

August 14, 2013

TO: SPU Customer Review Panel

FM: Karen Reed

**RE: Looking ahead—Issues to come, and Issues on the table**

When Councilmember Godden joined us at the last meeting, she reminded us that the Panel's role is to provide input and ideas "from a customer perspective" and "ask the tough questions."

Thinking about the phases of work we have over the next several months, and considering the mission outlined in the Council Resolution setting up the strategic planning process and the review Panel, I've framed out some of the key questions I think are relevant to meeting that challenge. This is not meant to be an exhaustive or exclusive list. For example, the Panel is able to propose substantive actions different than those presented by SPU.

Below this list of questions, I've drafted up what I think is a list of the major outstanding items that you have thus far put on the table for consideration in developing the strategic plan. These are things that can't be answered in a simple "response to information request" format and could impact the strategic plan significantly. A lot more to come here. Let me know if we're missing something that you've raised that you think should be included on this list.

Questions Framing the Panel's Mission:

1. Do you have a working knowledge of SPU's services, financial policies, cost structures and rates? (*Work in Progress*)
2. Do the areas for strategic focus and the objectives seem like the right priorities from your perspective? Have they been described in a way that is transparent and will resonate with customers? (*Completed*)
3. Do the baseline assumptions for how costs and demand will change over time-- if we do nothing differently--make sense to you? Are the cost drivers clear? Is it clear where there is room for flexibility in impacting this baseline, and where things are largely fixed (and why)? (*Baseline*)
4. Has SPU made a thorough scan of current operations and proposed a plausible set of operational cuts/reductions based on clear policy rationale? Do you support their recommended prioritization actions? Did they consider and present alternatives in this effort? Did they miss something you think is important? (*Baseline Prioritization, efficiency initiatives*)
5. Does the Benchmarking Study present a thorough array of recommendations for how SPU can deploy best practices and other actions to provide more efficient and better service in comparison with peer utilities? In instances where SPU is not planning to adopt a recommendation from the Benchmarking Study, has it put forth a credible rationale and alternative? Are there recommendations in the benchmarking study that the Panel thinks should be rejected? (*Benchmarking Study Response by SPU*)

6. Has the Department made a solid case for its proposed major investments in the strategic planning period? Are the policy rationales for these investments clear? Does the technical evaluation summaries supporting the investments seem credible? (*Review of proposed investment initiatives*)
7. Do you understand what the Mayor and Council's concerns and issues are in relation to the major decisions SPU faces in building its strategic plan? (*Ongoing dialogue at the table with Meg and Craig*)
8. Did SPU appropriately reach out to its customers and employees and take their input into consideration in developing the plan? (*Interim and final outreach processes, employee surveys, CAC input*)
9. Eventually: SPU will present a recommended rate path that will reflect a recommended mix of projects and actions over the 2015-2020 period. There will also be 2-3 other non-recommended rate path alternatives, each with a different mix of costs and projects. **Does the Panel endorse the recommended path and the proposed investments and efficiencies incorporated in that path? If so, why? If not, why?**

Pending issues raised by Panel to date with major implications for the strategic plan:

1. City imposed taxes on the utility are a concern and a significant cost factor in rates.
  - a. Impact is larger than all the optional environmental and public health programs now in place.
2. Affordability is an issue of concern.
3. Transparency is a concern.
4. Dealing with evolving/aging workforce is a concern –
  - a. Succession planning, injury rates, sick leave benefits
5. How will the utility address the accountability concerns of employees?
6. How will the utility address the efficiency concerns of employees?
7. What will be done to improve performance in delivering large capital projects?
8. Are there less expensive ways to achieve regulatory requirements (like street sweeping) or to provide services (like One Less Truck) –and should these be deployed?

As we today dive into the major conclusions and assumptions in the draft baseline forecast, here are some of the questions I think may be particularly relevant.

1. Do the assumptions make sense to you?
2. Do the conclusions make sense?
3. What information is missing/needs clarification?
4. Initial reactions to rate of rate growth projected?
5. Reactions to the major assumptions, cost drivers *by Line of Business*?
- a. What issues or questions does this raise in terms of the strategic business plan, for SPU's ability to reduce costs, find efficiencies, make additional investments, or address affordability issues?