



**City Light Review Panel Meeting
Meeting Minutes
DRAFT**

Date of Meeting: January 23, 2018

MEETING ATTENDANCE					
Panel Members:					
Names		Name		Name	
Gail Labanara	√	David Allen		John Putz	√
Sara Patton	√	Patrick Jablonski	√	Nina Sidneva	
Thomas Buchanan	√	Leon Garnett		Cal Shirley	√
Staff and Others:					
Jim Baggs	√	Ellen Javines	√	Karen Reed (Consultant Contractor/RP Facilitator)	√
Calvin Goings	√	Kirsty Grainger	√	Richard Cuthbert, President, Rate Consultant (Cuthbert Consulting Inc)	√
Robert Cromwell	√	Carsten Croff	√		
Paula Laschober	√	Monica Fontaine	√		
Lynn Best	√	Tony Kilduff			
Bernie Ziemianek		Calvin Chow	√		
DaVonna Johnson		Gregory Shiring (on phone)	√		
Mike Haynes	√				
Leigh Barreca	√				
Maura Brueger	√				

Introduction: Gail Labanara welcomed the group and convened the meeting at 2:03.

Review of Agenda: Karen Reed reviewed the agenda.

Meeting Minutes: Gail asked for an addition under the public comment section of the January 8th minutes to note that she had asked that a follow-up communication be sent to Groundswell and for the Panel see a copy of it. As amended, the meeting summary was approved. The response to Groundswell was emailed to the panel.

Public Comment: None

Chair's Report: Gail reported that she and Patrick Jablonski met with Deputy Mayor David Mosely last week. He was well informed in utility issues, including the load forecast. They invited his participation at the Panel and asked that the Panel be engaged in some manner in the search for the new General Manager.

Communications to Panel: There were no communications to the panel.



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SCL in the news and other updates: Jim Baggs noted there had been a power outage over the weekend due to a fire in a substation. Also, last weekend there was a spill of turbine oil at Diablo, but it was quickly contained, and no oil got in the water.

Jim also noted that the Utility gave a presentation to the new Council committee overseeing City Light last week. The members are very engaged, and Jim also met individually with 3 of them. Calvin Chow encouraged the group to review the video of the Committee meeting. Jim shared that Councilmember Mosqueda visited some City Light facilities last week, including the Control Center and Denny substation. She is interested in employee concerns and issues. The committee briefing was focused on (1) workforce/ apprenticeships/ (2) the Utility Discount Program, (3) the strategic planning process. On deck but not discussed was customer service—that topic was deferred to a later meeting. Gail asked if the utility will provide the group notice of the Denny Substation opening event. ***The Utility will send notice to the panel when the Denny Substation opening events are scheduled.***

- Gender gap data. Leigh Barreca noted that the packet includes data on the gender gap in hiring and pay at City Light.
- Outreach update. Material in the packet notes completed and upcoming outreach meetings, including a high-level summary of feedback heard. A more detailed report is being prepared.

Rate Forecast Introduction – Paula Laschober

Paula Laschober introduced Rich Cuthbert, a consultant helping the Utility with rate structures. She presented a one-page handout of a draft 6-year rate path and estimated bill impacts. The handout showed the expected rate path with no spending adds above currently approved items (an average 4.6% per year increase), as well as the rate path with all proposed adds and cuts that the Utility is proposing for the next strategic plan (a 4.9% per year increase). The handout showed both the average rate increase and the impact on residential bills.

The proposal includes the removal of all budgets allocated for the Technical Training Center and Master Service Center from the baseline (two earlier initiatives) and adds other baseline cost increases. These will be reviewed at the next meeting.

Discussion points included:

Comment / Q: Thank you for including the bill impact. Presumably it's lower because people will consume less as price goes up?

A: The bill estimates do not include the assumption of declining consumption.



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Q: Why is the decrease in load so large between 2018 and 2019?

A: The 2018 number is from the prior forecast, where we overestimated demand, and shows 2018 adopted rates resulting from that. The 2019 number is based on the updated forecast.

Q: When will these new rates go into effect?

A: If approved by council, they will go into effect in 2019.

Q: What is the rate approval process?

A: By mid-year, SCL delivers detailed rates for all customer classes to City Council. Council approves rates by mid-September, to be effective January 1, 2019. This separates rates from the budget approval process.

Q: Is this the best case or the worst case?

A: Best case is that we add nothing new to keep rates lower.

Q: We have a proposed initiative related to business process improvement – is there any expected savings as a result of these efforts that we can apply to lower these rates? Why are no savings shown?

A: There will be projected savings, but we cannot commit to specific dollar amounts at this time.

Q: If we can't commit to savings, we should change the wording of these initiatives.

A: The staff do expect savings and we'll talk about this when the initiative is presented at the next meeting.

Q: Are the dollars in the rate projected inflated?

A: Yes. They reflect an assumption of an average growth rate of 2.5%. Labor benefits will grow more quickly than that.

Staff will provide a link to the 2016 Baseline study for panel members to review. The updated baseline will build from this report and look very similar.

Q: When will we see the impact on individual rate classes?

A: In May.

Jim Baggs noted that the Utility is proposing zero new spending in 2019 given how large the rate impact is in that year.

Q: Does this just reflect an increase in the cost of doing business? Why is there growth in costs as our demand and revenues are declining? We'll need a narrative that matches the framework discussion.

A: This will be included in future presentations.



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Comment: The 8.5% increase in 2019 is huge. That is really tough for a one-year increase.

Q: Did you look at spreading the increase out over more years?

A: Yes

Q: Can the utility provide these options for us to look at?

A: Yes. ***We will add this to the next agenda.***

Q: What is the expected variance in these numbers?

A: We've seen a 4.4% variance historically, driven by weather. We're looking at ways to minimize the effect of this going forward. This estimate also reflects reduced wholesale revenue, as part of the ongoing multi-year true-up to the Rate Stabilization Account.

Calvin Chow noted uncertainty and variability remain important themes here and that the RSA is arguably over-funded now.

After a short break, the group reconvened to being discussion on the Strategic Plan Framework and Initiatives.

Strategic Plan Framework and Initiatives – Robert Cromwell and Project Managers

Leigh Barreca explained the revisions to the document. Continuation of existing efforts are presented as baseline—employee safety, maintaining assets, etc. There are now just 7 initiatives.

Discussion points included:

Comment: Please mention AMI in the Customer Service and communication initiative.

Q: How is the Utility of the Future incorporated?

A: In two ways: evolving energy markets, and customer facing services impacting user interface and billing.

Comment: Can you include the word “equity” in the language explaining the efforts to attract, train and retain a high-performance workforce?

Q: When will we see the new baseline spending?

A: At a future meeting.

Q: When will we see the rest of the initiatives?

A: At the next two meetings. We will send them in advance as a complete packet.



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Q: Why isn't there an initiative on social equity?

A: The Utility leadership team agreed that is part of everything we do so it shouldn't be an initiative focused on one group to implement.

Q: Did gender harassment rise to the level of a new initiative and should it?

A: The Utility doesn't see this as an initiative and wouldn't encourage that. It's baked in to daily efforts as part of social equity efforts.

Comment: Perhaps include a mention of the harassment issues in the baseline discussion.

Q: Do the seven new initiatives really add no money? Will they save anything? Can we target savings?

A: We're trying to avoid efficiency targets. It didn't work well for us in the past.

Comment: Seattle Public Utilities tried this but in response to their customer review panel request, Council put specific efficiency targets back in their strategic plan update.

Kirsty Grainger noted that the Utility did not get savings from where they were anticipated, and it became a budget exercise to track them.

Comment: If the rate path looks too high, we do need to talk about options for getting it down. It builds confidence to document efficiencies.

Comment: Targets should be set, not just "we'll save money." One needs to connect the dots between the rate path and all the initiatives that talk about savings. Are we being as efficiency as possible?

Comment: Agree, let's apply this thinking to the initiatives.

Q: But shouldn't we see a budget path that reflects declining demand?

A: That trend will be included in the budget.

John Putz asked about adding a strategy to initiative number 4 –Costs of Growth. Would the Utility be willing to add a strategy about exploring the feasibility of selling power in different ways to different customers in order to increase revenue—given that we have declining load? Would we consider proposing spinning-off Power Marketing into a legally separate entity, like BC Hydro did with PowerEx?



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Robert Cromwell noted there are some code and legal limitations to what the City can do structurally. That said, there are other areas we can also examine, such as our risk management policies, and transactional authority. Robert noted that with the potential for increased revenue comes increased risk. City Light's current risk policies focus on avoiding a repeat of 2001 (draught and high market prices), and do not focus on maximizing revenue. The Utility is willing to add to the market initiative below as it is broadened to address these issues.

Initiative #4: Managing the Cost of Growth – Kirsty Grainger

She noted that while costs are shown, it is expected that they will all be reimbursed.

Discussion points included:

Comment: Can you highlight the targets, underlying policy principles here?

Comment: Show the expected outcomes on cost, that you expect this to reduce pressure on rates in the future.

Comment: Flag the benefits more clearly.

Comment: Try to accelerate this work.

Comment: Focus more on the policy about trying to increase cost recovery, and less on the UW and Sound Transit projects.

Q: What is cost recovery rate currently?

A: About 30% overall.

Comment: Add the current cost recovery rate into the initiative. What is the target outcome?

Q: Do you expect political pushback?

A: Yes

Comment: You should note the need to manage ratepayer/political reactions in the template.

The Panel endorsed including this initiative in the plan, with the comments as noted.



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Initiative #5: Western Energy Imbalance Market – Robert Cromwell

Robert explained what the Energy Imbalance Market (EIM) is and how the utility hopes to benefit from participating.

Discussion points included:

Comment: The initiative should more clearly state the benefits of this initiative—also note highly trained staff, benefits to Utility’s environmental goals and the expectation of net revenue increases.

Comment: Show benefits. Even if in a range—what are the revenue benefits?

Robert noted expected revenue benefits are between \$4 and \$8 M a year.

Q: Can the schedule be accelerated?

A: No.

The group agreed to add John Putz’s idea about additional marketing strategies to this initiative and that it should be renamed to capture a broader scope, “Evolving Energy Markets.”

Comment: Please reframe the wording in the initiative to be less technical.

Maura Brueger noted that this template will not be in the published plan. The Plan just will include a paragraph on each initiative.

The Panel endorsed including this initiative in the plan, with the comments as noted.

Initiative #3: Rate redesign/revenue recovery – Kirsty Grainger

Discussion points included:

Comment: Add description of benefits—risk reduction is one.

Comment: Add a note that outreach with ratepayers will be needed for success.

Comment: The full range of rate topics is too much for the Panel to process in a year. We need more detail about how and when these several topics will be handled.

Comment: Note that increased fixed charges is a means of reducing risk.



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Q: Should the utility be in the business of distributed generation? Is that a revenue opportunity?

A: That subject is addressed under the renewable energy initiatives which will be presented at the next meeting.

Comment: Note the race and social justice implications of an undergrounding policy change.

Staff noted that the Utility is already committed to a network rate discussion for the First Hill and UW networks.

Comment: Add a demand response item to the list of policy issues.

Comment: Add language on the history of current rates to provide context.

Comment: Clarify the overall message.

Comment: Rate predictability is not a realistic goal. Unanticipated things always happen. We should focus on providing reliable power and good customer service.

Comment: Perhaps it should be framed instead as reducing revenue volatility for the Utility?

Comment: Or should it be customer facing, to talk about improving rate stability?

Comment: Or revenue stability?

The Panel, excepting Patrick Jablonski endorsed including this initiative in the plan, with the comments as noted. Patrick noted he has reservation about this initiative and would like to see the revisions before committing.

The meeting was adjourned at 2:00 PM