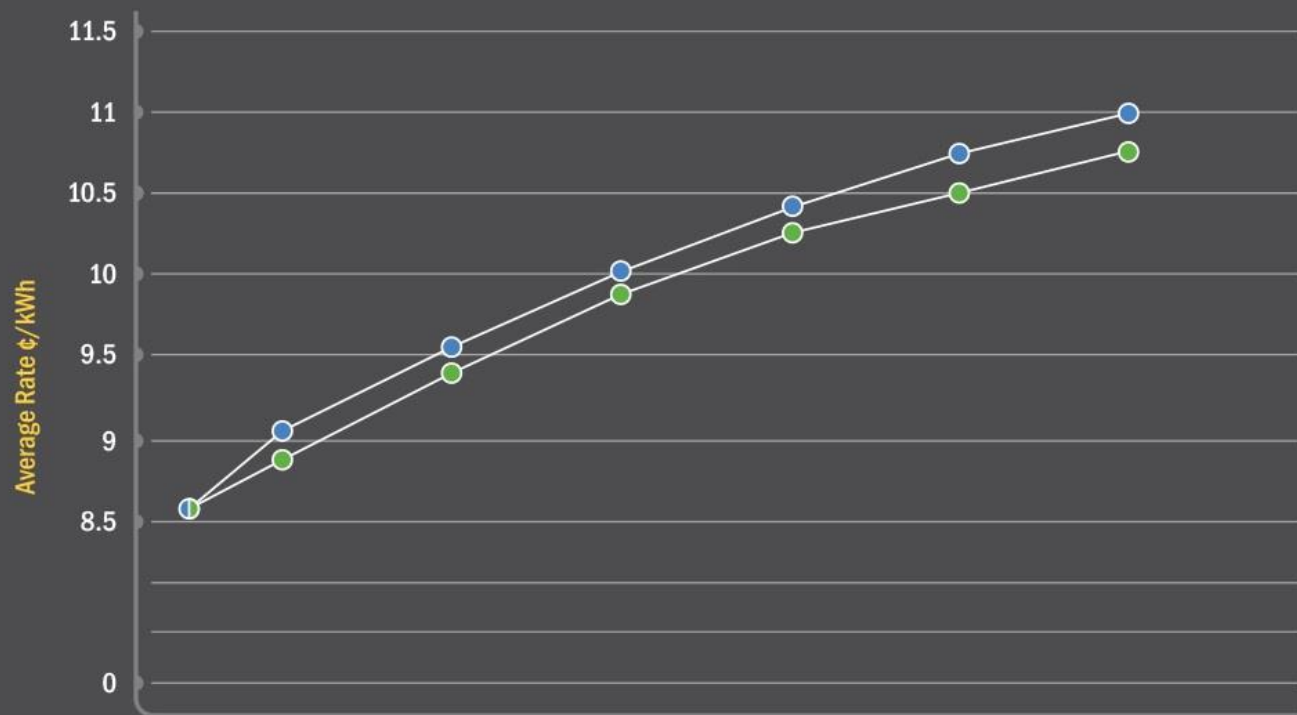


RETAIL SALES HAVE CHANGED DRAMATICALLY



Actuals are not weather-adjusted

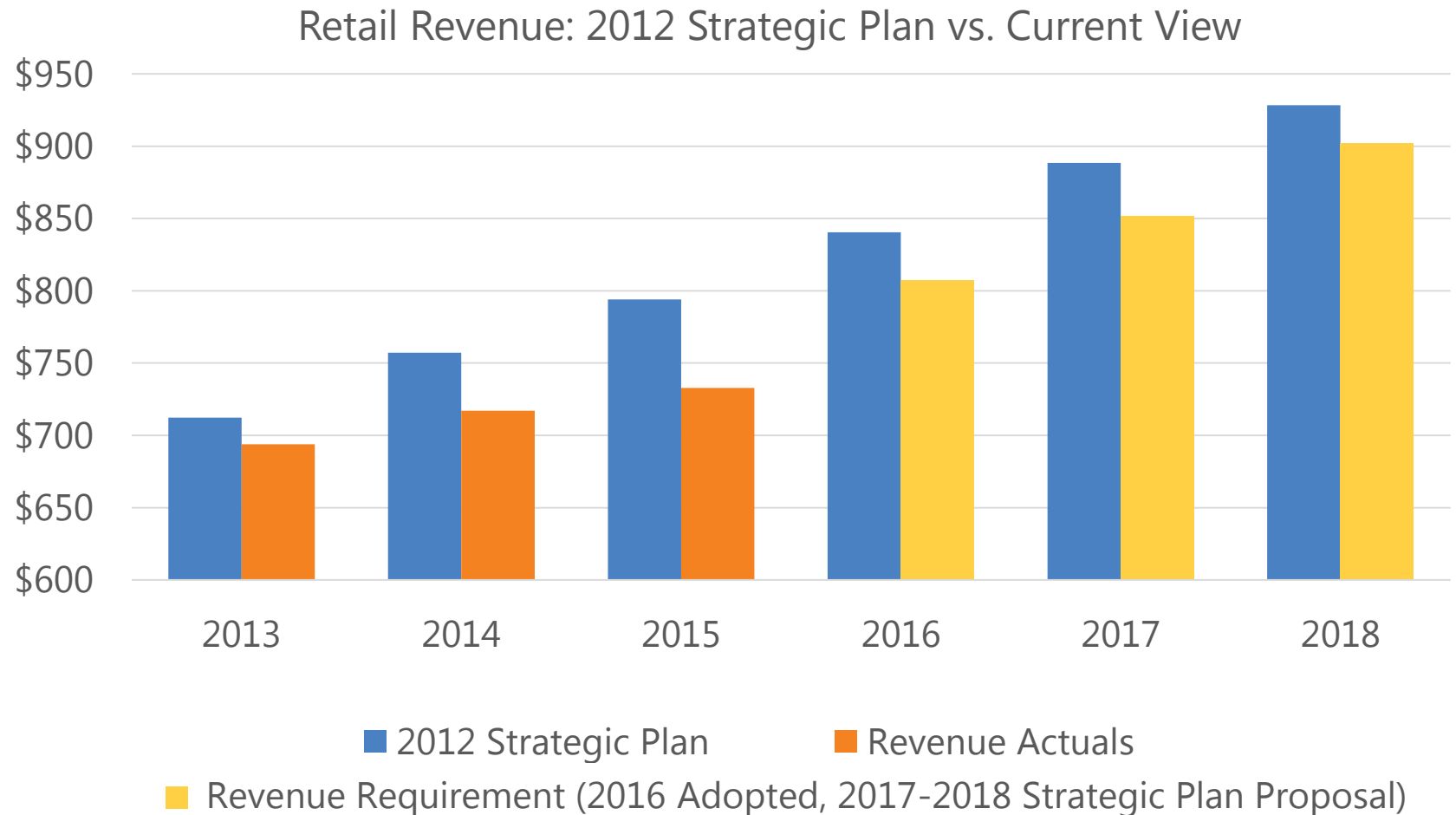
LOWER RETAIL SALES IS A MAJOR RATE DRIVER



Annual Rate Increase	2017	2018	2019	2020	2021	2022	2017-22 Average
Proposed Plan	5.6%	5.6%	5.0%	3.6%	3.1%	2.5%	4.3%
With Old Load Forecast*	3.9%	5.8%	5.1%	3.5%	2.9%	2.5%	3.9%

* Load Forecast Used in the Adopted 2015-2020 Strategic Plan

DELIVERING ON RETAIL REVENUE PATH: TRACKING LOWER THAN 2012 STRATEGIC PLAN





QUESTIONS



CITY LIGHT

OUR VISION

To set the standard—to deliver the best customer service experience of any utility in the nation.

OUR MISSION

Seattle City Light is dedicated to exceeding our customers' expectations in producing and delivering environmentally responsible, safe, low-cost and reliable power.

OUR VALUES

Excellence, Accountability, Trust and Stewardship.

