RATES ADVISORY COMMITTEE

Tuesday, October 27, 2009

Committee Members Attending:
David Allen
Dave Gering
Eric Hausman
Rod Kauffman
Ellen Monrad
Stan Price
Joe Simpson
Debby Tarry

Also Attending:
Karl Stickel, Mayor's staff
Michael Jerrett, CM Harrell's staff
Tony Kilduff, Council staff
Sung Yang, SCL
Phil Leiber, SCL
Corey Knutsen, SCL
Paula Laschober, SCL
Mike Eagan, SCL

Mr. Price called the meeting to order at 2:07 p.m. and welcomed those in attendance, at which time, Mr. Kauffman arrived.

Mr. Kauffman described his first draft sent to the RAC as an instrument for discussion and asked if members had any questions for staff before they were asked to excuse themselves.

Ms. Monrad asked about the $3.4 billion in federal funding for the "smart grid." Corey responded that the entire amount had been announced and SCL was not among the recipients. He noted that SnoPUD and Avista did receive $15M and $20M, respectively, and that SCL's non-selection was not due to the quality of its application.

Mr. Kauffman asked Mr. Kilduff to confirm that the RAC presentation to the City Council was scheduled for Nov. 4th, though the 5th is still possible. He also responded affirmatively to the question of providing the Council with copies of the presentation in advance. He also said it would be appropriate for RAC members to sit at the testimony table during the presentation.

Mr. Jerrett noted Mr. Art Johnson was present and that the next RAC meeting will include the opportunity for members to participate remotely. It is anticipated that the RAC's final vote will occur at the next meeting, which is scheduled for Nov. 3rd.

Mr. Kauffman asked for clarification on the PRAM and when it is triggered, assuming revenues fall $10M below projections. Mr. Leiber explained the baseline of $120M in revenue for the year is divided into four quarters and revenues are then calculated on a quarterly basis. The PRAM would be triggered when the revenue shortfall surpasses the $10M cumulative figure and is in effect only for the following quarter.

In response to Mr. Kauffman's question about the number of linemen required on a job, Mr. Simpson responded it is a state requirement (L&I) whenever a project involves a three-phase primary circuit that four workers is a required minimum, with at least three of them as journeymen. A fifth person could supervise. He added this was a statewide requirement of all utilities, not contractually required.

Mr. Kauffman then returned to the draft he had sent to the RAC as a starting point for further discussion and that he anticipates a final vote next Tuesday (Nov. 3rd).

Mr. Gering said he had read the Strategic Plan and found it very helpful in understanding City Light's challenges and the profound problems in the "rough and tumble (power) industry," adding a public utility can't compile the hedge fund needed to deal with the industry's volatility. He said he hoped the City Council would read it as well and said he plans not to support the PRAM because city leaders need to get engaged with City Light and address its real needs in a responsible way.

Mr. Kauffman spoke of alternatives to the PRAM, also noting the bond market doesn't consider a reserve fund toward computing the debt service ratio. And it was noted that Councilman Harrell is very concerned about the utility's bond rating.

Mr. Kilduff talked briefly about capital investments, bond issues and the predictability of rate increases. Mr. Yang talked about the Asset Management Program as one way of describing the costs of reliability to the ratepayers. Mr. Simpson asked how far along we were on the program; Mr. Yang replied that we are in the second year of a five-year program.

Mr. Leiber confirmed that SCL faces financial problems in February without a rate increase and that bonding agencies are doing annual reviews, with SCL's expected early next year.

Several RAC members encouraged the Council's adoption of a Strategic Plan and it was noted that Council committee assignments will probably be made in January.

There was some discussion of refinancing existing bonds and potential advantages to the creation of a Rate Stabilization Fund.

At this point, staff were asked to leave.