

# **RATES ADVISORY COMMITTEE**

**Tuesday, September 15, 2009**  
2:00-4:00 p.m., City Hall room L280

## **Committee Members Attending:**

Andrea Caupain  
Dave Gering  
Eric Hausman  
Rod Kauffman  
Ellen Monrad  
Joe Simpson  
Debbie Tarry  
Cynthia Putnam for Stan Price

## **Also Attending:**

Councilmember Bruce Harrell  
Supt. Jorge Carrasco, SCL  
Michael Jerrett, CM Harrell staff  
Jennifer Samuels, CM Harrell staff  
Tony Kilduf, Council central staff  
Karl Stickel, Mayor's Office  
Corey Knutsen, SCL  
Sung Yang, SCL  
Phil Leiber, SCL  
Paula Laschober, SCL  
Mike Eagan, SCL  
Art Johnson, consultant  
Gentleman representing Nuccor

The meeting was called to order by Supt. Carrasco, who welcomed and thanked everyone for attending. He then introduced Councilmember Harrell.

Mr. Harrell thanked those in attendance and described his vision of a thoughtful and thorough process to examine the rate structure for Seattle City Light and for this committee to provide its recommendations to the Council based on sound analysis and open discussion. He emphasized the process must be transparent and stated his goal of providing City Light customers with predictability with regard to future rate adjustments.

Mr. Harrell also recognized Mr. Johnson's presence and said it is possible future meetings will include web conferencing. Mr. Jerrett noted this meeting room has a "Listen Line," although there's apparently no way to tell if anyone has called in to do so.

Councilman Harrell then reiterated his appreciation and excused himself to attend to other Council matters.

Supt. Carrasco then asked each committee member to introduce him/herself, after which the staff were introduced. He then provided an overview of the RAC process, beginning with the five to ten-year context provided by the SCL Strategic Plan which, he said, provides a sense of the objectives the committee members should keep in mind, the challenges we face and the need to be nimble and able to respond to dynamic changes in the industry and economy.

He spoke of the Vision of Seattle City Light, with Customer Service as the centerpiece of our planning and the measure upon which success will be judged. He said the things which drive decision making for City Light are Revenues, Expenses and Financial Policies. And he described the historical challenges of creating a budget based on predictions of the water year and the sales of surplus power.

The City Light 2010 “endorsed” (meaning the 2<sup>nd</sup> year of the biennial budget submitted in 2008) is approximately \$1.1B; \$900M is for O&M, \$200M for capital investments. Current retail sales of power are \$560M-570M and wholesale revenues of \$50M-150M. The budget has been directly impacted by the overall economic downturn and by the drop in energy prices – the cost of natural gas provides a proxy which illustrates the volatility of our own wholesale prices. To illustrate the grimness of 2009, revenue from wholesale power was budgeted at \$142M but is now seen to be more like \$70M. In response, City Light has cut O&M by 11% and capital expenditures by 20%. Yet, we still face a gap of approximately \$135M for 2010.

On Sept. 25<sup>th</sup>, the Mayor will release his proposed budget for 2010; his recommendations will be presented at the next RAC meeting (9/29).

Among the issues the RAC will consider are such mechanisms as a fuel cost adjustment, a process employed by many other utilities to respond to the unpredictability of the wholesale energy market, allowing measurements and/or adjustments quarterly or even monthly.

Supt. Carrasco then laid out the process of the RAC, beginning with the six SCL officers who will present their 2010 budgets and expense descriptions, as well as the initiatives City Light’s various divisions are undertaking. Generally, these can be described as the follow areas:

- Financial
- Energy Delivery – including asset management, emergency response and customer service
- Power Supply – Boundary relicensing (current license expires in 2011), Initiative 937, conservation and hydro risk management
- People – human resources, numbers of people nearing retirement, challenge of attracting and retaining qualified employees
- Compliance – meeting new federal requirements for reliability

Supt. Carrasco then asked Chief of Staff Sung Yang to distribute a roster of the department executive team, with photos, and introduced Corey Knutsen.

Mr. Knutsen walked members through the RAC’s Scope of Work and, within a fairly short period of time, that it is expected to provide written recommendations to the Council and Mayor for a 2010 rate adjustment. Subsequently, the RAC is asked for input on development a budget plan through 2012.

At the next RAC meeting, Mr. Leiber will present information on financial policies, revenues, projected gaps and the Mayor’s proposals to close those gaps over the next three years. At

meetings #3 and #4, he will present more detail on actual expenditures. The agenda of meetings #5 and #6 have been left to the committee to determine.

Ms. Laschober did a Power Point presentation called "Rates 101" to illustrate how rates currently are structured [included in committee notebooks].

In response to a question from Ms. Monrad regarding a new mayor coming into office, it was noted that the City Council is the ultimate decider of rate issues, whether a new mayor changes the budget proposals or not, and the 2010 proposals will be in place prior to the new mayor taking office.

Mr. Knutsen said he will be the point of contact for questions from individual committee members, and he will then provide those responses to all the members.

After some discussion, it was agreed the committee will meet on Tuesdays at 2-4 p.m., each week for three weeks, then every other week for three more meetings. He said the committee may certainly decide to meet more often than that and the staff will accommodate that decision. There was further discussion about the committee electing its chair at the next meeting and the role of that individual in moving the RAC process along.

Mr. Knutsen briefly discussed the role of the RAC chair and said that he would put the selection of the RAC chair on the agenda for the next meeting.