



Kshama Sawant
Seattle City Councilmember

Dear City Light Review Panel;

The work of the City Light Review Panel (Panel) goes largely unsung, but certainly not unnoticed. The Council is keenly aware of the work the Panel does and is greatly appreciative of it. The Panel's engagement over the last four years has significantly improved the utility's long-term planning and the Council's understanding of the challenges and opportunities it faces.

The Council expects to review the next update to the Strategic Plan in mid-2016. That update will cover the period from 2017 to 2022, pushing our forward thinking squarely into the next decade. It is with that longer-term perspective that the Council asks the Panel to work with City Light to explore the following topics.

Baseline Revenue Requirements

The baseline is key to City Light's financial and operational success. The overwhelming majority of its effort goes into the provision of baseline services and it accounts for the vast bulk of the revenues it collects. When the Panel first convened in 2010, it devoted considerable time and effort to understanding the baseline and its drivers. It is fair to say that the Panel's review was instrumental in focusing the utility's attention on efficiency. Going forward, the Council would like the Panel to explore options for bending the growth in baseline cost towards general inflation, and would appreciate the Panel's thinking on how, and to what extent, this might be accomplished.

Service Center Master Plan

The most recent update to the Strategic Plan identifies the need to address seismic and operational issues at the utility's north and south service centers. Alerting the Council and public to major issues like this is a key role of the Strategic Plan. The Council asks the Panel to explore options for addressing the concerns with the existing facilities, vetting each to highlight the benefits, costs, and risks.

Financial Policies

City Light's dependence on net wholesale revenue is set to decrease over the next several years. As its exposure declines it calls into question the need for a \$100 million reserve to project against shortfalls. The Council would like the Panel to look holistically at the financial risks City Light faces and how best to mitigate the effects of those risks on its customers.

Cost Allocation

The Council intends to take up cost allocation and would like the Panel to identify fruitful areas for the Council to explore. The Panel and the utility should not spend more than a few months on the review.

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Looking to the Future

The Council is aware that there are changes underway in the utility industry broadly. Some of these may pose challenges for City Light, other may present opportunities. The Council would welcome the Panel's engagement on the implications of these trends and which it should be mindful of. This represents something of an expansion of the role of the Panel beyond that envisioned in the legislation that established it. At that time the focus was on specific areas of City Light's operations. Those are still important to the Council, but retaining that narrow focus may not be in the public's best interest. The thrust here is to encourage the Panel to look more broadly at the changing environment to help the Council and the Mayor think about how best to position City Light to be successful, regardless of how the industry evolves.

Some topics that would benefit from the Panel's input:

- What changes would need to be made at the state level to allow City Light to provide more support to electric vehicles and possibly more extensive electrification of the transportation system? How would the City garner support for those changes?
- Are there better or more cost-effective energy efficiency programs that City Light should invest in?
- With lower-cost PV panels, is it time for City Light to invest more in residential solar?
- Are there creative ways that City Light might use its carbon neutral power portfolio to support the City's Climate Action Plan?

The Role of the Panel

To facilitate going beyond the mandate in the Ordinance that established the Panel, the Council is considering amending that legislation and invites the Panel to help frame a broader vision of its work.

While consensus is always welcome, the Panel should understand that the Council benefits from the Panel deliberations even when consensus eludes it. It is the teasing out of the issues and the exploration of the pros and the cons that will most help the Council formulate good policy.

Sincerely,

Seattle City Council Energy Committee



Councilmember Kshama Sawant



Councilmember Mike O'Brien



Councilmember Sally Clark

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