



Seattle City Light



2013-2014 Proposed Budget Overview

Our Mission & Essential Services

Seattle City Light delivers reliable, low-cost power in a safe and environmentally responsible way to our customer owners.

- Electricity is an essential service and our customers expect and depend on being available every hour and every day of the year.
- Reliable, low cost power is essential to the economic vitality and public safety of our city and region.
- The Washington Roundtable cited low cost power as the #1 driver of economic development for the State of Washington

Measuring Success Factors

Mission success includes:

- Excellent customer service
- Ensure future resource adequacy
- Retention of a highly skilled & trained workforce
- Efficient delivery of service
- Conservation and stewardship of environmental resources
- Routine reporting of Strategic Plan initiatives
- Predictable and affordable power delivered

City Light measures:

- Customer satisfaction using J.D. Power survey results: in 2012, City Light attained its highest rankings in 14 years of the survey
- Reduced number of outages and length of outages
- Conservation savings
- Safety record
- Customer service response including: new service connections, streetlight repair, reduced number of account discrepancies, speedy and thorough answers

Aligning Budget & Mission

Challenges Utility Faces:

- Aging Infrastructure and deferred investments in new technology
- Workforce challenges and operational efficiencies
- Falling energy prices, reliance on surplus power sales, and growing debt service

How to address the Challenges:

- The 2013-14 Proposed Budget and recently adopted 6-year Strategic Plan address the major challenges the utility faces with new investments and more efficient operation of our assets and infrastructure.

Budget Alignment with City Light's Mission:

- This budget addresses four core City Light priorities:
 - 1) Customer service
 - 2) Power reliability
 - 3) Workforce needs and organizational efficiencies
 - 4) Continued leadership in conservation and environmental stewardship.

TABLE 1 - INCREMENTAL BUDGET CHANGES FOR THE 2013-2014 BIENNIUM

Seattle City Light							
	2013		2014		GF?	DESCRIPTION	BIP #
	FUNDING AMOUNT	FTE	FUNDING AMOUNT	FTE			
2012 ADOPTED BUDGET	\$1,135,549,513	1810.75	\$1,135,549,513	1810.75			
CBO Adjustments to create Baseline	\$ 45,717,658		\$44,774,979		No	Adjustments for inflation, central cost allocations, retirement, health care, and workers' compensation. Also includes baseline CIP adjustments to match Adopted CIP allocations.	
BASELINE BUDGET	\$1,181,267,171	1810.75	\$1,180,324,492	1810.75			
PROPOSED CHANGES							
A. Improve Customer Experience and Rate Predictability							
<i>Primarily O&M dollars</i>							
1) Improve Hydro System Optimization and Generator Availability, and Generation Asset Insurance	\$ 816,869		\$ 1,046,356		No	Improves power availability for power marketing and energy system operations.	100/111
2) Regional and Industry Leadership	\$ 306,704	2.0	\$ 313,907	2.0	No	Provides staffing on NW regional power supply and transmission grid issues.	102
3) Comprehensive Low Income Assistance	\$ 431,000		\$ 439,000		No	Proactively engage income-eligible customers to enroll in rate-support and conservation programs.	119
<i>Primarily Capital dollars</i>							
4) Building the New Denny Substation Program	\$ 2,433,130		\$ 19,075,581		No	Funding a new substation to support growth in South Lake Union.	500
5) Transmission System Improvements in Puget Sound Area	\$ 419,199		\$ 413,733		No	Improves the regional transmission system in accordance with regional funding commitments. City Light will be partially reimbursed by other utilities for this work.	501
6) Cable Rehabilitation and Replacement	\$ -		\$ 1,110,184		No	Increases the cable replacement rate by 10,000 feet per year with directional boring starting in 2014.	502
7) Streetlight Infrastructure Replacement	\$ 1,954,706		\$ 2,933,984		No	Replaces aging and damaged streetlight infrastructure, focusing on failing underground streetlight systems that are experiencing frequent outages.	503
8) Customer Portal Development	\$ 852,660		\$ 872,231		No	Allows online bill payment and other customer service applications through the City Light website.	504
9) Compliance Tracking System and Compliance Program Standardization	\$ 1,072,823	2.0	\$ 523,178	2.0	No	Standardizes and automates compliance tracking of federal reliability and cyber security standards. City Light must submit to a federal compliance audit every 3 years.	505

	2013		2014		GF?	DESCRIPTION	BIP #
	FUNDING AMOUNT	FTE	FUNDING AMOUNT	FTE			
B. Increase Workforce Performance and Safety Practices							
<i>Primarily O&M dollars</i>							
10) Safe Work Environment	\$ 609,301	1.5	\$ (352,786)	1.5	No	Funds a comprehensive safety and health program. Savings in 2014 anticipate reductions in accidents, costs per injury, workers compensation and third party claims.	103
11) Attract and Retain Workforce	\$ 1,249,976	1.0	\$ 1,253,748	1.0	No	Funds compensation and incentive programs as part of a comprehensive workforce strategy. Over half of City Light's employees will be eligible to retire within the next 5 years.	104
12) Workforce Development - Utility Training and Development Program	\$ 2,291,773	1.0	\$ 2,295,198	1.0	No	Increases funding for the apprenticeship program, on-the-job training, and staff succession/transition.	105
<i>Primarily Capital dollars</i>							
13) Technical Training Center Development	\$ 4,794,595		\$ 1,674,170		No	Consolidates City Light's training services in one secure facility.	506
C. Enhance Organizational Performance							
<i>Primarily O&M dollars</i>							
14) Efficiency and Process Improvement Savings	\$ (6,177,680)		\$ (14,022,042)		No	Reflects SCL's commitment to achieve \$18 million a year by 2015 from efficiencies and process improvements. A portion of these efficiencies are budgeted as increased revenue, rather than reduced expense.	106
15) Establish Internal Audit/Management Review Group	\$ 822,980	5.0	\$ 842,314	5.0	No	Creates an Internal Management Review unit to investigate and address potential fraud and abuse, reduce waste, and improve the Utility's performance.	108
16) Benchmarking Performance - Funding Increase	\$ 281,142		\$ 287,748		No	Provides consulting resources to continue on-going benchmarking activities.	112
17) Performance Reporting and Business Intelligence System Expansion	\$ 1,418,009		\$ 1,216,136		No	Provides metrics, dashboards, analytics, and strategic reports to support management decisions and monitoring of the Utility.	107
18) Project Management Training Increase	\$ 649,722		\$ 451,531		No	Provides consistent project management training across City Light divisions.	109
19) Standards Development Funding Increase	\$ 255,584		\$ 523,178		No	Maintains material, design and construction standards in accordance with new products on the market, new regulatory requirements, and the latest applicable construction methods.	110
20) Equipment Servicer Adds	\$ -	2.0	\$ -	2.0	No	Adds two positions to transport equipment to maintenance facilities. Previously, these transport services were provided by FAS and billed to City Light. These positions will be funded with existing budget authority.	117

	2013		2014		GF?	DESCRIPTION	BIP #
	FUNDING AMOUNT	FTE	FUNDING AMOUNT	FTE			
<i>Primarily Capital dollars</i>							
21) IT Infrastructure Improvements	\$ 3,845,081	5.0	\$ 6,132,057	5.0	No	Implements a standard GIS system, a comprehensive disaster recovery plan, IT Security Upgrades, a document management system, and funds financial system upgrades (Summit).	507/508/509/ 510/511
D. Continue Conservation and Environmental Leadership							
<i>Primarily O&M dollars</i>							
22) Environmental Initiatives	\$ 860,892		\$ 1,155,590		No	Replaces transformers containing PCBs, improves spill response preparation at dams, and continues research on climate impacts to City Light resources.	113/512
E. Technical Adjustments							
Technical adjustments - Operations & Maintenance	\$ (31,939,684)		(\$9,053,788)		No	Adjustments for purchased power costs, tax payments, debt service, accounting changes, and IT budget restoration.	901/115/116/ 114/902/900
Technical adjustments - Capital Improvements	\$ (26,236,176)		\$527,460		No	Refinements in planned CIP spending for existing CIP projects. See Table 2 for more detail.	513
TOTAL PROPOSED CHANGES	\$ 6,730,264	19.5	\$64,433,647	19.5			
FINAL PROPOSED BUDGET	\$1,142,279,777	1,830.25	\$1,199,983,160	1,830.25			

CASH BALANCE (LIGHT FUND - 41000):

PROJECTED BEGINNING CASH BALANCE	\$306,743,928	\$331,189,102
PROJECTED YEAR-END CASH BALANCE	\$331,189,102	\$298,758,019
PROJ UNRESTRICTED CASH BALANCE	\$125,751,707	\$109,473,227

TABLE 2 - SUMMARY OF CAPITAL IMPROVEMENT PROGRAM (CIP) CHANGES

Seattle City Light

2013-2018 PROPOSED CIP

PROJECT TITLE	2013 APPROPRIATIONS (In 1000)	2014 APPROPRIATIONS (In 1000)	TOTAL PROJECT COST* (In 1000)	FUNDING SOURCES	DESCRIPTION/EXPLANATION
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NEW PROJECTS (26 new projects in total, significant highlights shown below)

Power Supply					
1) 6530 - Hydro Project Spill Containment	\$306	\$559	\$4,800	Light Fund	Improve oil spill response at dams.
2) 6533 - Boundary - New Unit - 57	\$0	\$111	\$28,879*	Light Fund	Planning and design for new hydro-generator. Significant construction is not anticipated until 2017.
Transmission					
3) 7125 - Denny Substation Transmission Lines	\$121	\$560	\$37,552	Light Fund	Constructs transmission lines to link new Denny Substation to other Substations.
4) 8461 - Transmission Line Inductor Installation	\$227	\$231	\$13,727	Light Fund	Reconductors transmission lines to improve grid integrity in coordination with regional utilities.
5) 8462 - Transmission Line Reconductoring	\$217	\$209	\$6,263	Light Fund	Adds inductors to improve grid integrity in coordination with regional utilities.
Distribution					
6) 8404 - Denny Substation - Network	\$2,501	\$4,921	\$57,878	Light Fund	Constructs network feeders and infrastructure for the new Denny Substation.
7) 8426 - Advanced Metering Infrastructure	\$0	\$0	\$91,126	Light Fund	Converts existing mechanical meters to modern digital meters. Project implementation begins in 2015.
8) 8463 - PCB Transformer Replacement	\$305	\$334	\$5,857	Light Fund	Replaces transformers contaminated with PCBs.
9) 9944 - Customer Portal Development	\$870	\$927	\$1,797	Light Fund	Develops web portal and on-line services for retail customers.
10) 9963 - Federal and Regional Reliability Standards Compliance	\$783	\$0	\$783	Light Fund	Provides tools to comply with Federal and Regional standards. City Light must submit to a federal reliability audit every 3 years.

Notes:

1) Full list 76 CIP project changes provided to Council Central Staff.

2) Total Project Costs denoted by a (*) have annual allocations that extend beyond 2018. The total shown is for the 2013-2018 CIP period only.

PROJECT TITLE	2013 APPROPRIATIONS (In 1000)	2014 APPROPRIATIONS (In 1000)	TOTAL PROJECT COST* (In 1000)	FUNDING SOURCES	DESCRIPTION/EXPLANATION
External Projects					
11) 8460 - Streetlight Infrastructure Replacement	\$1,995	\$2,995	\$17,704*	Light Fund	Replaces streetlight infrastructure that has reached the end of its useful life. Costs for streetlight operation, maintenance, and improvement are supported by the General Fund.
Central Utility Projects					
12) 9230 - Technical Training Center Development	\$4,832	\$1,828	\$6,911	Light Fund	Constructs training center for SCL employees.
13) 9960 - IT Security Upgrades	\$887	\$861	\$4,821	Light Fund	Replaces network equipment to assure security of SCL command and control systems.
14) 9961 - Summit FinMap Upgrade - City Light	\$1,200	\$1,274	\$2,474	Light Fund	Supports upgrade of City's PeopleSoft Summit financial system.
15) 9962 - Enterprise Document Management System	\$533	\$386	\$2,990	Light Fund	Provides a department-wide document management system.
16) 9964 - Information Technology Disaster Recovery	\$655	\$670	\$1,325	Light Fund	Provide disaster recovery for SCL's information technology assets.

PROJECTS CANCELLED OR REMOVED FROM CIP

Total Projects Removed from the CIP	10	
Completed	2	
Merged into other projects	4	
Cancelled	4	

Notes:

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2) Total Project Costs denoted by a (*) have annual allocations that extend beyond 2018. The total shown is for the 2013-2018 CIP period only.

PROJECT TITLE	2013 APPROPRIATIONS (In 1000)	2014 APPROPRIATIONS (In 1000)	TOTAL PROJECT COST* (In 1000)	FUNDING SOURCES	DESCRIPTION/EXPLANATION
FUNDING/SCOPE/SCHEDULE CHANGES FOR EXISTING PROJECTS (38 projects with 2013 spending changes, significant highlights shown below)					
Power Supply Changes					
17) 6485 - Boundary Powerhouse - Transformer Bank Rockfall Mitigation	\$1,265	\$1,702	\$25,266	Light Fund	2013 allocations decreased by \$16.3 million to allow for additional design. Project construction has been delayed to 2015.
18) 6516 - Ross Rock Slide Area Improvements	\$2,357	\$1,907	\$6,169	Light Fund	2013 allocations increased by \$2.1 million to reflect higher construction bids and more extensive blasting and rock removal required for this project.
19) 6987 - Boundary - Licensing Mitigation	\$16,222	\$12,365	\$126,788*	Light Fund	2013 allocations increased by \$15.2 million to reflect changes in accounting practices to capitalize eligible environmental remediation expenses and consolidate licensing projects into one CIP project. The increase does not reflect any fundamental change in licensing requirements.
Distribution Changes					
20) 7757 - Denny Substation Development	\$2,039	\$15,760	\$111,251	Light Fund	2013 allocations increased by \$2 million to fund design on the new Denny Substation, as authorized by Ordinance 123835.
21) 8203 - Broad Street Substation - Network	\$4,377	\$6,800	\$88,162*	Light Fund	2013 allocations increased by \$2.5 million to support increased network capacity due to recent growth in the Denny Triangle.
22) 8429 - Mobile Workforce Implementation	\$0	\$0	\$7,467	Light Fund	2013 allocations reduced by \$1.1 million to delay implementation to 2015 and allow for coordination with new customer billing systems and the Advanced Metering Infrastructure project.

Notes:

1) Full list 76 CIP project changes provided to Council Central Staff.

2) Total Project Costs denoted by a (*) have annual allocations that extend beyond 2018. The total shown is for the 2013-2018 CIP period only.

PROJECT TITLE		2013 APPROPRIATIONS (In 1000)	2014 APPROPRIATIONS (In 1000)	TOTAL PROJECT COST* (In 1000)	FUNDING SOURCES	DESCRIPTION/EXPLANATION
External Projects Changes						
23)	8307 - Alaskan Way Viaduct and Seawall Replacement - Utility Relocs	\$6,225	\$18,369	\$172,866	Light Fund	2013 allocations reduced by \$12.8 million, reflecting scope and schedule changes driven by the State of Washington project.
24)	8320 - Shoreline Undergrounding: North City and Aurora Avenue North	\$5,810	\$856	\$35,783	Light Fund	2013 allocations increased by \$5.8 million, reflecting schedule changes driven by the City of Shoreline project. Project costs are recovered through City of Shoreline rates.
25)	8376 - Mercer Corridor Relocations	\$1,437	\$0	\$18,583	Light Fund	2013 allocations decreased by \$1.3 million, reflecting a change in cash flow assumptions rather than changes in project scope.
26)	8427 - Sound Transit Northlink - City Light	\$3,174	\$2,900	\$8,776	Light Fund	2013 allocations increased by \$2.7 million, reflecting scope and schedule changes requested by Sound Transit. Project costs are recovered directly from Sound Transit.
27)	8441 - Streetlight LED Conversion Program	\$4,515	\$5,019	\$43,852*	Light Fund	2013 allocations decreased by \$1.2 million, reflecting improved pricing of LED technology.
28)	8443 - Mercer Corridor West Phase Relocations	\$545	\$5,325	\$8,765	Light Fund	2013 allocations decreased by \$3.5 million, reflecting design changes to reduce the number of transmission lines impacted by the project.
Central Utility Projects Changes						
29)	9101 - Vehicle Replacement	\$7,779	\$8,521	\$118,298	Light Fund	2013 allocations decreased by \$1.4 million to reflect efficiencies in managing the vehicle fleet and reduction in total number of vehicles.
30)	9937 - Customer Information System	\$16,362	\$4,004	\$21,322	Light Fund	2013 allocations increased by \$5.5 million to reflect scope and cost estimate refinements to replace the Consolidated Customer Service System (shared with SPU). This project funds SCL's portion of the project.
31)	9956 - Energy Management System	\$0	\$9,563	\$22,787	Light Fund	2013 allocations decreased by \$8.4 million. The project start has been delayed until 2014.

Notes: 1) The full list of all 76 CIP project changes are provided as background material to Council Central Staff.

2) Projects with **Total Project Costs** denoted by a (*) have annual allocations that extend beyond 2018. The total shown is for the 2013-2018 CIP period only.

1) Full list 76 CIP project changes provided to Council Central Staff.

2) Total Project Costs denoted by a (*) have annual allocations that extend beyond 2018. The total shown is for the 2013-2018 CIP period only.

TABLE 3 - BUDGET OVERVIEW

Seattle City Light		EXPENDITURES OVERVIEW (2013-2014 PROPOSED)			
BUDGET CONTROL LEVELS	2012 ADOPTED	2013 PROPOSED	% CHANGE '12-'13	2014 PROPOSED	% CHANGE '13-'14
Expenditures by BCL					
Office of Superintendent	\$2,923,000	\$3,121,000	6.8%	\$3,198,000	2.5%
Power Supply O&M	\$62,449,000	\$50,892,000	-18.5%	\$51,451,000	1.1%
Conservation Resources and Environmental Affairs O&M	\$57,757,000	\$59,893,000	3.7%	\$61,573,000	2.8%
Distribution Services	\$71,786,000	\$73,787,000	2.8%	\$73,941,000	0.2%
Customer Services	\$26,847,000	\$27,635,000	2.9%	\$28,307,000	2.4%
Financial Services - O&M	\$28,988,000	\$36,023,000	24.3%	\$36,575,000	1.5%
Human Resources	\$6,790,000	\$9,380,000	38.1%	\$9,137,000	-2.6%
Compliance and Security	\$2,825,000	\$3,163,000	12.0%	\$3,442,000	8.8%
Non-Power O&M	\$260,368,000	\$263,897,000	1.4%	\$267,628,000	1.4%
Long-Term Purchased Power	\$284,741,000	\$277,322,000	-2.6%	\$287,056,000	3.5%
Short-Term Purchased Power	\$67,121,000	\$52,002,000	-22.5%	\$55,573,000	6.9%
General Expenses	\$76,568,000	\$86,752,000	13.3%	\$87,109,000	0.4%
Debt Services	\$178,150,000	\$179,667,000	0.9%	\$196,466,000	9.4%
Taxes	\$78,472,000	\$81,554,000	3.9%	\$86,159,000	5.6%
Total O&M	\$945,423,000	\$941,197,000	-0.4%	\$979,993,000	4.1%
Power Supply & Environmental Affairs - CIP	\$46,429,000	\$72,923,000	57.1%	\$63,417,000	-13.0%
Transmission and Distribution - CIP	\$64,638,000	\$66,042,000	2.2%	\$83,447,000	26.4%
Customer Focused - CIP	\$71,268,000	\$53,503,000	-24.9%	\$57,204,000	6.9%
Financial Services - CIP	\$7,789,000	\$8,612,000	10.6%	\$15,920,000	84.9%
Total Capital Improvement Program	\$190,126,000	\$201,081,000	5.8%	\$219,989,000	9.4%
Total SCL Expenditures	\$1,135,549,000	\$1,142,279,000	0.6%	\$1,199,983,000	5.1%
Total FTEs	1810.5	1830	1.1%	1830	0.0%
Revenues SCL					
Retail Revenue	\$677,146,000	\$705,253,000	4.2%	\$749,605,000	6.3%
Wholesale Sales	\$165,096,000	\$188,150,000	14.0%	\$198,251,000	5.4%
Other	\$72,328,000	\$70,755,000	-2.2%	\$69,734,000	-1.4%
Transfers	\$220,977,000	\$178,119,000	-19.4%	\$182,391,000	2.4%
Total SCL Revenues	\$1,135,549,000	\$1,142,279,000	0.6%	\$1,199,983,000	5.1%

All dollar numbers rounded to the nearest \$1,000
 Percentages rounded to the nearest tenth percent