



**City Light Review Panel Meeting
Meeting Minutes**

Date of Meeting: March 12, 2018

MEETING ATTENDANCE					
Panel Members:					
Names		Name		Name	
Gail Labanara	√	David Allen	√	John Putz	
Sara Patton	√	Patrick Jablonski	√	Nina Sidneva	√
Thomas Buchanan	√	Leon Garnett	√	Cal Shirley	√
Staff and Others:					
Jim Baggs	√	Kathleen Wingers	√	Karen Reed (Consultant Contractor/RP Facilitator)	√
Calvin Goings		Kirsty Grainger	√	Leigh Barreca	√
Robert Cromwell	√	Mike Haynes	√	Jaya Bajpai	√
Paula Laschober	√	Tony Kilduff	√	Richard Cuthbert	√
Lynn Best	√	Calvin Chow	√	Dan Eder	√
Gregory Shiring		Saroja Reddy	√	Carsten Croff	√

Introduction: Gail Labanara welcomed the group and convened the meeting at 11:05 AM.

Panel Discussion: None

Review of Agenda: Karen Reed reviewed the agenda.

Meeting Minutes – February 27th meeting summary: The meeting summary was approved as submitted.

Public Comment: None

Chair’s Report: Gail reported that the search committee for the new City Light General Manager has had its first meeting.

Communications to Panel: Leigh Barreca reported that Channel 7 had inquired as to the dates and times of Panel meetings.



City Light Review Panel Meeting Meeting Minutes

SCL in the news and other updates: There were no further communications.

Update on Stakeholder Outreach: Leigh Barreca referenced packet materials which include a summary of all strategic plan outreach meetings held to date and remaining.

Draft Financial Forecast – Kirsty Grainger, with Paula Laschober & Carsten Croff

The Financial Forecast is an exhibit to the Strategic Plan. It provides detail on the financial assumptions behind the proposed 5.1% average rate path for the 2019-2024 Strategic Plan. The primary driver for the rate increase is the growing revenue requirement—increasing by about \$40M/year. Further rate pressure is coming from the decline in retail sales—about 1% of the 5.1% rate path is attributable to declining retail sales. Staff noted that the cost of service study will be reviewed by the Panel in May/June and will result in adjustments to the customer bill impacts shown on p. 1 of the draft financial forecast. Also, the 2024 capital expenditure assumption, not shown in this draft, is \$300m.

Q Could the under-expenditure assumption (\$10M/year in O&M) be increased?

A Yes, but this would increase risk that the Utility will go over budget.

Q Are future BPA rate increases known or does that reflect an assumption by SCL?

A It is an assumption – the Utility is assuming a biennial 4% increase in BPA rates.

Q The Utility is not meeting its goal of funding 40% of CIP with cash, which will drive rates up in future years. What could/should be done to meet this target? What are implications for rates?

A There are various permutations of CapEx cuts/delays and higher rates that would enable City Light to meet this goal. City Light could meet the 40% funding by increasing debt service coverage target to 1.86x for 2019-2024. This would translate to around a 8.1% rate increase in 2019, 1.6% higher than the 6.5% currently contemplated.

Q What CPI is used in the O&M inflation assumptions?

A The CPI is based on the IHS Economics – Dec 2017 Forecast for the Seattle Metro area. This is the same inflation forecast used for other economic analysis done in the Utility.

Comment: Please note on charts where the measurements start well above zero. Perhaps present two charts –one starting at zero and the other at \$800M (Retail Revenue Requirement Drivers Chart). There is a policy issue around the best way to recoup the cost of underground equipment replacements (86.9M in CIP spending in the 6-year period). Show the cuts that the Utility made to CIP plans (service center, training center removed). Interest rates on debt is assumed at 4.5% in 2019-2019, rising to 5% in the out-years of the Plan. No property sales are assumed in the forecast.



City Light Review Panel Meeting Meeting Minutes

Staff will bring the final financial forecast report back at the first meeting in April.

At this point the group took a short break.

Strategic Plan Outline – Leigh Barreca

Q Can you add citywide context around the work in the City of increased coordination between City Departments?

A Yes.

Q What Progress has resulted from the last 6 years?

A This will be noted in the update.

Q Will sexual harassment challenges and response be noted?

A No. We can and will not the Utility's work with employee culture which resulted from the 2016 survey.

Q What appendices will there be?

A The financial forecast and the Initiatives summary will be in this section.

Comment: Include enterprise-wide metrics and **share the planned metrics with the Panel.** The rate path is at the end of the outline but should be moved up to the front.

Staff will bring a further fleshed out draft plan to the March 27 Panel meeting.

Opportunities for Additional Utility Revenue – Paula Laschober

The most significant potential for increasing revenue in the near term that could help rates would be through the sale of surplus utility property. SCL estimates that there is a total of \$50M in surplus property that could be sold; about \$35M of this is from the 8th and Roy property. It was approved for sale last summer, but the Mayor has placed a hold on that. Another \$15M would be available from sales of surplus property in northwest Seattle and around the Denny Substation. Sale of the 8th and Roy property would allow the utility to fund the Rate Stabilization Account back up to a level that would enable the current 1.5% surcharge on rates to come off and provide additional revenue that could be used to lower rates. Affordability requirements apply to the property.

Recent state legislation allows Utilities to donate property for affordable housing purposes but there is concern that this is unconstitutional.

Paula noted that if fees were increased for connection services that would offset the capital project costs.

Comment: Gail Labanara proposed that the Panel send a letter to the Mayor encouraging her to allow the sale of the 8th and Roy property to proceed. **Karen Reed will prepare a draft for**



City Light Review Panel Meeting Meeting Minutes

review by Gail and Patrick and then circulate to the Panel for their sign off. Goal will be to send the letter next week.

The Panel members present unanimously concurred.

Initiative #7: Clean Renewable Powered City – Brendon O’Donnell

Presented a revised initiative.

Discussion points included:’

Q What changes were made?

A Inserted a row in the summary table on the initiatives to highlight whether the initiative is a result of city policies and identified specific policies.

Q Would it be possible to accelerate the study of fee structure for costs in aid of construction?

A There is currently a group working on this study.

Comment: Gail and Patrick Jablonski are not prepared to support the Initiative at this time. Panel members thanked Leigh for preparing the very useful summary table on the initiatives.

The Panel gave their preliminary endorsement for this initiative.

The meeting adjourned at 1:40pm.