

Seattle City Light Advisory Committee Minutes

May 19, 2009

Seattle City Hall, Boards and Commissions Room

Attending: Advisory Committee Members: Don Wise (Chair), Bill Alves, Carol Arnold, Robin Calhoun, Tim Hogan
City Light Staff: Superintendent Carrasco, Sung Yang, Phil Leiber, Steve Kern, Pamela Johnson, Bob Balzar, Kirsty Grainger, Bronna Hankoff

Council Staff: Dan Eder, Michael Jerrett, Tony Kilduff Executive Staff: Calvin Chow, Karl Sticklel

Public: Eugene Wasserman

Superintendent's Update

- **Water Supply.** Runoff on The Pend Oreille River is on a slow start this year. Boundary's snow water equivalent is 109% and the Skagit is at 83%. The Skagit River generation continues to be held low in order to conserve water for Fishery Protection. The Columbia River at The Dalles is at 85% of normal.
- **Energy Prices.** Average annual forward gas and electric prices for calendar year 2009 are less than half of what they were last summer. Gas is at \$3.93 per million BTU compared to last summer at \$10.48. The net wholesale revenue projections are expected to be at \$73 million, compared to \$142.2 million as stated in the financial plan.
- **Markey-Waxman Cap-and-Trade Bill of 2009.** On Monday, the House Energy and Commerce Committee began the process toward the goal of passing the bill before the start of the Memorial Day recess. The bill has four main sections: clean energy, energy efficiency, global warming and transitioning to a clean energy economy. Two key provisions for the electricity industry are a combined efficiency and renewable electricity standard and the establishment of a national cap and trade program. The renewable electricity standard requires covered utilities to obtain a total of 20% of their electricity from renewable resources by 2020 (15% from renewable resources and 5% from energy efficiency). The standard begins at 6% in 2012 and increases to 20% in 2020. Hydropower, new nuclear and captured carbon sequestration are excluded from the base. Qualified renewables include incremental hydro efficiency achieved since January 1, 1992. There is a provision that each electric utility support hybrid and plug-in vehicles, as well as a section on smart grid to reduce peak load demand. The national cap and trade program would begin in 2012, with most allowances distributed for free to various sectors and for various purposes (such as consumer protection, energy efficiency and clean energy technology). The auction component is initially small, but grows over time as specific allocations phase out over the next two decades. The electricity sector receives 43.75% of total allowance in 2012 declining to 7% in 2029 and phased out by 2030. For the period of 2016 through 2025, the electricity sector receives 35% of total allowances. The electric sector allowances go to three groups: long-term contract generators, merchant coal and local electric distribution companies. The local electric distribution companies' credits will be distributed 50% based on emissions and 50% based on retail sales load. Allowances must benefit the ratepayers. FERC is given oversight of the carbon markets. It appears that moderate Democrats (headed by Boucher) will support this bill, while the Republicans will be submitting amendments, rather than voting for the bill. A concern was mentioned by Bill Alves that it appears that the allowances could end up costing City Light, as the costs could increase for the allowances and become excessive. Don Wise asked if there was a broader lobbying effort within the Northwest to support this bill and Superintendent Carrasco responded that there are many efforts on our behalf, from the state, from individual utilities, and environmental groups.
- **State Legislative Update.** I-937 Initiative (the state's renewable portfolio standard) and the climate change bill did not pass. However, two bills did pass. SB 6170 – Renewable Energy Tax Incentive provides a retail sales and use tax exemption in the form of a refund for 100% of the sales tax on machinery and equipment used to generate renewable energy from July 1, 2009 through June 30, 2011. The sales tax exemption is reduced to 75% from July 1, 2011 to June 30, 2013. SB 5854 – Reducing Climate Pollution in the Built Environment seeks to reduce climate pollution in the buildings through two key provisions: residential and non-residential construction permitted under the 2031 energy code must achieve a 70% reduction in annual net energy consumption and to record and upload energy consumption data for public and non-residential buildings.
- **Introduction of Pamela Johnson, City Light's Interim Customer Service and Energy Delivery Officer.**

Performance Metrics

Phil Leiber gave a reason for the changes in the SAIFI numbers as noted by Committee members last month. Phil explained that the software upgrade that was completed in April resulted in lower numbers. The problem was investigated and it showed that when outages were restored in steps, each step was being counted (by the software) as a separate outage. SAIFI is the frequency index and since each step was being counted as an outage, it reported higher than actual. The impact was the rolling average numbers are about 30% less than originally reported. SAIDI was not impacted by the software problem.

Financial Update

Carol Arnold began a discussion on the Wholesale Energy Sales Projections, the understanding of the numbers within the Financial Update for April 2009 and clarification of the cash reserves. Superintendent Carrasco noted that the failure of the model was due to the downturn of the economy. Assumptions were made at the time of forecasting, however, no one could predict that the downturn would be so great.

Stimulus Conservation Grant

Calvin Chow reviewed plans for the use of the \$6 million Stimulus Conservation Grant funds. The deadline for submittal to the Department of Energy is June 25th, but the committee working on this submittal is targeting early June for submission. The Energy Efficiency and Conservation Block Grant recommendations include reducing building energy use (residential direct installs, home energy audits, efficiency loan funds, small business lighting retrofits), reducing energy use in City of Seattle facilities (to include LED streetlight pilot projects), and strategic partnerships for renewable projects. Monies are being held back by DOE for a potential additional round. Smart Grid will be handled nationally, and Seattle City Light is aligning itself favorably for this endeavor.

Follow-up: Superintendent Carrasco stated that an update on Smart Grid will be coming at a later time.

Power Marketing Self Build Proposal Update Presentation

Steve Kern explained that the interim steps being taken improve employee performance, reporting, operational performance and reliability, business systems, resource acquisition and power management's capabilities. The unit has been divided into two different areas of focus – power operations and marketing division and the power contracts and resource acquisition division. Staff is being cross-trained across all Power Management functions. Improved reports have been developed with presentations to the Risk Oversight Council. A back-up operating center has been established at the System Control Center. When BPA gives notice of a potential transmission curtailment, we have doubled real-time day shifts. A Request for Proposal will be developed for new renewable resources this year. Tim Hogan asked when City Light foresees the completion of self-build. After receiving input from DOF and Tony Kilduff, if the self build proposal is in the 2010 budget, then the estimated implementation would be sometime in 2013. Tim and Robin stressed the importance of the value of the self build proposal. Karl Stickel confirmed that the proposal will be part of the 2010 budget process.

Financial Forecasting Tool

City Light is in the process of implementing a new financial forecasting model, UI Planner. Phil Leiber reported that once this model is operational many different analyses will be explored. A priority with this model will be integrating Enterprise Risk Management, Strategic Planning, Rates and Budgeting. The UI Planner is used widely in the utility industry and information is shared among its users. Don Wise suggested that if the UI Planner could forecast 10 years ahead, that a series of "what ifs" could be run to include many of the strategic plan assumptions. Don explained that City Light would need to provide a cost benefit analysis as to what the ratepayer would be willing to pay. Bill Alves remarked that the capital investment is something that needs to be looked ahead 10 years and this tool would be useful for that.

Follow-up: Tony Kilduff would like a briefing on the wholesale revenue.

Introduction of Eugene Wasserman

Eugene Wasserman was introduced by Michael Jerrett as the proposed new member of the Advisory Committee, replacing Ron Ernst. The nomination awaits Council's confirmation.

Strategic Plan Workshops

Michael Jerrett said that the Strategic Plan still needs to go through the committee. Before it does that, the workshops need to resume. Tony Kilduff has met briefly with Environmental Affairs and Customer Service and Energy Delivery, but has not continued these meetings as back up data to frame the discussions was not available at the time. Tony is working on collecting this data and then will resume the workshops. Karl Stickel said that Tim Ceis would like to review the updated Strategic Plan before moving it forward.

Follow-up: Don Wise mentioned that at the next meeting a discussion needs to address the time line for the Strategic Plan.

Follow-up: Bill Alves would like the timeline and process outlined for the RFP for Resource Acquisition.