

**SPU Strategic Business Plan Customer Review Panel  
Draft Meeting Summary for February 7, 2014**

Attending:

<b>Panel Members:</b>			
Suzie Burke	✓	Tara Luckie	✓
Bruce Lorig	✓	Noel Miller	✓
Dave Layton	✓	Carl Pierce	✓
Laura Lippman	✓	Walter Reese	✓
David Gault	X		
<b>Staff and Others<sup>1</sup>:</b>			
Nancy Ahern	✓	Meg Moorehead	✓
Martin Baker	✓	Karen Reed (facilitator)	✓
Melina Thung	✓	Diane Clausen	✓
Ray Hoffman	✓	Brian Surratt	✓
Saroja Reddy	✓		

**Review and Approval of Agenda.** No questions or comments on the February 7 agenda; *agenda approved.*

**Review and Approval of Meeting 17 and 18 Summaries.** The summary of Meeting 17 was approved. The summary of meeting 18 was amended in the Outreach and Media Update section to include the Panel idea to add the low income rate assistance program as one explanatory factor for the baseline. With this edit, the summary of meeting 18 was approved.

**Update on Outreach meetings.** Panel members talked about the outreach meetings they've attended.

*Suggestions, observations, questions from Panel:*

**Comments:** The Chamber meeting was well attended; participants provided good observations and input. Lots of focus on bottom line, and keeping rate increases as low as possible. At Garfield, the turnout was low; those who attended were extremely engaged, wanted lots more detail; gave fabulous input. Wish there had been more rate options. Desire to make real savings happen.

**Request:** Would like to see more of the challenges facing SPU at these meetings – e.g., had a piece of watermain that was brand new, also include a piece of watermain that is deteriorating; also show overflow locations.

**Panel Issues List To-Date.** Karen walked the Panel through the revised list of Panel issues to-date.

*Suggestions, observations, questions from Panel:*

**Comment:** Item 1 (City taxes) is an issue that was raised by the Chamber of Commerce.

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

**Q:** Ray was going to talk with the Mayor about taxes? **A:** Meeting was rescheduled to next week.

**Comment:** Want an elevator speech on the baseline – the sooner the better. Need to better describe the baseline – what is absolutely required; what is discretionary; why are costs going up? Efficiencies, investments, policy issues – how much is enough?

**Comment:** Street sweeping – Nancy offered to brief Noel on this program. If anyone else interested, welcome to attend this meeting. Nancy will also write up the key take-aways from this meeting.

**Action Plans/Investment Proposals.** Karen described the summary sheet listing all Action Plans and SPU suggestions for where to focus Panel discussion. Nancy led discussion on the Action Plan on Decentralized “Green” Systems; Paul Fleming led discussion on the Action Plans on Climate Change and Carbon Neutrality.

*Suggestions, observations, questions from Panel on Decentralized Green Systems:*

**Comment:** this seems like something the City should create a department for, to handle the permitting and development of these new building types.

**Comment:** Need to develop policies for this. Maybe need to expand this analysis to include – who pays for SPU fixed costs if customers are allowed to “go off the grid”? **Response:** Yes, this is the type of question that the analysis will address.

**Comment:** Could spend lots of resources on this type of analysis – put in some “not to exceed” language so that we don’t overdo. Annual amount is so small (\$50k) and SPU budget is so large, seems like we could find the funding in the existing budget.

**Request:** Come back with proposal for where to reduce expenditures to fund this analysis, rather than ask for additional money.

*Suggestions, observations, questions from Panel on Climate Change:*

**Q:** How does the climate change CIP relate to Chester Morse project? **A:** Chester Morse allows us to draw water down lower; the dike allows us to accommodate higher levels in the lake without overflows.

**Q:** Can you monetize the additional resiliency? **A:** When we analyzed the loss of firm yield in regards to climate change, we look at least cost solutions. We prioritized our investment options; the dike was toward the top of the options.

**Q:** What’s the projected frequency of dike usage? **A:** Available annually to manage flooding better and capture additional water usage. Also have shown this is an effective approach for addressing climate change.

**Comment:** Timing issues are important here. Consider whether this can/should be deferred.

**Q:** Which LOBs are paying? **A:** Capital costs of the dike are 100% water; costs for climate change O&M are shared by LOBs.

**Q:** Are these retail costs, or total costs? **A:** Total costs, shared by wholesale customers.

**Q:** Template OK for Panel? **A:** Yes.

**Requests:** CIP expenditures seem more compelling than focus on studies (some is regulatory driven – meeting requirements of DOE and dam safety project). To be clearer, separate out the CIP request from the O&M requests. Explain more clearly what is in the O&M component. To the degree you can, show avoided costs and/or benefits of these actions, and address the issue of appropriate timing.

*Suggestions, observations, questions from Panel on Carbon Neutrality:*

**Q:** Who do you buy offsets from? **A:** SCL works with a broker who finds offsets from a variety of areas.

**Q:** What about our watersheds? **A:** They do sequester carbon. But there is the concept of “additionality” where you have to do stuff in addition to what you are currently doing to become carbon neutral.

**Q:** If this is an executive order from the Mayor, why wasn’t it in the baseline? **A:** Judgment call; is a local mandate, so can be flexible in timing.

**Q:** what about other utilities? **A:** Across the country, utilities are talking about it, but we would be among the leaders. Internationally, there are others who are carbon neutral.

**General Comments:** All for decreasing energy usage and becoming more energy efficient; more than that is not worth the price. But we cannot predict the rate at which the future is coming; we will all pay the price eventually – better we should be planning now and have a roadmap so that we spend less in a disastrous manner in the future. May not be fair to ask SPU ratepayers to pay higher rates to buy carbon offsets. And, like with the climate change Action Plan, timing is an issue.

**Presentation of Final Baseline Results.** Ray Hoffman introduced the baseline by stating that today’s baseline rate path is what we will use for the baseline document. However, we will do a final review and update of all assumptions prior to finalizing the SBP. Sherri Crawford presented the updated baseline rate path details.

*Suggestions, observations, questions from Panel:*

**Comment on labor:** Looks like we are doing the same body of work overall, just more expensively.

**Q:** We pay staff more for increased productivity, so where are the offsetting savings and/or increased services?

**Requests on labor assumptions:** Change “COLA” to “labor assumptions,” as it includes more than just cost of living adjustments. Check whether the 1.4% increase for step increases, out-of-class,

and reclassifications is double counting what is already in the budget. Check to see if the 1.4% inflator includes overtime. Also, provide the assumptions used for overtime, shift differentials, etc.

**Q:** Can we do a rivers charts for each LOB? **A:** Yes

**Other Comments:** Need to get back to tangibles; real things that people relate to. Really, since we are compounding the rate percentages, the total increase is higher than the stated 4.6% multiplied by 6 (years).

**Benchmarking and Efficiencies Presentation.** Ray noted that he continues to work with the Mayor's Office to reach decisions on efficiency proposals.

**Schedule.** Panel meetings are being scheduled for first and third Tuesdays April through June. Still planning for a June 30 submittal to Council. Will do monthly status/informational updates with the Council SPUN (Seattle Public Utilities and Neighborhoods) Committee.

**Request:** Send out SPUN appointments to Noel and Carl

**Panel Information Requests.** Diane reviewed with the Panel the list of outstanding information requests; noting which ones have been addressed and which are yet to come.

**Proposed Agenda for Meeting 20:**

- Four DWW Operational Excellence Action Plans
- Status on SPU's response to HDR efficiency recommendations
- Discussion of Low Income Rate Assistance Program

The meeting was adjourned at 2:55.

**Follow up Items for Staff:**

1. **Outreach:** Would like to see more of the challenges facing SPU at these meetings – e.g., had a piece of watermain that was brand new, also include a piece of watermain that is deteriorating; also show overflow locations.
2. **Baseline:** Want an elevator speech on the baseline – why are costs going up? What is required/discretionary?
3. **Street Sweeping:** Nancy to write up key take-aways from her meeting with Noel on this topic.
4. **Decentralized Green Systems:** Come back with proposal for where to reduce expenditures to fund this Decentralized Green Systems Action Plan, rather than ask for additional money.
5. **Climate Change:** Separate out the CIP request from the O&M request. Explain more clearly what is in the O&M component. To the degree you can, show avoided costs and/or benefits of these actions, and address the issue of appropriate timing.

**6. Labor Assumptions in the Baseline:**

- a. We pay staff more for increased productivity, so where are the offsetting savings and/or increased services?
- b. Change "COLA" to "labor assumptions," as it includes more than just cost of living adjustments.
- c. Check whether the 1.4% increase for step increases, out-of-class, and reclassifications is double counting what is already in the budget.
- d. Check to see if the 1.4% inflator includes overtime.
- e. Provide the assumptions used for overtime, shift differentials, etc.

**7. LOB Rivers Charts:** Create a rivers charts for each LOB.