

DRAFT- Quarterly Strategic Plan Initiative Tracker Second Quarter 2013

The Strategic Plan includes thirty-seven initiatives approved by the Mayor and City Council in 2012. Total project cost for all initiatives over the six-year period was estimated to be \$493.3 million and to deliver \$108.2 million in financial benefits.

For 2013 these amounts are comprised of project costs of \$32.1 million and are expected to deliver an additional \$6.9 million in financial benefits. Progress on these initiatives is reported under 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) Continued Leadership in Conservation and Environmental Stewardship.

This detailed information in this report is broken into three sections which discuss the following elements of this process:

- 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 has a template that identifies start and finish dates, Operating & Maintenance (“O&M”) and Capital Improvement Project (“CIP”) budgets and actual expenditures for the period, as well as other information needed to track progress.

The Strategic Initiatives achievement has 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.
Yellow	Year to Date	Metrics are not met YTD, but expected to be made up by year-end.
	Full Year	Uncertainty exists around the achievement of metrics by year-end.
Red	Year to Date	Metrics are not met YTD.
	Full Year	Metrics are not expected to be achieved by year-end.

Where appropriate, progress metrics will 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 will be 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 broken down among the four themes.

Table 1 – Summary Initiative Progress

	YTD	Full Year
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.

In total, 29 of strategic initiatives are on track, 5 have experienced some minor delays in the area of Continued Leadership in Conservation & Environmental Stewardship, and 3 are undergoing investigation to determine why they are not on track in the area of Improve Customer Experience & Rate Predictability. Further detail of these variances can be found in section III of the document. Overall savings resulting from strategic investments are on track, as labor and other savings are expected to be lower in earlier years until the full effects of the investments are realized.

Efficiencies

City Light is expected to produce an \$8 million reduction in costs associated with planned efficiencies by the end of 2013 due partially to reduced expenditures associated with safety incidents which is attributed to improved safety programs. Year-to-date efficiencies are \$2.0 million lower than forecast due to earlier than anticipated headcount increases associated with staffing the Strategic Plan. This is expected to be more than mitigated by large savings from lower costs associated with safety incidents.

Delivery of Program Improvements

City Light is expected to spend \$32 million on CIP and O&M programs and projects by the end of 2013. This is in line with the amounts assumed in the budget. Expenditures year-to-date are \$1.0 million lower than forecast due to delayed implementation of the Denny Substation. This is expected to be more than mitigated through the delivery of significant project milestones in the 3rd quarter of this year.

Financial Update

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

Table 2 - Summary Financial Plan Tracker – 2013**

\$M	Year-to-Date			Full Year Forecast		
	Plan	Actual	Diff.	Plan	Actual	Diff.
Retail Revenue	\$ 497	\$489	\$ (8)	\$ 677	\$ 673	\$ (4)
Net Wholesale Revenue	82	46	(36)	102	50	(52)
Net LT Power Costs	(185)	(174)	11	(254)	(258)	(4)
O&M (Non-power)	(159)	(135)	24	(210)	(189)	21
RSA	(1)	19	20	(1)	33	34
Other	(6)	30	38	(9)	35	44
Available for Debt Service	\$228	\$275	\$49	\$305	\$344	\$39
Debt Service				\$ 170	\$ 170	
Debt Coverage Ratio	N/A	N/A		1.80	1.83	.03

** This table has been populated with sample data and is followed by sample explanatory material that is consistent with the sample data.

The full year forecast continues to indicate that City Light will slightly exceed the required Debt Coverage ratio despite Net wholesale revenue substantially below plan. The lower revenue is mostly due to lower prices year-to-date. Current projections forecast little or no increase in power prices for the full year. The lower prices are also reflected in City Light's net long term power costs year-to-date. On the other hand, City Light O&M expense is running below plan year-to-date and forecast to be below plan at year-end as well. The lower O&M reflects efficiency initiatives in the strategic plan exceeding targets. Additional detail on the initiatives can be found in following sections of this report.

Section III- 2013 Summary Performance Assessment for Each Initiative

Section III provides an assessment of individual strategic plan initiative performance, associated major milestones achieved, and discussion of any material variances. Dollar amounts listed in the second column are 2013 net revenues or costs in millions of dollars.

Improve Customer Experience and Rate Predictability

2013 Progress			Year to Date		Full Year Forecast	
#	\$M ¹	Description	Financial	Milestones	Financial	Milestones
A4	1.1	Implement Compliance Tracking &	●	●	●	●
A6	2.4	Denny Substation	●	●	●	●
A7	0.4	Upgrade Transmission System in the Puget	●	●	●	●
A8 ²		Underground Cable Replacement	●	●	●	●
A9 ³		Improved Streetlight Infrastructure				
A11	(0.2)	Hydro Performance and Generation	●	●	●	●
A13 ³		Advanced Metering Infrastructure				
CR1 ²		Align Budget & Rates/ New Budget System	●	●	●	●
CR2	(14.8)	Tools to Reduce Potential Rate Shocks	●	●	●	●
CR3 ²		Strengthen Ratepayer Advocacy	●	●	●	●
CR4 ²		Cost of Service and Rate Design Policies	●	●	●	●
CR5	0.9	Customer Portal	●	●	●	●
CR7	(0.2)	Customer Contact Center Performance	●	●	●	●
CR10	0.4	Low Income Assistance Program	●	●	●	●

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

2. Initiatives with blanks in the dollar column are those where progress will be achieved without additional funding in 2013.

3. These initiatives have starting dates in future years.

Several initiatives have made substantial progress since the adoption of the Strategic Plan. These include:

- Denny Substation. The Environmental impact statement was completed by year-end 2012 and 30% of the design for the substation has been completed. The Draft Environmental Impact Statement for the Transmission Lines has been scoped and is on track to be completed in January 2014 which is a one month delay from plan. Efforts are being sought to accelerate this time frame by one month. (A6)
- Underground Cable Replacement. 100% of the engineering design needed to replace cable in the View Ridge, Leschi and other neighborhoods in 2013 is completed. (A8)
- Strengthen Ratepayer Advocacy. Though the initiative to strengthen ratepayer advocacy does not include additional funding for 2013, a number of outreach activities have not been completed and are unable to be scheduled later in 2013. As a result, the milestones are unlikely to be met. (CR3)

- Low Income Assistance. Three of the four milestones in 2013 are expected to be achieved in 2013. While this is a underperformance in milestone delivery the actual subscription targets for 2013 of the program have been exceeded. (CR10).

Increase Workforce Performance and Safety Practices

2013 Progress			Year to Date		Full Year Forecast	
#	\$M	Description	Financial	Milestones	Financial	Milestones
W1	0.6	Safety Culture and Accountability	●	●	●	●
W2a	1.3	Attract and Retain Workforce	●	●	●	●
W2b	2.3	Training and Development	●	●	●	●
W2	8.3	Technical Training Center	●	●	●	●

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

In general the workforce initiatives seem to be on track to accomplish the milestones in 2013.

- Safety Culture and Accountability. The safety initiative financial targets are not being met year-to-date. Two new safety staff members were hired and City Light completed an Injury Analysis to identify trends, type of injuries and other systemic deficiencies, and it appears that the planned expenditures will be completed by year-end. Recommendations identified in the Injury Analysis Study will be used to design a revised safety program expected to be implemented before year-end in order that the metric targets can also be met. (W1)
- Training and Development. City Light Human Resources hired the Senior Training and Education Coordinator at the beginning of February. That individual is completing development of an Intern-Coop Program. Customer Service training and computer skills training for crew chiefs also started in February. Expenditures are above those planned as of the date of this report but are expected to be within budget by year-end. (W2b)
- Attract and Retain Workforce. Human Resources is currently forecasting program expense above plan for 2013 in the area of attracting talent. Efforts will be taken to hopefully bring this activity back to budget by year-end. (W2a)

Enhance Organizational Performance

2013 Progress			Year to Date		Full Year Forecast	
#	\$M ¹	Description	Financial	Milestones	Financial	Milestones
M1 ²		Effective Communication and Engagement	●	●	●	●
M2	0.3	Benchmarking City Light Performance	●	●	●	●
M3	2.4	IT Roadmap and Disaster Recovery	●	●	●	●
M4	2.0	Performance Based Reporting	●	●	●	●
M5	0.7	Internal Audit	●	●	●	●
M6	0.7	Project Management Quality Improvement	●	●	●	●
M7	0.1	Service Level Agreements with City	●	●	●	●
M8	(0.3)	Procurement Process for Internal Services	●	●	●	●
M9	(6.9)	Efficiency Initiatives	●	●	●	●
M10	0.5	Review financial policies/Insurance for	●	●	●	●
A3	0.7	Information Technology Security Upgrades	●	●	●	●
A5	0.4	Implement Enterprise Geospatial Information	●	●	●	●
A10 ³		Mobile Workforce Implementation				
A12	(1.7)	Regional Electric Utility Leadership	●	●	●	●
A15	0.3	Updating Standards	●	●	●	●

1. Financial impacts of each initiative are reflected as Expense/ (Savings)
2. Initiatives with blanks in the dollar column are those where progress will be achieved without additional funding in 2013.
3. These initiatives have starting dates in future years.

- Information Technology Security Upgrades. In order to ensure that City Light can improve performance, several of the initiatives were placed on a fast track. Hiring and contracting were put in place before year-end 2012 for implementing the IT Disaster Program project within the IT Strategic Plan. The formal Disaster Recovery Program is now under development and is expected to be delivered by the end of the Third Quarter, 2013. (M3)
- Project Management Quality Improvement. The Project Management quality improvement effort has faced significant roadblocks. These included a need to reissue an RFP for an outside contractor to evaluate the current status of project management at City Light and provide recommendations for improvement. While it appears likely that a contractor will soon be on board, neither the financial metrics or planned milestones will be met by year-end. (M6)

Continued Leadership in Conservation and Environmental Stewardship

2013 Progress			Year to Date		Full Year Forecast	
#	\$M ¹	Description	Financial	Milestones	Financial	Milestones
CR8 ²		Enhance Environmental Leadership	●	●	●	●
CR9	0.6	Reduce Environmental Liability	●	●	●	●
A14 ³		Electric Vehicle Infrastructure				
A17	0.2	Climate Research	●	●	●	●
A18 ²		Conservation Program Enhancement	●	●	●	●

1. Financial impacts of each initiative are reflected as Expense/ (Savings)
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3. These initiatives have starting dates in future years.

- Reduce Environmental Liability. The program plan to replace oil based transformers has been developed by the consultant hired for this purpose. Progress on actually implementing the plan is being made more slowly than expected as the resources are diverted elsewhere. (CR9)
- Climate Research. On the other hand, cooperative efforts with non-profits and other utilities to enhance climate research efforts in the Northwest are on track. For the minimal funding City Light contributes, data and information on future impacts to the availability of power is already being received for use in planning models and for future forecasting. (A17)