



### City Light Review Panel Meeting Meeting Minutes

**Date of Meeting: September 9, 2013**

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

#### **Call To Order**

The meeting was called to order at 12:10 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 July 29, 2013. *The minutes were approved as submitted.*

#### **Presentations / Information**

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

Kim Kinney advised an email was received by the general mailbox relating to a customer billing query; she sent it to the Customer Service group to respond.

Karen Reed advised that Stan Price will be away tomorrow so Eugene Wasserman will be in representing the Panel at the Energy & Environment Committee Meeting to update the Committee on the Panel’s work. He will remind them that no decisions have been made yet on the rate design work and reiterate some of the policy goals that the Review Panel has discussed.



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### Strategic Plan Dashboard Presentation:

Jeff Bishop gave a presentation on progress in implementing the strategic plan. The current report covers through the 2<sup>nd</sup> quarter of 2013. Seventeen of 33 initiatives are on track.

Comments/Questions included:

- Does this reporting format work for the RP members? (Response: Yes)
- Will Baseline information will be included in next report from Jeff? (Response: Yes)
- Will the utility flag items for the Panel if something requires adjusting to the strategic plan (Response: Yes)

Jorge Carrasco mentioned that the utility could schedule a review of the design for the Denny Substation if the Panel chooses. Even though there's been shifting of some milestone dates, SCL is still on target for energizing the substation by 2016. A revised funding plan and timeline is being developed.

### AMI Outreach Update:

Sephir Hamilton provided an update on the AMI outreach. He noted that the goal was to go out and get public feedback well in advance of implementing the technology. There has been some opposition on AMI and we're trying to ensure everyone has a chance to voice their opinions. He reported that three community forums have been set up to get comments and feedback – one meeting has taken place so far, another is on September 10<sup>th</sup>, and the third will be on September 26<sup>th</sup>. At this point, the utility is still in the listening phase. A website has been set up to collect comments from the public. In addition, they plan to post a FAQ sheet on the website.

In summary, the following feedback and concerns have been heard:

- Health Concerns (about 75% of the health concerns registered are from people outside City Light's service territory)
- Privacy Concerns (concerns about what SCL can track in a person's home)
- Opt-Out program – people do not want to be charged a lot for opting-out of the service; SCL agrees that opt-out should not be charged at a punitive level)
- Safety Concerns (e.g., meters catching fire)

### Rate Design Public Outreach:

Maura Brueger updated the group on the rate design public outreach. She said that they have adjusted the timeline to align with where the Panel is in their rate discussion. The website is now live at <http://www.seattle.gov/light/accounts/rates/ratedesign.asp>. The next big deliverable is the surveys for customers and a targeted email survey for large customers. SCL has retained Cocker Fennessy to help us with these. ***Maura will circulate a draft to the Panel when she receives it at the end of the month.***

Maura noted the schedule assumes the Utility will go out with a draft proposal in November. The Review Panel is not expected to have a final recommendation until the latter part of November; the Panel can take more time to complete its work if it needs to.



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### Demand Charges and Decoupling presentation.

Jeff Bishop led the presentation, which addressed:

- introducing the concept of “infrastructure charge” (charged per kVA capacity or per meter)
- a proposed demand charge plus infrastructure charge option for Large and High Demand customers
- a proposed per-meter infrastructure charge for Small and Medium general service customers
- an introduction to Decoupling

Jeff acknowledged that the utility has heard the Panel’s concerns on kVA and the demand charges and they have tried to modify their approach from the last meeting. Jeff explained the “infrastructure charge” concept (proposal to collect 50% of distribution MC for all general service classes through a combination of demand and infrastructure charges). The new proposal puts more into the kW peak demand charges and less in the charge per kVA.

Jeff gave the panel a handout which contained responses to some of the questions asked at the last meeting. Jeff reviewed the response saying the strongest policy argument for increasing demand charges is equity; City Light looks to achieve equity in every rate case, along with balancing the objectives of energy efficiency, financial stability and revenue sufficiency. The utility is hit with stagnant load growth and proliferation of conservation measures. We want to still pursue those programs but maintain financial stability in how we design the rates. With load growth becoming minimal while fixed costs are increasing, it makes sense to include a fixed type of infrastructure charge in customer rates, rather than retaining the rate structures of the past which are heavily weighted toward variable energy charges. Jeff also supplied the group with a handout depicting example rate tables & bill impacts for the Large, High-Demand, Medium, and Small General Service customers.

Paula Laschober explained how the utility was looking at fixed and variable components of costs and revenues. She said that the new proposal would apply more to the fixed side with a goal of trying to recover 21% of total costs through fixed charges. Jorge said that other utilities are much more aggressive than SCL are in recovering fixed costs.

The group was provided an example of another utility (SMUD) which has implemented a per meter infrastructure charge. It has been in place for about a year and the utility has made some modifications to address concerns of larger customers and provide more flexibility in how the infrastructure charge is assessed.

The group reviewed sample rate impacts on different customer classes from the new proposal. Cruise ships docking in Seattle and connecting to the City grid for electricity would see a particularly big rate increase, in percentage terms. The utility encourages the cruiselines to go to shore power to reduce the environmental impact from running diesel out in the Sound. Jorge mentioned the utility could run some numbers later on those diesel costs to see if the cruiselines would be still better off paying the proposed higher demand and infrastructure charges.



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*Please also refer to Attachment A-1 for a summary of the Panel's discussion.*

Stan Price raised concerns about how well the proposal addresses the equity issue. Distribution costs can be driven by a few very large customers and it may not square with how the costs are being allocated under this new proposal. *The group agreed that the utility should re-examine the cost allocation to customer classes.*

The topic of Decoupling was introduced. Due to time constraints, the group was not able to discuss decoupling at length. At the next meeting in October, the utility will bring back a presentation and discussion on how decoupling might work at SCL.

Karen recapped the discussion of the new proposal in connection with the rate policy goals the Panel had previously identified. Equity and financial security appear to be the main drivers of the new proposal. The group discussed and the following remarks were made:

- The Review Panel needs to see more of the big picture before putting forth a recommendation
- The Review Panel agreed that the utility needs to delve into the issue of cost allocation more (to Stan's point)
- Should the target be set for 50% recovery or...? Or collecting 70% vs. 30% on demand and infrastructure charges? There is not group consensus here.
- Proposal of moving from 7% to 21% - is that too aggressive?
- Need customers to be mindful of and understand that the capacity they are asking for will be increasing costs for other customers in their class if their energy consumption is insufficient to pay for it.

Jorge noted that these conversations are intended to get the Panel's input and to determine their comfort level on what the utility should go to the public with. We won't know what the public favors until we ask them. This may require us to gather the public's feedback and then come back to reconnoiter with the Panel.

### **Action Items**

Jorge will talk to individual members of the Panel to get well grounded on their thoughts regarding what the utility has put forth.

Maura will circulate a draft of the rate survey to the Panel when she has it at the end of the month.

### **Adjournment**

There being no further business to discuss, the meeting was adjourned at 3:00 p.m.



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### Attachment A-1: Write-up of Discussion notes from 9-9 Panel Meeting

#### **Demand Charges – general discussion**

- Line between energy and fixed costs is a little blurred—size of fixed costs driven by total demand; some customers can have a big impact on fixed costs.
- Is the utility’s proposal more about equity or is it about reducing the utility’s financial risk?
- Agreed that there are some fixed costs. A rate structure that ignored them completely would not be good.
- Utility will re-examine cost allocation to customer classes in light of the questions raised about the connection between fixed and variable costs

#### **Assessment of how latest demand charge proposal addresses Panel identified policy concerns**

	<b>Demand Charge Proposal presented 9/9</b>	<b>De-Coupling</b>
Equity—(defined by utility as costs of service to utility paid by the customers for whom those costs are incurred)	Yes, proposal responds to this goal	
Revenue security for utility	Yes	
Energy efficiency	No – volumetric charge reduced 20%. But still more than half the rate is volumetric	
Transparency	This is somewhat simpler than the previous hybrid proposal for some commercial customers	
Sends meaningful signals to customers that customers can act on	Less flexibility. kvA is a downside on this issue	
Predictable for customer	Yes. More costs are fixed regardless of consumption	



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### Other Threshold issues:

**Use of kvA?** Still a concern for some panel members—particularly since those who “inherit” already installed capacity cannot take steps to adjust.

**Target of recovering 50% of MC of Distribution through Demand Charges?** 4 members support (Ryan, Terry, Lienesch, Selman); 3 think the target is too high (Price, Allen, Thomas).

**Proposed shift to recovery of 70% of the marginal cost target through demand charges, and 30% through a fixed infrastructure charge?**

- Stronger price signal than the 50-50 initial hybrid proposal.
- Problematic for those inheriting already installed capacity. What happens when facility use changes?
- Could kW be used for existing customers and kVA for new customers?
- How can flexibility be incorporated into the kVA-based charge?

**Consensus that the Utility should be adjusting commercial rates to recover more from fixed charges than the current % of total revenues.** *How much more* is as yet **not** a matter of consensus. Jorge will follow up in particular with concerned Panel members before the next meeting.