



## City Light Review Panel Meeting Meeting Minutes

**Date of Meeting: September 20, 2023 | 9:00 – 11:00 AM |  
Meeting held in SMT 3204 and via Microsoft Teams “Final”**

MEETING ATTENDANCE					
Panel Members:					
Mikel Hansen	√	Leo Lam	√	Oksana Savolyuk	
Joel Paisner	√	John Putz	√	Thien-Di Do <i>Appointment pending</i>	√
Kerry Meade	√	Tim Skeel	√		
Mike Haynes	√	Jen Chan	√	Julie Ryan (Consultant /RP Facilitator)	√
Kirsty Grainger	√	Andrew Strong	√	Craig Smith	
Jim Baggs		DaVonna Johnson		Maura Brueger	√
Kalyana Kakani	√	Emeka Anyanwu		Leigh Barreca	√
Julie Moore	√	Chris Ruffini		Angela Bertrand	√
Greg Shiring	√	Carsten Croff	√	Brian Taubeneck	
Eric McConaghy		Caia Caldwell		Bridget Molina	√
Jeff Wolf	√	Karin Eastby			

**Welcome and Introductions.** The meeting was called to order at 9:02 a.m.

Julie recognized the passing of our colleague Scott Haskins. She recognized Mike Haynes who has stepped into the Interim General Manager role. She introduced our new candidate to serve on the Panel, Di Do. We are proposing, with John’s gracious approval, to move John to the vacant Financial Analyst position and to appoint Di to the Customer At Large position. Di is the Vice President of Marketing and Communications for NorthStar Energy These are both council appointed positions and the paperwork has been submitted. Because Council committee meetings are put on hold throughout the budget process, it is likely that the positions will not be voted on until early 2024. Until that time, we are happy to have Di join us as a non-voting member.

Leigh Barreca received notice that due to a change in her job, Anne Ayre would not be able to continue to serve in the Industrial Customer Representative position. Leigh has begun recruitment for this role by asking for potential candidates from City Light’s Key Customers Accounts team and the Manufacturing & Industrial Council (MIC.) If Panel members have contacts for this role, please share them with Leigh. Leigh and Julie are developing an onboarding packet and process for our new members.

**Public Comment.** There was no public comment.



## City Light Review Panel Meeting Meeting Minutes

### Standing Items:

**Chair's Report.** Mike Hansen welcomed everyone and opened the meeting.

**Review Agenda.** Julie Ryan reviewed the agenda.

**Approval of June 22, 2023, Meeting Minutes.** Minutes were approved as presented.

**Communications to Panel.** Leigh Barreca reported that she had received an email from a customer regarding a utility pole that was preventing him from making repairs to his sewer. This issue was referred to the City Light internal escalation team and was resolved the day the email was received.

**Debt Strategy.** Carsten Croff and Kirsty Grainger presented an overview of the debt strategy. The document is in this month's Review Panel packet. The Debt Strategy objectives are to establish new financial policies. The first objective is to strengthen and add flexibility to the existing debt service coverage ratio target and the capital funding ratio target. The second objective is to add a new leverage target and a liquidity target to the financial policies.

**Q:** Regarding days cash on hand, does that not include line of credit?

**A:** You are correct, this is just our unrestricted cash and the Revenue Stabilization Account (RSA.)

**Q:** Could you have something in place that would allow you to assess the impact on rates vs other risks when you deviate from set policies? What is the process to assess the risk and make a judgement?

**A:** We can provide some general rules. The first is the Debt Service Coverage (DSC) that we always track. Every 0.1 incremental change in the debt service coverage ratio is approximately \$25 million and a 2.5% change in rates over a six-year period. We can look at this for the other targets as well.

**Q:** In the white paper will you include an acknowledgement that there will be a process to evaluate risks?

**A:** Certainly. We can include contingency planning and scenario analysis. For example, if we wanted to increase capital investment, we would need to raise rates to fund the additional debt for a larger capital program in order to still meet the financial targets. We can include risk scenarios as well. As an example, we included a stress test scenario in the white paper.

**Q:** What is the next step in the process? Does this go to City Council to endorse? Does it just sit in the strategic plan? You said you plan to clarify exceptional circumstances – will that be added to the paper?

**A:** These policies will be embedded in the rate path for the Strategic Plan Update. We followed these policies in the last strategic plan. The big difference going forward is formalizing the policies. In addition to being embedded in the Strategic Plan rate path, these will be in a resolution associated with the Strategic Plan Update.

**Q:** I am glad you added contingency planning to the Debt Strategy. But I don't see anything yet in these



## City Light Review Panel Meeting Meeting Minutes

targets that accounts for debt as opposed to the ability to pay over a long-term time frame. This idea of looking at potential impact on rates sort of gets to that but it feels soft.

**A:** You brought up overall debt to revenue. This is a metric that we can continue to show and monitor. We will need to see what it will actually tell us, with all of the other factors involved. It's one that's harder to gather good information from. Historically, debt to revenue has been very stable.

**Q:** I assume you have some benchmarking against other similarly situated Utilities?

**A:** Yes, please see the charts on page 6 of the white paper in the packet. At 60% leverage, we are close to the median in the first benchmarking compared to peer utilities (large public power utilities with generation assets). We are at the low end, where our DSC ratio is concerned. Our recommendation to increase the DSC ratio is to move ourselves up. Regarding the days of cash on hand, we are at the low end as well there. Rating agencies recognize that we have access to the city's cash pool in an emergency, which many other utilities do not have.

**Q:** Your blended interest rate is pretty low – what are you thinking about the rise in this rate?

**A:** Because we do revisit our Strategic Plan & Financial Policy every two years, we're able to adjust the amount of debt if interest rates skyrocketed. For example, we could decide that we were unable to take on 60% of debt for our capital program. For now, our average interest rate over the past 10 years is just over 3.5% and just over 4% this year. Most of our debt is fixed so we don't have much interest rate fluctuation.

**Q:** If we look back twenty years ago, we had much less debt before the energy crisis. I am worried about an extreme situation with high interest rates over an extended period. Maybe a soft target you talked about could accomplish that. I'd like to have more ambitious targets.

**A:** You are taking a perspective where you 'd like us to have less debt, with more conservative targets.

**Q:** I think this is a good start. But how can we ensure that we are able to handle contingencies ahead of time through paying down debt or having more conservative debt targets? The root of my concerns is that debt has grown, and load has not. This is a three-legged stool with the total amount of capital needed, rates, and the amount of debt.

**A:** You have hit on it exactly. If the utility wants to fund more from operations, we can do that. The tradeoff is rate increases. We need to be explicit in showing those trade-offs.

**A:** We want to fund infrastructure investments with debt since they are long-term assets our customers will be using for a long time. Back in the 1990s, we had to increase debt because we had not been investing in infrastructure and needed to catch up on deferred maintenance. Additionally, in the last decade, our meter count grew 20% even though use per customer decreased in some cases. Our investments included new lines, meters, and other infrastructure to serve the growing number of customers.

Closing panel member comment: As we move to an El Nino situation, we will likely see lower load and revenue.



## City Light Review Panel Meeting Meeting Minutes

### General Manager's update.

1. Sourdough Fire Impact – The fire has been burning since July 29<sup>th</sup>. We still have monitoring going on. The fire was adjacent to our company town and Diablo dams. The fire continues to burn to the north into the wilderness. We had to shut down Ross dam and Diablo dam generation and transmission lines – this was a big deal and was the first time since the Goodell Creek Fire. I am happy to report that none of our facilities have been impacted. The financial impact is not fully known yet. We had to clean insulator valves on the 240 lines to mitigate ash buildup. And we had to go to the wholesale market to do some exchanges that had a cost. We are largely back to operations as usual though we will continue to monitor until the fire season is over.
2. Washington Arrears Funding Update - In total, Seattle City Light received more than \$10.6 million in Washington State Department of Commerce utility arrearages funding (approximately \$9.8 million in 2022 and \$880,000 in June 2023) to reduce residential customer arrearages accrued between March 1, 2020, and Dec. 31, 2021. City Light applied our entire \$10.6 million allocation to nearly 19,000 customer accounts (61% of which were low- or moderate-income households). The utility arrearage funding helped address more than half of the residential customer arrearages accumulated during the Covid period.
3. Electric Amtrak Bus - Seattle City Light joined partners from across the state to unveil the first-ever electric bus in the Amtrak National Network as it prepared to embark on its inaugural journey. The bus will provide a round-trip, midday service for travelers heading from King Street Station in Seattle to Fairhaven Station in Bellingham. It will be powered by City Light's clean energy, charging at MTRWestern's facilities in south Seattle. The electric coach will save 10,000 gallons of diesel fuel per year and keep 109 metric tons of CO2 emissions out of the atmosphere annually. It can run 300 miles on one charge. The project is a partnership between Amtrak, MTRWestern, the Washington State Department of Transportation and Seattle City Light, who provided incentives and free advisory services through our Fleet Electrification Program.

More information: <https://powerlines.seattle.gov/2023/08/17/city-light-joins-mtrwestern-amtrak-and-wsdot-to-unveil-first-ever-electric-bus-in-the-amtrak-national-network/>

4. U.S. Energy Secretary Jennifer Granholm and Vice President Kamala Harris visits – One of these events was at the port of Seattle and was focused on energy efficiency. City Light is involved with many of these programs. McKinstry also hosted an event. Mike, and other City Light leadership, had the opportunity to have meet with people from Washington, DC.
5. Meeting with Shoreline - Mike Haynes and other senior leadership met with the Shoreline City Council, the city manager and other city staff to discuss how to better meet their expectations as our largest franchise city. We talked about better capital project coordination, particularly around the Sound Transit light rail development; improving the speed of new service connections; vegetation management; and some areas experiencing more frequent outages. They also asked about our work in climate adaptation, wildfire risk mitigation and community solar. It was a positive engagement, and we received some valuable feedback that will contribute to a stronger relationship going forward.



## City Light Review Panel Meeting Meeting Minutes

6. City of Seattle Budget Kick Off - The Mayor will present next year's budget on October 6<sup>th</sup>. This is the official kick off to the Budget Process. This will culminate in a vote by the City Council just before Thanksgiving.
7. Net Wholesale Revenue and RSA update – The impact of the water year increased our need to purchase power from the market. We spent more of our RSA than planned. We will have more information by the end of the month regarding the impact on customer bills.

**Q:** I know weather and fires are out of your control. Can we understand the risk management processes to better understand the general approach? We do not need to get into specifics or trade secrets, but we would like to better understand the wholesale risks.

Facilitator: We will note this request for discussion at a future meeting.

8. Other Q &A:

**Q:** Some of us have been on the GM Selection Committee. One of the linemen who participated was very negative about City Light not being able to keep linemen and losing them to other utilities as there is a shortage of qualified people and the fact that City Light is not able to pay them comparable rates. Could you shed some light on this?

**A:** It's the perfect question for the time – we are actively bargaining with the IBEW and the question is very relevant. Conversations have been productive. Two of our main recruiting challenges are high voltage line workers and mid-career engineers. We are looking at compensation and classifications to better match the industry, which plays into recruitment and retention. What is working well are apprenticeship programs and bringing in less experienced engineers and growing them up through the utility as opposed to looking for senior engineers.

**Q:** Can we continue to monitor this and the vacancy rate?

**A:** The vacancy rate across the utility is averaging 13%, which is better than we were. But we would like to see that at 8%.

**Q:** I was talking to someone who is struggling to make a service connection happen. It seems like there is a long lag time. Is there an effort to improve service connection time for commercial customers? (This was echoed by a second panel member.)

**A:** It's definitely on our radar. We meet with the building community twice a month. We're taking steps to improve on this. There is a service to bill team that is looking at our processes from A-Z. While we are closing our vacancy rates, we struggle with staffing and training. There's a big backlog, and we are working on improving our processes. Additionally, there are supply chain issues, particularly for transformers and cabling which adds delays. We are making use of contractors where we can. Communication with city leadership and franchise cities is important- if communication falters are either side, this also creates gaps.

Panel member comment: I commend City Light for recognizing these issues. What has concerned



## City Light Review Panel Meeting Meeting Minutes

me the past few years was the default 'no' answer from City Light, but that has changed. I compliment you on trying to address the problems. This is a real condition.

Other panel member comment: If there is anything the Panel can help you with, feel free to bring it to us.

**Q:** What is update on the General Manager search?

**A:** As far as the search goes, as many of you are on the search panel you likely know more than we do! The Executive Team did get to meet with the finalists last week. Staff from the Race and Social Justice Initiative Change Team and Women in Trades also met with finalists. City Light hosted them at the Service Center and they have met with the Mayor.

**Q:** In the future could we have an update on the Fire Mitigation Plan as well as an informational presentation on Tree Trimming and Line Maintenance?

**A:** Yes, we are happy to share that our wildfire risk reduction strategy is public. You can see it here: <https://powerlines.seattle.gov/2023/08/15/seattle-city-lights-wildfire-risk-reduction-strategy/>

**Strategic Plan Update.** Leigh Barreca presented the following topics related to the 2025 – 2030 Strategic Plan Update.

- a. Review Panel roles vis a vis the 2025-2030 Strategic Plan Update – Leigh reminded Panel members that their roles in representing City Light's customer classes puts them in a unique position to offer input into our strategic planning process. When we develop our Outreach plan and Outreach report, we include Panel meetings. In addition to formal panel roles, e.g., Suburban Franchise City Rep, we look to you for input in other interactions you have had with us as a customer, or other.
- b. Draft 2025-2030 Strategic Plan schedule – The draft schedule and activities for Review Panel meetings leading up to the May submission of the Strategic Plan Update was discussed.
- c. Confirm 2025-2030 Strategic Plan Business Strategies – It was confirmed that for the 2025 – 2030 Strategic Plan Update that the current five Business Strategies would remain the same.
- d. Q2 2023 Strategic plan report – This is included in Review Panel member packets.

**Format for October Meeting.** Julie Ryan described the Landscape Exercise that will be conducted at the workshop in October. Leigh advised that the Panel would receive a few articles about current trends in the utility industry to read before the meeting.



## City Light Review Panel Meeting Meeting Minutes

**Adjourn.** The meeting was adjourned at 10:53 a.m.

**Next meeting:** October 18, 2023, 9:00 – 11:00 a.m.

NOTE: This meeting will be conducted virtually for all attendees.