



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

Date of Meeting: July 25, 2017

MEETING ATTENDANCE					
Panel Members:					
Names		Name		Name	
Tom Lienesch	✓	David Allen		John Putz	✓
Sara Patton	✓	Patrick Jablonski	✓	Gail Labanara	✓
Thomas Buchanan		Leon Garnett	✓		
Staff and Others:					
Larry Weis		Mike Haynes		Karen Reed – Contractor/Facilitator	✓
Mike Jones	✓	Leigh Barreca	✓	Glenn Atwood	✓
Calvin Goings		Ellen Javines	✓	Wayne Morter	✓
Paula Laschober	✓	Tony Kilduff	✓		
Lynn Best	✓	Calvin Chow	✓		
Jim Baggs		Gregory Shiring	✓		
Bernie Ziemianek		Tyler Emsky	✓		
DaVonna Johnson					
Amy Wheelless, Policy Assoc. NWECC	✓				

Call to Order: The meeting was convened at 11:07 a.m.

Introduction: Gail Labanara, Chair of the Panel, called the meeting to order. All attendees introduced themselves.

Meeting Minutes: Approved as submitted

Public Comment: Amy Wheelless of the Northwest Energy Coalition submitted a letter to the panel signed by several agency heads expressing concern about rate design approaches that increase fixed customer charges and decrease volumetric charges.

Chair's Report: None

Communications to Panel: Leigh Barreca read an email submitted to the Panel which complimented the Utility on its response to a June power outage on Capitol Hill.

Other communications/update: None



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**Review of Draft Strategic Plan Objectives and Potential Initiatives – Panel input for Utility
– Leigh Barreca / Mike Jones [Strategic Planning Status](#)**

Leigh Barreca reviewed the initial phase of customer outreach that will be implemented for the strategic plan development process. She noted that SCL staff are working on proposed initiatives, but those ideas are not due until August 31, so we will defer discussion of this to the next meeting. Discussion points included:

- How will foreign language speakers be engaged?
A: Mostly through focus groups, but there will be an opportunity for them to have an interpreter help them respond to the online survey as well.
- How many key accounts are there?
A: About 300
- Who is the outreach consultant?
A: P.R.R. (Pacific Rim Resources)
- What is the deliverable for the consultant?
A: A report.
- What is the goal of the survey? What feedback are you looking for?
A: Are the strategic objectives important to the customers? What are their priorities? Feedback also on the SWOC results. To get feedback on high level values and priorities.
- Will the survey ask about rates?
A: Probably some type of question, yes.

Leigh welcomed ideas about additional groups to which the Utility could offer presentations. The group then reviewed the revised "strategic priority statements." Discussion points included:

- Where does competitive rates fit in?
A: In the first one: *Improve customer experience and rate predictability*
- Where does affordability fit in?
A: Same place.
- How about reliability?
A: Same place.



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- What does *enhanced value* look like to customers?
A: cost/value trade-offs, efficiencies in operations. This is mostly an inward facing priority.

Additional discussion of the survey:

- Is RSJI applicable to the outreach effort?
A: Yes.
- Test the cost of things when you ask people if they want them; be explicit about trade-offs.

Distributed Generation Policy – Paula Laschober [Distributed Generation Policy 2017](#)

The group agreed to re-order the agenda to take up the Distributed Generation Policy. Paula presented. She noted that there are 2,900 direct meter clients currently on the system. The policy question being tackled is what price to offer for large scale solar installations (> 100 MW). Federal Law (PURPA) requires pricing be set at values that do not harm other customers—long-term avoided cost is the floor. Interconnection charges are separate. She reviewed a variety of pricing options, and noted that the Utility is proposing to price this at solar power avoided cost rate. She noted that given SCL’s winter peaking pattern, solar power does not align with peak demand and thus benefits the utility very little, Solar also does not offer distribution system benefits. Discussion points included:

- I did not know we have so many direct metering customers. What do we know about their cost structure in terms of impact on the Utility?
A: We know a fair amount.
- What’s the difference between winter and summer peaks?
A: About 600 MW or about 1/3 of total load.
- What will happen to current contractees?
A: They will be held harmless.
- Snohomish PUD is today proposing a “no net metering” policy – moving to having a production and a consumption meter and 2 rates for these types of customers, rather than a solar production meter and a netting meter that goes both ways.
- The payoff for residential solar installations at a payback rate of 4 cents per kW is about 10-11 years, given current federal land state subsidies-the payoff is shorter for larger installations. Commercial payoffs are different than residential ones.



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Load Forecast and Rate Policy Options – Karen Reed & Paula Laschober [City Light Rate Policy EEC Jun 2017](#)

Karen noted that Tony is hoping the Panel can offer the Council feedback on some high-level questions in September; those questions are noted on the agenda, specifically: Are the rate policy issues important? What paths seem better or worse and why? Tony noted that it is up to the Panel whether they offer a comment letter.

The group generally agreed there is a problem with declining demand that should be addressed; this appears to be a systemic, long-term issue. Utility staff noted:

- The new forecast will help clarify if it is a short-term or ongoing trend.
- In recent years, in response to revenue shortfalls the Utility has simply borrowed more—this shifts costs to the future. Not to do this would under-fund capital, but increasing debt service creates its own challenges. Rating agencies are concerned about the Utility's debt load and could choose to lower the bond rating, increasing the cost of borrowing.
- Uncertainty and volatility of revenues are part of the Utility's reality in terms of supply and demand, given that we have more power than we need.
- Any change in rate design creates winners and losers.

There was discussion about whether the Council could take up multiple issues at the same time on the general question of rate design, and what the likely timing is. Multiple potential solutions were called out, as well as a variety of problems beyond declining retail demand.

Karen summarized the issues and potential solutions on the white board. These do not yet match up to one another— (see Table below).

After discussion, the Panel members agreed they wanted to try to provide high level policy recommendations to the Council, staying away from specifics. **They requested additional background and explanation on both the problems and solutions identified. Among background items on which the panel requests additional information is: what are others facing these same challenges doing, and how are rating agencies responding?** It was noted that this type of information could provide helpful context for any Panel recommendations.

The next steps in this discussion will be:

- To review the Utility's write-up of problems (including noting the magnitude/impacts of the problems);
- To review the Utility's write-up of potential solutions (and impacts of solutions); and
- To review existing rate policy goals – what do existing policies suggest, and should these policies be amended?



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From there, recommendations can be developed.

Table summarizing problems and potential solutions:

Problems/Concerns <i>Size and scope? Ongoing or short-term?</i>	Potential Solutions <i>Impact?</i>
<ol style="list-style-type: none">1. Revenue volatility2. Avoid rate volatility3. Under-recovery of needed revenues4. Cross subsidies between ratepayers5. Rate structure doesn't match cost structure6. Ongoing decline in retail demand7. Large and growing debt service burden	<ol style="list-style-type: none">1. Shift forecast assumptions used in the budget to be more conservative about revenue recovery2. Increase debt service ration3. Increase fixed cost revenue recovery4. Gradualism in implementing any solution5. Expand scope/use of R.S.A. beyond addressing wholesale power sales volatility6. De-coupling

2nd Quarter Strategic Plan Tracking Report – Leigh Barreca [2nd Qtr 2017-Strategic Planning Tracking Report](#)

Panel members were encouraged to read the report. It was noted that several items are being held up pending assignment of necessary staff help from Central IT. The panel will consider writing another letter of concern on this issue.

Adjourn. The meeting was adjourned at 2:00 P.M.