

Jorge Carrasco Reconfirmation
Energy & Environment Committee Questions
June 26, 2012

Questions

Personal

1. What is your vision for Seattle City Light?

Overall: Redefine our relationship with the customer – as a service organization we need a retail-focused customer service orientation and experience. This would include:

- Increased use of two-way communication technologies, e.g. mobile applications, automated metering infrastructure, outage management system
- Focus on ways to engage all customers at a variety of levels to provide an even better customer experience especially around issues such as: low income services; barriers to service accessibility such as language, cultural or other impediments; hi-demand/hi-quality customer requirements; allowing customers better management of their own accounts electronically; etc.

Specific vision:

Financial

- Conservative financial path related to wholesale surplus power revenue
- Increased efficiencies in administrative management through best practices
- Focus on rate affordability and managing debt to reduce rate pressures
- Establish benchmarks and metrics for the strategic plan initiatives to assure customers and bond investors that we are achieving the strategic plan goals

Infrastructure & Reliability

- Maintain strategic investments in our infrastructure to ensure service reliability
- Implement asset management to guide key investments
- Expand network opportunities to support economic development
- Increase efficiencies within our workforce and operations to keep costs low

Customer Service

- Continuous improvement to provide customers the ability to manage their accounts online
- Improved web-based communications with customers
- Using technology to increase two-way communications with customers through outreach and engagement; social media; web-based; mobile-based; and tools such as Outage Management System (OMS) and Automated Metering Infrastructure (AMI)

Power Resources, Generation & Environmental Stewardship

- Manage I-937 requirements through a combination of prudent renewable resource acquisition and purchase of Renewable Energy Credits (RECs)
- Improve operating efficiencies at our generating facilities
- Maintain carbon-neutral operations

Workforce

- Invest in our workforce to ensure retention and recruitment of qualified skilled workers
 - Utilize tenured workers to train newer employees as we transition to meet the challenges of a retiring workforce (succession planning)
 - Grow and train our own and ensure competitive wages to retain
2. Please describe your leadership style, what strengths you bring to the utility, and how will you mitigate any weaknesses in your leadership style?

I value the concept of team and feel that we have developed a core of leadership – from supervisors to the officer and director level – where we work together cohesively on behalf of our customers. Customer service is our driving vision and it will take all of us in a management role to realize that promise. Specifically, since 2004 my priorities have included:

- Integrity and ethical behavior are fundamental
- Articulating a clear, strategic direction for the utility
- Valuing our relationship with customers as a publicly-owned utility
- Empowering employees to do their jobs and providing the tools necessary to accomplish
- Maintaining transparency in decision-making both internally and with customers/ the public
- Making myself accessible to employees, customers, stakeholders and policymakers
- Emphasizing customer service at every level of the organization – and, in 2005 we began a Transformation process that involved employees at all levels of the organization to identify how the utility would meet its Vision, Mission & Values statement
- Expecting performance excellence at all levels of the organization, setting expectations, and identifying accountability measures
- Acknowledging success and achievement and celebrating it at all levels of the organization

I will continue to solicit operational improvements from every employee at all levels of the organization to help inform the management team.

3. What has been your biggest success at SCL; biggest disappointment? What have you learned?

Success: There have been many successes since 2004. Those that come quickly to mind:

Financial

- Reducing long and short term debt by \$600 million after the disastrous 2000/2001 Energy Crisis
- Reducing our debt-to-capital ratio to 62% from 85%
- Securing approval of the Rate Stabilization Account – reducing rate volatility for our customers

Resource Acquisition & Environmental Stewardship

- Negotiating a 17-year contract with BPA for power
- Relicensing Boundary Dam for possibly 50 years and fulfilling our environmental and economic commitments to the Pend Oreille community
- Being greenhouse gas neutral since 2005

Customer Service

- Improving communications with our customers through our Outage Management System
- Enhancing online communications with customers and streamlining bill payment options
- Continuing steady improvements to our customer service ratings as measured by JD Power & Associates

Infrastructure and Reliability

- Implementing an asset management program
- Returning to a regular tree-trimming schedule that has resulted in improved reliability
- Implementing a utility-wide 24-hour security monitoring system well in advance of NERC requirements – avoiding hundreds of thousands of dollars in non-compliance fines
- Creating an Emergency Response system and routinely testing it.*

Workforce

- Ongoing improvements in communications with employees

*One of the **major** successes for our customers and for the utility was what came out of a crisis situation: The Hanukkah Eve Windstorm of 2006. More than half of City Light's customers lost power. The City's Emergency Operations Center wasn't open and, at the time, City Light didn't have an emergency response plan in place. Add to that, we were in contentious union discussions; we didn't have crucial systems (outage management and asset management) in place; we had just started a vegetation management plan; and, we didn't have the necessary technologies in place to support our crews and response staff.

What we did as a part of our After Action Response:

- Brought in a panel of peer utilities with emergency response experience to review our performance and provide recommendations. Some 76 recommendations were proposed and all of those have been addressed;
- Acquired an outage management system in place that includes a "call-out" feature to notify customers of restoration;
- Initiated an asset management plan;
- Fully developed and tested emergency response plans/continuity of operations designed for a variety of potential disasters/emergencies. It is tested semi-annually;
- Negotiated Mutual Aid agreements with sister utilities;

Disappointment:

There have been few disappointments in eight and one-half years, but perhaps what stands out most in my mind was the inability to achieve greater efficiencies through our labor partner agreements when I first arrived in 2004. I was an unknown quantity, and I hadn't had the time to build relationships with our unions. I think it was a missed opportunity to build in increased efficiencies then, so that we wouldn't be talking about them today.

4. What challenges and complexities do you anticipate facing in your continued role as the Superintendent of Seattle City Light? What strategies will you use to address those challenges and complexities?

Challenges:

- Nationally: Realizing a national energy policy that effectively addresses issues related to climate and energy efficiency; the continued volatility in natural gas prices; and continuing regulatory uncertainties (FERC, NERC, EPA, and DOE);
- Regionally: Transmission congestion; renewable and intermittent energy resource integration; rate impacts from both existing resources (e.g. BPA) and new renewables; and certifying hydro as a renewable energy source;
- Locally: Lower Duwamish clean-up; changing commercial customer profile to high demand uses (e.g. server farms, bio-tech, hi-tech); continued infrastructure investments to ensure reliability and power quality; expansion of network services; increasing energy efficiency opportunities; continued reliance on wholesale surplus power sales; worker safety improvements; competition for talent; a workforce that will be retiring in significant numbers during the next several years; increasing workplace efficiencies; lagging technologies.

Strategies:

- Six-year strategic plan identifies these challenges and sets a pathway to address these challenges. It provides policy-makers, our customers, and our employees with a tool to make necessary improvements, benchmark progress, and establish accountability.

5. 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 resolution of the issue? What were your positive and negative experiences, and was there anything you would have done differently?

I will reflect on a fairly recent incident that occurred Thanksgiving of 2010. It involved the electrocution of a beloved family pet as a result of the pet coming into contact with an energized piece of streetlight equipment. It was a very sad time for the family. Some of the issues surrounding this incident included:

- Initial assessment that this was an isolated incident proved to be incorrect. There were other streetlights with potentially dangerous voltage present.
- City Light had a mechanism in place to report malfunctioning streetlights, but not a specific way to report a potentially hazardous streetlight;
- No comprehensive evaluation of metal streetlights had ever been conducted at City Light and there was no plan in place to up-grade equipment on aging streetlights;

How it was handled:

First of all, we (City Light) “owned” the issue – that is, we took full responsibility for addressing the problem, regardless of other departments or organizations that may have had a part of the issue. To that end,

- As soon as we determined that there was a problem with more than a few streetlights, we acted immediately:
 - o All metal streetlights were tested throughout the service territory in less than a month

- Any streetlights with voltage present were decommissioned and put on a list for immediate repair
 - Established a new system for reporting suspected streetlights with potentially dangerous voltage levels
 - A plan was developed that: (1) Implemented an annual streetlight testing protocol; (2) Created a long-term plan for bringing all streetlights up to current code standards
 - Every day, the previous day's testing results were made public on City Light's blog – the media used this information extensively to help inform the public about city Light's findings
 - I held a press conference to talk with the media (and, ultimately the public) about what we were doing and how we were ensuring the safety of our system
- Results and Lessons Learned
- Important to communicate as soon as possible with the public and to be fully transparent
 - Keep the public and media informed
 - Affirmed the critical nature of asset management and scheduling infrastructure maintenance and up-grades
 - Established an annual testing of streetlight equipment and report of findings
 - Provided customers/public with safety information and what to be aware of, as well as how to report potential hazards

Seattle City Light Internal

1. Recruiting and maintaining a strong workforce of the best and the brightest employees is critical to the success of SCL. How will you address issues of the evolving workforce of the future, such as filling positions vacated by aging City workers? How will you welcome more people of color, women, and people with disabilities into the workforce where they may not have been represented in large numbers? What are the best practices that you have used as Superintendent of the utility, as well as best practices that you intend to implement going forward?

I am proud of the demographic representation of the City Light workforce. In fact, throughout the organization at all levels of the workforce we either meet or exceed the demographics of the populations we serve.

Recruitment and diversity at Seattle City Light continues to focus on attracting and retaining talent at all levels. We have reduced our time to hire from an average of 150 days in 2004 to 47 days in 2011. Since 2006, when we began tracking this metric, more than 700 of our employees have been promoted to more senior positions.

Our goal at Seattle City Light is to attract and retain a workforce that is reflective of the community that we serve. Currently we meet or exceed the representation of women and minorities in 80% of the EEO job categories. We are especially proud of our apprenticeship

program and the diversity of our workforce in the skilled trades. In the case of the skilled trades, City Light meets or exceeds EEO targets.

Some best practices measures we have implemented since 2004 include:

- Our organizational transformation process – creating a utility-wide Vision, Mission & Values commitment
- Asset management system
- Outage Management System
- After Action Peer Review after the 2006 Windstorm
- A Rate Stabilization Account
- Our six year strategic plan
- Performance review contract with UMS
- Five-year conservation plan
- Greenhouse gas neutrality – first utility in the country
- Outreach and engagement with our customers and the use of social media and mobile applications
- Boundary Relicensing and our commitment to environmental stewardship

2. SCL employee morale and motivation have been a concern in the past for the Council. In 2004 and again in 2007, an employee survey was conducted. Would you support conducting another employee survey to help assess where we are today and identify possible issues to focus on? Or do you have other suggestions for tracking the attitudes and concerns of the workforce?

City Light has used employee surveys on a variety of occasions to gauge employee attitudes and perceptions. In addition to the utility-wide surveys in 2004 and 2007, we also conducted a more specific utility-wide communication survey (with follow-up focus groups) in 2010. From that survey in 2010 we addressed some specific communication recommendations made by employees.

Surveys are one way to measure and identify employee concerns, questions or recommendations. Other ways we use to engage employees on a regular basis include:

- Semi-annual all-employee meetings (held at every City Light facility, with two meetings each for SMT, North Service Center and South Service Center employees)
- *Ask Us* an anonymous (online or written) employee question forum where the questions run the gamut of work conditions to policy questions. It is open to all employees and answers are provided (on average) within a week of receipt
- *Pulse Poll* is an informal “research” tool where questions are posed to employees and their responses are used to inform a variety of decisions – a new question is posed every week
- *Power Exchange* (at least) monthly informational sessions for employees on a variety of industry-related topics
- *Grassroots Safety Councils* – employee-driven safety initiatives

In the 2007 survey, employees cited training, compensation and hiring as their chief concerns. Since then we have reduced the vacancy rate from 14% to 8% and we have reduced the time to fill positions from more than 150 days to about 47 days. We have made significant progress in bringing compensation to market rate for many positions at the supervisor level and below. In the strategic plan we have specified specific funding for training and development to ensure that our workforce has the knowledge and skill to effectively perform their jobs.

3. Turnover is a part of any business or organization. Recent data suggest that for the high-level management positions, you tend to bring in new people from outside the organization as opposed to promote from within. Is this a strategic decision, or should SCL be doing more to develop talent internally? What more could we be doing to develop new leaders from within SCL's ranks?

Forty-five percent of our executives and 73% of our managers were promoted from within the organization. Between 2004 and today we have had 45 people in executive level roles leave the utility. The majority or 60% of them left for better paying positions at the same or more senior level. 20% of them retired with more than 20 years of service. At the manager level 42 have left the utility. The majority of them, 52% retired while 40% left for better career opportunities. We continue to focus on promoting attracting and retaining talent at all levels of the organization but this is especially difficult at the senior levels given the competitive market for talent in the electric utility industry.

At times, it is beneficial to bring talent from outside the organization – especially when there is a unique set of skills that someone brings embodying a broader industry-based knowledge that would benefit City Light as it develops unique policies. In the 6-Year Strategic Plan we have recommended a significant investment in training and development for our existing workforces. This will include leadership development with a focus on succession planning.

Seattle City Light in the Community

1. Please describe a project or two that required neighborhood and community collaboration on issues that the neighborhood initially felt hesitant or skeptical about, and specifically how you worked with the community to address their concerns.

Two projects come to mind:

- **North Beacon Hill Utility Pole**

In this case, Seattle City Light had installed a very large pole (Glu-Lam) in a residential area. It replaced two poles that previously carried utility distribution lines along a steep slope. The work was done to accommodate the Sound Transit tunnel project on Beacon Hill. Unfortunately, the community was not consulted prior to doing the work and the resulting installation met with considerable community opposition. City Light spent 18 months working with the community to reach a mutually satisfactory solution. We worked with a task force of community members and spent hours and hours going over options and alternatives. Initially, the meetings were borderline hostile, with considerable

skepticism on the part of the community that City Light would truly commit to a viable resolution. However, after months and months of working together, there was a healthy respect for the relationship and a partnership was formed. We addressed the neighborhood's concerns by:

- Reducing the size of the GluLam
- Altering the height of the transmission lines
- Running a second feeder underground to reduce the number of lines overhead
- Reconfiguring the supporting "guy lines" to the pole
- Reducing the size of several other new poles in the neighborhood

In this case, I learned the value of working with the community on the front end of a project and to be truly forthright and open. It would have saved all of us – the utility and the community – time and money, and would have demonstrated to the community our commitment to customer service.

- **Eastside 230 kV Vegetation Management Project**

This situation is an interesting one. Seattle City Light's high voltage 230 kV transmission lines (and a part of the regional transmission service) that run from Bothell to Renton (basically) along I-405 impact residences and businesses not in City Light's service territory. That is, the people who are adjacent to these lines are not customers of City Light. In some instances, neighboring properties used City Light's Right-of-Way (ROW) as an extension of their backyards – even to the extent of building permanent structures, swimming pools, and fences. Needless-to-say, City Light had been lax in many cases to enforce our property rights on this land. With new safety and security regulations from the North American Electrical Reliability Corporation (NERC), City Light is required to maintain certain protections for transmission lines as it relates to the potential for vegetation (particularly trees) to damage lines. Significant fines could be assessed for non-compliance. Additionally, these encroachments posed potential safety hazards for the residents.

Our goal was to gain access to our right-of-way to do the necessary work that needed to be done in a fairly short amount of time. It meant working within seven separate municipal/county jurisdictions and to gain cooperation from property owners who would see our work as intrusive and potentially unattractive because of the removal of trees and shrubs. Since these were not City Light customers, they had less inclination to be very understanding of our needs nor how they (personally) would benefit from our tree trimming.

We had a deliberate community relations plan that focused on working with the local political jurisdictions first to brief them on what would take place and why. We prepared materials and provided fact sheets for them to use if they received any property owner/tenant complaints. We did direct mailings to hundreds of property owners to explain the project and invite them to a public meeting to learn more. We held a series of community meetings – that, were very, very well-attended, and initially started out a bit hostile, but by the end of the evening, we received their support and endorsement. We notified all local elected officials to

ensure that they were fully aware of what we were doing and why. We put notices in the local community newspapers, as well as prepared articles for the newspapers describing the project. Local municipalities (Bellevue, Kirkland, Woodinville, Bothell, and Renton) put information into their city newsletters. We worked with homeowners to provide replacement trees and shrubs where vegetation needed to be removed.

In the end, we only had one objecting property owner, and we eventually reached an agreeable solution to his concerns. This was a six-month project, and you never heard anything about it, because we did do it right and worked with the community(ies) proactively from the beginning.

- I also would offer as an example of our ability to work with the community/customers the outreach and engagement on our six-year strategic plan.
2. The community interacts with SCL in a number of ways – one of the most important of which is via the internet. How do you intend to improve bill pay for our residents, as well as user interface with the SCL webpage?

There are several initiatives underway at City Light to improve our customers' ability to manage their City Light accounts and to receive information about utility services and activities. Collaborating with the City's Department of Information Technology (DoIT) and our own web team we have been able to make some improvements to our website that improve the customer experience. These include:

- Creating a "system status" capability that allows customers to monitor outages either from their laptop/desktop or from their mobile phone;
- Report streetlight outages from their computer or their mobile phone;
- Pay their bill either as an "auto-pay," e-bill; or using debit/credit cards and not having to pay a fee; or paying at neighborhood located payment centers
- We are working on more improvements. We have found that our current ebill provider doesn't offer as much flexibility for our customers as we want and we are looking at vendor improvements that would go into effect the first of 2013.
- We are working with DoIT and the SCL web team on a comprehensive content management capability that would allow our web information to be up-dated and refreshed easily by content owners. This reduces the time it takes to provide up-dated information to customers.
- City Light already has a number of language-option materials on the web for non-English speaking customers. With a new ebill vendor, we will add more languages to expand the ability of customers to manage their accounts and to identify utility resources to help them.
- City Light has been recognized by JD Power as one of the leading utilities in the U.S. using social media to good effect. City Light will continue to lead in this area in order to meet and exceed the expectations of our customers.

Seattle City Light and Budget

1. The strategic plan and the process around it will be an important tool to help the Council and the utility make sound investment decisions on behalf of the rate payers. How will you ensure that the utility meets the goals and targets of the adopted plan and how will you keep the Council and the public informed about progress?

- Staff at City Light have developed a plan to track the goals and targets of the strategic plan and, at my request, are adding new metrics and reports to those City Light currently provides on a monthly basis to the Mayor and Council.
- In addition to the strategic plan performance monitoring, we will expand benchmarking efforts and use outside expertise to assist us to identify gaps and create action plans to address them.
- I will monitor progress on an ongoing basis using monthly and quarterly reports. When metrics show that targets are not being met, the “accountable owner” whether an officer, director or manager will provide an action plan for how the goal will be met. Each initiative owner will be responsible and accountable.
- I also recognize that keeping the Council and the public informed must be an integral part of the reporting. Reports with varying levels of detail, from summary reports to expanded reports with greater detail, will be sent to the Council and Council staff regularly. Similar reports will be available on City Light’s web-site and communicated to the public at least annually, as called for in the strategic plan.

Seattle City Light and Conservation

1. SCL is widely regarded as an innovator in the area of energy efficiency and today we are benefiting from past investments in conservation. How do you intend to both elevate and motivate conservation work? What do you see as future trends in conservation work? What would it take to lead in new ways and how would you make the case for it to the public?

Seattle City Light embraced energy efficiency long before the rest of the country realized conservation was critical as an energy resource. In the 1970s, City Light turned to conservation rather than nuclear power. That decision led the way to future decisions about power resources and the use of conservation as a resource. City Light has encouraged customers to conserve energy and has helped both residential and commercial customers through the use of incentives to realize energy savings.

In 2008, we set a course to do even more to increase our commitment to energy conservation. In our Integrated Resource Plan of 2006, City Light committed to meeting load growth through conservation and new renewable resource acquisition. In 2008, a comprehensive five-year energy conservation plan was unveiled which would nearly double our annual energy savings from 7.5 average megawatts, to 14 average megawatts; and double our annual incentive investments from \$21 million to \$42 million. In fact, today, 1.3% of our annual load is conserved.

We have achieved increased savings through a combination of efforts:

Residential

- Rebates on energy efficient appliances. In fact, City Light and Seattle Public Utilities led the effort in the Puget Sound area for energy and water efficient rebates on clothes washers with the *WasbWise* program;
- *Twist & Save* – reducing the cost of energy-efficient compact fluorescent lights (CFLs) for customers, installing more than 3 million CFLs between 2007 and 2010 and (on average) saving residents about \$150/year/household with the installation of 33 CFLs per home
- *Powerful Neighborhoods* – offering energy savings to residential customers, with a focus on low income, elderly and non-English speaking customers installing energy-saving CFLs and providing customers with low-flow showerheads and faucet aerators. Since 2010, about 20,000 customers have received energy saving devices, saving the average household about \$50 – 60 per year. The program now moves to multi-family residences.
- *Multi-family new construction* – providing incentives for more aggressive energy efficient efforts particularly related to windows, insulation and HVAC systems
- *Ductless heat pumps* – creating rebates and incentives for residential customers with electric heating systems to install ductless heat pumps.
- *OPower* – Providing customers with energy consumption comparisons that are designed to motivate behavioral changes in energy use by comparing like energy consumers to one another and providing tips on ways to reduce energy use. And, using customer data (AMI, etc.) to drive even greater energy savings

Commercial

- *Quick Lighting Incentives* - Conversion of old, inefficient T-12 fluorescent lights to more efficient T-8 in advance of the national requirements and phasing out of older, inefficient models
- IT data center project – providing incentives for large data centers to separate their air supply and cooling systems in such a way that large processing units are positioned in a way that reduces cooling requirements

What do you see as future trends in conservation work?

- Deep retrofitting – to do more in an effort to realize greater energy efficiencies in heating and insulating and committing to a “whole building” approach to energy savings
- Attracting external sources of financing for conservation upgrades in private facilities such as efforts by the Clinton Foundation’s Climate Initiative work

- Exploring innovative program models such as pay for performance incentives
- Incentivize new technologies to create even higher efficiencies than currently exist with Seattle's energy efficiency codes and demonstrating the viability and cost-effectiveness more stringent building code requirements
- Continuation of City Light's efforts with LED streetlight conversion. To date, 22,000 of the 41,000 residential streetlights have been converted realizing a cost savings of \$1.2 million. Once the program is fully implemented, annual savings will be \$2.4 million
- AMI integration should provide opportunities to present consumption information to and engage customers in real time, and it will provide data to increase our understanding of how and when customers are using energy
- Working national through the Alliance to Save Energy's National Energy Productivity Commission to achieve 50% more energy efficiency by the year 2030.