



City Light Review Panel Meeting Meeting Minutes

Date of Meeting: December 2, 2011

MEETING ATTENDANCE					
Panel Members:					
Name		Name		Name	
David Allen	✓	Matt Lyons	✓	Debbie Tarry	✓
Sylvester Cann IV	X	Stan Price	✓	Eugene Wasserman	✓
Tom Lienesch	✓	Julie Ryan	✓	Sue Selman	✓
Staff and Others:					
Phil Leiber	✓	Tony Kilduff	✓	DaVonna Johnson	✓
Maura Brueger	✓	Calvin Chow	✓	Jim Baggs	✓
Kim Kinney	✓	Michael Jerrett	✓	Steve Kern	✓
Suzanne Hartman	✓	Karen Reed	✓	Paula Laschober	X
Jorge Carrasco	✓	Phil West	✓	CM Mike O'Brien	✓
Rollin Fatland	✓	Larry Ward	✓	Sahar Fathi	✓
Charles Broches	✓	Jonathan Hall	✓	Bob Young	✓
Paul Zemtov	✓	Dave Gering	✓	Kelly Enright	✓
		John Odland	✓	Greg Pal	✓

Call To Order

The meeting was called to order at 11:00 a.m.

Welcome & Introductions

There were several people in attendance today who wished to be present for public input. The meeting group also welcomed Councilmember Mike O'Brien and his legislative aide, Sahar Fathi, who joined today's meeting.

Karen Reed 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 November 4, 2011. A motion to approve the minutes as drafted carried unanimously.

Presentations / Information

There were 4 individuals who wished to provide public comment at the meeting.

Larry Ward – Pacific Fisherman's Shipyard

Larry referred to handout which outlined details of proposed % increases. He advised that these electric rate increases of 5% per year would have far reaching consequences for shipyards. At his shipyard, most electric usage is for welding so electric



City Light Review Panel Meeting Meeting Minutes

power costs have significant impact. He requested that City Light explain why they need the proposed rate increases and asked the Panel and the utility to take into consideration how smaller companies would be impacted by rate increases.

Jonathan Hall – Duwamish Manufacturing Facility-Lafarge North America

Jonathan stated they recently laid off about half their workforce. Power rates are a significant portion of their cost structure and any increases impact them. He urged the Panel to look at every opportunity to reduce costs at the utility before increasing rates and before putting a burden on the rest of the businesses.

Dave Gering – Manufacturing Industrial Council (MIC)

Dave introduced himself and said that he played a role in previous City Light advisory panel. He said he realizes that it's a tough governance structure with City of Seattle and that there's tough relationships with the collective bargaining units. He urged the Panel to give a very thorough vetting of the UMS study before supporting any rate increases, noting that the issues will recur if they are not addressed.

John Odland – MacMillan Piper

MacMillan Piper has 200 employees locally. He reviewed data on City Light and Tacoma bills for his firm going back 8 years. He was alarmed to see the growth in rates was much higher in Seattle and Tacoma; he stated that his firm paid twice as much in Seattle rates versus Tacoma. Rate changes have big impacts on them, and this gives a competitive advantaged to locating in Tacoma. If operating costs are driven up, companies will relocate outside of Seattle. He urged folks to look closely at UMS results.

Chair's Report:

Stan Price advised that he and Eugene Wasserman had a meeting with Superintendent Carrasco yesterday. They also have a meeting scheduled with the Mayor's Office in one week. Their intent is to keep the Mayor's office informed of the Review Panel's progress.

The group discussed the correspondence from Rich White at The Boeing Company. Matt Lyons said that his company (Nucor) shared the same perspective as the industrial ratepayer group as expressed previously. They think that the utility needs to place more emphasis on the UMS study and put more focus on the impacts to the various ratepaying classes. In the years ahead, his Nucor facility will have to make equipment replacements. Other Nucor facilities will have cheaper costs and are more likely to get company support for infrastructure investment than is his plant here in Seattle with higher costs. Matt advocated that more consideration needs to be given to the UMS study and what City Light can do before they make decisions on moving forward with rate increases.

Julie Ryan agreed that the utility needs to show where the efficiencies address the gaps shown in the UMS report.



City Light Review Panel Meeting Meeting Minutes

Jorge said we didn't mean to imply the UMS plan was either the "beginning" or the "end" of the Utility's ongoing efforts at capturing efficiencies. It's a key milestone of a very focused longer term effort to address various efficiencies in the organization. DaVonna Johnson added that this utility's position is a bit more complicated because typically other utilities do not have as many represented unions to deal with (City Light has 15).

Stan Price stated that he appreciated the discussion regarding the correspondence but felt it noteworthy to clarify about the role of the Review Panel in the strategic plan. He doesn't believe it's the Review Panel's decision on whether the strategic plan goes forward or not. It is the utility, Mayor's Office, and Council that approves the strategic plan moving forward. He advised the group that UMS was a separate (but related effort) to the 6 year strategic planning process. He sensed that there was a bit of confusion and felt it was important to recognize that it's not the same thing. The UMS study is a separate subject and needs to be distinguished from the Review Panel's role of advising/commenting on the strategic plan.

Phil Leiber gave a presentation on net wholesale revenue (NWR) and the impact of NWR assumptions on rates and surcharges. He noted that net wholesale revenues are an important source of funds to meet the utility's revenue requirement each year, and this is a benefit of having surplus power. However, wholesale power revenues have been quite volatile due to price and volume fluctuations. We've seen a range of a low of \$54M in 2010 and a high of \$140M in 2006. In any given year, a distribution of potential outcomes is possible. Phil explained that when setting the utility's budget, historically, we have aimed for the middle of the distribution, assuming normal water and a forecast of prices.

The problem arises when we don't see a normal water year or prices, and the NWR is affected. The Rate Stabilization Account (RSA) was designed to help buffer the utility's finances from these effects. If the RSA account gets drawn down too far, then we would have automatic rate surcharges that kick in.

Unfortunately, the ordinance that established the RSA specifies how much NWR we are to now assume when setting the budget, and this is higher than our forecast indicates that likely we will receive. This is primarily due to changes in our supply contracts, and lower prices than seen in past years. We see significant gaps in the next few years, which may gradually decrease as prices are forecast to rise. Part of the gap for 2012 will be addressed because we overfunded the account in 2011, above the \$100M targeted level.

Phil talked about some solutions for closing this gap.

- Adjust for changes in our supply contracts – adjust the estimate to reflect the reduction in the amount of power available from Bonneville (would be about \$20M less revenue)
- Move to a six year rolling average, including an adjustment for the supply contract change,
- Move to a conservative number where we are likely to have excess revenue 3 out of 4 years, and reduce the size of the RSA to mitigate the rate impacts along the way.



City Light Review Panel Meeting Meeting Minutes

Phil explained that some of the benefits of the third option are that there is far less chance of a surcharge and that after a few years, the utility would likely be in a position to give refunds to customers.

Phil explained the types of rates they expect to see sticking with the status quo and moving to the 3 out of 4 years approach in Option 3.

Jorge noted that it is important to keep in mind that the tables depict "projections" and it carries the assumption that the utility has normal water years.

Councilmember O'Brien asked if the consumer behavior is assumed to be the same each year? Phil said yes, they have not assumed changes in consumer behavior. Phil briefly addressed necessary changes in RSA account parameters, noting that currently it has two triggers – (i) \$100M is the target minimum level (ii) \$125M is the maximum. Under the recommended option, the minimum funding level would be reduced over time to \$60 M, and the maximum would be \$75 M.

The group discussed the scenarios and whether they see it as more beneficial taking a more conservative stance going forward with greater predictability in setting rates and move towards a more conservative NWR target number. Some panel members noted customers indicated a strong preference for predictability in the outreach. Other panel members discussed the concern that the proposal appeared complex and may be difficult to present to the public.

After more discussion, some of the themes that arose were:

- Rate stability is important to support, but this was not universal within the panel; Eugene prefers the potential of surcharges coupled with lower rate base rates.
- If rebates are likely, the process should "hardwire" them in so that the money is certain to go back to customers. Matt Lyon confirmed that a less volatile rate path is preferred by Nucor.
- It would be important to implement the change over time to mitigate rate impact.
- It is important to incorporate the reality of the change in the BPA contract.

Selected slides from the Appendix of the presentation were discussed. Jorge noted the importance of considering a tool to further mitigate rate impacts by deferring some bond principle repayments during the 2013-18 period. Tony Kilduff stated that there may be concerns about consistency with citywide debt policies.

Advanced Metering Infrastructure (AMI) presentation

The meeting participants were introduced to Greg Pal (from Opower). Opower offers an information program to help residential customers manage their electricity use by providing regular reports –called Home Electricity Reports—about the customer's



City Light Review Panel Meeting Meeting Minutes

electricity consumption. It gives customers the ability to choose ways to more efficiently use power and ultimately save money on their energy bills.

Opower's research has shown customer satisfaction improves when utilities provide customers the ability to manage their own power usage.

Eugene Wasserman commented that there's been some concern about AMI in different parts of the country with respect to the communication network and if it would introduce any health issues. He's also read about concerns with the privacy and accuracy of the meters. Jorge advised the group that there's a lot of folklore on these topics, and he asked Greg to share some lessons learned from their experience, specifically what Utility's experiences have shown around: (a) how to stage deployment and (b) concerns about adopting what could later become outdated technology.

Greg provided information with respect to lessons learned after they were pulled in after the fact to work with PG&E (which did not have a successful deployment). They found several factors in why it wasn't really successful for PG&E:

- they didn't do a good job of engaging with the customer
- they didn't employ customer communications outlining best practices
- they didn't conduct town halls

Without thinking about focusing on the value to the customer, and planning how to communicate the benefits provided, the program lacked the groundwork essential for success. Greg noted the importance of early engagement with the customer and stated that engaging and communicating to customers is not the big part of the cost, but is key to success. The vast majority of the investment is getting the technology in place.

The meeting participants had many questions regarding deployment of AMI.

- Can you compare benefit to small-medium customers vs. larger industrial customers?
- What about tailoring usage profile to what is specific to their industry?
- How do you change the way you engage with the different customers?
- Do you have any statistics on what actual savings customers are seeing and what percentage of customers are using it (so we can move from theory to practice)?

Greg responded that they have a lot of data regarding the customer engagement piece however AMI deployment is still in its early stages. At this point they don't have hard data for the customers' savings on their usage.

Kelly Enright, City Light's Customer Care Director, explained the goals and benefits of AMI to the group. She reiterated that the utility's goal is to deliver the best customer service in the nation. She advised that one out of three complaints that the utility receives is bill related. Currently, we are faced with obsolete aging electro-mechanical meters, the high cost of manual reads, access & safety issues, and lost revenue with under-measured usage.



City Light Review Panel Meeting Meeting Minutes

AMI is a remedy that could deliver improved customer support, reduced labor and operational costs, reduced carbon foot print, and enhanced outage management, distribution monitoring and management.

A question was raised if they would run into the problem of the technology advancing and being stuck with equipment that doesn't interface with the advancing technology. Kelly responded that the likelihood is lower because the utility will take time to gather more information first. The Utility would take the time to evaluate options thoroughly, and we would not be early adopters of AMI. Effort continues to refine the business case. Phil West stated that their plan is that they want to do testing in 2012 and then a robust pilot in 2013.

Eugene Wasserman stated that he is still skeptical about AMI. He'd like to see more detailed numbers to show what the AMI benefits are and the detailed business case. He reiterated that you need to show the benefit to the utility/customers and the rate impact.

Stan Price asked to give data on the current meter replacement rate. Kelly said it would take 40 years and we spend about \$2.5M per year to replace meters.

There were questions on:

- Could you lease a system first rather than pay the cost up-front (or otherwise amortize the cost to match the benefits)?
- Is the fact that the utility has an aging workforce affect the timing of trying to get this initiative done more quickly? (Yes)

Issues/Action Items

The utility will check on further information to provide the Panel with the data and costs on our current meters and what the future costs of AMI are.

The meeting ran over the allotted time so Karen advised that the topics on safety and the continuing discussion on the preferred path would be addressed at the next panel meeting.

Adjournment

There being no further business, the meeting was adjourned at 2:15 p.m.