



**City Light Review Panel Special Meeting
Meeting Minutes DRAFT**

Date of Meeting: May 3, 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	√	Paula Laschober		Karen Reed (Consultant Contractor/RP Facilitator)	√
Calvin Goings		Kirsty Grainger	√	Leigh Barreca	√
Robert Cromwell	√	Mike Haynes		Bernie Ziemianek	
Emeka Anyanwu		Tony Kilduff	√	DaVonna Johnson	
Lynn Best		Calvin Chow		Joanie Bosh	√
Gregory Shiring	√	Kathleen Wingers	√	Carsten Croff	
Darnell Cola		Maura Brueger		Jenny Levesque	
Collen McShane		Richard Cuthbert		Jaya Bajpai	

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: None

Public Comment: Joni Bosh, with the Northwest Energy Coalition made a brief comment, saying that she looks forward to working with the Panel and SCL staff on rate design.

Chair's Report: None

Communications to Panel: None

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

Opening Remarks. Jim Baggs thanked the Panel for their work and offered apologies on behalf of the Utility if there has not been sufficient time and information to help the Panel over the last few meetings. Given what he observed as a switch in the position of the Panel at the last meeting, he thought it important to have one more meeting with the Panel to give them a chance to ask more questions, and have more time to deliberate. Jim thanked the group for agreeing to set up this meeting. He noted that Robert Cromwell's calls to individual panel members were about what the Utility could add in terms of information; Jim apologized if



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anyone felt it was out of line, it was meant to be helpful. Jim said that the rate path language in the letter is strong; the Utility hears the Panel and wants to respond. He is concerned about what it says to endorse a plan without a rate path because they are strongly linked. The proposed rate path is what the Utility prefers. He appreciates the time commitment of all the Panel members. The rate path helps stabilize City Light's budgets over time rather than have them set in a politicized process every two years.

Gail asked what happens if the Panel does not endorse the rate path. The Panel wants the strategic plan process to continue. But the Panel is trying to make a point: something needs to change.

Jim responded that he doesn't know the ramifications. SCL will submit the plan to the Mayor who may or may not make any changes. This situation has never happened before.

Kirsty Grainger noted that this fall a new budget and 2-year rate path will be set for City Light, one way or the other.

David Allen said that the Panel is not here to run the Utility or negotiate its labor contracts. We know rates need to go up. But what is too high of a rate increase for those who oppose the rate path? Block chain, electric vehicles, retirements, distributed generation are all on the horizon for the Utility. We will need higher rates. So, what are we arguing about?

Gail asked David if he agreed something has to change? David replied, yes. He said the Panel needs better reports, but he believes we could agree on a rate path. Gail replied that we need to get the Council's attention or nothing will change. David agreed that the team has been less transparent in the last four years and there is always room for improvement.

Review of Proposed Changes to Plan. Robert Cromwell said the Utility has trouble internalizing its challenges. The Panel letter captures these challenges. He continued, the Utility is not making the right space and time available for the Panel to have the robust discussion it wants to have. In terms of fiscal discipline, it does need to be a higher focus. It's not pain free or easy, so this conversation is helpful to us—otherwise we'll not hear this internally. Based on what we heard at the last meeting, the Utility is doing some work to expand the Plan; Leigh has developed a two-page handout highlighting the proposed change.

Patrick Jablonski said he does not want to participate in a validation process for whatever the Utility wants.

John Putz said it is inconvenient to be called back after what was supposed to be the end of the process. He asked if the Utility is asking the Panel to change its position.

Jim Baggs responded that the rate path dialogue shifted at the last meeting. He hopes that the Panel makes a better connection between what needs to change and how the Plan fails to do that. Is the complaint as stated connected clearly to the concerns of the Panel?



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John Putz replied it sounds like we need to be talking more to the Utility, rather than the other way around. It is unclear to him how the Utility could not have heard the Panel's concerns until just last week.

Nina Sidneva said she agrees with Jim; if we endorse the Plan we must endorse the rate path.

Karen Reed suggested it would be important to hear what is changing about the Plan before the Panel finalizes its letter.

Leigh Barreca handed out a two-page document highlighting how the strategic plan would be revised. Panel members took several minutes to read the document. Leigh then provided a quick overview. The plan will be revised to expand upon the business process improvements initiative to clarify how targets for cost control will be set and reported. City Light will also propose to manage utility spending by developing a strategy to taper future borrowing and prioritize capital spending within the Utility, as well as a process to engage the management team in decisions affecting the size of the work force. The Cost of growth initiative will clarify how it is intended to ensure the Utility recoups recoverable costs. The Rate design initiative will be clarified to talk about redesigning rates to better reflect actual costs of delivering services to customers. Evolving energy markets will be revised to clarify it will generate new revenue. The implementation structure portion of the handout refers to the Panel's work plan and processes that could be deployed to better assist the Panel—these are not issues to be included in the Plan.

Panel Discussion. Gail asked City staff to leave the meeting for the Panel deliberations. The meeting remained open to the public (Joni Bosh remained to observe the conversation).

Gail said that in addition to addressing the rate path issue in the letter, we need to address a concern that Tony Kilduff has raised that the letter unintentionally conflates rate design and cost containment. She noted that it is important that we hear from all the Panel members in this discussion.

Nina noted that rate design is important. The Utility's rate design is antiquated, and this is in part why they are not recovering the revenue they need.

Cal Shirley noted he was appointed only this past September and has been trying to catch up. He hit a wall with the Utility when he asked about how they are spending money, information which could have been provided to him in a paragraph, particularly around discretionary funding. He has found information confirming significant under-expenditures exist in some Utility programs. There is an issue with SCL's transparency on the numbers. The initiative on cost recovery doesn't yield results until 2021 – that is too late if the Utility is asking for more revenue now.

Gail noted that the handout from Leigh shows sudden change in what the Utility is willing to do, in response to the Panel's draft letter. This reinforces her belief that we need strong



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statements in the letter in order to see change. Prior letters endorse the Plan and rate path, while raising cost concerns—and nothing happened.

The group worked through the letter. The language regarding support for the initiatives was confirmed without change. Gail suggested a revision to the language in the Plan Priorities section where it says, “we have asked that ‘affordability’ be *pulled out* as a new priority” –change this to “be *specifically identified* as a new priority”. The Panel agreed.

Gail suggested eliminating the last half of the first sentence under rat path – removing the reference to rate design. The Panel agreed.

The group discussed what to say about how the new forecast methodology impacts rates. Patrick noted there is always something that bumps up rates in the first two years. Nina noted that later plan years see rate actual increases higher than projected; Karen noted that this is confirmed by the table in the attachment to the letter. The group agreed to remove the clause referencing rate bumps. Sara suggested that since we talk about how the rate path was reworked, we share the initial rate path that was presented; Karen will insert a footnote with that initial draft rate path.

The group discussed how to address the paragraph endorsing new approaches to rate design. Karen offered a sentence that reflected how rate design changes could reduce rate volatility and increase revenue recovery. Sara stated her opposition to this language because it assumes an outcome on rate design that she does not support. The group agreed not to add the proposed sentence, and to delete the reference in the letter tying rate design to affordability.

The group talked about whether to endorse the rate path. Nina spoke to her concern that endorsing the plan without endorsing the rate path does not make sense. Gail said that she thinks it is very possible to view the Plan as something separate from the rates. It was noted that the Panel supports the initiatives and the priorities in the plan: it was agreed that the letter should refer to that specifically.

Cal noted again his concern about lack of transparency on the revenues and costs, and agreed with a suggestion to therefore change the point about lack of data to reference underlying costs and revenues, rather than the rate path. The group also discussed and agreed to add a bulleted note of concern on that issue, to read “we do not feel there has been sufficient transparency with respect to the Utility’s costs and revenues.”

The group discussed alternate wording for their position on the rate path – should they not endorse? Oppose? Not support? It was agreed that there is not necessarily a big difference in any of these. Sara and David noted that they are not comfortable opposing the rate path, and Nina concurred with them.

Panel members Gail Labanara, Patrick Jablonski, Cal Shirley, Tom Buchanan, Leon Garnett and John Putz agreed that the statement regarding the plan and rate path should read: “We support



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the priorities and initiatives in the Plan but at this time the Panel does not endorse the proposed rate path.” Sara noted she would offer a minority statement on this; Nina and David said they would join in that. Gail noted the timeline for completing that this would be Friday. Karen asked whether the statement would be something about not agreeing with the Panel’s position to not endorse the rate path. Sara confirmed this. Karen offered wording for the minority statement which was agreed to, subject to final review. It will convey that David Allen, Sara Patton and Nina Sidneva have significant concerns about the rate path but stop short of not endorsing it.

On the first page of the letter, it was agreed to shorten the first sentence in the second paragraph to read: “As a Panel, we are ringing the alarm bell: it is time for the City to place much more focus on controlling the Utility’s costs going forward.” There were no further changes proposed to the letter.

At this point, the Utility staff and Council and Budget Office staff rejoined the meeting. Karen described the major edits to the letter approved by the Panel, and the minority statement that would be included.

Jim and the staff thanked the Panel for their work.

The meeting was adjourned at 1:02PM.