City Light Review Panel Meeting
Meeting Minutes

Date of Meeting: June 4, 2013

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

Call To Order

The meeting was called to order at 1:00 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 April 30, 2013. *The minutes were approved as submitted.*

Presentations / Information

No public comment was offered.

One email was received for the Review Panel general mailbox, a letter from the Manufacturing Industrial Council (MIC) with comments on decoupling. A copy was shared with the Review Panel. Karen advised that the MIC had requested an opportunity to speak to the Review Panel at a future meeting. *The Review Panel agreed to invite MIC to the next meeting.*

John Gustafson reported that Seattle City Light was recently given the national Gold Quill Award of Excellence for the Strategic Plan outreach. The awards ceremony will be in New York on June 24th.

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Maura Brueger provided a handout and spoke on the outreach and ratepayer engagement initiative. The intent is to establish a more formal structure for the timeline on outreach and customer engagement for the Strategic Plan and the rate ordinance. She recapped that the group reviewed best practices last month. Results of the survey indicated that City Light engaged many of the best practices in their Strategic Plan development. The utility's goal is to establish a high level of ratepayer engagement and build on what we did in our Strategic Plan outreach. The next step is to submit a resolution for the Council's consideration. The resolution will establish the Mayor and Council's expectations for a strong ratepayer/customer outreach process going forward for the Strategic Plan update and the accompanying biennial rate ordinance implementing the plan. Maura advised that the schedule is important – we want to get the biennial rates approved before the general fund budget process and following immediately after the strategic plan update process: the resolution would establish that framework and timeline.

Maura will work with Tony Kilduff on drafting the resolution and circulate it to the Panel. Karen will prepare a draft letter from the Panel on the Resolution for their consideration at the next meeting. The Council is likely to act on the Resolution later this summer. Ratepayer outreach on the rate proposals now under discussion with the Panel will occur later this year, and in a final round early next year. The next biennial rate ordinance would be adopted later in 2014, following the update of the Strategic Plan.

Jeff Bishop shared that Standard & Poor's Rating Services upgraded Seattle City Light's credit rating from AA- to AA with a stable outlook, and Moody's affirmed its Aa2 rating with a stable outlook in May. Both ratings services highlighted City Light's financial management strategies that increased reserves and reduced rate volatility. Other factors helping us to achieve this rating included reduced reliance on power sales for revenue and a strong operating coverage ratio.

Stan Price echoed congratulations. He asked if anyone had quantified what the benefit to the utility might be in future years? Jeff responded that there's a lot of volatility and speculation in the economy right now and staff has not done that yet. Jorge Carrasco thanked Jeff and Paula for their work in presenting the information to the rating agencies that helped make this happen.

Next on the agenda, Jeff Bishop provided an overview of the Strategic Plan implementation "dashboard." The dashboard is the first report out to the Review Panel showing progress on the initiatives in the Strategic Plan. The next update will occur sooner after the end of the current calendar quarter than this first update. Jeff reported that of the thirty (30) initiatives with milestones due in late 2012 through March 2013, thirteen (13) were on track and seventeen (17) experienced minor delays. General themes as to the causes of delay are:

- getting consultants on board
- staff changes
- taking longer doing administrative work for the RFPs
- working with other City departments negotiating and drafting memorandums of understanding

Jeff noted that the overall financial health of the utility is in line with projections. Wholesale revenue has been lower than expected – the Rate Stabilization Account (RSA) helps in making up this difference. The utility is on track to meet the Debt Service Ratio (DSR) target. January was a colder month so the utility expects higher than expected retail revenue.

Jeff advised the RSA fund is likely to be below $90M in the 4th quarter of 2013 and this would trigger a surcharge in first quarter of 2014.

The Review Panel asked whether Jeff could project the future surcharge in addition to the regular rates? The utility will provide that information. Jorge noted that the bottom line on the RSA is that the net wholesale forecast in the plan for 2013 of $90 million has gone down to $60 million.

Tony Kilduff explained that prior to 2010, Net Wholesale Revenues were $90M-$110M dollars. At the time, it was prudent to use a figure which was the average of the historical actual revenue. At the end of 2010 though, City Light had reduced surplus energy because of a smaller BPA contract. That was known at the time the target was set. The sudden explosion of fracking and the resulting impact on gas pricing were factors that were not anticipated. Thus, the target level of net wholesale revenue now is higher than it probably should be.

The group discussed the dashboard and the following comments/questions were raised:

- Would be helpful to give more of an explanation on why initiatives may not be on time (indicate modified expectations and be clear why certain dates not being met) and give further explanation on those initiatives that have not started yet
- Indicate if any of the yellow area initiatives rely on parties outside of your control? (Staff noted that: yes, a lot of initiatives involve work with our departments of the city. There are some MOA's being worked on with other departments. Jeff will flag those items and bring back for the next review of the dashboard.) Are there initiatives with issues or a backstory where Panel might be able to help out to bring it back up to speed?
- Will the dashboard information be publicly available? (Staff response: Yes, the dashboard will be posted on the Review Panel website.)
- Will Jeff do a quarterly RSA companion piece to the dashboard showing what the rates will be, what the surcharges will be? (Yes)
- Can the utility send the two new members (Chris and Eric) the past briefing material regarding the RSA? (Yes)
- Can they get more information on where SCL sold its power and how it sold its power? (Jeff said SCL could provide a power marketing overview to the Panel)

Paula Laschober provided a presentation on residential rate policy. She outlined the topic areas and reiterated the goal of trying to design rates that balance long term goals of equity and efficiency. She reviewed the three proposals in her presentation handout and described the bill impacts and charges.

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Jeff noted that new proposal calls for phasing in of an increase in the residential base service charge. It would begin at a 75% of marginal cost level (for the next rate biennium), and increase to 100% in the 2017-18 biennium. Jorge noted that the 2018 rate estimates include a lot of embedded cost factors that impact rates, in addition to the move to increase the base service charge.

The group discussed the residential rate policy proposals and voted on each, with the outcomes as follows:

- Increase the base service charge to better match marginal cost (implement gradually over more than the next rate period): *Approved by vote of 5 to 1* (Eric Thomas dissenting)
- Cost impacts of revised residential rate structure should approximate current impacts. (i.e. benefits should not be significantly skewed to high users) *Approved 4-1* (Eric Thomas dissenting, Chris Roe abstaining)
- Eliminate seasonal rates: *Approved 6-0*.
- Retain 2-block, inclining rate structure: *Approved 5-1* (Eugene Wasserman dissenting).
- Reduce low income rate subsidy to 50% level, accompanied with aggressive effort to sign up more eligible residents to program: *Approved 6-0*.

Paula spoke on the energy efficiency characteristics of current SLC rates. She noted that the utility faces pressure to upgrade the distribution system and to provide more reliable service to areas of the city that are growing. The utility has begun moving towards increased demand charges and is looking at doing this not only to cover cost of the distribution system but also to address costs of installed capacity for individual customers. This will be discussed further at a future meeting.

Paula showed a table of what other neighboring utilities charge for their base service charge and their demand charges. Jorge pointed out that other utilities impose substantially higher demand charges.

Panel members offered several comments:

- It would be helpful as we talk about policy assumptions to show how that would change cost assumptions in the Strategic Plan
- Interested in discussing decoupling at future meetings
- When commercial/industrial rates are being discussed, we should invite commercial organizations like BOMA and the Hospitals to the meeting so they have a chance to sit in
- It will take a lot of outreach to help people understand any prospective changes. The utility needs to draft a good communication plan.
- More information on 'time of use' rates would be helpful.
- How do conservation programs work given Seattle's unique power mix? What are the conservation goals or energy impacts we are trying to achieve?

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Action Items

At the next Review Panel meeting, the group will hear a presentation from the MIC regarding decoupling.

The utility will send Chris Roe and Eric Thomas information from previous panel meetings regarding the RSA. The Panel would also welcome a future report on the RSA showing where we were and how it looks today.

The Review Panel would like to be advised when the IRP (integrated resource planning) process is starting and would like to have a power marketing 101 presentation at a future meeting.

Adjournment

There being no further business, the meeting was adjourned at 4:00 p.m.