

Strategic Plan Tracking Report

Fourth 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 or Eliminated 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
A6 – Denny Substation Program		This program is on track. Fourth quarter accomplishments include: <ul style="list-style-type: none"> • Installation of 115kV Transmission Cable in duct bank; • Delivery of all major electrical equipment; • Erection of all structural steel for substation facility; • Phase 2, Denny Triangle Stewart Street civil construction; • Phase 2, Denny Triangle Virginia Street civil construction; and • Phase 1, South Lake Union – vault installation. 	6/30/18	\$377.3M	\$377.3M	\$377.3M
A7 – Transmission System Improvements		This program is on track. Fourth quarter accomplishments include: <ul style="list-style-type: none"> • Inductors at Broad: Complete 30% Design; • Landmark Public Hearing- Broad Street Substation nominated. <ul style="list-style-type: none"> ○ Control Building and Crane Building (exteriors only) and the Dead-End Tower connected to the Crane Building were landmarked on 11/1/2017. • Public Outreach as required per design and design and permitting requirements, particularly regarding the need for future street vacation: <ul style="list-style-type: none"> ○ Gates Foundation; ○ Community Open House; and ○ South Lake Union Community Council. 	12/31/19	\$28.9M	\$35.8	\$31M
A8 – Underground Cable Replacement		This initiative is on track. Fourth quarter accomplishments included: <ul style="list-style-type: none"> • Install of 3,400 feet of conduit; • Design of 1,220 feet of conduit; and • Design of 10,410 feet of cable. 	12/31/18	Project viewed from a 6-Year CIP Average	N/A	
A9 – Improved Streetlight Infrastructure		The Streetlight Infrastructure Replacement project replaced 867 (or 18%) of City Light’s highest priority aging, dysfunctional and/or damaged streetlight poles and related infrastructure which were identified in the 10-year streetlight horizon plan. Replacement of failing systems reduces costly stop-gap repairs by crews and improves customer safety and satisfaction.	12/31/17	\$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		The project is on schedule. Fourth quarter accomplishments include: <ul style="list-style-type: none"> • Delivery completion of Bank 42; • Beginning Bank 42 and outage, and transformer back in service; • Began Bank 156 outage; and • Partially completed construction of Unit 81, which will be finished during the second quarter of 2018. 	12/31/18	\$46.6	\$42.5M	\$38.5M
A13 – Advanced Meter Infrastructure		This project is on schedule. Fourth quarter accomplishments include: <ul style="list-style-type: none"> • The Technical Metering Office installed nearly 15,000 meters by the end of 2017, bringing the total installed advanced meter count to over 75,000; • Completion and sign-off of Systems Integration Testing; • Critical AMI-related business processes were documented by the AMI project team; and • City Light Customer Response is trained and in place to take all AMI-related customer calls, cleaning up accounts in preparation for meter exchanges and managing the Opt-Out program. 	12/31/18	\$84.1M	\$84.1M	\$84.1M
A 20 – Master Service Center		This initiative has been removed from the budget.	N/A	N/A	N/A	N/A
CR10 - Utility Discount Program		The program has exceeded its goal of 32,000 enrollees by YE 2018. <ul style="list-style-type: none"> • Current enrollment is over 32,800; and • Began Bi-monthly meetings with Seattle income-based service providers to coordinate service delivery. 	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		This program is completed, and moved to baseline operations. Accomplishments during the fourth quarter include: <ul style="list-style-type: none"> • Certification tracking became live in Cornerstone. Program development is on-going; • For our incoming Knowledge Capture and Transfer program a final schedule was developed with the vendor and job aids were developed; • We have fully engaged our skills trades with regards to both safety and certification tracking within Cornerstone; and • A defined process for knowledge capture and transfer capabilities was developed. This will be rolled out Utility-wide in coming months. 	12/31/17			
W2 – Technical Training Center		This initiative has been removed from the budget.	N/A	N/A	N/A	N/A

Enhance Organizational Performance						
Initiative	Status/ Trend	Status Update	Target Completion (Previous Target)	Adopted Budget	Revised Budget	Forecast Spend
A3 - Information Technology Security Upgrades		The fourth quarter milestones were not completed to accommodate coordination with City Light. Fourth quarter accomplishments include: <ul style="list-style-type: none"> All Seattle Municipal Tower switch and router replacement was completed; Planning for deployment at NSC has begun, and equipment is on site; and Switch/router replacement was postponed until first quarter 2018. 	12/31/20			
A5 – Enterprise Geospatial Information System (GIS)		The program is on schedule. Accomplishments during the fourth quarter include: <ul style="list-style-type: none"> The Business Case and Cost Benefit Analysis for the EGIS Unified Database Build project was completed in October 2017; Seattle IT, at the request of the EGIS Program, configured and deployed City Light’s production ESRI Portal environment. Starting in 2018, this environment will be configured to support the GIS related business needs of 60 City Light organizational units; and A contract for acquiring Light Detection and Ranging (LiDAR) information for the City Light service territory was executed. This data will be used within a GIS environment to support vegetation management, engineering and operational needs. 	12/31/18	\$12M	\$12M	\$12M
A10 – Mobile Workforce		This initiative is now on track. Fourth quarter accomplishments include: <ul style="list-style-type: none"> Mobile computers were deployed to target user groups and training was completed; City Light selected Oracle’s Field Service Cloud (OFSC) software application; and City Light will submit a request for proposal (RFP) for a software system integrator to perform the integration work between the OFSC software and existing CCB, WAMS and OMS systems in 2018. 	12/31/18 (12/31/17)	\$7.2M	\$5.6M	\$5.8M
M3 – Enterprise Document Management		This initiative is on track to meet its goals. Fourth quarter milestones were: <ul style="list-style-type: none"> User Acceptance testing and training for Skagit Relicensing Repository was completed; Completed “train the trainers” sessions; and Functional, integration and security testing for WAMS Repository was completed. The repository will be implemented in March 2018. 	12/31/20 (12/31/18)	\$11.7M	\$10M	\$9.2M
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.	12/31/17	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		This initiative is on track. Fourth quarter accomplishments include: <ul style="list-style-type: none"> Completed site assessments for potential charging station locations; and Construction of the Beacon Hill site station is ongoing, and anticipated to be completed January 2018. 	12/31/18	\$2.8M	\$2.8M	\$2.3M
A17 – Climate Research and Adaptation		Work on this initiative is on schedule. Fourth quarter accomplishments include: <ul style="list-style-type: none"> Funding an additional climate impacts assessment to assess the potential increased risk to City Light infrastructure from landslides associated with climate change; and Progress has been made to implement the Adaptation Plan including assessing the impacts of warming temperatures on the load forecast and adapting land restoration practices to account for climate change 	12/31/18			
CR8 – Enhanced Environmental Leadership		This initiative is on track. Fourth quarter accomplishments are: <ul style="list-style-type: none"> Continued post-treatment maintenance and monitoring at field test plots along the Creston-Duwamish transmission line; Planned Green Duwamish Watershed Symposium to promote watershed health, stewardship, and environmental justice to highlight City Light’s environmental leadership and promote community involvement in Creston-Duwamish; Reviewed and approved fieldwork and analysis for baseline pollinator inventory; and Initiated community-based stewardship on 14.2 acres across four sites on the Creston-Duwamish and several volunteer events throughout the year. 	12/31/18			
CR9 – Reduce Environmental Liability		This project has been moved to baseline operations.	N/A			

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 Relocations		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 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, 11 of 11 distribution vaults and over 3,750 linear feet of ductbank have been installed. Major Roadway Restoration activities started.	\$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. The project has been delayed due to internal resources. Seattle City Light Stations Crews must perform all work inside of a substation. There are many competing projects that take precedence over this work at this time.	\$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		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 received at Boundary Power House in August 2017 (about 6 weeks late). The project has now moved into the construction phase. The old Unit 56 transformer has been removed and is being stored on site for use as a spare. The transformer bay is being prepped to install the new transformer. Replacement of the remaining 4 transformers is still in the planning phase.	\$45.9M	\$40M	\$42M
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 project is in close-out phase. The new Bank 44 transformer was placed into service in October 2016 and is fully operational. Construction on Bank 42 was completed in October 2017 and the transformers are in service.	\$14.0M	\$19.4M	\$15M

Section III: Financial Tracker

Tracker: As of December 31, 2017 (Results are preliminary, unaudited)

\$ in millions	Forecast	Target	Variance
Debt Service Coverage			
Retail Revenue	\$859.1	\$850.8	\$8.3
RSA Surcharge Revenue	\$12.4	\$10.3	\$2.1
Net Wholesale Revenue	\$50.5	\$60.0	(\$9.5)
RSA Transfers (net)	(\$2.3)	(\$10.8)	\$8.5
Other Revenue (expense)	(\$15.9)	(\$11.6)	(\$4.4)
Total Revenue	\$903.9	\$898.8	\$5.1
Purchased Power (net)	\$254.2	\$262.9	(\$8.7)
Other O&M	\$273.1	\$264.8	\$8.4
Total Expense	\$527.4	\$527.7	(\$0.3)
Amount Available for Debt Service	\$376.5	\$371.1	\$5.4
Debt Service	\$203.3	\$206.2	(\$2.9)
Debt Service Coverage	1.85	1.80	0.05

2017 debt service coverage is 1.85, slightly above the target of 1.8x. This is higher than was 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 95% of the overall O&M budget through December 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.

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 met the year-end 2018 target and are as follows:

Revenues or Savings (Expense Reduction)	Strategic Initiative Efficiency Source	Explanation	On-going or One Time	On-going Variable/ Constant	Y-E 2017 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 (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. Annualized savings (savings were these units installed on 1 January), at current fuel cost, is approximately \$80K for all APU's added in 2016 and 2017.	ON-GOING	Constant	66,260
Customer Service, Communication, & Regulatory Affairs					
Revenues	Current Diversion	Revenue recovered from finding electricity diversion	ONE TIME		1,615,886
Financial Services					
Savings	Debt Service savings	Refunding bond savings - issue sold on 13 Sept. Annual savings of \$1.1M prorated for the 3rd QTR and through Y-E.	ON-GOING	Constant	330,000
Revenues	City Light art rental	Revenue from City Light 'renting' its art to other City Departments.	ON-GOING	Constant	173,000
Revenues	AMP fees	Contribution in Aid of Construction fees received from charges in excess of costs of single phase, 200A service at 120/240V.	ON-GOING	Variable	5,283,745
Environmental, Land, Licensing					
Revenues	Surplus Property Sales	Surplus SCL property sold/close this year, over a minimum threshold of \$1.2M	ON-GOING	Variable	-
Revenues	MTCA grants	State Model Toxics Control Act (MTCA) Grant, cash received, re-imbusement for environmental remediation	ON-GOING	Variable	1,754,360
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	ON-GOING	Variable	386,170
	Safety Assessments	Mitigation of high risk injuries from occurring by providing ergonomic adjustments and training -- annualized savings	ON-GOING	Variable	74,000
Generation Operations					
Revenues	Generator Efficiency Improvements	Generators/transmission transformers rehab/replacement produce additional generation capacity and energy for sale	ON-GOING	Constant	1,051,200
Power Supply and Strategic Planning					
Revenues	CAISO frequency response	One-year contract for City Light to provide frequency response ancillary services to CAISO.	ONE TIME		1,225,000
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)	ONE TIME		989,800
<u>SCL TOTAL NEW EFFICIENCIES</u>					19,128,985
ONE TIME					2,076,430
ON-GOING -- Variable					9,114,161
ON-GOING -- Constant					1,620,460