City Light Review Panel Meeting
Meeting Minutes

Date of Meeting: October 15, 2019 | 11:00AM – 2:00PM | SMT3205

MEETING ATTENDANCE Panel Members:					
Names		Name		Name	
Gail Labanara	√	John Putz		Mikel Hansen	√
Sara Patton	√	Patrick Jablonski		Leon Garnett	√
Thomas Buchanan	√	Chris Mefford	√	Mikhaila Gonzales	√
Staff and Others:					
Debra Smith	√	Jen Chan	√	Karen Reed (Consultant /RP Facilitator)	√
Kirsty Grainger	√	Mike Haynes	√	Emeka Anyanwu	√
Scott Thomsen	√	Carsten Croff	√	Maura Brueger	√
Gregory Shiring	√	Leigh Barreca	√	John Rudolph	√
Eric McConaghy	√	Calvin Chow		Kathleen Wingers	√
Beth Looney (Consultant)	√	Angela Bertrand	√	Erin House	

SCL Panel Meeting Draft notes for October 14, 2019

Welcome, Introductions. Gail Labanara, Panel Chair, convened the meeting at 11:02 AM and started a round of introductions. The group congratulated Kirsty Grainger for being confirmed as the new Chief Financial Officer for City Light with a round of applause.

Public Comment. There was no public comment.

Meeting Summary of September 10th. The Meeting Summary was approved as submitted.

Chair's Report. Gail had no report.

Communications to Panel. One email was received about the impact of the Bonneville Power Administration (BPA) rate pass through and Rate Stabilization Account (RSA) surcharge. The Utility responded. The Panel was provided a copy of the exchange.

General Manager's Report. This item was deferred until later and incorporated with Debra Smith's State of the Utility Update.

SCL in the news. Sara Patton shared that she has spoken to Debra regarding her September 23rd Seattle Times editorial co-authored by Debra and Scott Simms. Sara expressed support for the idea of the region coming together to preserve BPA benefits in the region but was disappointed that Fish & Wildlife spending was offered as an example of bad public spending. She is glad the Utility is playing a leadership role in the BPA issue.

Updates to the Strategic Plan Roadmap. There are no updates this month.

Financial Update: Preliminary Load Forecast. John Rudolph presented. The 2019 retail sales forecast is 2% lower than was forecast for this year back in 2017. The forecast is "U" shaped between now and 2040 because energy efficiency savings are front loaded and SCL anticipates a ramp-up in demand from transit electrification after 2030. Discussion points included:

Q: There has been a historical tendency to under-estimate conservation potential. Did you run scenarios for unknown efficiency improvement in the future that could impact the forecast? A: Not for the 2019 forecast; SCL will do so as part of the next strategic plan.

Comment: Residential energy efficiency can be a big driver in retail demand.

Comment: Electrical Vehicle (EV) use is increasing a lot – does that shift the future data? A: We incorporated the Rocky Mountain Institute EV usage forecast into this forecast.

Q: Rate impact of the decline in retail demand? A: That work is not completed yet.

Q: Do you have any concerns about the updated forecast methodology based on this decline? A: The biggest challenge we have is inputting bi-monthly billing data into the model which has monthly data points. System load data is more stable. Staff is trying to get a better sense of the starting point in the new model. Also, weather adjustments in the last two years were significant.

John next reviewed the drivers for residential sales. The largest factor decreasing sales is non-programmatic energy efficiency—choices by customers to buy new appliances, and codes regarding construction and appliances. The Utility participates in discussions setting these standards but has little control over this aspect of demand. The largest driver increasing retail sales is the construction of new housing. It is interesting that conservation offsets all the housing growth. Between now and 2040, the Utility expects a slight decline in retail sales.

Commercial electricity sales drivers were reviewed next. The major driver increasing demand is new floor space; the biggest driver reducing sales is programmatic conservation efforts offered by SCL. The utility expects an economic slowdown in 2020. Conversion of public vehicle fleets to electric is a notable driver increasing sales in the next 15 years.

Discussion points included:

Q: What share of total sales is from commercial versus residential customers? A: Commercial sales are two-thirds of the total; residential sales are about one-third of the total.

Q: How much confidence do you have in the projected timeline for when fleet electrification will come online? A: A fair amount; the timelines have been announced by Metro, WSDOT (for the Bainbridge ferry run) and Sound Transit. SCL is working with all these agencies. The State is funding conversion of the Bainbridge ferries from the Volkswagen Emissions Settlement.

Q: Streetlight savings shown—are those from conversion to LED? A: Yes.

For the overall strategic plan, the story is similar to what it was in 2017 with slowly declining demand overall. The biggest difference staff see is around adjustments for billing data and weather. Rates will next be set in 2021. With demand being overall 2.2% lower, all things being equal we would expect that to translate to a corresponding rate increase. However, there will be some offsetting savings from debt refinancing and the lower BPA rates.

Financial Update: Cost of Service Benchmarking Study Status. Carsten Croff presented. The Utility is partnering with two consultants on a cost of service study to validate how reasonable SCL's costs are and identify areas for improvement, set guidance as we move to having hourly cost of service data to facilitate implementation of Time of Day rates. The benchmarking work will come out in November; the strategies and guidance will be completed in December. The Utility plans to share these items with the Panel later this year. The Consultant Team is First Quartile and Bressan Analytics (Lucas Bressan).

Kirsty Grainger reminded the group that there will be a rate change on November 1, 2019. The RSA surcharge will increase from 1.5% to 3% because the fund balance in the RSA has continued to be depleted by lower wholesale revenues. Offsetting this will be a 1.9% rate reduction because BPA's costs have come in lower than projected. The net impact is a 0.4% rate reduction.

Q: Can you explain what the Rate Stabilization Account (RSA) is? A: It is a fund established to help minimize rate volatility due to the volatility in the amount of wholesale electricity revenue received by the Utility from year to year. The Utility has more power than it needs and sells that on the open market, where sales prices are highly variable. City Light used to generate as much as $140M a year from wholesales sales; this year the budget anticipates $40M in sales but the actual sales will be less than $20M. The difference is drawn from the RSA to help fund current operations without increasing rates. But, as the amount in the RSA is depleted, a surcharge is imposed on retail customers to restore the balance. The surcharge kicks in when the RSA is at 90% of target levels and increases again if it drops to 80% or 70%. In the next strategic plan, we will need to consider if a $40M annual wholesale revenue target still makes sense of it should be lowered further.

Kirsty noted that the 2020 retail power rates, already approved, will increase 5.4% consistent with the strategic plan. ***As a follow up, the Utility will bring back data on the projected and actual rates during the current strategic planning period.***

Q: Can you explain the BPA pass-through? A: SCL purchases about 30% of its power from BPA. SCL makes its budget assuming that power will cost a certain amount. The difference between the forecast and actual cost is passed through as a surcharge or rate reduction to the customers.

At this point, the group took a break.

State of the Utility Update. Upon reconvening shortly after noon, the group heard from General Manager Debra Smith on recent updates. She noted that today is her one-year anniversary at SCL, which the group endorsed with a round of applause.

On the *Pole Collapse response*, she expects that the number of poles needing to be replaced and the cost thereof will increase. There are two parts to the problem. First, the Utility needs to catch up with the current deficit, and second, next year will be the last year in the first full pole review cycle earlier established. Going forward, she expects SCL will need to be more aggressive in pole replacement.

Q: You noted that the cost of this will be absorbed by delaying other projects. When will you know what projects are being delayed? A: The next strategic plan will see rate impact, but not 2020. We will have a plan by March of 2020 as part of a supplemental budget request. She thinks it will take three years to catch up with planned projects. Some offsets to cost exist, for example, Century Link has certain financial obligations to the Utility related to poles. We will share the supplemental budget in advance of it going to council so the Panel can see what projects are proposed for deferral.

On the *class action lawsuit around bill estimates*, that is still not yet certified as a class action by the court. The Utility is seeking a six-month delay in hopes of securing a settlement.

Kirsty Grainger is the new Chief Financial Officer (this announcement prompted a second round of applause for Kirsty). Deborah also shared that Bernie Ziemianek, Tuan Tran and Darwyn Anderson are leaving the Utility; she thanked them for their service.

On *Energy Efficiency as a Service (EEaS*), Debra shared she has joined the board of a national alliance promoting EEaS. This is basically helping building owners to invest in deep energy efficiency retrofits by charging a corresponding higher rate to tenants of those buildings remitted to the owners over time. These arrangements are complex with conflicting goals amongst the parties. Some stakeholders are not happy with the current model, but City legal and risk advise that the Utility is pushing the limits already.

Comment: Sara complimented SCL for its leadership on this issue.

Q: What are the stakeholders unhappy about? A: the methodology for measurement and validation of energy savings.

Strategic Plan Report: Complexity is added to the process by inserting the scenario planning so the timing is compressed, and not everything is perfectly synchronized. We will discuss this in greater detail next month in deference to giving time for the scenario planning exercise.

Operational Excellence Initiative: Debra shared that the managers across the Utility are engaging in four re-training sessions around operational excellence. Managers are required to deploy the practices from the training sessions with their staff. This is part of Debra's priority to focus on improving the employee experience. She noted that one tactic is to ensure greater clarity in decision-making processes—where is a manager seeking input, and where are they sharing the decision? Debra noted that the Panel is advisory to the Utility and wants to be clear about this and any other decision- making processes used. Debra very much wants the Panel's support on the next strategic plan.

Strategic Plan Update: Scenario Planning. Consultant Beth Mooney reviewed the results of the first part of the scenario planning exercise conducted last month, which was designed to identify future issues that could be impactful to SCL—either positively or negatively, as well as current strengths and weaknesses of SCL. Beth then led the group through a discussion and report out exercise on two of three possible future scenarios developed based on the initial round of input. Groups were asked to identify what actions they would recommend for the Utility to take if the Utility knew in advance that the scenario was going to happen. The input from the group will be developed into themes for action that could be included in the strategic plan; Beth will present the Panel with the results from today's discussion (and corresponding discussions with the Utility leadership team and another staff team) at the November Panel meeting.

The meeting was adjourned at 1:57 PM