

Eugene Wasserman forwarded the email he received from Adobe Systems, Inc.

From: Eugene Wasserman [<mailto:eugene@ecwassociates.com>]
Sent: Thursday, March 31, 2011 8:29 AM
To: David Allen; Debbie Tarry; Julia (Julie) Ryan; Karen Reed; Matt Lyons; Stan Price; Sue Yuzer; Sylvester Cann IV; Tom Lienesch; Campbell, Eric; Ethan Raup; Leiber, Philip; Michael Jerrett; Tony Kilduff
Subject: Fwd: Utility Taxes & Rate Panel Discussion

I am forwarding a letter I received from a Adobe, a business in Fremont.

Thanks.

Eugene Wasserman
206 440-2660
eugene@ecwassociates.com

----- Forwarded message -----

From: **Mike Gilmore** <gilmore@adobe.com>
Date: Thu, Mar 10, 2011 at 3:32 PM
Subject: Utility Taxes & Rate Panel Discussion
To: "eugene@ecwassociates.com" <eugene@ecwassociates.com>

Hi Eugene –

Jessica Vets from the Fremont Chamber of Commerce directed me to you as the facilitator of the upcoming City Light Utility Taxes & Rates Panel Discussion scheduled for next week.

Adobe feels passionately about energy savings, so much so that over the past two years we have reduced our electrical utilization, through deliberate efforts, by approximately 20%. During that process we invested dollars in upgrading our building management system, mechanical infrastructure, lighting controls and points of sub-metering for our Waterfront building in Fremont. We also tackled many non-financial activities that lead to savings including tightening our mechanical/light system scheduling, changing temperature set-points, computer virtualization initiatives and educating our employees about energy conservation.

Recently Adobe received a letter from City Light that notified us of our change in service level from a large account to a medium account for 2011, due to our reduced energy load. Our initial thought was that of excitement, as the impact of our investments and activities were becoming tangible. However, as we learned more about this lower service tier, we were shocked to discover that the net result was an increase to our annual utility bill. We phoned City Light to

ask if this was truly the case, and the representative confirmed the increase and also shared it was a point of frustration with other businesses. This seems extremely counter-intuitive, as working to be a socially responsible organization should be rewarded through savings, not penalized through rate increases.

In the meeting next week, will you please ask City Light to address this specific issue, and what (if any) measures are being considered to remedy this scenario?

Thank You,

Mike Gilmore

Facilities Manager

Adobe Systems, Inc.

Tel 206-675-7920

gilmore@adobe.com



March 28, 2011

*Executive
Committee*

John Odland
MacMillan-Piper
Board Chair

Warren Aakervik
Ballard Oil
Treasurer

Rob Adamson
Salvin Manufacturing

Johnny Bianchi
B&G Machine

Jeff Darling
Washington Lifttruck

John Huey
Viking Bank

David Hutchhausen
Somerset Properties

Mike Kelly
ASKO Processing

Matt Lyons
NUCOR Steel

Pat McGarry
Manson Construction

Mike Peringer
Process Heating
SODO Business Assoc

Terry Seaman
Seidelhuber Ironworks

Linda Styrk
Port of Seattle

Kim Suelzle
CityIce Cold Storage

Bob Viggers
Charlie's Produce

Liz Warman
The Boeing Company

Mr. Stan Price
Mr. Eugene Wasserman
Co-Chair, Seattle City Light Review Panel
VIA EMAIL – kim.kinney@seattle.gov
kreedconsulting@comcast.net

Dear Mr. Price and Mr. Wasserman:

First, on behalf of the Manufacturing Industrial Council, thank you and all members of the Review Panel for the work you are doing on behalf of Seattle City Light ratepayers. Your willingness to commit the time and energy necessary to tackle the complex issues associated with operating a billion dollar public enterprise is very much appreciated.

The Review Panel has identified a number of important priorities, objectives and initiatives that can serve as the basis for a strong strategic plan. While we look forward to learning more and providing comments during the public outreach portion of your work, there are several concerns we wanted to bring to your attention now.

First, the Financial Forecast Overview & Financial Baseline report calls for rate increases averaging 4.2% per year for the next six years and predicts the re-imposition of the Rate Stabilization surcharge during that same timeframe. The report does acknowledge that opportunities exist to reduce City Light costs and rate pressures. We encourage the Review Panel to look more closely at the utility's cost structure before adopting the Financial Baseline Report as the basis for the strategic plan. For example, recent benchmark studies rate SCL performance poorly in 14 categories, including distribution cost per circuit mile and labor expense. These and other related issues must be thoroughly examined before adopting a plan that uses as its foundation a high-cost structure.

We also believe that greater consideration should be given to the issue of utility governance. Seattle City Light is the tenth largest public utility in the United States. It is a highly complex municipal enterprise that faces many unique challenges in becoming the kind of high performing organization ratepayers deserve.

We agree with the Seattle City Light Advisory Board's 2006 Annual Report conclusion that City Light's governance structure is in need of change. An effective governance structure that brings greater accountability, clarity of roles, consistency of direction and goals, speed of decision making, management flexibility and focus on long-term interest of ratepayers is in the best interests of the utility and its ratepayers. We urge the Review Panel to seriously consider this issue as you move forward with the Strategic Plan development.

March 28, 2011
Page 2

Again, our sincere thanks to all Review Panel members for the good work being done.

Sincerely,



John Odland
Chairman
Manufacturing Industrial Council

Cc: Review Panel members
Phil West
Phil Lieber
Steve Kern

March 29, 2011

Mr. Stan Price and Mr. Eugene Wasserman
Co-Chairs, Seattle City Light Review Panel

Dear Mr. Price and Mr. Wasserman,

The Boeing Company has been closely monitoring the proposed strategic plan for Seattle City Light (SCL). While we have a number of questions and comments, this letter addresses anticipated baseline rates and the cost of service.

We believe that careful analysis of SCL's budget should yield substantial savings that would not result in an annualized rate increase of approximately 4.2 percent per year over each of the next six years.

We understand that maintaining a quality organization requires resources and that you do have long-term costs that may result in rate increases. We believe, however, that accepting the status-quo as the baseline and then adding on additional costs will institutionalize the existing inefficiencies and lead to a less competitive environment for Seattle businesses.

Last year the City Council noted that while SCL rates are among the lowest in the nation, they are not based on the most efficient operations. They are based on the low cost of power generation, not the cost to operate the utility.

The draft strategic plan does not call for benchmarking costs to other utilities. During the 2010 City Light rate-setting process, a number of facts emerged that painted a troubling picture of the utility's financial performance. These facts, detailed in four benchmarking studies that compared City Light against both independently owned and municipal utilities, show SCL had much higher costs in several key categories:

- Power distribution costs 137 percent higher than the next highest utility in the study
- Staffing levels 60 percent higher than the next highest utility
- Highest level of capital improvement program spending, and operations and maintenance costs
- Transmission and distribution expense 53 percent higher than the average among 10 utilities in the study
- Highest total field-cost-per-service order, and highest meter-reading costs

These issues must be addressed before the draft strategic plan is ready for public comment. We urge the Rate Advisory Panel to press City Light executives for more information about how they will drive down these costs to make Seattle City Light the most efficient and effective organization possible.

Sincerely,

Steven LaFond
Boeing Utilities Services & Conservation

cc: Mayor Mike McGinn
Seattle City Council



Seattle City Light Review Panel

c/o K. Kinney, Seattle City Light
P.O. Box 34023 Seattle WA 98124-4023
CLRPquestions@seattle.gov

April 5, 2011

Mr. Mike Gilmore
Facilities Manager
Adobe Systems, Inc.
801 North 34th Street
Seattle, WA 98103

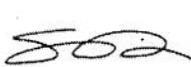
Dear Mr. Glimore:

Thank you for your email of March 10 presenting comments and concerns relative to changes to Adobe System's electric bill as a result of changes in the City Light rate structure. We have shared your letter with the entire Review Panel and with the City Light Executive Team. You have raised important points for our consideration.

Part of the Review Panel's charge from the City Council is to assess City Light's rate design and cost allocation among customer classes. We will begin that work this summer. We will consider your input, together with input from other stakeholders, in making our recommendations to City Light.

Thank you for your interest and for taking time to share your concerns with us.

Sincerely,



Stan Price
Co-Chair



Eugene Wasserman
Co-Chair

cc: Review Panel Members
Jorge Carrasco, Superintendent, Seattle City Light
Phil Leiber, Chief Financial Officer, Seattle City Light

Seattle City Light Review Panel

c/o K. Kinney, Seattle City Light
P.O. Box 34023 Seattle WA 98124-4023
CLRPquestions@seattle.gov

April 5, 2011

Mr. Steven LaFond
Boeing Utilities Services & Conservation
Steven.E.LaFond@boeing.com

Dear Mr. LaFond:

Thank you for your letter of March 29 providing comments and concerns relative to the ongoing work of the Seattle City Light Review Panel to review and assess City Light's efforts to develop a strategic plan. We have shared your letter with the entire Review Panel and with the City Light Executive Team. You have raised important points for our consideration.

We encourage Boeing representatives to participate in one of the upcoming outreach forums on the strategic plan that will take place in May and June; these forums are timed to get stakeholder input on the priorities and concerns of City Light's ratepayers *before* City Light drafts the strategic plan. We anticipate a second round of public outreach will occur after the strategic plan is drafted, sometime this Fall.

We will consider your input, together with input from other stakeholders that we receive in the coming months, in making our recommendations to City Light.

Thank you for your interest and for taking time to share your concerns with us.

Sincerely,



Stan Price
Co-Chair



Eugene Wasserman
Co-Chair

cc: Review Panel Members
Jorge Carrasco, Superintendent, Seattle City Light
Phil Leiber, Chief Financial Officer, Seattle City Light

Seattle City Light Review Panel

c/o K. Kinney, Seattle City Light
P.O. Box 34023 Seattle WA 98124-4023
CLRPquestions@seattle.gov

April 5, 2011

Mr. John Odland
Chairman, Manufacturing Industrial Council
6670 East Marginal Way South, B113
P.O. Box 81063
Seattle, WA 98108-2402

Dear Mr. Odland:

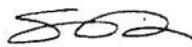
Thank you for your letter of March 28 providing comments and concerns relative to the ongoing work of the Seattle City Light Review Panel to review and assess City Light's efforts to develop a strategic plan. We have shared your letter with the entire Review Panel and with the City Light Executive Team. You have raised important points for our consideration.

We encourage MIC representatives to participate in one of the upcoming outreach forums on the strategic plan that will take place in May and June; these forums are timed to get stakeholder input on the priorities and concerns of City Light's ratepayers *before* City Light drafts the strategic plan. We anticipate a second round of public outreach will occur after the strategic plan is drafted, sometime this Fall.

We will consider your input, together with input from other stakeholders that we receive in the coming months, in making our recommendations to City Light.

Thank you for your interest and for taking time to share your concerns with us.

Sincerely,



Stan Price
Co-Chair



Eugene Wasserman
Co-Chair

cc: Review Panel Members
Jorge Carrasco, Superintendent, Seattle City Light
Phil Leiber, Chief Financial Officer, Seattle City Light



City of Seattle

Seattle City Light

April 20, 2011

Mr. Steven LaFond
Boeing Utilities Services & Conservation

Dear Mr. LaFond:

I would like to respond to your letter of March 29, 2011, to City Light Review Panel co-chairs Mr. Stan Price and Mr. Eugene Wasserman. I appreciate that you have monitored our progress in developing our strategic plan, and the feedback you have provided.

First, I want to assure you that we are committed to carefully examining expenditures in order to improve efficiency, save our ratepayers money and bring them higher value. In response to the economic downturn, we reduced O&M costs from 2009 and 2010 operations by a total of \$58 million and eliminated 71 positions. At the same time, we have improved performance in numerous areas—we have reduced response time to repair streetlights from an average of 41 days at the end of 2008 to responding to 90.7% within 10 business days by the end of 2010, and we have improved service connection time from 90 days in 2008 to 35 days by the end of 2010. We are well underway with our Work and Asset Management program to more efficiently maintain our infrastructure, improve reliability and reduce cost.

Our efforts to improve efficiency continue. We have established teams to review various aspects of our operations with that goal in mind¹. Examples of the areas we have begun to examine include billing, the budgeting process, work management, and inventory management and generation equipment maintenance. Accordingly, we will not be “accepting the status quo” as the outcome of our strategic planning process. We noted in our financial baseline document that “The results of the baseline rate projection *compel* us to look for opportunities to reduce costs. Management is confident that there are opportunities to improve efficiency and effectiveness through programs that may require changes in policies and practice. The strategic plan, through initiatives to be proposed, will document such opportunities.” As we begin the interim public outreach process this May, we will share with our customers and stakeholders the initial priorities and initiatives that achieve these goals.

¹ See presentation on this matter from 2010 to Seattle City Council:
http://clerk.ci.seattle.wa.us/~public/meetingrecords/2010/etcr20100804_5.pdf

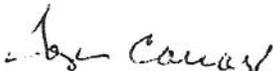


Your letter also references some benchmarking results from surveys that City Light has participated in. City Light believes strongly in the value of benchmarking, and we are committed to these efforts and using the findings to improve our operations. We have tentatively learned from these surveys that we may have higher than average costs in some areas, as well as some areas of excellence and low cost. We are also aware of some issues in the surveys that need to be addressed before we have actionable information. As one example, the survey shows that Seattle City Light has high O&M distribution line costs per circuit mile, but close to median cost per customer, as we serve a particularly dense customer base that includes higher reliability network systems that most other utilities do not have. We are also aware that staffing level results for City Light reflected authorized positions, not the actual number of employees (which were lower by about 10%). Our staffing levels also included groups in the Distribution count that other utilities did not include. The survey shows we have high field costs per service order because we perform services in the field that other utilities do not offer, such as collecting payments to prevent disconnection of service.

In late 2010, we engaged the international utilities management consulting firm UMS Group to generate valid benchmarks that normalize for these differences, and to then assist us in finding opportunities to close performance gaps where they exist. We expect to have the final results from that study by mid-summer of this year, and we will provide an action plan at that time. However, this will not just be a short-term issue. We will, in the strategic plan, make a commitment to continued benchmarking of Utility costs and operations, and following up on findings.

Again, thank you for taking the time to offer your suggestions, and we hope you will continue to be involved in our strategic planning effort. You can be assured that the outcome we are striving for in the strategic plan is the same goal you have concluded your letter with—“making City Light the most efficient and effective organization possible”.

Sincerely,


Jorge Carrasco
Superintendent

cc: Mayor Mike McGinn
Seattle City Council
City Light Review Panel



700 Fifth Avenue, P.O. Box 34023, Seattle, WA 98124-4023
Tel: (206) 625-3200, TTY/TDD: (206) 684-3225, Fax: (206) 684-3158

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From: White, Richard A [richard.a.white7@boeing.com]
Sent: Sunday, May 01, 2011 10:14 PM
To: McGinn, Mike
Cc: Kinney, Kim; Sherwood, Shelly; Harrell, Bruce; Godden, Jean; O'Brien, Mike; Licata, Nick; Conlin, Richard; Bagshaw, Sally; Clark, Sally; Burgess, Tim; Rasmussen, Tom; Raup, Ethan; Kilduff, Tony; Jerrett, Michael; Chow, Calvin; George Allen; Lafond, Steven E
Subject: Seattle City Light Review Panel
Attachments: Boeing SCL Letter.pdf
Importance: High

Dear Mr. Mayor,

I understand that on Monday, you will be meeting with the Seattle City Light Review Panel and a number of senior executives from Seattle City Light executives to be briefed and discuss the proposed Seattle City Light Strategic Plan.

First, on behalf of The Boeing Company, we very much appreciate the work of the Review Panel and City Light to develop a strategic plan. We believe that it is vital to our city and our region that an effective and clear strategic planning process and strategic plan be developed and implemented. As you may know the last time City Light undertook such an initiative it resulted in a laundry list of projects without clear priorities. Neither the previous Mayor nor the City Council approved that plan.

This effort appears to be more serious and has at its root a clear goal of improving the operations and services of City Light. Yet, Boeing and a number of other companies that rely on City Light remain concerned that the Strategic Plan will not address another critical factor: **the cost of electricity we rely on to power of facilities and produce the airplanes that help drive our economy.**

While we know your staff has been monitoring the Review Panel meetings, we want to reach out to you regarding three key issues:

- First, on March 29, 2011 we wrote to the Review Panel concerning a set of benchmarks that address the higher than normal costs of service for Seattle City Light. I have attached a copy of that letter for your reference. On April 20, we received a response from Jorge Carrasco that basically said "we will do what we can." Mr. Carrasco told us that "The results from the baseline rate projection *compel* us to look for opportunities to reduce costs." (His emphasis and quoting from the Financial Baseline document that accompanied the Strategic Plan.) Yet, the evidence we have seen is that the baseline when accompanied by the new initiatives suggests that while small adjustments have been made including the reduction of 71 positions was merely taking advantage of the low hanging fruit.

We urge you to press City Light to seriously consider how to reduce costs to a level that slows the rate of growth. We would note that most of these positions were unfilled in either 2009 or 2010. Thus, the elimination of these positions was, if our information is correct, cosmetic.

- Second, we would like to call your specific attention to the proposed rate increases. We like many other companies we work with are very concerned with the size of the rate increases contained in the Financial Baseline. The current plan (which again I note no longer fits the time horizon for the new period under

consideration) calls for an annual 4.2% rate increase for the initial six year period. This does not include funding for any new initiatives that are under consideration that could add as much 2.5% to the 4.2% increase according to City Light. They also do not include potential surcharges to refill the Rate Stabilization Account or new mandates or costs from BPA, the federal, state or city governments.

- Last, we would like you to consider what rate increases of this size do to the competitive position of Seattle when taken as a whole with the costs of other city services, taxes and fees. We know that City Light will contend they have the cheapest electricity of any major city, but if we continue to see rates rise as rapidly as the ones proposed or hinted at in this process, how long will that price-point advantage last.

To this end, we would encourage you and your staff to press City Light to be as restrained as possible in launching new initiatives and pursuing plans that result in ever escalating costs.

Thank you for your attention to this matter.

Rich White

State & Local Government Relations | Northwest Region
The Boeing Company
(425) 965-9992 Office
(206) 856-6305 Cell

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EMAIL THAT WAS RECEIVED TO SCL STRATEGIC PLAN

From: Keith A. Miller [<mailto:kmiller@evluma.com>]
Sent: Monday, August 08, 2011 4:17 PM
To: SCL_StrategicPlan
Subject: Workforce

I recently attended a strategic planning session where it was stated that one of the challenges with your workforce going forward is that 50% are ready to retire in the next 5 years and there are not trained people coming up to replace them.

There was a lot of talk about engaging the community colleges. What about all the returning military personnel that are projected to increase in the coming months and years. Many of them have the technical training that would match up well with what the Energy sector/SCL's needs. With all the press about how hard it is for returning military people to find jobs in this economy, SCL could score a lot of points with the public should they embrace their return and have programs to augment their training to fit into SCL.

Best regards,

Keith Miller

evluma
Keith A. Miller
President/CEO
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Response from DaVonna Johnson, Human Resources Officer

From: Johnson, DaVonna
Sent: Wednesday, August 10, 2011 6:53 PM
To: kmiller@evluma.com
Cc: Hartman, Suzanne; Leiber, Philip
Subject: FW: Workforce

Hello Mr. Miller,

Thank you for taking the time follow up on this issue. We have had success in recruiting highly qualified candidates from the military. Many of them have significant experience in construction, electronics and communications systems.

In 2009 we received a stimulus grant from the Department of Energy that allowed us to provide incentives to small commercial customers to retrofit inefficient lighting. We partnered with a South Seattle Community College veteran program that focused on training returning military personnel to work in the energy efficiency field. We hired several of the program participants to implement this program.

We will continue to reach out to the returning military community as a way to meet our future workforce needs.

Thank you for your feedback.

DaVonna Johnson



DaVonna Johnson
Human Resources Officer

Seattle City Light

700 5th Avenue, Suite 3200
P.O box 34023
Seattle, WA 98124-4023

Phone: 206-684-3125
Confidential Fax: 206-287-5263

DaVonna.Johnson@Seattle.Gov



215 South State Street, Suite 200 ♦ Salt Lake City, UT ♦ 84111 ♦ phone (801) 355-4365 ♦ fax (801) 521-9142

September 13, 2011

The Honorable Bruce Harrell
Seattle City Council
PO Box 34025
Seattle, WA 98124-4025

VIA EMAIL

Council Member Harrell:

Energy Strategies, LLC, is an independent energy consulting firm that advises the Manufacturing Industrial Council (MIC) on issues related to Seattle City Light. Our team of regulatory professionals work closely with the MIC to help its members more fully understand the many complex issues that impact their electric utility service and rates. We have reviewed your July 28th letter to the MIC concerning Seattle City Light and would like to offer a few comments on several of the issues raised in that letter.

First, regarding the matter of rates versus bills, you cite studies conducted by the Council staff that "clearly shows that while rates are perceived as unfavorable to large customers, the data show actual bills in Seattle are lower on average." We would appreciate an opportunity to review the studies undertaken by the Council staff so we can reconcile those findings with our modeling and present them to you.

If that study looked at actual bills we assume they would include demand, meter and similar charges. The modeling we undertook also looked at all of those charges in addition to basic rates and our findings indicate that a typical large industrial customer pays more for electricity in Seattle than four other regional utilities, including Tacoma Power (see Attachment 1).

A MIC member with comparable facilities in Seattle and Tacoma recently completed a seven-year review of utility bills for both facilities. For each year since 2004 Seattle electricity bills have been significantly higher than those of Tacoma. In fact, in 2011 Seattle City Light rates per KWH are almost twice the level of Tacoma for that company (see Attachment 2).

Your letter also states that the SCL rate projections through 2018 shows rates will be only one percent higher than they were in 2004 when adjusted for inflation. This may be true, however, it is important to remember that rates in 2004 included a 58 percent increase in "temporary surcharges" and were at the highest level in more than a decade. Using 2004 rates as a benchmark against which to measure current and project future rates paints a somewhat misleading picture.

The rate projections you reference also do not take into account the \$16 million in revenue collected from customers in 2010 to fund the Rate Stabilization Account, nor do they include the expected reinstatement of the Rate Stabilization surcharge during 2012-2018. That surcharge, combined with the annual rate increase City Light is projecting, would drive 2018 rates over 50 percent higher than rates in place in 2009. Recent discussions regarding increasing the \$125 million Revenue Stabilization Account cap adds an additional level of uncertainty to future rates. Energy Strategies believes such an action would place a significant, unnecessary burden on ratepayers.

Finally, in regard to utility governance we agree with the 2006 City Light Advisory Board conclusion that City Light's governance structure needs to change. The American Public Power Association also recognizes that governance of public utilities is a subject in need of greater attention and has developed a model charter for Public Utility Authorities, the provisions of which are designed to "assure an adequate legal and organizational basis for efficient, reliable and financially sound performance by municipally owned utilities."

The MIC Executive Committee has also expressed great concern about the role the utility tax plays in the rate setting process. As noted in its July 8th letter, the City Council can generate General Fund revenue by raising rates because of the six percent utility tax on Seattle City Light revenue. The 2009 rate increase passed by the City Council includes \$5 million annual tax on Seattle ratepayers. The projected rate increases from 2012-2018 alone would add an additional \$10 million to that tax bill. This is city tax only, not including the four percent Washington State tax, which is an additional cost to customers. Several MIC members recall your presentation to the Seattle Chamber Utility Committee in 2009 wherein you pointed out that utility tax serves as an incentive for the Council to increase SCL rates. This is yet another reason to change the utility's governance structure.

We look forward to reviewing the Council staff study referenced in your letter and to a continued dialogue with you about the utility and rates, particularly as the 2012 rate review nears.

Sincerely,

Scott Gutting, President
Energy Strategies

Attachment 1

Large Industrial Customer in Pacific Northwest			
Rank by Average Price	Utility	State	Average Price per MWh
1	Grant County PUD	WA	\$28.39
2	Tacoma Power	WA	\$38.81
3	Pacific Power & Light	WA	\$51.44
4	Idaho Power Company	OR	\$51.93
5	Seattle City Light	WA	\$55.05
6	Snohomish PUD #1	WA	\$55.59
7	Clark County PUD	WA	\$57.36
8	PUD #1 of Cowlitz	WA	\$58.02
9	Portland General Electric	OR	\$67.09
10	Avista Corporation	WA	\$72.47
11	Puget Sound Energy	WA	\$78.12

Attachment 2

Seattle vs. Tacoma Utility Rates						
	Seattle			Tacoma		
	Electricity (per KWH)	Water (per CCF)	Sewer (per CCF)	Electricity (per KWH)	Water (per CCF)	Sewer (per CCF)
January 2004	\$0.0594	\$2.000	\$5.900	\$0.0321	\$0.776	\$3.109
July 2004	\$0.0581	\$3.350	\$5.900	\$0.0321	\$0.840	\$3.353
January 2006	\$0.0567	\$2.000	\$6.760	\$0.0327	\$1.007	\$3.453
July 2006	\$0.0567	\$3.350	\$6.760	\$0.0327	\$1.007	\$3.453
January 2007	\$0.0467	\$2.290	\$7.450	\$0.0327	\$1.085	\$3.801
July 2007	\$0.0467	\$3.350	\$7.450	\$0.0327	\$1.085	\$3.801
January 2008	\$0.0467	\$2.620	\$7.750	\$0.0327	\$1.170	\$4.061
July 2008	\$0.0467	\$3.350	\$7.750	\$0.0327	\$1.170	\$4.061
January 2009	\$0.0467	\$2.950	\$8.890	\$0.0327	\$1.275	\$4.384
July 2009	\$0.0467	\$4.170	\$8.890	\$0.0327	\$1.275	\$4.384
January 2010	\$0.0543	\$3.500	\$8.980	\$0.0327	\$1.360	\$4.664
July 2010	\$0.0567	\$4.490	\$8.980	\$0.0327	\$1.360	\$4.664
January 2011	\$0.0569	\$3.620	\$10.280	\$0.0327	\$1.360	\$4.664
July 2011	\$0.0669	\$4.630	\$10.280	\$0.0340	\$1.436	\$4.921



Presentation to Seattle Chamber Policy Council

November 15, 2011

Seattle City Light: What Effect on Seattle's Economy?

Introduction:

Utility rates matter to businesses, non-profits and families. Every dollar taken from the economy for "housekeeping" is a dollar not available for investing in education, training or hiring people.

Seattle's two major utilities, Seattle Public Utilities and Seattle City Light are each literally billion dollar enterprises that are taking more and more dollars out of the Seattle area economy and need increased scrutiny.

Today, the focus is on Seattle City Light. I have two issues to discuss with you:

- 1) A draft strategic plan that will set the course for SCL for next decade.
- 2) SCL has had splendid year financially and the City Council should consider giving some of those profits back to ratepayers

Benchmarking Seattle City Light

By way of background, let's look at some recent data comparing Seattle City Light to comparable utilities.

In 2008 Seattle City Light participated in four benchmarking studies that utilized 2007 data for comparisons:

- Transmission and Distribution (T&D) Study conducted by First Quartile Consulting.
- Customer Service Study conducted by First Quartile Consulting.
- American Public Power Association (APPA) Selected Financial and operating Results.
- Hydro Generation by the Electric Utility Comparison Group (EUCG)

These studies indicated that compared to similar utilities, SCL had:

- more employees
- more overtime
- higher transmission costs
- higher distribution costs

Specific examples:

- **60% higher staffing ratio:**
SCL had the highest staffing levels at 225 employees per 100,000 customers, 60% higher than the next closest utility in the ranking. (City Light reported 130 more employees in 2009 over 2008.)
- **137% higher distribution cost:**
City Light's power distribution cost of \$14,000 per circuit mile is 137% higher next closest utility at \$5,900 per circuit mile.
- **32% higher transmission and distribution expense ratio:**
Seattle City Light's transmission and distribution expenses at approximately \$103 per customer exceeded the group per customer average by 32%.

UMS Study

In an effort to normalize data from those previous studies and make apples to apples comparisons, City Light retained the consulting firm UMS Group to conduct a performance diagnostic of City Light's power generation, transmission and distribution businesses. UMS works with a data base of 200 companies. In May 2011 that study was completed.

Here are a few results of that study:

- City Light power plants carry too many employees for the levels of production. Pages 17 & 20
- City Light's transmission and distribution business has averaged 14 percent in overtime hours over the past 4 years as compared to the industry average of 4 to 8 percent. Page 27
- City Light work crews for routine tasks are approximately twice the size of industry norms. Page 26
- Distribution operations and maintenance costs are 50 percent higher than the median. Eliminating waste and reinvesting at least half of the difference to improve the overall health and condition of the assets would still leave \$15 million in annual savings. Page 25
- City Light's stores inventory is higher than needed and bringing that more in-line with industry averages would result in an annual savings of approximately \$1 million. Page 36
- Many spending decisions are based on political drivers (?) and not necessarily business value or risk mitigation factors. Page 33
- Proliferation of "perceived" work rules that hamper productivity have permeated SCL. Page 33
- SCL's high levels of planned and unplanned outages are indicative of ... "Marginal to poor maintenance practices." Page 31
- No apparent linkage among the established maintenance budgets, resource allocation, and work actually to be done. Page 33
- Maintenance practice performance data was not available. However, on-site practice interviews indicated that the majority of maintenance performed on transmission and distribution assets is reactive in nature. Reactive maintenance typically costs three times that performed on a planned basis; primarily because of the added costs of overtime, unplanned

crew mobilization and inevitable inefficiencies in rapid deployment of personnel and materiel. Page 35

- Relatively complex structure and strong organizational barriers result in sub-optimal decisions and less than desirable results. Page 37
- Function and responsibilities are not aligned – no clear ownership for results. –page 37
- City Light has approximately \$30 million annually in higher costs for Transmission and Distribution than the top quartile in the study. Compared to the medium quartile, SCL costs are \$15 million higher.

UMS Cost Savings Estimates

While some of SCL's uncompetitive costs will take time to correct, here are a few identified savings that should be captured before raising rates again:

- Reducing overtime hours from 14 percent to industry average - \$7.1 million annual savings – Page 27
- Capital Expenditure reduction on distribution costs - \$12 million annual savings – Page 25
- O&M reduction on distribution costs - \$15 million annual savings – Page 25
- Store inventory reduction on T&D equipment - \$1 million annual savings – Page 36
- Savings from the reduction of workforce and excess coverage on certain costs was not in UMS Report

It should be noted that it took numerous public disclosure requests to be able to obtain a copy of this report. When the utility briefed the City Council on the study in August, 2011, four PPT slides were shown, two of which dealt with who UMS was and the process for conducting the study. There was much discussion of how telephone poles are replaced in residential neighborhoods and a vague reference to saving, perhaps \$15 million per year, *but nowhere did SCL present the fact that UMS' recommendations could save \$35 million per year just in the transmission, distribution and generation areas.*

SCL Strategic Plan

In draft form and under review by the City Light Review Panel, it is expected to be considered for adoption by the City Council during 2012. In the plan, SCL says:

“This is a pivotal time in the history of City Light.”

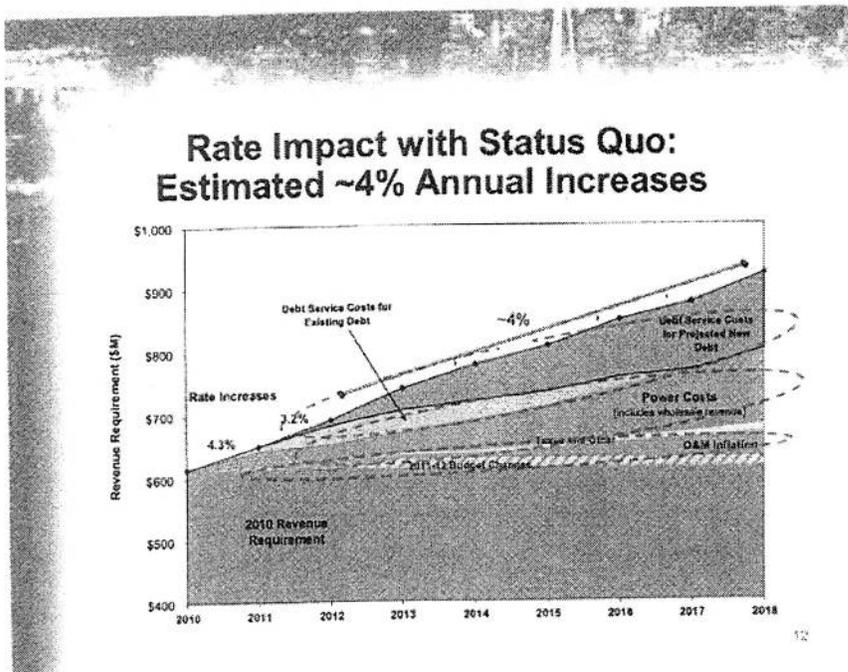
“Now, more than 100 years after its start, the utility faces some monumental decisions about:

- Infrastructure investments
- Energy efficiency
- Alternative energy
- Rates
- Reliability
- Technology

Note:

The strategic plan forecasts minimal load growth. Industrial and residential load is generally flat – commercial shows a moderate increase in projected load.

The plan calls for rate increases every year for next six years resulting in a cumulative increase of 31%.



Strategic Plan (continued)

Some questions:

- If you're faced with major capital reinvestment, requirements to purchase more expensive renewable power resources and you have flat revenue growth, what is the most important **strategy** to pursue?
- Would the UMS report be featured in the strategic plan?
- Would the plan acknowledge in the SWOC analysis that some of their cost metrics are in the lower quartile of comparable utilities?
- Would an implementation plan for the UMS report recommendations be a part of the plan?

Current SCL Finances

City Light rates have increased by 22% since 2010 (13.8% in 2010 – 4.2% in 2011 and 3.1% in 2012). Inflation in the Seattle for that time period has been less than 4%.

SCL will finish this year with approximately \$21 million in net earnings. Coincidentally, the 3.2% rate increase scheduled to take effect on January 1, 2012 will cost SCL ratepayers about \$21 million.

It's really hard to believe that if SCL had to ask for that rate increase with the UMS report and their current financial condition as part of the record, they would be turned down flat.

However, when Council member Harrell asked for the utility to consider returning profits to ratepayers, SCL's response was that "it was possible that unforeseen expenditures could reduce the amount of surplus that we forecast at this time." They then recounted how the events that occurred in 2011 and created the surplus were "unlikely to be repeated." They also explained that this would only delay and create the need for a larger rate increase in the future. *Again, there is no mention of the \$35 million savings that have been identified by UMS.*

Seattle City Light can talk a good game about possible things that could go wrong to increase costs, and even talk about possible productivity gains or cost control strategies, but when it comes time to do anything about it, nothing seems to happen.

Their recommendation is to put the surplus in a "savings" account.

I wonder if the fact that the City's general fund budget receives 6% off the top of SCL's rate revenues had anything to do with the Council's lack of follow up on this question.

Recommendations

The City Council needs to get the full story on the UMS study and should immediately assume that SCL can achieve a substantial amount of the cost savings identified in the study, cut the City Light budget, and eliminate the scheduled rate increase for 2012.

The strategic plan needs to be put on hold until a specific plan has been put forth to implement the UMS study recommendations. Embarking on the rate path described in the strategic plan creates an unneeded drag on the budgets of Seattle's households, businesses and non-profits.

NOVEMBER 30, 2011 EMAIL FROM RICHARD A. WHITE, BOEING

From: White, Richard A [mailto:richard.a.white7@boeing.com]

Sent: Wednesday, November 30, 2011 5:08 PM

To: City Light Review Panel

Cc: Harrell, Bruce; Godden, Jean; McGinn, Mike; O'Brien, Mike; Licata, Nick; Conlin, Richard; Bagshaw, Sally; Clark, Sally; Burgess, Tim; Rasmussen, Tom; McSherry, William; Hartman, Suzanne

Subject: Seattle City Light Strategic Plan

Mr. Stan Price and Mr. Eugene Wasserman
Co-Chairs, Seattle City Light Review Panel

I understand that your consideration of City Light's draft strategic plan is proceeding to a point where important decisions will be put before the Panel.

The Boeing Company's concerns and issues that were described in our March 29, 2011 letter (attached) continue.

At that time, we expressed concern about the "status quo" baseline budgeting approach and the resulting assumption that rates must necessarily increase every year for the next six years. In the current draft of the strategic plan, the assumed rate increases have increased. In fact, the November 4th version of the plan suggests that a 4.7% average rate increase for six years "provides rate stability" and that "4.7% is equivalent to a 2.5% increase on the average US residential electric bill." Comparing City Light rates to the average US electric bill is specious.

Our March letter noted that a number of the benchmarking studies conducted by national and international organizations show City Light to have much higher costs in several key categories including generation, transmission and distribution costs, staffing levels, and overtime expenses.

In City Light's response to our letter (attached), Superintendent Carrasco promised that the UMS study would "assist us in finding opportunities to close performance gaps where they exist. We expect to have the final results by mid-summer of this year, and we will provide an action plan at that time." Mr. Carrasco also promised the City Council in May of this year that "we plan to provide the UMS study and City Light's plan for implementing recommendations in the study to the Council by the end of July." As far as we know, no action plan to implement the UMS recommendations has been provided by the utility.

I've attached a presentation made at the Seattle Chamber's Policy Council on November 15, 2011. It suggests that an enterprise with flat load growth and cost pressures must have one fundamental strategy as its centerpiece: productivity and cost reduction. It also summarizes the recommendations of the UMS study (see page 4) to demonstrate that annual savings of over \$35 million are "on the table." Yet the City Light strategic plan's preferred path reflects only .36% savings (\$10.5 million per year) in rates for "efficiencies."

Our concern remains that the strategic plan does not focus on productivity and efficiency, the most important questions facing the utility. The Review Panel should defer any action on the proposed strategic plan until a comprehensive action plan for improved productivity is presented and approved.

Rich White

State & Local Government Relations | Northwest Region
The Boeing Company
(425) 965-9992 Office
(206) 856-6305 Cell

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Seattle City Light Review Panel
c/o K. Kinney, Seattle City Light
P.O. Box 34023 Seattle WA 98124-4023
CLRPquestions@seattle.gov

December 16, 2011

Mr. Larry Ward
Pacific Fisherman Shipyard
5351 24th Avenue NW
Seattle, WA 98107-4196

Dear Mr. Ward:

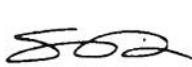
Thank you very much for taking time to provide the Review Panel with your thoughts and concerns relative to potential electricity rate increases. We appreciate the information and your candor.

The Review Panel has been created in order to review and assess City Light's proposed Strategic Plan, and provide our opinion on its merits. The Strategic Plan is still under development, and we will continue to provide feedback to the utility as they work on the Plan. When completed, the Strategic Plan will be a City Light work product. The Review Panel will issue a companion report providing our opinion on the recommendations in the proposed Strategic Plan transmitted to the Mayor and City Council for review and action.

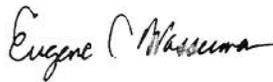
The UMS Benchmarking Report raises important issues related to the efficiency of City Light's operation; these issues will continue to be a component of our deliberations in reviewing the Strategic Plan.

We hope you will remain engaged in the issues facing the utility, and thank you again for sharing your thoughts with us.

Sincerely,



Stan Price



Eugene Wasserman

Co-Chairs, City Light Review Panel

cc: City Light Review Panel Members
Mayor Mike McGinn
Seattle City Council President and Councilmembers
Jorge Carrasco, City Light Superintendent
Suzanne Hartman, City Light

Seattle City Light Review Panel
c/o K. Kinney, Seattle City Light
P.O. Box 34023 Seattle WA 98124-4023
CLRPquestions@seattle.gov

December 16, 2011

Mr. Jonathan Hall
Lafarge North America
5400 W Marginal Way SW
Seattle, WA 98106

Dear Mr. Hall:

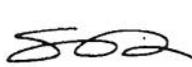
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We hope you will remain engaged in the issues facing the utility, and thank you again for sharing your thoughts with us.

Sincerely,



Stan Price



Eugene Wasserman

Co-Chairs, City Light Review Panel

cc: City Light Review Panel Members
Mayor Mike McGinn
Seattle City Council President and Councilmembers
Jorge Carrasco, City Light Superintendent
Suzanne Hartman, City Light

Seattle City Light Review Panel
c/o K. Kinney, Seattle City Light
P.O. Box 34023 Seattle WA 98124-4023
CLRPquestions@seattle.gov

December 16, 2011

Mr. Dave Gering
Manufacturing Industrial Council
6770 East Marginal Way S., Ste. B-113
PO Box 81063
Seattle, WA 98108

Dear Mr. Gering:

Thank you very much for taking time to provide the Review Panel with your thoughts and concerns relative to potential electricity rate increases. We appreciate the information and your candor.

The Review Panel has been created in order to review and assess City Light's proposed Strategic Plan, and provide our opinion on its merits. The Strategic Plan is still under development, and we will continue to provide feedback to the utility as they work on the Plan. When completed, the Strategic Plan will be a City Light work product. The Review Panel will issue a companion report providing our opinion on the recommendations in the proposed Strategic Plan transmitted to the Mayor and City Council for review and action.

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We hope you will remain engaged in the issues facing the utility, and thank you again for sharing your thoughts with us.

Sincerely,



Stan Price



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Co-Chairs, City Light Review Panel

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Suzanne Hartman, City Light

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P.O. Box 34023 Seattle WA 98124-4023
CLRPquestions@seattle.gov

December 16, 2011

Mr. John Odland
MacMillan-Piper
1762 Sixth Ave. South
Seattle, WA 98134

Dear Mr. Odland:

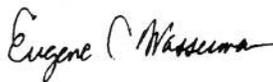
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Sincerely,

Stan Price

Eugene Wasserman

Co-Chairs, City Light Review Panel

cc: City Light Review Panel Members
Mayor Mike McGinn
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Suzanne Hartman, City Light

Seattle City Light Review Panel

c/o K. Kinney, Seattle City Light
P.O. Box 34023 Seattle WA 98124-4023
CLRPquestions@seattle.gov

December 16, 2011

Mr. Rich White
The Boeing Company
P.O. Box 3707, MC1F-90
Seattle, WA 98124

Dear Mr. White:

Thank you for your letter of November 30, 2011. We appreciate The Boeing Company's interest in the work of the Review Panel and the results of the UMS Benchmarking Report commissioned by City Light. We received an additional briefing on the utility's proposed response to the UMS report and the workforce efficiencies included in City Light's 6-year Strategic Plan at our December 15 meeting.

We would like to clarify two points. First, the City Light Review Panel has been created in order to review and assess City Light's proposed Strategic Plan, and provide our opinion on its merits. The Strategic Plan is still under development, and we will continue to provide feedback to the utility as they work on the Plan. When completed, the Strategic Plan will be a City Light work product. The Review Panel will issue a companion report providing our opinion on the recommendations in the proposed Strategic Plan transmitted to the Mayor and City Council for review and action.

Second, while addressing the issues raised in the UMS Report is a major issue in our work related to the Utility's Strategic Plan, it is one issue amongst many important issues we must address. The report provides important information for our deliberations, but is narrower in its focus than the broader context of all the issues involved in development of the Strategic Plan.

Sincerely,



Stan Price



Eugene Wasserman

Co-Chairs, City Light Review Panel

cc: City Light Review Panel Members
Mayor Mike McGinn
Seattle City Council President and Councilmembers
Jorge Carrasco, City Light Superintendent
Suzanne Hartman, City Light

