



City Light Review Panel Meeting Meeting Minutes

Date of Meeting: January 5, 2016

MEETING ATTENDANCE					
Panel Members:					
Name		Name		Name	
David Allen	x	Julie Ryan	✓	Eugene Wasserman	✓
Tom Lienesch	✓	Sue Selman	✓	Sara Patton	✓
Chris Roe	✓	Eric Thomas (phone)	✓	Gail Labanara	✓
Staff and Others:					
Sephir Hamilton	x	Greg Shiring	✓	Kim Kinney	✓
Maura Brueger	✓	Tony Kilduff	✓	Kirsty Grainger	✓
Jeff Bishop	✓	Calvin Chow	✓	Carsten Croff	✓
Paula Laschober	x	CM Sawant	x	Wayne Morter	✓
Karen Reed	✓	Mike Jones	✓	Aliza Seelig	✓

Call To Order:

The meeting was called to order at 11:05 a.m.

Public Comment: None

The 12/08/2015 Meeting Notes were unanimously approved.

There was no new correspondence to the general mailbox.

Chair’s Report:

Julie Ryan reported that the Mayor’s nominee for General Manager of the Utility, Larry Weis, will attend the next Review Panel Meeting on January 19, 2016. She reiterated that she will leave to the City Light management team decisions about Panel agendas as we work towards completion of the strategic plan update. She asked Maura to determine the most convenient time for Larry Weis to meet with the Panel during its next meeting.

Tony Kilduff advised that he will work to schedule time so the Energy & Environment Committee members can meet with the Review Panel in the next few months. The Committee will be chaired by Councilmember Sawant; Debora Juarez will be Vice-Chair, and Lorena Gonzalez will be a Member.

Load Forecast Presentation:

Mike Jones provided a presentation on load forecasting. Weather and overall regional economy are major drivers in the changes in the forecast from year to year. GDP, employment, industrial production, CPI, housing starts and population are also important factors. Forecast demand growth is falling, now down to a projected 0.4% per year annual average growth over the next 20 years. City Light customers are changing the way they use electricity, but a thorough examination of this has not been done for decades. The Utility would like to complete an updated a “bottom up” forecast.

Discussion and questions included:



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- Explain the assumptions about where the 14 MW of conservation comes from?
- What is the time horizon on normal weather? (A: 30 years of NOAA info; SCL is working on utilities that incorporate warmer weather)
- Who are the top 10 largest utility customers? (A: Jeff circulated a list during the meeting)
- Rolling load data—interesting to note that during the great expansion load still declined. It will be important to explain why as a message on the Strategic Plan update.
- Note the load variation shown is within 10% of total load.
- Will the utility be doing bottom-up forecasting? (A: yes, in the near future)
- Does the forecast match the city's assumptions in the comprehensive plan update? (A: yes.)
- SCL has excess capacity so it doesn't use a demand forecast
- Utility should take credit for the conservation achieved
- In messaging the Strategic Plan update it will be important to explain why a bottoms up forecast is important to do, since it will be somewhat costly.
- How accurate has the load forecast been in recent years? (A: within 1 – 1.5% of weather adjusted normal. Note that the utility is consistently over-forecasting demand, but we're not sure why. Our forecasts are more accurate than those of many of SCL's peer utilities.)
- How long will it take to complete a bottom-up forecast? (A: 1-2 years)

Baseline 2017-2020 Presentation:

Jeff Bishop presented updated baseline information for 2017-2020, which shows an average baseline rate growth of 5.1% per year, above the current target rate of 4.4% per year. Next steps are to populate the data for the last two years of the plan period (2021, 2022), identify options for how rate growth can be pushed down, and add new initiative costs.

Discussion, questions and comments included:

- It will be confusing to explain SCL rates versus BPA pass through—net impact to customers. Need to work on this.
- Can overhead/labor costs be reduced as CIP shrinks? Utility will need a good explanation around this issue (Noted: FTE count has been relatively stable since 2012)
- Need more information on the drivers/details in the growth of O & M costs.
- Can the utility run a scenario of what happens to rates with zero load growth?
- What portion of the rate path increase is attributable to the drop in load forecast? (A: average rate increase over 2016-2020 would be 4.7% rather than 5.1% annual average increase if the load forecast had not dropped (0.4% average annual rate impact))
- Can utility show how it will plan to respond if future load growth gets even flatter or begins to shrink? This should be addressed somehow in the Strategic Plan, even if to note there is a longer-term piece of work around this yet to be completed.
- Show what we would have to change about current operations if we were to keep the average rate path at 4.4% average annual rate increases over the next 6 year planning period.
- What are the targets/metrics for reliability and quality of power in the baseline? These should be identified. How have results changed with the investments that the utility has made?
- Can you explain the source of the jump in transmission costs in 2021?



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- Given how much of the rate increase is attributable to capital investment, it is important to have a message around how these investments are helping customers save money or otherwise benefit? Anecdotes are helpful to tell this story.
- What are the CIP V5 costs?

Electric Vehicle Proposal:

The EV proposal follow up will be deferred since Sephir Hamilton was not in attendance.

Draft Panel Letter Responding to DoIT Presentation:

The group discussed the proposed letter to be sent to Michael Mattmiller in response to his presentation at the December 8th Review Panel Meeting. The Review Panel provided their suggestions on edits to the draft. Karen will incorporate the edits and finalize the letter.

Outreach:

Maura Brueger advised that she will have something to bring back to the Panel regarding outreach at the January 19th meeting. Maura is focusing on getting the new GM introduced to some of major customers in next few weeks. She asked the Panel members to let her know what type of feedback (from the customers during the outreach process) would be most valuable for the Panel to make their recommendation.

Action Item: The Review Panel requested information on how the schedules are shaping up for both the outreach plan and for the Strategic Plan timeline submission to the Mayor and Council.

Communication from Manufacturing Industrial Council (MIC): Jeff Bishop recapped that the MIC forwarded to Chris Roe a memo from their utility consultant, Energy Strategies, regarding SCL financial policies, the RSA, and the Utility's Debt Coverage Ratio (DCR). MIC's consultant recommended that SCL's target DCR be reduced from 1.8 to 1.6. Jeff shared information about the DCR, how City Light's DCR compares with peer utilities, and how these ratios are evaluated by Moody's. City Light debt-finances more of its capital program than its neighbors. Moody's assumes that city taxes get paid before debt service, so they evaluate the Utility's effective DSR is at 1.5, not 1.8. Jeff offered to respond back to MIC on behalf of the Panel. Tony Kilduff suggested instead that Chris Roe ask the MIC transmit a letter officially to the Utility if they wanted a formal response letter.

Action item: Chris Roe will forward to the MIC the information provided to the Panel today by Jeff.

Plans for upcoming meetings:

- Larry Weis will attend the January 19th meeting and be introduced to the Review Panel.
- Jeff Bishop will present more details on the Strategic Plan proposal with rate trajectory for 2017-2022.

Adjournment: There being no further business to discuss, the meeting was adjourned at 2:05 p.m.