



### City Light Review Panel Meeting Meeting Minutes

**Date of Meeting: June 28, 2013**

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

#### **Call To Order**

The meeting was called to order at 1:20 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 June 4, 2013. *The minutes were approved as submitted.*

#### **Presentations / Information**

There was no public comment offered for today's meeting.

#### **Chairs Report:**

Stan Price and the Panel congratulated Jorge Carrasco for receiving the American Public Power Association's Alan H. Richardson Statesmanship Award.

Co-Chairs Election. Eugene Wasserman and Stan Price were unanimously re-elected as Co-Chairs for the Review Panel.



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Ratepayer Engagement Resolution. Maura Brueger introduced the proposed City Council ratepayer engagement resolution. The resolution would establish a unified process for ratepayer engagement around the biennial updates to the strategic plan and electricity rate adoption. It would call for the process to be jointly led by the utility, the Panel, the Mayor and Council.

The Review Panel members reviewed the draft of a proposed comment letter on the resolution. The Panel suggested re-ordering sections in the resolution to match the presentation in the proposed comment letter. After brief discussion, the proposed Panel letter on the ratepayer outreach was unanimously approved.

### Rate Design Policy: Encouraging Energy Efficiency and Demand Charges

Jeff Bishop led the presentation. The recommendation from the utility around encouraging energy efficiency focuses on proposed adjustments to "Time of Use" (TOU) rates for medium size commercial customers on the downtown network. He described some of the pros and cons of TOU rates and the specifics of the proposal. The Panel responded with a series of questions and comments that were addressed by City Light.

The Panel expressed unanimous support for the proposal to add TOU rates for medium size commercial customers on the downtown network.

Jeff then moved to a discussion on Base Service Charges (BSC) and Demand Charges. The utility's costs are roughly 46% fixed and 54% based on energy (variable) costs. In contrast, with current rates, 3% of the revenue from customers is from a fixed BSC, 4% from demand charges, and the rest comes from variable energy charges. Jorge explained that this historical model is not sustainable over the long term. The more customers do energy conservation and the less that utility is recovering their fixed costs, means the utility will be even farther behind as the years progress if you don't try to alter the model before that happens.

Jeff noted that one impact of the disparity between the utility's cost structure and its revenue recovery structure is that there is cross subsidization of costs within customer classes which raises equity issues. Jorge spoke to the importance of stabilizing the utility's revenue structure through increasing demand charges.

Jeff introduced the proposal for a BSC to be added to all general service commercial customer rate schedules set at 100% of marginal customer costs. The current BSC only recovers 50% of the marginal customer costs. Low usage customers would see a relatively higher impact from this proposal than those with high usage. Most would see minimal impact. The proposal would increase revenue recovery from the base service charge from 3% to 4% of total revenue recover from all non-residential customers. As a preliminary matter, a majority of the Panel supports this move to increase the BSC as proposed.

The group took a break from the presentation on efficiencies so they could hear from Kevin Higgins, the consultant from Energy Strategies.



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Presentation from Energy Strategies Regarding Rate Decoupling. Mr. Higgins represents the Manufacturing and Industrial Council (MIC) and presented the views of this group with regard to revenue decoupling. He began with an explanation of revenue decoupling, why decoupling is promoted, and explained why he discouraged decoupling. He agreed that revenue decoupling increases revenue certainty but in his opinion, felt that what it really does is shift the risk of economy & weather onto the customers. If SCL decides to pursue revenue decoupling down the road, he encouraged them to exempt their larger customers from revenue decoupling.

In discussion afterwards, Stan asked about how the concerns with revenue decoupling might be different in a public utility context rather than a private utility context.

The Panel listened to Kevin's presentation but did not take any action. The Panel will be hearing from the utility about rate decoupling in August.

Ratepayer Outreach on Rate Policy Recommendations. Maura Brueger and John Gustafson spoke on the ratepayer outreach plan to address the rate policy issues now under discussion. The goal is to have a draft policy completed, with Panel input and comment, this September, with transmittal to the Mayor in November and then to Council at beginning of 2014.

The proposal is for a two-phase effort. First phase would include listening and education. The second phase will include meetings (going to existing groups, rather than convening them) and other types of outreach. John Gustafson advised that they would do a kick off in mid-July and end in August for Phase 1. They will provide information on the SCL website, put together customer surveys testing language, messages and priorities. Surveys will be published on the website and through our blog. During August, they will run some email surveys. They will collect that information for the draft rate proposal in September.

Once the draft proposal is in place, they will move on to Phase 2. An outside consultant will help the utility make sure the draft document is concise, easy to understand, and well packaged. The utility will use social media promotions/interfaces, and go to some of the outside groups/audiences, get on their meeting agendas and do a 30 minute presentation at their meeting.

Chris Roe asked how this would tie into what other city departments are doing? Maura responded that we will take advantage of other departments like Department of Neighborhoods in getting our message out to communities, particularly non-English speaking communities and stakeholders. There was a suggestion to use the Panel as a test audience.

A question was raised on the potential risk in SCL going out with a proposal that the Panel has not finished deliberating? Maura said that SCL won't release the draft proposal until the Phase 1 outreach is complete; the Panel can ask for more time if they are not comfortable with the draft proposal. The Panel was generally fine with the approach outlined.

Continued Discussion on Demand Charges. Jeff then went back to his rate presentation and talked on infrastructure and demand charges. He said that in general we are looking to recover more of our fixed costs from demand charges. Kirsty Grainger then addressed the group and



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provided a review on demand charges. Demand charges currently only recover about 16% of the marginal cost of the distribution system. The utility is proposing to increase this amount, to a level more in line with other utilities' rate structures. If demand charges are increased, high load factor customers would see bill decreases and the low load factor customers would see bill increases. The policy question is "where is the right place to be" in terms of marginal cost recovery?

### **Action Items**

Maura Brueger will finalize the ratepayer engagement resolution and submit it to Council.

Karen Reed will work with the Co-Chairs to finalize the Review Panel's comment letter to accompany the ratepayer engagement resolution.

The utility will advise on if July 29<sup>th</sup> will be the next meeting date and whether we can schedule an August meeting.

### **Adjournment**

There being no further business, the meeting was adjourned at 4:10 p.m.