City Light Review Panel Meeting
Meeting Minutes

Date of Meeting: April 30, 2013

MEETING ATTENDANCE					
Panel Members:					
Name		Name		Name	
David Allen	✓	Stan Price	✓	Debbie Tarry	x
Tom Lienesch	✓	Julie Ryan	✓	Eugene Wasserman	✓
Chris Roe	✓	Sue Selman	x	Eric Thomas	✓
Staff and Others:					
Jorge Carrasco	✓	Rashad Morris	✓	Paula Laschober	✓
Sephir Hamilton	✓	Councilmember O'Brien	x		
Maura Brueger	✓	Phil West	✓	Nina Sidneva	✓
Kim Kinney	x	Jim Baggs	x	Nate Moore	✓
Jeff Bishop	✓	DaVonna Johnson	x	Shelly Sherwood	✓
Karen Reed	✓	Saroja Reddy	x	Rollin Fatland	✓
Tony Kilduff	✓	Cameron Keyes	x		
John Gustafson	x				

Call To Order

The meeting was called to order at 1:30 p.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 March 27, 2013. The minutes were approved as submitted.

Presentations / Information

The group welcomed Sephir Hamilton, City Light's new Chief of Staff, who started with the utility on April 15, 2013. Sephir comes to City Light from Central Hudson Gas & Electric Corporation (CH Energy Group), in Poughkeepsie, New York.

Chairs Report:
Stan Price reported on the Co-Chair briefing at the April 9th Energy & Environment Committee meeting where he gave a progress report on behalf of the Panel regarding implementation of the City Light Strategic Plan. He advised the briefing went well, thanked the Panel for their hard work and said that Committee members noted that full Council would want a briefing at some time in the future.

Eugene Wasserman reported that the Utility's work to make it easier to access the low income rate subsidy program reduction is being well received.

No public comment was offered.

There was one email received in to the Review Panel general mailbox. The utility has responded to the sender directly.

Maura Brueger spoke on ratepayer outreach and the peer utility survey instrument response. She provided an overview of "best practices" on ratepayer engagement, and of the survey results from peer utilities. The next step is to seek the Panel's input on proposed changes in the current process and timeline for ratepayer outreach and then forward a proposal to the Council later in the year. One thing that the Utility is likely to propose in this regard is to better synchronize the timing of the strategic plan briefings and updates before Council with the timing of transmittal of the proposed SCL rate ordinance.

Jeff Bishop introduced the next topic, a follow-up to questions arising out of the March 27th Panel discussion on low income and residential rate policy. He presented three different residential rate proposals—all with a higher base service charge and two ascending block rates for power, but no seasonal variation in blocks. One proposal would be phased in over two years. Discussion ensued around a number of issues, including the value of phasing in an adjustment to residential rates; the optics of higher residential users paying less under the new proposals; how future rate policy discussions could impact decisions made at this point; impact of conservation on utility revenues; other issues the utility seeks to address through this adjustment to residential rates; and conflicts between rate policy goals. *See* **Appendix 1** for summary comparison of the proposals and Panel assessment on policy drivers and risks of each proposal.

Jeff presented information in response to the Panel's questions about low income residential rates and other support for low income residents. The Panel expressed consensus support for reducing the low income discount from 60% to 50%, subject to checking with Panel member Sue Selman on this decision, subject to the understanding that all recommendations are preliminary at this point, and emphasizing the importance of pairing this proposal with an effective effort to expand enrollment in the low income rate subsidy program.

The Panel reached preliminary consensus on: (1) elimination of seasonal rate differentials; and (2) eliminating the "gradual implementation" proposal from further discussion. The Panel asked for further work to explain the policy rationale for the proposal.

Jorge advised the Panel that SCL will take the residential rate proposal back under consideration and re-examine it with an eye towards optics and an explanation of potential risks to the utility addressed by the proposal. Follow up presentation will be at the next Panel meeting.

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Action Items

The utility will report back to the Panel at the next meeting on the residential rate proposal and with additional information regarding the rationale for the changes proposed.

Adjournment

There being no further business, the meeting was adjourned at 4:15 p.m.

Write-up of 4-30-13 SCL Review Panel Discussion on Residential Rates

Comparison of 4 proposals presented:

Proposal Name	**Base Service Charge** (Fixed)		**Block Rates** (Variable)		**Policy Drivers / Risks / Optics**
	% Residential Revenue Requirement Recovered (Rough Est.)	% of Marginal Cost at which BSC is set (excluding cost of meter)	1st Block: % of Marginal Cost of power charged	2nd Block: % of Marginal Cost of Power Charged	*Policy Driver overall (prime directive):* Revenue Recovery.
Current	10%	50%	43%	117%	*Policy Drivers:* conservation; historical accretion; a nod to marginal cost pricing; a nod to equity; simplicity *Risks:* *Optics:* challenging narrative
SCL Proposal 1	20%	100%	40%	100%	*Policy Drivers:* Reduces revenue volatility; equity (pay for what you use); marginal cost focus; *Risks:* *Optics:* reduces cost impact on large consumers.
SCL Proposal 1 Gradually Implemented	Year 1: 15% Year 2+: 20%	Year 1: 75% Year 2: 100%	41-42%	105%	*THIS PROPOSAL ELIMINATED FROM FURTHER CONSIDERATION BY PANEL—INCREMENTAL CHANGES FROM Y1 TO Y2 DEEMED TOO SMALL TO JUSTIFY POTENTIAL RATEPAYER CONFUSION.*
Alternate Proposal	20%	100%	12%	117%	*Policy Drivers:* Reduces revenue volatility; improves equity (pay for what you use); reduces impact to those who consume less *Risks:* may or may not increase revenue certainty, depending on what one believes about retail load volatility *Optics:* Easier narrative.

Notes: could adjust marginal cost recovery under blocks 1 and 2 under any alternate proposal.

Next Steps: Utility will consider input and present a revised proposal and more detailed explanation of the problem avoided by SCL proposal 1.

Notes/Discussion:

Overall Context for the Rate Policy Work Plan: This is an iterative discussion. The Panel will revisit all issues at the end of the work plan before finalizing any rate policy recommendations.

Consensus Items: Consensus Panel support for:

(1) Eliminating seasonal rates

(2) Retaining ascending blocks structure and 2 blocks, and

(3) Reducing low income rate subsidy from 60% to 50%.

Discussion:

- **Low income rates**
  - Are we certain about the enrollment numbers from expansion?
  - Communication issues of rolling out this change are significant and should be addressed
  - Check with Panel member Sue Selman

- **Residential Rates**
  - In a public utility context, how serious is the revenue volatility risk? Won't council just compensate in the rates? Is the issue really the trend of declining demand given conservation?
  - Conservation programs increase the stress on the utility—increase uncertainty about units sold and revenue.
  - We need to distinguish a trend in *declining demand* from *year to year volatility*.
  - Successful conservation over time increases the size of the revenue gap the utility will need to address in rates: need to better/further explain this challenge.
  - Optics are difficult in reducing charges for high consumers and significant (in percentage terms) increasing rates on lower consumers (disputed)
  - On the flip side, there is an optics issue when people do not pay the true cost of the services they receive—this is an "optics" benefit of increasing the base service charge.