

City Light 2019 – 2024 Strategic Plan

2019 – 2024 Strategic Plan – Proposed Changes

Regardless of the rate path, we still need a strategic plan that can deliver on the things we've discussed. We intend to provide more specificity in the Strategic Plan itself. Our goal is to expand the draft Strategic Plan to provide detail and specificity that highlights City Light's commitment for cost control, accountability for expenditures and exploring sources of new revenue.

Affordability

- A. Business Process Improvement – [This initiative will be expanded to quantify our commitment to cost control. Both CIP and O&M dollar targets will be set for each year. Processes, performance measures and a reporting structure will be put in place for each. The cost reductions will reduce rate pressure.]

In addition to business process improvement (e.g. Kaizen) efforts which will deliver process and cost efficiencies, City Light will deploy a rigorous, data-driven cost control framework for both CIP and O&M budgets. Accountability will be ensured through formalized review processes for capital and operating expenditures. Operational benchmarking will also be used to identify areas where City Light can achieve the greatest benefit (qualitative as well as quantitative) from operational improvement and enable us to maximize the return on the investments we make on behalf of our customers.

City Light will manage utility spending in the following ways:

- i. Capital projects and debt financing - Quickly develop and deploy a strategy for tapering our borrowing by establishing an enterprise-wide prioritization analysis of all utility capital spending. Provide transparent and systematic oversight to assure that the six-year CIP is consistent with the strategic plan and associated rate path. This will ensure prudent investments in our capital infrastructure.
 - ii. O& M Expenses - Staffing component – City Light will implement a process to provide executive management review and approval of decisions affecting workforce size.
 - a. Permanently limit the number of positions;
 - b. Hold vacancy rates higher than previously targeted;
 - c. Reduce the number of temporary and contract staff.
- B. Cost of growth – This initiative will support cost control by ensuring that City Light has the policies, procedures and reporting in place to ensure that we recoup all recoverable costs associated with customer-driven, system expansion projects. In the 2019 – 2024 timeframe this will include the UW expansion and Sound Transit 3.

- C. Rate design – This initiative will also impact financial viability by redesigning rates to better reflect the actual cost of delivering services to our customers. This analysis will examine basic residential customer charges, cost allocations, UDP, etc.
- D. Evolving Energy Markets – This initiative seeks to generate new revenue from existing hydroelectric resources. The first effort, participation in the Western Energy Imbalance Market, will allow City Light to more efficiently use generation and transmission assets.

Implementation Structure

We see a few high priority issues that you all have raised and highlighted. Our proposal for your feedback is to set up the following structure planning efforts associated with the 2019 – 2024 Strategic Plan, as well as continued Review Panel oversight. Our goal would be to have a set of firm benchmarks and timelines associated with these areas, and others as we may discuss going forward. *We propose amending the Review Panel workplan to reflect these commitments.*

1. Internal City Light work teams - For each major area of effort that includes the opportunity for the Review Panel to review our work and provide feedback.
 - i. Team Deliverables – Each team will develop benchmarks, team charters (will include executive team scope definition), metrics, milestones, reporting structures, and deliver quarterly reports.
 - ii. Build a master calendar – Develop a schedule for all efforts to facilitate cross-pollination of efforts and avoid redundancy. This schedule will recognize the time required, for example, for larger efforts such as a comprehensive utility benchmarking study, while elements like setting internal performance goals can be done early on.
2. Prior benchmarking efforts – Aggregate and use the work done to date including on-going benchmarking studies to jump start some bodies of work.
3. Quarterly Reporting – Share across the utility, with the Review Panel and with the elected officials.
4. Utility of the Future – We must meet the challenges highlighted in the plan (including the pressure on cost control) and attend to the work areas described above, all while preparing ourselves for a very different utility future while maintaining financial viability. We will solicit Review Panel input and advice in this area as well.