Seattle City Light Review Panel:
Report of Results from Initial Interviews of Review Panel Members

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July 19, 2010

This document reports the input received from the nine Seattle City Light Review Panel Members based on interviews of each Member occurring over the period from July 1 – July 19, 2010.

The goals of the interviews were to identify the priorities and interests of the Review Panel with respect to the Strategic Plan Update and the Panel's roles and responsibilities in general. Each Panelist was asked by the Facilitator to respond to a set of 9 questions. The Facilitator took notes with the understanding that individual responses would be paraphrased in this summary document without attribution. Eight of the nine Members were interviewed in person; the ninth Member had a last minute schedule conflict and sent in responses by email to help finish the report on schedule.

In this report, each of the 9 questions is re-stated; the "bulleted points" following each question restate the full range of responses. Responses are re-stated in somewhat random order, that is, the first point mentioned did not always come from the same person. Where common themes were voiced, these are noted up front. Ideas repeated by more than one Member are also flagged.

In summary, the Members come to this task with a good diversity of interests and experience with respect to Seattle City Light (SCL). There was no unanimous or even near-unanimous consensus expressed on any specific question or issue. However, there was substantial interest voiced in several ideas or issues and these "theme" areas are noted. On some issues, Members expressed conflicting viewpoints. All members recognize they are at the beginning of a process and that there is a lot of data review ahead before final recommendations can be made.

1. **Ideally, what would you like the Review Panel to accomplish?**
   Responses centered around three areas: *shaping the strategic plan; shaping decision-making at SCL;* and *ensuring community interests are represented.*

   Shaping the Strategic Plan
   - Ensure the strategic plan helps hold SCL accountable to ratepayers.
   - Help SCL achieve their goals.
   - Identify future threats and help allocate resources accordingly.
   - Ensure the strategic plan is aligned with forecasts and rate design.
   - Help SCL create a useful plan that can assist it over the full planning period.
   - Review adequacy of financial policies.
   - Promote investment throughout the system.

   Shaping SCL Decision-Making
   - Have an impact on how Seattle City Light (SCL) operates.

- Contribute to an ongoing dialogue with leadership of the City about the challenges facing SCL.
- Provide context and advice for utility management in their decision making.
- Promote long term reliability of services and predictability of rates, for all customers.
- Review the real data on costs, revenues, etc. on which SCL will be making its decisions over the next 6 year to confirm that the data supports the decisions and recommendations in the strategic plan.

Ensuring Community Interests Represented

- Ensure representative community input into decisions.
- Look at issues from different angles—low income residents, other residents, businesses
- Encourage public engagement in the plan and decisions .
- Provide an educated citizen viewpoint to help inform the utilities decisions.

Other

- The Panel should advocate for the completed strategic plan to interested parties.

2. Ideally, how would City Light be different from it is today, if at all?

Responses here covered a range of topics; a majority of Members identified issues relating to the *controlling costs and rates.* Another theme related to utility management within the context of city government: the importance of *getting the best decisions from City leaders*.

Controlling costs and rates

- Run more efficiently with lower costs: it is important to keeping Seattle an attractive place to live and work.
- Ensure rates are reasonable.
- SCL should understand better what its customers want and how to pay for it.
- Be on a clearer path to mitigate rate volatility. Need a better array of mitigation options in place.
- Look at spinning off some parts of the utility as a possible way to reduce costs to the public.

Getting the best decisions from City Leaders.

- Have more professional oversight than the City Council can provide given its other responsibilities and the fact that the Council are not utility experts and city light is a very complex operation. (multiple responses)
- Better ability for political institution to support the challenges the utility faces in the near term, which are cost, reliability, environmental compliance.
- Have a roadmap for the future on which everyone agrees and takes their part.

Other

- SCL should focus more on the basics rather than the trendy things.
- More transparency in cost and revenue data and how plans affect rates.

- Not sure.
- Strategic planning would be completed so we could focus on implementation.
- Meeting the I-937 requirements, conservation requirements, in a reliable way.
- People and systems challenges would be adequately funded and managed (retirement of workforce, technology upgrades).
- Stronger internal systems (see State Auditor's report).
- Better communication with franchise cities.

3. What do you think the greatest challenges will be for the <u>Panel</u>?

The most common theme here was a concern that the Panel *receives, understands and constructively engages/questions the data necessary to make its recommendations*. Another major theme was *staying out of the weeds—focusing at the appropriate level*. Other concerns focused primarily on the *Panel's process* and how that will go.

Understanding & engaging with the data.

- Ensuring we are well informed and listened to.
- Understanding the data. (multiple responses)
- Being able to engage in educated discussions about the data—not simply be "spoon fed."
- Being inquisitive.
- Understanding of the complexities of the utility and being able to add value.

Focusing at a strategic level, not getting lost in detail

- Operating at the right level: we're tasked to update a strategic plan, not operate SCL. Stay out of the weeds. (multiple responses)

Panel process

- Maintaining participation and enthusiasm over time.
- Being sure everyone is heard—but limiting the personal opinions not helpful to the discussion.
- Convincing SCL that the Panel has value to help them shape solutions.
- Scheduling.
- Meeting expectations of the City, SCL, given that there are many processes and projects on which we are supposed to provide input that are well underway.
- Staying on track, not going off on tangents.
- Getting the work done on a timely basis.

4. What do you think City Light does best now?

Three themes from this question emerged: SCL has a *very reliable system*, *rates are generally very low, particularly for residents*, and SCL does a *good job in communicating with customers*. However, not all panelists agreed with these last two themes.

- The system is very reliable. (multiple responses)

- Rates are very low. (multiple responses)
- Residential rates are low.
- Line staff seems very skilled.
- Open communication with Review Panel in presentations thus far. (multiple responses)
- Communicate well with regular ratepayers.
- Good listening on behalf of customers.
- Manage big hydro resources well for multiple goals (fish, power, etc.).
- A strong set of environmental and conservation programs are in place.
- Carbon neutral. (multiple responses)
- Ability to sell wholesale power helps keeps rates down.
- Engage stakeholders in efforts like this Review Panel.
- Strong financial position—good bond rating.
- Good leadership team.
- Nothing in particular.
- Recognize need for long term planning and more stakeholder involvement.
- Use of Local Improvement Districts where appropriate to have those specially benefitting from investments pay for them.

5. What do you think City Light's weaknesses are?

Responses here were all over the map, without any significant repeat.

- A desire to focus on trendy things.
- Rapid turnover in management team.
- SCL is in too many lines of business.
- Cost structure.
- Aging infrastructure.
- Energy efficiency programs are limited due to artificially low rates.
- Not accountable to the public
- Cannot be best managed by a city council. It's too complex of an operation (multiple responses).
- Buying too many expensive resources.
- Growing paralysis of decision-making, perhaps fearing political backlash.
- Weaknesses in parts of distribution system—frequent outages, bad underground cable. Suggests lag in upkeep of infrastructure. (multiple responses)
- Have not well aligned revenue, budget and rate-setting: these remain in silos. No integrated financial operation.
- Need to be more realistic about the rate impacts: can't do everything that seems like a good idea within a reasonable level of rates: can't "have your cake and eat it too."
- Customer service for businesses is poor.
- Recent state audit raised some areas of concern. (multiple responses)
- Not sure.

- Weaknesses of SCL are common to many utilities: aging infrastructure and workforce,
- Volatility of wholesale portfolio
- Desire for innovation risks driving costs up without good cost-benefit analysis to support it.
- Getting caught in crisis mode—energy markets, windstorm response.
- Rate setting is too reactive: the utility is not adequately anticipating future challenges.
- Conservation is separated from core functions (power production). Tends to get cut when there is a budget problem.
- SCL is a difficult organization to work in.
- SCL is so large—there must be ways to be more efficient.

6. What ideas or issues do you want to explore in the Strategic Plan?

Two points were echoed by a substantial number of Members: First, *the plan should show how proposed programs and investments will impact rates: what are the options; what are the costs of each option; what are the criteria used to make the recommended choices?* Second*, the plan should clearly link strategic recommendations to budget and rate decisions.* *Note:* The many very similar responses on these two items are not restated below. There was also a strong theme was around incorporating mechanisms in the plan to increase *accountability.* Members also noted a wide range of other ideas and issues that could be explored in the Strategic Plan Update.

Accountability

- Need to include oversight and accountability mechanisms for the Capital Improvement Program.
- If selling power on the open market is a big part of keeping our rates down, can you show us that the staff are maximizing our revenue in these sales?
- Use industry benchmarks to compare SCL's performance.
- Create a roadmap and set of expectations for SCL, the City Council, Mayor; include mileposts: everyone has a part to play over time to implement the vision. Clearly state those parts.
- Be clear about the implementation of recommendations: when and how much?
- How will we hold employees accountable to accomplish the goal of SCL being a "high performance organization"?
- Need to set up an ongoing process for reporting of results to ensure accountability.

Other

- Do a new plan, don't just update the 2008 plan.
- Need more transparency on cost, revenue data.
- Examine various scenarios around growth assumptions.
- Need sold baseline information on the cost of the status quo and on the minimum cost of required maintenance/compliance activities. Where are we exceeding the minimum requirements and why? What are the options?
- Think outside the box in how various customer classes are served—industrial customers might be willing to accept interruptions in their power if it saved them money, and that could also perhaps save everyone money by meaning SCL doesn't need to acquire as much power.
- Engage customers.

- Examine greenhouse gas issues and how they impact operations
- Consider how actions of other City departments may impact City Light: e.g., if the Transportation department encourages electric cars it will increase power demand. These citywide goals should be integrated into the strategic plan where they impact SCL.
- Be prepared to address volatility in energy markets.
- Why are we apparently facing constant rate increases each year?
- Consider how customers will use power in the future—it will be evolving.
- Ensure smart grid and conservation investments are funded.
- Skeptical about smart grid investments: big expenditure with no immediate benefit.
- Consider breaking plan out into parts that can move forward in different processes; e.g., capital program could be discussed and addressed separately from the higher level vision document. Other parts of the plan could be set-up for on-going check-ins with Council, Mayor
- Be realistic.
- Be shorter, more direct, and more amendable to quantification than the 2008 draft plan.
- 1 page executive summary needed.
- Energy rate escalation to contain carbon and sell idea to public.
- Focus on conservation.
- Workforce re-evaluation, outsourcing of work.
- Should help the average ratepayer understand SCL's situation and the choices to be made, and how the public will benefit from these choices.
- The 9 issue areas posed by staff seem appropriate.

7. What do you think are the strengths of the draft 2008 Strategic Plan?

Responses to this question did not result in any clear themes.

- Haven't read it (multiple responses).
- Haven't read it in enough detail to comment.
- Nice document, although not very helpful at illuminating the choices and costs.
- Nice graphics and photos.
- Comprehensive scan of issues/environment.
- Established a need for a better Strategic Plan.
- Proposed consolidation of rate advisory and review panels.
- Linked SCL vision/mission to the plan.
- Identified priorities.
- Good executive summary.
- Included some metrics for performance.

8. What do you think are the weaknesses of the draft 2008 Strategic Plan?

Responses here were again across the board.

- Haven't read it (multiple responses).

- Haven't read it in enough detail to comment.
- Metrics not very helpful; difficult to quantify success. (multiple responses)
- Not enough financial depth—no financial forecast, no discussion of the rate impacts of proposals, no cost estimates for proposals. (multiple responses)
- Failure of the process: council rejected plan. (multiple responses)
- Doesn't clearly state what SCL will be doing, or why. (multiple responses)
- Too high level, not specific.
- Too detailed. Too long.
- Too much jargon. Average person will never connect to it.
- Tone is a little defensive.
- Wasn't "sold " to constituencies.
- No clarity as to the criteria used to recommend choices.
- Conservation programs not fully integrated with power production/operations.
- Doesn't speak to the average person. Makes it difficult to get meaningful public input.
- Doesn't identify the concrete benefit to customers of the various initiatives. How much faster will response time be? What is the benefit of spending more on maintenance?
- Not well connected to the current realities: it should be relevant to what people are hearing about in the news.
- Not enough about implementation and timing.
- Why is the IT plan a separate plan?

9. **What ideas do you have about how the Panel should operate—in relation to the Members, staff, Mayor, Council? Ideas about the [Panel's] Charter?**

   The only prevalent theme here was to *ensure the Panel remains in good communication with the Mayor and Council*.

   - It will be important to stay connected to Council and Mayor for their ideas, hopefully by meeting with them in person (multiple responses).
   - Don't let Panel get stuck between conflicts between Council and Mayor.
   - Panel should stay advisory; stay away from tactics and organizational issues.
   - We should be able to ask tough questions of the staff.
   - Less process is preferable to lots of process.
   - Meet with people other than just staff and the Members.
   - Use homework to make better use of our time together.
   - Send us reminders: "forced accountability."
   - Ensure we have enough time for discussion.
   - Co-chairs need to be neutral, not driving some agenda.
   - Charter should be simple.
   - Voting by email should be allowed.
   - Facilitator should interface with SCL to get information requested from Members.
   - Good to have a facilitator—this will allow Co-Chairs to participate more.

- Brief Panel on conflict of interest rules.

10. What ideas do you have about the Panel's role n public outreach? Ideas or concerns?

Most of the Panelists do not think that the Panel should spend time conducting general public meetings. Some felt the Panel has no real role in conducting outreach. Several favored use of focus groups or having Members go to meetings of other organizations to get their input and report back. Almost all Members were open to the idea of stakeholder panels meeting with the Panel as a time-efficient way to receive stakeholder input. The range of responses is set forth below.

- We should develop an email list of people in community interested in these issues and communicate with them.
- Do not want to have the Panel conduct or attend a lot of public meetings (multiple responses).
- Focus groups on customer classes.
- Send Panelists to report to their stakeholder groups and report back to the Panel (multiple responses).
- The general public will not be interested in attending meetings on this subject matter (multiple responses).
- If we have stakeholder panels, we should make sure the issues aren't separated in a way that puts ideas and solutions in separate "silos" – need comprehensive and balanced input.
- Use on-line surveys.
- Panelists could go to some community meetings and ask for input.
- Go to the business roundtable and other forums.
- Seek outreach at the right time: before we've made decisions, but when we have focused questions.
- Surveys and focus groups.
- Only ask the public about true choices. Don't mislead them.
- Engage employees.
- Survey ratepayers—perhaps through focus groups-- before we do elaborate outreach: this should help get an initial fix on public priorities.
- Panel should help sell the Strategic Plan to the public.
- Conducting outreach is not really the Panel's role. We could have advice as to how someone else should do it.

11. Other Ideas or Questions?

A small number of comments were offered; some emphasis earlier statements.

- How would SCL look different if it were not publicly managed?
- SCL should trade more on its history—it has venerable roots: use this to build a strong public identity.
- What is the cost of I-937 compliance?

- How do SCL's customers feel about it? JD Powers isn't very in depth: do other utilities around here do surveys that we could use as a basis to comparison?
- Need a SWOC—internal strengths, weaknesses; external opportunities and challenges--discussion. This will make for a much stronger strategic document.
- Conference calls should be available if Members miss a meeting—so they could follow up with staff if they have questions.
- SCL needs to focus on its customers. Strategic planning should be about how rates and services provided impact customers—not about SCL's needs.
- We need to enhance transparency and accountability of SCL.