

ATTACHMENT B - SUMMARY OF OUTREACH SESSIONS

Documents included in Attachment B:

- (1) Strategic Plan Categories of Interest by Stakeholder Group and Online Survey Results
- (2) Seattle City Light Customer Survey Executive Summary - June 2011
- (3) July 12, 2011 Interim Outreach Meeting Summary (Municipal customers)
- (4) June 21, 2011 Summary from Emerald Cities Strategic Plan Forum Meeting
- (5) June 14, 2011 Summary from First Hill & Hospital Organizations Strategic Plan Forum Meeting
- (6) June 13, 2011 Interim Outreach Meeting Summary (Public Outreach II - South Seattle area)
- (7) June 9, 2011 Interim Outreach Meeting Summary (Public Outreach I - North Seattle area)
- (8) June 8, 2011 Interim Outreach Meeting Summary (Business community forum)
- (9) May 26, 2011 Interim Outreach Meeting Summary (Environmental community)
- (10) May 11, 2011 Interim Outreach Meeting Summary (Representatives from Largest City Light Accounts)

Strategic Plan Categories of Interest by Stakeholder Group

	Key Customers (16)	Business Group (88)	Environmental (22)	Emerald Cities (20)	Hospital/ Large Institutions (12)	Public Forums – two (55)	Municipal Customers (11)
Finance & Rates							
• Rate predictability	✓	✓			✓		✓
• Too much debt						✓	
• Rates to promote economic development	✓						✓
• Rates to promote energy efficiency (focus on low bill not low rates)		✓	✓	✓		✓	
• Improve communications with customers in advance of major financial decisions	✓						
Conservation / Environment							
• Conservation as an objective		✓	✓	✓		✓	
• Conservation incentives need to make economic sense (long and short term)					✓		✓
• A focus on climate change initiatives			✓				✓
• Promote District and Distributed energy			✓				
Reliability/System/Resources							
• System reliability		✓			✓ (and redundancy)	✓	✓
• Infrastructure investments						✓	✓
• Improve outage communications	✓						
• Review of I-937 challenges	✓	✓		✓		✓	✓
• Diversify Fuel Mix Portfolio							
Workforce							
• Address workforce challenges	✓	✓					✓
• Address workforce safety	✓					✓	
Efficiency & Other							
• Use a longer term planning horizon		✓		✓			✓
• Employ technology to enhance efficiency		✓					✓
• Invest in a fiber optic network							✓

Online Survey Results (note: 81 total responses)

Highest priority: Provide reliable, safe, cost-effective electric service to customers

- 89% of the respondents are City Light Customers; 60% have been customers for more than 10 years
- Overwhelmingly, aging infrastructure was the greatest challenge customers felt City Light faced (53%); the next highest responses were: keeping rates as low as possible while preserving system reliability (23%); and up-grading electric meters to allow “time of use” billing (22%)
- In ranking the importance of various utility attributes, respondents ranked the following either “more” or “most” important:
 - Provide greater rate predictability: **31%**
 - Anticipate and exceed customer service expectations: **61%**
 - Promote environmental stewardship: **62%**
 - Balance multiple policy goals in rate design (affordability; recover costs, etc.): **66%**
 - Ensure a safe work environment: **65%**
 - Attract/train/retain a high performance workforce: **65%**
 - Provide reliable, safe, cost-effective electric service: **85%**
 - Maintain a stable, cost-effective, environmentally response power supply: **73%**
 - Incorporate technology to meet future customer needs: **69%**
 - Improve communication about and support for City Light’s strategic priorities: **37%**
 - Implement best practices in business processes and technology: **60%**
 - Ensure fiscal strength: **68%**
- Only 9% have attended a strategic plan forum and 46% said that they would be likely to attend
- 59% of the respondents are male; 75% are between the ages of 35 and 64; the distribution of respondents was spread across our service territory. Forty-five percent said that they wanted to receive more information about the strategic plan process and several gave us their contact information.



Seattle City Light Customer Survey

EXECUTIVE SUMMARY

JUNE 2011

Introduction & Research Objectives

In May 2011, Alison Peters Consulting completed a statistically valid telephone survey of 500 residential customers of Seattle City Light. The project was sponsored by the utility as an initial assessment of the attitudes and opinions held by customers with regard to service priorities and communication techniques. More specifically, the study was completed to answer the following questions:

- *Are customers satisfied with reliability and with City Light's response to residential outages?*
- *What are customers doing to reduce energy consumption and would customers consider new actions to reduce energy use?*
- *What are customers' current program and service priorities?*
- *How can City Light communicate effectively with its customers?*

Research Methodology

Customers were contacted by phone to participate in the research project. Overall, the demographics of the respondents (i.e. their age, gender and geography) very closely matched the demographic profile of City Light's residential service area.

A margin of error of approximately +/- 4.5 percentage points is associated with the study. The telephone poll was approximately 11 minutes in length.

Key Findings

CUSTOMER SATISFACTION: RELIABILITY AND RESPONSE

- Seattle City Light is known generally as the local power provider for the region, and most customers don't associate the utility with any of its specific initiatives such as "conservation." Customers do not automatically associate "City Light" with their monthly electricity rates.
- Almost 60 percent of customers have not had an outage in the last year. Almost 90 percent of customers say it's acceptable to lose power once or twice.
- However, after the second outage, 51 percent say it is not acceptable. Satisfaction declines quickly after a homeowner has lost power the third time.

CONSERVATION EFFORTS

- 37 percent of customers rate their conservation behaviors between an 8 to 10 on a 10 point scale (10 is high, the most energy efficient someone can be). Another 54 percent say their behavior is in the middle, between a 4 to 7.
- The most energy efficient subgroup, aka The "Super" Conservationists (those rating themselves 8-10) were more likely to use compact florescent bulbs, minimize water

consumption, turn off lights to save energy and do full loads of laundry. Mainstream customers (those rating themselves 4-7) and The “Super” Conservationists” were both likely to have energy efficient appliances, turn down the heat to reduce energy and unplug appliances.

SERVICE PRIORITIES

- When it comes to program priorities, customers are committed to conservation programs and purchasing clean energy. The majority of customers will also support subsidies for low-income residents who need assistance with their bill.
- Over 60 percent of customers do not want to pay more for City Light to improve customer service or improve its web site. Instead, customers want City Light to reduce outages (thereby eliminating the need for customer service calls or searching City Light’s web site) and will pay more for these services, including tree trimming, infrastructure and new technology.

Conclusions

Seattle City Light is now beginning the public involvement phase of its Strategic Plan process. With this in mind, some of the following conclusions from the survey can provide some shape to future public meetings or even prompt further discussion into new areas the survey did not cover.

1. CUSTOMERS ARE WILLING TO GIVE FEEDBACK: Forty-three percent of customers said they would like to be contacted via email about giving feedback or research related to City Light’s strategic plan.
2. PEOPLE CARE ABOUT RELIABILITY: There is a great deal of interest and support for City Light to invest in projects that improve reliability. To that end, tree-trimming programs and infrastructure upgrades are examples of initiatives that would engage the majority of customers right now.
3. CONSERVING ENERGY IS A VALUE-ADD FOR MANY CUSTOMER GROUPS: There are many motivations for customers to reduce their energy use. Middle income households are interested in how they can make the most out of their budget while some subgroups are interested in projects that are innovative like Community Solar or have a “cool factor.”
4. TEXT MESSAGES ARE AN EFFECTIVE TOOL DURING OUTAGES: We are learning just how popular and effective text messaging can be during a power outage or emergency. To be prepared to reach your customer base, existing and new customers need to be asked for their mobile phone numbers.
5. RATES ARE NOT THE DOMINANT DYNAMIC: In fact, upwards of 70 percent of customers would pay more to help those in need with their monthly bill. Asking an open-ended question about City Light did not result in a negative emotional backlash regarding rates or future rate increases.
6. THERE IS OPPORTUNITY TO EXPAND AUTOMATIC BILL PAY: New people would sign up if they knew about it, the process was convenient and it saved them time each month. Those who are resistant to paying any bills online, computer novices and homeowners with inconsistent monthly income are not good prospects for this program.
7. EXPANDING AUTOMATIC BILL PAY MAY HELP SUPPORT CITY LIGHT’S PROGRAM PRIORITIES: There is a high return on investment to expand the automatic bill pay program.

Seattle City Light Strategic Plan
Interim Outreach Meeting Summary

Meeting Date: July 12, 2011

Audience: Municipal Customers

Number of attendees (excluding City Light staff and Review Panel members): 12. Representatives from all municipal customers except Renton attended.

Summary of Question & Answer Session:

Q: Are you expecting much growth in the use of electric vehicles?

A: We are assuming some growth in use of electric vehicles. How fast, and how many are unknown, and there are a variety of views on this. That said, we should have sufficient power over the next 10 years to meet the demand. But there are other issues we need to be concerned with, including whether we have transformers in place that can accommodate recharging of multiple electric vehicles at the same time, consideration of "time of use" rates that could encourage recharging at night when demand for electricity is lower. We are looking at an initiative in the draft strategic plan that will address this.

Q: Given your concerns about City Light's lagging technology, what assumptions do you have in the baseline to fund investments such as smart grid?

A: Smart Grid systems or portions of such systems such as Automated Metering Infrastructure (AMI) are not included in the baseline. These would be additional investments over and above the baseline. We see AMI as the first step in moving towards a smart grid, but are still analyzing what level of investment here is appropriate. Other utilities have provided some important "lessons learned" in their implementation of AMI. We think there is value for City Light's customers, but we want to approach it thoughtfully.

Q: Given your noted exposure to climate change—a challenge that you share with your biggest power provider, BPA—what is the utility doing to look at shifting its resource mix in future years? For example, are you anticipating a need to increase use of natural gas as a power generating source?

A: Every two years, City Light undertakes an update to our "Integrated Resource Plan" which forecasts power need and where that power will come from. We compare different alternative resource mixes in this plan, including use of natural gas, to determine what is most cost effective and to develop contingency plans in case pricing or availability changes. The preferred resource is primarily a mix of conservation and renewable energy. Bringing on new generation is a long-term challenge, and requires us to think well beyond the 6-year planning horizon of the strategic plan.

Q: Are you exploring waste-to-energy opportunities with King County?

A: We have two waste-to-energy projects in place now. The first involves incineration of Seattle's solid waste after it has been hauled to Arlington, Oregon. The second is a much smaller project that burns methane gas generated at the County's West Point Treatment Plant. We continue to look for other such options that may be cost-effective ways to diversify our power generation opportunities—we issue an annual request for proposals to identify such projects.

Reporting out from Tables

Table 1

- We need to get ahead on technology. This means investing in research and development, smart grid, and broadening the concept of what City Light is about -- to provide both electricity and data delivery (a fiber-optic system that could do phone/TV/etc.) Getting into new lines of business such as a fiber optic system could enhance revenue and rate predictability.
- Consider rebates when power sales exceed estimates instead of surcharges.
- Incentivize customers to change their behavior to moderate power usage.
- The workforce / retirement challenge is a significant concern. We encourage you to emphasize the apprentice program.
- City Light should get aggressive in helping people adopt energy saving strategies: finance these up front and get paid back over time as savings result.

Table 2

- The planning horizon for the strategic plan is too short at 6 years. A ten year minimum would be better.
- Promoting environmental stewardship as an objective does not just reside in the category of customers: it is an over-arching theme that affects everything that the utility does. It should be presented as such.
- Add an objective under assets to diversify fuel mix portfolio. The utility may be too comfortable in relying on hydropower. Related to the need for a longer-planning horizon for the strategic plan, new power sources take much longer than 6 years to bring on line. If you don't think in this longer term way about new resources, there could be significant problems.

Additional notes from follow-on discussion:

- Comcast is too expensive and is effectively a monopoly. City Light should get into this business to provide meaningful competition. It could be a revenue source. Investing in smart grid could be a foundation for such an effort. Consider using customer cities as a pilot project site for something like this. Fiber optic technology is in place already in Lake Forest Park.

Summary
Strategic Plan Forum – Emerald Cities
Tuesday – June 21, 2011
Seattle Municipal Tower

Synopsis: 20 representatives (Environmental, Sustainability, Labor)

Synopsis of Interests

- Use energy efficiency as a “negawatt market” – value it as a resource opportunity
- Think of lowering bills not rates
- Innovative incentives to drive conservation – as opposed to prescriptive rebates
- Look at performance based incentives
- Increased efficiencies mean increased surplus power to sell for revenues and hedges against low water years
- View City Light as a “restorative” utility for carbon neutrality

Summary
Strategic Plan Forum – First Hill & Hospital Organizations
Tuesday – June 14, 2011
Swedish Hospital

Synopsis: 12 representatives (Swedish, Virginia Mason, Seattle U, Children's Harborview)

Synopsis of Interests

- Reliability and redundancy are huge issues
- Look beyond six years – consider the next 20 to 30 years of service
- Need to be able to factor in costs of increased reliability into their own strategic plans – margins are lower single-digit, making revenue availability difficult
- Look at committing to three – four year power commitment contracts
- Want to look to long-term sustainability and energy efficiency goals with the ability to reduce their carbon footprint
- Can City Light pass on savings from conservation to customers
- Incentivize conservation/sustainability opportunities



Seattle City Light Strategic Plan Interim Outreach Meeting Summary

Meeting Date: June 13, 2011

Audience: Citizens—South Seattle area

Number of attendees (excluding City Light staff and Review Panel members): 10

Summary of Question & Answer Session:

Q: The overall rate per Kwh is about 7 cents but rates are higher for residents than for industrial and commercial customers. This concerns me. How will costs be allocated in the future?

A: The cost to provide service to different customer classes varies, and City Light examines these costs periodically. City Light now allocates its costs according to a marginal cost allocation study completed in 2006. We will be revisiting the current cost allocation before the next rate period (which will set rates for 2013-2014).

Q: Why aren't maintenance costs covered by revenues? Why do we have to issue debt for this?

A: Revenues do cover basic maintenance costs as well as the costs of borrowing to pay for major maintenance and capital projects. Much of the work we do has benefits for ratepayers for a long period of time, By funding major, long-term expenses with debt we can spread the cost of the asset/investment out over time, rather than having major rate hikes to pay for a project when it is installed. Under current policy, we pay for about 40% of our capital projects with current year revenue, and we borrow to fund the other 60% of our capital projects.

Q: The rate of increase in the level of debt payments and power costs appears troubling and unsustainable. Is this really what is happening?

A: We consider maintaining our financial strength to be a priority, so we need to ensure our debt practices are prudent and sustainable. Our debt load remains manageable in the coming years—our debt as a percentage of total assets actually continues to decline.

Reporting out from Tables

Table 1

- The survey is biased. Too many component parts to the items we are asked to rank.

- We have a concern about bonding. It seems to be very high.
- We would like to see the utility invest more in resources it owns rather than purchase power.
- City Light should fund greater reserves to pay for capital so that it can reduce the amount of borrowing.
- Conservation is missing as an initiative.
- Continuity of operations is missing as an initiative.
- We focused on objectives 1 (*provide greater rate predictability*) and 4 (*promote environmental stewardship*) as being the most important. Reliability is critical. Renewable energy should be the focus of our new generation acquisitions.

Table 2

- We focused on the importance of financial strength. The utility should be less reliant on debt. Having no debt would be great: the utility should pay down its debt. Impose a surcharge if necessary to accomplish this.
- Energy efficiency is a great idea, but the utility shouldn't be giving people rebates for this unless it is tied to income levels (low income)
- City Light should look into nuclear power
- The utility should explore creating a broadband network, fiber optic, similar to what Tacoma has done.



Seattle City Light Strategic Plan Interim Outreach Meeting Summary

Meeting Date: June 9, 2011

Audience: Citizens—North Seattle area

Number of attendees (excluding City Light staff and Review Panel members): 45

Summary of Question & Answer Session:

Q: Copies of the latest City Light bond prospectus should be made available to the public at these meetings. They have a wealth of information in them.

A: Good idea! We can do that.

Q: Are all customers going to see a four percent increase in rates as the baseline suggests?

A: The baseline is not adopted, nor is it a recommendation, rather shows what would happen if we were to continue business as usual. The most recent rate increase was implemented as an “across the board” increase with all customer classes seeing rates increase by the same percentage. Rate changes for 2013 and future years would be based on a new cost allocation study that will be completed by summer 2012, and subject to review by the City Light Review Panel and approval by City Council. Councilmember Harrell note: the City Council has not endorsed the baseline estimate.

Q: Why do we have to buy power from others?

A: City Light generates only about half the power we need; the rest of our power comes primarily from other major regional power providers such as the Bonneville Power Administration (BPA). With BPA and others, we have long-term contracts that define the amount of power we can buy and the price for that power. In addition, Initiative 937 (approved by the voters of the state in 2006) requires all utilities to buy a certain amount of renewable energy—and existing hydropower does not qualify as “renewable” under the terms of the Initiative. City Light buys wind, solar and other renewable power to meet our I-937 requirements, even though we do not need more power than we have (considering both our owned generation and long-term contracts).

Q: Smart meters have only a 15-year life span. Does it make sense to buy them? Does it make sense to allow customers to generate their own power and ship it out over the City’s power grid?

A: We are still looking at whether it makes sense to invest in these new meters. There are a number of options. We weigh the costs against the benefits (lower meter reading costs, and better information for customers and utility needs).

Q: Will our rates pay to rebuild the dams? Shouldn't the federal government help pay for this?

A: Our rates do provide the revenue necessary to maintain and repair our dams. The federal government does not generally provide funding to maintain our dams. Some of the recent federal economic stimulus package monies were available for certain energy related projects, such as building a "Smart Grid", but funds were limited, and our grant proposal was not approved by the Federal Government so we did not receive any of those monies.

Q: Are City Light employees' pensions fully funded?

A: No. City Light employees' pensions are part of the same pension program provided to all City employees. Right now, following the downturn in the market, the City's pension fund is at about a 65% funding level. This is an issue faced by the entire City, not just City Light. It is a challenge faced by most municipal and state governments. It is not an issue that has to be solved immediately, but one which will need to be addressed over time, through additional city and/or employee contributions.

Q: Can we change the way we read meters? It seems old fashioned to use people for this.

A: Yes we can; that is what smart grid technology and advanced metering systems could accomplish. As noted, we haven't decided whether this investment is the right thing to do now. It is a significant investment.

Q: Why would increasing power use from having more businesses help our rates? Encouraging development requires us to purchase more power—this costs money for the utility so it won't help average citizens.

A: We do have enough power for the next 10 years within expected energy demand growth rates (for both businesses and people). Developers pay connection charges to cover the costs of connecting to the system. Rate design and cost allocation studies balance multiple goals including potentially promoting economic growth, and keeping rates affordable.

Q: Will utilities be required to collect road taxes for electric cars?

A: We have not been approached to do so yet and we do not know of any specific plans to impose such a requirement on the utility. News stories do indicate that road maintenance funded by current gasoline taxes might be insufficiently funded if there is a significant transition to electric vehicles. So, this may be a policy issue that will have to be addressed in the future.

Reporting out from Tables

Table 1

- All the objectives are great.
- Our table focused on Objective 7: *provide reliable, safe, cost-effective electric service to our customers*. In addressing *service to customers*, the Utility should improve the way it addresses customer complaints; in improving *reliability*, for us this means minimizing outages. Looking ahead, we think it is important to address the utility's infrastructure needs.

Table 2

- We are concerned about the high injury rate: why is this happening?
- It seems to us that the Advanced Metering technology is too new to invest in, plus it has the downside that it will put people out of work.
- Communication would be improved if we could hear better in this room tonight!
- The proposed outcomes look like fluff from the P.R. department—good managers should do these things anyway.

Table 3

- What is a fair share of utility cost—especially when a new business moves to Seattle? City Light has to install infrastructure because of them, but we all pay for that now. This cost to all ratepayers should be considered when the utility makes these expenditures.
- What is the right cost of service in a time of change? The objectives identified are noble but implementation is what counts.
- We are subsidizing developers with the housing tax credit program—and City Light has to provide them power that we residents are paying for.
- City light was created for the benefit of citizens. We should keep that in mind in this plan.

Table 4

- All the identified objectives are important.
- We are particularly concerned about the safety issues.
- We chose to focus on objective 7: *provide reliable, safe, cost-effective electric service to our customers*. For us, the most important thing here is maintaining reliability. That means taking care of the infrastructure around us. The roads in this City are falling apart. We don't want to see this happen to City Light: we fear the utility is being taken for granted.

Table 5

- One thing missing is a discussion of the way City Light is structured within City government: there are too many layers of oversight. There should be a utility board providing oversight of the Utility.
- All rate revenue should stay with the utility –it should not go to the general fund: that has significant rate impact.
- We have a great electric utility in this City.



Seattle City Light Strategic Plan Interim Outreach Meeting Summary

Meeting Date: June 8, 2011

Location: McKinstry Innovations Center

Session Co-sponsored by McKinstry and Greater Seattle Chamber of Commerce

Audience: Business community

Number of Attendees (excluding City Light staff, City staff, and Review Panel members): 88

Summary of Question & Answer Session:

Q: Why is there a City tax on our City Light Bills? If that tax was eliminated would the revenue requirement for City Light be reduced?

A: There are two utility taxes included in City Light bills. A utility tax imposed by the City and a similar tax imposed by the state. 6% goes to the City to support general fund operations; 3.875% goes to the state. Fund transfers of this nature are typical for municipally owned utilities.

Q: Is the rate increase shown in the baseline of 4% a monthly amount that adds up to 24% increase a year?

A: No, it's a 4% annual increase that is reflected. The financial baseline projects the need for a 4% increase in each successive year during the 6 year period. So, if the monthly bill was \$50 in the first year, it would be \$52 in the following year.

Q: How does City Light pay for catastrophic events and protect itself against such events?

A: Catastrophic losses are paid for in a variety of ways, depending on the type of loss. For example, costs to recover from the 2006 windstorm came out of O&M; however, about 2/3's of the cost was reimbursed to the City by FEMA funds. Another example is the rock slide up near Ross Dam last year: the repairs to two docks came out of our capital budget. We also are self-insured against most types of major disasters but have been looking into the feasibility of purchasing insurance for certain types of events.

Q: How much could City Light save if it didn't have to deal with I-937 requiring the purchase of renewable resources other than hydropower?

A: The cost of complying with I-937 affects City Light through the purchased power budget. Purchased power costs drive about 40% of the rate pressure in the coming years, and the costs of renewable power drive about 2/3 of that increase. Initiative I-937 contains a provision to mitigate the impact if rates would increase by more than 4% annually as a result of I-937. The impact of this initiative on Seattle City Light is below that rate cap.

Q: Can we change the language of I-937 to include hydropower as a renewable?

A. This has been discussed since the passage of this measure. The Legislature could institute such a change.

Q: Does the baseline showing additive 4% rate increases in each of the next six years reflect "business as usual?"

A: Generally yes. This is a starting point for our discussion, not a recommendation. It has not been approved by the City Council. It does not reflect actions the utility may take to reduce costs or add new investments..

Q: Why is debt service increasing so much?

A: City Light's adopted Capital Improvement Projects (CIP) plan includes about \$1.6 billion in capital expenditures over the next six years. Capital projects are financed 60% by bonds, 40% by cash. The City Light management team has identified about \$165 million in investments that could be deferred, but we are still looking at an estimated \$1.4 billion in capital improvements necessary to replace and maintain our infrastructure – the dams, transmission system and distribution system. The utility is a very capital intensive operation compared to a lot of general government functions. Debt will continue to be incurred as we make the necessary infrastructure improvements. City Light spends \$230 - 250 million per year on capital improvements.

Q: How long do the existing rates stay in place?

A: The Council adopted a two-year rate plan last year, for years 2011 and 2012. As part of that two year plan, there will be a 3.8% rate increase in 2012. In 2012, the Council will adopt rates for 2013-2014. We are hoping that the six year strategic plan will help provide greater rate predictability over a longer time horizon. (Note: Councilmember Harrell added that the 4% rate increases shown in the baseline has not been approved by Council and that the Council will take a hard look at the recommendations that come out of the Strategic Plan and from the Review Panel to ensure there is validation/justification for what is being considered.)

Q: What is the trade-off if investments aren't made? These trade-offs should be identified in the strategic plan.

A: We agree. It will be important to identify the trade-offs of not making proposed investments. We will incorporate the comments we receive during phase one of the plan process and begin to define the initiatives and potential costs during the next several months. In the fall, during phase two, we will be asking customers and stakeholders for their views on these trade-offs.

Q: How much does debt service represent of the proposed 4% rate increase?

A: Debt service is about 40% of the estimated increase in the revenue requirement that is driving the forecast rates: debt service is the cost of repaying debt we issue to pay for major infrastructure maintenance and upgrades. Both debt service, and the power contract costs, which are mostly long-term agreements (and those cost increases are essentially locked in) are the relatively less controllable aspects of the Utility's revenue requirement.

Q: How are rates set?

A: Currently City Light makes a recommendation to the Mayor about what the rates should be during the budget process. This could be for one or more years. The Mayor then makes a recommendation to the City Council. The City Council is the rate-making authority. It reviews proposed rate increase and holds public hearings on the rates before finally adopting them. It may and often does make changes to the proposed rates forwarded by the Utility and Mayor. The strategic plan is an effort to look at a more long-range view of setting rates and not including rate-making during the budget cycle.

Q: I am a resident of Burien. Why do I get surcharges on my bill? I can understand the SPU 14% charge for being a non-resident and receiving services, but I don't understand City Light's charge.

A: If you live in a suburban city that we serve, the franchise agreement we have with that city authorizing us to be your electricity provider may include a separate charge agreed to by that entity that provides for us to collect and to pay a utility tax to that city. The revenue collected goes straight to the suburban city and not to City Light. If you live in unincorporated King County (outside city limits), you pay the same rates as City of Seattle residents, since King County does not have legal authority to impose a utility tax.

Reporting Out from Tables (listed by Table number, not the order of the presentations)

Table #1

- Rate predictability and stability is a top priority.
- The utility should adopt a long-term planning horizon for how it considers investments in renewable energy and be transparent about this so that businesses can plan accordingly.

Table #2

- Focus on the end bill rather than the rate.
- Energy efficiency efforts should not be prescriptive—they should allow for greater innovation, ways to affect what's happening at the meter.
- Look at the issue of an aging workforce and the next wave of knowledge workers - provide incentives and motivation for the utility's workforce to be innovative in finding energy efficiency.

Table #3

- The Strategic Plan should include a stronger focus on conservation and energy efficiency.
- Reliability of the system is also very important.

- The utility should focus on the workforce challenges and take steps to ensure we are prepared to bring in the next generation of skilled workers.

Table #4

- Rate predictability is a top priority.
- The utility should look at the long-term costs of decisions and the long-term cost picture generally. What will be the rate impact after 6 years? What is the long-term impact on rates of deferring investments now? Develop scenarios around these issues and explain how different scenarios impact rate predictability.

Table #5

- We agree with Table 3: there should be greater focus on energy efficiency, reliability and workforce challenges.
- The Utility needs to focus on system reliability.
- Rate predictability is a significant concern.
- The Aging workforce is also a significant concern—but it's both a problem and an opportunity to improve efficiency, creativity and our use of technology.
- All businesses are taking ten percent cost reductions, looking at all line items: City Light should do the same.
- The utility should sell or lease properties to save money or generate income.

Table # 6

- Conservation, conservation, conservation.
- Incentives for conservation should be deployed more creatively, in new ways to allow more people to take advantage of them. Power purchase options available to customers should be expanded.
- Rates are too low for proper incentives to conserve.
- Concentrate on workforce issues.

Table #7

- Conservation should be promoted through more innovative incentive programs.
- The utility should take steps to promote its independence from outside cost pressures such as BPA. Conservation can help here—reduce reliance on outside power purchases.
- Clarify how investment decisions are made and what is the expected return on investment.

Table #8

- We echo table 6: conservation is very important.
- The utility should invest in its workforce and succession planning. Look at partnerships with local schools in order to develop a skilled workforce.

Table #9

- Objectives should be more specific and measurable.
- The Utility should lead on innovative conservation and reduce its purchased power needs.
- Utilize better technology to become more efficient.
- Eliminate waste in energy transmission.
- Increase conservation in all aspects of operations and customer opportunities.

Table #10

- We focused on rates. Are rates so low as to deprive us of the ability to better control future rate increases? If we underinvest in infrastructure, reliability and conservation now, sustainability is hampered over the long-term. City Light should increase investment now for better sustainability of the utility over time. If rates go up, it reduced the payback period on conservation investments.
- Compare costs for other utilities for power purchases and other costs.

Table #12 (Table 11 did not convene)

- I-937 should be amended to reduce the cost impact on electric utilities.
- Take a hard look at City Light governance. We need more than the Review Panel. Perhaps identify an independent body that oversees utility operations and rates, and make sure they get the resources needed to do a thorough job.
- It is critical that City Light manage its costs. In particular, strategies to address labor costs and labor work rules are important.

**Seattle City Light Strategic Plan
Interim Outreach Meeting Summary**

Date: May 26, 2011

Location: Seattle City Hall, Bertha Knight Landes Room

Audience: Primarily, representatives from the environmental community

Number of Attendees (excluding City Light staff, City staff, and Review Panel members): 22

Summary of Question & Answer Session:

Q: Are the revenues from surplus power sales included in the baseline rate forecast?

A: Yes.

Q: Do you have quantitative data on rate forecasts of other neighboring utilities? It seems this would be helpful context for this discussion. And, if their rates are increasing perhaps City Light can expect an increase in wholesale revenues.

A: Other utilities do not generally make this available. There is some very short-term data available (typically where rate changes for the next year or two are proposed). There is actually not a close correlation between retail rates changes and prices on the wholesale power market. Wholesale prices are only for the energy, while retail rates include transmission, distribution and other costs.

Q: Why did the financial downturn increase rates? It seems it should have had the opposite effect.

A: The financial downturn reduced the demand for power so City Light's retail revenue dropped somewhat (3-4%); the reduction in revenue had to be addressed through increased rates. In addition, wholesale energy prices were low and, at the same time, City Light experienced a low snow pack which reduced the amount of available surplus power sales – all at the same time of the economic downturn. This resulted in an increased need for borrowing to fund the capital program. In most years, the surplus power sales help fund a significant portion of the capital program.

Q: How do you decide when to invest in conservation versus other investing in acquiring power?

A: We do look at the comparative costs and benefits of various power alternatives and purchase the most cost effective resources possible. Often, conservation is our most cost effective power resource—that is why we make a sizable investment in conservation each year.

Q: If wholesale energy prices are relatively flat, why are our power costs increasing?

A: For a couple reasons: we have less surplus power to sell each year in the future as demand increases. Also, we buy nearly half the power we need, mostly under long-term contracts such as our contract with the Bonneville Power Administration (BPA); those contracts have ongoing increases in the

price of power over time. In addition, we are required to buy power in excess of our needs pursuant to I-937: renewable energy tends to be much more expensive than the other power on the market.

Q: Looking at Tacoma Public Utilities and Snohomish Public Utility District, how much have their rates increased in recent years, in comparison to City Light's rate experience?

A: We have typically provided "snapshots" of how our rates compare at a given time, but we should be able to construct trend lines to provide these comparisons also. We know they face many of the same cost pressures as we do, though because of various financial structures and reserves, the timing of when those costs get passed through to retail rates can differ.

Reporting out from Tables: (3 Tables reported out; each table's responses are grouped below)

Table 1:

- We focused on the Environmental Stewardship objective. We would suggest City Light add some new outcomes and approaches relative to this objective, specifically:
 - Use rates to improve energy efficiency, use of conservation.
 - Affordable overall bills may be a more appropriate goal than simply lower rates. If there are lots of investments in conservation, then, power use – and thus power bills — will go down.
- Make conservation a key objective
- Remaining a carbon neutral utility should be a major objective, not just a sub-goal. Within that objective we think the utility should address fuel choice and promote use of electric cars and local generation activity.
- Identify local power production (i.e. distributive power) as an objective.
- City Light should increase its investment in an energy efficient infrastructure. That includes power production and distribution. In the end, that will achieve reduced rates.

Table 2:

- The objectives presented should be measurable and quantifiable so we can tell if City Light is successful in carrying them out.
- Some of the objectives combine multiple and potentially conflicting ideas and are therefore hard to rate.
- Energy efficiency/conservation should be a separate objective. It appears in a number of places.
- We think several things are missing that are important:
 - Distributed generation
 - Fish protection and recovery in relation to operation of the hydropower assets
 - Climate change
 - Resource planning
- The language is confusing when mixing rate stability, rate predictability and fiscal strength - different concepts than are presented in the document

- How will City Light address urban growth and promote urban villages around power availability and its substations?

Table 3:

- How is hydropower impacted by climate change?
- Be more aggressive in funding conservation rebates and incentives.
- City Light should help create a market for renewable energy
- District energy – or locally generated and distributed energy opportunities – should be promoted by City Light
- Vegetation management should take into account tree health and the importance of maintaining an urban tree canopy

Table Group Summaries
Strategic Plan Forum #2 – Environmental Organizations
Thursday - May 26, 2011
City Hall

Synopsis: Three tables reporting
 22 representatives from environmental stakeholders
 17 surveys returned

Table #1 Comments

Proposed objectives:

- Rate predictability is more important than keeping rates low
- Focus on how customers can reduce their bills, not keeping rates low
- Rate design should be used to encourage energy efficiency
- Strategy should drive level of rates, rather than low rates driving strategy
- City Light should try to influence policy beyond just current electricity use – particularly by expanding use of electricity to power transportation and reduce natural gas consumption/emissions

What's missing:

- More support for energy conservation and it should be available to all sectors/customer classes
- Support for local/distributed generation
- Support for increased efficiency in power generation
- Need for investments in utility assets and technologies to achieve efficiencies

Specific objective:

Environmental Stewardship

- Support for both conservation – that is, behavior by customers – and efficiency (e.g. investments in technology and systems)
- Energy conservation should be a primary objective, and its funding should not be cut when there are budget reductions
- Energy conservation can help those businesses who are especially affected by or sensitive to increased rates to keep their bills low
- Plan for success of green initiatives such as the 2030 district energy goals which hopes to achieve significant reductions in energy consumption from the utility; how will City Light collect sufficient revenues if that happens?
- On distribution side, encourage innovation and use pilots to test new ideas
- Skepticism that smart grid has significant benefits for a hydro-based utility

Table #2 Comments

Proposed Objectives:

- Lack specificity, especially number 2, 7 and 8
- Objective #7 should be broken into component parts – hard to rate as is
- Need measurable objectives and specific goals – things seemed lumped together
- Emphasize energy conservation
- Reference “fiscal stability” not “predictability”

What's missing?

- Distributed generation/on-site generation
- Addressing climate change
- Specific goals
- How will fish be protected
- Raising rates
- How the Integrate Resource Plan fits in
- Designing our facilities to fit into the urban picture (e.g. substations)
- Giving a context to what other local utilities are doing
- Use environmental responsibility to justify raising rates – that it is a responsible thing to do and customers/ratepayers are getting something back for the money invested

Specific Objective:

#8 - Maintain a stable, cost effective, environmentally responsible power supply portfolio

- Look at bigger picture and set measurable objectives – Conservation has a MW target and focus on I-937 requirements
- Distribution – establish cost-effective methodology
- Raise rates to achieve objective – there is an unconnected pricing strategy
- Diversity power supply portfolio
- Clearly define environmentally responsible

Table #3 Comments

Proposed Objectives:

- Need a higher profile for energy efficiency/conservation programs (it appears in several different objectives)
- Conservation is a least-cost option
- Thermal energy isn't getting attention because of I-937 gap
- Opportunity for "local" district energy needs to be called out – City Light should lead by example

What's missing:

- Energy efficiency/conservation programs aren't identifying new/potential opportunities to increase outcomes – take risks
- Treat conservation as a "rate" for new source of revenue
- Too many objectives may be diminishing visibility of conservation as a least-cost resource
- Opportunities with electric car

Specific objective:

Promote Environmental Stewardship

- There is overlap with several other objectives
- City Light's customer base supports environmental issues – viewed as a national leader
- Opportunity for private and public sectors to come together to innovate
- Create a fund (Innovation Fund) to fuel new ideas – City Light needs to be a leader
- Look at power generation costs to fund new technologies (e.g. renewables/conservation)
- Rebate/incentive structure may be too rigid to include only proven technologies – need to be more innovative
- How will climate change efforts play out in 10 years? Need long-term focus
- Protect tree canopies as vegetation management is practiced

**Seattle City Light Strategic Plan
Interim Outreach Meeting Summary**

Date: May 11, 2011

Location: Seattle City Hall, Bertha Knight Landes Room

Audience: Key Customers—Representatives from the Largest City Light Accounts

Number of Attendees (excluding City Light staff and Review Panel members): 16

Summary of Question & Answer Session:

Q: Explain the connection between I-937 and BPA power purchase requirements?

A: There is no relationship between I-937 and BPA. I-937 is a statewide voter approved initiative that requires electric utilities around the state to buy specified amounts of renewable energy each year (reaching 20% by 2020), and hydropower does not count towards this requirement. So, even though City Light does not need more power for about 10 years, each year we buy renewable energy or take other steps to meet these requirements.

Q: Are you working to change I-937? I suggest the Utility refer to its hydropower as a renewable energy resource, so the public better understands that hydropower is renewable.

A: The City did encourage the drafters of the Initiative to consider including hydropower resources as renewable. Since the initiative was approved by voters the City has not sought changes to I-937 in Olympia.

Reporting out from Tables: (3 Tables reported out; each table's responses are grouped below)

Table 1:

- Our table discussed the four focus areas (ratepayers, workforce, assets, municipal enterprise excellence). We want to know what City Light will be doing specifically about these things so that we can make our own strategic plans in response. We have nothing to add to the list of 12 objectives and have no problems with these objectives. We want to know what will be the priorities among these.
- Reliability and Rates: what is the balance? For some customers, for example, hospitals, reliability is key and we are willing pay for that. For other customers, the absolute level of rates is very important and keeping rates low is a big priority.

Table 2:

- In the objective about technology, what is meant? Specifically, how does this relate to the idea of a smart grid? It is not clear to us that a smart grid makes sense for residential customers, as they may not need the additional information that a smart grid would provide. The extra cost to them would probably not be justified. However, it probably does make sense to have a smart

grid for larger business and industrial customers, though these customers may already have sufficient information about their usage.

- There are perceptions about City Light's work rules that should be addressed. Some people believe, perhaps simply from rumors, that the workforce could be more efficient, could be more prepared at meetings. We hope you will address this in the plan.
- Rate design/classes: It is important to promote economic development through rates. To this end, City Light should not just show comparisons of system average rates, but show rate comparisons for different classes of customers. Some other major electric utilities in the country do this.
- We don't see in this discussion how trade-offs will be made or explained to people. Doing so will be very important: we can't do/afford everything that is being discussed.

Table 3:

- The 12 objectives are generally good, but associated rate increases are a concern to business.
- City Light should work to improve how it shares information with ratepayers in advance of major decisions, particularly around the capital improvement program. Items seem to resurface on the list of capital projects years after we thought they were taken care of.
- Create a ratepayer advocate position and role in the rate setting process.
- Aging workforce: lots of businesses face this challenge. We encourage the utility to work with local high schools to support student enrollment in industrial arts classes.

Table Group Summaries
Strategic Plan Forum #1 – City Light Key Customers
Wednesday - May 11, 2011
City Hall

Synopsis: Three tables reporting
16 representatives from City Light's key customer group
13 surveys returned

Table 1 Comments

Proposed Objectives:

- Agree with the stated objectives
- Agreement does not mean supporting a rate increase necessarily
- Need to know the trade-offs to move beyond status quo
- Want predictable rates – and keep rates low
- Balance rate impacts over time – efficiencies have helped

What's missing?

- Focus on cumulative rate impacts
- Consideration of an outside, independent "body/individual" to evaluate rate structure and governance issues
- Need more information in order to understand objectives and potential rate impact
- Review Capital Programs more thoroughly
- Look at residential rates – would be willing to pay more if it meant more jobs
- City Light should partner with City of Seattle on economic development programs

Primary Objective Discussed:

Rate Predictability

- More focus on cumulative rate impacts
- More open, streamlined, evidentiary process for setting rates
- Vet rates and major policy decisions through an outside body of utility and customer experts overseen by Mayor and Council
- Need cost allocation and rate design study
- Want reliable, safe, cost effective electric service – need to keep customers in business
- Ensure power quality along with reliability

Other:

- Want more information about CIP (Capital Improvement Projects)
- Want a dedicated ratepayer advocate to review rate proposals
- Work with high schools (industrial arts) to recruit prospective trade employees to address issues of aging workforce

Table 2 Comments

Proposed Objectives:

- Synchronize rates and budgets through the strategic plan
- Rate predictability does not mean just raising rates
- Increase efficiencies to have greater rate predictability
- Technology improvements should be aligned with customer needs and cost benefits

What's Missing?

- A re-look at I-937; engage customers related to renewable energy
- Differentiate residential and commercial conservation programs
- Distinguish between conservation and renewable energy advantages and pay-backs
- How is the cost of labor going to be managed
- How will interdepartmental cooperation be increased for major project efforts
- Unions need to be brought into the discussion regarding perceptions about efficiencies and work requirements
- Need a positive statement about maintaining competitive rates
- Trade-offs – what will it take to achieve objectives and meet challenges

Additional comments:

- Affirm budget and rate-setting integration and as a part of the strategic plan
- Rate setting should be forward-looking – ten year window – and use a gradual approach to adjustments with less volatility and uncertainty with more predictability
- Strategic plan should include a statement that speaks to the competitive advantage of a stable rate structure
- A statement should added on the intent to maintain surplus power, but not relying on the market as a stable revenue source; and City Light should be less reliant on surplus power sources for bonding, borrowing and rate setting
- Rate adjustment mechanisms should be avoided – it allows the utility to be less accountable
- To increase conservation, significantly increase incentive availability
- Remember to emphasize hydro power is renewable

Table 3 Comments

Proposed Objectives:

- Distribution is important, too, not just power supply
- More information is needed about our power contracts
- More infrastructure is need in the South Lake Union area
- Power reliability is critical
- Identify how City Light reports its service metrics – especially related to reliability
- Need better communications around power interruptions
- Need sufficient financial resources in order to improve infrastructure needs

What's Missing?

- Conservation discussion
- Accountability requirements for internal operations (best practices; e.g. sees City Hall/City buildings lighted at night when not in use)
- Need to make hydro a “renewable” resource in state’s definition
- How will City Light prioritize the objectives moving forward – what are the trade-offs?

Primary Objective(s) Discussed:

- Rate predictability: need to know to be able to effectively run a business
- Assets and reliable network: IT and BioMed have very high PQ standards – business must cover the cost differential for infrastructure investments

