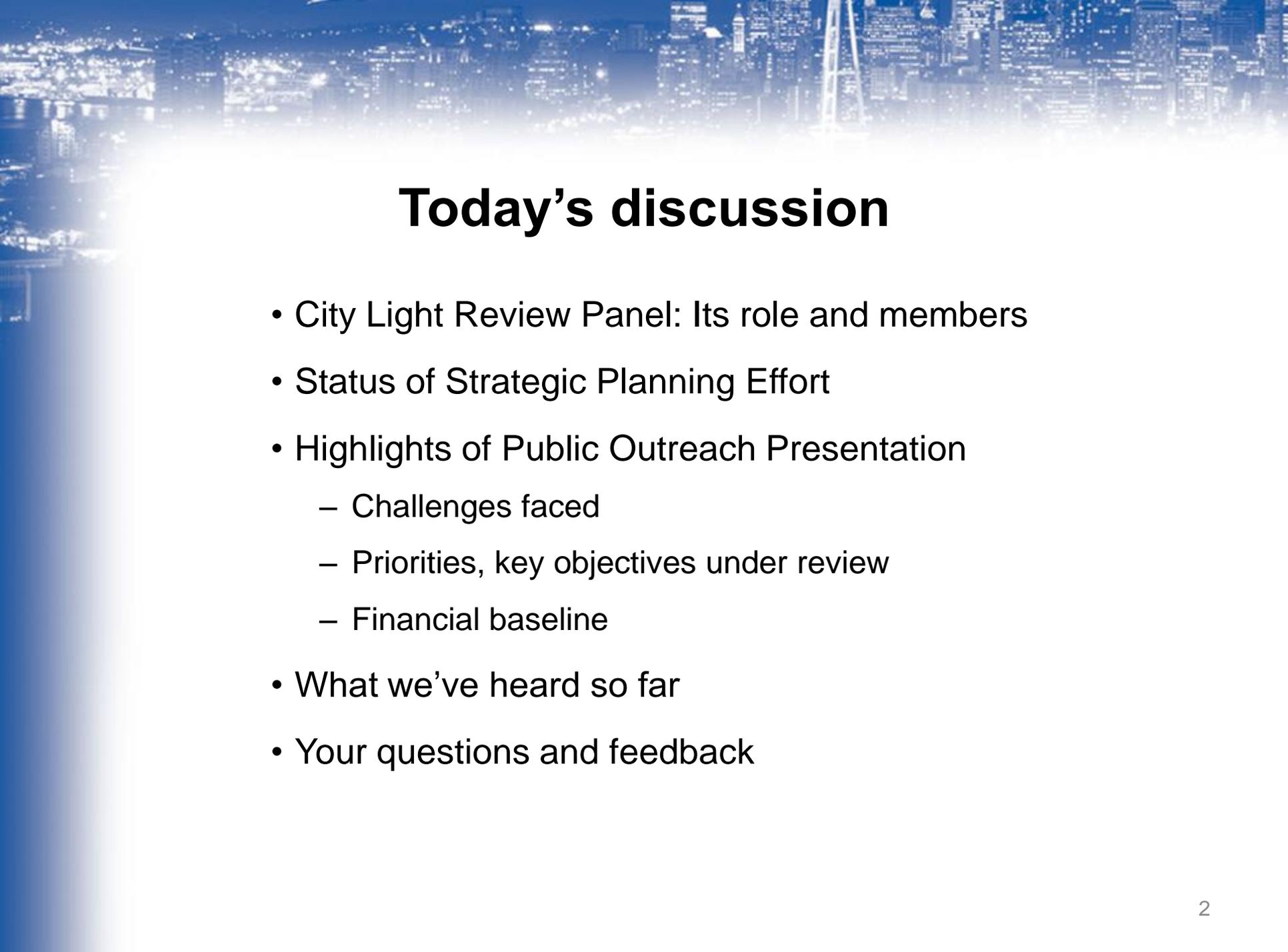




Seattle City Light

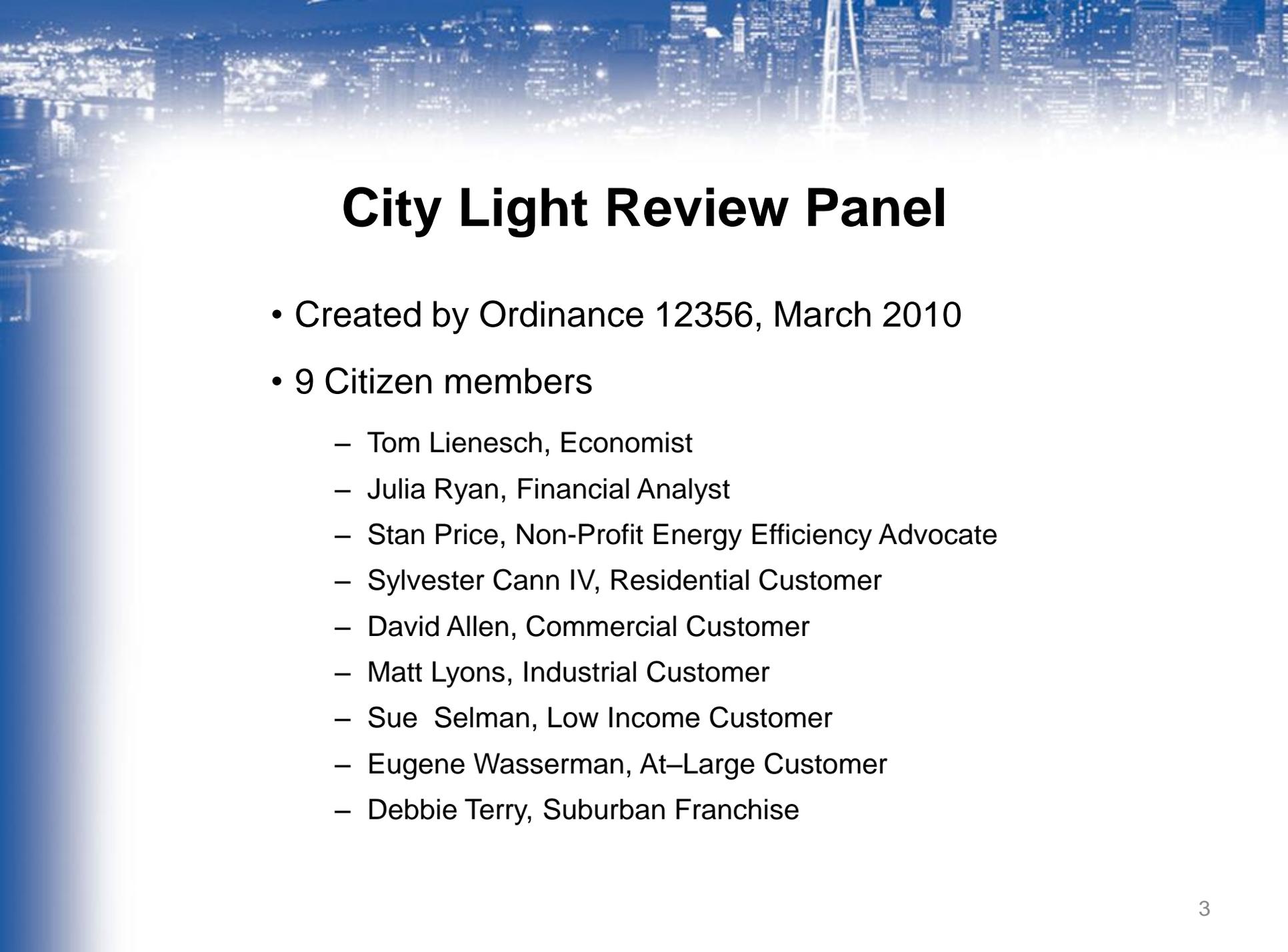
Strategic Plan | 2013 - 2018

June 2011

A blue-tinted photograph of a city skyline at night, with numerous illuminated buildings and a prominent tower structure. The image is used as a background for the slide.

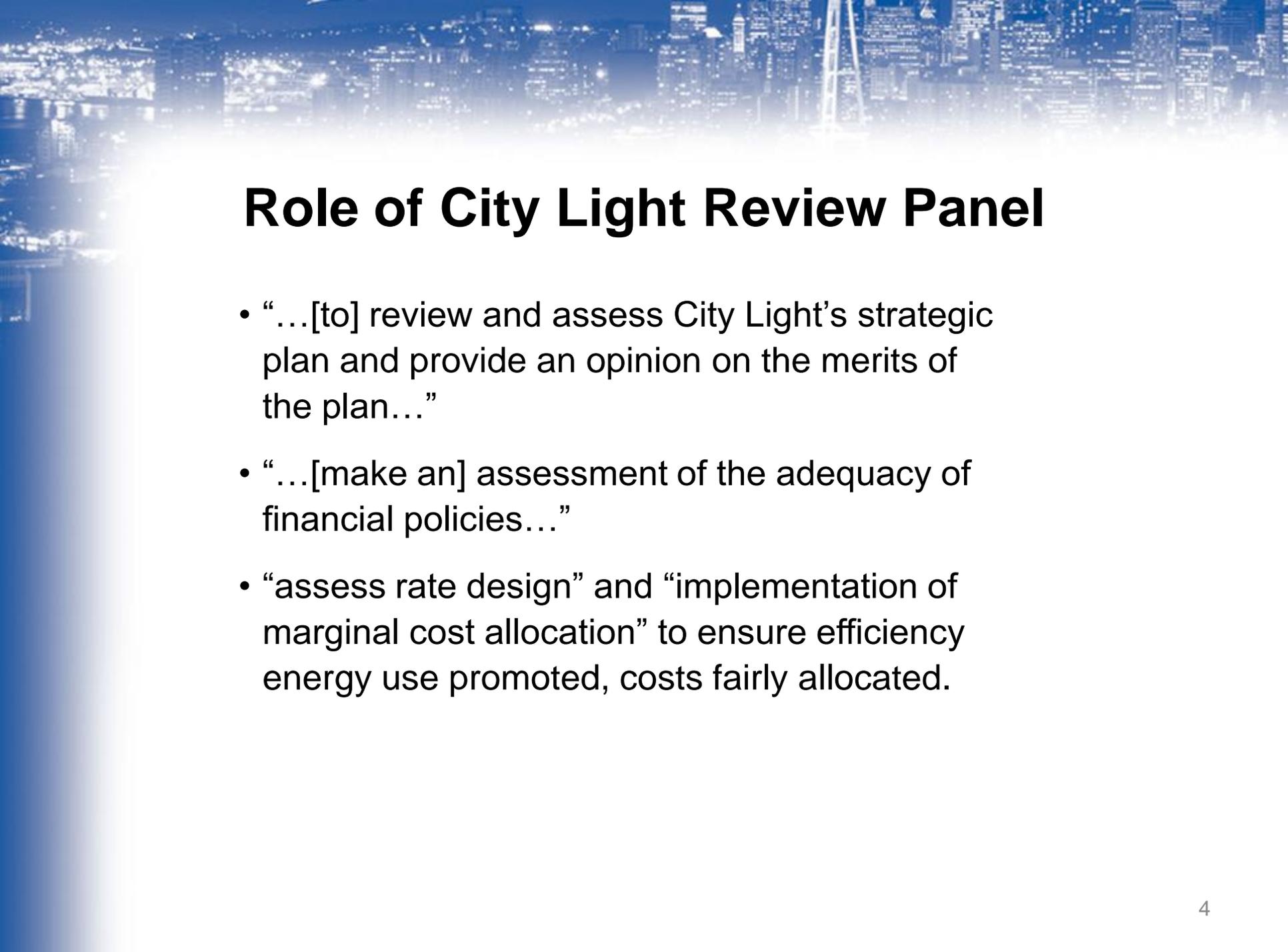
Today's discussion

- City Light Review Panel: Its role and members
- Status of Strategic Planning Effort
- Highlights of Public Outreach Presentation
 - Challenges faced
 - Priorities, key objectives under review
 - Financial baseline
- What we've heard so far
- Your questions and feedback



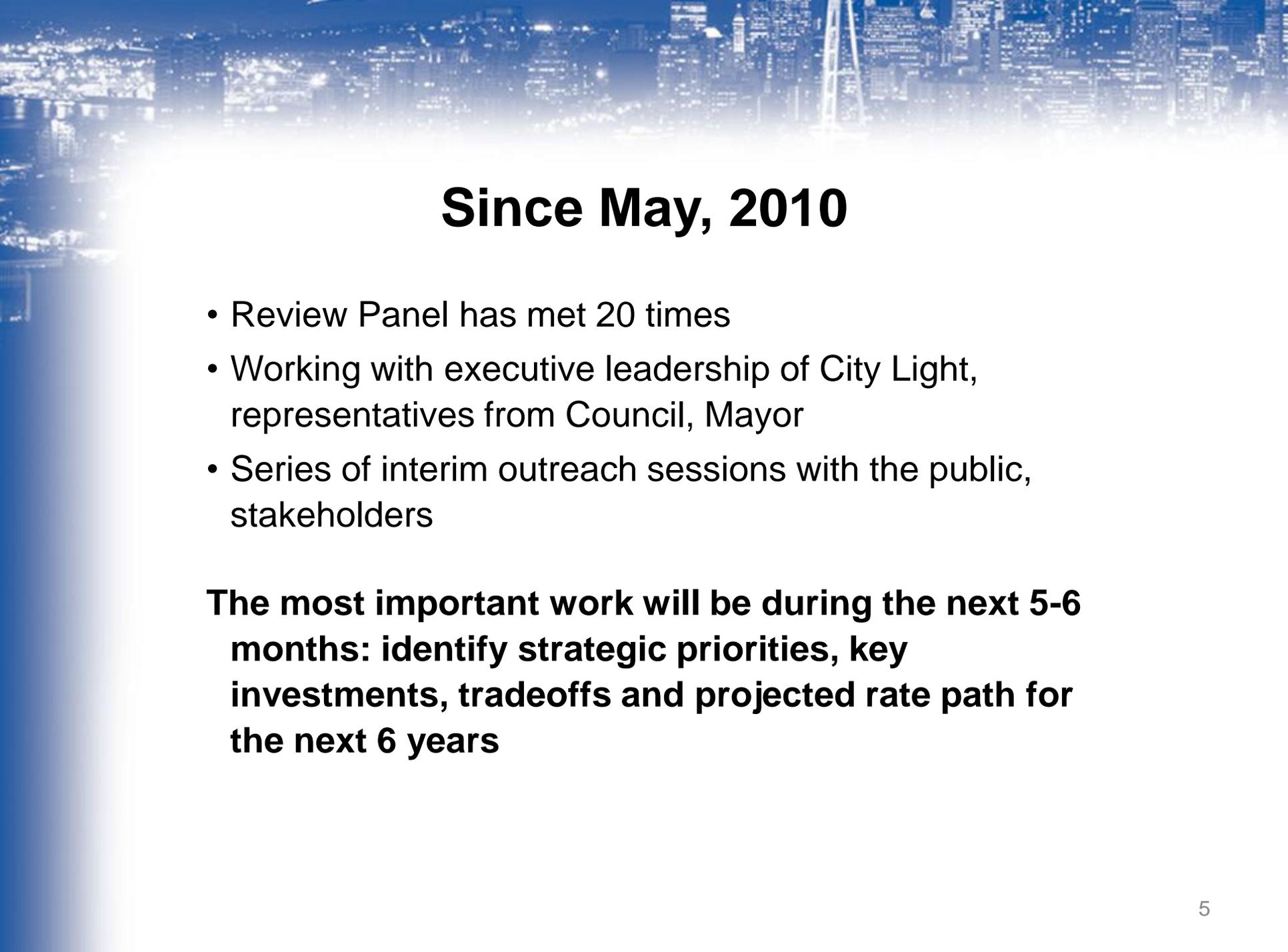
City Light Review Panel

- Created by Ordinance 12356, March 2010
- 9 Citizen members
 - Tom Lienesch, Economist
 - Julia Ryan, Financial Analyst
 - Stan Price, Non-Profit Energy Efficiency Advocate
 - Sylvester Cann IV, Residential Customer
 - David Allen, Commercial Customer
 - Matt Lyons, Industrial Customer
 - Sue Selman, Low Income Customer
 - Eugene Wasserman, At-Large Customer
 - Debbie Terry, Suburban Franchise

A blue-tinted photograph of a city skyline at night, with numerous illuminated buildings and a prominent tower structure. The image is used as a background for the slide.

Role of City Light Review Panel

- “...[to] review and assess City Light’s strategic plan and provide an opinion on the merits of the plan...”
- “...[make an] assessment of the adequacy of financial policies...”
- “assess rate design” and “implementation of marginal cost allocation” to ensure efficiency energy use promoted, costs fairly allocated.

A blue-tinted photograph of a city skyline at night, with numerous illuminated buildings and a prominent tower structure. The image is used as a background for the slide.

Since May, 2010

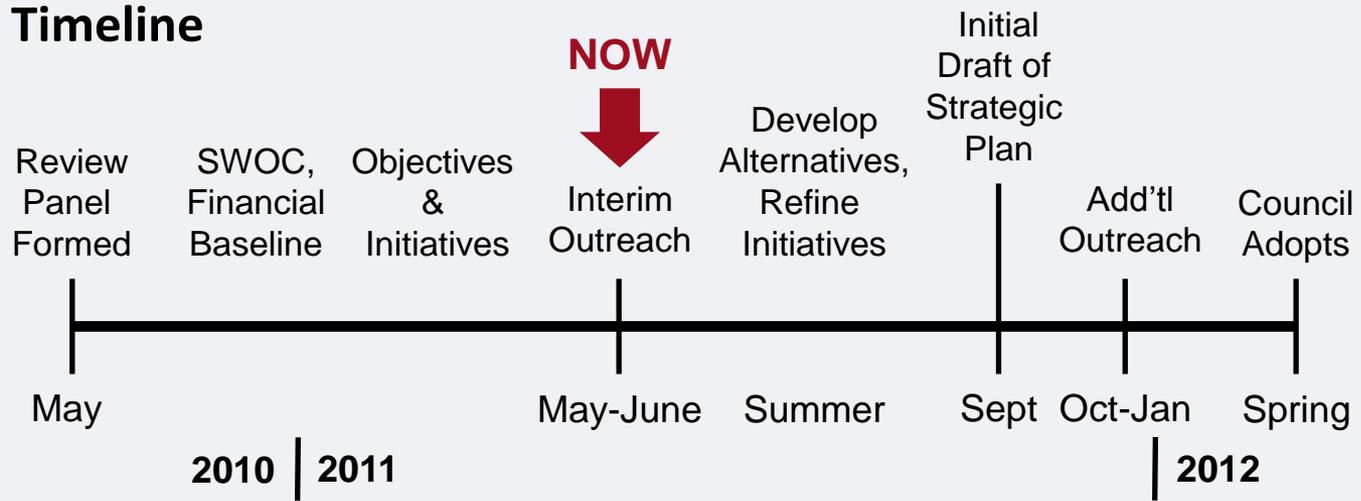
- Review Panel has met 20 times
- Working with executive leadership of City Light, representatives from Council, Mayor
- Series of interim outreach sessions with the public, stakeholders

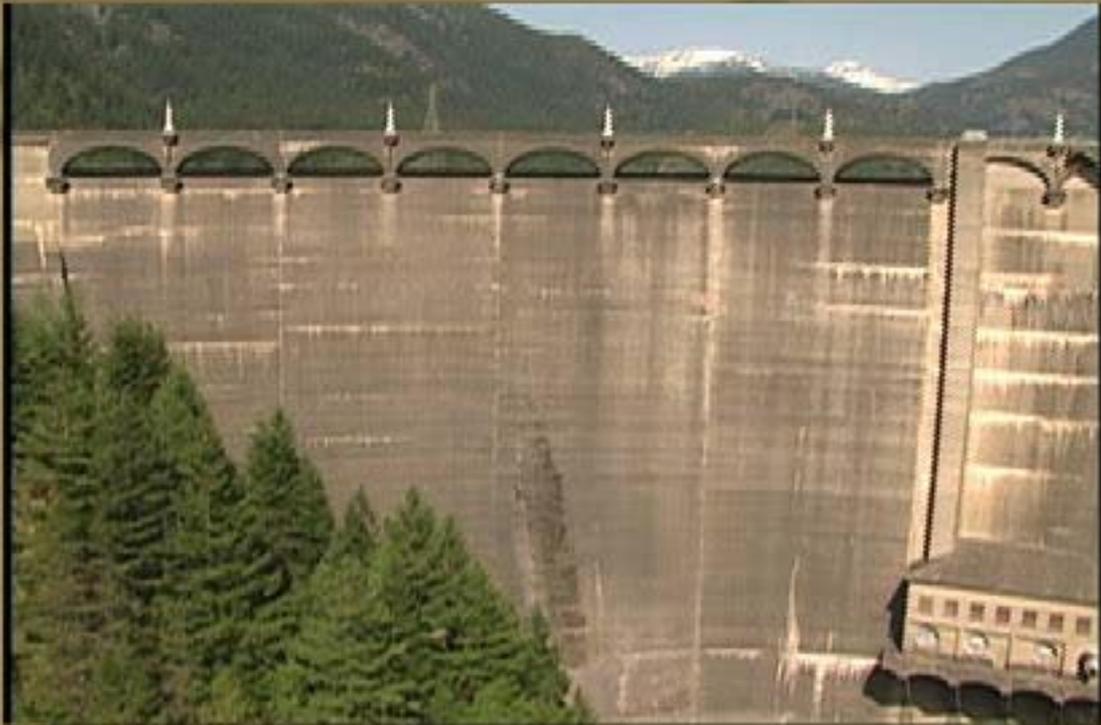
The most important work will be during the next 5-6 months: identify strategic priorities, key investments, tradeoffs and projected rate path for the next 6 years

The Strategic Plan will guide our focus on accountability to ratepayers and customers

Decisions on rates, budgets, investments, programs and services for six years (2013-2018)

Timeline





We first identified City Light's strengths, weaknesses, opportunities and challenges

Customers/Ratepayers

Workforce

Assets

**Municipal Enterprise
Excellence**

What should be our focus for the next 5-6 years?

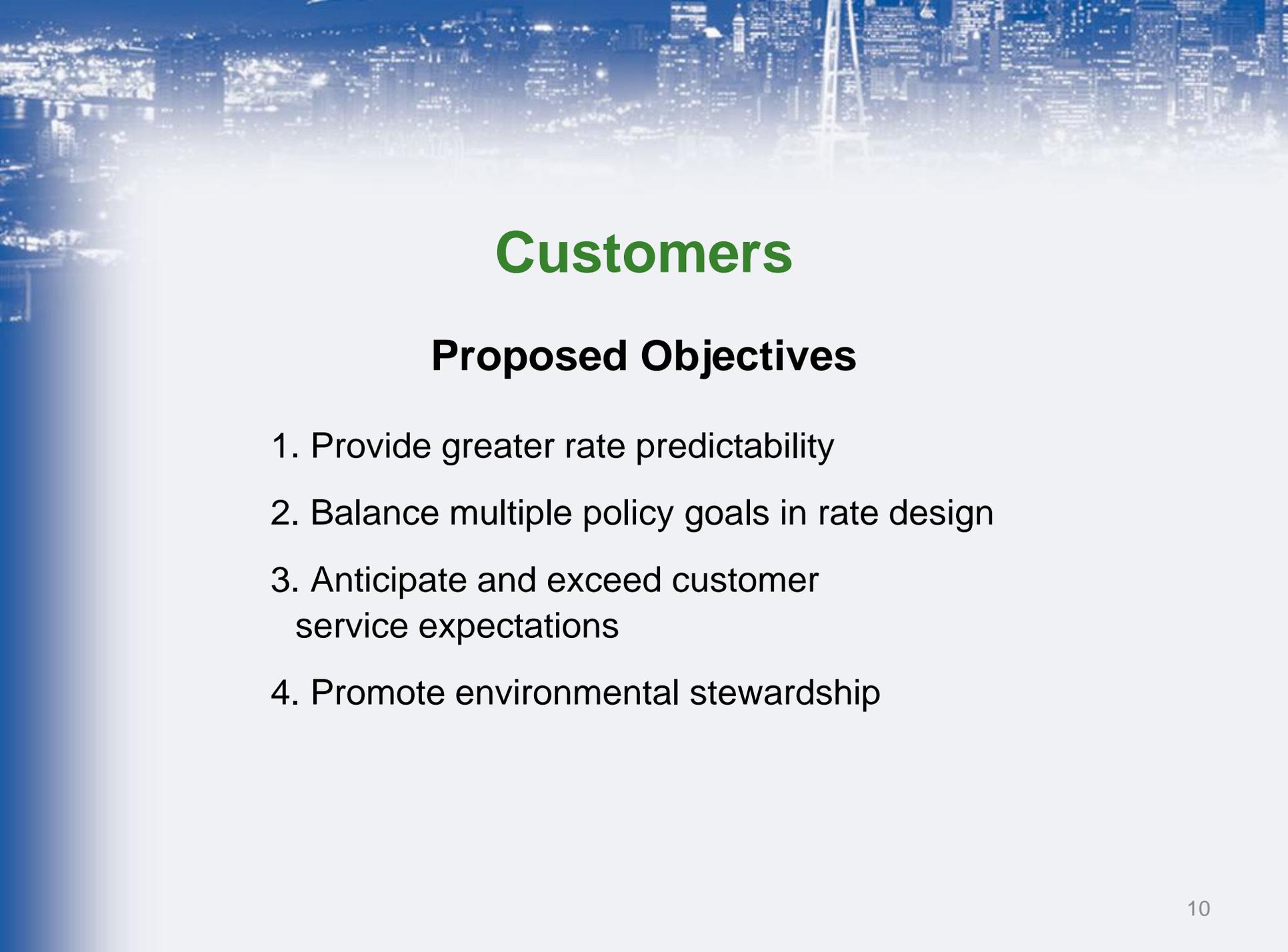
Priorities (4) → Objectives (12) → Specific Actions (~40)

Customers/Ratepayers

Workforce

Assets

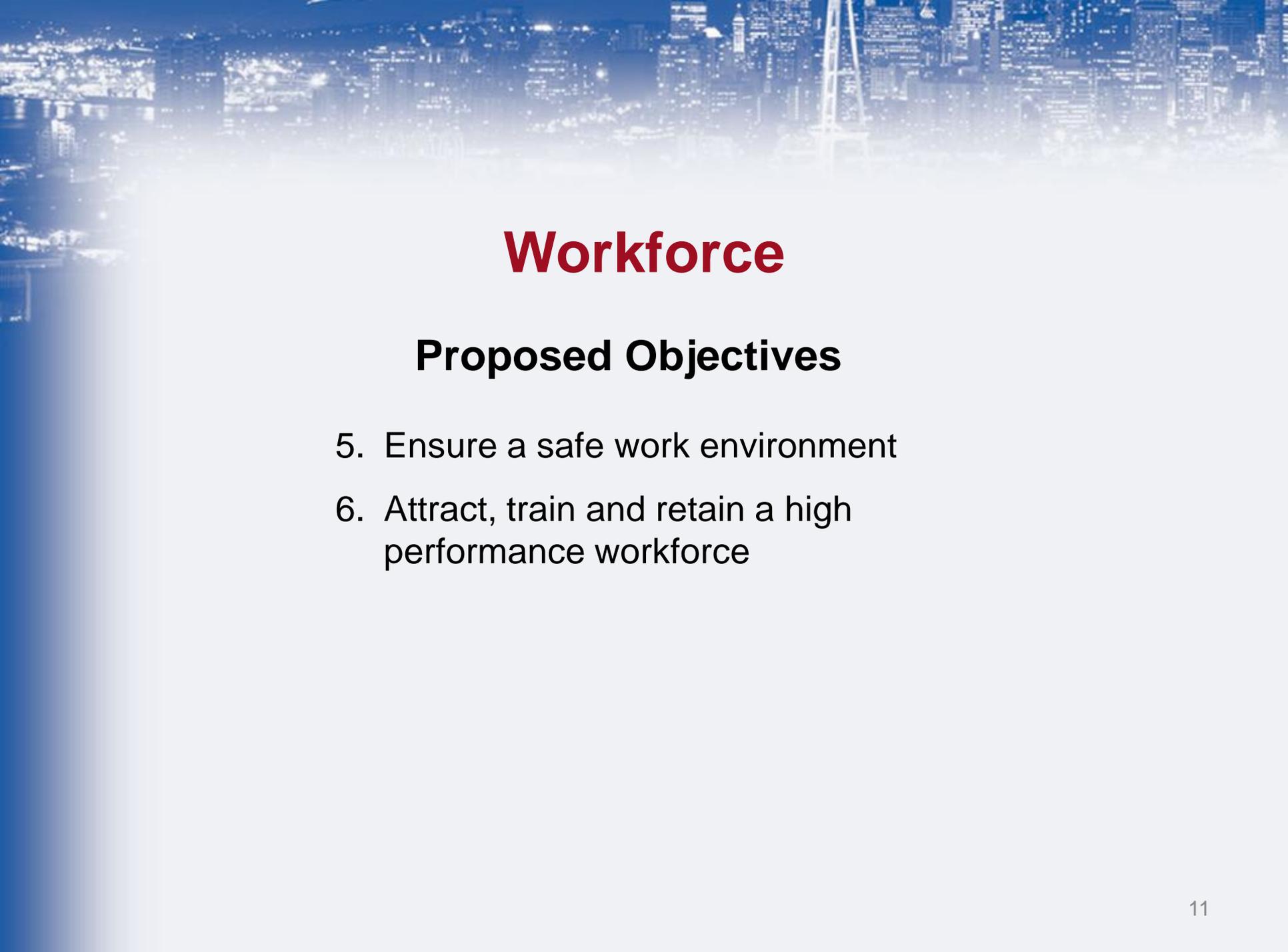
**Municipal Enterprise
Excellence**



Customers

Proposed Objectives

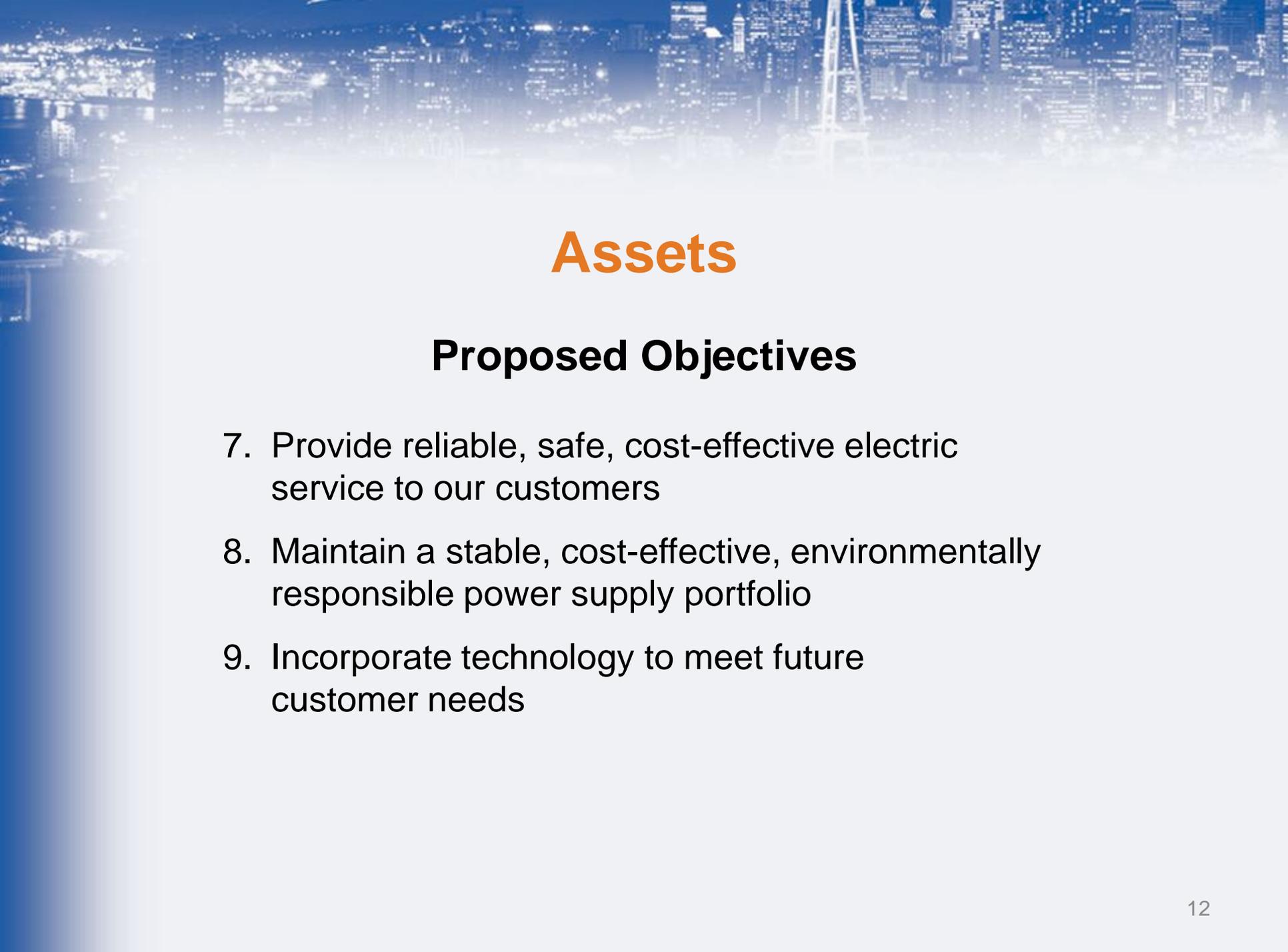
1. Provide greater rate predictability
2. Balance multiple policy goals in rate design
3. Anticipate and exceed customer service expectations
4. Promote environmental stewardship



Workforce

Proposed Objectives

5. Ensure a safe work environment
6. Attract, train and retain a high performance workforce



Assets

Proposed Objectives

7. Provide reliable, safe, cost-effective electric service to our customers
8. Maintain a stable, cost-effective, environmentally responsible power supply portfolio
9. Incorporate technology to meet future customer needs



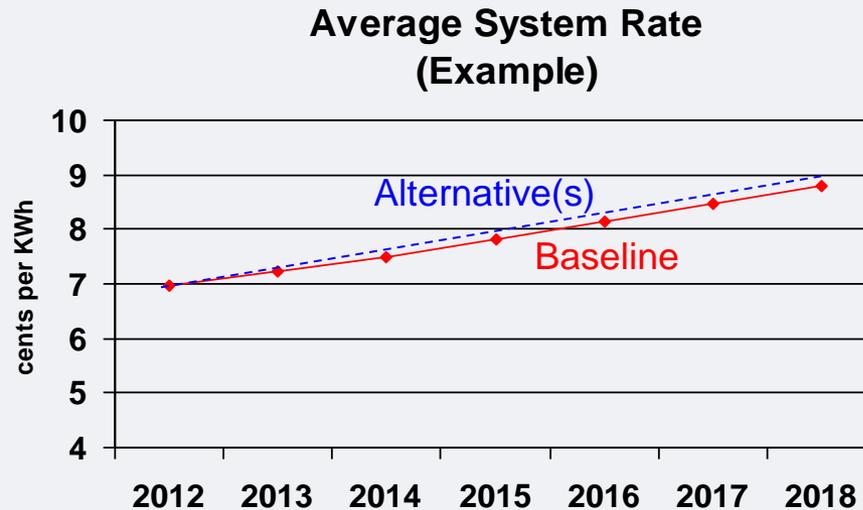
Municipal Enterprise Excellence

Proposed Objectives

10. Improve communication about, and support for, City Light's strategic priorities
11. Implement best practices in business processes and technology across the utility
12. Ensure fiscal strength

Financial Baseline

If we keep doing things the same as today,
where do we end up with rates?



Financial Baseline assumptions

- Same level of service to customers
- Generally the same operating methods

How Are Rates Set?

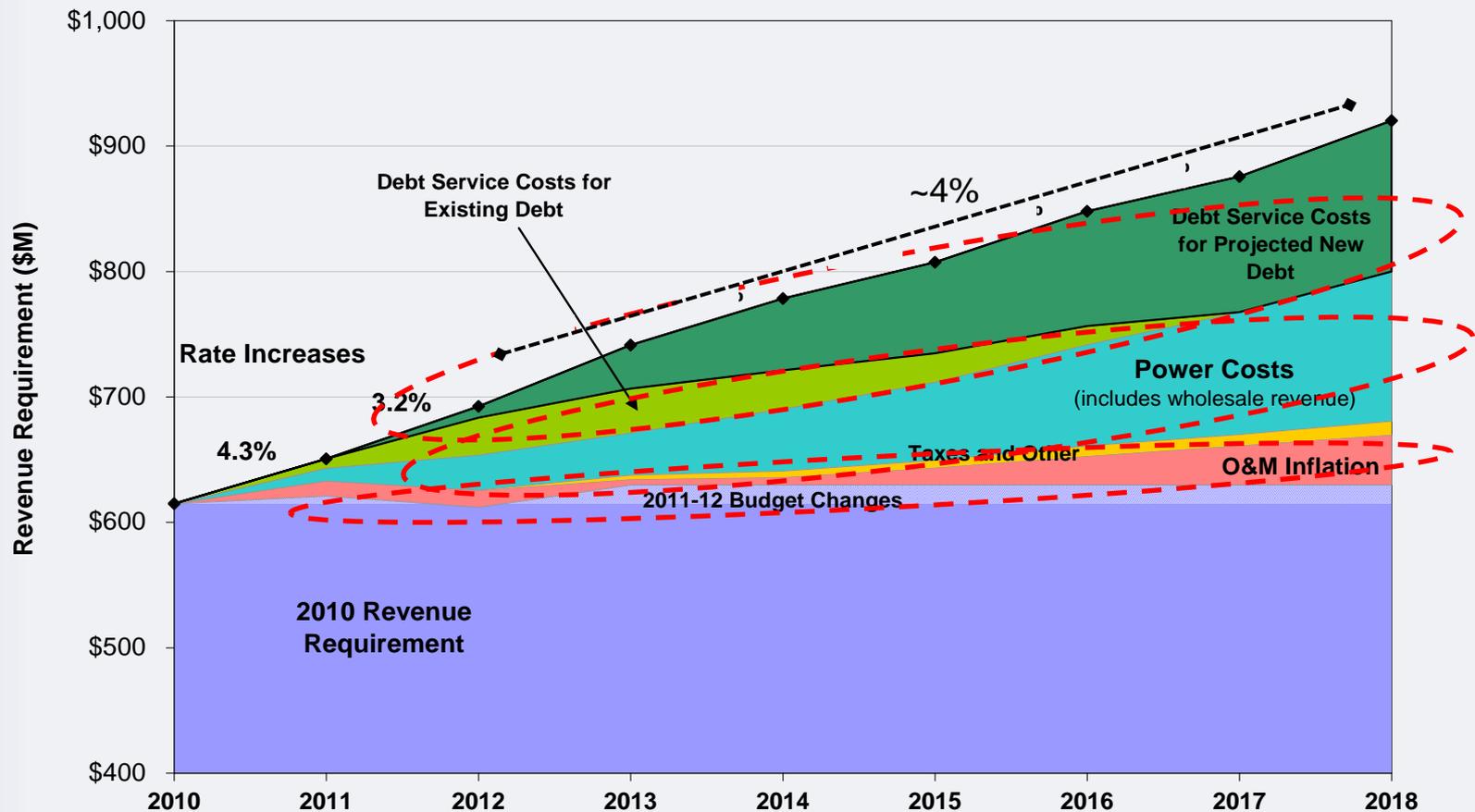
(simplified)

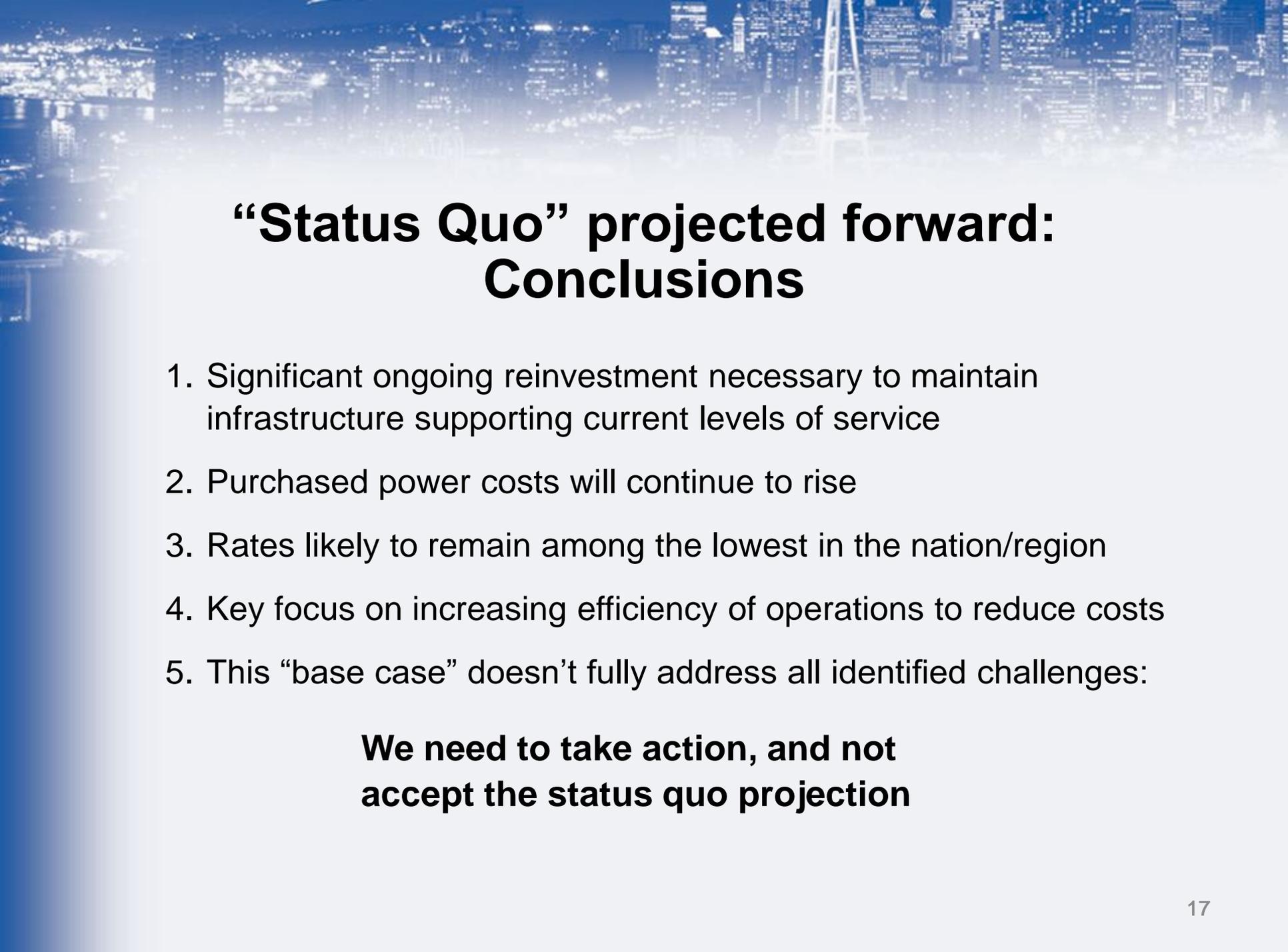
% of total costs

$$\text{Rate/Kwh} = \frac{\text{Utility costs (net of non-customer revenues)}}{\text{Estimated customer usage}}$$

{	· Infrastructure	37%
	· Purchased Power	32%
	· Other costs	31%
{	· Growth in demand (per year)	+/-1%

Rate Impact with Status Quo: Estimated ~4% Annual Increases





“Status Quo” projected forward: Conclusions

1. Significant ongoing reinvestment necessary to maintain infrastructure supporting current levels of service
2. Purchased power costs will continue to rise
3. Rates likely to remain among the lowest in the nation/region
4. Key focus on increasing efficiency of operations to reduce costs
5. This “base case” doesn’t fully address all identified challenges:

**We need to take action, and not
accept the status quo projection**



The challenge ahead:

- Prioritizing between many competing initiatives and priorities—what are the tradeoffs?
- What should be our primary focus in the next six years?



Interim Outreach Sessions

- Targeted groups: general public, community-based organizations, environmental groups, key customers, business community, hospitals, franchise cities
- Variety of outreach and communication tactics engaged: newsletters, telephone calls, *Light Reading*, press release, KPLU and KING-FM, Seattle Times, etc.
- 5 general sessions completed; some special sessions requested, more sessions scheduled
- Meeting comments fully transcribed, results posted
- Attendance limited

A nighttime photograph of a city skyline with many illuminated buildings, including a prominent tower with a white spire. The image is faded and serves as a background for the top portion of the slide.

Public Sessions

- System reliability is focus of concern:
reduce outages
- Concern about high employee injury rates:
Why? How to correct?
- Concern about amount of debt incurred to
maintain infrastructure

A nighttime photograph of a city skyline, likely San Francisco, with the Transamerica Pyramid visible. The image is overlaid with a blue gradient that fades from the top to the bottom.

Large Customers

(16 attendees)

- Reliability and rates—need to find a balance between improving the system and increasing rates
- Rates should promote economic development
- Final plan should discuss trade-offs.
We can't afford everything
- Improve information sharing with customers in advance of major rate, investment decisions



Environmental Community

(22 attendees)

- Conservation and energy efficiency should be distinct plan objectives—more attention needed.
- Promote distributed power.
- Rates are a tool to promote conservation and energy efficiency.
- Climate change needs more attention.



Chamber of Commerce/McKinstry

(88 attendees)

- Rate predictability
- Stronger focus on energy efficiency and conservation
- System reliability
- Address workforce challenges: succession planning, retention, etc.
- Long-term focus necessary



Emerald Cities Collaborative

(about 20 attendees)

- Conservation programs should shift from paying up front to paying over time based on energy saving, promoting cost effective energy retrofits
- Do I-937 requirements displace funding for conservation or limit the ability to reach conservation goals?



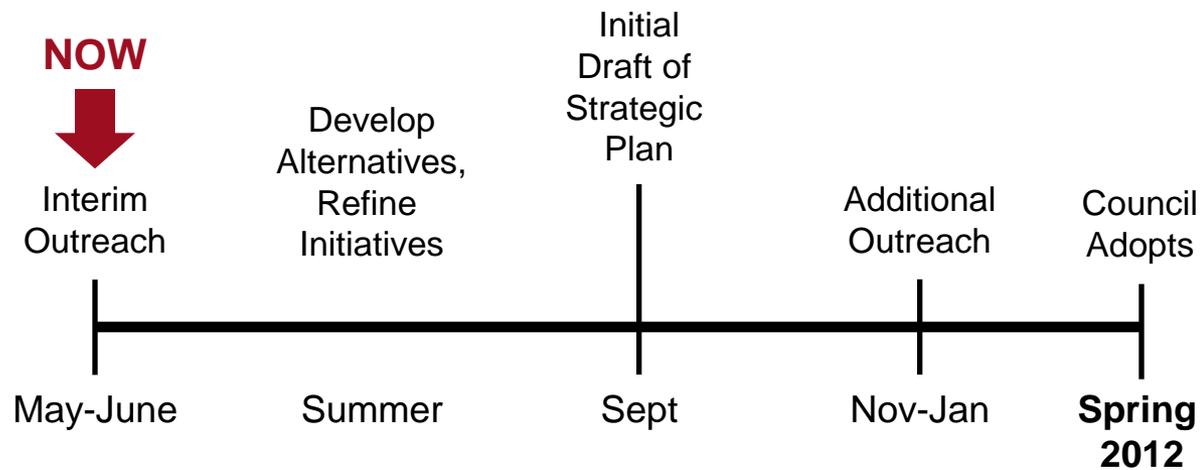
Hospital and First Hill Community

(12 attendees)

- Reliability and redundancy are primary concerns for the hospital community
- Conservation incentives need to make economic sense both short-term and long-term
- Rate predictability is important to hospitals that operate on single-digit margins

Next Steps

Timeline



Questions?



Thank You!
YOUR City Light

