

JUNE 26, 2018

TO

Council Member Teresa Mosqueda
Council Member Debora Juarez
Council Member Sally Bagshaw

FROM


Jim Baggs, Interim CEO and General Manager

SUBJECT

Advanced Metering Infrastructure Project Budget Transfer Request

Seattle City Light continues one of our largest capital projects in recent history with the instillation of the advanced metering throughout the City.

In May 2017, Seattle City Light presented budget changes in the Advanced Metering Infrastructure (AMI) Project from what had been forecasted in 2016 to the City Council's Energy & Environment Committee. At that time in 2017, City Light determined, due to Seattle's economic and population growth, the number of meters grew to 442,000 and the utility planned to absorb the additional costs of those approximately 30,000 new meters (\$3.7 million). Because of additional growth in our City, 8,000 more advanced meters have been added to the AMI purchase order to bring the total number of advanced meters to 450,000 meters. The purchase of the additional 8,000 advanced meters will cost \$1.1 million.

In 2018, the AMI project team determined that other additional project costs, including a portion of the new meter growth, cannot be fully absorbed in the \$84.1 million 2016 Forecasted Budget for this specific project. As a result, a \$17.4 million transfer is now needed in 2018 to complete the AMI project.

Working with the Mayor's Office and the City Budget Office, City Light was able to identify \$17.4 million from existing resources within the department to cover these budget changes. The utility will be covering these costs through transfers from other City Light projects with available funds to avoid requesting increased funding from utility ratepayers. A formal budget transfer request will be transmitted to Council later this summer for your review and adoption.

As detailed in the attachment, the major drivers of the project budget changes are the following:

1. Meters & Meter Installation – \$14.7 million
 - a. Meter purchases – the average cost of 442,000 meters have increased from \$113 to \$122 before tax
 - b. Tax on meter purchases – the addition of sales tax on the 442,000 meters
 - c. Additional meter purchases – with new population growth, the purchase of 8,000 new meters
 - d. Installation – Mass deployment increased supervisor/installer ratio (L&I mandated) and increased installation costs
2. Systems IT & Licensing – \$2.6 million
3. Contingency – \$1.4 million

In addition to the budget increases, project staff have identified rebates and savings that are further detailed in the attached spreadsheet. Please let me know if you need additional information or would like an in person briefing with you or the Health, Housing, Energy & Worker Rights Committee.

Attachment

cc: David Mosley, Deputy Mayor
Anthony Auriemma, Mayor's Office
Greg Shiring, City Budget Office
Tony Kilduff, Council Staff
Calvin Chow, Council Staff
Darnell Cola, Customer Care, Communications & Regulatory Affairs, Interim Officer
Kirsty Grainger, Finance Director
Kelly Enright, Customer Care Director

| AMI Budget Transfer Request \$M | 2016 Forecast | 2018 Forecast | Change |
|---|------------------|------------------|-------------|
| Total Capital Budget | 84.1 | 101.5 | 17.4 |
| Meters and Meter Install | 61.2 | 75.9 | 14.7 |
| Meter purchases w/o tax ¹ | 50.0 | 54.1 | 4.1 |
| Tax on meter purchases ² | | 5.4 | 5.4 |
| Other labor/materials for meter installation | 2.4 | 2.9 | 0.5 |
| Installation: mass deployment (Aclara) ³ | 8.8 | 13.4 | 4.6 |
| Meter base repairs (Aclara) | | 1.5 | 1.5 |
| Rebate for volume meter purchase | | -2.5 | -2.5 |
| Additional meter purchases ⁴ | | 1.1 | 1.1 |
| Systems, IT and Licensing | 4.7 | 7.3 | 2.6 |
| Systems Integration/QA | 3.6 | 4.8 | 1.2 |
| Systems Integration (SeattleIT) | 0.3 | 1.1 | 0.8 |
| Advanced Grid Analytics | 0.8 | 0.8 | 0.0 |
| Add kVAR functionality | | 0.6 | 0.6 |
| Other | | | |
| AMI program team ⁵ | 8.4 | 6.6 | -1.8 |
| Customer communications ⁶ | 2.0 | 0.0 | -2.0 |
| Consultant costs | 4.1 | 6.1 | 2.0 |
| AFUDC (Bond Interest) | 1.1 | 1.5 | 0.4 |
| Contingency | 2.6 | 4.0 | 1.4 |

1. 442,000 meters. Average per meter cost was originally assumed at \$113, now estimated at \$122, before tax.

2. Sales tax on 442,000 meters, \$135 average per meter cost including taxes (10.0%).

3. Increased cost due to State L&I supervisor ratio requirements and higher installation/communication costs.

4. 8,000 meters, average per meter cost of \$135 including taxes.

5. Cost savings from streamlining internal staff resources.

6. Not a reduction to customer communication, reflects efficiencies gained by using internal staff and mass deployment contractor (Aclara) for all communications and notifications.