

Seattle City Light Review Panel – Meeting with Mayor McGinn
May 2, 2011

Difficult Issues/Challenges Facing the Utility in the Six-Year Strategic Plan:

Customers/Ratepayers - Provide more rate stability & predictability, despite volatility in the wholesale energy market and optimistic wholesale revenue expectations. Balance customer demands for increased control/information with cost of technology upgrades.

Workforce - Attract and retain high performance workforce in a competitive national industry. Improving efficiency will require effective partnership with labor.

Assets - Some costly investments ahead to maintain reliability. Rate impacts from I-937 compliance, variability in wholesale revenue, and significant investments in conservation. Balance investment in new technologies and workplace practices to better manage our capital assets.

Municipal Enterprise Excellence - Utility is unique from other city agencies for its technical complexities, capital-intensive nature, impact of federal regulations and regional relationships, and its role as a commodity trader.



Seattle City Light Strategic Plan

Challenges Assessment

Customers/Ratepayers

Strengths and Opportunities:

- Strong public support for public power
- Quality service
- Low, competitive rates can support local economic activity
- Strong environmental stewardship programs
- Carbon neutral utility
- Sophisticated customer base
- Strategic Plan: opportunity for engagement and long-term planning

Weaknesses and Challenges:

- Low customer satisfaction with customer contact options (e.g. website and call center)
- System reliability is declining
- Reliance on wholesale power sales can result in rate shocks
- Possibility of extended economic downturn
- Electric cars could increase demand
- Changing customer expectations
- Communication of utility challenges
- Expectations of continued very low power costs and high service levels
- Significant exposure to climate change

Workforce

Strengths and Opportunities:

- Knowledgeable, experienced, diverse workforce
- Pride and commitment of staff
- Strong management team
- Utility will experience cultural change as retiring employees are replaced
- Salaries and benefits are only about 15% of our cost

Weaknesses and Challenges:

- Injury rates much higher than national averages
- Aging workforce: 50% eligible to retire within 5 years
- Shortage of engineers and skilled trade personnel
- Some job salaries are not competitive with industry
- Competition for talent
- Lack of flexibility in workforce rules and classification system



Seattle City Light Strategic Plan

Challenges Assessment

Assets

Strengths and Opportunities:

- Low cost, carbon neutral power supply portfolio
- Adequate power supply for next 10 years
- We own or control 50% of our power supply
- Reliable network
- Long-term rights to low cost federal system generation (BPA)
- Fully implementing asset management system can lower maintenance costs and increase reliability

Weaknesses and Challenges:

- Aging infrastructure requires increasing levels of maintenance or replacement
- Limited or incomplete asset and maintenance data
- Lagging technology
- New state and federal regulations—cyber security, reliability, and continuity of operations
- Regional transmission system bottlenecks—upcoming decisions on funding, cost allocation
- Wholesale power price variability
- Cost and availability of qualifying I-937 resources (existing hydro doesn't count)

Municipal Enterprise Excellence

Strengths and Opportunities:

- Access to low cost capital
- AAA rating of City of Seattle
- Financially stable
- Strong support for public power
- Strategic Plan adoption can increase certainty for customers, utility

Weaknesses and Challenges:

- Need for endorsed strategic plan and investment strategy
- Business practices need updating
- Outdated information technology systems
- Opportunities to engage busy policy makers and stakeholders about City Light's issues
- Financial downturn makes it more difficult to fund needed investments



Seattle City Light Strategic Plan

Priority Areas, Proposed Objectives and Outcomes

Customers/Ratepayers

Serving our customers well is at the center of our vision.

PROPOSED OBJECTIVE	PROPOSED OUTCOMES
Provide greater rate predictability	<ul style="list-style-type: none"> • Rates should avoid price shocks • Rates and budgets should reflect a steady approach over time to funding goals in the strategic plan • Increase opportunity for public input in the rate-setting process
Balance multiple policy goals in rate design	<ul style="list-style-type: none"> • Rates should be structured to balance several policy goals including: affordability; ensuring necessary cost recovery; promoting a positive business climate; promoting efficient energy use; and providing rate relief to low-income residents
Anticipate and exceed customer service expectations	<ul style="list-style-type: none"> • Improve ability of customers to access and manage their accounts online • Upgrade billing system to enable use of more flexible rate models (e.g., time-of-use rates, customers selecting date of their periodic bills, etc.) • Resolve customer issues in one call
Promote environmental stewardship	<ul style="list-style-type: none"> • Maintain greenhouse gas neutrality • Promote efficient use of energy • Continue environmental leadership and reduce environmental consequences of utility operations

Workforce

City Light's ability to attract and retain a high performance workforce is key to our continued success and ability to meet our customer's needs and future challenges.

PROPOSED OBJECTIVE	PROPOSED OUTCOMES
Ensure a safe work environment	<ul style="list-style-type: none"> • Decrease workforce injury rates to be below national averages for large utilities
Attract, train, and retain a high performance workforce	<ul style="list-style-type: none"> • Increase Seattle City Light's ability to attract qualified candidates with electric utility expertise • Ensure that the utility has the ability to effectively manage the loss of institutional knowledge due to the significant number of upcoming retirements • Ensure that work rules and processes maximize employee efficiency and productivity • Ensure City Light leadership has the tools to effectively manage the labor management partnership • Improve workforce productivity and skills by investing in employee development and technical training

Assets

With billions in publicly owned assets and infrastructure, it is vital that we maintain our generation, transmission, distribution and other systems—and operate these assets in a most efficient manner.

PROPOSED OBJECTIVE	PROPOSED OUTCOMES
Provide reliable, safe, cost-effective electric service to our customers	<ul style="list-style-type: none"> • Increase preventative maintenance programs in transmission and distribution systems to reduce costs over time and improve reliability • Replace aging systems in order to increase reliability and optimize use of existing infrastructure • Support current and future customer needs by addressing growth in demand and reliability issues in key locations
Maintain a stable, cost effective, environmentally responsible power supply portfolio	<ul style="list-style-type: none"> • Make improvements to aging dams, turbines, and equipment to maximize power production capacity and reliability • Maintain leadership in acquisition of cost-effective conservation • Ensure upcoming major regional investments in the Northwest transmission system are managed to avoid power delivery bottlenecks and equitably allocate costs between City Light and other electric utilities in the region
Incorporate technology to meet future customer needs	<ul style="list-style-type: none"> • Continually assess customer needs and ensure appropriate, cost effective technologies are in place when needed

Municipal Enterprise Excellence

There are benefits in being publicly owned with accompanying challenges in oversight and business practices.

PROPOSED OBJECTIVE	PROPOSED OUTCOMES
Improve communication about, and support for utility's strategic priorities	<ul style="list-style-type: none"> • Improve ability to plan and implement long-term strategies • Improve City Light's ability to manage its operations, systems and personnel to best meet the unique needs of the utility and our customers
Implement best practices in business processes and technology across the utility	<ul style="list-style-type: none"> • Ensure City Light is performing at high levels of effectiveness and efficiency in all areas • Provide tools to help employees perform their jobs efficiently and effectively • Identify and eliminate waste and inefficiency • Promote use of performance metrics throughout the organization • Reaffirm support for a culture of continuous improvement • Improve procurement processes to reduce costs and increase operating efficiency and service levels
Ensure fiscal strength	<ul style="list-style-type: none"> • Maintain sound fiscal policies to reduce cost of borrowing • Keep rates at responsible levels to support needs of utility and ratepayers • Enhance ability to meet utility's long-term investment needs

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.

General information

For the year ended December 31, 2009, the most current data available.

Seattle City Light, a department of the City of Seattle, is one of the nation's largest municipally owned utilities in terms of the number of customers served. City Light is supported by revenues from its customers, not taxes. In fact, City Light pays substantial taxes to state and local governments.

Service Area Population	780,800
Service Area Size	131.31 sq. mi.
Personnel (full-time equivalent positions)	1,840
Major Substations	15
Unit Substations	5
Commercial and Industrial Substation Transformers	56
Transmission Circuit Miles	656
Distribution Circuit Miles	2,300
Meters	408,000

Power supply

City Light Plants	Location	Date in Service	Capacity (MW)	% of Total
Boundary	Pend Oreille River	8/23/67 ¹	1,050.0	58.0
Ross	Skagit River	12/30/52	352.6	19.5
Gorge	Skagit River	9/27/24	199.2	11.0
Diablo	Skagit River	10/20/36	159.3	8.8
Cedar Falls	Cedar River	10/14/04	30.0	1.7
S. Fork Tolt	S. Fork Tolt River	11/20/95	16.6	0.9
Newhalem	Newhalem Creek	1921	2.3	0.1
Total System Generation Capability			1,810.0	100.0

¹ Two additional hydro units of 399 MW capacity installed in 1986.

2009 Fuel mix

Generation Type	Percentage
Hydro	91.2
Nuclear	4.4
Wind	2.3
Coal*	1.4
Other**	0.7
Total	100.0

*These fuels represent a portion of the power received from the Bonneville Power Administration.

**Includes biomass, natural gas, petroleum and other sources.

Energy resources

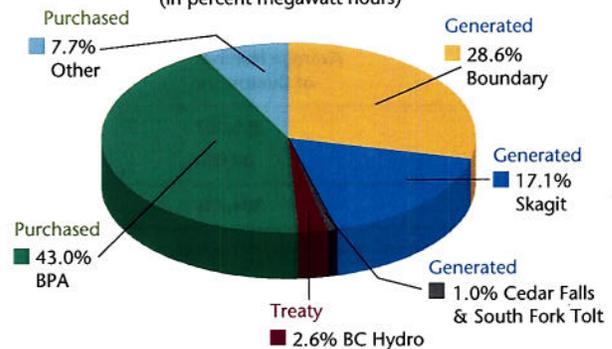


Energy Resources

- Owned Hydro
- ◆ Long-term Hydro Contracts
- Other Long-term Contracts
- ◇ Treaty Rights from British Columbia

2009 Sources of Power

(in percent megawatt hours)



Meeting Our Customers' Power Needs

Seattle's city-owned hydroelectric plants depend on rain and snow as their "fuel." In years with normal precipitation, our plants supply more than half of Seattle's power needs. We must make up the difference by purchasing power from outside the region.

Conservation programs

Energy Savings

Seattle City Light has operated conservation programs for 32 years. In 2009, conservation reduced City Light's electric system load by 1,035,127 megawatt-hours. That is enough electricity to power 117,600 Seattle homes – one-third of our residential service. These savings accrued from measures installed from 1982 to 2009.

The energy savings acquired through City Light's conservation programs since 1977 could power the homes of four cities the size of Seattle for one year — or the entire utility load for 2009 with 42 percent to spare.

Carbon Dioxide Emissions Reductions

In 2009, the release of more than 621,076 metric tons of carbon dioxide into the atmosphere was avoided because of our programs. That is equivalent to 136,950 households driving one fewer car for a year. This impact will continue for the next 16 years, as long as the conservation measures installed continue to save energy.

Greenhouse Gas Neutrality

We are also doing our part to reduce harmful levels of greenhouse gases by achieving net-zero carbon dioxide emissions each year since 2005.

Customer statistics

For the year ended December 31, 2009, the most current data available.

	Average Number of Customers	Kilowatt-Hours (in 000's) [^]
Residential	355,097	3,187,365
Non-Residential	39,634	6,506,059
Total	394,731	9,693,424

[^] Amounts include an allocation for the net change in unbilled revenue.

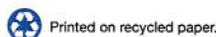


First Carbon Neutral Utility in the U.S.

Seattle Municipal Tower
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Seattle, WA 98104-5031

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Seattle, WA 98124-4023
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www.seattle.gov/light

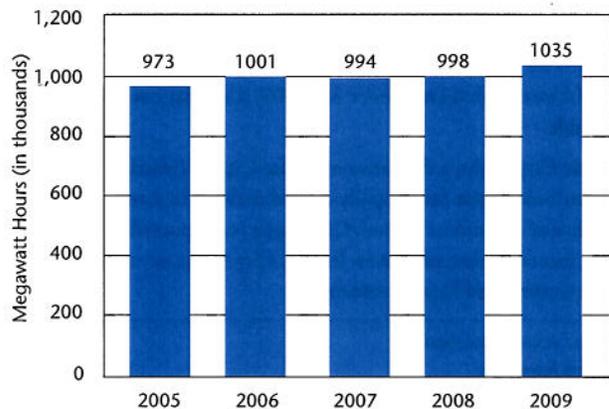


Conservation customers

Save on Electric Bills

- From 1977 to 2009, program participants saved \$683 million on their bills. Half of these savings went to residential customers.
- In 2009, conservation customers reduced their City Light bills by \$53 million.

Energy Saved Through Conservation



Service territory

