

Strategic Plan Tracking Report

Second 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 Stewardship.

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

(1) Adopted Budget: Original Total Adopted Budget when project was first adopted

(2) Revised Budget: Current Revised Adopted Budget as of 2017

(3) Forecast Spend: Life to Date Actuals through 2016 + Current Forecasted Spend in 2017 + 2018-2023 Forecasted Spend

Improve Customer Experience and Rate Predictability						
Initiative	Status/ Trend	Status Update	Target Completion (Previous Target)	Adopted Budget ⁽¹⁾	Revised Budget ⁽²⁾	Forecast Spend ⁽³⁾
A2 – Distribution Management System		Begins in 2019	TBD	\$8M	\$8M	\$0
A4 – Compliance Tracking System		System was implemented this quarter <ul style="list-style-type: none"> The system provides an integrated software solution to track, monitor and document federally mandated electric reliability standard compliance across City Light. 	6/30/17 (3/31/17)			
A6 – Denny Substation Program		This program is on track. Second quarter accomplishments include: <ul style="list-style-type: none"> Roadway restoration on Stewart Street is 99% complete; Construction of Denny Triangle ductbank and vaults continues with 80% complete and expected completion in late summer 2017; Final restoration of all project areas in the Denny Triangle neighborhood is scheduled for completion in fall 2017; and Future electrical circuit work is ongoing as completed civil infrastructure segments are accepted by City Light. Completion is anticipated for mid-2018. 	6/30/18	\$377.3M	\$377.3M	\$377.3M
A7 – Transmission System Improvements		<ul style="list-style-type: none"> Design of inductors at Broad street continues. Completion is targeted for second quarter 2018; and A landmark nomination application for Broad Street Substation was filed with the Landmarks Preservation Board in May 2017. The public meetings will occur in the third and fourth quarters. 	12/31/19	\$28.9M	\$35.8	\$31M
A8 – Underground Cable Replacement		This initiative is on track to meet the 2017 goals of: <ul style="list-style-type: none"> One mile civil engineering design in Arroyo Beach and Brace Point; One mile civil construction in Blueridge areas I and II, and Hillcrest; Two miles electrical design in Blueridge area II, Hillcrest and other areas; and Two miles electrical construction in Blueridge area I, Hillcrest and other areas. 	12/31/18	Project viewed from a 6-Year CIP Average	N/A	
A9 – Improved Streetlight Infrastructure		Work on the Streetlight Horizons Plan continues in 2017. A key second quarter accomplishment for the system replacement projects is: <ul style="list-style-type: none"> Work authorization and contract paperwork is complete for streetlight infrastructure replacement in the Blue Ridge neighborhood. 	12/31/22	\$41.4M	\$37M	\$32.3M

Improve Customer Experience and Rate Predictability

Initiative	Status/ Trend	Status Update	Target Completion (Previous Target)	Adopted Budget	Revised Budget	Forecast Spend
A11 – Hydro Performance and Generation Availability		<ul style="list-style-type: none"> A heat test was performed on Gorge unit 24 ahead of schedule during the second quarter. The unit was approved for an increased rating of 93MW. The completion of construction for Newhalem Creek unit 20 was delayed until the third quarter due to a longer than expected winter suspension. 	12/31/18	\$46.6	\$42.5M	\$39.7M
A13 – Advanced Meter Infrastructure		<p>This project is on schedule. Second quarter accomplishments include:</p> <ul style="list-style-type: none"> A revised full change management plan was completed in the second quarter and implementation is underway; Meter deployment is on track to begin early in the third quarter. The first 250 customers have received initial communication with City Light; and City Light staff has completed the Privacy Impact Assessment and required supplemental information. This has been provided to Seattle IT and the American Civil Liberties Union. 	12/31/18	\$84.1M	\$84.1M	\$84.1M
A20 – Master Service Center		Begins in 2021	TBD	N/A	N/A	N/A
CR10 - Utility Discount Program		<ul style="list-style-type: none"> Program exceeded its goal of 32,000 enrollees by YE 2018. Current enrollment is over 33,000. Completed documentation and process improvements necessary to finalize launching the on-line application. 	12/31/18			

Increase Workforce Performance and Safety Practices

Initiative	Status/ Trend	Status Update	Target Completion (Previous Target)	Adopted Budget	Revised Budget	Forecast Spend
W2a/b – Skilled Workforce Attraction and Retention/Training and Development		Work to develop and implement a knowledge transfer program for high risk engineering classifications continued this quarter. The program will be completed by year-end.	12/31/17			
W2 – Technical Training Center		City Light continues to wait for permitting approval from the Army Corps of Engineers.	TBD	\$14.5M	\$14.5M	\$14.7M

Enhance Organizational Performance

Initiative	Status/ Trend	Status Update	Target Completion (Previous Target)	Adopted Budget	Revised Budget	Forecast Spend
A3 - Information Technology Security Upgrades		Milestones for this initiative are on track. Second quarter accomplishments include: <ul style="list-style-type: none"> Router and switch replacement draft designs completed for Seattle Municipal Tower (SMT), System Operations Center, South Service Center and North Service Center; Implementation plans for the replacement activities developed; and Implementation has been started at the SMT. 	12/31/20			
A5 – Enterprise Geospatial Information System (GIS)		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. Due to the ITD consolidation City Light has access to core technologies previously not available when the roadmap was crafted which may be of benefit. This scheduled scope evaluation will help determine if we can leverage new in-house or external technology to fulfill business requirements. This effort will run through to third quarter 2017.	12/31/21	\$12M	\$12M	\$12M
A10 – Mobile Workforce		Mobile Workforce Implementation continues to be delayed due to the lack Seattle IT resources assigned to support this project. Integration with the new billing system and the workforce pilot scheduled for the second quarter did not occur and is on hold pending IT support. Second quarter accomplishments include: <ul style="list-style-type: none"> System hardware was ordered; Continuation of mobile computer user training; and Evaluation of Oracle Field Service Cloud software 	12/31/18 (12/31/17)	\$7.2M	\$5.6M	\$6.2M
M3 – Enterprise Document Management		Projects associated with the utility-wide Enterprise Document Management system have been delayed. Status is as follows: <ul style="list-style-type: none"> WAMS document repository development is in process. Implementation which was targeted for the third quarter 2017 has been extended until the first quarter 2018. This is due to the complexity of integration; and Work to build document repositories for the Skagit Relicensing Project and the Utility Discount Program which were scheduled to begin in the second quarter 2017 have both been extended into 2018 due to delays in the assignment of Project Management resources from the Seattle Department of Information Technology. 	12/31/20 (12/31/18)	\$11.7M	\$10M	\$10M
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

Continued Leadership in Conservation and Environmental Stewardship

Initiative	Status/ Trend	Status Update	Target Completion (Previous Target)	Adopted Budget	Revised Budget	Forecast Spend
A14 – Transportation Electrification		<ul style="list-style-type: none"> Electric Vehicle pilot programs to install fast public charging stations are moving forward as scheduled. An RFP was released in the second quarter seeking engineering for the charging stations. 	12/31/18	\$2.8M	\$2.8M	\$2.3M
A17 – Climate Research and Adaptation		<ul style="list-style-type: none"> The milestone to identify the information needs and partners for the climate impacts assessment was completed before the due date of 6/30/17. 	12/31/18			
CR8 – Enhanced Environmental Leadership		<p>Planning baseline monitoring along the Cedar Falls line has been delayed due to budget considerations. This work will now be completed in the first quarter 2018. A second quarter accomplishment is:</p> <ul style="list-style-type: none"> Finalization of Creston-Duwamish Stewardship strategy and work log. 	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.

(1) Adopted Budget: Original Total Adopted Budget when project was first adopted

(2) Revised Budget: Current Revised Adopted Budget as of 2017

(3) Forecast Spend: Life to Date Actuals through 2016 + Current Forecasted Spend in 2017 + 2018-2023 Forecasted Spend

NA* These projects are considered ongoing programs that do not have a total project cost as these programs are funded each budget cycle.

Project	Status/ Trend	Status Update	Adopted Budget ⁽¹⁾	Revised Budget ⁽²⁾	Forecast Spend ⁽³⁾
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	\$246.5M
8366: Medium Overhead and Underground Services		Ongoing project which is currently forecast to be on target at year-end.	\$180.1M	NA*	NA*
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	\$164M
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*	NA*
8203: Broad Street Substation - Network		Ongoing project. 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*	NA*
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*	NA*
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. A business case is in review with Finance for inclusion of the portal under the NCIS project.	\$53.8M	\$53.8M	\$53.8M
9202: Security Improvements (SI)		Ongoing project. 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*	NA*

Project	Status/ Trend	Status Update	Adopted Budget ⁽¹⁾	Revised Budget ⁽²⁾	Forecast Spend ⁽³⁾
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	\$36M
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	\$22.4M
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	\$15M

Section III: Financial Tracker

Tracker: As of May 31, 2017

\$ in millions	Forecast ²	Target ³	Variance
Debt Service Coverage			
Retail Revenue	\$848.3	\$850.8	(\$2.5)
RSA Surcharge Revenue	\$10.2	\$10.3	(\$0.1)
Net Wholesale Revenue	\$65.9	\$60.0	\$5.9
RSA Transfers (net)	(\$15.8)	(\$10.8)	(\$5.0)
Other Revenue (expense)	(\$16.2)	(\$11.6)	(\$4.7)
Total Revenue	\$892.4	\$898.8	(\$6.4)
Purchased Power (net)	\$256.8	\$262.9	(\$6.1)
Other O&M	\$272.7	\$264.8	\$7.9
Total Expense	\$529.5	\$527.7	\$1.8
Amount Available for Debt Service	\$363.0	\$371.1	(\$8.1)
Debt Service	\$204.0	\$206.2	(\$2.2)
Debt Service Coverage	1.78	1.80	(0.02)

2017 debt service coverage is forecast to come in at 1.78, slightly below the target of 1.8x. This is higher than estimated at the beginning of the year, primarily because of higher year-to-date retail sales due to the cold winter and associated higher heating load.

Baseline Budget Performance - City Light spent 53% of the overall O&M budget through June 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 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.

² Expected full-year result, includes actual results through current reporting period

³ Financial plan

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 incremental \$10 million will be identified in 2017-2018, with at least \$5M delivered by Y-E 2017. Efficiencies achieved to date are on track to meet the year-end 2017 target and are as follows:

Revenues or Savings (Expense Reduction)	INCREMENTAL Efficiency	Explanation	2nd QTR Cumulative YTD 2017	ESTIMATED Cumulative Y-E 2017	On-going or One Time	On-going Variable/ Constant	Y-E 2016 Amount
	Transmission and Distribution O&M						
Savings	Onboard generators in trucks	Estimated fuel savings from not idling vehicles to power electric attachments, but rather running installed auxiliary generators (AU). In 2016, AUs were installed in 10 Walk in Vans (URD and Network) and 2 Digger Derricks. In Feb. 2017, an AU was installed in a truck.	14,150	24,383	ON-GOING	Constant	307,800
	Customer Service, Communication, & Regulatory Affairs						
Revenues	Current Diversion	revenue recovered from finding electricity diversion	1,027,497	1,027,497	ONE TIME		1,007,969
	Financial Services						
Savings	Debt Service savings	Y-E approximation since the issue will not be priced until September, 2017. The "Estimated Year-End Cumulative 2017" is 1/4th of the estimated annualized savings of \$800,000, with an assumed closing late in September.	-	200,000	ON-GOING	Constant	10,500,000
Revenues	City Light art rental	revenue from City Light 'renting' its art to other City Departments	86,500	173,000	ON-GOING	Constant	0
Revenues	AMP fees	Contribution in Aid of Construction fees received from charges in excess of standard connection fees	2,205,818	2,205,818	ON-GOING	Variable	550,510
Revenues	MTCA grants	State Model Toxics Control Act (MTCA) Grant, cash received, re-imbusement for environmental remediation	1,754,360	1,754,360	ON-GOING	Variable	2,790,741
	Administrative Services/HR						
Savings	Light Duty	Coordinate modified/light duty to place candidates where appropriate - placed employees on workers' compensation in modified/light duty positions and reduced the money spent in time loss payments	192,220	192,220	ON-GOING	Variable	506,265
	Generation Operations						
Revenues	Generator Efficiency Improvements	generators/transmission transformers rehab/replacement produce additional generation capacity and energy for sale	262,800	1,051,200	ON-GOING	Constant	2,475,900
	Power Supply and Strategic Planning						
Revenues	CAISO frequency response	One-year contract for City Light to provide frequency response ancillary services to CAISO.	1,225,000	1,225,000	ONE TIME		0
Savings	Idaho Power Transmission Rate	Savings attributable to activities of the Power Supply and Strategic Planning Business Unit to prevent a two-year transmission rate increase by Idaho Power Co. (1 Oct. 2015 - 30 Sept. 2017)	494,900	742,350	ONE TIME		989,800
		SCL TOTAL NEW EFFICIENCIES	7,263,245	8,595,828			19,128,985
		ONE TIME	2,747,397	2,994,847			1,997,769
		ON-GOING -- Variable	4,152,398	4,152,398			3,847,516
		ON-GOING -- Constant	363,450	1,448,583			13,283,700