



# STRATEGIC PLAN BASELINE

Part 1: Building Blocks of Revenue and  
Costs

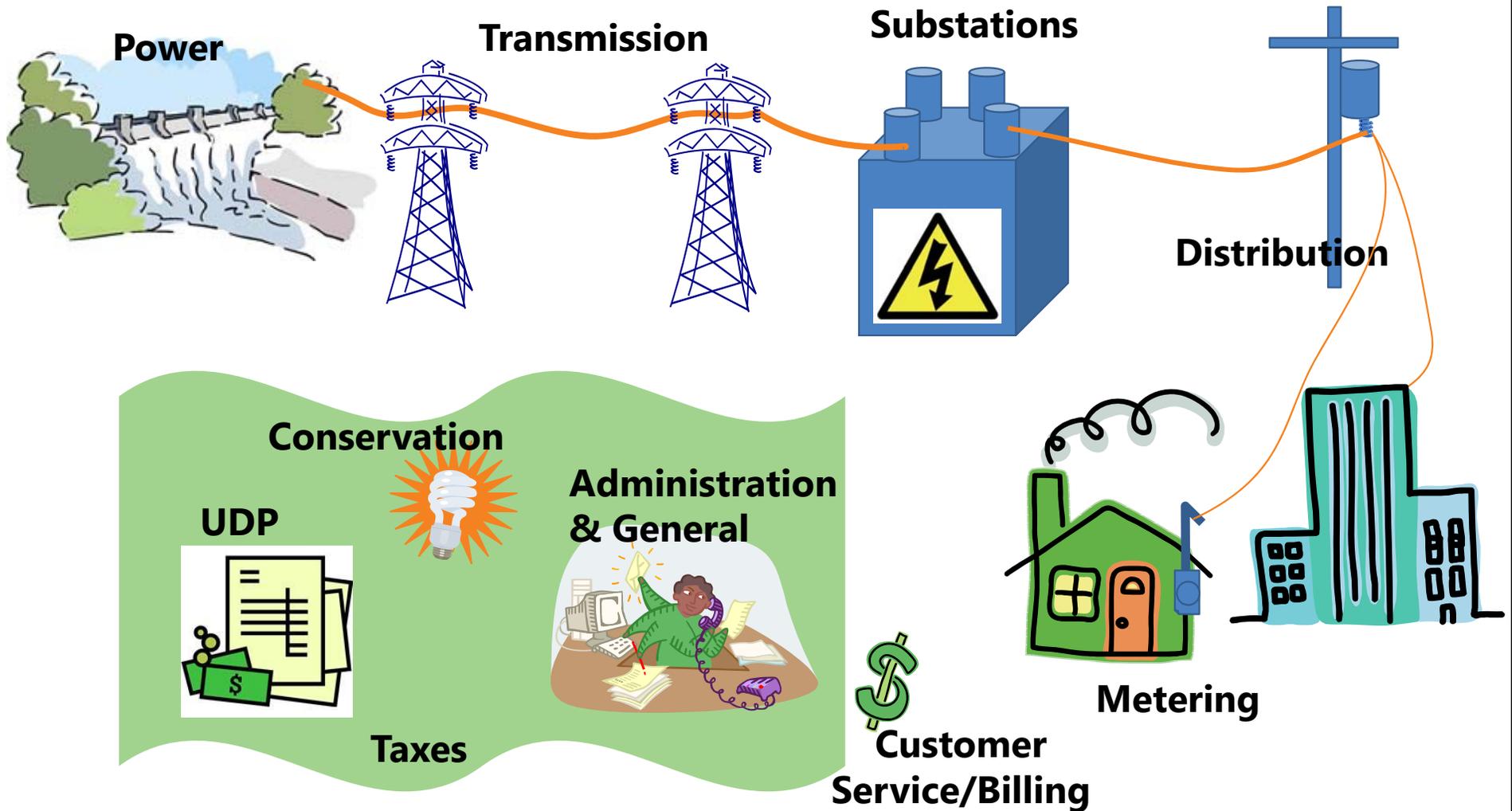
Paula Laschober and Kirsty Grainger

Review Panel Meeting

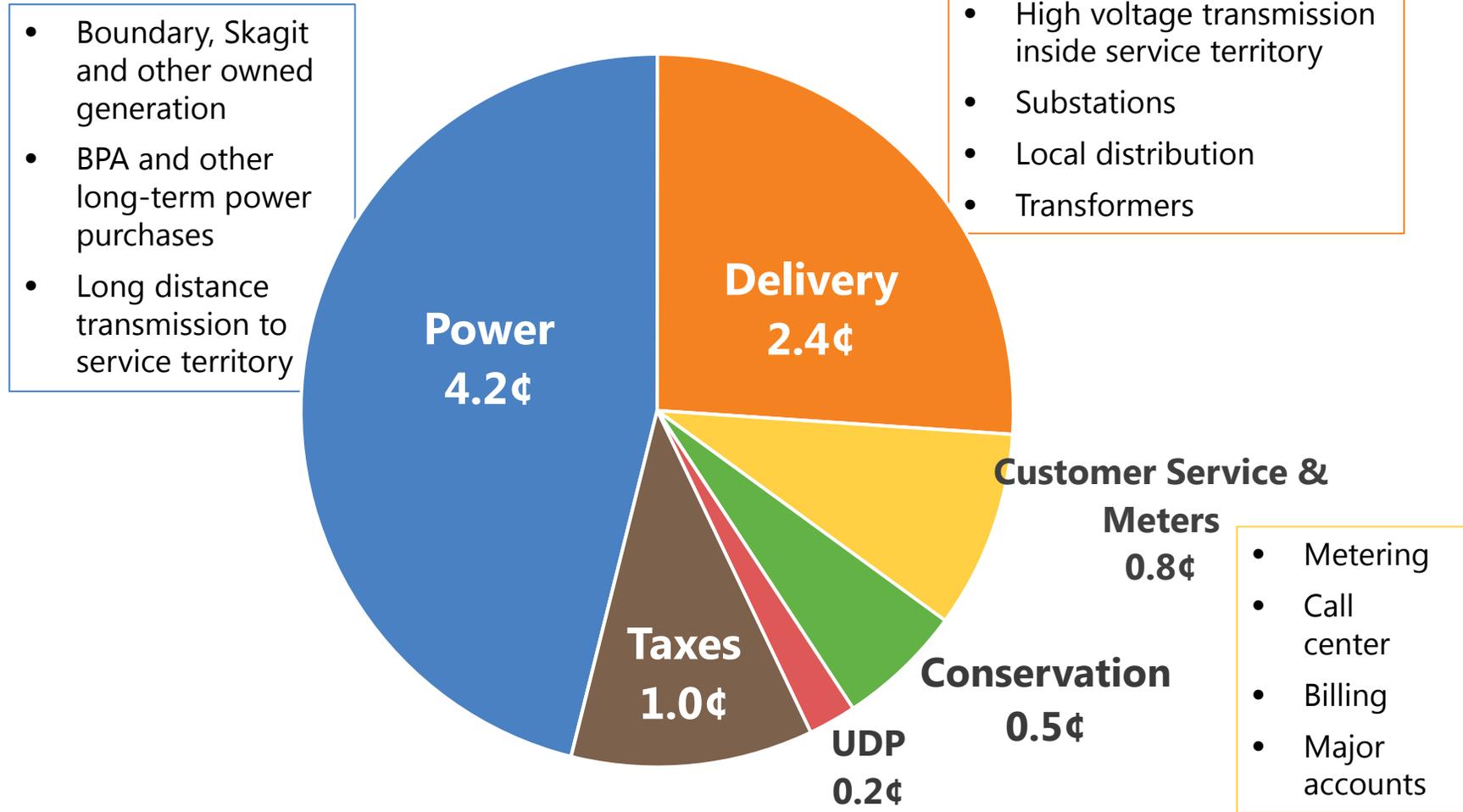
October 18, 2016



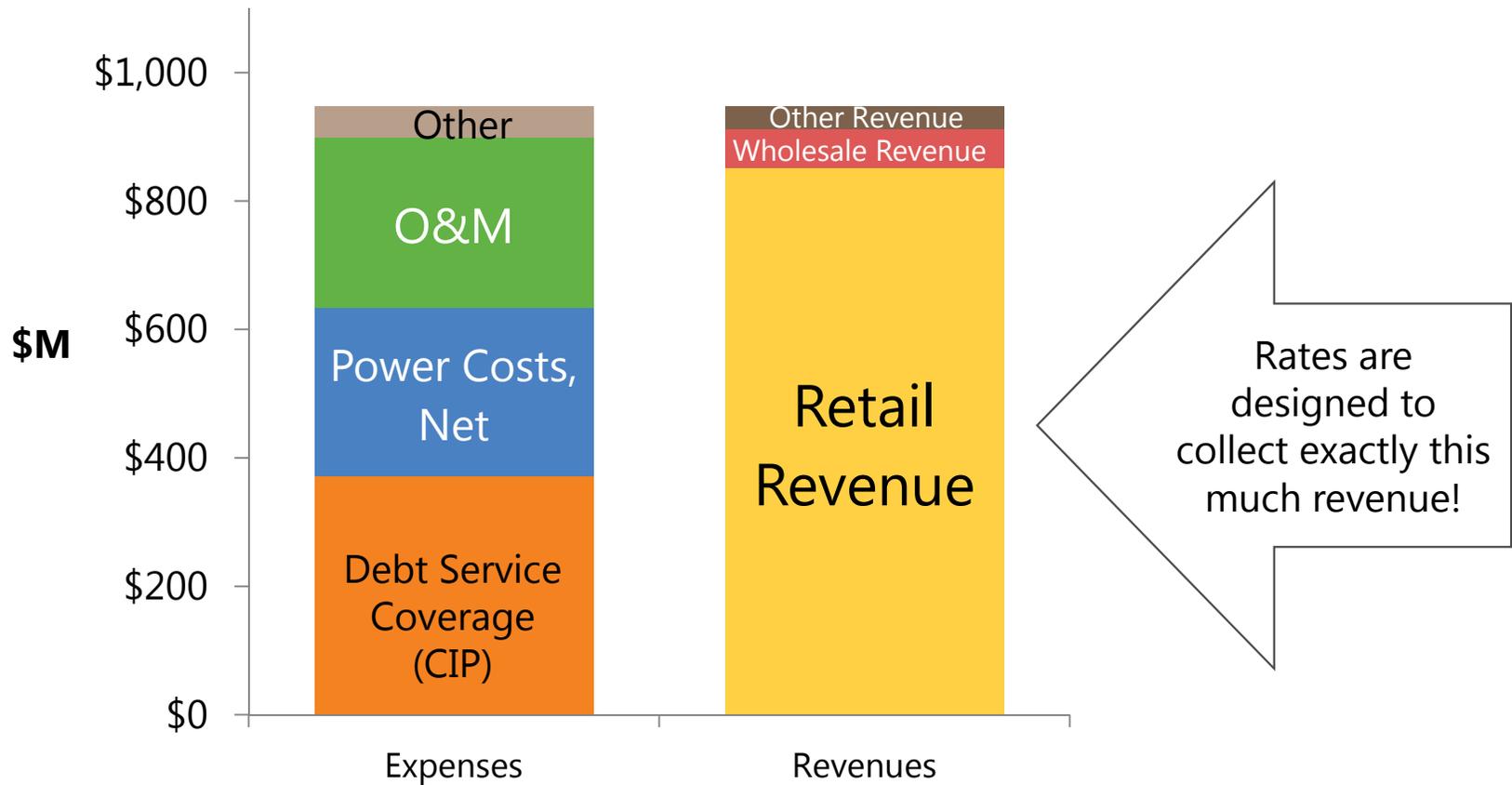
# COMPONENTS OF ELECTRIC SERVICE



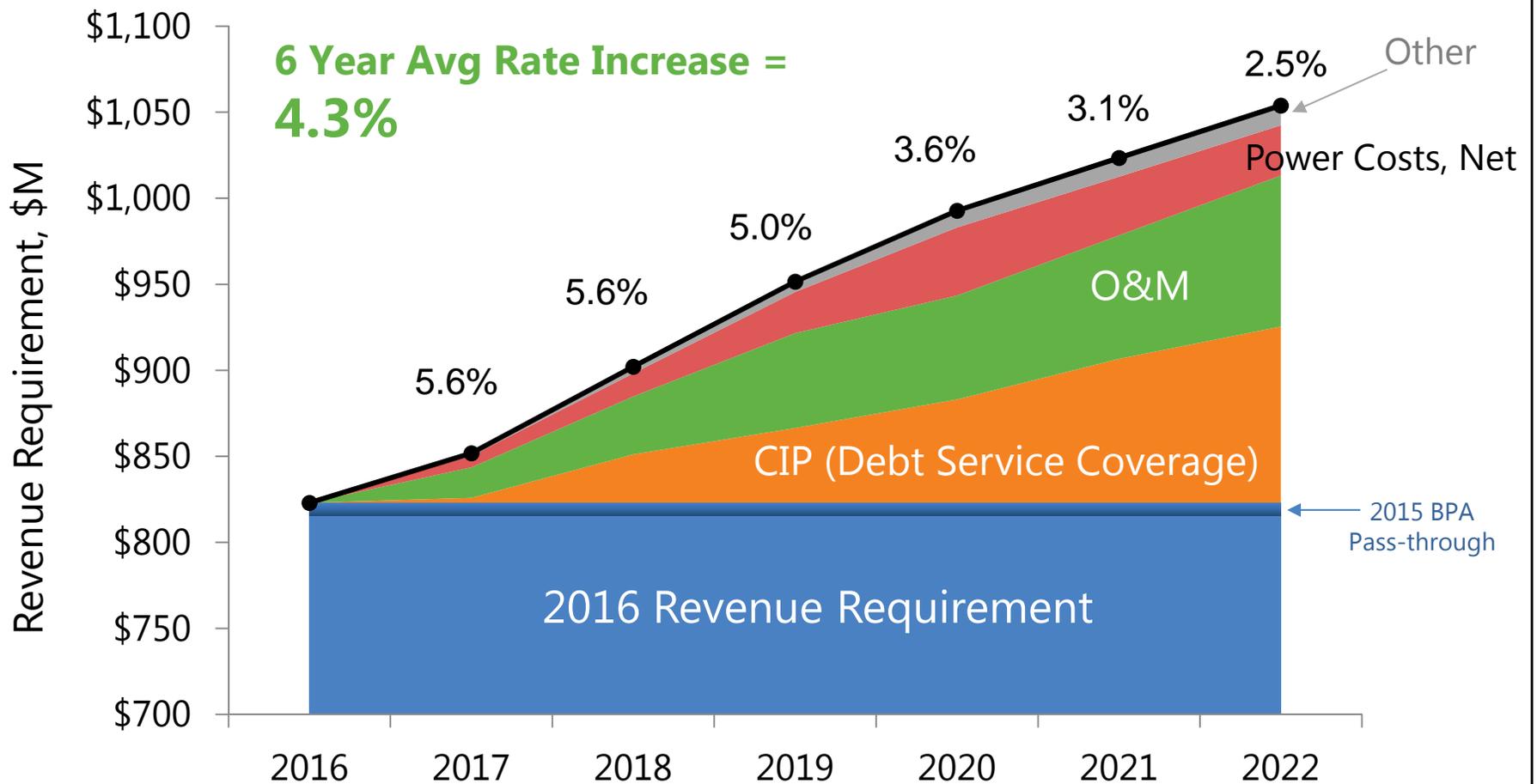
# COST OF SERVICE (UNBUNDLED RATE VIEW)



# FINANCIAL VIEW: COSTS AND REVENUES



# INCREASE DRIVERS 2016-2022



## FINANCIAL POLICIES 101

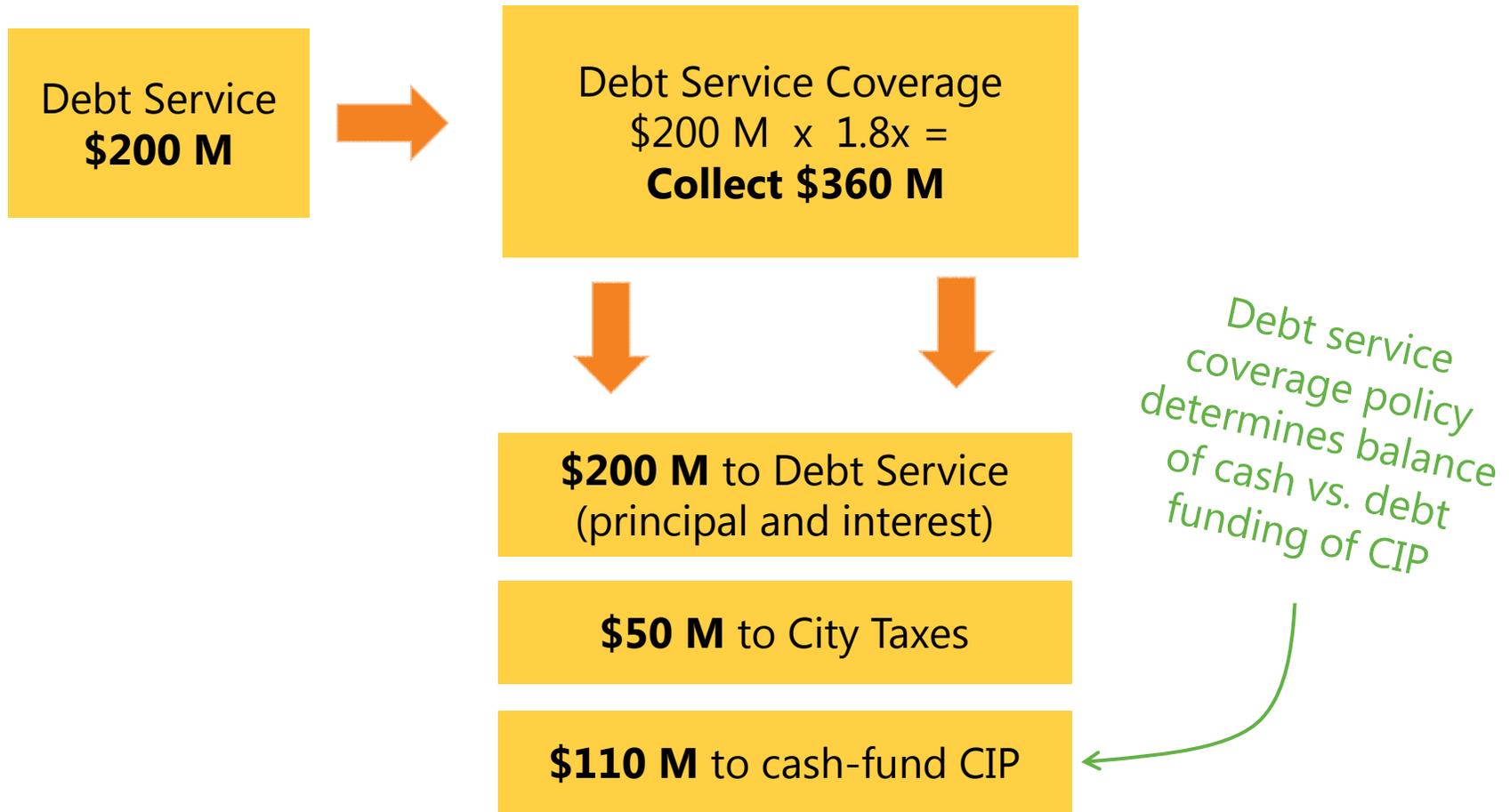
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- Financial policies are rules that guide financial decision making.
  - Set by City Council Resolution
- Two main City Light financial policies:

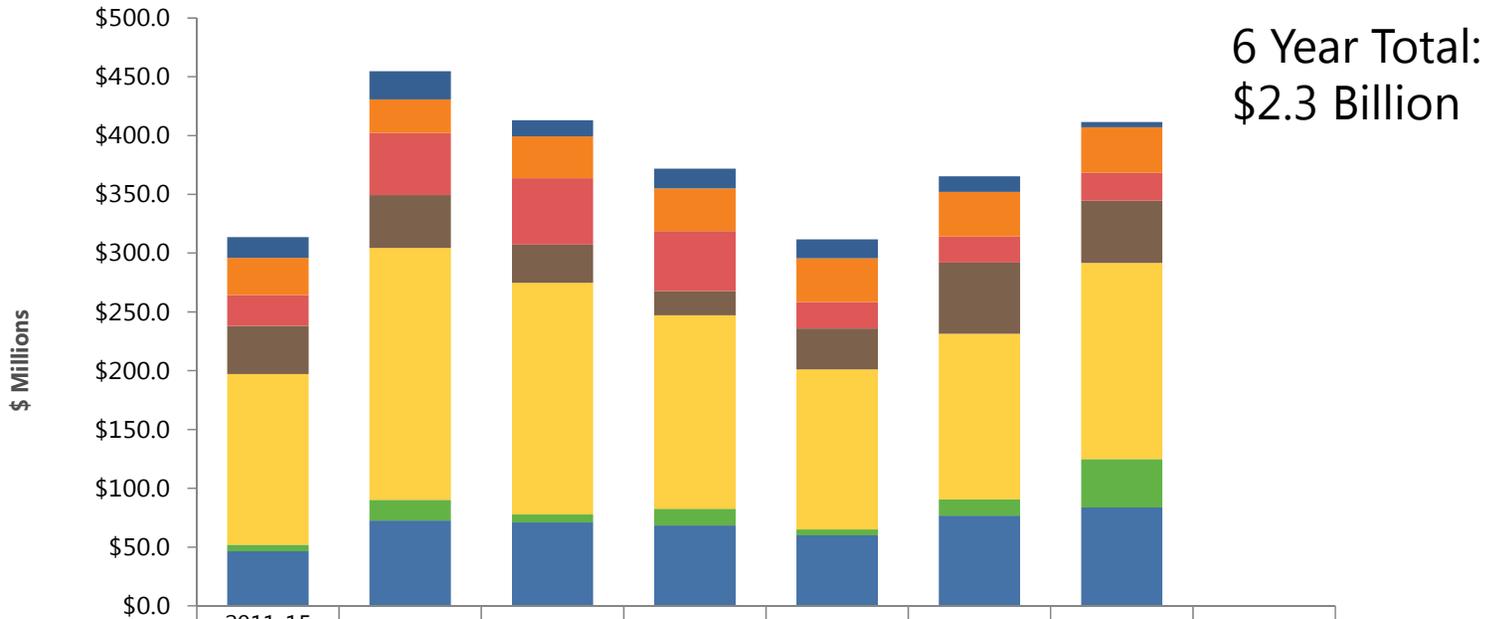
1. Debt Service Coverage of 1.8x
2. Cash financing 40% of CIP

- Financial policies indirectly drive bond issues and rate increases.
- Good financial policies ensure financial health!

# DEBT SERVICE COVERAGE: 1.8X



# ADOPTED CAPITAL IMPROVEMENT PROGRAM

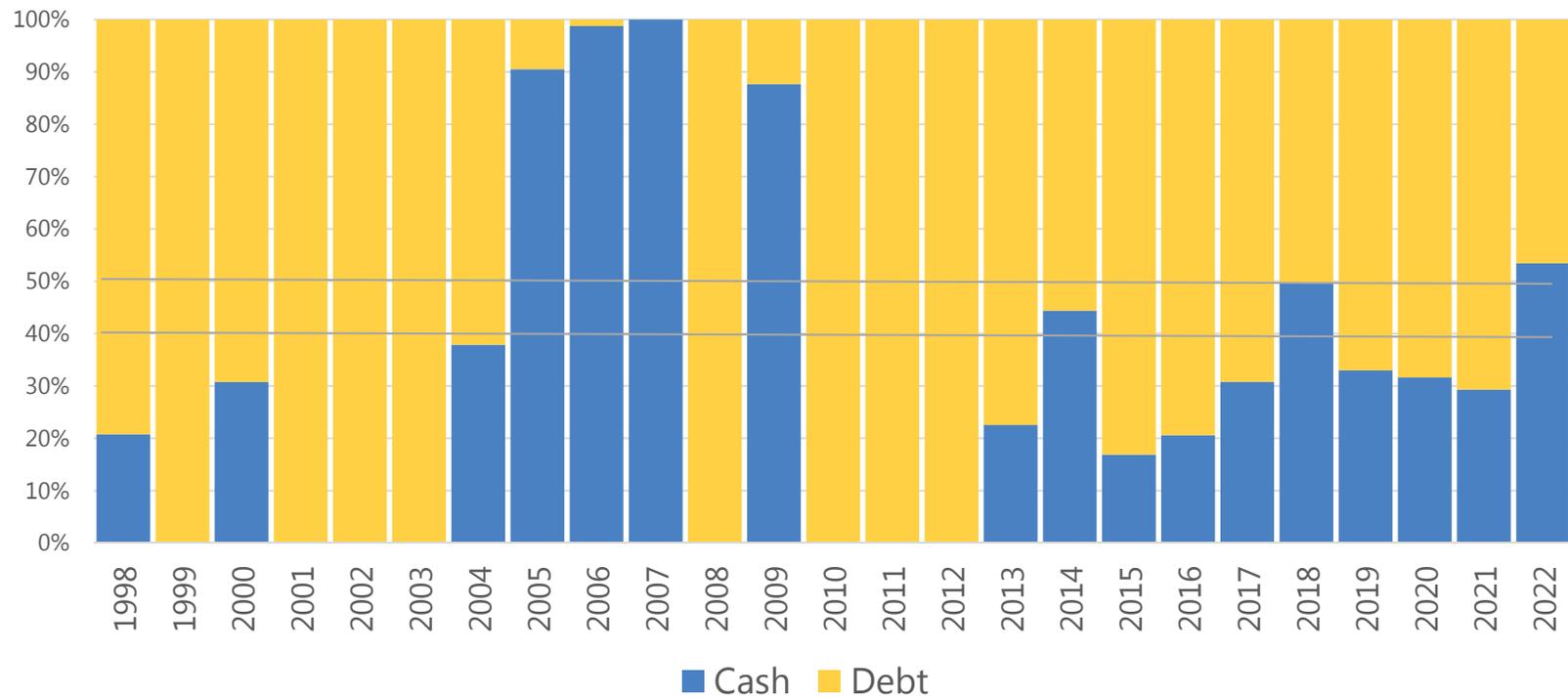


	2011-15 Avg (2015 Dollars)	2016	2017	2018	2019	2020	2021	2016- 2021 Total
Other Deferred	17.7	23.8	13.7	16.8	16.3	13.3	4.5	88.3
Conservation	31.6	28.7	35.7	36.4	37.1	37.9	38.6	214.5
Substation	26.3	52.8	56.5	51.0	22.4	22.4	23.9	229.0
General Plant	40.8	45.0	32.5	20.6	34.9	60.6	52.8	246.3
Distribution	145.4	214.2	196.8	164.4	136.0	140.7	167.0	1,019.1
Transmission	5.5	17.6	6.9	14.3	5.2	14.0	41.0	99.0
Generation	46.5	72.6	71.0	68.4	59.9	76.7	83.8	432.3
Total Expenditure	313.7	454.7	413.1	371.9	311.8	365.4	411.6	2,328.6

# CIP FUNDED WITH CASH

- Objective: equitable allocation of costs between current and future customers.

Capital Expenditure Funding by Year



## NEXT TIME

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- A deeper dive into each programmatic area
  - Levels of service and cost drivers
  - Strategic initiatives currently underway
  - Industry trends and issues
  - Challenges and pain points
  - Areas of particular interest to Panel members (?)



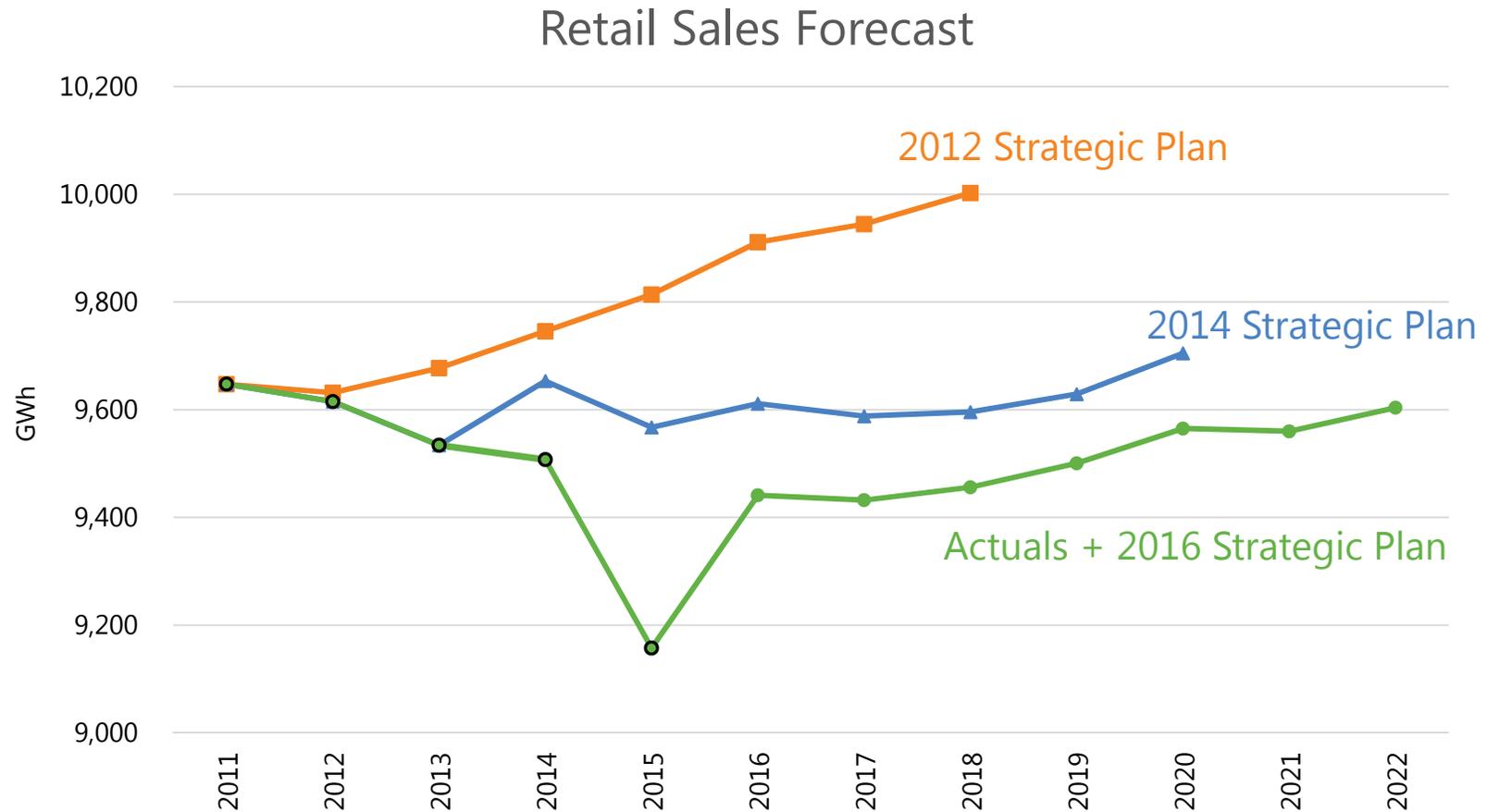


# REVENUE RECOVERY

Part 1: Introduction

Paula Laschober and Kirsty Grainger | October 18, 2016

# RETAIL SALES HAVE CHANGED DRAMATICALLY



\*Axis greatly enlarged to show detail. Actuals are not weather-adjusted.

## Ameren (St. Louis):

### Declining electric

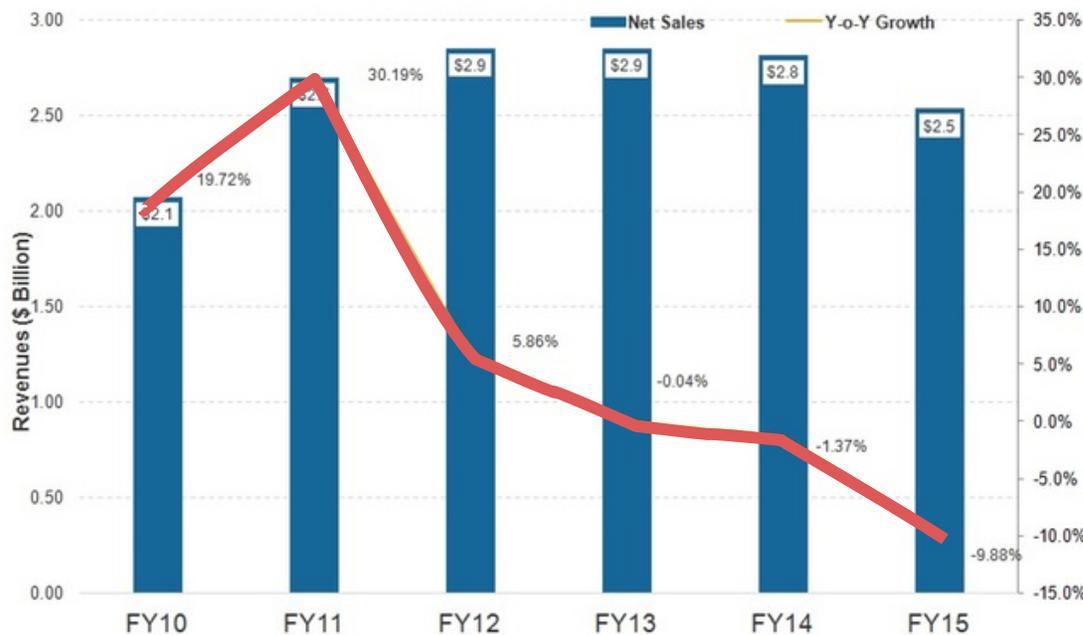
**sales** and other factors mean that "there is simply no incremental revenue stream to timely pay for the replacement of...facilities."

## EIA: Electricity sales down 1.1% from 2014

...attributed much of the fall to industrial-sector declines "and little or no growth in sales to the residential and commercial-building sectors," despite a rise in the number of residential households and overall commercial building space.

## Lincoln, Nebraska:

LECO's Revenue Trend - Since 2010



## Sacramento: "Our revenues are flat or declining despite [having] more

customers; our customers want more options and choices; we can't install technology fast enough to keep up with the changes in our industry; and we struggle to manage the data we have from technology we've already installed,"  
-SMUD GM Arlen Orchard



<http://www.oppdlistens.com/rethink-rates/>

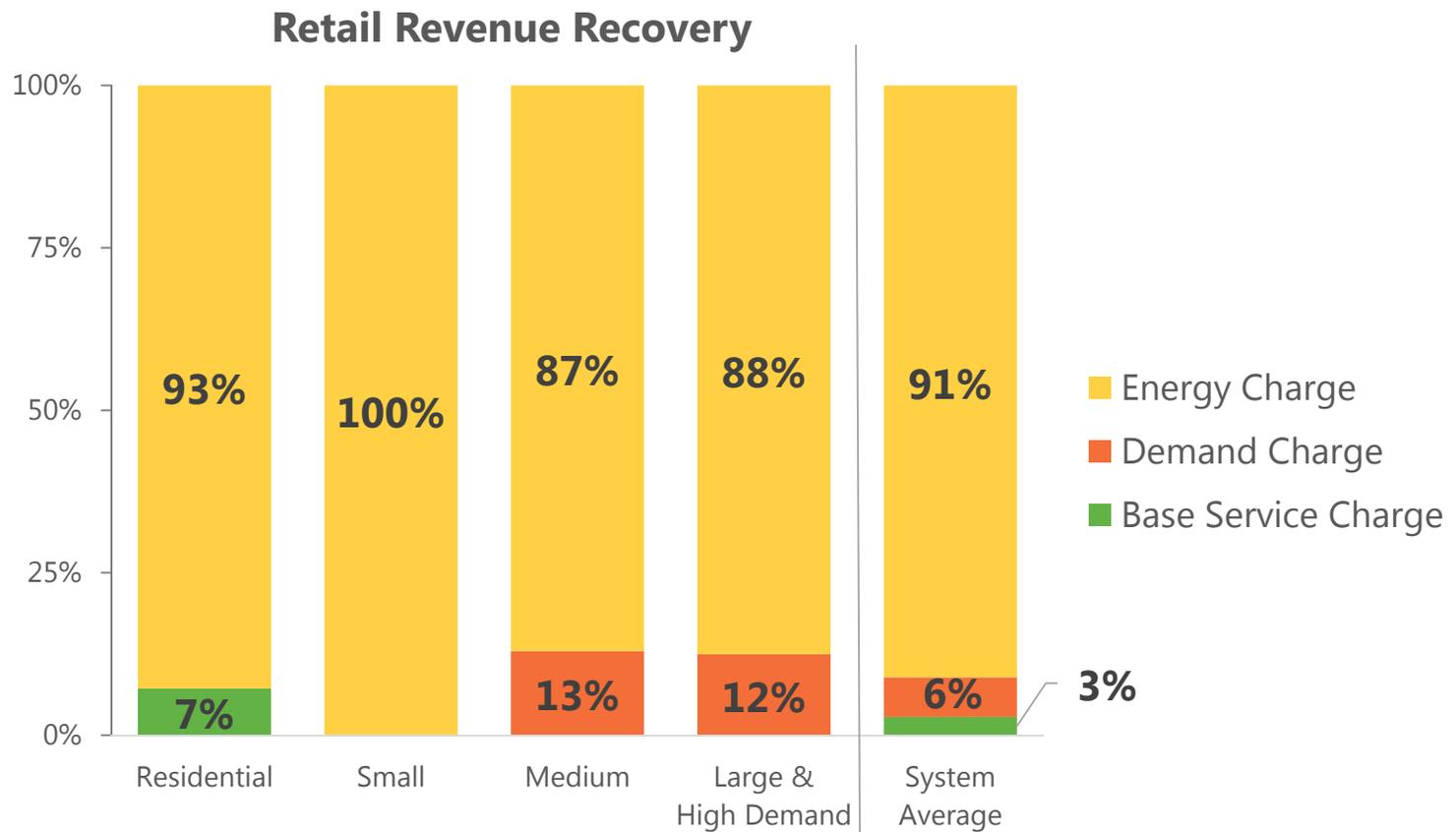
# CITY LIGHT RATE STRUCTURES

RESIDENTIAL	SMALL	MEDIUM	LARGE/HIGH DEMAND
Base Service Charge (per day)	Minimum Charge (per day)	Minimum Charge (per day)	Minimum Charge (per day)
Block Energy Charge (per block kWh)	Energy Charge (per kWh)	Energy Charge (per kWh)	TOU Energy Charge (per peak & off-peak kWh)
		Demand charge (per kW)	TOU Demand Charge (per peak and off-peak kW)

*Block = first block 300 (summer) or 410 (winter) kWh are priced at a lower rate, all other kWh are charged at a higher second block rate.*

*TOU = time of use. Peak hours are 6 am to 10 pm Mon-Sat, excluding major holidays.*

# REVENUE RECOVERY BY CHARGE



# IMPACT OF REDUCED CONSUMPTION



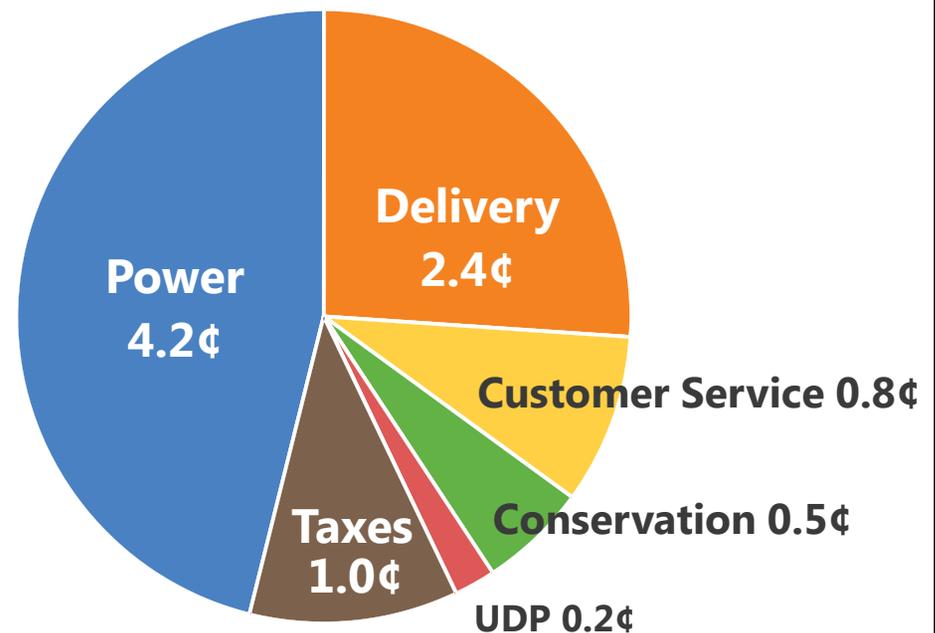
**9¢ /kWh Retail Revenue**

**- 3¢ /kWh Wholesale Value of Energy**

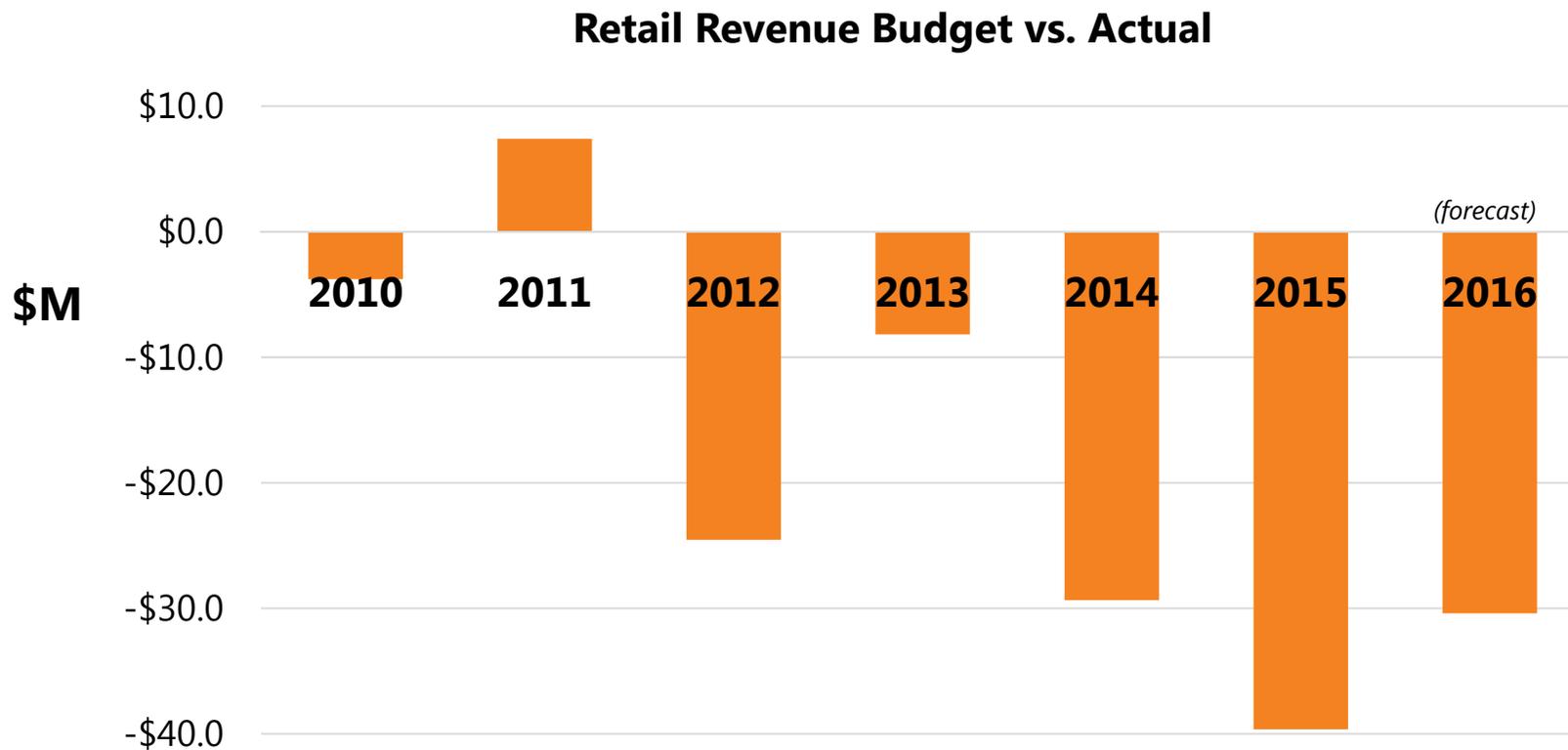
**- 1¢ /kWh Less Taxes Paid**

**= 5¢ /kWh**

**Cost not recouped**



# RETAIL REVENUE UNDER-COLLECTION



## NEXT TIME: EXPLORING POTENTIAL SOLUTIONS

1. Improved retail sales forecast?
2. Revenue decoupling or other true-up mechanism?
3. Modify rate structures?

**Pros, cons, and  
balancing competing  
objectives**

**Stability**  
Stable and  
predictable rates

**Social Responsibility**  
Mindful of impacts on  
vulnerable populations

**Equity**  
Everyone pays their  
fair cost of service

**Efficiency**  
Encouraging conservation  
& efficient use of resources



## 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.

