

Strategic Plan Initiative Tracker Third Quarter 2016

This report provides status on the utility’s performance in meeting the commitments in the City Light Strategic Plan. Status is provided for individual initiatives as well as for the delivery of financial benefits.

Progress on these initiatives is reported under Seattle City Light’s four themes:

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

The detailed information is broken into three sections which discuss the following elements:

- Section I** - Assessment of Initiative Performance
- Section II** - Summary of the Strategic Plan Results
- Section III** - Summary Performance Assessment for Each Initiative.

Section I – Assessment of Initiative Performance

Each initiative is detailed in a template that identifies start and finish dates, Operations & Maintenance (“O&M”) and Capital Improvement Project (“CIP”) budgets and actual expenditures for the period, as well as other information to track progress.

The Strategic Initiative achievements have been evaluated in the following way:

Green	Year-to-date	Metrics are met YTD
	Full-Year	Metrics are expected to be achieved by year-end
	Project Life-Cycle	Metrics are expected to be achieved by end of project life-cycle on schedule
Yellow	Year-to-date	Metrics are not met YTD, but are expected to be met by year-end
	Full-Year	Uncertainty exists around the achievement of metrics by year-end
	Project Life-Cycle	Uncertainty exists around the achievement of metrics by scheduled completion date
Red	Year-to-date	Metrics are not met YTD
	Full-Year	Metrics are not expected to be achieved by year-end
	Project Life-Cycle	Metrics are not expected to be completed on schedule; completion date revised

Where appropriate, progress metrics include scope and schedule, milestones, and deliverables under the “Milestones” column. The financial impact (costs and/or savings) generated by each initiative compared to budget are included under the “Financial” column.

Section II – Summary of Strategic Plan Results

Table 1 provides an assessment of the overall expected outcome of the Strategic Plan initiatives assigned to the four themes.

Table 1 – Summary Initiative Progress

Summary Initiative Progress	YTD	Full -Year	Project Life - Cycle Forecast
Improve Customer Experience & Rate Predictability			
Increase Workforce Performance & Safety Practices			
Enhance Organizational Performance			
Continued Leadership in Conservation & Environmental Stewardship			
Overall			

- Ratings are determined based on a combination of aggregate initiative progress relative to financial and project milestones, weighted to the initiatives with the largest financial impact.

City Light’s original Strategic Plan included 36 initiatives, several of which had multiple components or projects. Thirty-one initiatives were active in 2015 with four reaching completion by year-end.

There are 26 active initiatives in the third quarter of 2016. At the end of the third quarter, 14 were on track and 12 were delayed. Further detail of variances can be found in Section III. Savings resulting from strategic investments are reported below.

Financial Analysis

Capital Delivery of Program Improvements – City Light’s 2016 CIP budget is \$413.7 million to implement continuing Strategic Plan initiatives and to deliver on baseline projects during the year.

Operations and Maintenance - Table 2 provides a holistic view of the status of costs and revenues. These figures include both dollars in the baseline and those associated with initiatives.

Table 2 - Summary Financial Plan Tracker – 2016

SM	Year-to-Date			Full-Year Forecast		
	Actual	Plan	Diff	Forecast	Plan	Diff
Retail Revenue	567.3	594.3	(26.9)	780.2	811.2	(31.0)
Surcharge Revenue	1.7	0.0	1.7	4.9	0.0	4.9
Wholesale Revenue (net)	33.6	48.0	(14.4)	43.1	60.0	(16.9)
Power O&M (net)	(194.4)	(204.1)	9.7	(271.3)	(280.4)	9.2
Non-Power O&M (net)	(172.3)	(170.7)	(1.6)	(246.2)	(243.0)	(3.2)
RSA Transfers (net)	11.0	(0.7)	11.7	10.7	(1.0)	11.7
Taxes, Depreciation & Other	(167.3)	(169.8)	2.5	(212.7)	(206.6)	(6.2)
Net Income	79.6	96.9	(17.2)	108.7	140.2	(31.5)
Available for Debt Service				327.7	346.3	(18.6)
Debt Service				196.7	197.4	(0.6)
Debt Coverage Ratio				1.67	1.75	(0.09)

Projected net income for 2016 is \$108.7 million, which is \$31.5 million, or 22% unfavorable compared to the 2016 Financial Plan of \$140.2 million. The primary drivers of the unfavorable variance include the shortfall in retail power revenue driven by above normal temperatures year-to-date and the delayed sale of the 8th and Roy Street property, including the associated \$18 million gain, from 2016 to 2017. The RSA cash balance is below the \$90 million surcharge trigger level and a 1.5% surcharge is currently in effect.

Baseline Budget Performance - Budgeted annual initiative spend in the areas of Non-Power O&M and CIP comprises 3% and 4%, respectively, of total City Light spend in these categories. City Light spent 72% 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 22 baseline programs in 2016, 19 of which are exceeding or meeting target performance measures. Some of the major projects in the baseline include implementation of a new customer billing system, work associated with the Denny Substation design and construction, and performance maintenance projects at Boundary, Skagit, Cedar Falls and Tolt dams.

Efficiency Initiatives/Savings

City Light committed to \$18.8 million of savings associated with planned efficiencies by year-end 2016. Efficiencies achieved to date are on track to meet the year-end target and are as follows:

Efficiency Initiative	As of 6/30/16	Quarterly Δ	YTD (9/30/16)
Lower Financing Costs	\$ 5,250,000	\$ 2,625,000	\$ 7,875,000
BPA Power Factor	\$ 64,500	\$ 32,250	\$ 96,750
BPA Slice Solution	\$ 127,674	\$ 63,837	\$ 191,511
Credit Savings	\$ 41,500	\$ 20,750	\$ 62,250
Current Diversion	\$ 576,822	\$ 195,790	\$ 772,612
Fleet Reduction	\$ 270,607	\$ 135,304	\$ 405,911
Inventory Costs	\$ 54,122	\$ 27,061	\$ 81,183
Environmental Grants	\$ 1,453,466	\$ 1,056,640	\$ 2,510,106
Permitting Penalty Reduction	\$ 33,245	\$ 16,126	\$ 49,371
CSED O&M	\$ 439,557	\$ 243,540	\$ 683,097
CSED CIP	\$ 496,537	\$ 233,883	\$ 730,420
PSEA O&M	\$ 1,666,233	\$ 833,117	\$ 2,499,350
PSEA CIP	\$ -	\$ -	\$ -
TOTAL	\$ 10,474,262	\$ 5,483,298	\$ 15,957,560

Section III - 2016 Summary Performance Assessment for Each Initiative

Section III provides an assessment of individual Strategic Plan initiative performance, associated major milestones achieved, and discussion of material variances. Dollar amounts listed in the second column (\$M) are 2016 net revenues or costs in millions of dollars. The report highlights each Strategic Initiative for which the status has changed from the previous report.

Improve Customer Experience and Rate Predictability

2016 Progress			Year-to-Date		Full-Year Forecast		Project Life-Cycle Forecast	
#	\$M ¹	Description	Financial	Milestones	Financial	Milestones	Financial	Milestones
A2		Distribution Management System	Initiative begins in 2019				●	●
A4	0.6	Compliance Tracking System <i>(In-Service revised to December 2016)</i>	●	●	●	●	●	●
A6	65.4	Denny Substation Program <i>(In-Service revised to 2nd quarter 2018)</i>	●	●	●	●	●	●
A7	14.0	Transmission System Improvements - Inductor Installation	●	●	●	●	●	●
		Transmission System Improvements - Reconductoring	●	●	●	●	●	●
A8	1.2	Underground Cable Replacement	●	●	●	●	●	●
A9	0.8	Improved Streetlight Infrastructure	●	●	●	●	●	●
A11	(1.4)	Hydro Performance and Generation Availability	●	●	●	●	●	●
A13	24.9	Advanced Metering Infrastructure <i>(In-Service revised to December 2018)</i>	●	●	●	●	●	●
A20		Master Service Center	Initiative begins in 2021				●	●
CR5	0.8	Customer Portal Development <i>(In-Service revised to September 2016)</i>	●	●	●	●	●	●
CR10	0.4	Utility Discount Program	●	●	●	●	●	●

¹ Financial impacts of each initiative are reflected as Expense/(Savings)

- Compliance Tracking System – Delays with procurement and contract negotiation affected project completion dates. Final system Go-live is targeted for December 31, 2016. This is a delay from the Go-live dates of July 31, 2016 forecast in the first quarter of 2016 and September 30, 2016 forecast in the second quarter. (A4)
- Denny Substation Program – The target for energization of the Denny Substation has been changed from first quarter 2018 to second quarter 2018 because of a bid protest that delayed the start of construction. As previously reported, the need to respond to design and construction scope changes resulting from new industry safety standards for major equipment within the substation caused program delays in late 2015. In addition, the project’s civil, structural and architectural design was modified to fulfill the street vacation conditions set by the Seattle Design Commission and the Seattle City Council for providing public benefit from the facility. (A6)
- Transmission System Improvements – The 2015 milestone to award the design contract for the Broad Street inductor is past schedule due to the consultant’s delay in producing the required Statement of Work. The delay in contract finalization caused subsequent milestones to slip. It is now projected that 30% Broad Street inductor design will be delayed from June 30 until December 30, 2016. The June 30, 2016 milestone to award the reconductoring design-build contract has also been delayed. It is anticipated that this will be awarded by January 2017. (A7)
- Advanced Metering Infrastructure (AMI) – The AMI Radio Frequency Network deployment began in the second quarter of 2016 and is on schedule. The Customer communications plan got underway and the AMI customer Opt-Out policy has been approved. System integration between the AMI network and the Meter Data Management (MDM) System is being retargeted due to delays resulting from the billing system replacement project and budget considerations. The full launch of program change management activities is delayed pending final MDM system integration approach and schedule. A final decision on approach and milestone priorities will be made by the Steering Committee in November, 2016. (A13)

Increase Workforce Performance and Safety Practices

2016 Progress			Year-to-Date		Full-Year Forecast		Project Life-Cycle Forecast	
#	\$M ¹	Description	Financial	Milestones	Financial	Milestones	Financial	Milestones
W2a/b	1.7	Skilled Workforce Attraction and Retention/Training and Development <i>(In-Service revised to December 2017)</i>	●	●	●	●	●	●
W2	0.9	Technical Training Center <i>(In-Service revised to TBD)</i>	●	●	●	●	●	●

- Skilled Workforce Attraction and Retention/Training and Development - The milestones targeted for September 30, 2016 were not completed due to delays in vendor selection. City of Seattle Purchasing required a review of the existing vendor contract with Cornerstone before the selection of vendors for implementation of the Knowledge Transfer, Certification Functionality, and Career Ladder modules into the Learning Talent Management System. All efforts are now moving forward. In addition to contracting delays, this initiative has been re-scoped based on employee feedback and new developments within the industry. All initiatives have been retargeted with a much larger scope of work with completion of all milestones by December 31, 2017. (W2a/b)
- Technical Training Center - The opening of a new Technical Training Center has been delayed by the complexity of the permitting process. City Light was granted approval to begin community outreach efforts in the Duwamish-area where the center will be located. Outreach will continue in the 4th quarter. The contract bidding phase will begin when permits are approved by the Army Corps of Engineers and King County. (W2)

Enhance Organizational Performance

2016 Progress			Year-to-Date		Full-Year Forecast		Project Life-Cycle Forecast	
#	\$M ¹	Description	Financial	Milestones	Financial	Milestones	Financial	Milestones
A3	0.9	Information Technology (IT) Security Upgrades	●	●	●	●	●	●
A5	3.1	Enterprise Geospatial Information System (GIS)	●	●	●	●	●	●
A10	1.5	Mobile Workforce Implementation <i>(In-Service revised to December 2017)</i>	●	●	●	●	●	●
A12	(1.9)	Regional Power and Transmission Leadership	●	●	●	●	●	●
M2	0.3	Benchmarking City Light Performance	●	●	●	●	●	●
M3	1.0	Information Technology Roadmap - Enterprise Document Management <i>(In-Service revised to 2020)</i>	●	●	●	●	●	●
M4	1.5	Performance-Based Reporting	●	●	●	●	●	●
M6	0.5	Project Management Quality Improvement	●	●	●	●	●	●
M7		Service Level Agreements	n/a	●	n/a	●	●	●
M9	(18.8)	Efficiency Initiatives	●	●	●	●	●	●

- Information Technology Security Upgrades – Resources assigned to complete second and third quarter milestones for this initiative were redeployed to the New Customer Information System project. The delayed milestones include deployment of enhanced malware protection and implementation of expanded network monitoring. It is expected that these milestones will be completed by December 31, 2016. (A3)
- Enterprise Geospatial Information System – The milestone to finalize the statement of work (SOW) for the Enterprise GIS program is moving through Seattle Information Technology Department review. The SOW will be included in an Options Analysis Request for Information (RFI) for the program. The milestone for finalizing the statement of work was completed by September 30, 2016. The target date for publishing the RFI is fourth quarter 2016. (A5)
- Mobile Workforce Implementation – Completion of the mobile workforce pilot that was scheduled for June 30, 2016 has been retargeted for December 31, 2016. Configuration of the mobile devices was delayed during the Seattle Information Technology Department consolidation process. (A10)
- Enterprise Document Management (EDM) – A requirement to move all WebCenter Suite applications to a new high availability environment has delayed completion of the EDM Power Contracts and Resource Acquisition upgrade. This was targeted for June 30, 2016 and is now expected to occur during the first quarter of 2017. (M3)

Continued Leadership in Conservation and Environmental Stewardship

2016 Progress			Year-to-Date		Full-Year Forecast		Project Life-Cycle Forecast	
#	\$M ¹	Description	Financial	Milestones	Financial	Milestones	Financial	Milestones
A14		Electric Vehicle Infrastructure/Transportation Electrification	n/a		n/a			
A17	0.2	Climate Research and Adaptation						
CR8	(.01)	Enhanced Environmental Leadership						
CR9	4.0	Reduce Environmental Liability						

- Electric Vehicle Infrastructure/Transportation Electrification – The project milestone to gain legislative approval to provide authority for City Light to offer incentives for electrification of transportation was not achieved by the target date of June 30, 2016. This proposal will be presented at the next legislative session which begins in January 2017. This initiative continues meeting other milestones. The launch of the Drive Clean Seattle initiative with the City’s Office of Sustainability and Environment was announced on March 10, 2016. (A14)
- Climate Research and Adaptation – The September 30, 2016 milestone to establish a team and develop a project plan for implementation of the Climate Adaptation Plan was delayed until December 31, 2016 due lack of staff resources. All 2016 work will be completed by year-end. This delay will not impact the overall project schedule. (A17)