

Seattle City Light Advisory Committee Minutes

June 16, 2009

Seattle City Hall, Boards and Commissions Room

Attending: Advisory Committee Members: Bill Alves, Carol Arnold, Tim Hogan (Acting Chair), Eugene Wasserman

City Light Staff: Superintendent Carrasco, Sung Yang, Phil Leiber, Steve Kern, Pamela Johnson

Council Staff: Michael Jerrett, Tony Kilduff Executive Staff: Karl Stickel, Julie Tobin

Superintendent's Update

- Water supply. The Skagit snowmelt is about three weeks later than normal due to a cool April but the current warm weather has accelerated the melt which finished earlier than normal. The rapid melt posed some challenges for Ross reservoir, as the requirement to keep discharges low for Steelhead spawning coupled with the high flows into the reservoir had the reservoir full earlier than it has been since 1981. Boundary upstream reservoirs are struggling to keep up with the inflows. There is still snow present in the Rocky Mountains.
- Energy prices. Running about 33-34 MGW per hour in the June to July timeframe compared to July 08 of around 77. The driving factor behind the reduction in expected available surplus power is the decline in energy prices.
- Federal Stimulus. The City has received \$6 million in Energy Efficiency Community Block Grant Funds and is preparing to submit two more ARRA applications, one to the competitive block grant program and another to the Clean Renewable Bond Project for Gorge tunnel. There is also indication from the Bonneville Power Administration (BPA) that City Light might be selected to participate in a grant application to the Department of Energy to participate in a regional grid demonstration project. BPA is working with 30 plus utilities and \$4.5 million is available. City Light is working on an application that will include an automated distribution system project at a cost of \$200m and City Light would be required to provide a 50 percent match.
- Residential Focus Groups. The goal is to improve customer service and communications. To date four sessions have been held, three English and one Chinese. Future sessions will focus on Spanish, Korean and Somali. Feedback to date shows most customers: prefer to hear from utility through mail; are unlikely to attend a community meeting unless the topic directly affects them; trust the information they receive; only want phone call when urgent and like to get conservation information. Also the "Light Reading" newsletter is popular and English speakers are more likely to use online payments. The focus groups for industrial customers are not yet scheduled but City Light industrial customers do complete a survey when they are provided a service. **City Light will provide Eugene Wasserman with more information on what they are doing to survey industrial customers.**
- Rates. Because of the utility's financial condition the Executive is discussing a rate review process and proposes to convene a Rates Advisory Committee (RAC) to meet for several sessions in July. Session one will focus on review of the budget and associated revenue requirement and enable the RAC to get full understanding the utility's financial condition. Session two will cover current service levels and contemplated supplemental programs. At the third session the RAC will receive public input. The RAC will then deliberate and bring their findings to the City Light Advisory Committee in early August. The City Light Advisory Committee would then formulate a recommendation to the Mayor prior to submitting the budget to Council in September. Council usually adopts the budget by Thanksgiving. The City Light adopted budget would be used to determine a rate recommendation. The RAC would reconvene in January and provide feedback on a rate adjustment to the City Light Advisory Committee who would in turn make a recommendation to the Mayor and Council by the end of January. The Council would act on the rate recommendation by the end of February. March constitutes a 30 day period to put everything in place and rates would go into effect by April 1.

The Superintendent handed out the proposed schedule. Eugene Wasserman responded that the schedule was not a professional schedule or doable. Bill Alves commented in order to meet the

schedule the RAC would need to be appointed at the next Energy & Technology Committee in June! Tony Kilduff commented that the process was not approved by Council, the rates regulatory body, so discussion on participation maybe a little premature.

Bill Alves asked if the Executive would entertain an alternative proposal as part of the Committee's recommendation. The Superintendent responded the Advisory Committee would have more than one option to review. Eugene Wasserman urged that the utility did not implement a RAC as it would be a waste of time especially with this quick timeframe. Superintendent Carrasco agreed the timeframe was extremely tight but the utility was not proposing an entirely new cost of service or rate design process and would use cost allocation relied on in past. Legislation requires that a RAC be created.

Bill Alves agreed the schedule is rushed and it is unfortunate a sitting RAC was not already in place for some time but it is the Advisory Committee's responsibility to participate. Carol Arnold reiterated the Advisory Committee's many recommendations on the need for a coordinated process for budget and rates with stakeholder involvement. Carol participated in the last RAC and thought it ineffective due to lack of focus but the proposed RAC has a focus, which is good. She felt this was a good start to the rates process.

Some Committee members felt an integrated plan is important component to be considered but if Council does not agree, the plan will not work.

Bill Alves thought that the utility may need a bond issuance sometime mid-year 2010 for funding capital work. Tony Kilduff suggested as an alternative to increasing rates that the City's cash pool could cover any needs that the utility has in 2010 and the Council could approve a longer repayment period for the funds of up to a year. The Superintendent will check into city's cash pool as an alternate to addressing the capital needs of the utility.

The Superintendent reported the need to stabilize revenue sources has become clear and a lot of thought has been given to a power revenue adjustment mechanism (PRAM) to deal with surplus power revenue most of which is hydro based. This is an accepted practice that other utilities are using throughout the country. The plan is to bring forward a proposal that would enable City Light to project revenue from surplus power, which fluctuates a lot, and provide the utility with automatic rate adjustments on a timelier basis. City Light is developing a white paper that the Mayor would like the Advisory Committee to review and make a recommendation to be incorporated in the budget process in August. The PRAM would need to get to City Light Advisory Committee by July 1st, if a recommendation is to be made. Carol Arnold commented that City Light is one of the few utilities without a power adjustment mechanism; PSE has had one for many years.

The Advisory Committee will write a letter to the Mayor, Councilmember Harrell and Superintendent in support of the concept of a coordinated process for budget, rates and the strategic plan. ***Carol Arnold will draft.***

Council Comment – Tony Kilduff

The proposed rates schedule and process not been blessed by Council but as a general observation recognize the need to improve the rate and budget setting processes. It is appropriate for the Advisory Committee to think about primacy of rate setting but urge the Committee to give strong consideration to comment on the direction of revenue requirements.

Executive Comment – Karl Stickel

The Superintendent outlined the Executive's proposal regarding the rates process and the Executive has started to meet with Councilmembers on this proposal.

Strategic Plan –Tim Hogan

The initial Strategic Plan workshop schedule might be difficult to achieve. Don Wise, Tony Kilduff and Sung Yang met and there are two follow up items. 1) ***Tony will provide Sung with a list of issues based on his review of the Strategic Plan and incorporate Council comments.*** 2) ***Sung will provide Tony with financial historical information regarding cost drivers and benchmarking data next week and let Tim Hogan know when that happens.***

The Superintendent asked if Tony Kilduff could provide an outline of a work program and timeline for this work.

Committee members commented that the Strategic Plan should not become a secondary item and should be incorporated in the direction the utility is going with the rate review process. There is overlap of key items to be considered as foundational pieces for both processes and this is an opportunity to integrate these elements.

Resource Acquisition. - Steve Kern

While discussing the approval process timeline for the RFP, Steve Kern compared the proposed process timeline to that of the Bond sale timeline. Bill Alves commented that Council acts rapidly on bond sale legislation because there is a coordinated process prior to legislation being presented. Carol Arnold recommended that the utility start to discuss the RFP issue with Council now in order to meet the schedule. Eugene Wasserman expressed concern as to why this was being done this year. Bill Alves asked whether the load forecast included LED streetlights. That was not known. ***Steve Kern will forward the December updated forecast to Eugene Wasserman.*** Bill Alves expressed concern about lack of staff resources for the function and whether the utility was competitive with other utilities in this area.

Julie Tobin will forward the Resource Acquisition RFP ordinance to the Advisory Committee.

Asset Management – Pam Johnson

Tim Hogan asked whether the utility has compared their revenue charges to other utilities. ***Pam will check into the question and respond.*** The topic of Advanced Metering Infrastructure (AMI) came up, and Eugene Wasserman asked how City Light will handle meters in apartments. Pam will get back to Eugene on this question. Some Committee members were interested in the “smart” transmission to the region and how that interconnects with City Light’s transmission and substation plans. Steve Kern outlined City Light’s transmission to Skagit and BPA’s to the east. No further questions were asked.

Adjourn