



## City Light Review Panel Meeting Meeting Minutes

**Date of Meeting: December 10, 2019 | 11:00AM – 2:00PM | SMT3205 “Draft”**

| <b>MEETING ATTENDANCE</b> |   |                   |   |   |   |
|---------------------------|---|-------------------|---|---|---|
| <b>Panel Members:</b>     |   |                   |   |   |   |
| <b>Names</b>              |   | <b>Name</b>       |   | <b>Name</b>                             |   |
| Gail Labanara             | ✓ | John Putz         | ✓ | Mikel Hansen                            | ✓ |
| Sara Patton               | ✓ | Patrick Jablonski | ✓ | Leon Garnett                            |   |
| Thomas Buchanan           | ✓ | Chris Mefford     | ✓ | Mikhaila Gonzales                       | ✓ |
| <b>Staff and Others:</b>  |   |                   |   |   |   |
| Debra Smith               | ✓ | Jen Chan          | ✓ | Karen Reed (Consultant /RP Facilitator) | ✓ |
| Kirsty Grainger           | ✓ | Mike Haynes       | ✓ | Emeka Anyanwu                           |   |
| Scott Thomsen             |   | Carsten Croff     | ✓ | Maura Brueger                           | ✓ |
| Gregory Shiring           | ✓ | Leigh Barreca     | ✓ | Angela Bertrand                         | ✓ |
| Eric McConaghy            |   | Jenny Levesque    | ✓ | Kathleen Wingers                        | ✓ |

**Welcome.** Gail Labanara, Panel Chair convened the meeting at 11:15 a.m.

**Public Comment.** Joni Bosh from Northwest Energy Coalition (NVEC) expressed her thanks to Debra Smith for her work with the Coalition. She added that she is surprised that energy efficiency demand side management is not mentioned in the write-ups of the strategic plan priority areas and hopes it will be included in future versions.

**Review of Agenda.** Karen Reed said that today’s discussion is an important opportunity to offer input as to whether the priorities documents include items that the Panel thinks are important. Debra Smith said that the new strategic plan will be a change document. It will focus on what is different for the Utility moving forward. She would like to see us keep two lists: What are the change items? and What are the things we should keep doing?

**Meeting minutes of November 19.** The meeting minutes were approved as submitted.

**Chair’s Report.** Gail had no report.

**Communications to Panel.** Leigh Barreca noted that the Panel members have been invited to take a survey relating to the City’s volunteer boards and to participate in a January event honoring members of all the City’s volunteer board. Emails regarding both have been sent to panel members.

**General Manager’s Report.** Debra noted that staff are working to solidify the rate path with the Budget office and Mayor’s office. SCL has deferred all discretionary capital spending in 2020 to address the streetlight pole replacement issue. The Executive team is doing a series of two-day workshops each month to flesh out the strategic plan. As we go through the process, if the Panel thinks they do not have enough time to respond to materials, please reach out to her. Any



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remaining organizational changes will be completed after the start of the year.

**Question:** What is the cost estimate on the pole replacement? **A:** We don't have that information yet.

Sara added a comment: NWECA held its semi-annual conference this past Monday and gave the Conservation Eagle Award to Lynn Best, City Light's Environmental Affairs Officer.

Debra shared that Deputy Mayor Moseley will be retiring at the end of the year and will be replaced in 2020 by Casey Sixkiller, who is currently working in the King County Executive's office. Debra provided an update on the Upper Skagit River "donut hole" in British Columbia where logging and mining is proposed. BC rescinded the logging rights in the area, which is good, but we don't know what this really means and it is still unclear whether mining will occur.

**Updates to Rate Pilot Roadmap.** Leigh said there are no updates to report.

**Columbia River Systems Operations.** Debra shared that this is under discussion because in 2016 a federal judge ruled the biological opinion controlling how the Columbia River system is operated in terms of salmon recovery is not acceptable. SCL spends a lot of money on salmon recovery and loses generation capability to address this issue. The matter has been in court nearly 20 years. A revised federal National Environmental Protection Act (NEPA) Environmental Impact Statement (EIS) is due out in January; it will be looking at four options for future river operations. Stakeholders are very entrenched – power, environmental, irrigation, river navigation, recreation. Debra is working with stakeholders to build a positive outcome when the EIS is released. We may have an opportunity to try something new now.

**Question:** What is the process for approving an agreement here? **A:** It is a little unclear. It will be some type of settlement agreement.

Sara Patton said that she thinks it is great that Debra is working on this in terms of advancing public power's interests. Debra currently chairs the Public Power Council.

**East Marginal Way Recommendations Report.** Mike Haynes reported that the consultant report will be released today. It includes many recommendations for internal and partnering process improvements as well as some operational recommendations, including considering a "middle" type of pole repair—pole reinforcement—which is short of full replacement. The Utility used to do this but there were safety concerns so it was discontinued. The middle route is less expensive than full replacement. The cost for the Utility's CIP is a work in progress. SCL is under contract now to replace about 200 of the weakest poles identified. They are looking for a way to streamline permitting with SDOT for these projects. The Utility is exploring financing strategies. They want to maximize revenues from telecom firms who share use of the poles. The take-away is that we are further behind on pole replacement than we should be; SCL replaces about 800 poles a year, and it looks like we should be replacing about 2,000 a year. That is the resource lift we are trying to



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address – after we catch up with the known backlog, the steady state pole replacement rate should be around 6,000/year.

**Q:** Will you tell us what needs to be postponed to fund this effort? **A:** Yes.

**Q:** What are the contractors doing? Must SCL inspect their work? **A:** Yes. We inspect their work. It is hard to find people for this work—contractors are focusing on replacing the worst poles and ongoing work with other telecom providers whose apparatus are attached the poles.

**Q:** What makes up discretionary CIP? **A:** That is tough question. We won't interrupt projects "in flight" but emergent projects with timing flexibility will be pushed out, for example, replacing underground cable.

**Q:** Are you creating a bigger financing problem in the future? **A:** We're still planning to proceed with underground cable. It is critical infrastructure. But we will probably spend less than anticipated over the next several years.

**Comment:** I would rather City Light raise rates than create a big capital funding surge in the out years.

**SCL Financial and Strategic Plan Q3 reports.** Kirsty Grainger shared the highlights from the September financial report. Retail revenue is lower than forecast, but this was more than offset by lower purchased power costs, lower operations costs, lower BPA costs and other revenues. Net wholesale revenue is \$36.8 million lower than forecast.

**Q:** What is the budget target on Net Wholesale Revenues? Is it declining each year so that the budget discrepancy versus actuals will decline? **A:** Yes. The target will decline about \$5M next year and an additional \$10M the following year.

**Q:** Is the new forecast turning out to be more accurate than the last forecast? **A:** Yes. Also, the new forecast makes it much easier to explain what is going on.

Kirsty then reviewed the Q3 report on SCL's Capital Improvement Program. The carryforward into next year will be lower than typical. The Denny Substation project is notably over budget this year, but many other projects have come in under budget; overall, under-expenditures are more than over-budget expenditures. In response to a question, Kirsty noted that SCL does not get to keep unspent funds without having them encumbered to specific projects by Council.

**Q:** Will there be more expenditures on the Denny Substation? **A:** No, it is completed. Debra noted that she would like to improve the Utility's capital budgeting process to move away from having all the contractor claims negotiated at the end of the project versus negotiation change orders along the way. The Denny Substation cost overruns were attributable in significant part to the challenge of working in a highly urbanized area. Also, the scope of the Denny Network project has



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significantly expanded with the dramatic growth in businesses locating in the vicinity. Debra noted that SCL can improve its delivery of capital projects, for example, how we manage and control the accounting on those projects.

**Strategic Plan Initiatives Status 2019 Q3 Report.** Angela Bertrand presented. Items she highlighted included:

- Escalated calls rose in September due to outages related to the lightning storm and more people moving.
- Service installation rules have been updated and are generating more revenue.

**Draft 2021-2026 Rate Path.** Carsten Croff presented. The draft rate path for the next six years is projected to increase less than the past six years. The draft projected rate increase annual average is 2.9%. Debra noted that the low 2025 number was not a “real proposal” but just a placeholder. She also noted that that uncertainty in the size of the capital plan may change the current 2.9% average increase estimate. Major uncertainties include accelerated pole replacement and modernization of the grid. Carsten noted that a couple of assumptions were made to get the 2021 rate increase down to 3.6%, including \$2M in as yet un-identified O&M cuts. The draft proposal shows City Light meeting its capital funding targets (40% through operations, 60% through bonds). Carsten noted that SCL is looking to smooth out and reduce its CIP spending over time. In response to a question, he confirmed that the wholesale revenue forecast is unchanged from the last plan. Overall, SCL anticipates a revenue requirement in 2024 that is \$48M lower than previously projected. City Light will continue to brief the revenue panel as changes are made to the preliminary 2021-2026 rate path.

**2021-2026 Strategic Plan.** Leigh re-capped the scenario planning exercise that the Panel and SCL leadership have engaged in this past several months, and the terminology the Utility hopes to use moving forward. The meeting materials includes a revised set of strategic priorities and objectives, as well as a page showing how the wording the priorities has evolved over the last several months. Panel members said this was very helpful. Debra noted that the tasks listed under the strategic priorities have not yet been vetted or endorsed by SCL.

Comments on the wording of the priorities included:

- Equity is missing and should be added.
- Mention the grid and/or physical assets in the description of “Prepare for Tomorrow’s Energy Use”
- Use a different word than “enhance” in relationship to customers. Invest? Improve?
- Add mention of Energy efficiency as a service under that same customer relationship priority.
- “Disruption” doesn’t seem like a good word. **A:** But that is what we really think we are looking at in the next few years.
- We have projected disruption a lot in recent years.
- Perhaps say something about “developing products and services to respond to disruption.”



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Debra noted that SCL's business model is broken. It assumes the utility can fix everything through growth in retail sales which isn't in our future unless we do something significantly different.

In the few minutes remaining, Karen suggested the Panel members share what each of them is thinking they want to see in the next strategic plan. Responses included:

- Alignment of the goals of employees and the public needs to be clearly represented.
- Do not lose efficiencies.
- Rightsizing the number of employees. Employees need to see themselves in this plan. Don't sidestep the challenge.
- The big thing is the financial strategy around capital cost management. I want to see what the strategy is.
- Grid strengthening should move forward.
- Want to see more clarity in how priorities will be communicated.
- Words can create change. I like the priorities. I need to see more detail. Equity should be added. Also, I'd like to see more about emergency planning and resilience.
- Sustainability, affordability and environmental priorities.

The meeting adjourned at 2:05 P.M.