



City Light Review Panel Meeting Meeting Minutes

Date of Meeting: October 14, 2020 | 1:00PM – 3:00PM | Meeting held via Microsoft Teams “Final”

MEETING ATTENDANCE					
Panel Members:					
Names		Name		Name	
Gail Labanara	√	John Putz	√	Mikel Hansen	√
Sara Patton	√	Chris Mefford	√	Leon Garnett	√
Thomas Buchanan		Scott Haskins	√		
Staff and Others:					
Debra Smith	√	Jen Chan		Karen Reed (Consultant /RP Facilitator)	√
Kirsty Grainger	√	Mike Haynes	√	Emeka Anyanwu	√
Jim Baggs		DaVonna Johnson		Tom DeBoer	√
Julie Moore	√	Chris Ruffini	√	Maura Brueger	√
Greg Shiring	√	Carsten Croff	√	Leigh Barreca	√
Eric McConaghy	√	Toby Thaler	√	Kathryn Aisenberg	
Craig Smith		Chris Tantoco	√	Joni Bosch (NVEC)	√
David Logsdon		Angela Bertrand	√		

Welcome\Introductions. Leon Garnett kicked off the meeting at 1:04pm.

Public Comment. Joni Bosch – no comment.

Standing Items:

Review Agenda. Agenda approved.

Approval of Sept 17th Meeting Minutes. The meeting minutes were approved as submitted.

Chair’s Report. No report.

Communications to Panel. None.

General Manager’s Update:

Debra discussed the Planning Process chart that is included in the meeting packet. The chart details the inputs and non-linear planning cycle for both strategic and operational planning. The focus is on the thinking and the process, not simply the documents City Light produces. The two-way arrows show that City Light is always doing continuous improvement and making changes to how work is performed.

City Light is in the process of creating a comprehensive planning calendar. While this depicts a cycle, there is also a linear process to must go through. It begins right away with refreshing the strategic plan, then starting the capital improvement plan. The schedule will give the Panel a roadmap for where City



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Light is going. The intent is to bring the new strategic plan forward next year.

In addition, this week Debra has started a series on our organizational values. The utility is developing action statements that will show employees how their work advances the achievement of City Light's values.

- **Q:** Will the strategic plan we worked on last year will be completed in 2021? **A:** Yes. For 2022. We will make adjustments as needed, such as updating the rate path. We will also look at the draft priorities and initiatives to confirm them, adjust timelines or change them entirely. We may consider adding a recovery initiative.
- **Q:** I'm assuming from what you said, your plan is to engage your Executive Team and your people managers to work with the content, then the Review Panel would review the plans and give feedback? **A:** Yes, and there will also be a place for you to also give suggestions and feedback.

Mike Haynes shared that he just got off a call with FERC who regulates City Light's dams. The next regulatory mandate from FERC is always an unknown. City Light must be very disciplined to be ready for such things. Mike is pushing his teams on capital spending discipline and prioritization.

Debra Smith noted that the utility is also working is telling its story and highlighting the Utility's areas of focus, vis a vis capital programming. We need to be realistic about what we can accomplish each year.

Shifting gears, Debra introduced the topic of customer service response time, noting that COVID has slowed down some response times. Mike Haynes reviewed the revised "Requirements for Electric Service Connection" (RESC) table, which is the primary resource for customers initiating service requests. The document outlines the submittal requirements for each type of service, including estimated timelines for each process step along the way. For new requests, City Light intends to modify Table 1.3 – "Estimated Turnaround Times Per Phase of Application Process, Looped Radial" to align with what customers are currently experiencing. Mike noted that City Light always strives to do better than what the table suggests but wants to be mindful about setting clear expectations from the start. He expects the modified timelines will be in place throughout 2021 and hopes to revert to pre-COVID timelines on or before Jan. 1, 2022. The new extended timeline should be published online by the end of the year.

- **Comment:** I appreciate what you are displaying. The frustration was not so much the delay as what was the inaccuracy of what was communicated. This is on the right track. **A:** Yes, Craig Smith and I agree that we need to give our customer-facing staff the information they need to respond to and address the customer needs.

Debra Smith noted that she and Mike are working closely with Craig Smith, the Chief Customer Service Officer to better focus this messaging on the customer experience. Next week they are doing customer empathy training for our strategic advisors and managers.

- **Q:** Does this primarily reflect a backlog or is this more a reflection current resource limitation? Is this ongoing or temporary? **A:** We do have an existing backlog and we have had fewer available



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staff. We are also trying to solve our 2020/2021 budget problems with an attrition strategy so we will likely have reduced staffing levels for quite some time.

- **Q:** What is the trade off in revenue by pushing out these timelines? **A:** On one side, since our budget is on the expense side, if we increase our revenues, we would like to be able to ask to increase our staffing but that is not how the process usually works. We are working on more accurately tracking customer revenues to better answer your question.

City Light Utility Technology Organization Overview:

Emeka Anyanwu Shared a PowerPoint presentation [sent to Panel members after the meeting]. He shared that City Light needs to prioritize technology investments to align with business strategy. City Light needs clear structures for decision making around technology; the new approach is designed to support the utility but not duplicate the services of Seattle IT.

- **Q:** Are you working out with the IT department the roles and responsibilities and relationships? **A:** Yes, we have already started having that conversation with Saad (Bashir) and his team. Some of our utility tools will be managed by utility staff; big enterprise systems such as Microsoft tools will continue to be Seattle IT's purview. This is an ongoing conversation, we just kicked off 2021 work planning this week.
- **Q:** As you have those conversations, are there service level agreements or other accountability documents? **A:** Yes, those exist. There are conversations about specificity and the measures that should be included. We are trying to articulate those things more clearly so we can be more effective.

2020/2021 Budget:

Kirsty Grainger shared an overview of the 2021 budget with the Panel. City Light has worked with Greg Shiring and the City's Central Budget Office to present the Mayor with our budget. The Mayor has passed it to the Council. We anticipate it being passed in November.

The challenge of this budgeting cycle is bridging the revenue gap caused by the pandemic. City Light had already incorporated a 1% decline in retail demand; now due to economic impacts it will likely be closer to 4.35%. The other thing that is contributing to the revenue gap is that there will be no rate increase in 2021 as previously planned. The combined gap comes to about \$55M in 2021.

City Light is closing this gap through four categories of cost: labor, non-Labor O&M, wholesale revenue, and capital and debt service reductions.

- Labor: The utility is pursuing an attrition strategy and a hiring freeze. City Light will continue to fill positions for essential workers, but if there is an opportunity to not hiring a position, they will be doing that. The budget also increases the planned vacancy rate from 7% to 13%.
- Non-labor O&M: Consulting services are being reduced as is funding for conservation incentives.



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- Wholesale Revenue: Additional revenue is anticipated from the Western Energy Imbalance Market. The Utility is projecting \$73M in wholesale power revenue and is planning for \$60M.
- Capital and Debt Service Reduction: The utility captured record low interest rates in its debt issuance earlier this year. Additionally, a lower debt coverage ratio is projected to provide additional savings.
- **Q:** Going back to the retail revenue gap, what sensitivity are you having as a result of COVID? As an example, how is commercial revenue vs retail revenue? Are the projections robust enough to support this? **A:** There is uncertainty and it is an area of significant risk. The demand reduction you see is all on the commercial/industrial side. On the residential side we are assuming load will be the same or a little higher. Receivables -- customers unable to pay their bills -- are also a risk. We continue to see residential customers using more power. It started at 2% more and is inching up to 3%.
- **Q:** Could you share a little more information about the reduction in conservation incentives. What is \$1.5M as a percentage of the planned budget and how are we getting efficiency without the incentive? **A:** The baseline is \$16.2M, so roughly 10% reduction. We are already surpassing our goal, so we thought it was a safe cut as we have typically been overachieving. We also have not been spending all the budget, and we have still been surpassing our goals. The reduction it gets us more in line with what we have been spending.
- **Q:** I am not sure how the Rate Stabilization Account (RSA) works. How is the RSA reflected in the budget? **A:** The way the RSA works is if more revenue than we anticipate comes in, we deposit it in the RSA. When the RSA is low, surcharges are added. We are projecting that the surcharge will still come off in 2021. The baseline is the budget that we need for utility operations; everything over that goes to the RSA.
- **Q:** Are you just prolonging the surcharge? **A:** No, the surcharge is still scheduled to come off.
- **Q:** What is the new projection for when the surcharge will come off? I thought it was November or sooner. **A:** We did have a projection of November, but then with the events of 2020 it got bumped to early 2021. If you have questions you can reach out to me.
- **Q:** I do not like having a surcharge and a rate path. As a customer, the fact remains there are two things going on and the messaging is messy. It should be handled all together. **A: (Debra Smith)** I tend to agree. We need a different approach to setting rates. Frankly, it is not even just two factors – there is also the Bonneville true-up that can impact rates. I believe we can do a better job managing these components.
- **Q:** Can you remind us of the budgeting strategy; Are you budgeting to expected? **A:** For load variability we are budgeting to expected. We have been talking internally that if next year things look substantially different, we need to be ready to act.



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More Q&A:

- **Q:** Are you getting back to normal? **A:** Our planning process was delayed, but we have a great place to start when we pick this up again. We all did a lot of great work and we have good initiatives that will still work. We need to look at adding a recovery initiative that goes into 2022. Our timing may also need to be adjusted – planning for faster or slower initiative deadlines, depending on if we get federal stimulus funds.
- **Q:** I understand there is a bill in the legislature to clarify that publicly owned utilities can spend money on beneficial electrification. **A:** Yes, we are engaged on this. You can reach out to Maura (Brueger) or Mendy (Droke) if you would like more information.

Meeting adjourned at 2:57 PM. The next Panel meeting is November 16th.