

**SPU Strategic Business Plan Customer Review Panel  
Draft Meeting Summary  
Tuesday, May 6, 2014**

**Attendance:**

<b>Panel Members</b>			
Suzie Burke		Tara Luckie	x
David Gault	x	Noel Miller	x
Dave Layton	x	Carl Pierce	x
Laura Lippman	x	Walter Reese	
Bruce Lorig	x		
<b>Staff and Others<sup>1</sup></b>			
Ray Hoffman, SPU	x	Brian Surratt, Mayor's Office	
Nancy Ahern, SPU	x	Meg Moorehead, City Council Central Staff	X
Martin Baker, SPU	x	Saroja Reddy, City Budget Office	X
Melina Thung, SPU	x	Karen Reed (facilitator)	X
Kim Collier	x	Diane Clausen, SPU	X

**Review and Approval of Agenda.**

May 6 agenda approved without discussion or changes.

**Review and Approval of Meeting 24 Summary.**

Summary of meeting 24 approved without discussion or changes.

**Panel Information Requests.** SPU Staff reviewed the various responses to the Panel's information requests. Also, SPU's Community Advisory Committees (CACs) have asked some questions on the Programmatic Reductions, specifically in the areas of cuts to outreach and education – SPU is pulling a meeting together to talk with the CACs on this, as well as a general update on the Plan. The goal is to have this meeting before the Panel meeting on June 3, and SPU will bring back to the Panel any important issue items discussed.

**Further Discussion of Rate Path Alternatives.** Ray and Melina led the discussion on rate path alternatives, until Ray had to leave for another meeting. Then, Martin and Nancy joined into the discussion.

**Q:** Are the rates shown the same for residential and commercial customers? **A:** Yes

**Q:** What's in the "rate spending path"? **A:** Costs that are recovered by rates. This is 0.5% lower than the "rate path" because rate path adjusts for declining demand and increased LIRA participation.

**Q:** Do you need to have that much "wave action" with the rates? **A:** Can adjust the rate path to smooth, or to meet other policy considerations. The current rate paths do have initial smoothing attempts included in them.

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<sup>1</sup> Only those individuals sitting at the head table are included on this list. A number of other staff and consultants attended the meeting.

**Q:** Do you have to align investments with smoothing? **A:** You could, but the first step is to hand off budget numbers to rates staff, who then calculate the necessary rates. If we radically altered rates to achieve smoothing from year to year, we might have to adjust the bond sale amounts and/or timing.

**Q:** Aren't capital expenditures to some degree reducing rates in later years, through cost savings? Do you reflect these savings in the rates? **A:** Pretty hard to do globally, but individual decisions regarding when to maintain an asset versus replace an asset definitely based on relative costs of the two choices.

The facilitator then asked for a little more explanation of the high rate path option. Martin, Nancy, and Kim Collier described this. Martin described the line cleaning on the Duwamish waterway. Nancy talked about the capital project adds in the high rate path for DWW and a seismic project for the drinking water system. Kim talked about the service equity add.

### ***Comments/questions on the High Rate Path option:***

Duwamish waterway line cleaning. This seems different from the other costs in the high rate path – more of a risk adjustment, where others are increases to services. If placing this item in the high rate path might adversely affect future negotiations, then SPU should consider pulling this item from the high rate path.

Seismic investment. **Q:** Could you spend the additional \$20M seismic investment over the next six years? **A:** Yes. There is a potential project for the Tolt pipeline.

High Option overall. Not much different than Preferred option – looks like preferred option with icing. Consider adding back in some of the harder cuts in the programmatic reductions.

Overall Comments on Rate Paths: This is the first time the crystal ball is longer than 3 years – hard to do since we don't have a track record. Have been under-spending for years on capital improvements and maintenance – have to get base up to a reasonable level. Haven't yet discussed the City of Shoreline vote to potentially assume SPU's systems in their jurisdiction. The impacts of this are not in the rate path options – SPU's understanding is that if a sale of assets to Shoreline happens it will be at the end of, or outside of, the 2020 rate period.

***Facilitator question: What are the Panel members ideas about options in general (keep three options or just have one preferred option), and which option is preferred?***

One rate path versus multiple options. Still seems like a good idea to have rate options. Could just have two options – low and preferred. Or, consider a high path that is significantly different from the middle path.

Preferred Option. Panel voted 6-1 in favor of the high option. [NOTE: Facilitator will contact Suzie and Walter, and ask for their votes also.] Have weaknesses you've identified that seem reasonable to pay for. More money equates to less risk. Such a small amount of additional money, might as well choose it.

**Q:** What does Council staff say? **A:** SPU should recommend what they want to recommend. Often ask, what would you take off the table with a little less? A little more? The approach to the review will be the same. The Panel's recommendation is an important consideration; one of many things the Council will be looking at.

**Discussion of Panel Comment Letter.** The Facilitator described the draft outline of the Panel Letter. Focus today on concepts, not word-smithing.

Comments on introduction. Generally comfortable with the Plan. Include Panel bios somewhere in the letter, or as an attachment, so that it is clear the expertise of the Panel members' was.

Comments on Panel Process. Clarify that the Panel is made up of SPU customers. State the scope of the Panel's mission. Comments on Utility support: thorough, responsive, significant time investment, included input from the bottom up – actual people in the trenches giving input. Really good outreach process – got input in different ways, connected with different populations, strategic about the approach.

Comments on the Plan Overview. Benefits of Plan – having a roadmap; everyone is on the same page; achievable goals and milestones; critical self-examination; this Plan has helped SPU achieve a better planning process than a standard two-year process. Core components – mystified about what is or is not in the baseline – not as firm a foundation as one might imagine; be sure to describe baseline and general drivers; note that the need to great because of the public need for quality service in these areas that are the underpinnings of civilization; have gaps that must be addressed. Kind of amazing to learn how complex and vital the services are – one of the few utilities in the nation that has four lines of business.

Comments on Recommended Rate Path. Like everything in the 4.6% rate path; and would also be supportive of 4.7% rate path. Have concerns about being higher than CPI, but there are needed investments that have to be made – seems to be the responsible path to preserve assets for future generations and for environmental sustainability. Applaud the Utility's approach to addressing climate change.

Comments on Affordability. Looking to the utility to become more efficient and therefore more affordable. Difficult to measure affordability. Comparing to inflation seems kind of arbitrary; manipulated by controlling interest rates; maybe this is not the only metric. Could also compare to cost of living, or household income, or to other utilities. Note that some of the levers that affect the rate path are controlled by others (taxes, labor costs to some degree, services from other city departments). Utility controls efficiencies – looking to SPU to be as efficient as possible.

Comments on Efficiencies & Programmatic Reductions – Supportive of the suite of proposals for efficiency savings and programmatic reductions. Like the approach on efficiencies of being “end accountable” but having latitude in how to reach the end goal. These cost savings should not prevent SPU meeting its overall operational excellence goals. Realignment is important, in that the realignment will support the efficiency goals. Maybe don't use the word “confusing” to describe the current organizational structure.

Comments on the Focus Areas Proposed Investments and Comments – Have generally endorsed the Action Plans that are included in the 4.6% rate path. Also want to note that CSOs are an important

investment area that is included in the baseline (as opposed to an Action Plan). In Operational Excellence, specifically mention (a) facility management to address aging structures; (b) technology improvements to make SPU work better and faster – also note appreciation for Ray’s comments about needing to be careful when investing in technology. In Transform the Workforce, note the strong Panel support for these investments, and suggest the City should support the Utility in being more aggressive in this area. Also, change the word “broadbanding” to multi-skilling. In the Environmental section, mention the Panel’s approval of using trucks more efficiently to reduce greenhouse gas emissions. In the Customer Experience section, add that service equity is the right thing to do, and delete the third bullet in Karen’s draft outline.

**Comments on Other stuff:**

- Tracking delivery on the commitments of the strategic plan. Hope and expect at least annual reports to Mayor and Council, and to customers – put this commitment into the Plan itself. [SPU noted that we will create a system to track action plans and efficiencies; probably report out internally on a quarterly basis, with an annual update to elected officials and to our customers.]
- Rate Design and Connection Charges – Supportive of this.
- EOW garbage collection – While this service change is not appropriate at this time, note that creative ways of reducing environmental impacts and/or cost should always be considered.
- Overall: Should keep track of stuff so that the next Plan is stronger than the first Plan.
- The Facilitator asked the Panel members if they would Panel be interested in coming back in a year to check on SPU’s progress? They answered “yes!”
- Include thanks to the Utility and Karen in the letter for their work and support.

The group thanked thanks to Noel and Carl for being Chair and Vice Chair. Karen thanked Diane for her great work in developing and organizing the meeting materials and for draft the meeting summaries.

**Next Meeting – Tuesday, May 20**

- Review draft Plan
- Provide direction on draft Panel Comment letter

**The meeting was adjourned at 4:20.**

**Follow up Items for Staff:**

None