



CITY LIGHT REVIEW PANEL MEETING

Wednesday, October 14, 2020

1:00 – 2:30 PM

Microsoft Teams Meeting

Proposed Agenda

<u>Item</u>	<u>Lead</u>
1. Welcome, Introductions (5 min.)	Leon Garnett, Panel Chair
2. Public Comment (5 min.)	
3. Standing Items: (5 min.)	
a. Review of agenda (Karen Reed)	
b. Action: Review and approval of meeting minutes of September 17 th	
c. Chair's Report (Leon)	
d. Communications to Panel (Leigh Barreca)	
4. General Manager's update (30 min.)	Debra Smith
a. Planning cycle – Strategic Plan/CIP/O&M	
b. Q & A	
5. City Light Utility Technology organization – Overview (20 min.)	Emeka Anyanwu
6. 2020/2021 Budget (25 min.)	Kirsty Grainger
7. Adjourn	



City Light Review Panel Meeting Meeting Minutes

Date of Meeting: September 17, 2020 | 2:00PM – 4:00PM | Meeting held via Microsoft Teams
“Draft”

MEETING ATTENDANCE					
Panel Members:					
Names		Name		Name	
Gail Labanara		John Putz	√	Mikel Hansen	√
Sara Patton	√	Chris Mefford	√	Leon Garnett	√
Thomas Buchanan		Scott Haskins	√		
Staff and Others:					
Debra Smith	√	Jen Chan	√	Karen Reed (Consultant /RP Facilitator)	√
Kirsty Grainger	√	Mike Haynes	√	Emeka Anyanwu	√
Jim Baggs		DaVonna Johnson		Tom DeBoer	
Julie Moore	√	Chris Ruffini		Maura Brueger	√
Greg Shiring	√	Carsten Croff	√	Leigh Barreca	√
Eric McConaghy	√	Alex Pedersen		Kathryn Aisenberg	
Craig Smith	√	Toby Thaler		Angela Bertrand	√
David Logsdon	√	Vanessa Lund		Chris Tantoco	√
Joni Bosch (NWECC)	√	Sarah Ogier (Parametric Consulting)	√		

Welcome\Introductions. Leon Garnett convened the meeting at 2:02 pm.

Public Comment. None.

Standing Items:

Review Agenda. Karen Reed reviewed the agenda.

Approval of June 3rd Meeting Minutes. The meeting minutes were approved as submitted.

Chair’s Report. No report.

Communications to Panel. None.

Customer Service Audit. Craig Smith presented progress on City Light’s response to the Customer Service Audit. The audit was requested by CM Mosqueda in response to issues around estimated bills. Customers reported receiving higher than expected ‘true-up’ bills after receiving a number of estimated bills. The City Auditor was engaged and provided City Light with a draft of recommendations in Q4 2019. The final report was issued in Q1 2020. We found the recommendations helpful. We identified 16 recommendations to pursue which fall into 3 major buckets:



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1. Handling of estimated bills and actions to reduce number of estimated bills
2. Improving estimation algorithms
3. Handling of seasonal staffing for moves/transfers

Please reference to the audit dashboard for a summary of action items and process to date.

- **Q:** Did you have any ah-ha moments when you saw the report? Were you surprised by anything? **A:** I don't think anything came as a surprise. We've been living through these problems. It shined a bright light on areas that are causing pain both for the utility and for our customers. It's helped us think through solutions and highlight that there aren't quick fixes. Rather, need to focus on the long-term and continue installation of AMI meters, as well as understanding some of the complexity related to our billing system.
- **Q:** What is MDM? **A:** Meter Data Management
- **Q:** Any lessons learned with the Customer Advocacy Team? That sounds like a good innovation. **A:** It's one that we're very excited about. We have pulled together a group of people who have worked on energy efficiency programs and pivoted their work to engage with customers on billing issues in the face of the issues associated with COVID. We have had great engagement with community partners to develop community-based solutions and we are optimistic that this will help us moving forward. We just rolled the program out in July and so far people appreciate the approach.

City Light's Utility Next Overview. Emeka Anyanwu and David Logsdon presented.

This program is the result of the work done by a diverse group of employees brought together to do something hopeful and energizing. We have a duty to play an integral role in the COVID-related economic recovery and the program identified in this effort set us up for that.

The work was based on four pillars: Rebuild smart; Electrify; Create jobs; Leverage Partnerships. We identified 12 project ideas; they span everything from large-scale capital projects, grid modernization, energy storage, to electrification and efficiency.

See slides for program details.

- **Q:** Regarding the Seattle Energy Code, especially around new construction, are you participating with SDCI? Is City Light engaging to see if some of this work could be accelerated through that type of policy? **A:** Short answer is Yes. We coordinate quite closely on SDCI (Seattle Department of Construction and Inspections) and OSE (Office of Sustainability and Environment) around new building policies and Green New Deal milestones. We have a long-standing partnership with each of these departments.

Additionally, we are working on the Duwamish Delta concept to center environmental justice in



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our work. We are working with the Duwamish Valley Project to bring this together.

- **Q:** On mobile grid storage, what do you project is the timing and what is the capacity of these mobile units? How many units are you projecting? **A:** I think 500 kW is the per unit capacity. We want to take a phased approach to test against use cases over 6 years, ending with 8-10 total deployed but scaled based on success.
- **Q:** Have these mobile units been deployed elsewhere? **A:** Yes, in New York City.
- **Q:** The idea of City Light as a platform is interesting to me, but I guess when I think of that I think of 3rd party vendors using my stuff. Can you speak more to that? **A:** This is built on the premise of changing architecture of the grid. Historically, utilities think of their grid as a source-to-load concept, with a one-way transaction. Increasingly we're seeing a more dynamic model. It is more like a computer with different elements connected to the system. The circuit board is the platform. Everything needs to be interoperable, allowing the customer to access/use the grid in multiple ways

City of Seattle's Reimagining Seattle. Debra Smith discussed how the City of Seattle is re-envisioning how the city will function in the future. This includes such things as smart-city apps that support traffic flow. Since Seattle is a tech leader and we have good relationships with our tech partners, we are able to build infrastructure that will allow us to be ahead of the game as far services that run on a robust tech platform.

We are in an interesting place with regard to reopening. Seattle was the first place in the country to be hit with the virus and the City is being appropriately cautious. City employees who can telework will continue to telework at this point through January 7th, but Debra won't be surprised if that date changes. It depends on what happens with flu season and how that coalesces with COVID. City Light is participating in a pilot with FAS (Facilities and Administrative Services) to see if we can reduce our footprint in the Seattle Municipal Tower by 25% with the idea that many folks will work at least part time from home for an extended period of time.

City Light continues to struggle with at-risk employees per CDC guidelines. Employees were allowed to self-identify if they didn't think they could come to work, and they were unable to work remotely. We are offering them training materials and are trying to move forward. There is an MOU (memorandum of understanding) with labor that expires at the end of this month that covers this agreement. It is important to City Light and other departments to get these at-risk city employees back to work. When Craig mentioned meter readers, the majority of them have opted to stay home and we have struggled to get meters read. It is very important that we get these employees back on the job.

The City's recovery is similar to what Emeka said about SCL programs. The city is looking to rebuild in a way that breaks down institutional racism. The recovery effort is focused around rebuilding the city in a different way. The group working on this are department heads who report to the Mayor. The reimagination framework and is called "reimagine Seattle as we know it." there are 7 workgroups. SCL



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has representatives on three—one of whom is Emeka. The 7 workgroups are:

- Inclusive economy
- Digital equity
- Workforce preparation
- Wealth building and community preservation
- Community safety
- Community wellness (formerly called safety net)
- Climate justice and Green New Deal.

There are short, medium, and long-term efforts that are transformative and cross-departmental. We need to lean into what communities have already told us. In addition, OIR (Office of Intergovernmental Relations) is managing groups of projects across the city and trying to ensure funding streams. They are identifying projects that may be attractive to the philanthropic community in an effort to strengthen our public/private partnerships.

Q2 2020 Reports.

Financial Reports. Kirsty Grainger presented. She walked through the June 2020 Financial Highlights report included in the meeting packets. Retail revenue is down due to the pandemic and this is affecting City Light's debt service coverage ratio. The growing receivables balance (customers who can't pay their bills) is responsible for approximately \$60M of the current revenue deficit. For Retail Power Sales, the COVID deficits are higher. Earlier in the year sales were higher than expected due to the cold weather, but in April, May, and June they are lower than expected. Sales are beginning to stabilize. Overall sales are 5.8% below forecast, almost entirely on the commercial side. Residential is a little higher due to people being at home more and teleworking. We're expecting something around 3-5% range lower than forecast to continue into the next year. Net wholesale revenue is tracking closer to plan as prices are strong and our hydro has been strong. City Light will continue to sell excess power on the wholesale market. The effect of EIM is helping: we are seeing incremental improvements to wholesale revenue.

- **Q:** Say something about the change in wholesale revenue targets? **A:** That depends on the where the budget figures land.
- **Q:** What ability do you have to respond to unforeseen events? **A:** We are in September and things are beginning to stabilize. One thing that has stabilized is the total overdue receivables balance. We have been managing our capital spending and making reductions as needed. We did very well on bond issue with historically low interest rate.

Debra adds: In a future meeting we can provide more detail on our reduced capital spend. Despite this reduction, we are meeting our commitment around pole replacement, which requires a large capital spend. We are also rolling out 5G improvements. The impact on budget reductions we are needing to make will be most evident in the timelines for responding to



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customer requests for service. This is exacerbated as we are working to center future capital investments in equity.

- **Q:** Can we capitalize some of this stuff as far as response time? **A:** We've tried as much as we can and most of the costs are labor. We are looking at long-term health of the utility—rightsizing capital, living within our means, and borrowing an appropriate amount. We are still looking at a very sizable capital investment plan. We are working very hard to not have to lay anyone off. We are using an attrition strategy, this pushes labor to O&M. We are working to capitalize what we can to smooth rates and customer impacts.
- **Q:** How do the rating companies see you? **A:** They were favorable, even though our debt service coverage will be lower than in past years. The agencies are aware of this and see it as we do as a temporary situation. We have the potential for a strong economy after all the pandemic. We hope to be back on track in 2022 and 2023.

Debra added: Our ratings were affirmed. Many people have been getting downgraded. They felt we were ahead of the game in our work to prepare for this. We've struck as good a balance as we can.

General Manager's Q&A:

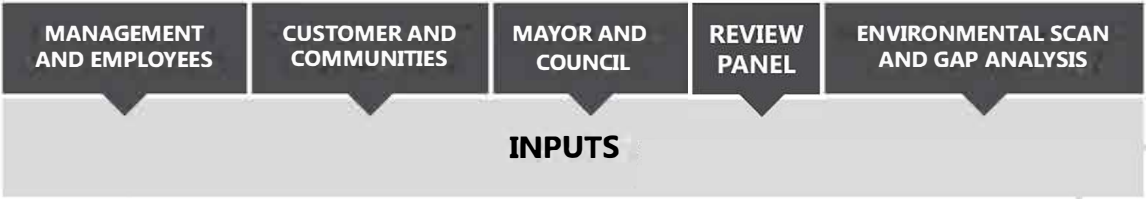
I have been working on re-organizing the utility and shifting our value structure. Craig Smith is our new Chief Customer Officer. We are doing a lot with Energy Efficiency under Craig's leadership. Robert Cromwell and Customer Operations will report to Craig. This will be a great addition to Craig's Customer Experience work.

- **Q:** What is the connection between Utility Next (SCL) 2.0 presentation and the strategic plan? **A:** A lot of the plan will be a continuation not a shift. Much of the plan is focused on electrification. Now we have the benefit of having these projects charters completed and by year end we should have a better idea of funding to better flesh out that plan initiatives.

Comment: The Office of Economic Development is looking at the shift away from fossil fuels and how it effects the workforce.

Debra: It feels like we are beginning to move forward again in important ways. Seeing what "getting back to normal" looks like is likely to feel very different but will be exciting. The next Review Panel meeting is October 14th.

Meeting Adjourn at 3:52pm.



CULTURE

Strategic Planning:
 Longer-term initiatives and actions that support Mission/Vision, consistent with stakeholder input and environmental scan

Outputs:
 Six-year Strategic Plan and Rate Path

Helps Inform and Prioritize

Mission, Vision, Values

Continuous Improvements, Iterative Adaptations

Performance Management:
 Did we accomplish what we intended?

Outputs:
 Financial Statements, Dashboards, Performance Evaluations

Measure Results

Operational Planning:
 Near-term actions that support Mission/Vision and Strategic Plan

Outputs:
 CIP, Budget and Organizational Work Plans with established metrics and success criteria

Implement and Execute

Do Work

What's Next?



2021 PROPOSED BUDGET UPDATE

Review Panel October 14, 2020

- Retail Revenue Gap: \$55M
 - 4.35% reduction in retail sales (over -1% from prior forecast)
 - No rate increase (was 3.5% in draft strategic plan)

- Labor O&M reductions - \$12M
 - Attrition strategy, hiring essential positions only
 - Increase vacancy from 7% to 12%
- Nonlabor O&M reductions - \$18M
 - \$9.5M consulting reduction, 33% of baseline
 - \$3.7M incentive/special pay
 - \$1.5M conservation incentives
 - \$1.2M other services
 - \$1.0M supplies
 - \$1.0M other
- Incremental net wholesale revenue - \$10M
 - Increase 2021 RSA baseline from \$50M to \$60M
 - Lower load means more energy surplus to sell on market
 - Good wholesale prices + WEIM revenues. Current NWR forecast: \$73M
- Capital and Debt Service Reductions - \$15M
 - Reduce CIP by \$100M (split between 2020-2021), reduced 2020 bond issue accordingly
 - Interest rate savings
 - Lower coverage ratio expected, ~1.7x

