From: SCL_CLRPquestions
Sent: Friday, July 24, 2015 9:25 AM
To: 'Terry Sullivan'
Subject: RE: City Light Review Panel Meetings

Hello Terry,

Thank you for your email. The utility of the future discussion is an "invitation only" workshop that is being held at an offsite location so it is not open to the public. If you wish to attend a future Review Panel Meeting, they are open to the public and they are held in a conference room at our offices. The dates and locations will be posted soon on our City Light Review Panel website.

Thank you.

Sincerely,
City Light Review Panel Mailbox

From: Terry Sullivan [mailto:tsullivansf@gmail.com]
Sent: Wednesday, July 22, 2015 10:25 PM
To: SCL_CLRPquestions
Subject: City Light Review Panel Meetings

Hi there,

I wanted to find out if the review panel meetings are open to the public. I attended the Council's Energy Committee meeting and heard mention of a panel discussion of the utility of the future. I wanted to find out if these are open or closed.

Thanks

Terry

Kinney, Kim

From: SCL_CLRPquestions
Sent: Friday, September 11, 2015 1:06 PM
To: 'Tony MILLER'
Subject: RE: City Light Residential Monopoly Status

Dear Mr. Miller,

Thank you for your email to the City Light Review Panel General Mailbox. We have referred your inquiry on to our Customer Care Division who handle all customer related account concerns. They have advised that the Account Setup fee is an administrative cost that they charge all customers when a customer makes a move within the City and it is a standard charge even when people move within a building. If you would like further information, our Customer Service Center can be reached at (206) 684-3000.

Thank you,

City Light Review Panel General Mailbox

-----Original Message-----
From: Tony MILLER [mailto:tonymiller98116@gmail.com]
Sent: Wednesday, September 09, 2015 1:43 PM
To: SCL_CLRPquestions
Cc: jim.braggs@seattle.gov
Subject: City Light Residential Monopoly Status

Dear Ladies and Gentlemen:

I am a longtime resident of Seattle and customer of Seattle City Light who has recently moved within the city. Seattle City Light has imposed a $23 Account Setup fee for our new residential account. Inquiring to your Customer Service group they stated this fee is required for new accounts. They could not provide any justification of what the fees are paying for.

It is appalling in a monopoly situation a supplier is forcing its dependent customers to pay such an extraordinary, unjustifiable fee. No other similar utility or private enterprise I've dealt with personally or professionally takes advantage of a relationship like Seattle City Light is here. City Light has the privilege of operating in a loosely regulated monopoly yet does not hesitate to abuse the supplier-customer relationship. With such unilateral fee gouging I'm confident waste is not being aggressively managed at the overhead cost levels as well.

I'm sure this will ring on deaf ears, but consider this to be a very displeased utility customer.

Respectfully,
Tony Miller
[redacted]

Kinney, Kim

From: Knight, Don <dknight@springsgov.com>
Sent: Friday, September 18, 2015 1:52 PM
To: SCL_CLRPquestions
Subject: Corporate Citizenship

Dear Seattle City Light Review Panel Member,

I am Don Knight, City Councilmember in Colorado Springs, where we also sit as Colorado Springs Utilities Board of Directors. We are currently preparing our 2016 budget and one of the issues being debated is contributions to charities and local non-profit events.

We just received a briefing from JD Powers showing Seattle City Light's strong ranking, especially in Corporate Citizenship. In looking at your web site, I see where SCL volunteers support numerous local non-profit events and how you have membership in many local organizations. However, it does not state if you also support financially. Therefore, would you mind sharing if:

1. Does SCL give financial support from rate payer dollars to non-profits events or just volunteers and/or donates use of equipment, etc? In other words, do you write a check to an organization?
2. Does SCL give financial contributions from rate payer dollars to charities?
3. I am assuming you do pay dues to organizations such as NW Energy Coalition, Sustainable Seattle, etc. Is this correct?

Thank you in advance for your insight.

Don Knight
Colorado Springs City Council, District 1
107 N Nevada Ave, Ste 300
Colorado Springs, CO 80901
[redacted]

Kinney, Kim

From: SCL_CLRPquestions
Sent: Thursday, September 24, 2015 12:01 PM
To: 'Knight, Don'
Cc: Hamilton, Sephir
Subject: RE: Corporate Citizenship

Hello Mr. Knight,

Thank you for your email to the Seattle City Light Review Panel General Mailbox. The City Light Review Panel Members would not have this topic within their purview, however your inquiry has been passed along to Seattle City Light Management. Sephir Hamilton (copied) is our Chief of Staff here at Seattle City Light and he will be in touch with you to answer your questions with regard to Corporate Citizenship.

If you have any questions, please don't hesitate to let us know.

Thanks and kind regards,
KIM KINNEY | ADMINISTRATIVE STAFF ANALYST
GENERAL MANAGER'S OFFICE

Seattle City Light
kim.kinney@seattle.gov
TEL (206) 233-2772 CELL (206) 639-3661
The nation's greenest utility

From: Knight, Don [mailto:dknight@springsgov.com]
Sent: Friday, September 18, 2015 1:52 PM
To: SCL_CLRPquestions
Subject: Corporate Citizenship

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3. I am assuming you do pay dues to organizations such as NW Energy Coalition, Sustainable Seattle, etc. Is this correct?

Thank you in advance for your insight.

Don Knight
Colorado Springs City Council, District 1
107 N Nevada Ave, Ste 300
Colorado Springs, CO 80901
[redacted]

Kinney, Kim

From: SCL_CLRPquestions
Sent: Monday, October 12, 2015 4:05 PM
To: Donald Brubeck
Subject: RE: City Light Solar PV incentive program

[redacted]

Dear Mr. Brubeck and Ms. Shimamoto,

Thank you for your email directed to the City Light Review Panel Mailbox. We will pass along a copy of your email correspondence to the Review Panel as well as a copy to City Light Management. A representative from City Light will respond to your concerns.

Thank you for your time.

Sincerely,
City Light Review Panel General Mailbox

From: Donald Brubeck [mailto:d2brubeck@gmail.com]
Sent: Saturday, October 10, 2015 10:05 PM
To: Sawant, Kshama <Kshama.Sawant@seattle.gov>; O'Brien, Mike <Mike.OBrien@seattle.gov>; Okamoto, John <John.Okamoto@seattle.gov>; Harrell, Bruce <Bruce.Harrell@seattle.gov>; SCL_CLRPquestions <CLRPquestions@seattle.gov>
Subject: City Light Solar PV incentive program

We cannot begin to express how dismayed we are by the news that Seattle City Light may choose not to honor its commitment to make the full incentive payment of $0.54 per kWH for solar PV production from our residence.
Nothing in the information provided to us by Seattle City Light or by the Solarize NW program from NW SEED promoted by Seattle City Light mentioned the risk of this possibility. We are not in a position to be able to make payments on our loan for the system without the offsetting incentive payments that were planned to balance out.

We based our decision to invest $29.000 in a solar PV system on the information from Seattle City Light, and from information presented in the Solarize NW workshops and handouts and projections provided by the contractor for our installation. Paying back our loan for the cost of this system depends primarily on the $0.54 per kWH production incentive from Seattle City Light. We did our part. Our contractor and credit union and the Electrical Workers Union did their part. The federal government did its part with tax rebate. We expect the City of Seattle to uphold its end of the deal, too.

We are certainly making our voices heard to our state legislators to ask them to increase the incentive cap that we did not know about, but in the meantime, we expect Seattle City Light to honor its commitment to those of us who have already invested in solar, benefiting the entire community.

It is unconscionable for Seattle City Light to be saying, "Despite the [31%] proportional production incentive payment reduction, City Light continues to support its customers desire to engage in solar generation, whether through Community Solar Programs or residential solar generation." Until and unless the state legislature acts to allow a larger overall pool of funds, the solar PV program participation should be capped so that the full production incentive is made to those who have already installed systems and are counting on the payments.

Don Brubeck and Lynn Shimamoto
[redacted]

Sent: Thursday, October 29, 2015 10:27 AM
To: SCL_CLRPquestions
Subject: FW: City Light Solar PV incentive program

Attached is a copy of the response from our SCL_EnergyAdvisors back to Mr. Donald Brubeck.

From: SCLEnergyAdvisor
Sent: Thursday, October 29, 2015 10:22 AM
To: Donald Brubeck <d2brubeck@gmail.com>
Subject: RE: City Light Solar PV incentive program

Dear Donald,

Thank you for contacting Seattle City Light Energy Advisors with your comments about the forecasted 2016 solar production incentive cap.

We understand your concerns and sincerely hope the state legislation can be changed so our customers are not impacted in the way we currently forecast. Just as whether to participate in the program is at the discretion of the utility, whether to close the program to new customers or allow new customers and reduce the payments to all customers, is at the discretion of the utility. In the case of Seattle City Light, the utility presented the options to the Mayor who made the decision to continue to make access to the state incentive available to new customers.

Seattle City Light supports customer solar installations—partly evidenced by the fact we voluntarily participate in the state incentive program—and was very engaged with legislature in 2015 trying to get them to address the cap. Unfortunately, no movement occurred on those pieces of legislation. City Light's efforts will continue in 2016.

I have logged your comments and will forward to the City Light representatives who engage the Mayor's office and state legislature. I see you've included council members on this correspondence and will make sure our representatives know that as well.

If you have additional questions or need further information, please contact an Energy Advisor at (206) 684-3800, Monday through Friday from 8:30am to 4:30pm.

Have a good day,
Katie

KATIE | ENERGY ADVISOR
SEATTLE CITY LIGHT
CONSERVATION RESOURCES DIVISION

Seattle City Light

sclenergyadvisor@seattle.gov
TEL (206) 684-3800
seattle.gov/light/conserve
Log #50767

From: Donald Brubeck [mailto:d2brubeck@gmail.com]
Sent: Saturday, October 10, 2015 10:05 PM
To: Sawant, Kshama; O'Brien, Mike; Okamoto, John; Harrell, Bruce; SCL_CLRPquestions
Subject: City Light Solar PV incentive program

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Don Brubeck and Lynn Shimamoto
[redacted]

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

October 20, 2015

Honorable Mayor Edward Murray
The City of Seattle

Honorable Council Chair Burgess and Members of the City Council
The City of Seattle

Dear Mayor Murray and City Council Members,

The City Light Review Panel has recently been advised of a plan to move all but two information technology systems out of City Light to the City's Department of Information Technology ("DoIT") as part of a citywide IT consolidation. We understand there are different levels of staging, but the end result will be for most of the Utility's IT systems to be outside of its direct control. We are deeply concerned about this proposal and the risks it poses to City Light's customers, and we ask for your reconsideration of this plan.

Per the ordinances creating the Review Panel, our role is to review and assess the Utility's Strategic Plan and provide analysis and recommendations on significant elements of the Plan as it is implemented, including financial policies, cost allocation, rate design and operational efficiency.

Successful implementation of City Light's strategic plan is fundamentally dependent upon successful implementation of a new set of very expensive, proprietary technology systems that are unique to City Light within the City organization. Technology strategy goes to the heart of the Utility's operational efficiency, as well as security, reliability and safety.

Moving proprietary IT functions outside the utility is a highly unusual practice that may increase the vulnerability of these systems. One of the most significant risks facing utilities today is cybersecurity -- external parties hacking into utility systems to disrupt operations, cause major outages, and to obtain confidential customer information. The Utility has established relationships with federal agencies specifically tasked with monitoring utilities' compliance with security regulations to help prevent such attacks.

In accordance with the approved Strategic Plan, City Light is embarking on several major technology initiatives, involving new, large-scale systems to improve system operations, improve reliability, and bring efficiencies. The customer information system, smart meter infrastructure, and distribution management system are high profile, critical systems. They are highly integrated into the physical assets and delivery of energy to customers. Failure to implement well due to lack of industry expertise or lack of coordination could pose material risks in terms of safety, security, and reliability.

We are relieved that the Utility's energy trading system and energy management system will remain under the Utility's control, however, in our opinion, moving the other proprietary systems is simply too risky and unwarranted.

As your Seattle City Light Review Panel, we strongly urge you to reconsider this initiative. As representatives of major customer groups and based upon our collective industry experience, we believe this decision offers minimal gain for utility customers and much risk. It also may result in higher costs charged back to City Light which would negatively impact rate-payers.

Regards,

Julie Ryan
Chair

Tom Lienesch
Vice-Chair

cc: Deputy Mayor Kate Joncas
Michael Mattmiller, Chief Technology Officer, DoIT
James Baggs, Interim General Manager, SCL
Tony Kilduff, Council Staff
Greg Shiring, Budget Office

City of Seattle
Department of Information Technology

October 26, 2015

Julie Ryan, Chair and Tom Lienesch, Vice-Chair
City Light Review Panel

Dear Ms. Ryan and Mr. Lienesch:

Thank you for sharing the concerns of the City Light Review Panel with the Mayor regarding the current proposal to consolidate City IT services, including Seattle City Light. The Mayor has requested we respond on his behalf. We wholeheartedly agree that the continued adoption and update of modern technology is a critical part of the Strategic Business Plan that you worked with the utility to develop in 2012 and updated in 2014.

In planning for the proposed consolidated Seattle Information Technology Department (Seattle IT), the City will carefully design an organization that will meet the IT security and IT compliance needs of Seattle City Light and other City departments. DoIT has a strong track record of meeting cybersecurity and communication compliance requirements for systems under its control. In addition, the vast majority of systems under FERC, NERC, or Critical Infrastructure oversight concern power system operation and remain under the sole control of City Light staff.

The process of consolidation proposed by the Mayor is deliberate. The City, along with City Light, would like to request the opportunity to provide you a more detailed roadmap on how this consolidation will move forward in 2016, including how consolidation of employees, cybersecurity, and IT project management and operations will proceed while still maintaining the aggressive deployment of new technology committed to City Light customers.

We would appreciate the opportunity to meet with you and the rest of the City Light Review Panel to discuss the process of consolidation, the opportunities it presents, and the concerns that you identify in your letter.

Sincerely,

Jeff Bishop
(On behalf of Jim Baggs)
James Baggs, Interim General Manager
Seattle City Light

Michael Mattmiller, Chief Technology Officer
City of Seattle

Michael Mattmiller, Director and Chief Technology Officer
Department of Information Technology
Seattle Municipal Tower, 700 Fifth Avenue, Suite 2700 PO Box 94709 Seattle, WA 98124-4709
Tel (206) 233-7937, TDD: (206) 233-7810, Fax: (206) 684-0911, http//www.seattle.gov

energy strategies

December 2, 2015

TO: Manufacturing Industrial Council

FROM: Energy Strategies

RE: SCL Financial Policy Recommendation

Background

In 2010, the City of Seattle adopted legislation that brought about a number of changes to the Seattle City Light (SCL) financial policies. The most significant of these was the establishment of a Rate Stabilization Account (RSA) that creates a cash reserve that is used to "buffer the utility from uncertainty in wholesale energy revenue."[1].

SCL financial policies target $100 million to $125 million to be held in the RSA. An automatic surcharge is triggered if the cash balance drops below specific thresholds. The quarterly surcharge is 1.5% if the RSA is less than $90 million, 3.0% if the RSA is less than $80 million and 4.5% if the RSA is less than $70 million. Action by the City Council is initiated if the fund drops below $70 million.

The legislation also established:

- A requirement to maintain a Debt Coverage Ratio (DCR) of 1.8 beginning in 2010 (down from the previous 2.0) based on the reduced risk created by the RSA.
- A six-year "Strategic Plan" which SCL must use to forecast capital expenditures.
- A method for forecasting the net wholesale revenue (NWR) using a simple average of NWR realized over all years beginning in 2002 and ending with the last prior year that SCL has complete information. This NWR forecast can also be amended if the City Council finds reason to do so.

As part of the 2015-2020 Strategic Plan, SCL has proposed a dramatic reduction in the NWR forecast (totaling $69 million), from 2014 to 2020. The removal of these dollars from the revenue requirement forecast means that the $69 million must be collected from ratepayers in the form of higher rates.

Such rate increases are planned for implementation through 2020[2]:

Planned Rate Increase	2015	2016	2017	2018	2019	2020
Average System Rate Increase	4.2%	4.9% (6.1% for High Demand customers)	5.0%	3.9%	3.6%	4.9%

[1] SCL October 2, 2015 Financial Report to Mayor Murray, Page 4
[2] March 30, 2015, Presentation by Tony Kilduff to Energy Committee, Page 1

SCL acknowledges that the RSA "significantly mitigates"[3] SCL's financial risk associated with wholesale sales revenue, while the "customers are exposed in part to the wholesale revenue risk via RSA surcharges"[4] explained above.

Discussion

As previously noted, SCL's financial policies require it to set rates sufficient to cover debt service 1.8 times after all required operating expenses are paid. Therefore, changes in debt service have 1.8 times the impact that regular expenses have on the revenue requirements.[5] In its most recent financial report to Mayor Murray on October 29, 2015, SCL indicated that although it expects to achieve significantly less NWR ($29.9 million) in 2015 than the financial plan projects, the utility's DCR is at 1.7, which it expects to maintain through the end of 2015. Despite this lower DCR, there has been no discussion or remedial actions taken by the City Council to increase the DCR to the required 1.8.

In addition, the following mechanisms significantly reduce SCL's risk exposure:

- The RSA ensures that any shortfall in NWR can be immediately covered.
- Customers pay higher rates to allow for a lower NWR forecast in the revenue requirement.
- SCL also maintains $63.6 million in its Bond Reserve, which is funded by bond proceeds and interest earnings, and has grown by almost $40 million in the last few years. It is forecasted to grow to $73.6 million at year end.[6]
- Financial policies require that the City of Seattle set electric rates at levels that will "ensure that net revenue available to fund capital requirements each year will be positive with a probability of at least 95%."[7]

Due to the reduced risk these mechanisms provide to SCL, and in light of SCL's ability to maintain a 1.7 DCR in 2015 without any action being taken by ratings agencies despite very low NWR, we believe it is reasonable for the target DCR to be relaxed from 1.8 to 1.6 in SCL's financial policies.

At this time, the key line of demarcation appears to be a DCR of 1.5, as evidenced by statements by Moody's. For example, when assigning a stable outlook to SCL in its June 9, 2015, ratings outlook, Moody's stated that the rating is based on "the benefit of the RSA mechanism.....and an adjusted debt service coverage ratio north of 1.5"[8]. Moody's further reinforced the significance of a 1.5 DCR when stating that SCL's ratings could *potentially* drop if the DCR falls *below* 1.5[9] (along with other financial actions). A target DCR of 1.6 would keep SCL safely above the 1.5 DCR called out by Moody's.

Further, as shown in the table below, SCL continues to have the highest target DCR amongst its peer public utilities in the west, while also having the largest reserve fund requirement.

[3] SCL Risk Oversight Status Report to Mayor Murray, Page 4
[4] IBID
[5] Adopted Revenue Requirements Analysis 2013-2014, Page 8
[6] SCL October 29, 2015, Financial Update to Mayor Murray, Page 1
[7] SCL Financial Policies
[8] Moody's Ratings Outlook, June 9, 2015
[9] IBID

Utility	Rate Stability Mechanism	Required Amt	Funding Mechanism	Current Funds	Target DCR
SCL	Yes	$100 M	Contingency Reserve, CIP funds, retail rates	$97.8 M (9/15)	1.8
Chelan County	Yes	$50 M	Set in annual budget	$50 M (12/14)	1.25
Clark County	Yes	No set amt	Net sales margin	$50 M (3/15)	1.25
Cowlitz County	Yes	No set amt	Net sales margin	$110 (5/15)	1.5
Grant County	Yes	$12 M	Contingency Reserve	$121.7 M (12/14)	1.25
LADWP	Yes	NA	Set in actual budget	$174 M (6/14)	1.7
Snohomish	Yes	NA	NA	$115 M (10/14)	1.75
Tacoma Power	Yes	$36 M	Set in annual budget	$48 M (12/14)	1.5

Note that in a 2009 financial policy "working paper", SCL proposed changing the financial policies by reducing the DCR to 1.6, 1.7 and 1.8, respectively, in 2010, 2011 and 2012, in combination with an automatic rate adjustment mechanism (the RSA)[10].

SCL also has greatly reduced its debt over the last five years; thus, the amount of revenue needed for the debt service coverage has decreased as well.

Recommendation:

Because so much of the overall risk has been reduced for SCL through the creation of the substantial RSA and the growing bond reserve, we recommend that the target DCR be reduced from 1.8 to 1.6 in the financial policies, to reduce over-collection of revenue from customers.

The table below illustrates the amount the revenue would be reduced for the total service territory based on changing the DCR:

Revenue Savings ($M) - Total System (Residential + Non-Residential)

Service Territory Savings	2015	2016	2017	2018	2019	2020
Debt Service Ratio (1.75x)	9.7	10.2	10.9	11.3	11.6	12.2
Debt Service Ratio (1.7x)	19.4	20.5	21.7	22.7	23.2	24.5
Debt Service Ratio (1.65x)	29.1	30.7	32.6	34.0	34.8	36.7
Debt Service Ratio (1.6x)	38.8	40.9	43.4	45.4	46.5	48.9

Source: 2014 Strategic Plan Financial Assumptions 2015-2020

[10] Review of Seattle City Light's Financial Policies Fall 2009 Working Paper, Page 1