

# Strategic Plan Tracking Report

## Third 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 highlighted<sup>1</sup>. **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 |

<sup>1</sup> 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/<br>Trend | Status Update  | Target Completion<br>(Previous Target) | Adopted Budget <sup>(1)</sup>            | Revised Budget <sup>(2)</sup> | Forecast Spend <sup>(3)</sup> |
| A2 – Distribution Management System                 |                  | Begins in 2019   | TBD                                    | \$8M                                     | \$8M                          | \$0                           |
| A6 – Denny Substation Program                       |                  | This program is on track. Third quarter accomplishments include: <ul style="list-style-type: none"> <li>• Completion of roadway restoration on Stewart Street;</li> <li>• Construction of Denny Triangle duct-bank and vaults continues with 80% complete and expected completion in early Fall 2017;</li> <li>• Roadway and sidewalk restoration on Virginia Street and west of Westlake Avenue is ongoing and on target for completion;</li> <li>• Final restoration of all project areas in the Denny Triangle neighborhood is scheduled for completion in fourth quarter 2017; and</li> <li>• Future electrical circuit work by SCL Network Operational Crews have begun and is ongoing as completed civil infrastructure segments are accepted by City Light. Completion is anticipated for late 2018.</li> </ul> | 6/30/18                                | \$377.3M                                 | \$377.3M                      | \$377.3M                      |
| A7 – Transmission System Improvements               |                  | <ul style="list-style-type: none"> <li>• Design of inductors at Broad street continues. Completion is targeted for second quarter 2018;</li> <li>• A public hearing for the Broad Street Substation landmark nomination with the Landmarks Preservation Board was held in September 2017. The next public meeting will occur in the fourth quarter; and</li> <li>• The conductor type for the Bothell-SnoKing reconductor was selected in July 2017. The design is in progress.</li> </ul>   | 12/31/19                               | \$28.9M                                  | \$35.8                        | \$31M                         |
| A8 – Underground Cable Replacement                  |                  | This initiative is largely on track to meet the 2017 goals of: <ul style="list-style-type: none"> <li>• One mile civil engineering design in Arroyo Beach and Brace Point. Brace Point design has been postponed until the first quarter 2018 due to budget constraints;</li> <li>• One mile civil construction in Blueridge areas I and II, and Hillcrest;</li> <li>• Two miles electrical design in Blueridge area II, Hillcrest and other areas; and</li> <li>• Two miles electrical construction in Blueridge area I, Hillcrest and other areas.</li> </ul>  | 12/31/18                               | Project viewed from a 6-Year CIP Average | N/A                           |                               |
| A9 – Improved Streetlight Infrastructure            |                  | Work on the Streetlight Horizons Plan continues as scheduled in 2017.  | 12/31/22                               | \$41.4M                                  | \$37M                         | \$32.3M                       |

### Improve Customer Experience and Rate Predictability

| Initiative  | Status/<br>Trend  | Status Update  | Target Completion<br>(Previous Target) | Adopted Budget | Revised Budget | Forecast Spend |
|---|---|--|--|----------------|----------------|----------------|
| A11 – Hydro Performance and Generation Availability |  | <ul style="list-style-type: none"> <li>The rewind of Diablo Unit 31 continues on schedule. This work will be completed 12/31/18;</li> <li>Diablo Unit 32 will undergo rebuild beginning March 2018;</li> <li>Construction of Boundary Bank 156 is in progress and on track for completion in February 2018; and</li> <li>Ross Bank 42 construction was completed. Equipment will be in service 10/31/17.</li> </ul>  | 12/31/18                               | \$46.6         | \$42.5M        | \$38.5M        |
| A13 – Advanced Meter Infrastructure                 |  | <p>This project is on schedule. Third quarter accomplishments include:</p> <ul style="list-style-type: none"> <li>Mass meter deployment kick-off in August. Full ramp up expected in mid-fourth quarter 2017;</li> <li>System integration testing preparation completed. Seattle Department of Information Technology (IT) completed infrastructure upgrades to accommodate increased system load; and</li> <li>The list of critical business process updates was approved. The Change Management plan was delivered and is being executed.</li> </ul> | 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                     |  | <p>The program has exceeded its goal of 32,000 enrollees by YE 2018.</p> <ul style="list-style-type: none"> <li>Current enrollment is over 33,000; and</li> <li>Began implementing process improvements related to the on-line application, particularly around emergency program alignment.</li> </ul>  | 12/31/18                               |                |                |                |

### Increase Workforce Performance and Safety Practices

| Initiative  | Status/<br>Trend  | Status Update   | Target Completion<br>(Previous Target) | Adopted Budget | Revised Budget | Forecast Spend |
|---|---|---|--|----------------|----------------|----------------|
| W2a/b – Skilled Workforce Attraction and Retention/Training and Development |  | <p>This program is on schedule. Accomplishments during the third quarter include:</p> <ul style="list-style-type: none"> <li>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; and</li> <li>Staff has been hired to manage the department-wide knowledge transfer program. A project timeline has been developed to review all departmental classifications.</li> </ul> | 12/31/17                               |                |                |                |
| W2 – Technical Training Center  |  | The Technical Training Center is being revamped with a new strategic initiative. Due to delays out of City Light's control, the project has been rescope to account for the changes in timeline and design.   | TBD                                    | \$14.5M        | \$14.5M        | \$14.7M        |

## Enhance Organizational Performance

| Initiative  | Status/<br>Trend  | Status Update  | Target Completion<br>(Previous Target) | Adopted Budget | Revised Budget | Forecast Spend |
|---|---|--|--|----------------|----------------|----------------|
| A3 - Information Technology Security Upgrades       |    | Milestones for this initiative are on track. Third quarter accomplishments include: <ul style="list-style-type: none"> <li>Eight floors in the Seattle Municipal Tower have been successfully upgraded to new network hardware. Remaining floors will be completed in November 2017;</li> <li>Implementation plan for Systems Operation Center and City Light substations are complete; and</li> <li>Some equipment replacement at Boundary was accelerated to improve current service.</li> </ul>   | 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 Information Technology 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 the third quarter 2017.   | 12/31/21                               | \$12M          | \$12M          | \$12M          |
| A10 – Mobile Workforce                              |    | Milestone delays are related to Information Technology Department resource limitations. The Mobile Workforce Implementation project is now beginning to receive necessary IT support. <ul style="list-style-type: none"> <li>A new IT program manager was hired;</li> <li>Software integration with Customer Care and Billing system and Oracle Field Service Cloud software is in the planning phase; and</li> <li>Mobile computer hardware deployment has begun and will be completed by 12/15/17.</li> </ul>  | 12/31/18<br>(12/31/17)                 | \$7.2M         | \$5.6M         | \$5.8M         |
| M3 – Enterprise Document Management                 |  | The Enterprise Document Management initiative is delayed due to program complexity and resource issues. Third quarter accomplishments include: <ul style="list-style-type: none"> <li>Continued work on the WAMs Document Repository and Skagit Relicensing Document Repositories. Each is scheduled for first quarter 2018 implementation;</li> <li>A system upgrade and Asset Management Document Repository will be requested and sent to Seattle IT by the end of October. Project to begin once IT Project Manager is assigned; and</li> <li>Continue to wait the assignment of a IT project manager for the Utility Assistance Program.</li> </ul> | 12/31/20<br>(12/31/18)                 | \$11.7M        | \$10M          | \$9.2M         |
| M9 – Efficiency Initiatives                         |  | <ul style="list-style-type: none"> <li>Efficiency efforts are moving forward as planned. See Section IV for details.</li> </ul>  | 12/31/18                               | N/A            | N/A            | N/A            |

**Continued Leadership in Conservation and Environmental Stewardship**

| Initiative                              | Status/<br>Trend  | Status Update   | Target Completion<br>(Previous Target) | Adopted Budget | Revised Budget | Forecast Spend |
|---|---|---|--|----------------|----------------|----------------|
| A14 – Transportation Electrification    |  | <p>This initiative is on track. Third quarter milestones include:</p> <ul style="list-style-type: none"> <li>Finalized list of Phase 1 sites for electric vehicle charging stations. Each location is being assessed for feasibility. Pending approval, the location design will begin. This is targeted for the fourth quarter; and</li> <li>The design of Site 1 will be completed this quarter. Construction is expected to start in the fourth quarter 2017.</li> </ul>   | 12/31/18                               | \$2.8M         | \$2.8M         | \$2.3M         |
| A17 – Climate Research and Adaptation   |  | <p>Work on this initiative is on schedule. In the third quarter the milestone to identify initial climate adaptation actions and processes for implementing them was completed by the target date of 9/30/17.</p>   | 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. Third quarter accomplishments are:</p> <ul style="list-style-type: none"> <li>Continuation of transmission vegetation study at Cedar Falls is being evaluated; and</li> <li>Skagit line is being considered as replacement as Skagit County has listed several weeds required for control and weed control/habitat will almost certainly be a consideration in Skagit re-licensing. Decision is expected first quarter of 2018.</li> </ul> | 12/31/18                               |                |                |                |
| CR9 – Reduce Environmental Liability    |  | <p>Annual master plans on PCB removal are on-hold pending the replacement of the tracking system which is targeted for 2020. PCB removal continues as part of routine pole replacement and other operations.</p>  | 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/<br>Trend  | Status Update   | Adopted Budget <sup>(1)</sup> | Revised Budget <sup>(2)</sup> | Forecast Spend <sup>(3)</sup> |
|--|---|---|-------------------------------|-------------------------------|-------------------------------|
| 8307: Alaskan Way Viaduct and Seawall Replacement - Utility Relocs |    | Anticipated completion of SR-99 (South Access, TLR2, GIS, etc.) is 2019; Seawall Construction is substantially complete; Pier 62/63 to be completed in 2018. Waterfront Seattle (13.8kV and T4) is anticipating completion in 2024.   | \$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                              |    | Some project schedules have been delayed with the support of stakeholders and FERC, but program expenditures 2017-2022 are within minus 2% of budget.   | \$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. Closeout work from PWC near completion; final calculation of costs splitting underway. Steering Committee has decided to use remaining funds to implement CSS Portal; SPU and City Light are working on City Light Finance' requirements to allow this to move forward. | \$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/<br>Trend  | Status Update   | Adopted Budget <sup>(1)</sup> | Revised Budget <sup>(2)</sup> | Forecast Spend <sup>(3)</sup> |
|---|---|---|-------------------------------|-------------------------------|-------------------------------|
| 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 began in July 2017. Banks 151 - 154 are still in the planning stage | \$45.9M                       | \$40M                         | \$39.7M                       |
| 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 |  | The new Bank 44 transformer was placed into service in October 2016 and is fully operational. Construction on Bank 42 has begun and work is on schedule to be placed in service by fourth quarter 2017.   | \$14.0M                       | \$19.4M                       | \$15M                         |

## Section III: Financial Tracker

Tracker: As of August 31, 2017

| \$ in millions                           | Forecast <sup>2</sup> | Target <sup>3</sup> | Variance       |
|--|-----------------------|---------------------|----------------|
| <b>Debt Service Coverage</b>             |                       |                     |                |
| Retail Revenue                           | \$848.9               | \$850.8             | (\$1.9)        |
| RSA Surcharge Revenue                    | \$12.5                | \$10.3              | \$2.2          |
| Net Wholesale Revenue                    | \$48.8                | \$60.0              | (\$11.2)       |
| RSA Transfers (net)                      | (\$2.3)               | (\$10.8)            | \$8.5          |
| Other Revenue (expense)                  | (\$17.7)              | (\$11.6)            | (\$6.1)        |
| <b>Total Revenue</b>                     | <b>\$890.2</b>        | <b>\$898.8</b>      | <b>(\$8.6)</b> |
| Purchased Power (net)                    | \$254.7               | \$262.9             | (\$8.2)        |
| Other O&M                                | \$270.1               | \$264.8             | \$5.3          |
| <b>Total Expense</b>                     | <b>\$524.8</b>        | <b>\$527.7</b>      | <b>(\$2.9)</b> |
| <b>Amount Available for Debt Service</b> | <b>\$365.4</b>        | <b>\$371.1</b>      | <b>(\$5.7)</b> |
|  |                       |                     |                |
| Debt Service                             | \$203.7               | \$206.2             | (\$2.5)        |
| Debt Service Coverage                    | 1.79                  | 1.80                | (0.01)         |

2017 debt service coverage is forecast to come in at 1.79, slightly below the target of 1.8x. This is higher than estimated at the beginning of the year, primarily because of higher first half 2017 retail sales due to the cold winter and associated higher heating load.

**Baseline Budget Performance** - City Light spent 74% of the overall O&M budget through September 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.

<sup>2</sup> Expected full-year result, includes actual results through current reporting period

<sup>3</sup> 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) | Strategic Initiative Efficiency Source                           | Explanation  | 3rd QTR Cumulative YTD 2017 | ESTIMATED Cumulative Y-E 2017 | On-going or One Time | On-going Variable/ Constant | Y-E 2016 Amount |
|---|--|--|-----------------------------|-------------------------------|----------------------|-----------------------------|-----------------|
|   | <b>Transmission and Distribution O&amp;M</b>                     |  |                             |                               |                      |                             |                 |
| Savings                                 | Onboard generators in trucks                                     | Estimated fuel savings from not idling vehicles to power electric attachments, but rather running installed auxiliary generators (APU). In 2016, APUs were installed in 10 Walk-in Vans (URD and Network) and 2 Digger Derricks. Through the 3rd QTR 2017, additional APU's was installed in an aerial truck and in 7 Walk-in Vans. <b>Annualized savings</b> (savings were these units installed on 1 January), at current fuel cost <b>approximately \$80K for all APU's added in 2016 &amp; 2017.</b> | 45,840                      | 66,260                        | ON-GOING             | Constant                    | 307,800         |
|   | <b>Customer Service, Communication, &amp; Regulatory Affairs</b> |  |                             |                               |                      |                             |                 |
| Revenues                                | Current Diversion  | revenue recovered from finding electricity diversion   | 1,436,459                   | 1,436,459                     | ONE TIME             |                             | 1,007,969       |
|   | <b>Financial Services</b>  |  |                             |                               |                      |                             |                 |
| Savings                                 | Debt Service savings   | Refunding bond savings - issue sold on 13 Sept. <b>Annual savings of \$1.1M</b> prorated for the 3rd QTR and through Y-E.  | 55,000                      | 330,000                       | ON-GOING             | Constant                    | 10,500,000      |
| Revenues                                | City Light art rental  | Revenue from City Light 'renting' its art to other City Departments.   | 129,750                     | 173,000                       | ON-GOING             | Constant                    | 0               |
| Revenues                                | AMP fees   | Contribution in Aid of Construction fees received from charges in excess of costs of single phase, 200A service at 120/240V.   | 4,581,247                   | 4,581,247                     | ON-GOING             | Variable                    | 550,510         |
| Revenues                                | MTCA grants  | State Model Toxics Control Act (MTCA) Grant, cash received, re-imbursement for environmental remediation   | 1,754,360                   | 1,754,360                     | ON-GOING             | Variable                    | 2,790,741       |
|   | <b>Administrative Services/HR</b>                                |  |                             |                               |                      |                             |                 |
| 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  | 298,835                     | 298,835                       | ON-GOING             | Variable                    | 506,265         |
|   | <b>Generation Operations</b>                                     |  |                             |                               |                      |                             |                 |
| Revenues                                | Generator Efficiency Improvements                                | generators/transmission transformers rehab/replacement produce additional generation capacity and energy for sale  | 657,000                     | 1,051,200                     | ON-GOING             | Constant                    | 2,475,900       |
|   | <b>Power Supply and Strategic Planning</b>                       |  |                             |                               |                      |                             |                 |
| 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             |                             |                 |
| 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)  | 742,350                     | 742,350                       | ONE TIME             |                             | 989,800         |
|   |  | <b><u>SCL TOTAL NEW EFFICIENCIES</u></b>   | 10,925,841                  | 11,658,711                    |                      |                             | 19,128,985      |
|   |  | ONE TIME   | 3,403,809                   | 3,403,809                     |                      |                             | 1,997,769       |
|   |  | ON-GOING -- Variable   | 6,634,442                   | 6,634,442                     |                      |                             | 3,847,516       |
|   |  | ON-GOING -- Constant   | 887,590                     | 1,620,460                     |                      |                             | 13,283,700      |

