

# UTILITY TRENDS

key customer news

## Rate review process underway

Mayor Greg Nickels and the Seattle City Council have selected nine members to serve on a Rate Advisory Committee (RAC) to review the revenue needs of Seattle City Light and make recommendations for any rate adjustments by the end of the year.

City Light is an enterprise fund department in City government. This means that the utility does not rely on tax dollars but derives revenue from its own sources – primarily customer rates and wholesale power sales.

Considering that energy prices in the wholesale market have dramatically dropped, and that retail customers rates have gone steadily down, on average 12.1 percent since 2004, it's easy to see how our revenue has been negatively impacted.

Meanwhile, operating costs and the repayment of debt increased by \$78 million above the amount forecast in

2007-2008. This is due in large part to inflation, increased costs of debt service, and additional costs for labor and benefits. Most of that went toward the fundamentals of utility work: operations and maintenance. The result: In 2010, we face a significant financial gap as a result of increasing costs and decreasing revenue.

The good news is that City Light continues to offer the lowest rates in the Puget Sound region and the lowest rates of any comparably sized city in the country. We are dedicated to providing low-cost, reliable and environmentally responsible power, along with the best customer service experience of any utility in the nation.

Find out more about the rate review process by visiting this City Light Web site: [www.seattle.gov/light/news/Issues/RateProc](http://www.seattle.gov/light/news/Issues/RateProc).



www.seattle.gov/light

### City Light's fuel mix

City Light's fuel-mix disclosure report from the Washington State Dept. of Community, Trade and Economic Development is based on 2008 data:

 **Hydro**  
88.83%

 **Natural gas**  
0.58%

 **Nuclear**  
5.68%

 **Other**  
0.10%  
(biomass 0.05%  
waste 0.03%  
petroleum 0.02%)

 **Wind**  
3.43%

 **Coal**  
1.38%

Nuclear, coal, biomass, and petroleum represent a portion of power bought from the Bonneville Power Administration (BPA). We purchase about 40% of our total power load from BPA annually.

## Federal stimulus money for City Light

The \$77-billion federal stimulus bill passed earlier this year has more than 40 different categories of funding. City Light is primarily interested in those that are a natural fit, such as energy efficiency, smart grid technology, and electric transportation.

About \$6.2 million is coming to the City of Seattle under energy efficiency and conservation block grants, which will help the City and the utility improve the efficiency of our own buildings. More energy conservation funds may be available under different programs.

On August 6, City Light filed a grant application for stimulus dollars to be used as an investment in smart grid technology. The grant would help fund a project that includes advanced meter infrastructure, plus both distribution and substation automation. This grant program offers federal contributions of up to 50 percent of the project cost (\$204 million). The U.S. Department of Energy will announce the grant awards in October.



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## Update on climate-change legislation

Climate change legislation continues to move forward at the federal, state and local levels.

Since the passage of H.R. 2454, the American Clean Energy Act (Waxman-Markey) on June 26, the U.S. Senate has been holding hearings on climate change legislation issues, including U.S. competitiveness, transportation, and economic opportunities for agriculture and forestry.

Meanwhile, the House legislation deals with clean energy, energy efficiency, global warming, agriculture and forestry related offsets, and transitioning to a clean energy economy. The two key provisions for the electric industry are the establishment of a national cap-and-trade program, and an efficiency and renewable energy standard (ERES). The cap-and-trade program would begin in 2012 with the distribution of “free” allowances decreasing with time, and an “auction” component increasing.

The new ERES would require covered utilities to obtain 20 percent of their electricity from renewable resources by 2020 (15 percent from renewable resources and 5 percent from energy efficiency). Hydropower, new nuclear, and existing carbon capture and storage are excluded from a utility’s base calculation, which is a positive provision for Seattle City Light given its fuel mix. City Light is currently 88.83 percent hydro based. (See story on City Light’s fuel mix.)

At the state level, the two most significant bills, one from the governor dealing with climate change, and the other with modifications to the state’s renewable portfolio standard (I-937), proved too contentious and died on the last day of the session this year.

However, Governor Gregoire issued an executive order on May 21, 2009, establishing many of the provisions of her Climate Change Bill, including directing the Department of Ecology to continue its participation in the Western Climate Initiative and the development of state emission-reduction strategies and industry emissions benchmarks.

Two legislative proposals that did pass are:

- **SB 6170 Renewable Energy Tax Incentives.** It provides a retail sales and uses tax exemption in the form of a refund of 100 percent of the sales tax on machinery and equipment used to generate renewable energy from 2009-2011. The exemption is reduced to 75 percent from 2011 to 2013.
- **SB 5854 Reducing Climate Pollution in the Built Environment.** It seeks to reduce climate pollution in buildings through two key provisions that:
  - 1) requires residential and non-residential construction permitted under the 2031 State Energy Code to achieve a 70 percent reduction in annual net energy incrementally starting in 2013,
  - 2) requires utilities to record and upload, with consent, energy consumption data for public buildings and non-residential buildings to EPA’s Energy Star Portfolio Manager.

At the local level, draft legislation is being developed based on Seattle’s Green Building initiative recommendations from last January, which may result in requirements exceeding the new state laws. Interested commercial, industrial and large multi-family building customers will benefit if prepared to participate in any emerging programs.



## Quick Lighting Upgrade Initiative (QLUI)

City Light is pleased to initiate the Quick Lighting Upgrade Initiative (QLUI). Incentive levels have been increased for all business customers interested in upgrading to efficient lighting — up to 100 percent of the replacement cost. Funded in part by federal stimulus dollars, the purpose of the program is to rapidly replace obsolete, inefficient lighting products. Technologies targeted for replacement include T-12 fluorescent lamps, non-LED EXIT signs, and incandescent light bulbs. For more information, call the Conservation Help Line at **(206) 684-3800**.

## Contacts Us

Seattle City Light's Account Executive Office works with the utility's largest commercial and industrial key customers and suburban cities to address their unique business requirements. Our goals: to provide excellent customer service, advocacy and tailored solutions. For information, please call Sheree Hall at **(206) 684-3331** or email at [sheree.hall@seattle.gov](mailto:sheree.hall@seattle.gov). Visit the Account Executive Office Web site:

[www2.cityofseattle.net/light/key](http://www2.cityofseattle.net/light/key)

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## New executive team managers at City Light

### Chief financial officer



Superintendent Jorge Carrasco welcomed Philip Leiber as City Light's new chief financial officer (CFO) effective April 6. Mr. Leiber previously served

as the CFO and treasurer of the California Independent System Operator (CAISO). CAISO is a non-profit corporation charged with operating the majority of California's high-voltage wholesale power grid, acting as the link between power plants and utilities that serve more than 30 million California residents.

He began at CAISO in 1997 and became CFO there in April of last year. During his tenure, Mr. Leiber was instrumental in instituting an array of financial system improvements, including developing new financial forecast models, financial planning processes, investment policies, credit requirements for complex energy market products and rates. His work in this area as well as his familiarity and experience with bond markets helped lead the way for CAISO to improve the organization's bond ratings.

He has a bachelor's degree in business administration from the University of Michigan where he also earned a master of accounting degree. Recently, he received a master's degree

in computer information systems from the University of Phoenix. He is also a certified public accountant.

Mr. Leiber comes to the utility at a critical time as City Light works to maintain its financial resilience during a difficult economy. His experience and skills are a tremendous addition to the Utility's executive team.

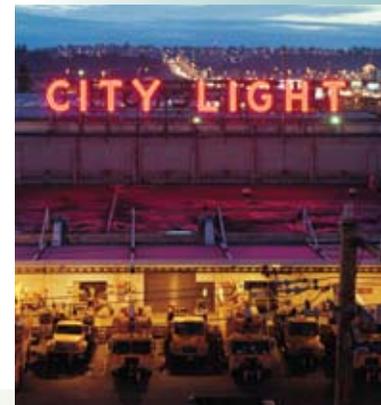
### Finance director



Photo: University of Washington

Paula Laschober has been appointed City Light's new finance director. Ms. Laschober has served as the interim finance director since April 2008, and has

been with City Light for more than 20 years in financial planning. She holds an MBA in finance from the University of Washington and teaches evening business classes there. Ms. Laschober is active in the community and is a member of the University District Rotary Club as well as state president of Partners of the Americas. She is a past recipient of City Light's employee recognition award, "Light, Power and Pride." With a strong command of City Light's business, priorities and policies, Ms. Laschober is well suited to serve as an advocate for City Light's financial needs into the future.



Seattle City Light is a publicly owned utility dedicated to exceeding our customers' expectations in producing and delivering low cost, reliable power in an environmentally responsible and safe way. We are committed to delivering the best customer service experience of any utility in the nation.

**Utility Trends is a publication of Seattle City Light's Account Executive Office.**  
[www2.cityofseattle.net/light/key](http://www2.cityofseattle.net/light/key)