

2013 – 2018 Final Strategic Plan Tracking Report

This report provides final status on the Utility’s performance in meeting the commitments of the 2013 – 2018 City Light Strategic Plan. All initiatives have been completed and associated work has concluded, has moved to baseline operations or is included in the 2019 – 2024 Strategic Plan. All remaining funding is part of ongoing operational and/or capital budgets.

The initiatives are 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 three 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.

Definitions and status key:

	Continues in 2019 – 2024 Strategic Plan
	Initiative completed and work continues as part of baseline operations

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 2018

(3) Forecast Spend: Life to Date Actuals through 2018 + Current Revised 2018 Budget + Proposed 2019-2024 Budget

Improve Customer Experience and Rate Predictability					
Initiative	Status/ Trend	Status Update	Adopted Budget ⁽¹⁾	Revised Budget ⁽²⁾	Forecast Spend ⁽³⁾
A6 – Denny Substation Program	●	The new Denny substation and its associated transmission circuits and South Lake Union network distribution system provides needed capacity and operational flexibility to deliver highly reliable electrical service to the high-density, high-tech/bio-tech load centers and neighborhoods that make up the north downtown area. Construction for both the network distribution system and the substation facility began in 2016. The Denny substation was energized in May 2018 followed by the work to energize the network distribution system backbone feeders.	\$377.3M	\$521M	\$521M
A7 – Transmission System Improvements	●	The transmission system improvement project increases transmission capacity in City Light's service territory to relieve congestion in the Puget Sound area resulting from changes in area generation, load growth, transfers of power to Canada required by treaty and outages needed to maintain the lines. The cost of these improvements is partially reimbursed by other utilities in the area. In 2017, continuation of engineering and construction proceeded in coordination with the Denny substation project. Transmission line inductor installation for the Denny project was completed in 2018. This initiative was completed, and work continues as part of baseline operations. The Broad substation inductor and capacitor is scheduled for installation in 2020 and 2021.	\$28.9M	\$32.7M	\$32.4M
A8 – Underground Cable Replacement	●	This project is on track and work continues as part of baseline operations. Third and fourth quarter accomplishments included: <ul style="list-style-type: none"> • Replacement at Arroyo Beach is 25% complete; • Brace Point UG Permit is in the review process; • Civil construction continues at 42nd Ave S, SR 518 to S 160th St and 53rd Ave S, S 137th St to S 144th St; • Summit Ave E & E Thomas St civil design is projecting completion by 3rd quarter 2019; • Blue ridge conduit work is complete. Cable work will follow. 	Project viewed from a 6-Year CIP Average	N/A	

Improve Customer Experience and Rate Predictability					
Initiative	Status/ Trend	Status Update	Adopted Budget ⁽¹⁾	Revised Budget ⁽²⁾	Forecast Spend ⁽³⁾
A11 – Hydro Performance and Generation Availability	●	This initiative ensures that investments in and maintenance of City Light’s hydro system maximize performance and reduce unit outages. In 2017, an Excel optimization tool was developed to better inform power marketing and system control decision-making within the hour for hydro operations, and thereby increase generation efficiency/water utilization from utility revenue and state renewable/I-937 perspectives. Goals through 2018 included prioritizing crew deployment for preventive maintenance to minimize unit outages.	\$46.6M	\$47M	\$48M
A13 – Advanced Meter Infrastructure	●	By the end of 2018, the AMI project had largely completed mass deployment with 409,054 meters installed. Integration between the advanced metering system and the billing system was also completed. The remaining work in 2019 is more complex metering for our key commercial customers and clean-up work that could not be resolved as part of mass deployment.	\$84.1M	\$100.4M*	\$100.4M
CR10 - Utility Discount Program	●	At the end of 2018, there were approximately 31,924 customers enrolled. A recent University of Washington study determined that there are approximately 98,000 area households eligible for participation. City Light is developing a marketing plan and online application to increase enrollment in 2019. With increased marketing and outreach, City Light aims to help all those who are in need.			
Enhance Organizational Performance					
Initiative	Status/ Trend	Status Update	Adopted Budget	Revised Budget	Forecast Spend
A3 - Information Technology Security Upgrades	●	<p>This initiative focused on improving the security of information technology assets by updating and/or replacing the information security infrastructure. Infrastructure modernization includes upgrading firewalls, routers and switches. The outdated network infrastructure is also being improved with implementation of new enterprise security information and event management (SIEM) tools. This initiative defined the operational standards, policies, guidelines and tools to integrate information and operational technology security into a cohesive program to manage the utility’s critical assets.</p> <p>This initiative was transitioned to the Seattle Department of Information in 2016. Work continues as part of Seattle IT baseline operations.</p>			

Enhance Organizational Performance					
Initiative	Status/ Trend	Status Update	Adopted Budget	Revised Budget	Forecast Spend
A5 – Enterprise Geospatial Information System (GIS)	●	This initiative supports the establishment of a strategic direction for City Light’s Geospatial Information Systems (GIS) and the implementation of an enterprise-wide GIS. The solution replaces City Light’s existing environment that includes multiple, incompatible GIS systems as well as supporting both the current and emerging GIS needs of the utility. Replacing multiple systems with a single, integrated GIS eliminates redundant data entry, increase data quality and make locational information available. In 2018 a unified GIS database system and end-user viewing solution was selected.	\$12M	\$14.2M	\$8.7M
A10 – Mobile Workforce	●	<p>City Light will implement a mobile workforce solution known as Oracle Field Service Cloud (OFSC). This technology interfaces with City Light’s Customer Care and Billing system (CCB), Work and Asset Management system (WAMS) and Outage Management System (OMS). The Oracle Field Service Cloud system will enable comprehensive operational management of work planning, scheduling and dispatching activities. Implementation began with rolling out tablets with appropriate software (such as WAMS) for customer service field reps as well as Operations employees in 2017. Full implementation of the Oracle Field Service Cloud System was delayed due to the number of competing projects assigned to the Seattle Department of Information Technology. It is currently projected that the implementation will be completed in early 2020.</p> <p>This initiative was completed, and work continues as part of baseline operations. Project status will be reported to the Mayor’s office though completion.</p>	\$7.2M	\$6.7M	\$5.8M
M3 – Enterprise Document Management	●	The EDM initiative completed the Work and Asset Management System (WAMS) repository for the work order process, integrating with the WAMS application, allowing ease of access to all the documents related to a work order. In addition, the Skagit Relicensing project that was completed in 2017 enables a more global FERC Relicensing project that will provide a structured document repository to support all the relicensing work. And finally, four projects were initiated in 2018: Utility Assistance Program, Procurement, Accounts Payable Invoicing, and an upgrade of WebCenter Suite.	\$11.7M	\$12.2M	\$11.7M
M9 – Efficiency Initiatives		By focusing on value-added activities, City Light exceeded its \$18.9 million efficiency savings target for 2016 by several million dollars. In 2017, this initiative was moved to City Light’s baseline activities. A new efficiency target was set for the two-year Strategic Planning period 2017-18. The target was to achieve additional efficiencies, on an annual basis, of \$10M, by year-end 2018. The Utility achieved its year-end 2018 goal of \$10M in 2017. A total of \$12,811,051 in new efficiencies was achieved for 2017 – 2018.			

Continued Leadership in Conservation and Environmental Stewardship					
Initiative	Status/ Trend	Status Update	Adopted Budget	Revised Budget	Forecast Spend
A14 – Transportation Electrification		<p>This initiative is behind schedule as site acquisition was slower than anticipated. Additionally, in response to community input the program has expanded outreach efforts to assess community concerns prior to installation.</p> <ul style="list-style-type: none"> Completed construction of Beacon Hill site. The utilization rate has more than doubled since installation; Development work continues for these future sites: <ul style="list-style-type: none"> Gas Works Park and Magnuson Park SCL South Service Center Tukwila SCL ROW (13000 block Interurban Ave S) T-Mobile Field City of Burien, King County Library Capitol Hill, Broadway & Denny 	\$2.8M	\$2.9M	\$3.7M
A17 – Climate Research and Adaptation		<p>This initiative is on schedule. Major accomplishments for second half of 2018 include:</p> <ul style="list-style-type: none"> Identify next priorities for climate impacts assessments and adaptation actions; Complete climate data tools and increase access to climate impacts information for City Light employees; Progress on a utility resiliency self-assessment as part of ongoing participation in the U.S. Department of Energy’s Partnership for Energy Sector Climate Resilience. 			
CR8 – Enhanced Environmental Leadership		<p>This initiative is on schedule. Major accomplishments for second half of 2018 include:</p> <ul style="list-style-type: none"> Continued post-treatment maintenance and monitoring at field test plots along the Creston-Duwamish through environmental restoration; Documented remaining stewardship resource needs for the Creston-Duwamish watershed. 			

Section II: Major CIP Projects

The following are City Light's highest budgeted CIP projects in 2018 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 2018

(3) Forecast Spend: Life to Date Actuals through 2018 + Current Revised 2018 Budget + Proposed 2019-2024 Budget

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⁾
MC-CL-ZS8366: Medium OH and UG Services		New service connections running above expectations. Additional funds of \$3.3M were approved in the Q4 supplemental. \$1.3M is offset by customer reimbursements.	Project viewed from a 6-Year CIP Average		
MC-CL-XB6987: Boundary Licensing Mitigation		The total project cost for the term of the license is estimate at about \$400M over the 42-year term of the new license (2013-55). Program cost overruns from 2018 to 2022 are offset largely by budget carryforwards from prior years so that program expenditures for the period 2013-2022 are generally in line with budget. A number of our largest projects (Upstream Passage, the Native Salmonid Conservation Hatchery, and the Entrainment Program) continue to experience expenditure deferrals as we work together with our stakeholders to identify optimal resource strategies. The total underspend forecasted in 2018 is approximately \$27M, of which \$18M is for the Hatchery project.	\$165.4M	\$175.5M	\$196M
MC-CL-ZT8307: SCL ALASKAN WAY VIADUCT		4th quarter milestones include: <ul style="list-style-type: none"> • Completion of surface street traffic switch from under the viaduct in preparation for the overhead structure demolition; • Released Waterfront Seattle Main Corridor project for bid advertising; • Energized street lighting for North and South Access; • Waterfront Seattle Early Works project was completed on schedule and 10% under budget; • Energized traffic signals and pedestrian lighting along Alaskan Way near Pike Street which represents the final Seawall Right-of-Way services to energize. 	\$238.2M	\$240.5M	\$257.2M

Project	Status/ Trend	Status Update	Adopted Budget ⁽¹⁾	Revised Budget ⁽²⁾	Forecast Spend ⁽³⁾
MC-CL-YR8452: Pole Attachments		Joint Use Program permitted nearly 400 pole attachment applications from communication customers. Approximately 300 of those applications required make-ready work. To date, the program replaced approximately 300 poles for the utility as part of make-ready work. <u>Budget:</u> Through year-end 2018, approximately \$21M of the budgeted \$22.5M was spent within the Program. That's approximately 93% and includes a \$5M encumbrance to cover capital construction related expenses in 2019. Of the total 2018 spending, approximately \$11M was awarded to contract crews to complete construction. <u>Schedule:</u> Engineering ended 2018 with a backlog of roughly 200 permit applications that will be carried over to 2019. <u>Risks:</u> There is still uncertainty on how the Program will be managed in the near term due to the Small Cell Order by the FCC. At this time, the scope of make-ready work is status quo.	Project viewed from a 6-Year CIP Average		
MC-CL-XF9101: Equipment Fleet Replacement		Fleet replacements continue based on four factors: utilization, oldest equipment versus expected service life; condition; and mileage.	Project viewed from a 6-Year CIP Average		
MC-CL-XB6351: Boundary U51 Generator Rebuild		The project is moving quickly through the design phase. GE has started procurement of materials needed for construction in 2019. The outage remains on schedule for July 2019. GO&E engineers are preparing for several trips to make factory inspections of components before they are shipped to site in 1st and 2nd quarter 2019. Work scoped to be completed by City Light crews is also on track and several procurement actions are underway to support that work.	\$16.9M	\$22.5M	\$19.5M
MC-CL-XP9976: West Energy Imbalance Market		The project includes six major milestones necessary to join EIM. City Light has completed or is on-track to complete these according to the schedule. City Light and its consultants have developed a detailed project schedule and project teams to execute the work streams, initiated robust change management efforts and dialogue with organized labor, and is in the process of hiring for new authorized positions.	\$9M	\$14.7M	\$14M
MC-CL-ZS8363: Network Additions and Services: Broad Street Substation		Network Services continue to be at very high historic levels. Additional funds of \$5.3M were approved in the Q4 supplemental to complete needed services work. \$2.65M is offset by customer reimbursements.	Project viewed from a 6-Year CIP Average		

Project	Status/ Trend	Status Update	Adopted Budget ⁽¹⁾	Revised Budget ⁽²⁾	Forecast Spend ⁽³⁾
MC-CL-XB6493: Boundary Generator Step-up Transformer Upgrade		This multi-year project will replace 6 power transformers at the Boundary Powerhouse. The first transformer, for Generating Unit 55, was placed into service in March 2017. The Unit 56 transformer was placed into service in May 2018. Replacement of the remaining 4 transformers is still in the procurement phase. They will be installed over a 4-year period beginning in 2020.	\$45.9M	\$44M	\$45.5M
MC-CL-YD9202: Security Improvements		This project is in process at multiple substations through-out the utility. University Substation, Duwamish Substation and Creston Nelson Substation will be completed in second quarter of 2019. North Substation is being re-engineered due to structural challenges. Union Substation, North Mountain Substation and Canal substation are scheduled to start in 2019.	\$46.5M	NA*	NA*
MC-CL-WF9970: PeopleSoft Reimplementation		This project is in the closeout phase as PS 9.2 went live in January 2018.	\$27.7M	\$27.5M	\$27.2M
MC-CL-ZL8441: LED Streetlight Conversion Program		This project was a donor for \$1.7M on the Q4 supplemental. The \$1.5M Pioneer Square project has been delayed and will be pushed into 2019 using programmatic budget. The delay was caused by the need for approval from the Pioneer Square Historical Preservation Board which just granted verbal permission the week of October 1, 2018. No official certificate has been received. Work will begin in early January 2019.	Project viewed from a 6-Year CIP Average		
MC-CL-YS7752: Substation Equipment Improvements		Yearly activities on schedule and practically on budget target. Provides for basic substation equipment upgrades, retrofits and installations.	Project viewed from a 6-Year CIP Average		

Section III: Financial Tracker

As of December 31, 2018

\$ in millions	2018	Plan	Variance
Debt Service Coverage			
Retail Revenue	\$852.3	\$877.5	(\$25.2)
RSA Surcharge Revenue	\$12.8	\$7.7	\$5.1
Net Wholesale Revenue	\$49.9	\$60.0	(\$10.1)
RSA Transfers (net)	(\$3.5)	(\$8.4)	\$4.9
Other Revenue (expense)	(\$14.7)	(\$13.4)	(\$1.3)
Total Revenue	\$896.7	\$923.4	(\$26.6)
Purchased Power (net)	\$247.9	\$254.1	(\$6.2)
Other O&M	\$259.7	\$294.2	(\$34.5)
Total Expense	\$507.6	\$548.3	(\$40.7)
Amount Available for Debt Service	\$389.1	\$375.1	\$14.0
Debt Service	\$213.0	\$214.4	(\$1.5)
Debt Service Coverage	1.83	1.75	0.08

2018 debt service coverage is 1.83. The favorable variance from the Plan is primarily driven by significantly lower than planned O&M spending coming from both intentional spending reductions and a higher than planned volume of overhead costs allocated to capital. Lower O&M was partially offset by lower retail revenue, due in part to lower than planned heating load.

Baseline Budget Performance - City Light spent 92% of the overall non-power O&M budget in 2018 with the initiative spending consistent with overall O&M budget spending. The baseline projects represent the investment required to maintain a consistent level of reliability and customer service. City Light delivered on all baseline programs in 2018. Some of the major projects in the baseline included the implementation of advanced meters (Advanced Meter Infrastructure), work associated with the Denny Substation construction, and the generator rewind program.