

# Strategic Plan 2017-2022

Baseline Preliminary Draft

Jeff Bishop | January 5, 2016

[www.seattle.gov/light/strategic-plan](http://www.seattle.gov/light/strategic-plan)



# WHAT WILL WE ACHIEVE TODAY?

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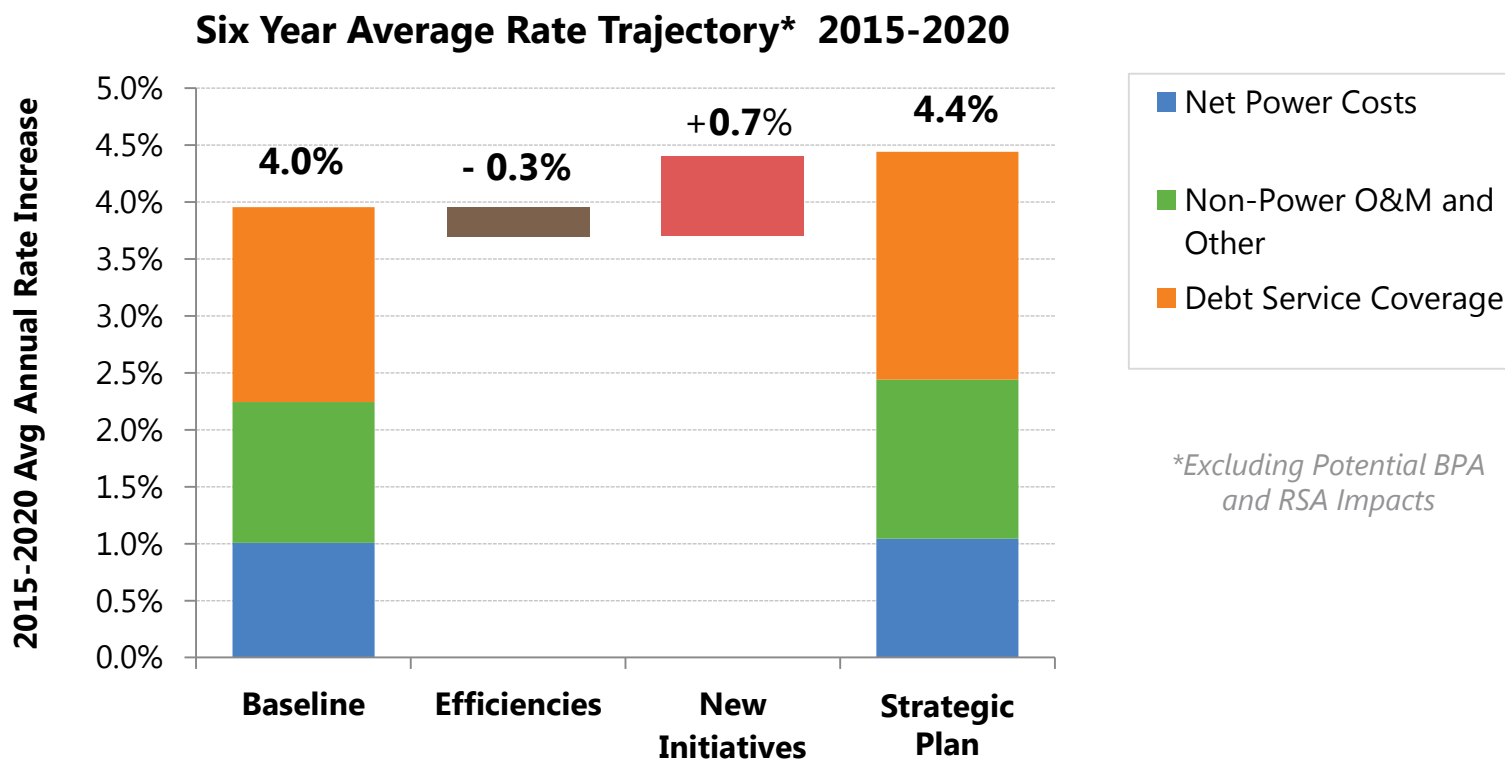
1. Quick review of the 2014 Strategic Plan for 2015-2020
2. Introduce the Strategic Plan Preliminary Draft for 2017-2020 (four years)
  - Learn what's changed for 2017-2020 since the last Plan
  - Identify the main rate drivers for the 2017-2020 rate path
3. Discuss Next steps

# REVIEW: KEY ASSUMPTIONS FOR 2015-2020 PLAN

- Maintained original 2012 Plan glide path of 4.7% for 2013-2018
  - Largest component of plan update
- Baseline Assumptions
  - Ensure current levels of service by delivering on 22 original assumptions
- Strategic Initiatives
  - 2013-2018 plan has 36 – 26 assumed to continue into 2019-2020
  - Three new initiatives
    - Distribution Automation (2019-2020)
    - Master Service Center Plan (2019-2020)
    - Reduction in Net Wholesale Revenue
- Efficiencies
  - Continue to deliver \$18m in annual savings
  - Identify additional savings opportunities through benchmarking efforts

# REVIEW: 2015-2020 STRATEGIC PLAN

**4.4%** rate trajectory for 2015-2020.





# REVISED VIEW OF THE REMAINING FOUR YEARS OF THE CURRENT STRATEGIC PLAN



# WHAT'S CHANGED IN THE REMAINING FOUR YEARS OF THE EXISTING PLAN?

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## 1. Lower retail sales

- New load forecast down ~1.5%

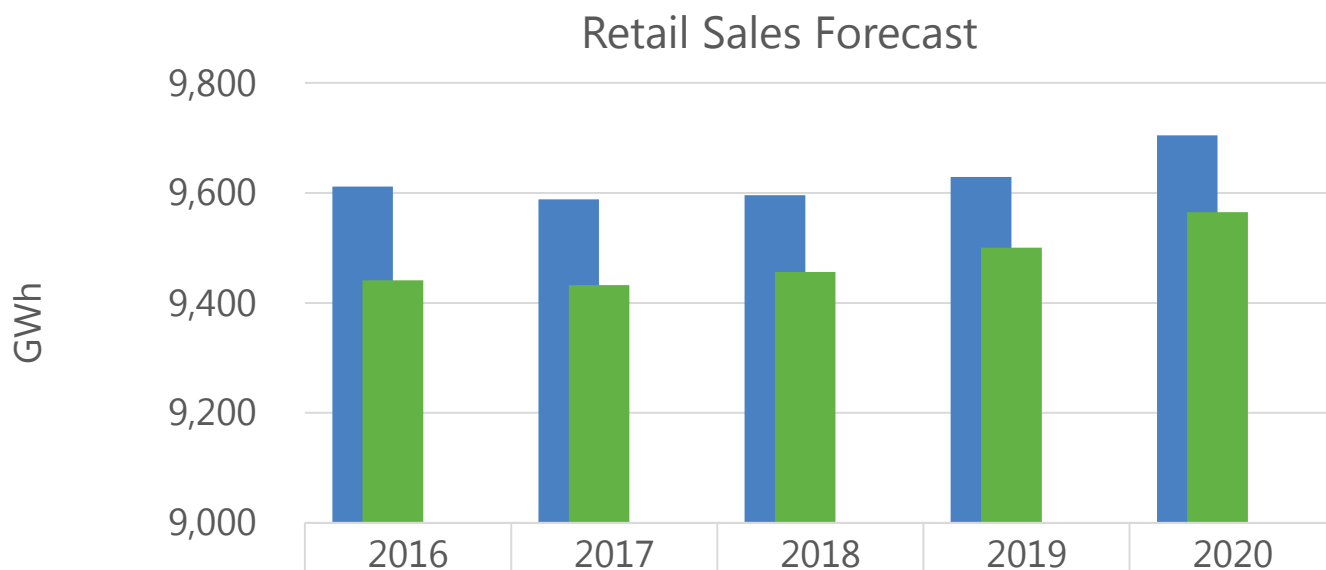
## 2. Higher O&M and net power costs

- Lower CIP cost shifts labor and overhead cost to O&M
- Higher power costs (mostly BPA which is passed through)

## 3. Debt service savings

- Lower interest rates, refunding savings

# RETAIL SALES FORECAST



■ Original Forecast	9,611	9,588	9,596	9,629	9,705
■ New Forecast	9,441	9,432	9,456	9,501	9,565
Percent Difference	-1.8%	-1.6%	-1.5%	-1.3%	-1.4%
Rate Impact of New Forecast		1.7%	-0.2%	-0.1%	0.1%

- Significant 2017 rate impact from new retail sales forecast.

# FINANCIAL CHANGES 2017-2020

Change in:	2017	2018	2019	2020
Debt Service Coverage	(\$15.3)	(\$12.3)	(\$9.3)	(\$15.2)
Power, Net	\$10.9	\$10.4	\$10.9	\$8.4
O&M	\$4.7	\$13.7	\$21.7	\$23.0
<u>Other</u>	<u>(\$2.5)</u>	<u>(\$0.5)</u>	<u>\$0.8</u>	<u>\$4.4</u>
Revenue Requirement	<b>(\$2.2)</b>	<b>\$11.2</b>	<b>\$24.0</b>	<b>\$20.5</b>
less BPA (passed through)	(\$6.9)	(\$7.5)	(\$6.8)	(\$9.8)
Adjusted Revenue Requirement	(\$9.1)	\$3.7	\$17.2	\$10.7
<b>Net Rate Impact</b>	<b>-1.1%</b>	<b>1.6%</b>	<b>1.4%</b>	<b>-0.5%</b>



## DEBT SERVICE DRIVERS DETAIL 2017-2020

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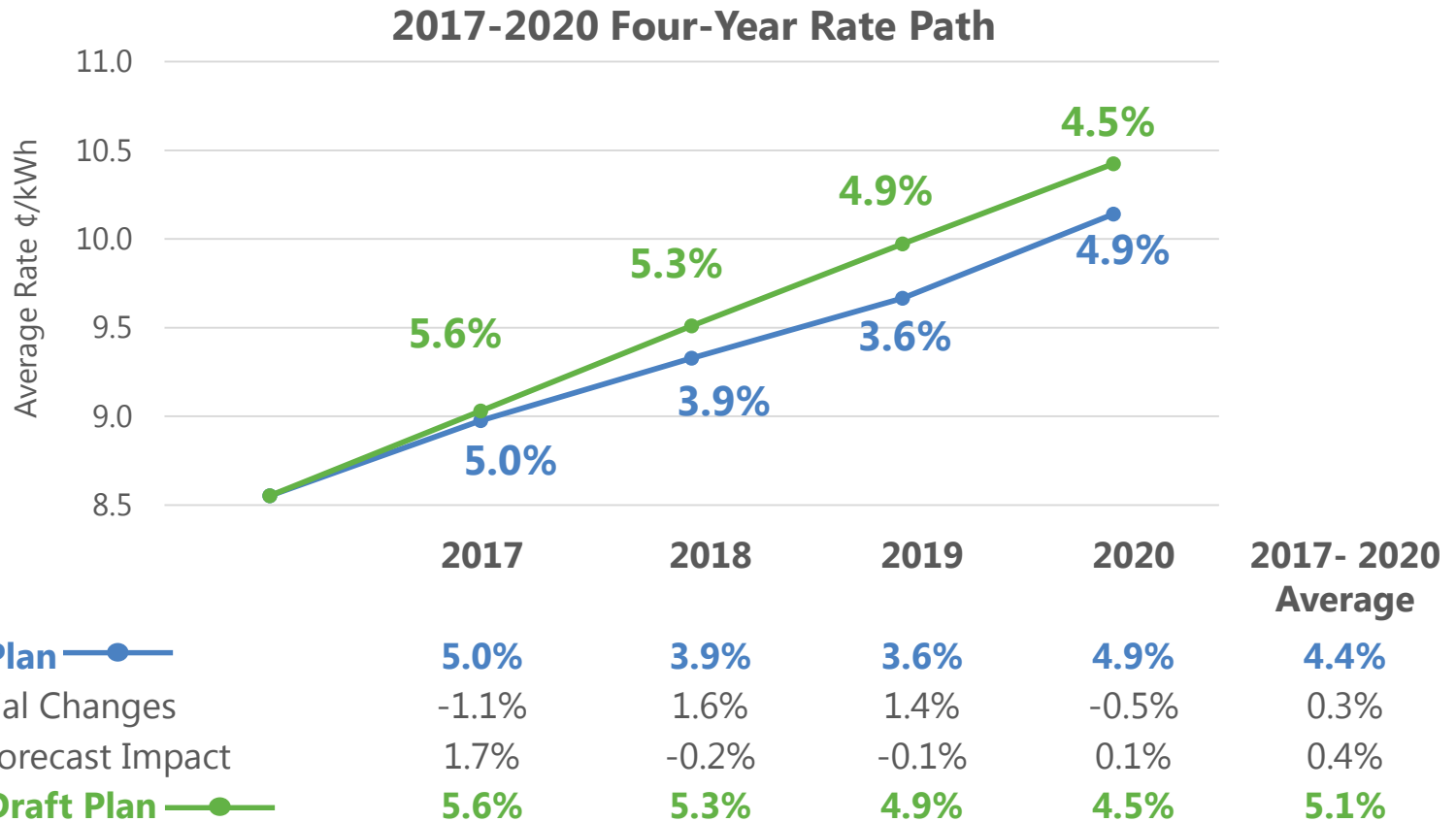
- Significant Savings on 2014 and 2015 Debt Issues compared to 2014 Plan
  - Around \$8 Million Annual Savings
- Planned \$100M Variable Rate Issues in 2016 and 2017
  - Around \$2-\$3 Million Expected Annual Savings
- Slightly offset by higher overall Debt Issue to fund the capital program

## POWER COST DRIVERS DETAIL 2017-2020

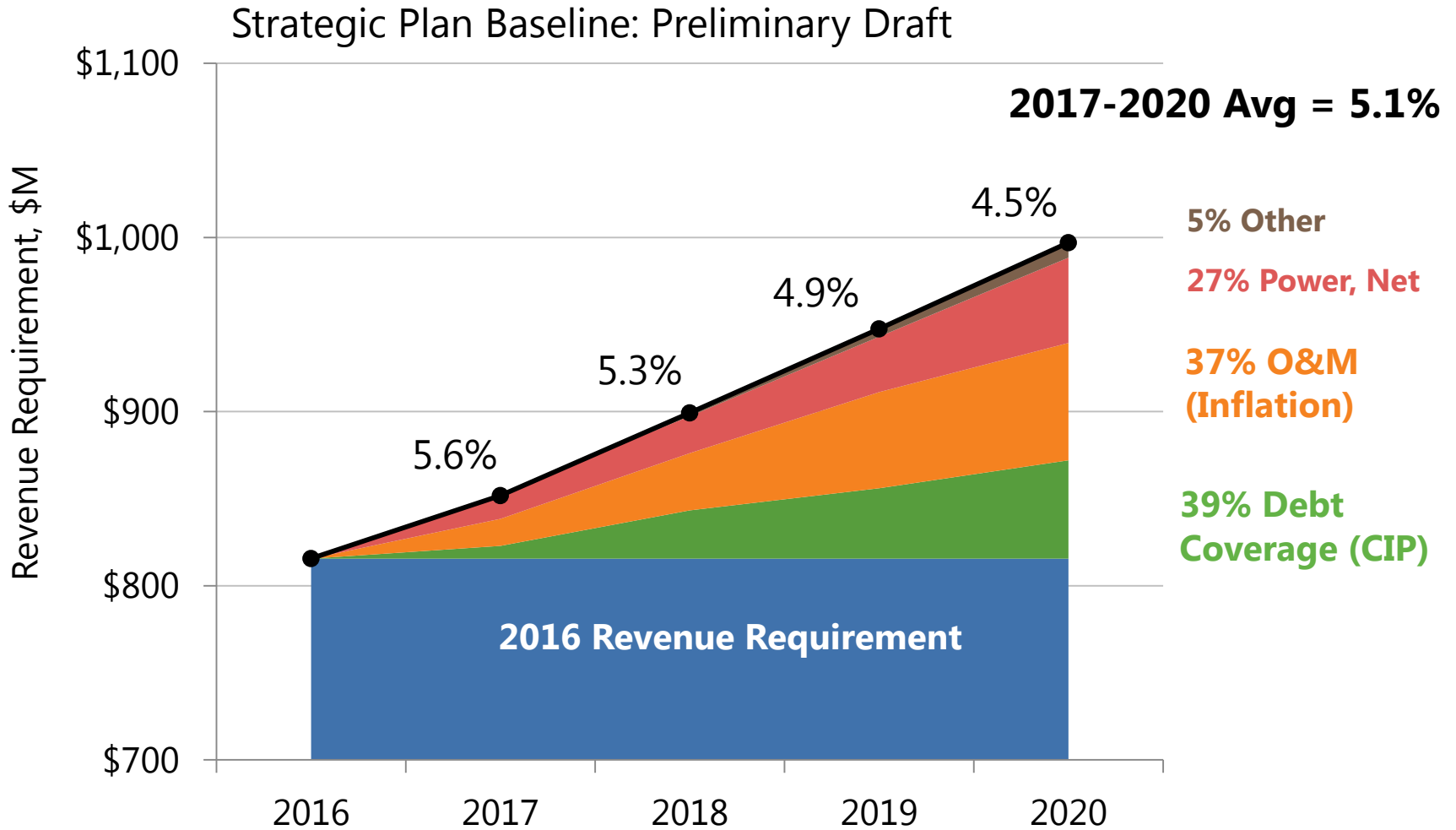
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- Main power cost change is the BPA power and transmission rate change.
  - Pass-through effective October 1, 2015 automatically incorporated this cost increase in rates.
- Higher long-term contract net costs comprise most of the remainder.
  - Priest Rapids Reasonable Portion contract and Lucky Peak Idaho Power transmission costs

# UPDATED VIEW OF 2017-2020 RATE PATH



# 2017-2020 RATE DRIVERS



# PRELIMINARY DRAFT BASELINE: DETAIL

\$M	2016	2017	2018	2019	2020
Debt Coverage	\$368.4	\$375.8	\$396.1	\$408.8	\$424.9
Power Costs	\$188.8	\$203.0	\$210.0	\$220.6	\$237.8
O&M	\$247.0	\$262.5	\$279.9	\$302.2	\$314.4
Other	<u>\$11.4</u>	<u>\$10.5</u>	<u>\$13.3</u>	<u>\$15.8</u>	<u>\$20.0</u>
<b>Revenue Requirement</b>	<b>\$815.6</b>	<b>\$851.8</b>	<b>\$899.3</b>	<b>\$947.5</b>	<b>\$997.1</b>
Retail Sales (GWh)	9,441	9,432	9,456	9,501	9,565
Avg. Rate (¢/kWh)	8.6*	9.0	9.5	10.0	10.4
<b>Rate Change</b>		<b>5.6%</b>	<b>5.3%</b>	<b>4.9%</b>	<b>4.5%</b>

\* After BPA pass-through rate increase.

# SERVICE LEVEL EXPECTATIONS UNDER BASELINE

## Power Supply and Environment

- Provide clean, reliable electricity to over 400,000 Seattle and franchise city customers
- Operate, maintain and improve owned generation facilities
- Environmental and wildlife habitat mitigation
- Strong conservation program and compliance with I-937 renewables requirements
- Maintain greenhouse-gas neutrality
- Hazardous waste/Superfund cleanup and restoration of hundreds of acres of land

## Customer Service

- Implement and maintain a modern customer metering and billing system
- New service connections completed in 40-60 days

## Infrastructure and Support

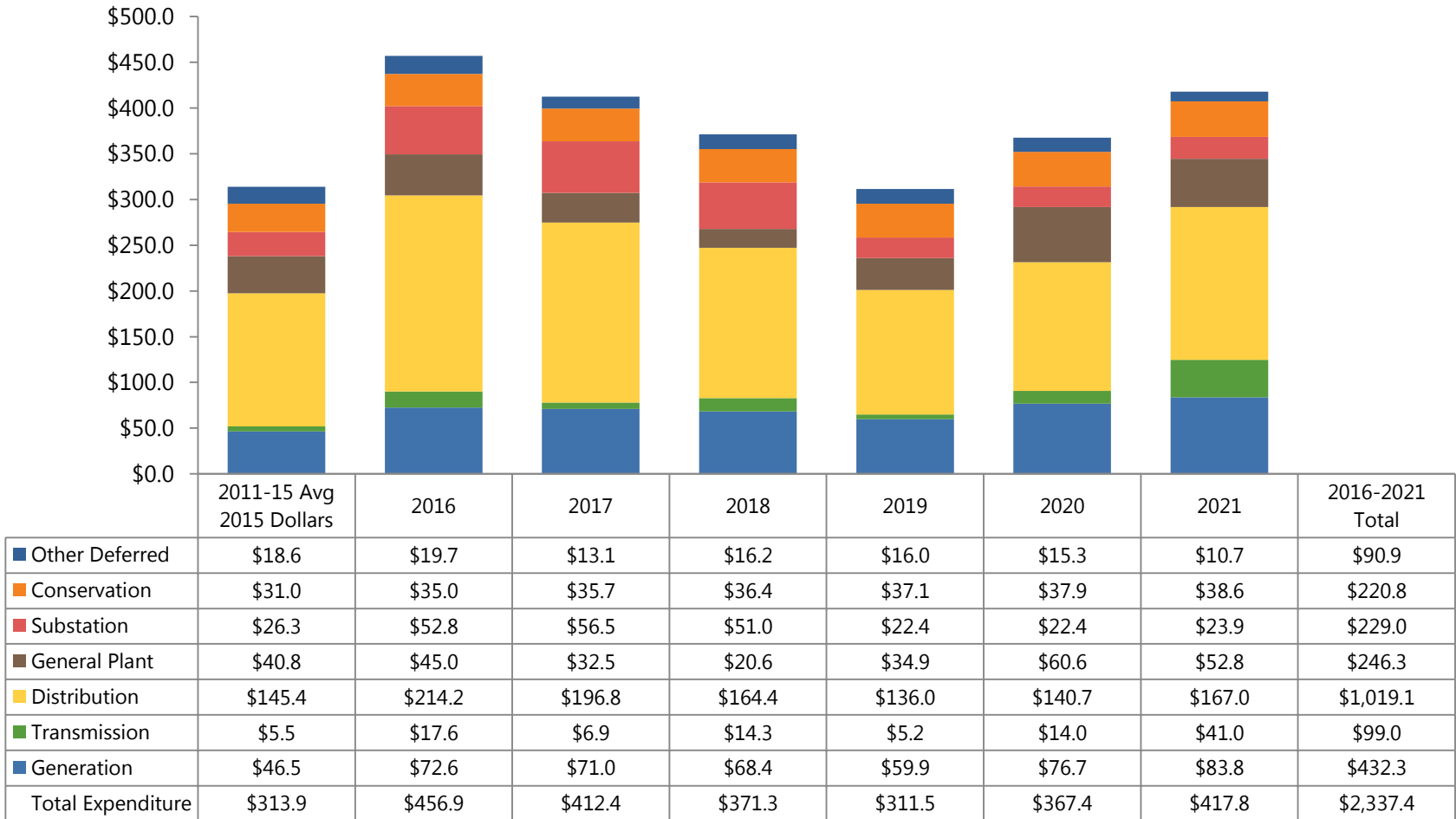
- Maintain and upgrade production, transmission and distribution systems
- Support utility-wide IT infrastructure and new Technology Deployment
- Compliance with all federal regulatory requirements

# SERVICE LEVEL EXPECTATIONS UNDER BASELINE

## Reliability

- Reliable service with minimal outages (SAIDI and SAIFI)
- 14 large substations and ~3,000 miles of transmission and distribution lines
- A highly reliable network system serving downtown Seattle
- 500-plus miles of annual tree trimming along power lines
- Inspection and treatment of 108,000 poles and annual replacement of 1,800 poles
- LED streetlight replacements and prompt streetlight repair response.
- An apprenticeship program that hires and trains 10-20 new apprentices per year
- An outage management system that provides customers with critical information during outage events

# ADOPTED CAPITAL PROGRAM 2016-2021





# MANDATORY NEW EXPENDITURES

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- Known new non-avoidable O&M and capital expenses that are **not** reflected in current baseline.
  - Call Center allocation (responding to customer calls)
  - City Projects
  - Storm water compliance (prevent materials leaching into drainage systems)
  - Dam safety (FERC regulation)
  - NERC Critical Infrastructure Protection (CIP V5)

## NEXT STEPS

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- City Light present Strategic Plan proposal with rate trajectory for 2017-2022
- Fully flesh out any required changes to existing four years and add expectations for two new years
- Focused on Strategic Plan goals
  - Improve customer experience and rate predictability
  - Increased workforce performance and safety practices
  - Enhance organizational performance
  - Continue conservation and environmental leadership



# CITY LIGHT

## OUR VISION

To set the standard—to deliver the best customer service experience of any utility in the nation.

## OUR MISSION

Seattle City Light is dedicated to exceeding our customers' expectations in producing and delivering environmentally responsible, safe, low-cost and reliable power.

## OUR VALUES

Excellence, Accountability, Trust and Stewardship.

