**Date of Meeting: May 27, 2015**

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| **MEETING ATTENDANCE****Panel Members:** |
| Name |  | Name |  | Name |  |
| David Allen | ✓ | Julie Ryan | ✓ | Eugene Wasserman | ✓ |
| Tom Lienesch | ✓ | Sue Selman | ✓ | Sara Patton  | ✓ |
| Chris Roe | ✓ | Eric Thomas | ✓ | Gail Labanara | ✓ |
|  |  |  |  |  |  |
| **Staff and Others:** |
| Sephir Hamilton | ✓ | Greg Shiring | ✓ | Kim Kinney | ✓ |
| Maura Brueger | ✓ | Tony Kilduff | ✓ | Rollin Fatland | ✓ |
| Jeff Bishop | ✓ | Calvin Chow | ✓ | Kirsty Grainger | ✓ |
| Paula Laschober | ✓ | CM Sawant | x | Carsten Croff | ✓ |
| Kate Joncas | ✓ |  |  |  |  |

Call To Order:

The meeting was called to order at 1:10 p.m.

Public Comment:

None

Chair’s Report:

Julie Ryan opened the meeting with an overview of the agenda and materials. She also advised the group that Karen Reed will be returning as facilitator for the Review Panel and will be at our next meeting in June.

Julie gave an update on the General Manager search. Linda Paul from The Search Partnership has been hired to recruit for the new General Manager. She told the Panel to feel free to offer candidate recommendations to Linda at lindapaul@searchpartership.net. The Deputy Mayor, Kate Joncas, is leading the search and she will visit the meeting later to provide a further update. The selection committee has met and the deliberations have been very confidential. Julie did suggest putting the Review Panel on the final interview panel.

Julie reported that she attended the Energy Committee earlier in the morning where she updated the Committee on the Review Panel’s Work Plan. The Councilmembers did offer their ideas on what they’d like the Review Panel to look at in the context of strategic planning. CM Okamoto applauded the financials, urged low rates, and was interested in the $18M operating efficiencies. He was interested in the utility looking at least cost capital expenditures. CM Sawant said she would like the Panel to think about the future of broadband, how it dovetails with the utility and was very interested in the Utility Discount Program (with a possible opt-out program). She also was interested in safety as a workforce issue. CM O’Brien said he thinks about the long term health of the utility – how to meet long term efficiency goals, more investment in solar panels and can the utility be doing more to support electrification opportunities and growth.

During Panel discussion, it was noted that the broadband initiative is not a City Light-led project although City Light has been included in planning discussions – it belongs to DoIT. Therefore, it may not be within the scope of the Panel’s work. But to better understand City Light’s potential involvement, the Panel asked for a high level summary of the status of the broadband project.

**Action Item:** Greg Shiring said that he and Tony Kilduff will work with CM Sawant in clarifying some of her objectives with respect to broadband and the utility discount program. Greg will provide an overview to the Panel of the broadband project.

March 24, 2015 and May 1, 2015 Minutes:

The Review Panel reviewed and approved the March 24th and May 1st meeting minutes.

Communications:

There was one email received from a Mr. Luxem. It was a lightbulb inquiry and City Light responded directly to the customer.

Interim General Manager’s Report:

Jim Baggs gave an overview to the Review Panel members on his background and his role as the Interim General Manager. He relayed his intent is to stay the course and continue to do the good work already established. He said he was very open to the any concerns and questions the Review Panel may have and looks forward to their feedback.

Deputy Mayor, Kate Joncas, then joined the meeting. Ms. Joncas gave an update on the General Manager search. She advised on the Mayor’s priorities for the next General Manager and said they have asked their selection committee panel for search criteria suggestions that would assist in selecting the proper individual. Their next meeting is June 18. Linda Paul is collecting the resumes and the selection committee will review them. Their goal is to have the search narrowed down to pick candidates to interview sometime in July. After that, they will pick 1-3 people for the Mayor to interview.

**Action Item:** The Review Panel recommended the job vacancy posting could be advertised on a more public website for greater visibility.

Financial Policies:

Paula Laschober provided a presentation of City Light’s three financial policies. These included an overview of the rules and metrics guiding SCL’s financial decision making, some of the history behind it, and what the current financial policies were. These include the 1.8X debt service coverage ratio, the 6-Year CIP funded 40% from utility revenues, and the Rate Stabilization Account. In addition to these three financial policies, there are also two other policies. One is to pass through BPA rate increases in customer rates and another is for SCL to have access to the City’s cash pool so it doesn’t have to maintain its own cash reserves.

Paula reviewed the history of the debt service coverage ratio financial policy and City Light’s historical debt service coverage ratios. Next, she explained how the utility manages to the 6-year CIP (CIP is funded 40% with cash from operations). When the utility has a robust capital plan, it can be challenging to achieve the 40% target. She noted that from now through 2016, SCL is in the midst of ramping up some of these capital intensive projects which may make it challenging to meet the 40% target each year.

Paula provided an overview of the RSA which went into effect in 2011. It is a cash reserve to buffer the utility’s net wholesale revenue. When wholesale revenue market prices or hydroelectric production changes cause an unexpected drop in revenue, the RSA buffers the impacts spread out over time. Paula described the rules to maintain the RSA at or near the $100 million target. The utility only put on one automatic surcharge (of 4.5%) in May – Dec. 2010. The scope of the RSA is reserved for net wholesale revenue.

The following topics were discussed in connection with the financial policies:

 • Mechanics of how the RSA operates

 • The financial and reputational impact of AA rating compared to a lower rating such as A-

 • If the RSA is larger than what the future net wholesale revenue volatility may require, it might be worth using the RSA for other purposes such as retail revenue variability. Another thought was to split the RSA into two stabilization accounts: one for net wholesale revenue variability and another for net revenue variability

 • There were recommendations by several panel members to defer making any formal recommendations on financial policies until the new General Manager had an opportunity to weigh in

 • Before making any recommendations, the Panel should also consider the following factors:

* Understand why load growth is negative
* Variability in wholesale net revenue account relative to the size of the RSA
* Look at decoupling as an alternative to having a rate stabilization account for retail revenue volatility

At the end of the discussion, the Review Panel did not advocate changing the financial policies at this time. The utility is very strong financially, indicating the current policies seem to work well and there is no pressing reason to change them. Any enhancements should wait until the new General Manager is hired, more analysis can be completed, and broader policy issues can be considered in the context of the financial policies.

**Action Item:** The Panel expressed interest in a sensitivity analysis around retail revenue and net wholesale revenue.

Q1-2015 Strategic Plan Results:

There was not enough time to review the presentation on the Q1-2015 Strategic Plan results so the group decided to defer it to the next meeting. One Panel member suggested format improvements to the report for the next meeting, to clarify what has happened at different points in time.

**Action Item:** Jeff Bishop will re-look at the details in the presentation and will update it to reflect the current state and future state of the initiatives. He will bring a revised version to our next meeting.

Plans for upcoming meetings:

 • The Review Panel will discuss the Strategic Plan Results at the June Meeting.

 • The Review Panel will hear a presentation on Net Wholesale Revenue at the next meeting.

 • With the addition of a few new Review Panel members this year, the Panel asked if all the SCL Officers could be invited to attend a future meeting to be introduced to the new members.

 • Sephir Hamilton spoke on the 7/30 panel meeting. The utility will have EPRI at the meeting to collaborate in a panel discussion regarding the “utility of the future”. He asked the Panel to send him suggestions for other speakers and for guests (individuals, groups, associations, community stakeholders) who could engage and shape up this type of discussion.

Adjournment:

There being no further business to discuss, the meeting was adjourned at 4:00 p.m.