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February 2, 2016

SEATTLE CITY COUNCIL  
ENERGY AND ENVIRONMENT COMMITTEE  
CITY HALL

Dear Councilmembers,

Thank you for the opportunity to respond to the questions you posed to me in your letter dated January 26.

I have copied your questions below and inserted my responses. I look forward to discussing these with you when we meet on February 4.

**1) What do you see as the value and role of public power today? What do you see its greatest challenge and what do policy makers need to do to address it?**

I think the role of a municipally owned public utility is to balance the needs of a diverse customer base, which includes individuals and institutional clients, with the broader goals of the City. City Light plays a key role in ensuring Seattle's sustainability, affordability, and equity goals throughout all of our lines of business. To achieve this balance, this means that we must:

- **Focus on Customers:** Because City Light is City of Seattle-owned and not-for-profit, City Light's main focus is to provide high-quality service that benefits Seattle's local residents and businesses. This means responding to customer needs and developing technologies, programs, and systems that continuously improve the customer experience.
- **Ensure that Equity and Affordability are Integral to Operations:** In responding to its customers, City Light also has a responsibility to develop programs and policies that further affordability and equity throughout the city. This includes strengthening the Utility Discount Program, better understanding the needs of our immigrant and refugee customer base, and further integrating Race and Social Justice principles into City Light's work.
- **Take a Leadership Role in Regional Sustainability Issues:** City Light's policies, including our environmental policies, are developed and implemented by our City officials and reflect the values of the City and region. In the case of Seattle, City Light must continue to be a leader in our industry in protecting and improving the environment and spearheading our clean energy future.

- Foster Economic Development and Innovation: The policies and decisions governing electric utility operations are made by City officials and not by federal or state commissions. As a result, City Light is uniquely able to respond to community needs, build on community strengths and advance community values, including retaining and attracting employers and providing growth opportunities. Further City Light is positioned to take on new and innovative approaches to quality service provision.
- Further Employment Opportunities: City Light's operations and offices are based primarily in Seattle and provide employment opportunities for local residents. City Light continues to be a workplace where people can train to become highly skilled trades and crafts people, and take on professional jobs that support the community's values. In doing so, as a public utility, City Light has an obligation to ensure that our staff and management team reflect the diverse demographic makeup of the city itself and that we provide a safe work environment for all employees

Public Power's greatest challenge is that while more than 50% of WA residents are served by publicly owned utilities; nationally it is only 14%. This means that it is critical that City Light's management is engaged regionally and nationally in the utility sector in order to protect the benefits Seattle receives from the significant investments in hydropower and transmission infrastructure. This includes being involved regionally and nationally on issues from climate protection to electricity market transformation, assuring that risks are minimized and assets are protected for the benefit of our customers.

City Light also needs to ensure that in a competitive job market, including significant investor-owned utility competition for talent, the utility recruits and retains talented and experienced leadership and a skilled workforce. It is critical to City Light's ability to stay on the cutting edge of best practices and new technology deployment insuring that the utility furthers its long and successful history of service to the residents of Seattle.

City Light also has an opportunity to leverage regional and national trade association memberships, such as the American Public Power Association, to stay current with industry legislative and regulatory issues and strategic objectives. National association conferences are often attended by policy makers and staff routinely from across the country, from both large and small jurisdictions.

Finally, City Light should continue to work with the Energy & Environment Committee to review utility policy and technical matters, soliciting input from utility management, Council staff and constituents. Of particular importance is the upcoming review of the City Light Strategic Business Plan Update this spring and summer.

**2) City Light and Austin Energy are similar in many regards. What do you see as the principle differences between City Light and Austin Energy as utilities? What do you see as the principal differences in the way they are governed?**

Austin and Seattle operate under different regulatory frameworks and this differing regulatory framework has contributed to my desire to return to the northwest. With a service area that was set by the Texas Public Utility Commission (PUC) in 1977, AE's service area is larger than City Light's with one half the service area outside the city limits of Austin. Another important difference is Austin Energy is subject to PUC oversight. Customers outside the Austin City limits, including numerous other smaller cities, have the ability to challenge at the PUC electric and water rates, charges and fees approved by the City Council of Austin. Alternatively, City Light has a relationship with several suburban cities governed by the multi-year franchise agreements approved by both cities' elected Councils, and a much larger percentage of both residential and commercial customers reside inside the City of Seattle.

Regarding the governance differences, the principle difference is that Austin is a Council-Manager form of government and Seattle is Mayor-Council. The City of Seattle model provides a stronger connection between the utility and its elected officials who serve as a voice of the utility customer. This increased transparency and accountability contributes to City Light's ability to more effectively anticipate and deliver on the expectations of the public as a whole.

**3) Tell us a little about the utility advisory commission in Austin. What is its role and how did it function. Was it helpful? How do you plan to engage the City Light Review Panel? Do you see its role changing during your tenure and if so how?**

The City of Austin has a system of boards and commissions to involve the public in decision-making. Every department of the city has a commission. In the case of Austin Energy, it is the Electric Utility Commission (EUC). Their job is to provide input on policy and operation issues and to review the items that the utility plans to take to City Council for approval. It meets once per month and Austin Energy staff reviews with them the contracts and purchasing items for routine and non-routine business operations.

The City Light Review Panel, formed jointly by the Mayor and the City Council, includes members representing different customer stakeholder groups. It plays a key role in helping the utility chart its strategic future in consultation with a variety of customer groups. Support of the utility's six-year strategic plan by the Review Panel means that it has been fully tested and vetted by a wide range of stakeholders and strikes a balance between their often disparate interests. Its role is vital as the utility faces an evolving industry. I think it is important to continue to work closely with the panel as well as the broader group of external community stakeholders.

#### **4) What is your vision for City Light in five, ten and twenty years?**

After more than 100 years of operating much as it did in the era of Thomas Edison, the entire electric utility industry is changing more rapidly than ever before. Technology is evolving in several areas that will enhance the customer experience, improve environmental performance, and force the industry and City Light to adapt. Chief among those technologies are solar, battery storage, and control technology. At Austin Energy we were pioneers in exploring these technologies and I can help Seattle do the same.

The City Light six-year strategic plan calls for continued investment to modernize and upgrade conventional infrastructure to reduce outages or at least make outages shorter, to improve communications with customers during storms, and to train our workforce to be safe and prepared for the myriad changes ahead. The utility will be supporting the adoption of more electric vehicles, including public transit, by upgrading infrastructure and promoting electric vehicles as a clean and reliable alternative to fossil fuel.

In the next ten years, City Light will accelerate investments in advanced grid technology to enable future micro-grids that can self-heal and be powered by community-scale solar projects with battery storage.

In 20 years, I believe City Light will be offering customers clean, locally sourced renewable power with neighborhood scale battery storage, electric vehicle smart charging utilizing excess wind power at night, and seamless integration into personal mobile devices. Instead of just 100% carbon neutral, we can be truly 100% net renewable.

#### **5) What challenges do you anticipate in trying to realize that vision and how will you overcome them?**

The two biggest challenges I see are in helping the organization adapt to new technologies, and maintaining affordable power for the broad range of City Light customers.

Utilities need to be innovative and adaptable without taking on undue risk. Helping a utility adapt to new technology and shift to providing services to customers instead of just delivering electrons takes intentional planning and patience. Seattle has already started investing in new systems and technologies as part of its six-year strategic plan, and will continue to do so. The plan includes training, change management, and steady investment to upgrade our IT systems and other infrastructure.

And we must plan carefully as we invest in new technology so that we continue to ensure that our customers, particularly those without ready access to new technology, can easily get affordable services. To do this, City Light must ensure that the Utility Discount Program is strengthened, and programs to help reduce energy use and manage demand stay ahead of the affordability curve. Further, City Light must make sure that we remain one of the lowest cost utilities in the country, so that we continue to attract businesses to the region and support the city's continued economic growth.

**6) What is the most publicly controversial issue you have dealt with in your career? What role did you have in the situation and how did you contribute to its resolution? What were your positive and negative experiences, and was there anything you would have done differently?**

The most publicly controversial issue that has occurred in my career was when I took on my most recent role at Austin Energy. When I started at Austin Energy, I faced a utility that had significant financial and management challenges. There had been very few changes in their revenue structure for several decades; the utility had made ambitious commitments to meeting new energy procurement goals; and, at the same time, many large commercial and industrial customers were expressing strong concerns about potential rate increases.

The financial pressure was the most substantial issue at play at that time and so due to a lack of reserves, I had to accelerate the rate change schedule by one year. This had to be done in the context of a large number of opposing stakeholders and significant new capital investments. To do this, I developed a detailed plan and delivered that to the city manager, and then to the City Council. The plan articulated that the need for new revenue was critical and reiterated the commitment to providing 35 percent renewable energy by 2020.

To operationalize the plan, I built staff competencies and ownership of the new efforts. I directed Austin Energy staff to invest their time in making Austin Energy a leader in environmental and financial sustainability. Today, Austin Energy is financially strong. Strategic investments are facilitating rate reductions. Austin Energy has one of the most diverse management teams of any public utility. And we recently implemented a customer billing system that has dramatically improved the customer experience. Further, Council approved all of the changes after a year of work by unanimous vote.

**7) Texas is a right-to-work state. How did that affect your interactions with the workforce at Austin Energy? What proportion of workforce is unionized and what union(s)? What is your approach to management and labor relations generally? What are the key issues that need to be addressed to achieve the highest performing workforce?**

I am eager to return to working in an environment where labor plays a key role in ensuring living wages and workplace safety. The fact that Texas is a right-to-work state meant that there were no unions at the utility, although, that did not affect my personal and professional interactions with the workforce. However, it did impact workforce matters such as efforts to get electric craft workers (IBEW equivalent workforce) to their industry standard compensation. It also negatively affected Austin Energy's ability to hire and recruit new skilled employees and affected apprenticeship program enrollment. These challenges were a part of larger citywide compensation issues that made it difficult to keep worker wages current with the industry standard.

Although AE did not have organized labor, in my previous roles leading other utilities, I gained experience in union and labor relations. And I look forward to returning to a workforce such as City Light's with a strong union tradition. My approach to labor relations is one of personal involvement and frequent communication. I have had Mutual Gains Bargaining training and over twenty-five years of

direct experience managing a unionized workforce at the Turlock Irrigation District, Pend Oreille PUD, and Snohomish PUD.

One of the opportunities I look forward to at City Light is strengthening the pre-apprenticeship and apprenticeships programs to replace a retiring City Light workforce. Additionally, I am eager to ensure that these programs' participants, along with the other City Light workforce, better reflect the gender, racial and ethnic diversity of the City of Seattle. In my recent meetings with City Light unions, we discussed these subjects and I plan to continue this discussion as General Manager.

**8) In your opinion, what do elected officials need to know about the utility industry in general and City Light in particular to be good stewards of the public's assets?**

Running a large electric utility is a complex operation. We have specialized skilled workers who build and maintain power plants, transmission lines, substations, and distribution feeders. But leadership and oversight become most important when things change. Policies change. Technology changes. Customer expectations change. This necessitates management and elected officials that can help prioritize investments, leading the utility in adapting to future needs.

As our primary oversight body, I think it is important for elected officials to understand the relationship between capital and operating needs and financial sustainability. I am looking forward to working with you to ensure that we continue to use City Light's public assets to further quality service, affordability, sustainability, and equity goals.

**9) What special skills, management or otherwise, will you bring to the leadership of City Light that will improve the lot of rate payers? What, in your opinion, is the best way to allocate costs between rate classes and structure rates to best defend the interests of the utility and the public?**

I have a strong record of success in managing a large utility. This includes developing and implementing financial sustainability plans, leading clean energy efforts, integrating new billing systems, delivering strong customer service, and maintaining and promoting robust labor standards throughout our work. Moreover, I've done this while ensuring that service affordability continues to be a priority.

Rate design is a contentious and long-debated issue, which has been a significant factor in every position I've held throughout my career. And the debate is evolving as the industry evolves. As I move into my new role at City Light, I look forward to working with you and the community to find the best solution for Seattle.

**10) What utility discount program did Austin Energy offer low income customers under your watch? What, in your opinion, would be the ideal arrangement?**

Prior to my arrival at Austin Energy, the utility offered a minimal discount to qualifying customers by waiving the \$5/month customer charge. Under my management, we put new rates in place for the first time in 20 years, including a substantial improvement to our affordability program. For qualifying customers we waived several charges, plus gave a 10% discount, which added up to approximately \$23/month. Austin energy utilized a third-party firm to auto-enroll qualifying customers who received some form of federal assistance. This resulted in substantial increases in the program enrollment. In 2010 when I started at AE, there were 8,599 enrollees. By 2014, that number had increased fourfold to 35,306.

A big discount on utility bills is good for customers, but only if they are enrolled. That's why I am so excited to bring my knowledge to Seattle to help push enrollment in our utility discount program and make Seattle more affordable for many more residents. Further I recognize that the Utility Discount Program is one of many City-led efforts underway to ensure affordability and look forward to collaborating with you and other department leads to promote this work.

**11) How, in your opinion, can public utilities help protect the environment? What is your interest in this?**

I am committed to protecting the environment and want to continue the work I led at Austin Energy here in Seattle. Public utilities have a responsibility to serve our customers and further broader citywide environment and equity goals. And here in Seattle our customers want us to be the nation's greenest utility.

In the 1970s Seattle started its conservation program to reduce load instead of building nuclear power. In 2005 it voluntarily became 100% carbon neutral by pledging all new resource needs will be met with conservation and renewables and purchasing high quality offsets to cover any purchased power from Bonneville, any emissions from its fleet, and any other travel. Recently Seattle was an early innovator of the community solar model that allows any customer to buy into a community scale solar project.

SCL needs to build on this history and continue innovating new ways to increase clean energy. We know that increased energy efficiency helps customers lower bills, creates more comfortable buildings, and frees up electricity to be used for high-polluting sectors like transportation and heating. City Light has had incentives to increase conservation for years and recently has been piloting new ways to help customers achieve deep efficiency goals. Seattle is home to the Bullitt Center, one of the greenest buildings in the world. We want to be a utility that encourages more buildings like this to keep Seattle's building stock amongst the most energy efficient in the country.

I am excited to continue writing Seattle's environmental legacy. I helped Austin Energy add over 2,000-MW of wind power to the grid and over 700-MW of solar. I know what it takes to integrate renewable power into the utility system. And I can help Seattle be a regional leader on environmental policy, whether working with Bonneville to make their fuel mix more renewable, pushing for electrification of

our transportation system, encouraging customer-sited renewable generation, and implementing good carbon-reduction policy.

**12) How, in your opinion, could City Light help the City build a municipal broadband service? What is your interest in this?**

Broadband internet service is not a luxury but a need of daily life.

My interest stems from experiences in the late 1990s with the public utility districts in Washington State and nationally with the American Public Power Association (APPA). Nationally, policy makers were asking municipally owned utilities, public utility districts and co-ops to once again provide a service not necessarily available to rural areas and smaller cities that seemed to be out of the eye of larger cable television and telecom companies bringing these services to their communities.

To get authority to provide these services under the state laws, public utility districts needed to ask for new legislation. I testified before the Washington State legislature and asked that our state's public utilities be granted the authority to provide the Internet service our local communities needed to equitably serve their communities and be competitive in our high-tech society. With the support of then-State Senator Edward Murray and the legislature, Washington's Public Utility Districts (PUDs) were granted the authority to build out the fiber optic infrastructure and other support services that today enable thousands of customers across Washington state to access broadband internet – service in many cases the incumbent telephone and cable companies are not providing.

During my time in Austin, Google Fiber selected Austin as a city to install a high-speed network to certain downtown sections and neighborhoods. This selection was made in part by Austin Energy and the City of Austin taking the steps necessary to attract a competitive broadband provider to the area. While competition has brought faster internet, lower prices, and improved service to Austin, it has not closed the equity gap caused by households who cannot afford internet service. In my initial meetings with local leaders and City staff, I was pleased to learn about the Seattle's commitment to equity and social justice. I share this commitment and believe City Light, working with other City departments, can increase the availability of free and affordable Internet service across the City.

For example, I understand Council President Harrell and Mayor Murray have tasked the Department of Information Technology with developing a plan to increase the availability of free public Wi-Fi. Part of this plan could include leveraging Seattle City Light facilities to power, host access points, and provide back haul for such a system, driving Internet access closer to households who need service. Also, City Light owns fiber optic cables that could be coordinated with the additional 550 miles of City-owned fiber to create a more attractive asset that Internet service providers could leverage through the City's fiber leasing program.

I look forward to working with SEAIT, Office of Civil Rights, Office of Immigrant and Refugee Affairs, Department of Neighborhoods, and other City departments to implement the vision for equal, affordable, and competitive gigabit broadband service.

**13) The General Manager/CEO of City Light is Seattle’s highest paid City executive position, making over 10 times the wages of the lowest paid City workers. City executive salaries are largely financed through the taxes and utility rates of ordinary working people who, in the private sector, face even greater income inequality. How do you think City executives should be compensated to address income inequality? How can the public sector attract leadership motivated to serve the public good?**

Attracting and retaining employees who can work for and lead a complex utility business is a challenge. Add to that the need to find leaders who can help transform our industry and it becomes increasingly difficult. From line workers to senior executives, there is a specialized skillset and knowledge base that is in high demand, not just in this region but throughout the country. Skilled trade workers at the utility make some of the highest salaries in the city as well.

There are for-profit electric utilities that pay substantially more across the board than City Light. The CEO of Puget Sound Energy made over \$2 million in total compensation in 2014. The CEO of Avista made a base salary of over \$700 thousand. City Light employees want to work for public power because of the benefits of serving the community, rather than shareholders. But even then, there are many public power utilities that pay more than Seattle. City Light must be able to pay competitive salaries in order to attract and retain talented workers and leaders. A recent survey of 17 large public power utilities (included salary data from 2010-2016), like City Light, revealed a range of base salaries from \$256,293 to \$969,360 for the top position. Size of the utility plays a large role, so for the four most comparably sized public utilities the range was \$320,000 to \$459,920.

**14) In describing your approach to management at Austin Energy to the American Statesman during an exit interview, you said: “I had to say, here is where we are going and what we’re doing, everybody get behind it and let’s start marching that way.” Please explain how the City Council and City Light workforce should interpret that statement. Is it representative of your general approach to management? If not, what is your approach to management and leadership?**

I appreciate the opportunity to clarify the context of the quote referenced above. The quote was actually in reference to some members of my staff who were reluctant to implement a change in direction that included the utility’s focus on more renewables. It was made in the context of the larger implementation effort for renewable energy and financial sustainability that I spearheaded at Austin Energy. These were complicated and high profile initiatives for the utility, and were also critical to the financial stability of Austin Energy. After significant collaboration and input from the relevant business units at Austin Energy, we reached a point where a final recommendation had to be made to the City Council. As General Manager, I was accountable to the elected policy-makers to provide them with a thorough and timely set of recommendations. That is the context in which I expected us to all work together to provide the Council with what they needed to deliberate and take action.

I am very proud of my stellar reputation and experience in leading employees. My strong performance reviews from elected officials have included reference to my success as a manager and leader at several large organizations. It has also allowed me the opportunity to advance my career, including my selection as General Manager at Austin Energy and now with Seattle City Light. I view my role as the

developer and leader of a strong executive team to run Seattle City Light as professionally and transparently as possible while being responsible to the ratepayers. I am open and conversant with all employees at all levels and look forward to working collaboratively with the other department directors as a member of the Mayor's Cabinet.

**15) The City of Seattle has a strong commitment to race and social justice. The expectation is that all department heads and their staff will incorporate the race and social justice toolkit into policy and program implementation. Please describe your prior history with providing low- income and/or communities of color with access to services. Is there a better way for City Light to infuse these principles into its work?**

I am fully committed to the City's Race and Social Justice initiative and have implemented similar city policies in Austin. I recognize the importance of addressing issues of institutional racism and look forward to working with you and City Light staff to identify opportunities for the City to further promote equity in all of our operations. As a public utility service provider, City Light has a responsibility to our customer base, to our employees, and to the larger business community, including our customers and contractors, to ensure that race and social justice priorities are key elements of all of our business lines.

In my role at Austin Energy, I was extremely proud of the work that we did on these issues. In my senior management team of nine people, there were four women and five people of color. Further, under my leadership, Austin Energy integrated a strong diversity-training component for our staff. This training became the model for other Austin City departments, and was adopted more broadly across the city. Additionally, Austin Energy introduced a diversity steering committee. I attended the meetings and directly responded to feedback.

In Seattle, I've already sat down with my staff for an RSJI briefing and am looking forward to working with larger citywide efforts currently underway. As a department head, I look forward to leading in this arena to ensure City Light continues its strong work.

**16) Climate change impacts frontline communities at a disproportionate rate in Seattle and nationally. City Light is one of the "greenest" public utilities in the nation. Describe your clean energy philosophy and how you can continue to advance City Light's commitment to the same?**

Climate change is fundamentally unjust: the communities that have historically contributed the least to the problem are set to suffer the worst of its impacts. We must address this fact first by doing everything we can to reduce emissions so that we can avoid the most extreme climate impacts. And we must also prepare for the effects of climate change that we are likely to see, partnering with communities, particularly frontline communities, to ensure we have a plan to increase their resilience to extreme weather events.

Austin has worked very closely with Seattle for many years as a partner in support of national policies and strategies regarding clean energy and carbon emission reduction. Most recently, at the request of the White House, both utilities have intervened on behalf of the US Environmental Protection Agency in lawsuits challenging President Obama's Clean Power Plan to regulate carbon emissions from the electric

utility sector. At Austin Energy with both diminished air quality and the impacts of extreme heat disproportionately impacting our poorer residents, I was acutely aware of the urgency of federal action and leadership on climate change as well the need for Austin Energy to lead by example.

My clean energy philosophy is consistent with reducing dependence on fossil fuel for the electric sector in the United States. At Austin Energy this meant achieving international acclaim for our significant solar and wind project acquisitions. Hydropower provides the northwest with a large advantage to solve the industry's solutions to clean energy, including reducing carbon emissions from the transportation sector through targeted electrification opportunities. We also must continue to leverage conservation as our least cost resource through smart and innovative energy efficiency offerings and programs.

My philosophy at City Light is to be involved at the regional and national policy levels to support efforts to increase renewable energy deployment whether at the utility-scale regionally or at the City Light customer-level. I look forward to building on my success at Austin Energy, including tripling the amount of distributed customer-owned solar generation, in my role as City Light's General Manager.

Sincerely,

/s/

Larry Weis

Interim General Manager & CEO

Seattle City Light