



City Light Review Panel Meeting Meeting Minutes

Date of Meeting: November 2, 2010

MEETING ATTENDANCE					
Panel Members:					
Name		Name		Name	
David Allen	✓	Matt Lyons	✓	Debbie Tarry	x
Sylvester Cann IV	x	Stan Price	✓	Eugene Wasserman	✓
Tom Lienesch	✓	Julie Ryan	✓	Sue Yuzer	✓
Staff and Others:					
Phil Leiber	✓	Tony Kilduff	✓	Derek Farmer	✓
Eric Campbell	✓	Dan Eder	x	Calvin Chow	✓
Kim Kinney	✓	Michael Jerrett	✓	Maura Brueger	✓
Suzanne Hartman	✓	Karen Reed	✓	Steve Kern	✓
Phil West	✓	DaVonna Johnson	✓	Mike Haynes	✓

Call To Order

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

Welcome & Introductions

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

Approval of Minutes

A motion to approve was made by Sue Yuzer and seconded by Matt Lyons. All were in favor and the minutes were approved.

Presentations / Information

There was a follow-up item from our last meeting regarding debt service coverage. Phil Leiber provided the group with a handout and explained the components of the debt service coverage document.

Karen Reed reviewed a document summarizing work of the Panel to date and outlining the tasks ahead to complete the work plan. The plan suggests that the Co-Chairs will present an update to the ETCR in December; Michael Jerrett will confirm if this is possible. Karen noted the Panel's mission also includes work to review SCL rate structure and cost allocation, beginning next year. The Panel's mission also includes advice on outreach related to the Strategic Plan; Karen asked the Panel for their ideas on outreach and will work with the Co-Chairs to develop a proposal for the Panel's consideration. The next item before the Panel was the E. Team SWOC document. Karen asked the meeting participants to take a few minutes to review the prepared document. Superintendent Jorge Carrasco then joined the



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meeting and spoke to the Panel about the work the Executive Team did in preparing the SWOC. He reviewed four categories: Customers/Ratepayers, People (Workforce), Assets, and Municipal Enterprise, and described the strengths, weaknesses, opportunities and challenges for the Utility in each of these categories.

Karen encouraged the Panel to let her or management know if they have any concerns or if they see any gaps or critical information missing.

Tony Kilduff provided an overview of the status of the SCL budget adoption. Tony noted the Council may make changes to the SCL budget for 2011 – 2012 prior to adoption.

Issues/Action Items

Karen noted the need to begin scheduling further meetings in 2011. Kim Kinney will reach out to the Panel members to find out their schedule availability and schedule some review panel meeting dates in the first quarter of 2011.

Karen will provide a formal write-up of today's Review Panel response to the SWOC. She will work with the Review Panel to get any additional comments on the SWOC too.

Adjournment

Karen advised that the next Panel meeting is scheduled for November 19th at 9:00 a.m.

There being no further business, the meeting was adjourned at 12:13 p.m.

Attachment: Review Panel Feedback on E-Team "SWOC" Exercise Presentation.

Review Panel Feedback on E-Team "SWOC" Exercise Presentation

*Summarizing write-up of dialogue between Review Panel and E-Team, November 2, 2010
Document dated November 5, 2010*

At the Review Panel meeting on November 2, Superintendent Carrasco presented the results of the E-Team "SWOC" Exercise. The SWOC was designed to identify SCL's internal Strengths and Weaknesses, and the external Opportunities and Challenges. The E-Team consists of the Superintendent and Officers Phil West, Phil Leiber, Steve Kern, DaVonna Johnson and Mike Haynes. All E-Team members attended the meeting and participated in the discussion. This write-up summarizes the *questions and comments from Review Panel members* in response to the presentation by Superintendent Carrasco. Where specific questions raised by Panel members were answered by staff, the answers are noted. The write-up is organized in the same order as the SWOC presentation: (1) Customers/Ratepayers, (2) People/Workforce; (3) Assets; and (4) Municipal Enterprise.



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KEY: regular font items indicate input from Review Panel Members; *italicized text indicates responses or comments by E-Team members*. Asterisked (*) Items are information items that the E-Team will be following up to confirm.

Customers/Ratepayers

SCL should consider creating a residential customer response parallel to the key customer initiative, and perhaps groups for other subsets of commercial customers.

Wholesale power revenue contributes to the utility's bottom line: this is a strength as well as a weakness.

Panel co-chair Wasserman requested a presentation summarizing the net impact of wholesale power sales on rates. It was suggested this could be presented in a matrix showing how the change in market price for power and change in wholesale power availability impacts rates. *It was also suggested that this could be demonstrated through stack representations of how resources are used.*

Clean power portfolio creates an opportunity to educate customers about SCL's challenges: this "green power" is something in which people are very interested.

People/Workforce

What is the level of unionization at SCL? *About 89% of the workforce.* How does this compare to Snohomish PUD (SnoPUD) or Tacoma Public Utilities (TPU)? *They are less unionized, around 60%.* It was noted that King County's utilities are unionized at rates similar to SCL. SCL managers and strategic advisors unionized in response to threatened budget/staffing cuts; a similar thing happened at the County.

Can changes in workforce incentives and rules be implemented for SCL alone or must the entire City organization change with it? *Solutions unique to SCL can be implemented if the City changes its labor relations policies.*

When noting the opportunity to partner with other utilities on workforce challenges, who are you thinking of? *PSE, SnoPUD, TPU, among others.*

How many people does SCL need to operate? It would be helpful to have clarity around this as part of the strategic plan.

What is SCL's OSHA recordable rate (number of injuries per X hours)? *It is high for the industry; there are a lot of field accidents, perhaps attributable in part to the aging workforce. SCL will follow up to confirm the actual rate.**

NUCOR Steel has had significant success reducing its OSHA recordable rate; Matt Lyons offered to sit down with SCL staff to compare notes and success strategies on this issue.

Staff retention can be increased if workplace safety is improved. Additionally, operating costs can be reduced when safety is improved.



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In terms of compensation rules, where is the inflexibility? *City council rules; the personnel system has not been overhauled in decades. This would be a major undertaking. Lots of internal constituencies are served by the status quo. The system does not account for electric utility industry's unique labor market situation—a national marketplace which doesn't match up well with the general rules, classifications and pay rates in the City's personnel system. The City's personnel "util" classification flag exists to provide special accommodation to SCL hires, but this may need to be expanded more broadly.* (Tony Kilduff assisted in responding to this issue).

The challenges around SCL's labor force reflect large societal changes.

SCL's senior employees can retire and go to work at neighboring utilities and still receive their SCL retirement pay. SCL has concern that as the economy recovers and TPU and SnoPUD hire up, a lot of senior, retirement eligible SCL employees will depart to work for these neighboring utilities.

Given housing prices, SCL needs to import blue collar works from areas like Tacoma, Snohomish County. *This also means those employees have a long way to travel in responding to emergencies. Tolling on 520, I-5 will exacerbate the challenge of attracting these workers to Seattle. A weak school district is also a challenge. Perhaps the City's education levy can help attract new workers to the utility.*

Is the urban labor challenge the reason east coast utilities have higher power costs? *The cost differential is primarily due to their more expensive power resource portfolio, although distribution systems in highly-urbanized areas are also more expensive to build and maintain.*

Assets

What is the impact of the drop in natural gas prices? *It will reduce the price SCL can get for its wholesale power. This is likely to be a long-term challenge for the utility. There is a new natural gas extraction technology that dramatically increases the amount of gas that can be produced from a deposit; however, there are some environmental concerns with the technology.*

Does the SWOC speak to smart grid investments like automatic meters? *Yes, in terms of addressing lagging technology. These investments are a tool to achieve other goals—responding to customer desires, allowing customers to be more efficient in use of their power. The standards for smart grid technology are being developed nationally, and involve both wholesale and distribution.*

Why is a low rate of growth in demand an asset? *Slow growth in demand means we have less need to invest in new assets and power resources. Also, future resources will be more expensive than our current portfolio.* This relates to concerns about power sales creating rate volatility.



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Municipal Enterprise

In response to a question from a Panel member, the Co-Chairs affirmed their view that the City Council understands the importance of the need for a strategic plan to help provide longer-term stability and support for needed investments at SCL.

A good strategic plan will allow SCL to be proactive, not just reactive.