



**City Light Review Panel Meeting  
Meeting Minutes  
DRAFT**

**Date of Meeting: June 27, 2017**

<b>MEETING ATTENDANCE</b>					
<b>Panel Members:</b>					
<b>Names</b>		<b>Name</b>		<b>Name</b>	
Tom Lienesch	✓	David Allen	✓	John Putz	✓
Sara Patton	✓	Patrick Jablonski	✓	Gail Labanara	✓
Thomas Buchanan	✓	Leon Garnett			
<b>Staff and Others:</b>					
Larry Weis	✓	Mike Haynes		Karen Reed Contractor/Facilitator	- ✓
Mike Jones	✓	Leigh Barreca	✓		
Calvin Goings		Ellen Javines	✓		
Paula Laschober	✓	Tony Kilduff	✓		
Lynn Best	✓	Calvin Chow			
Jim Baggs		Gregory Shiring	✓		
Bernie Ziemianek		Tyler Emsky	✓		
DaVonna Johnson		BrynDel Swift			
<b>Guest(s):</b>					
Joni Bosh NVEC	✓				

Call to Order: The meeting was convened at 11:10 a.m.

Introduction: Tom Lienesch welcomed the group

Meeting Minutes: The text about undergrounding was corrected: the last sentence should be deleted, and it should be noted that Tukwila just receives *a portion of* its power from SCL, not all its power. As amended, the meeting minutes were unanimously approved.

Public Comment: No public comment

Chair's Report: Tom announced that after 7 years on the Panel, since its inception, he will be stepping down as soon as his replacement is confirmed. The group thanked Tom for his service.

Election of Officers: This item was added to the agenda. After a round of nominations and voting, the Panel unanimously elected Gail Labanara as chair of the Panel for the next year, and Patrick Jablonski as Vice-Chair.

Communications to Panel: There was one communication to the Panel regarding bills received by customers in West Seattle; staff have forwarded that for response by the appropriate staff.



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Other communications/update: None

**Electric Rate Policy: Council Committee Work Plan, Current Policies, Re-cap of Revenues Presentation, Next Steps – Tony Kilduff & Paula Laschober**

Packet materials included the last 2 presentations Paula has given to the Council committee on revenue challenges. She is giving a third presentation this afternoon. Tony spoke to how the Council's request for ongoing briefings on the revenue issues impacts the Panel. He said the Council will want to hear the Panel's view of the general approaches available to the City to respond to this challenge.

Tony observed that the three general approaches are:

1. **Address the problem up front – rebalancing** --through rate design, increase fixed cost recovery.
2. **Address the problem after the fact**, capturing the money in some other way, specifically, through rate decoupling.
3. If the declining retail demand we have experienced over the last five years is just a short-term variation and not a trend, the Utility can **address it through changing reserve policies – having cash on hand serve as a buffer**. For example, this would mean expanding uses of the Rate Stabilization Account to buffer not only changes in wholesale revenue but also retail revenue.

Mike noted that the fourth approach—underway now—is to adjust how the forecast for demand is done. This will affect all three options. He also noted that the Utility deploys a 50-50 assumption on the accuracy of the forecast and most utilities are more conservative than this, which would shift budget assumptions as well.

Discussion points included:

- Where is the revenue loss coming from?  
**A:** The utility is losing \$30-\$40 M a year in retail revenue as compared to projected retail sales. They are also consistently realizing about \$20M less in wholesale revenues – they are slowly adjusting the assumptions here over time to bring them more in alignment with market projections.
- Can we accelerate the rate at which the wholesale revenue projections are corrected?  
**A:** Yes, but they aren't doing that because to do so all at once would create a substantial rate hike.



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- When will the wholesale revenue projections be fully adjusted?  
**A:** By the end of 2022, the end of the current strategic plan.
  
- When we have a new load forecast and the RSA in sync, will SCL need to do any further in terms of changing rate design or de-coupling, or will that take care of it?  
**A:** Not clear. Several things are up in the air. We probably can't have one thing fix all the problems we are experiencing around revenue.
  
- What we are seeing is the result of our success in promoting conservation.
- Greg noted that the major unknown is the new forecast. It will tell us if we are in a continuing decline in retail load over time. If retail load is flat, we're good. But it would probably still be a good idea to reduce the variability in retail revenue.
- Tony noted the issue goes beyond the status quo. Once we see the new forecast, regardless of whether the forecast is stable or declining, the Panel may want to make recommendations around addressing revenue volatility.
- Is the Council interested in taking multiple actions as opposed to multiple incremental steps?  
**A:** Tony observed that they'd be open to multiple steps but they will have other concerns weighing. If the Panel recommends rebalancing, they should identify a target, at the policy level.
  
- When does the expense side of things get considered? We're only talking about revenue.  
**A:** The first plan committed to \$18M in ongoing annual savings; the current plan commits to an additional \$10M. This is significant in terms of the percentage of expenses that are not fixed and are available for reduction.
  
- What is timing for a letter from the Panel?  
**A:** Tony thinks September will work. Gail and Karen noted this may not be realistic, since there are only 2 Panel meetings between now and October. Tony said the Panel letter should say if there's a problem and define the three options and which options are preferred and why.
  
- Do the rating agencies care about this situation?  
**A:** Yes, they won't tell us what to do about it but they want to know we are addressing the issue.



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**General Manager Larry Weis – Update and Looking to the Next Year and the Strategic Plan Process**

Larry started by noting he was going to ask Panel members two questions at the end of his presentation: what are their priorities and what is important to them in the upcoming strategic plan?

Reflecting on his first year, he noted the Utility is relatively autonomous from the Mayor's office in terms of day-to-day operations. There is no job description for the general manager, so he needs to be adaptive. The big lift in the job is leading the employees. SCL is one of the nation's largest public utilities. Larry spent time meeting with employees in the last year. Workforce management here is very time consuming. The Management Team has been structured. He is impressed with the dedication of the Utility's employees.

In terms of near term challenges, Larry noted officer recruitments, in particular for engineering and technology innovation. He observed that a lot of good environmental work has been done over the years by SCL. He has an environmental sounding board that he meets with which includes representatives from many of the local environmental groups.

In other challenges he noted:

- There are a lot of regional forums to participate in where the Utility is mostly on defense
- Updating the forecast. Financial strength is important. The problem is apparent. There are many solutions—policy choices—available. He likes the way the Review Panel is structured to have input on these policy choices.
- Political changes at the City Hall. SCL is not immune from this but must be operation in a sustainable way. The utility has many customers to consider, not just ratepayers.

Larry asked Panel members for their priorities.

- Patrick noted that to him, it is important that the Utility support a manufacturing job base in the City and understand they have a competitive challenge. This is common not just for Nucor but for other manufacturing firms.
- Sara said her priority is to solve the declining revenue problem without damaging our commitment to energy efficiency and low income consumers. She believes SCL must stay involved regionally to protect consumers and the environment.
- Gail said revenue stability and rate stability are her priorities. The rate increase level should be brought down. There should not be a differential in what suburban jurisdictions pay and what city customers pay.



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Larry noted that the panel is so critical since the Council doesn't engage much in the policy issues.

- Thomas observed that there are a lot of residential activists in his Ballard neighborhood. Many businesses in the City and their success is important to the City. He's impressed with how SCL reaches out to people and businesses.
- David Allen asked whether it is awkward that the labor agreements are controlled by the central city Administration rather than the Department? The Council always increases the costs of employees. In response, Larry said he wishes it was done differently. He has a good relationship with the IBEW. They have a very good training program at the IBEW. The Utility runs best when both management and labor are happy.

Larry asked Panel members for their priorities for the strategic plan. He noted the plan is an excellent piece of work. Whatever supporting role he can play he will, just let him know. He wants to stay the course on energy efficiency and conservation. We're seeing the end of low-hanging fruit in this area. We need to be cautious in when and how we invest in new technology. Fundamentally, we are a wires business—no matter which way the power is flowing. We will see more off-grid activity. We must be compensated for running the wires system. The group thanked Larry for coming to speak with them.

**Panel Discussion: Review of Draft Strategic Plan Objectives and Potential Initiatives—  
Panel Input for Utility – Mike Jones & Leigh Barreca**

Mike and Leigh presented revised versions of four central objectives the staff is thinking the next Strategic Plan should be organized around. They are similar to the four priorities of the current plan, but reworded and updated. Terminology is not yet fixed. The supporting initiatives around each objective will be due in October from staff; they are hoping to break down silos in the development of these initiatives. The initiatives noted in this draft document are not necessarily moving forward, and there may be other ideas.

Discussion on the draft strategic objectives/priorities is below:

Should there be a fifth objective around addressing the challenges of being a municipal utility? Where will those items be addressed? Things like service level agreements with central service departments.

Objective 1: Improve customer experience and rate predictability

- Should these be reversed?
- What are you trying to get at here? A: value for cost.
- Add consideration of affordability to the explanatory text for this objective.



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Objective 2: Increase workforce performance and safety practices

- Succession planning should be a priority.

Objective 3: Enhance customer value through improved organizational performance

- Reword to say "value to customers"
- This is not catchy
- Here is where we would want to see asset management, financial management, and project management efforts.
- Mike noted there will be an initiative to reduce operations and maintenance costs through improved preventative maintenance

Objective 4: Provide strong environmental stewardship and leadership in clean energy solutions

- What's the bar for success? A: cost-effective.
- Should the Utility be promoting economic development? A: We're legally prohibited from this.
- Here is where new services and new revenue opportunities will be included.

Next steps: Leigh will work on revising the document given the discussion; the terminology will continue to evolve.

**Adjourn.** The meeting was adjourned at 2:00 P.M.