

Strategic Plan Tracking Report

First Quarter 2017

This report provides status on the Utility's performance in meeting the commitments of the City Light Strategic Plan. Status is provided for individual initiatives as well as for the delivery of financial benefits. Progress on the initiatives is reported under City Light's four themes:

- 1) Improve Customer Service and Rate Predictability;
- 2) Increase Workforce Performance and Safety Practices;
- 3) Enhance Organizational Performance; and
- 4) Continue Leadership in Conservation and Environmental Leadership.

The report is comprised of four sections. **Section I** details performance for active Strategic Initiatives. Budget and spending information is provided for those initiatives with CIP budgets. Initiatives with only O&M budgets are highlighted¹. **Section II** is a summary of status and budget for City Light's other large CIP projects (excluding those that are reported as strategic initiatives). **Section III** provides a holistic view of the status of costs and revenues. The figures in this section include both dollars in the baseline and those associated with initiatives. **Section IV** is a summary of progress in meeting 2017 efficiency targets.

Definitions and status key:

Status/Trend = Progress compared to approved plan/Change from prior report			
	On Schedule/No Change		Delayed/Improving
	Returned to On Schedule status		Delayed/Declining
	Not Started		Delayed/No Change
	Completed in 2017		Delayed/Declining

¹ O&M Only

Section I: Strategic Initiative Performance

Improve Customer Experience and Rate Predictability								
Initiative	Status/ Trend	Status Update	Target Completion (Previous Target)	Total Project Cost	Total Project Forecast	Life-to-date Actuals (Prior years) ²	2017 Planned Spend ³	2017 YTD Actual
A2 – Distribution Management System		Begins in 2019	TBD	\$8M	\$8M	\$0	\$0	\$0
A4 – Compliance Tracking System		<ul style="list-style-type: none"> System was not implemented as scheduled due to need for additional customization and delays in the City IT approval process. 	6/30/17 (3/31/17)					
A6 – Denny Substation Program		<p>This program is on track. First quarter accomplishments include:</p> <ul style="list-style-type: none"> Start of construction of electrical circuits in inspected and approved ducts and vaults in the Denny Triangle neighborhood; Completion of all duct bank installation on Stewart Street; Completion of all vault inspections in Denny Triangle; and Begin final surface restoration on Stewart Street. 	6/30/18	\$377.3M	\$377.3M	\$172.8M	\$111M	\$76.2M
A7 – Transmission System Improvements		<ul style="list-style-type: none"> The award of the reconductoring design-built consultant contract was completed in the first quarter. This milestone was behind schedule in 2016. Design of inductors at Broad street continues as scheduled. 	12/31/19	\$28.9M	\$35.8	\$19M	\$18.5M	\$4.2M
A8 – Underground Cable Replacement		<ul style="list-style-type: none"> This initiative is on track to meet the 2017 goals of: <ul style="list-style-type: none"> One mile of civil engineering design in Arroyo Beach and Brace Point; One mile civil construction in Blueridge areas I and II, and Hillcrest; Two miles of electrical design in Blueridge area II, Hillcrest and other areas; and Two miles of electrical construction in Blueridge area I, Hillcrest and other areas. 	12/31/18	Project viewed from a 6-Year CIP Average	N/A	\$102M	\$10.7M	\$4.3
A9 – Improved Streetlight Infrastructure		<ul style="list-style-type: none"> Work on the Streetlight Horizons Plan continues in 2017. First quarter accomplishments for the system replacement projects include: <ul style="list-style-type: none"> 60% design of Delridge project Public outreach for Shelby-Hamlin project 	12/31/22	\$41.4M	\$41M	\$13.5M	\$5.4M	\$7M

² Cash

³ Actuals, encumbrances and remaining forecast

Improve Customer Experience and Rate Predictability

Initiative	Status/Trend	Status Update	Target Completion (Previous Target)	Total Project Cost	Total Project Forecast	Life-to-date Actuals (Prior years) ²	2017 Planned Spend ³	2017 YTD Actual
A11 – Hydro Performance and Generation Availability		<ul style="list-style-type: none"> The generator rewind and stator core replacement on Skagit unit 31 began as scheduled this quarter. 	12/31/18	\$46.6	\$42.5M	\$29M	\$29M	\$17.6M
A13 – Advanced Meter Infrastructure		<ul style="list-style-type: none"> A revised full change management plan scheduled for completion by 3/31/17 has been retargeted to be in line with future project milestones, primarily meter deployment and system integration. The plan will be completed by 7/30/17. The first 80,000 AMI meters were received this quarter in preparation for deployment that will begin in the third quarter 2017. 	12/31/18	\$84.1M	\$84.1M	\$38M	\$38.1M	\$15M
A20 – Master Service Center		Begins in 2021	TBD	N/A	N/A	N/A	N/A	N/A
CR10 - Utility Discount Program		<ul style="list-style-type: none"> Program is on track to meet goal of 32,000 enrollees by YE 2018. Current enrollment is over 30,000. First quarter accomplishments include changes to SCL and SPU internal policies that will eliminate Medicare Part B from applicant income calculations and auto-enrollment of remaining Seattle Housing Authority residents. 	12/31/18					

Increase Workforce Performance and Safety Practices

Initiative	Status/Trend	Status Update	Target Completion (Previous Target)	Total Project Cost	Total Project Forecast	Life-to-date Actuals (Prior years)	2017 Planned Spend	2017 YTD Actual
W2a/b – Skilled Workforce Attraction and Retention/Training and Development		<ul style="list-style-type: none"> The vendor contract to develop and implement a knowledge transfer program for high risk engineering classifications was finalized this quarter. The program will be completed by year-end. 	12/31/17					
W2 – Technical Training Center		<ul style="list-style-type: none"> City Light continues to wait for permitting approval from the Army Corps of Engineers. 	TBD	\$14.5M	\$12.3M	\$3M	\$10.1M	\$.6M

Enhance Organizational Performance

Initiative	Status/ Trend	Status Update	Target Completion (Previous Target)	Total Project Cost	Total Project Forecast	Life-to-date Actuals (Prior years)	2017 Planned Spend	2017 YTD Actual
A3 - Information Technology Security Upgrades		<ul style="list-style-type: none"> A Network Design contractor was selected and brought on board. <ul style="list-style-type: none"> Contract work will include the configuration of each router and switch that will be deployed throughout City Light's data network 	12/31/20					
A5 – Enterprise Geospatial Information System (GIS)		<ul style="list-style-type: none"> The milestone to finalize the statement of work for the unified GIS database has been combined with the scheduled technology roadmap evaluation and has become part of EGIS Unified Database Scope Definition project. This scope evaluation will help determine if SCL can leverage new in-house or external technology to fulfill business requirements. This milestone will be completed by 6/30/17. 	12/31/21	\$12M	\$12M	\$5M	\$0	\$0
A10 – Mobile Workforce		<ul style="list-style-type: none"> The pilot program evaluation was completed in March as scheduled. The evaluation confirmed that selected devices (HP Elite x2 1012 G1) are the most feasible option for this project. Integration with the new billing system and the workforce pilot is scheduled for Q2 2017. 	12/31/18 (12/31/17)	\$7.2M	\$5M	\$0	\$.8M	\$.08M
A12 – Regional Power and Transmission Leadership		<ul style="list-style-type: none"> Initiative was completed this quarter and is now part of baseline operations. Accomplishments include: <ul style="list-style-type: none"> Significant returns on investment (one FTE) in terms of lower BPA power and transmission rates; and A deeper engagement with BPA, the CAISO and other organizations that affect the power industry. 	3/31/17					
M3 – Enterprise Document Management		<p>First quarter projects for the utility-wide Enterprise Document Management system include:</p> <ul style="list-style-type: none"> Power Contracts and Resource Acquisition repository upgrade in process. Targeted completion 2nd quarter 2017. WAMS document repository development in process. Implementation targeted for 3rd quarter 2017. Work to build a document repository for the Skagit Relicensing Project will begin in the 2nd quarter 2017 with completion scheduled for 1st quarter 2018. 	12/31/20 (12/31/18)	\$11.7M	\$10M	\$4.1M	\$2.3M	\$1.1M

Enhance Organizational Performance

Initiative	Status/ Trend	Status Update	Target Completion (Previous Target)	Total Project Cost	Total Project Forecast	Life-to-date Actuals (Prior years)	2017 Planned Spend	2017 YTD Actual
M6 – Project Management Quality Improvement	●	<ul style="list-style-type: none"> Initiative was completed this quarter and is now part of baseline operations. Accomplishments include: <ul style="list-style-type: none"> Published Project Management Framework that documents the City Light project management methodology; Developed over 30 tools and templates to standardize project management processes across the utility; and Created a Project Manager Community site that includes FAQs, discussion and access to training materials. 	3/31/17					
M9 – Efficiency Initiatives	◻	<ul style="list-style-type: none"> Efficiency efforts are moving forward as planned. See Section IV for details. 	12/31/18	N/A	N/A	N/A	N/A	N/A

Continued Leadership in Conservation and Environmental Stewardship

Initiative	Status/ Trend	Status Update	Target Completion (Previous Target)	Total Project Cost	Total Project Forecast	Life-to-date Actuals (Prior years)	2017 Planned Spend	2017 YTD Actual
A14 – Transportation Electrification	◻	<ul style="list-style-type: none"> House Bill 1355 giving City Light authority to offer incentives to EV customers was introduced into the WA State House of Representatives during the 2017 legislative session. The bill did not receive a vote out of committee. City Light's lobbyist is working on other legislative alternatives. EV pilot programs to install fast public charging stations are moving forward as scheduled. 	12/31/18	\$2.8M	\$2.8M	\$0	\$1.5M	\$.013M
A17 – Climate Research and Adaptation	↑	<ul style="list-style-type: none"> The milestone to establish a team and develop a project plan for implementation of the Climate Adaptation Plan was completed before the due date of 3/31/17. This milestone had been delayed in 2016 due to prior lack of staff resources. 	12/31/18					
CR8 – Enhanced Environmental Leadership	◻	<p>Milestones for this initiative are on track. First quarter accomplishments are:</p> <ul style="list-style-type: none"> Finalization of Creston-Duwamish Stewardship strategy; and Established permits for stewardship organizations. 	12/31/18					
CR9 – Reduce Environmental Liability	◻	<ul style="list-style-type: none"> Annual master plans on PCB removal are on-hold pending the replacement of the tracking system. Funding for the system is being sought in the 2018 budget cycle. PCB removal continues as part of routine pole replacement and other operations. 	TBD					

Section II: Major CIP Projects

The following are City Light's highest budgeted CIP projects in 2017 that are not strategic initiatives. A quarterly report which provides a status summary and cash spending vs budget authority, total project costs, current year budget detail, project completion statistics, explanations for spending and project completion statistics is provided to the City Budget Office.

Project	Status/ Trend	Status Update	Total Project Cost	Total Project Forecast	Life-to-date Actuals (Prior years) ⁴	2017 Planned Spend ⁵	2017 YTD Actual (3/31/17)
8307: Alaskan Way Viaduct and Seawall Replacement - Utility Relocs		The Tunnel Boring Machine restarted in February 2016. Mining is now complete; Bertha reached the North Portal in early Q2 2017 (April 4 th). The tunnel will open for traffic in early 2019. Anticipated completion of SR-99 South Access is 2019; Seawall construction is substantially complete. WFS (13.8 / T4) is anticipating completion in 2023.	\$238.2M	\$246.5M	\$141.2M	\$41.9M	\$11.1M
8366: Medium Overhead and Underground Services		Ongoing project which is currently forecast to be on target at year-end.	\$180.1M	NA*	\$106.4M	\$15.3M	\$3.5M
6987: Boundary - Licensing Mitigation		Total project costs through 2021 are currently forecast to be \$1.4M less than the total budgeted amount of \$165.4M	\$165.4M	\$164M	\$59.2M	\$34.3M	\$22.4M
9101: Equipment Fleet Replacement		Ongoing project, fleet replacements continue based on four factors: utilization, oldest equipment versus expected service life; condition; and mileage.	\$145.6M	NA*	\$98.9M	\$11.9M	\$5.4M
8203: Broad Street Substation - Network		Construction started on 2/29/16. To date, 10 of 11 distribution vaults and over 3,750 linear feet of ductbank have been installed. Major Roadway Restoration activities started. Anticipated completion for civil construction work is the end of 3Q2017.	\$126.1M	NA*	\$97M	\$12.5M	\$8.2M
8353: Underground Equipment Replacements		Ongoing project which is primarily used for cable replace projects, cable injection projects and other underground capital replacements. Underground equipment failure has caused a large amount of unplanned work but there are still commitments for planned cable.	\$117.9M	NA*	\$45.2M	\$13.5M	\$4.2M
9937: New Customer Information System		The New Customer Information System (NCIS) went live on 9/6/2016. The project is currently in the post-stabilization phase with a revised budget of \$11.9M.	\$53.8M	\$53.8M	\$48.1M	\$7.3M	\$2.3M

⁴ Cash

⁵ Actuals, encumbrances and remaining forecast

* These projects are ongoing programs that are tracked at the 6-Year CIP Average vs Total Project Costs

Project	Status/ Trend	Status Update	Total Project Cost	Total Project Forecast	Life-to-date Actuals (Prior years) ⁴	2017 Planned Spend ⁵	2017 YTD Actual (3/31/17)
9202: Security Improvements		Three substation SI projects are completed. The Duwamish Sub project is on (NDA) hold for further review. Nine sub SI projects will potentially be completed in 2017. The Skagit rekey project is expected to be completed during 2017. Two substation SI projects are rescheduled for completion in 2018.	\$46.5M	NA*	\$31.7M	\$9.2M	\$4.7M
6493: Boundary Switchyard - Generator Step-up Transformers		Project scope is to replace 6 new Generator Step-up Transformers at Boundary Powerhouse. The replacement of the first transformer, Bank 155, is now complete and the new transformer is in service. Fabrication of Bank 156 is complete and Installation work is scheduled to start in July 2017. Banks 151 - 154 are still in the planning stage	\$45.9M	\$40M	\$11.6M	\$7.6M	\$2M
9970: PeopleSoft Reimplementation - City Light		This project is in Phase II, the implementation phase, which currently encompasses planning, design, prototyping, testing and department impact analysis (DIA). In addition, the SCL operational systems' interfaces are in the planning and design stage for integration configuration and mapping.	\$27.7M	\$27.7M	\$17.5M	\$17.8M	\$2.3M
6541: Ross Powerhouse - Replace Transformer Banks 42 and 44		Ross Bank 44 installation is now complete and the new "bank" of transformers are in service. Bank 42 fabrication is complete and installation will begin in July 2017.	\$14.0M	\$19.4M	\$12.3M	\$9M	\$5.7M

Section III: Financial Tracker

Tracker: As of February 28, 2017

\$ in millions	Forecast	Target	Variance
Debt Service Coverage			
Retail Revenue	\$836.1	\$850.8	(\$14.7)
RSA Surcharge Revenue	\$12.5	\$10.3	\$2.2
Net Wholesale Revenue	\$54.1	\$60.0	(\$5.9)
RSA Transfers (net)	(\$5.1)	(\$10.8)	\$5.6
Other Revenue (expense)	(\$11.6)	(\$11.6)	\$0.0
Total Revenue	\$886.1	\$898.8	(\$12.7)
Purchased Power (net)	\$259.8	\$262.9	(\$3.2)
Other O&M	\$271.5	\$264.8	\$6.7
Total Expense	\$531.2	\$527.7	\$3.5
Amount Available for Debt Service	\$354.8	\$371.1	(\$16.3)
Debt Service	\$204.4	\$206.2	(\$1.8)
Debt Service Coverage	1.74	1.80	(0.06)

2017 debt service coverage is forecast to come in at 1.74, slightly below the target of 1.8x. The primary reason for this difference is an expected shortfall in the retail sales (GWh), resulting in lower retail revenue. Retail sales (GWhs) are expected to be 0.5% lower than target. The target is based on a forecast of retail sales dating to 2015. Current forecasts project residential sales that are lower, and non-residential sales slightly higher than target. 2017 retail revenue is expected to come in \$14.7 million or 1.7% below target. The high residential 2nd block rate magnifies revenue impacts of lower residential consumption (GWh).

Baseline Budget Performance - City Light spent 25% of the overall O&M budget through February with the initiative spending consistent with overall O&M budget spending. City Light forecasts spending to be below baseline budget levels through the year in the areas of Non-Power O&M and CIP.

The baseline projects represent the investment required to maintain a consistent level of reliability and customer service. City Light is delivering on all 22 baseline programs in 2017. Some of the major projects in the baseline include an upgrade of the Outage Management system, work associated with the Denny Substation construction, and performance maintenance projects at Boundary, Skagit, Cedar Falls and Tolt dams.

Section IV: Efficiency Initiatives/Savings

City Light is committed to achieving annual savings of \$18 million resulting from efficiencies identified and implemented previous years. These efforts are now part of baseline operations and are included in program budgets. An additional \$10 million will be identified in 2017 - 2018. Efficiencies achieved to date are on track to meet the year-end target and are as follows:

EFFICIENCIES -- NEW for 2017

Revenues or Savings (Expense Reduction)	Strategic Initiative/Efficiency Source	Explanation	2017 Year-end Cumulative Forecast	On-going or One Time	Sustainable or Variable
Revenues	Current Diversion	Revenue reclaimed from customers diverting current from meters.	\$ 251,444	ON-GOING	Variable*
Revenues	AMP Fees	Fees paid by customers based service size.	\$ 458,667	ON-GOING	Variable*
Savings	Onboard generators in trucks - new from 2016 and 2017 ONLY	Fuel savings from not idling vehicles to power electric attachments, but rather running installed auxiliary generators. In 2016, auxiliary generators were installed in 10 Walk in Vans (URD and Network) and 2 Digger Derricks.	\$ 20,075	ON-GOING	Sustainable
Revenues	Generator Efficiency Improvements - May 2017 onward	Replacement of transformers in Boundary bank 155 will increase output potential of the unit by 24 MW resulting in increased revenue (online April 2017, increased revenues in 2018.)	\$ 1,051,200	ON-GOING	Sustainable
Revenues	CAISO frequency response	One-year contract for City Light to provide frequency response ancillary services to CAISO.	\$ 1,225,000	ONE TIME	n/a
Revenues	Idaho Power Transmission Rate	Savings attributable to activities of the PSSP Business Unit to prevent a two-year transmission rate increase by Idaho Power Co. (1 Oct. 2015 - 30 Sept. 2017)	\$ 742,350	ONE TIME	n/a
<u>SCL TOTAL NEW EFFICIENCIES</u>			\$ 3,748,736	*Dollar amount represents cumulative quarterly results	