

City Light Advisory Committee 2008 Annual Report



January 2008

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INTRODUCTION AND SUMMARY OF RECOMMENDATIONS

The Seattle City Light Advisory Board was created in May 2003 to provide expert industry-specific knowledge and advice to the Mayor, the City Council and City Light on “key energy issues facing the City.” At that time, the energy crisis had disrupted electric markets from California to Washington. City Light – like other West Coast electric utilities – faced historic financial and management challenges that resulted, in part, in a double digit rate increase.

Three years later, the Advisory Board concluded that City Light had made “significant progress,” but still faced challenges in several areas including financial policy, risk management, resource planning and progress toward a high-performance organization. Somewhat prophetically, the Board expressed concern that “City Light is still not adequately equipped to weather future storms.”

In December 2006, a devastating winter storm left more than 180,000 City Light customers without electricity. City Light managed to “weather the storm,” but an independent analysis concluded that the utility had performed poorly in many ways. City Light was operating with long-outdated systems from the 1970s. Work crews were not fully staffed. Damage assessment was inefficient. City Light was significantly behind in facilities and technology, including systems for outage management, computer software and work management.

The present City Light Advisory Committee was convened in the wake of the December storm. After several months of study and investigation, the Committee is optimistic about the future. City Light – with the approval of the Executive and City Council – developed a plan to improve its storm response, completing the most urgent work by November 2007. The Committee believes that City Light is moving in the right direction.

We applaud the progress that has been made since the previous Advisory Board concluded its work. City Light has made strides in financial policy, executive recruitment, and resource planning. The Executive and the City Council have proposed and approved funds in the 2008 budget for asset management and critical planning tools. City Light is developing plans to address the challenges of an aging infrastructure, urban growth and disaster response. We are pleased that a first step has been taken to coordinate expenses with

retail revenues: City Light will now be required to forecast the rate impact of its capital improvement programs.

The Committee emphasizes that City Light must continue to focus on long-range strategic plans. But developing future programs is only part of the work. City Light must also identify funding sources – including retail revenues – to support that strategic vision. City Light’s capital needs – particularly the funding for distribution system upgrades – are significant and will have a long-term effect on its financial health. If it is to stay financially healthy, City Light cannot rely on excessive borrowing or unrealistic projections of wholesale revenues to meet its operating and capital needs.

Fair and sufficient retail rates are critical for City Light. The elected leadership – with full input from stakeholders and the public – should seek consensus both on City Light’s long-term capital and operating needs and on a credible long-term rate plan. Sustainable, reasonable retail rates are the key to keeping Seattle’s greatest public resource strong and viable.

SUMMARY OF RECOMMENDATIONS

The Advisory Committee recommends the following:

I. FINANCIAL HEALTH

- **Stay the course on financial policy.** The Advisory Committee would prefer a more conservative approach in some respects (for example, increasing the minimum operating cash balance), but we believe it is more important to maintain consistency as long as the policies are proving effective and there is no material or adverse change in the utility’s operating, regulatory or competitive environment.
- **Improve the long-term financial forecast for future capital and operating needs.** City Light’s current forecasts are based on assumptions and tools that are not well developed and may prove unreliable. More effort should be given to projecting a range of potential outcomes rather than relying on the fixed-point projections currently employed.

- **Support the long-term financial forecast with a long-term plan for rate stability.** We strongly recommend that the Executive, the City Council and City Light work together in 2008 to achieve long-term rate stability. Long-term rate stability means rates will (1) have a predictable structure and impact, (2) appropriately fund the utility's long-term operating and capital needs, (3) limit dependence on volatile sources of revenue such as wholesale power sales and (4) optimize the use of prudent long-term borrowing. Coordination of revenues with capital and operating expense should be projected over at least a 10-year period.

- **Link rate setting, the budget processes and long-term financial forecasting.** We recommend that the Executive, the City Council and City Light work together to conduct the next rate setting process based on a revised and more thorough long-term financial forecast, drive the revenue requirement consistent with the goal of long-term rate stability, and directly link the revenue requirement to approval of the biennial budget.

II. RELIABILITY AND DISTRIBUTION

- **Review and establish reasonable reliability standards.** City Light should establish reliability standards by weighing the cost of distribution reliability against the cost to customers of outages and factoring the results into cost-effective reliability goals.

- **Raise public awareness that City Light's distribution system is decades out of date and urgently needs rehabilitation.** Public awareness is a step toward public support for rates sufficient to fund the required rehabilitation of the distribution system. Because of various financial pressures and a perennial reluctance to raise rates, City Light's infrastructure is showing its age. The distribution system resembles a typical system from the mid 1970s. The system is more than 30 years out of step with modern electric power practices.

- **Achieve a sustainable level of funding for distribution system maintenance, upgrade and expansion.** The City leadership and City Light must continue to address capital funding (both long-term and short-term) to bring the distribution system up to current industry standards. The proposed asset-management program is

a good first step, but distribution system upgrades can't wait for the completion of the process.

- **Invest in a “smart grid.”** A state-of-the-art electronic network will enhance electrical operations and meet increasingly sophisticated customer expectations, such as on-line data to track customer hourly usage.
- **Develop a long-term strategy for the aging 4kV system.** The ancient 4kV system needs to be replaced. In the parts of town where the old 4kV system still hangs on poles, the electrical system looks like it belongs in a third world country rather than a modern metropolis.

III. RESOURCE ACQUISITION AND RISK MANAGEMENT

- **Rebuild City Light’s capability to evaluate and acquire new long-term power resources in an increasingly competitive marketplace.** City Light is no longer consistently “long” on resources. City Light must rebuild its in-house capability to evaluate alternative resources and expeditiously acquire those best satisfying the utility’s criteria.
- **Update weather modeling assumptions and forecasting tools.** Forecasts must reflect global warming trends and associated assumptions regarding hydro generation capabilities and energy usage demand in the future. The Committee recommends use of a shortened time period that focuses on the most recent history rather than the current 60- to 70-year history.
- **Create a strategy for expeditiously acquiring new renewable resources and/or renewable energy credits.** City Light, the Executive, the City Attorney and the City Council should work together to devise a streamlined process for approval of renewable resource acquisitions. City Light should consider building a coalition of public power to find, develop and acquire the needed renewable resources.
- **Restore City Light’s leadership in conservation.** Complete the analysis of the costs and benefits of accelerated conservation and, provided the analysis supports findings in the 2006 Integrated Resource Plan, adopt an accelerated conservation portfolio. Rebuild in-house capability to bolster conservation efforts.

- **Continue to focus on Bonneville contract renewal.** Focus on negotiations for renewal of Bonneville contracts in 2011. The BPA contracts will remain a critical part of City Light's resource portfolio; however, prices and terms may be less favorable to City Light than they are now.
- **Immediately implement best practices risk management.** Risk management cannot sit on the back burner any longer. Failure to implement risk management strategies threatens financial and legal harm to City Light.
- **Promptly conclude analysis and decision on a third-party partner to manage energy trading.** In today's energy markets, the lack of a knowledgeable and sophisticated trading team creates risk, prevents optimization of wholesale revenues and jeopardizes rate stability. The Committee believes that City Light's proposal to engage an energy trading partner deserves prompt and serious attention.

IV. HUMAN RESOURCES

- **Develop and support a strategy for workforce renewal.** Financial incentives must be enhanced to attract and retain skilled workers. The City must accelerate job training and apprentice programs. City Light must create incentives for advancement into mid-level management and grow human resources from within.
- **Empower City Light as a business enterprise.** The City should streamline job re-classification, create more exempt positions for non-represented employees and expand the flexible compensation program.
- **Enhance employee effectiveness.** City Light management must continue to improve communications with the workforce, make decisions at the lowest appropriate level, and create fair pay and realistic expectations. Criteria should be developed to hold City Light management accountable for results.

RECOMMENDATIONS

I. FINANCIAL HEALTH

A. Stay the course on financial policy.

The City Council adopted Resolution 30761 in May 2005 to establish new financial policies for City Light. The Council affirmed these policies again in November 2006 in Resolution 30933. The purpose of the new policies is to “restore the financial strength of City Light and recover the rate advantages of public power.” The Resolution incorporated most of the recommendations advanced by the former Seattle City Light Advisory Board. Key financial components of the adopted policies include:

- Setting electric rates to provide a minimum debt service coverage ratio for first and second lien debt of 2.0;
- Setting electric rates to ensure a 95% probability each year of net revenue to fund capital requirements;
- Establishing a \$25 million Contingency Reserve Fund to “pay for extraordinary costs associated with the operation of the electrical system”;
- Setting electric rates to ensure a minimum month end operating cash balance of \$30 million, in addition to the Contingency Reserve Fund; and,
- Setting electric rates to achieve a debt-to-capitalization ratio of 60% by year-end 2010.

The Advisory Committee finds that Seattle City Light has followed these guidelines to positive effect.

- Current electric rates meet both the debt service coverage ratio and 95% probability of net revenue requirements. At present, the 95% probability requirement controls rates.
- The Contingency Reserve Fund has been established as directed, using funds from the former Bond Reserve Account.
- The utility has substantial operating cash reserves and anticipates year-end 2007 reserves of \$88 million. However, the utility is gradually drawing down the reserves to the \$30 million minimum to help fund current capital program requirements. This has allowed Seattle City Light to defer issuance of new debt until 2008.

- City Light is on track to achieve the required debt-to-capitalization ratio by 2010. The ratio was 67% at year-end 2007.

The rating agencies (Moody's and Standard & Poors) provide further evidence of the effectiveness of the financial policies. The rating agencies have upgraded their outlook on City Light and its outstanding debt since the policies were adopted. Standard & Poors, for example, raised their rating on the utility from 'A' to 'A+' in September 2006, noting "the City's adoption of strong financial policies and continued financial improvement as evidenced by its lower debt leverage, strong cash flow coverage and strong liquidity."

The financial policies help position City Light to better manage financial shocks due to unanticipated events. The first defense is capital reserves, which can be used to manage less significant events. The strengthened balance sheet provides a second layer of defense, short-term borrowing, for more severe events (we note that the City's general fund, which is available to the utility if needed, should be viewed as short-term borrowing and not as capital reserves). Finally, in the most severe situations, City Council retains the option to adjust rates.

Based on City Light's long-term revenue, expense and capital forecasts, the financial policies will support anticipated increases in the capital program for the foreseeable future. However, these forecasts depend on several key assumptions that may prove optimistic or unreliable, as discussed further in this section.

The Advisory Committee affirms the current financial policies. Although the Committee would prefer a more conservative approach in some respects (for example, increasing the minimum operating cash balance), we believe it is more important to maintain consistency as long as the policies are proving effective and there is no material or adverse change in the utility's operating, regulatory or competitive environment.

To this end, we note that Resolution 30761 provides for a review of financial policies once the debt-to-capitalization ratio reaches 70%, to "better align rates with the results produced by the financial policies." As previously noted, the utility achieved this ratio by the end of 2007. We urge the Executive and City Council not only to maintain the current financial policies, but also to pursue a policy of long-term rate stability, as discussed later in this section.

B. Improve the long-term financial forecast for future capital and operating needs.

City Light's ability to anticipate and plan for the future is dependent in significant part on the quality of its long-term financial forecasting. As noted, the utility's current forecasts are based on assumptions and tools that aren't well developed and may prove unreliable. Some of the factors important to the forecast, but currently ill-defined, include:

- Terms of the 2011 BPA renewal. City Light's current assumption is that the renewal will preserve the current product and pricing structure;
- Conditions and costs as a result of the 2011 Boundary relicensing; and,
- Impact of I-937 on the cost and quantity of renewable energy sources.
- Impact of federal legislation and regulation, such as the recently enacted Energy Independence and Security Act of 2007.

Further, the utility lacks important tools to properly forecast revenue and expense items, including:

- Climate data and projections that reasonably consider the potential impact of global warming on the utility's most important resources – precipitation and snow pack;
- Asset-management tools for assessing the current condition of the utility's aging infrastructure and for making repair versus replace decisions; and,
- Analytical tools to assess the forecast's sensitivity to variations in the underlying assumptions.

Addressing the utility's long-term operating and capital needs while adhering to the financial policies and maintaining the confidence of ratepayers, debt holders, the Executive and the City Council will require improved long-term planning skills and tools. A credible plan must be developed for anticipating and funding these needs.

The plan must not only address the timing, priority and amount of proposed expenditures, but also the associated revenue assumptions, including a long-term rate plan, reasonable wholesale power revenue projections, and required borrowing. The complexity of the issues will require improved coordination that matches revenues with capital and operating expense needs over at least a 10-year period.

More effort should be given to projecting a range of potential outcomes rather than relying on the fixed-point projections currently employed. Such a process would provide focus on the dynamic set of challenges faced by the utility and strengthen the viability of the resulting long-term plans to address the many demands Seattle City Light faces over the next 10 years and beyond.

Our vision of a long-term plan is not embodied a thick three-ring binder with charts and graphs, stashed away and forgotten. Rather, the plan should be a living, changing “engine,” an on-line model that factors in various scenarios of loads and resources, alternative capital and operating plans, and assumptions or guesses about the external environment and regulations. The model should be detailed and robust, including operating as well as financial parameters. To have the requisite level of detail for planning, we suggest a month-by-month approach extending over 10 years. The “engine” would provide the data for City Light and our elected officials to plan for the future in a rational, flexible manner.

We note that City Light leadership has recognized these needs and is working to improve the utility’s forecasting tools and assumptions. City Light is currently evaluating state-of-the-art planning tools. The leadership has indicated its commitment to developing a new strategic plan in 2008 that will incorporate a more refined forecast. Finally, we commend the Executive and the City Council for proposing and approving important expenditures in the 2008 budget for the implementation of an asset-management system and other critical planning tools.

C. Support the long-term financial forecast with a long-term plan for rate stability.

While increased utility rates invariably capture the public’s attention, utility rate-setting escapes similar scrutiny. The people of Seattle govern City Light through their elected representatives. This means the vehicle for establishing rates is the political process. Few see a benefit to investing more in City Light if it means higher rates. So rates remain low in the short term, but the facilities, wires, poles and meters suffer. The long-term results are higher costs and more expensive rates than if a disciplined plan for system enhancements were adopted and followed.

Public power means public responsibility. Rate considerations are extremely important, especially as customers face higher energy bills each year for a variety of reasons. However, the unmistakable reality is that failure to set rates for City Light that fully support repairing deferred maintenance, investing in capital upgrades, or investing in the human and technology resources needed to run such a complex business will result in much higher rates in the long run and lower levels of service in the short run. Low rates are the goal, but artificially depressed rates that deprive the utility of greatly needed resources undermines the financial stability of the utility, and, as we have seen, can lead to very large rate increases in times of crisis.

City Council will next be considering rates in 2008. We strongly recommend that the Executive and the Council work together with City Light to affirm long-term rate stability as a priority. Long-term rate stability means rates that have a predictable structure and impact over the long term; that rates appropriately fund the utility's long-term operating and capital needs as defined in a realistic, well designed forecast; that rates limit dependence on volatile sources of revenue such as wholesale power sales, and optimize the use of long-term borrowing.

D. Link rate setting, the budget process and long-term financial forecasting.

The City's process for reviewing and approving City Light's biennial budget is defined by state law and vests control over spending with City Council pursuant to recommendations from the Executive. Traditionally, City Council has set rates in a separate process from budget review and approval. This approach has historically produced rates which are overly subject to near-term political and customer demands and which often fail to properly support both the short- and long-term needs of the utility.

In order to achieve long-term rate stability and a disciplined planning process, both rate setting and biennial budget approval must be linked; they must be informed by the broader context of a meaningful long-term financial forecast. City Council took an important step in this direction in November 2007 with the adoption of Resolution 31022, which asks the Executive to provide, along with the proposed budget, a projection of the average system rate needed to support the associated six year capital plan and financial goals. The resolution falls short of linking rate setting with the budget, but does provide an opportunity for more informed consideration of rates.

We recommend that (1) the next rate setting process is based on a revised and more thorough long-term financial forecast (which the utility needs to complete by the end of 2008), (2) the revenue requirement is driven by the priority of long-term rate stability and (3) the revenue requirement is directly linked to approval of biennial budgets.

The committee recognizes the current timing of the next rate setting process precedes the likely completion of a new long-term financial forecast. For the future, we suggest the Executive, Council and City Light develop a revised rate setting timetable that coincides with new long-term forecasting.

II. RELIABILITY AND DISTRIBUTION

Along with its proud 100-year history, City Light owns a legacy outdated and potentially dangerous infrastructure.¹ City Light customers want safe and reliable delivery of electric power at reasonable cost. A system whose maintenance policy is “run to failure” cannot satisfy these goals. A major upgrade is urgent. The infusion of capital is essential. City Light is faced both with a technology lag and the financial burden of catching up to the 21st century.

In the parts of town where the old 4kV system is still in place, the electrical system looks like it belongs in a third world country rather than a modern metropolis. The overall system looks like a typical distribution system from the mid 1970s. The system is more than 30 years out of step with modern electric power practices.

There is an old saying, “The map is not the territory.” There is nothing like actual visual inspection. Committee members spent a good part of a day in the field. We encourage the City’s policy makers to do the same. Those who inspect the electric system can decide for themselves whether it is a source of civic pride or a collection of antiques.

A. Review and establish reasonable reliability standards.

Preventing further degradation of reliability in terms of City Light’s SAIDI and SAIFI scores is essential to restore minimal City Light standards. However, the target reliability standards must be balanced against the cost of achieving those standards. City

¹ By “infrastructure” we mean the collective parts and pieces of the distribution system, including substations, poles with transformers, underground vaults, underground conduits and all the equipment required to get power from transmission voltages to customers’ meters.

Light should weigh existing distribution reliability standards in light of projected future cost to maintain them and the cost of outages to the customer. Only after this analysis can City Light recommend whether reliability standards should be revised and if so, how.

B. Raise public awareness that City Light's distribution system is decades out of date and urgently needs rehabilitation.

City Light is to be commended for beginning the process of identifying significant electric distribution system needs and developing a plan to address aging infrastructure, urban development growth and the ability to respond in emergency and disaster events. Our elected leaders have supported the utility's capital needs; the Committee was advised that City Light has spent more than \$2 billion over the past 15 years, more than half on the distribution system. Notwithstanding this, the Committee believes City Light is moving too slowly to refurbish and upgrade the distribution system.

A few of the significant needs currently identified and included in the budget for 2008 are:

- Development of a North Downtown Substation – the land purchase and design cost alone projected to be \$40 million;
- Enhancement in the North Downtown area to support the growing demand for electricity projected at \$12.6 million;
- Development of a Disaster Operation Center to address the utility's storm management needs expected to cost \$5 million;
- Purchase of an Asset-Management System to help assess and prioritize the enhancements needed throughout the system to address aging infrastructure projected to cost \$32 million of which \$5.5 million would be spent in 2008.

In addition, funding a deferral account to pay for relocation and replacement of the electric distribution system impacted by the renovation of the Alaska Way Viaduct will cost \$29.4 million out of a total current multi-year estimate of \$300 million.

Future funding for the upgrade and enhancement of the distribution system will be significant. City Light's capital improvement program for the distribution system is projected to increase from \$159 million in 2007 to \$339 million in 2010. These on-going capital requirements will have a long-term effect on the utility's financial position. The City's

leaders must raise awareness among ratepayers and stakeholders of the long-term impact of City Light's capital requirements.

C. Achieve a sustainable level of funding for distribution system maintenance, upgrade and expansion.

Capital funding to bring the distribution system up to industry standards must be addressed both long- and short-term. The proposed asset management program is a first step, but it is being implemented much too slowly. The likely results, in terms of capital investment, are not adequately factored into planning. Although asset management is desirable and should be implemented as soon as possible, distribution system upgrades can't wait. City Light should not delay for the five or more years that it will take to fully implement an asset management system to start the prioritization of needs and initiation of improvements.

D. Invest in a "smart grid."

A "smart grid" allows for flow of information from customers' meters in two directions: both inside the house or business and back to the utility. The use of advanced, information-based technologies can increase power grid efficiency, reliability, and flexibility, and reduce the rate at which additional electric utility infrastructure needs to be built.

A "smart grid" would enable City Light to enhance electrical operations by affording enhanced supervisory control over the system and permitting access to real-time data. In addition, an up-to-date electronic network would enable City Light to meet increasingly sophisticated customer expectations, such as offering on-line data to track the customer's hourly usage.

Every modern electric utility operates a "Supervisory Control and Data Acquisition" or SCADA system. SCADA would benefit City Light by providing better and more centralized real-time data on the state of key distribution system components, automated response to outages and prioritization of service restoration efforts.

City Light is currently evaluating automated meter infrastructure (AMI). Any "smart grid" will likely require deployment of AMI. The Committee encourages City Light to continue exploring ways to implement and fund these enhancements to the distribution system.

E. Develop a long-term strategy for the aging 4kV system.

Replacement or desired upgrade to 26.4 kV distribution standards is not simple and is, in fact, very complex. In many cases, conversion from the old 4 kV will be very expensive and may not be compatible with other uses of the infrastructure such as the Metro electric trolley lines.

City Light has made some progress in converting the old 4 kV system to 26.4 kV. Conversion has been completed in more than 30 substations around the service territory. Conversion work is on-going in West Seattle and Laurelhurst. Capitol Hill and the University District, however, have been deferred because of the expense. These are designated underground ordinance areas that can be converted only as new development occurs. The Committee believes that any City ordinances that prevent conversion of the 4 kV system until service is placed underground should be amended or repealed.

Upgrading 4kV service in these areas may require addressing inadequate or antiquated services in both residential and businesses. This will have political repercussions. Ignoring the problem until disaster strikes – consider an ice storm – is not prudent. Patching specific problems is not cost effective. A task force of City Light engineers, Metro engineers, local residents and other appropriate City agencies should work together to formulate a specific plan. This plan may need block-by-block engineering with the flexibility to provide safe, cost effective and aesthetic solutions supported by the community.

III. RESOURCE ACQUISITION AND RISK MANAGEMENT

A. Rebuild City Light's capability to evaluate and acquire new long-term power resources in an increasingly competitive marketplace.

Since shortly after the 2001 energy crisis, City Light has enjoyed an energy surplus in all seasons and under all but the most extremely unfavorable hydrologic conditions. In the past, the utility's emphasis has been how best to market its surplus power rather than how to acquire new resource to meet load. But now, increasing load growth has begun to absorb the surplus, making it necessary for City Light to focus on acquiring new power resources to meet regionally accepted reliability standards.

Once City Light determines that a new power resource is necessary, it must decide how to fill that need in a cost-effective manner. If a new purchased resource is identified, City Light must evaluate that resource against other possible purchases, and against the cost to build the resource itself. This analysis requires a careful look at all of the options, including projections about end effects, capital costs, dispatchability, transmission costs, and any other factors needing specific analysis at the time of a purchase decision. In short, the process for acquiring new resources must be deliberate, transparent and rational.

Unfortunately, in the past decade, City Light has lost its in-house capability to evaluate alternative resources and expeditiously acquire those best satisfying the utility's criteria. A high priority for City Light should be to get budget authority to staff units with expertise in resource evaluation and acquisition and to re-establish these crucial capabilities within the utility. While the 2008 City Light budget funds two resource acquisition positions, more positions are likely needed for both resource evaluation (as embodied in the Integrated Resource Planning process) and resource acquisition.

City Light has looked at staffing at other comparable Northwest power utilities and found that most depend on an in-house core staff of two to 12 for resource planning and evaluation. We recommend that the Executive and City Council work with City Light to ensure the utility has the staffing, funding and expertise necessary to acquire new power resources as needed. Our leaders must be vigilant in their oversight of the utility's performance in this area.

B. Update weather modeling assumptions and forecasting tools to reflect global warming trends and associated assumptions regarding hydro generation capabilities and energy usage demand in the future.

The 2006 Integrated Resource Plan addresses the impacts of climate change, but only qualitatively. It correctly recognizes the University of Washington Climate Impacts Group is performing state-of-the-art analysis by integrating global climate change impacts with local diagnostic tools to predict localized impacts at the watershed level arising from global warming. The support of the University of Washington's work on this front is important and should continue. While the qualitative discussion in the Integrated Resource Plan correctly recognizes more work is required to define the localized impacts with precision, steps can be taken now that should improve modeling predictive capabilities.

Currently, the models for hydro generation utilize a 60- to 70-year history for predicting future snow packs and seasonal rainfall amounts. In recent years the consequence has been to over-estimate the projected output from hydro electric generation available as a result of snow pack and rainfall. To compensate, in 2007, lower snow pack and seasonal rainfall amounts than were predicted by the model were used for purposes of estimating wholesale power revenues. Subsequently, the City Council made another ad-hoc adjustment to the 2007 wholesale power revenue it assumed would be available. The amounts of these adjustments were neither statistically nor scientifically derived. They were discretionary adjustments and were the subject of political debate.

While the Integrated Resource Plan acknowledges that changes to weather modeling will be needed to capture the effects of global warming, concrete steps should be considered now to better estimate the effects of weather on both hydro generation capability and load demand and to lessen the chance of arbitrary adjustments being applied to model-derived projections. After steps have been taken to improve the forecast, City Light or the City Council may still believe it is prudent to base the budget on different wholesale power revenue than the model-predicted average amount. In that case, the Committee recommends that this adjustment be embodied in a formal financial policy or guideline.

The Advisory Committee also recommends the use of a shortened time period that focuses on the most recent history rather than the current 60- to 70-year history. The use of the 60- to 70-year period dampens the impact of the more recent history at a time when there is a growing consensus that significant changes are in play and the past is not a good indicator of future weather patterns.

C. Create a strategy for expeditiously acquiring new renewable resources and/or renewable energy credits.

Although the pressure to find good deals for traditional assets is intense, that challenge cannot compare with what City Light will face when it tries to buy renewable resources in response to Washington State Initiative 937 (I-937). City Light must have the ability to move quickly. The best deals will go fast.

I-937 requires electric utilities such as City Light to meet certain minimum percentages of load with new renewable resources or conservation in the near future. Many

of the State’s utilities – including City Light – do not now meet the standard. Competition to acquire new renewable resources will be intense in coming years, limiting availability and driving up prices. Competition will be exacerbated by similar legislation in other Western States (note that Washington is a “late adopter”), which establish standards for their electric utilities and in many cases allow the standards to be met with out-of-state resources.

It is expected that many of the new renewable resources will be offered by project developers, and that the best and most cost-effective will be quickly fully subscribed by those utilities who can rapidly commit. The Committee believes that City Light, which lacks the flexibility to make quick deals and is currently subject to a cumbersome and time-consuming approval process, will be at a distinct disadvantage in this environment, to the detriment of its ratepayers. When it comes to acquiring new resources, and renewable resources in particular, City Light simply cannot compete head-to-head with investor owned utilities (IOUs) in the Northwest. IOUs can move fast because state statutes grant them flexibility. IOUs need not obtain pre-approval from the Washington Utilities and Transportation Commission (UTC) before buying power. They may recover the expense of buying or building new resources unless the costs are found to be “imprudent” by the UTC.

An excellent example of how fast an IOU can move even on a long-term, non-renewable resource is Puget Sound Energy’s purchase of a 277-megawatt gas-turbine plant in Klickitat County. PSE bought the Goldendale Generating Station for \$120 million after Calpine Corporation, which built the plant for an estimated \$334 million in 2004, declared bankruptcy. The purchase price was lower than what PSE would pay for new construction. The UTC quickly approved the Goldendale purchase so that PSE could recover the power costs in its rates.

To address this problem, the Committee recommends that City Light work with the Executive and City Council to devise a streamlined process for approval of I-937 compliant resource acquisitions. One possibility would be for the Executive and City Council to establish criteria for individual new renewable resources in advance and delegate to the Superintendent project level approval authority where the criteria are satisfied.² The standards established by the UTC may be helpful in developing criteria for expedited approval. (See Appendix A)

² The approval process must, of course, comply with state law on contract approval. The procedures for expedited approval of resource opportunities may involve revision of the Seattle Municipal Code.

A particular problem arises if City Light complies with I-937 by buying new resources. It must acquire resources in excess of what its needs to meet its load growth, increasing its “long” position as well as the risk of revenue variability. I-937 allows acquisition of renewable energy credits (RECs or “green tags”) as an alternative to the renewable resource itself. A green tag is an entitlement to the environmental benefits of a new renewable resource without the power from the resource. City Light apparently believes green tags will be so expensive in this highly competitive market that it will be preferable to acquire the resource itself and sell the unneeded energy from it. While this may be correct, it is far from certain. Therefore, the Committee recommends that City Light continue to monitor the costs and benefits of green tags *vis a vis* resource acquisition and maintain the flexibility to exploit whichever turns out to be preferable.

The Committee also recommends that City Light and our elected officials consider forming a coalition of public power to find, develop and acquire the needed renewable resources. Cooperation among the publics would serve to moderate upward price pressure and alleviate some of the complexities of buying renewable resources. City Light could take the lead in exploring such a renewable resource coalition.

D. Restore City Light’s leadership in conservation.

This report discusses the challenges of resource development facing City Light. One of the most promising and most cost effective resources is “conservation” or load reduction. Encouraging existing and new customers to moderate their demand makes the requirement for new, expensive “real” generating facilities smaller and more manageable. Further delay in pursuing accelerated conservation will result in lost opportunities – those conservation measures that can only be feasibly implemented during a limited time.

The technology of conservation is well known, but it is advancing. City Light has been a leader in conservation so the “low- hanging fruit,” the most obvious forms of load reduction, have already been achieved. The Committee urges City Light and the elected officials to consider accelerated conservation for the future.

In 2008, City Light should complete its analysis of the costs and benefits of accelerated conservation and, provided the analysis supports findings in the 2006 Integrated Resource Plan, the City should adopt an accelerated conservation portfolio as the

recommended option for meeting future load growth. In City Light's 2006 plan, several different resource portfolios were evaluated on a number of criteria and one was selected as the "Mayor's Recommended Resource Strategy." The portfolio selected has seven average megawatts of new conservation each year – about the same level that City Light has achieved in recent years and substantially below the level of nine average megawatts it pursued prior to a budget crisis several years ago.

In contrast to this, three of the portfolios evaluated placed greater emphasis on conservation to meet future load ("accelerated conservation"). City Light did not select the accelerated conservation portfolios due to the lack of reliable cost information at the time. However, the plan suggested that the accelerated conservation portfolios could be about \$100 million less expensive than the Mayor's Recommended Resource Strategy.³ They were comparable or superior on the other criteria, including variable cost risk and green house gas emissions. Furthermore, the 2006 plan predates I-937. With I-937, accelerated conservation has the added advantage that in further reducing loads, it reduces the amount of new renewable resources required to comply with the Initiative, a further cost savings.

City Light nonetheless felt that further study was needed before committing to accelerated conservation. Given the lead time to implement an accelerated conservation strategy, it is imperative that the study be completed and acted on quickly.

City Light will need to rebuild in-house capability to bolster conservation efforts. Here as elsewhere in the organization, the utility should investigate more flexible use of staff to increase efficiency and facilitate development of requisite new skills. The leadership of the conservation effort must be allowed to create teams using the strengths of individuals where they can best contribute, unconstrained by restrictive job descriptions and budget categories.

Teams would be formed within the total group to achieve desired results. Teams could expand or contract depending on workload. Ad hoc groups could work on specific problems. Any individual could work in investigating new technologies or be part of an implementation team. Others could be involved in accounting and verification.

³ 20 year net present value of costs. See Plan "Executive Summary", p. viii,

The net result would be a tremendous increase in morale and productivity. The process could be monitored to evaluate its effectiveness, but the main objective of achieving substantial, real, cost-effective increases in conservation would have a measurable impact on City Light – increasing reliability and holding down rates.

E. Continue to focus on Bonneville contract renewal.

The Committee commends City Light for devoting attention to the on-going negotiations with Bonneville for contract renewal in 2011. The 2006 IRP assumes that City Light will be able to buy power from Bonneville in the same quantities and at the same price under the new contracts in 2011. However, City Light faces continued uncertainties about BPA supplies. The average system cost of BPA power will increase as BPA purchases additional resources to meet the load growth of its customers. BPA's operating cost may increase due to environmental protection. Infrastructure improvements at BPA will have unknown rate impacts. As discussed above, if City Light's long-term financial forecasts are incorporated in an online "engine," the forecasts can readily be revised to reflect the new BPA contract terms.

F. Immediately implement best practices risk management.

Risk management is a critical tool for minimizing the risks inherent in energy trading. Although short-term energy trading can permit City Light to maximize its wholesale revenue potential, it is fraught with perils. Trading partners may have unreliable credit. Mistakes may be made in pricing or in calculating the amount of energy available for forward sales. As the Enron debacle showed, missteps in energy trading can create legal liability as well as financial risk.

▪ **Finalize and approve a risk metric and risk management policy.**

In order to improve its risk management, City Light has developed a risk metric and a risk management policy. The process of drafting, reviewing and approving these has been going on at least since late 2003. Risk management is essential not only to protect the City from the ravages of mismanaged risk, but also to optimize its wholesale revenues. The Committee urges that a risk management policy and risk metric be finalized and approved without further delay.

Effective risk management requires segregation of personnel who originate risk and those who monitor and report energy transactions. City Light has made structural changes to comply with best practices in this area. The recently appointed risk oversight manager has a direct line of communication to the Superintendent. In October 2007, City Light also completed the separation of duties to reflect best practices in risk management, including the formal segregation of front, middle and back office functions.

G. Promptly conclude consideration of partnering with a third party to manage energy trading.

Managing wholesale revenue risk is a key tool for achieving rate stability. City Light faces significant revenue risk each year because it cannot predict its annual wholesale revenues with certainty. Annual wholesale revenues can vary by as much as \$100 million from expected levels. If revenues fall below expectations, City Light must borrow more heavily. In the long run, this uncertainty can cause rates to fluctuate or rise to repay debt.

City Light manages revenue risk by forward selling and forward purchasing. City Light buys and sells power in the hourly, daily and monthly electric markets. In order to do this effectively, City Light must forecast how much power will be available to serve its own customers. City Light then must predict prices based on market forecasts and hydro conditions – both of which are beyond its control.

As part of its risk management strategy, City Light issued a Request for Proposals (RFP) in November 2007. The RFP seeks to engage a third party to perform energy scheduling, trading, settlements, and risk management services. City Light may engage a third party to provide some, none, or all of these services. Responses are due in early January 2008.

In today's markets, the lack of a knowledgeable and sophisticated trading team jeopardizes wholesale revenue and creates risk. At the present time, City Light may not have an adequately staffed and equipped energy trading team. As the RFP points out, "Progress has been made in all areas but further fundamental and extensive improvements are needed."

Although the pay scale for experienced traders may be prohibitively high, City Light could strengthen its in-house trading function. Alternatively, City Light could contract with a third party to provide limited services such as market analysis and daily and hourly energy

trading functions. The utility could also enter into hedge arrangements to eliminate downside trading risks. Regardless of the type of contract, any relationship between City Light and a third party must be closely monitored and carefully administered to ensure compliance with approved risk policies. Regardless of the final choice, the Committee urges prompt conclusion of the analysis and decision-making process.

IV. HUMAN RESOURCES

The Committee applauds the leadership for taking steps to revitalize City Light's human resources. Thanks to the City's Electric Utility Executive Compensation program allowing more competitive salary bands, greater expenses, and a bonus incentive program, City Light has been able to attract a capable, experienced leadership team. City Light has initiated compensation and training programs to foster a strong workforce, and the turnover rate has recently declined. Management is in the process of tackling morale and other issues identified in the 2007 Employee Survey.

City Light, however, continues to face stress in human capital. Its ability to respond is constrained by internal and external factors:

- The City's human resources policies and practices;
- competition with other utilities;
- scarcity of qualified labor pool;
- near-term retirements;
- attrition to other utilities

A "perfect storm" is on its way in human resources. On the one hand, City Light's work force is aging. Approximately 50% of its employees will be eligible to retire within the next five years. At the same time, there is a growing nation-wide shortage of skilled technical electrical workers, making recruitment and retention more difficult.

Failure to respond to these challenges – both long and short term – will jeopardize Seattle's economic health. Our biotechnology and high technology sector requires sophisticated and reliable delivery of electric power. City Light must not only upgrade its physical plant and install a "smart grid," but it also must attract and retain people with the know-how to provide the level of service its customers demand of a 21st century electric utility.

A. Develop and support a strategy for workforce renewal.

City Light now suffers the price for failing to build and retain its talented work force during the energy crisis. Although the turnover rate has improved in the past three years, approximately 104 authorized staff positions still remained vacant at the end of 2007. The lack of a strong workforce feeds dissatisfaction among employees. In the 2007 Employee Survey, only 28% of the respondents reported that their work group had enough people to do high quality work and satisfy customers. The City cannot afford to neglect the financial commitment necessary to renew the utility's human resources.

▪ **Enhance financial incentives to attract and retain skilled workers.**

Hiring and retaining skilled craft workers is especially challenging. There is a national shortage of skilled electrical craft workers, such as line workers, dispatchers and relay technicians. City Light competes with neighboring utilities and with utilities across the nation in these trades. As discussed above, City Light urgently needs to upgrade its distribution system. Modernizing the physical plant and electronic assets will heighten the need for even more skilled crafts workers.

Wages at City Light in some fields are close to comparable with neighboring utilities. Neighboring utilities, however, offer financial incentives and hiring bonuses that City Light cannot provide under existing City-wide pay bands and personnel rules. City Light needs flexible pay and a bonus program or compensation commensurate with such a program to reward high performance and to retain a quality workforce at every level.

▪ **Accelerate job training and apprentice programs.**

City Light management recognizes the need for on-the-job training. City Light has partnered with union leadership to expand apprenticeship programs. As of December 2007, the number of apprentices in the skilled crafts was at an all-time high of 83 workers.

City Light has streamlined hiring, reducing the vacancy rate from 13% in January to 7% by September 2007. City Light is currently hiring 2.1 new employees per day. City Light's 2008 budget authorizes 102 new positions, many of whom are skilled craft positions. However, this number will fall far short of the target of filling, even currently, all the budgeted positions. The large number of current employees eligible for retirement in the next five years will create more gaps in craft teams.

City Light management has also framed strategies to attract workers, including five-year hiring forecasts, enhancing apprenticeship programs, and targeted recruiting. City Light plans to conduct a skills inventory to optimize the talents of its workforce.

In light of the shortage of skilled workers, however, City Light must do more. We believe that traditional approaches to staffing will not succeed. As craft workers are represented by strong and able unions, the creation of new workers must be done within a framework of collaboration. A realistic plan to fill all budgeted positions with trained craft workers is essential to fulfilling City Light's mission. Austin Energy – a 1,600 employee city-owned utility in Texas – is testing a creative approach for dealing with the problem of retiring workers by using a \$350,000 software system designed to identify looming personnel holes and help both managers and their workers match skills with jobs.

We encourage City Light to offer a training package to current and prospective employees. Individuals want the tools to plan their career paths and train for the future. Some successful utilities offer this type of “leadership academy” to attract new people and retain existing personnel.

- **Create incentives for advancement into mid-level management**

Compensation creates an obstacle to attracting and retaining mid-level management. Compression of pay levels, a pay gap and lack of overtime work as a disincentive for crew chiefs to move into supervisor positions and for supervisors to move into manager positions. For example, supervisor compensation is only about 4% above crew chief pay. Investor-owned utilities typically offer a 10-15% differential. As a result, there are too many vacancies in mid-level supervisory positions at City Light.

Recent compensation studies show that pay for managers lags the market. City Light's estimate of the costs to raise compensation to competitive levels is relatively modest. The Committee recommends that mid-level compensation be raised to market standards.

- **Grow human resources from within.**

Organizations constantly face "make or buy" decisions. Some decisions are easy – if we need an automotive fleet, it would be silly to try to build one ourselves. But other decisions are not so easy. For example, if City Light needs a special software program, do we write it ourselves or buy a package?

With its executive team in place, City Light has the opportunity to focus less on recruiting, *i.e.* the “buy” approach, and turn its sights to the “make” option, *i.e.* management development from within the utility. The Committee encourages promotion from within at the manager and supervisor level. As discussed above, the City should consider funding a City Light “leadership academy” where employees can learn skills and create a career path for promotion or lateral moves into areas requiring new skills.

B. Empower City Light as a business enterprise.

City Light – unlike some City departments – operates within a highly competitive business environment. The Committee believes that to attract and retain talent, City Light must function less like a City department and more like an independent enterprise. City Light needs both flexibility and accountability if it is to become an effective, high-performance organization.

▪ **Streamline City procedures for job re-classification.**

As a City department, City Light is subject to the City’s job classification system. City job classifications often do not match the technical requirements for running a modern electric utility. The City’s process for re-classifying jobs is cumbersome and slow. City Light should work with the Executive, the Department of Personnel and the City Council to develop a streamlined process for job re-classification. Pay bands and job descriptions must be updated to reflect the skills required to operate today’s electrical utility.

▪ **Create more exempt positions for non-represented employees**

The Civil Service system protects employees from undue political pressure and unfair treatment. City Light, however, needs the flexibility to offer bonus pay and job mobility that the Civil Service system does not always allow. City Light needs the ability to give incentives to non-represented employees for performance, broaden opportunities for job mobility, and create greater accountability. In order to promote a high-performance organization, the City should consider creating additional exempt positions at City Light’s management level.

- **Expand the Flexible Compensation Program**

The City's pay-parity policy impedes City Light's ability to compete for personnel with the unique skills needed to run a 21st century electric utility. Renewal at the officer and director level has been largely accomplished because the City recognized that electric utility executive candidates command significantly higher compensation than City Light could offer. The City's Executive Compensation Program, adopted in 2005, was limited to 15 positions. In the future, the Committee recommends expanding the pay-band approach.⁴

C. Enhance employee effectiveness.

- **Improve Communications**

Leadership at the executive and director level has introduced much-needed change at City Light. But change in any organization is difficult. The 2007 Employee Survey highlighted the need for improved communication up and down the chain of command.

The challenge at the executive level is to gain the confidence of the workforce to achieve its goals. Senior management recognizes the communications problem and is undertaking to increase "face time" with employees. In response to the Employee Survey, City Light's officers, directors and managers received training, including practical follow-up recommendations to address work group communications, decision-making and employee feedback. Management intends to spend more time individually with employees, visit work sites, organize and attend regular staff meetings, and build better relationships with employees.

City Light has initiated several activities to communicate employee and work unit successes. For the first time, City Light successfully staged "employee recognition fairs" at every facility – including Skagit and Boundary – to highlight workplace accomplishments. City Light also reinstated an awards event recognizing outstanding achievements of individual employees and workgroups. Nearly 700 employees attended.

⁴ The program benefits new hires in technical areas that are unique to the electric utility business. Industry-specific positions command more in the open market than other positions. Disparities in executive compensation between industry-specific and other more traditional positions could, however, create dissatisfaction within upper management.

The Committee encourages City Light to continue these efforts to improve communications between management and the rest of the workforce. Regular employee surveys should be conducted to verify the success of events like the employee recognition fairs and awards events.

In recent years, City Light has brought new people to the executive team. Some familiar faces are gone. In this transition period, it is crucial to respect and value the contributions of long-time City Light employees. Experienced employees, for example, can be called upon to serve as mentors to train newcomers and apprentices. They can pass on not only their knowledge and skills, but the proud tradition and history of City Light.

- **Make decisions at the lowest appropriate level.**

The Committee encourages City Light management to foster a “bottoms up” approach to employee communications. The 2007 Employee Survey showed wide-spread dissatisfaction with the decision-making process. Only 23% of the survey respondents agreed that decisions were made at the lowest appropriate level. Some programs, such as the grassroots safety program, illustrate the power of “bottoms up” decision-making. Led by a cross-section of employees, including rank and file and supervisors, the program resulted not only in safety improvements, but in improved morale. In the 2007 Employee Survey, 86% of the respondents reported that their “working conditions are safe.”

An important element in successfully pushing decision making to the “lowest appropriate element” is having the necessary clarity throughout the organization on the direction and goals of City Light. Improved clarity will come from the work being done on strategic planning, the establishment of longer term goals and the increased focus on communication.

- **Create fair pay and realistic expectations**

Compensation must be adjusted to reflect industry standards. At the same time, misperceptions about pay at City Light must be addressed. When asked whether pay was fair compared with other public electric utilities in the region, the 2007 Employee Survey showed a significantly higher negative response than the 2004 survey.

The lack of a full workforce creates the need for overtime, especially during emergencies like the December 2006 windstorm. This contributes to a public misperception

that these workers are overpaid. The press has featured stories about high pay for line workers and executives compared with other positions within the City. Education is needed to help City Light employees and the public understand why highly skilled people in the electric industry are highly compensated.

D. Hold management accountable.

Elected officials should hold City Light management accountable for the utility's "bottom line." Industry-competitive pay, training and apprenticeship and other programs to attract and train human resources are expensive. The benefits should be measurable in improved efficiency and cost-effective results.

Elected officials are well aware of their obligation to ensure that ratepayers' money is well spent. To achieve this goal, the Committee recommends development and implementation of a set of specific performance targets by which City Light management will be measured on a regular basis. Employee and public input should be incorporated as appropriate. The strategic planning process provides an excellent opportunity for City Light to identify and establish performance targets to achieve its goals.

CONCLUSION

The Advisory Committee concludes its first year of service with optimism. We applaud the progress that has been made at City Light, and we look forward to working with City Light and our elected officials in the future.

We strongly urge City Light, the Executive, the City Council and the utility's stakeholders to work together to shape a strategic plan for what has been called "the jewel in the City's crown." The strategic plan should include long-term rate projections. Without courageous leadership, rate setting will be subject to political winds.

We have an obligation to explain City Light's human and capital needs and what these needs will cost. The public understands that certain investments pay off. So long as there is a clear and cogent long-term plan for securing City Light's future and leadership committed to that plan, the public's investment is safe.

Stewardship demands that we meet these challenges. City Light is not Wall Street. City Light isn't a privately held concern. City Light is all of us. Every single person living in Seattle owns it. It is our responsibility.

APPENDIX 1 - UTILITIES AND TRANSPORTATION COMMISSION STANDARDS

The Washington Utilities & Transportation Commission considers the following in determining the prudence of a resource purchase: The existence of a strong integrated resource plan that predicts load growth or decline and identifies conservation efforts, maintenance of current assets and new asset purchases.

1. If a need is identified, the utility must determine how to fill that need in a cost-effective manner. When a utility is considering the purchase of a resource, it must evaluate that resource against the standards of what other purchases are available, and against the standard of what it would cost to build the resource itself.
2. The utility must analyze the resource alternatives using current information that adjusts for such factors as end effects, capital costs, dispatchability, transmission costs and whatever other factors need specific analysis at the time of a purchase decision.
3. The utility should inform its governing board about the purchase decision and its costs. The utility should also involve the board in the decision process.
4. The utility must keep adequate contemporaneous records that will allow the Commission to evaluate its actions with respect to the decision process. The Commission should be able to follow the utility's decision process; understand the elements that the utility used; and determine the manner in which the utility valued these elements.

See RCW 80.28.020. *WUTC v. Puget Sound Power & Light Company*, Docket Nos. UE-920433, UE-920499, & UE-921262 (Consolidated), Nineteenth Supplemental Order [Prudence Order] (September 1994); *WUTC v. Puget Sound Energy, Inc.* Order No. 12 at 19, Docket No. 031725 (April 7, 2004).

APPENDIX 2 - COMMITTEE MEMBER BIOGRAPHIES

William R. Alves' career spanned more than 30 years in the public and private sector, primarily focusing on energy and utility issues. From 1998 until his retirement in 2006, he worked for the City of Seattle's Legislative Department, advising City Councilmembers on a variety of utility-related issues. He holds a master's degree in geography with an emphasis in regional economics and land-use planning from the University of Washington and a Bachelor of Science degree in physics from the Massachusetts Institute of Technology.

Carol Arnold, a lawyer with more than 25 years experience in electric energy and natural gas matters, is a retired partner with the law firm of Preston Gates & Ellis. She has represented clients in energy cases in the state and federal courts, the Washington State Utilities and Transportation Commission, and the Federal Energy Regulatory Commission. Carol previously served on the City Light Advisory Board.

Ron Ernst, president and owner of Strategy Associates, recently completed a study for the National Park Service on excursion train from Tacoma to Mount Rainier. His clients have ranged from the Seattle Mariners to a professional clown and Tacoma Utilities was a key client for many years. In his corporate life, he served as Vice President of Corporate Planning and Information Systems for Puget Sound Power and Light before it became Puget Sound Energy. Ernst holds a Bachelor of Science degree in Engineering from the University of California, Berkeley, and a master of business administration degree from the University of Washington.

Tim Hogan has worked for over 25 years in the energy/utility sector, both as an attorney and as a senior manager. Currently an attorney with the Seattle law firm of Riddell Williams, his legal practice focuses on environmental issues; insurance recovery; and general utility matters, including energy policy, project development, rate regulation, energy supply, mergers and acquisitions; as well as business transactional work. Tim served as Vice President Legal for Washington Natural Gas Company and later as its Senior Vice President Energy Supply and its Executive Vice President and Chief Operating Officer. After Washington Natural merged to form Puget Sound Energy, Hogan served as Puget Sound Energy's Senior Vice President External Affairs, where he was responsible for governmental affairs, communications and rates and regulation.

Judith Krebs serves as General Counsel at Service Employees International Union 775, a union representing more than 30,500 long-term health care workers. Prior to that, she served as an Assistant Attorney General, representing consumers in telephone and energy utility matters before the Washington Utilities & Transportation Commission and the courts. Before joining the Attorney Generals staff, Judith was an Associate at Schwerin Campbell Barnard & Iglitzin LLP, focusing on labor and employment issues. She holds a Bachelor of Arts degree from the State University of New York at Oswego and a law degree from the University of Washington.

Donald Wise, currently Chief Operating Officer at Metzler Realty Advisors, has served on the Seattle Chamber of Commerce's Energy Committee, and is a past President of Seattle's Building Owners and Managers Association (BOMA). Wise led BOMA's review of Seattle City Light's downtown network rate structure, as well as BOMA's local efforts to promote energy efficiency within commercial real estate properties during the region's energy crisis. In addition, he helped formulate BOMA International's national energy policy to respect "regional differences" in developing and implementing federal energy policy. Wise previously served on the City Light Advisory Board, including one year as chair, and has financial and management expertise.

APPENDIX 3 - COMMITTEE EXPENSES FOR 2007

The Advisory Committee did not have a budget and Committee members do not receive compensation for their services. The Office of Policy & Management (OPM) did provide part-time administrative and logistical staff support for the Board and provided meeting rooms, supplies, copying, conference calls, parking, meeting refreshments. OPM reports that under \$1,000 was charged back to City Light in 2007 for this Advisory Committee related support.