

## City Light Review Panel November 10,2015 Discussion on Issues for Consideration in Strategic Plan Update

|    | Topic Area / issues and questions – Brainstorming List   | Panel discussion/advice on 11.10.15<br><i>Does the panel have a specific opinion as to direction on this issue?<br/>Or a more general sense that this is an important topic to consider?</i>   |
|----|--|--|
| 1. | <p><b>Emerging Trends:</b></p> <p><b>Solar</b></p> <p><b><u>Policy Questions/Issues, Strategic Direction Ideas:</u></b></p> <ol style="list-style-type: none"> <li>1. Watch for solar funding/cap issues--decreasing hurdle for solar investment, issues around leasing and 3<sup>rd</sup> party financing. What is SCL's role here?</li> <li>2. New buildings must be solar ready by code—implications for strategic plan?</li> <li>3. Community solar               <ul style="list-style-type: none"> <li>• for low income customers</li> <li>• for other customers</li> </ul> </li> </ol> <p><b><u>Tactics/Comments:</u></b></p> <ol style="list-style-type: none"> <li>1. Hope SCL will be more open to customer desires for change (Noted SRP fought Boeing's attempt to invest in solar through third parties)</li> <li>2. Managing customer service impact of solar cap</li> </ol> | <ul style="list-style-type: none"> <li>• The Focus of Panel's input is primarily on <i>local</i> solar programs, rather than utility-scale concepts, or 3<sup>rd</sup> party leasing issues, but that should not preclude the Utility from proposing projects within scope of the latter 2 issues.</li> <li>• In terms of local solar deployment:           <ul style="list-style-type: none"> <li>○ The Panel supports continued deployment/ programs to incentivize solar power production within the service territory. These projects are high visibility and have strong customer support.</li> <li>○ Programs should be shaped considering the impacts on all ratepayers – seek a balance between benefits to all ratepayers and the utility.</li> <li>○ Consider the implications of “solar ready” requirements in current building codes—how will this impact customers? How will it impact SCL?</li> <li>○ The Panel supports work to expand the state cap on solar incentives.</li> <li>○ It is important to monitor storage technology trends in connection with solar.</li> <li>○ The Panel defers to the Utility on the tactics.</li> </ul> </li> </ul> |

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| 2. | <p><b>Electric Vehicle future and strategies / Electrification of Transportation</b></p> <p><u>Policy Questions/Issues, Strategic Direction Ideas:</u></p> <ol style="list-style-type: none"> <li>1. Understanding impacts on the utility operations</li> <li>2. Rate considerations</li> <li>3. Meeting customer expectations</li> </ol>   | <ul style="list-style-type: none"> <li>• The Panel supports exploring the continued electrification of the transit system.</li> <li>• The Panel thinks this area generally should be actively encouraged but it is important to find the balance – consider the rate impacts on all customer classes.</li> <li>• The Panel supports continued deployment/ programs to incentivize EV usage within the service territory. These projects are high visibility and have strong customer support.</li> </ul>  |
| 3. | <p><b>Is the utility’s traditional relationship to customers changing?</b></p>  | <ul style="list-style-type: none"> <li>• Generally these points run through-out the plan; <b>the earlier discussion points from this item are re-sorted to appear under Customer Service and Rate Design.</b></li> <li>• This topic would then not appear as a stand-alone item.</li> <li>• Some of this should become guiding principles: Utility should meet evolving customer expectations.</li> </ul>   |
| 4. | <p><b>Excellent Customer Service</b></p> <p><u>Policy Questions/Issues, Strategic Direction Ideas:</u></p> <ol style="list-style-type: none"> <li>1. Consider whether proposed new investments facilitate the future characterized by 2-way communication with customers, 2-way power flows?</li> <li>2. Customers will increasingly have choices about energy services. People are thinking differently now about how they buy power than in the past.</li> <li>3. Increasing impact of third parties on SCL business</li> </ol> <p><u>Tactics/ Comments:</u></p> <ol style="list-style-type: none"> <li>1. Moving customer-generated power is a benefit for those customers.</li> <li>2. Seamless customer experience—map your customer touch points</li> </ol> | <ul style="list-style-type: none"> <li>• Customer choice is increasing. SCL should seek to be the customer’s first choice for information about energy service options, even if the Utility doesn’t provide all energy services.</li> <li>• Explore and identify SCL’s core competencies. Consider this in selecting which services to provide.</li> <li>• Quickly evolving technology impacts customer service expectations, as well as the challenges of protecting customer information</li> <li>• Add a principle around being customer oriented.</li> <li>• Pay attention to the needs of low income customers and the impacts of Utility actions on these customers. Look for ways to support them other than direct subsidy – e.g., deploying</li> </ul> |

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|    | 3. We're a service business in the future—it's not all about generation and wires   | <p>conservation incentives/programs with low-income customers.</p> <ul style="list-style-type: none"> <li>• The Panel defers to the Utility on the tactics.</li> </ul>   |
| 5. | <p><b>Importance of technology to SCL's success</b></p> <p><b><u>Policy Questions/Issues, Strategic Direction Ideas:</u></b></p> <ol style="list-style-type: none"> <li>1. Explore technology trends and figure out how we can be more nimble in the future</li> <li>2. Should SCL plan to accommodate all or a specific subset of technologies? Explicit assumptions should be developed around this.</li> <li>3. Cybersecurity preparedness</li> </ol> <p><b><u>Tactics/Comments:</u></b></p> <ol style="list-style-type: none"> <li>1. Set up a special "futurist" team within SCL</li> <li>2. Shorter life span of investments is important to consider</li> <li>3. Pilot projects to test technology solutions – should SCL lead here or partner?</li> <li>4. Utility doesn't have a lot of depth here to respond on technological innovation</li> <li>5. Figure out what are SCL's core strengths in this new future</li> </ol> | <ul style="list-style-type: none"> <li>• Many of these issues are subsumed under other areas—customer interface, electrification of transportation/EVs.</li> <li>• Cyber security remains a separate and important concern.</li> <li>• SCL must be nimble enough to adopt and change in this arena, since technology changes very quickly.</li> <li>• Technology initiatives must protect customer privacy, meet federal and state compliance requirements, and ensure system reliability and community/employee safety.</li> <li>• The Panel defers to the Utility on the tactics.</li> </ul> |
| 6. | <p><b>Environmental Leadership</b></p> <p><b><u>Policy Questions/Issues, Strategic Direction Ideas:</u></b></p> <ol style="list-style-type: none"> <li>1. How do we treat hydro-electric power in this new world? How do we appropriately value it? How do wholesale power markets relate to this?</li> <li>2. Renewables – plans? Rate impacts of current policies?</li> </ol>   | <ul style="list-style-type: none"> <li>• Panel supports the environmentally progressive position of the Utility, including but not limited to its work to incorporate climate change issues into the strategic plan.</li> <li>• It's also important to continue to manage on-the-ground impacts of SCL activities (site remediation, etc.)</li> </ul>  |

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| 6.A | <p><b>Resource Portfolio</b></p> <ol style="list-style-type: none"> <li>Analyze environmental and economic impacts of acquiring more energy efficiency than needed to meet load growth, look at the impact of freeing up more SCL low impact hydro for surplus sales to displace fossil fuel generation in the region <i>(moved up from Section 7)</i></li> <li>Analyze need for demand response to meet peaking needs and to integrate intermittent renewables <i>(moved up from Section 7 below)</i></li> </ol> | <ul style="list-style-type: none"> <li>Separate out <b>resource portfolio</b> issues from environmental leadership.</li> <li>Under this issue, Panel encourages the utility to track and develop responses to the changes in the wholesale power markets.</li> <li>Panel support SCL’s continued regional engagement and influence on the wholesale market issues.</li> </ul>   |
| 7.  | <p><b>Demand-side services / Energy Efficiency</b><br/><b><u>Policy Questions/Issues, Strategic Direction Ideas:</u></b></p> <ol style="list-style-type: none"> <li>There are a lot of new ideas on demand-side management out there. Can SCL do more?</li> </ol>   | <ul style="list-style-type: none"> <li>The Panel encourages the Utility to track and analyze new ideas in this area.</li> <li>The Utility should continue to acquire energy efficiency as a first priority strategy to meet new power demand.</li> <li>The Utility should analyze the cost/benefit of acquiring more DSM and energy efficiency than needed to meet load growth in order to be able to sell more hydro and thus displace fossil fuel generation in the region</li> </ul> |
| 8.  | <p><b>Rate Path / Financial Policies</b><br/><b><u>Policy Questions/Issues, Strategic Direction Ideas:</u></b></p> <ol style="list-style-type: none"> <li>Rate impact of Mayor’s UDP targets?</li> <li>Financial policies review and update as needed</li> <li>Efficiencies: where are the cost control initiatives?</li> </ol>   | <ul style="list-style-type: none"> <li>RSA policy recommendation – this will be discussed in a future meeting. Following that, the Panel may recommend this is part of the Strategic Plan.</li> <li>Cost management should continue to be a central guiding principle. If the utility has to raise rates, it needs to demonstrate it has managed costs to the best of its ability.</li> </ul>   |

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| 9.  | <p><b>Rate Design</b></p> <p><b><u>Policy Questions/Issues, Strategic Direction Ideas:</u></b></p> <ol style="list-style-type: none"> <li>1. In the strategic plan, should we lay out future rate design drivers, principles and changes to consider? Laying groundwork for future policy decisions that will need to be made</li> <li>2. Net metering</li> <li>3. Explore decoupling as an alternative to increasing flat customer charges</li> <li>4. Rate design that works for all and is scalable – a “win-win” for SCL and its customers</li> <li>5. Growing uncertainty</li> <li>6. Declining rate of growth in demand—saw declining sales this year</li> </ol> <p><b><u>Tactics/Comments:</u></b></p> <ol style="list-style-type: none"> <li>1. Piloting of rate design</li> <li>2. Time of Use (TOU) rates supported by Low Income customers</li> </ol> | <ul style="list-style-type: none"> <li>• The Strategic Plan should “set the framework” for future discussion around rate design—what is changing in the Utility’s environment and what does that mean for rate design, given the other guiding principles?</li> </ul> |
| 10. | <p><b>Employees / Labor Relations</b></p> <p><b><u>Policy Questions/Issues, Strategic Direction Ideas:</u></b></p> <ol style="list-style-type: none"> <li>1. Need greater flexibility in managing employees/labor relations. Low-hanging fruit has been accomplished.</li> </ol> <p><b><u>Tactics/Comments:</u></b></p> <ol style="list-style-type: none"> <li>1. Conduct an annual employee survey</li> <li>2. Adjust the apprenticeship program to allow apprentice slots to be filled without waiting for retirements (overlapping positions or other mechanism)</li> <li>3. Map 5-10 year needs of employee skillsets needed in non-operational areas</li> </ol>   | <ul style="list-style-type: none"> <li>• The Panel supports continued focus on Employee/Labor Relations initiatives to ensure a sustainable and committed workforce.</li> <li>• The Panel defers to the Utility on the tactics.</li> </ul>                            |

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| 11. | <b>NEW: Long-term Vision</b>                           | <ul style="list-style-type: none"> <li>• <b>Add an initiative</b> around developing a <b>long-term vision for SCL’s future.</b></li> <li>• In the future, SCL will need to not only focus on utility asset management and but also on other energy services. That said, it is critical to take care of the foundation—the assets.</li> </ul> |

| <b>Proposed Principles for the plan:</b><br><i>(additional draft principles supported by Panel per discussion on 11-10 are shown below in italics – Items D-I – not presented in any priority order)</i> |   | Panel support? |
|--|---|----------------|
| A.   | <i>The Plan should be adaptive to changing conditions</i>   | ✓              |
| B.   | <i>The Plan should embrace the idea that customers will expect more from SCL in the future</i>  | ✓              |
| C.   | <i>The Plan will reflect a future of declining demand</i>   | ✓              |
| D.   | <i>The Plan will consider impacts on all rate classes when developing new initiatives</i>   | ✓              |
| E.   | <i>The Plan will build on core competencies when deciding which energy services to deploy</i>   | ✓              |
| F.   | <i>The Plan will Promote a customer-oriented culture</i>  | ✓              |
| G.   | <i>The Plan will be sensitive to the access of Low income customers to all Utility services and programs (for example, energy conservation)</i> | ✓              |
| H.   | <i>The Plan will consider how changing technology can support or otherwise impact other strategic plan goals</i>                                | ✓              |
| I.   | <i>The Plan will keep cost management and the search for and implementation of efficiencies as a priority for the Utility.</i>                  | ✓              |
| J.   | <i>The Plan will have measurable targets to show progress towards goals</i>   | ✓              |