



City Light Review Panel Meeting Meeting Minutes

Date of Meeting: January 13, 2014

MEETING ATTENDANCE					
Panel Members:					
Name		Name		Name	
David Allen	✓	Stan Price	x	Debbie Tarry	x
Tom Lienesch	✓	Julie Ryan	✓	Eugene Wasserman	✓
Chris Roe	✓	Sue Selman	✓	Eric Thomas	✓
Staff and Others:					
Jorge Carrasco	✓	Phil West	✓	Paula Laschober	✓
Sephir Hamilton	✓	Jim Baggs	✓	Marianne Bichsel	✓
Maura Brueger	✓	Mike Jones	✓	Vanessa Lund	✓
Kim Kinney	✓	DaVonna Johnson	x		
Jeff Bishop	✓	Tony Kilduff	✓		
Karen Reed	✓	Anthony Colello	✓		

Call To Order

The meeting was called to order at 10:00 a.m.

Karen Reed welcomed everyone to the meeting and began with a review and approval of the agenda. *The agenda was approved.*

Approval of Minutes

The meeting participants reviewed the draft meeting minutes of December 6, 2013. *The minutes were approved.*

Presentations / Information

Chair's Report:

Eugene Wasserman observed that this is the fourth year the Panel has been working together. He thinks the Panel's work has gone quite well, and he looks forward to the first update of the Strategic Plan this year. Seattle Public Utilities also is doing a strategic plan this year that will be coming to Council at about the same time as the City Light Plan update.

A Panel member asked for an update on the new Chair of the City Council Committee. Jorge Carrasco advised they are planning discussions with Council Member Sawant to brief her on the utility. Tony Kilduff will also be doing some internal briefings with her.

Karen advised the group that Debbie Tarry got the City Manager job at Shoreline. This is good news for her but bad news for us: with the time commitments for her new position, Debbie will



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be resigning from the Panel. When we receive her resignation letter, we'll start the process for her replacement.

Updating the Strategic Plan:

Jorge introduced the discussion. Today is the first of three meetings planned to get the Panel up to speed on the proposed Strategic Plan update. At the third meeting, we'll talk about what to submit for public comment. After public comment, the Plan update will be drafted and the Panel will be asked to weigh in. Today's meeting is primarily about what the utility has done in the first year of the Strategic Planning period. The utility will discuss what has changed and what the utility proposes to do to mitigate rate pressure in the 2015-2018 period. The next meeting will address the two new years of the Strategic Planning period (2019-2020).

Sephir Hamilton spoke in more detail about the three-meeting plan for the Panel to consider the utility's proposed updates to the Plan. After the three initial meetings, there will be a single phase of public outreach (mid-February through end of March), then two more Panel meetings to deliberate on the proposal, with submittal of the Plan update to the Mayor in late April.

Sephir then introduced a Powerpoint presentation on the Plan update. The reason to do a strategic plan was to provide more consistency and rate predictability over the planning period. Sephir reviewed the concepts of the baseline, efficiencies and initiatives that combine to result in the revenue requirement for the utility. Jeff Bishop then described the drivers of the rate increases originally projected in the Plan. Most of the increase is driven by infrastructure investment costs. He noted some major successes in the first year of the Plan: a bond rating upgrade, debt service reduction, and strong financial results for 2013. Eugene Wasserman requested a summary of the 2013 Financial Report. Jeff will provide this for the Panel.

Jeff reviewed the baseline assumptions and whether or not they were met. Of 20 key activity/workload assumptions, all but three were met: the apprenticeship program; holding the authorized staffing headcount to 1,811; and maintaining compliance with federal regulations. Jeff gave explanations/examples of the utility's success on several of the baseline assumptions.

The Panel asked for more information on the federal regulatory compliance issue. Jim Baggs explained that the utility has an active compliance program which is based in part on "self-audits." The utility self-reported on 4 items; self-reporting puts the utility in a stronger position with regulators than if the regulators find the problems. One item was a data entry error, one related to line clearing sufficiency, one related to the upgrade of Unit 55 at Boundary, and one was regarding a facility rating. Each item has a potentially small penalty risk.

Jeff next presented progress on the initiatives in the Strategic Plan. Two are over budget or scope and three haven't started. "Attachment F" outlines all the initiatives and provides progress notes.

A Panel member asked for more information on the low-income rate reduction sign up efforts. Phil West responded that the utility is working hard to sign up more people. A direct mailing was sent to 4000 people just this week. The goal is to sign up 2500 new householders in 2014. The



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utility has an intern working on identifying eligible customers and plans to do some more aggressive marketing.

Jeff spoke about the challenges and changes in the baseline and initiatives, specifically, the Denny substation cost increases, decrease in load growth, increased costs for the technical training center costs, and the Unit 53 unplanned outage. In response to a question, Jorge observed that the Denny substation has been getting attention because it's a unique circumstance in a highly urbanized area, and the utility would not normally expect to see this level of concern about community impacts with a substation upgrade.

Jeff spoke to the impacts of these challenges on the rate path. From the original 4.7% rate path, we are now at an annual average increase over the 2015-2018 period of 5.3%. He explained what the utility proposes to do to reduce the rate path back to the 4.7% average annual rate, including slowing the pace of certain investments based on revised needs, looking at financing and liquidity, O&M reductions, and selling surplus property.

Jorge noted that the 5.3% rate increase estimate doesn't include pass through costs from BPA or surcharges to restore the RSA funding level. We don't know what the BPA pass through numbers will be in future years; a 1% rate increase was passed through to City Light customers in October due to recent BPA actions. Major unknowns for BPA include things like the Columbia River Treaty and the proposed creation of an Energy Imbalance Market.

Jorge continued, noting that in terms of the RSA, it is funded by net wholesale revenues and the amount of those revenues depends on weather and energy prices which are beyond the utility's control. When the fund balance falls below \$90M, a 1.5% surcharge is triggered; if the balance falls lower, additional surcharges can be imposed. The utility expects a 1.5% surcharge in the first half of 2014, and perhaps an additional 1.5% surcharge later in the year.

A Panel member asked for additional information regarding the total rate impacts from RSA surcharges and BPA pass-throughs over the planning period, as far as is now known.

In response to a question from Jorge, the Panel concurred that the Plan's current objectives remain appropriate for the update period and that the utility appears to be delivering on the Plan.

Jorge described two new initiatives for 2019-2020, which will be presented at the next Panel meeting: the first is an upgrade to the utility's service centers, and the second relates to distribution system automation.

Action Items: See Attachment A-1 for additional comments and action item requests from the meeting.

Adjournment

There being no further business to discuss, the meeting was adjourned at 1:00 p.m.



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ATTACHMENT A-1

Write up from 1/13/14 Panel Meeting

Requests for next meeting

- Provide 1-pager on 2013 financial results
- Efficiencies
 - Where did they come from as compared to the UMS report?
 - Provide information on LEAN initiative and other efficiencies proposed
- RSA projections for 2014 and beyond in planning period?
- Update on workforce initiatives – training, succession planning, etc.
- What mitigations were considered and rejected in getting the rates back down to 4.7%?

Parking Lot-Longer Term Issues to Discuss/Explore

- Keep panel updated on cost implications of meeting new federal regulations on systems security
- How does drop in load forecast interact with proposed rate policy change?
- Should the utility have a contingency fund—broader use than RSA?
- Add other utility net income to the RSA (not just excess from NWR)
- AMI update
- Opportunities for electrification
- How is this process / affecting SCL day to day?

Suggestions for presenting Plan

- Clarify where SCL has exceeded targets
- Be transparent on BPA increases

Other Comments

- Forward progress & transparency on initiatives is impressive. This is a plan being implemented, not sitting on a shelf.
- Kudo's to SCL for efficiency and transparency
- Keep working to get the word out to the public about the utility's accomplishments
- Good that there is a path to keep rates at 4.7% annual average increase thru 2018; this will increase the Plan/Utility credibility
 - Some of the fixes identified may not hold over time
- Stay the course on rates, focus areas/strategic objectives
- Utility appears to be delivering on the plan.

Other Questions, answered at meeting

- Are the design standards at Denny Substation likely to be applied to other substation upgrades? (A: No.)
- Alternatives to using a line of credit? (A: yes, various)
- Should we identify a target increase for BPA (A: No)
- Are you coordinating with the private sector in negotiations with BPA? (A: Yes, Somewhat)