

Debra J. Smith

September 17, 2018

Via Email Only

Teresa Mosqueda
Seattle City Councilmember, Position 8
Chair – Housing, Health, Energy, and Workers' Rights Committee
City of Seattle
600 Fourth Avenue
Seattle, WA 98104

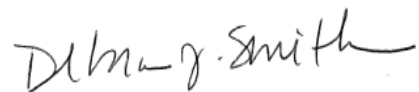
RE: Seattle City Light General Manager Appointment

Dear Councilmember Mosqueda,

I appreciated the opportunity to meet with the Committee on Housing, Health, Energy & Worker Rights last week as part the confirmation process following my nomination by Mayor Durkan to be the next General Manager/CEO of Seattle City Light. I look forward to meeting with you again this week and continuing the conversation.

Thank you again, for allowing me to submit answers to the questions posed by the Council in two parts. Attached are answers to questions 22 through 34.

Sincerely,

A handwritten signature in black ink that reads "Debra J. Smith". The signature is written in a cursive, flowing style.

Debra J. Smith

Energy Production

22. How do you see Seattle City Light supporting increased green energy production, including wind, solar, and geothermal, among others? What role do you see City Light taking with neighboring utilities in the tri-County region and across the State?

There are multiple reasons utilities support and encourage green energy production. Many need the resource because of real or expected growth, or they need a certain type of resource to meet a specific customer's load profile. That's not true for Seattle City Light who is currently selling excess generation into a very low wholesale market, and the resource portfolio is primarily carbon-free. A second reason is to meet state renewable portfolio standards, like Washington's I-937 requirement. My understanding is that City Light is compliant with the I-937 standards established for both 2016 and 2020. A third, and more compelling reason, is to deliver on customer expectations and "do the right thing" for our communities and environment. City Light has long established itself as a utility that values its stewardship role and delivers on customer preferences. That's evident from the metrics published in the 2019-2024 Strategic Plan which show the cumulative megawatts from customer-installed solar growing from 4.0 at year-end 2012 to 20.0 at year-end 2017. That's just one of the programs currently offered. Seattle City Light is an established leader in the state and region and as utilities continue to grapple with a changing business model and BPA contract negotiations in advance of 2028, City Light has a tremendous opportunity to influence the future. I look forward to continuing to collaborate with our neighboring utilities – Tacoma PUD, Snohomish PUD and Puget Sound Energy - on our shared interest in de-carbonizing the electric sector in the tri-county region.

Central Lincoln PUD on the other hand, is a Bonneville Power Administration "full requirements" customer which means we get all required resource from BPA. Slow growth along the Oregon Coast means we have enough power available under our BPA contract to meet all expected growth in consumption for the next eight to ten years. And yet, just last month, our Board of Directors approved a community solar project in the south part of our system. Again, not because we need the resource and not because we need green power to meet Oregon's renewable portfolio standard; but because our customers want local, green, distributed generation and it's our responsibility as community-owned utilities to deliver on customer expectations.

23. The "green is the new gold" approach to energy posits that utilizing green energy investments can break down traditional political barriers while creating family-wage jobs. What do you believe Seattle City light's role to encourage local investment in green energy production should be?

As discussed above, Seattle City Light has been very successful developing and implementing programs that encourage and support customer-installed solar power. City Light also provides grants to non-profits and public agencies to install solar PV on their facilities and community solar programs allow customers who are unable to participate in roof-top solar - for any number of reasons - to support and benefit from solar investment. At Central Lincoln, we worked with the Bonneville Environmental Foundation (BEF) to make the community solar program even more accessible to economically disadvantaged customers. Any unsubscribed output will be made available to that customer population using BEF funds. The partnership reduces non-subscription risk and encourages project implementation. That's the micro view.

At a macro level, the shift to a "clean energy economy" could provide significant benefit to the City of Seattle and Seattle City Light can and should be an important partner in that evolution. For example, electrification of the transportation sector will drive the need for new infrastructure and public investment in charging stations. Continued deployment of renewable energy sources, including wide-spread adoption of battery storage will result in new manufacturing jobs with family-living wages. As the "Nation's Greenest Utility", Seattle City Light has an opportunity to partner with the private sector to influence where opportunities are located.

24. Energy efficiency, via utility programs, appliance standards, and building codes, plus distributed solar, has Seattle City Light's load flat and declining for some customer classes. In light of this, would you recommend any changes to the utility's commitment to demand side management and distributed generation programs?

No. Seattle City Light has a proud history of embracing and encouraging investment in energy efficiency and renewable resources that goes back to the 1970's. Despite having excess power today, the savings that City Light has helped deliver to the region based on their involvement in developing the Northwest Power Act of 1980 are literally in the billions of dollars. Customers throughout the Northwest benefit from that commitment and energy efficiency remains the most cost-effective resource available today. Developing new revenue streams, putting new rate models in place, and right-sizing capital and operational budgets are the answer to declining loads.

Energy and Environmental Conservation

25. Seattle City Light owns and operates large and small hydroelectric projects with very significant fish and wildlife protection obligations. What is your experience with hydropower operations, fish and wildlife restoration efforts, and working with Tribes and local communities on habitat and flow requirements? Would you commit to

maintaining this priority on fish and wildlife protection, flow, and addressing any additional requirements or needs if necessary?

Seattle City Light is well known for the way it manages its hydroelectric projects and mitigates for all impacts. My goal would be to build on that success and continue the long history of stewardship that defines Seattle City Light.

For many years at EWEB, my portfolio of responsibilities included Environmental Management, the lead department in negotiating a new license for the Carmen Smith hydroelectric project, EWEB's largest generation source. At the onset of the process, after establishing as our goal a comprehensive settlement agreement, I sent folks to City Light to learn first-hand from some of the best. The Carmen Smith project is in the headwaters of the McKenzie River which is the sole drinking water source for Eugene as well as home to a vital bull trout and salmon resource. It is also an area of significant cultural resources for the Tribes. Through the settlement process, we balanced those interests with the need to provide an affordable electric power resource for the community. We were successful and after three years of work, an agreement was reached in 2008 with 16 partners including Tribes, river users, resource protection groups, river guides and the residents of the McKenzie Valley.

Later in my time at EWEB, I was responsible for the generation department which included ongoing operations of multiple hydroelectric facilities. Although City Light's projects are larger in scale, if confirmed, I look forward to continuing to learn from the best.

26. The City of Seattle and City Light have a long history of supporting salmon restoration in the region and particularly with the Bonneville Power Administration. In the spring of 2016, the federal agencies were ordered by the courts to conduct a National Environmental Policy Act (NEPA) process to prepare a new Environmental Impact Statement (EIS) for the Columbia and Lower Snake Rivers. Seattle City Light is on record supporting a full and open EIS process that includes evaluation of removal of the four Lower Snake River dams. You have supported a federal bill that would have weakened the Endangered Species Act and narrowed the scope of the EIS to exclude dam removal from consideration. Would you advocate that the City change its position on Lower Snake River dam removal and will you support Seattle City Light's position that the NEPA process should fairly consider all alternatives including dam removal?

I do not advocate changing the City of Seattle's position in this regard and do support Seattle City Light's position that the NEPA process should fairly and completely consider all alternatives including dam removal. I have a strong environmental ethic and Seattle's progressive position on environmental issues is one of the primary reasons I want this job. In many ways, Seattle City

Light and EWEB are similar in their commitment to stewardship and sustainability and I “grew up” in this industry understanding that mitigating for our impacts is critical.

I believe it is always easier to influence change from a seat at the table than from the sidelines. From the time Judge Simon ruled on the Federal Columbia River Power System Biological Opinion, I have advocated for a change in approach at RiverPartners; my position on the Board of Directors afforded me that voice. The path from then to now has been long and the Board has spent the last year engaged in strategic planning with extensive member-outreach. The organization’s focus is clearly changing and while no longer on the Board, I know I have been influential in making that happen.

I would also note that I am a long-term public servant who works for elected officials and my job includes supporting and advocating for their policy positions. I did that at EWEB, I’ve done that at Central Lincoln and I would do so at City Light. During my tenure at Central Lincoln PUD, I worked closely with my Board of Directors to identify solutions that balance the dual priorities of environmental stewardship with economic growth and affordability. Healthy salmon and steelhead populations are essential to our local commercial fishing economy and the Native American tribes in the Pacific Northwest. Central Lincoln sought to prioritize policy solutions that incentivize collaboration over litigation.

Consistent with this guiding principle, while imperfect, my Board felt that the concept behind HR 3144 made some sense. That by temporarily putting in place a federal fish plan or biological opinion based on the best available science of the Obama Administration, federal agencies would have the opportunity to focus on the court-ordered NEPA process without being distracted by ongoing, contentious litigation. I’ve had the opportunity to talk with members of the environmental community as part of this confirmation process and I have a better understanding of the complexity surrounding these issues and the importance of real and open dialogue.

Both in my capacity as CEO of Central Lincoln PUD and as a board member of NW RiverPartners, I fully support a robust NEPA process and I agree that the process should include an honest evaluation of “breaching, bypassing, or removing one or more of the Snake River dams.” Although the version of legislation that was ultimately introduced would have precluded that evaluation, that was never my intent. The Columbia River is a cherished resource that provides the Northwest with the multipurpose benefits of affordable, reliable and carbon-free electricity, flood control, navigation and recreation. We are stewards of this great asset.

I’m a collaborative leader. I don’t have a heavy hand and I am solutions-focused. I’m not litigious and consider litigation a last resort and even then, one that typically falls short. If confirmed, I look forward to working with the Mayor, the City Council and the city’s key

stakeholders to identify practical solutions to tough policy problems. I look forward to collaborating with new folks in Seattle, including the environmental community.

27. What efforts would you champion to support conservation “geotherapy” efforts, including reforestation? Are you familiar with current steps being taken by Seattle City Light? How do you believe these can best be coordinated with efforts from other government and private-sector entities? Do you believe that these efforts should continue to be the role of Seattle City Light? Why or why not?

I look forward to learning more about Seattle City Light’s reforestation efforts and the pilot project currently underway in the Stossel Creek area. In 2016, I participated in a statewide effort in Oregon called the “Greenhouse Gas Business Leaders Task Force”. The effort was staffed by The Nature Conservancy and the 20-member task force included leaders from a wide range of business sectors, including manufacturing, utilities, farming and forestry. The goal was to address climate change by finding ways to reduce greenhouse gas emissions; the outcome of the year-long effort was a set of strategies and measures designed to move Oregon forward on climate change mitigation.

Transportation and energy were priority areas of review but one of the adopted strategies was to “maximize Oregon’s potential to benefit from agriculture, forestry and ecosystem-based climate mitigation solutions.” My role was to represent rural and community-owned utilities but in many ways, I took away more than I gave to the process by learning from business leaders in their areas of expertise. Climate change is everyone’s business and coordination and efficiency of effort is important, but change will only happen if we all commit to doing everything we can.

Customer Service

28. In the past three years, Seattle City Light has worked hard to double the number of customers with low incomes utilizing the City Light 60% rate discount to over 34,000 customers. What is your experience with low-income customer programs such as weatherization, payment programs and bill assistance?

I was responsible for EWEB’s Limited Income Program for many years. When the West Coast Energy Crisis of 2000/2001 hit; EWEB, like many utilities, had no choice but to pass along large rate increases to its customer-owners. At the same time, the Board also approved generous funding for limited income programs to mitigate for the rate impacts. Although initially housed within Customer Service, the General Manager reorganized in the early 2000’s and moved Customer Care, Key Accounts, Environmental Management and Public Affairs into a group that

reported to him, through me. Over the years, we implemented progressive programs, some of which are still available today. Examples include:

- *The Universal Service Plan provided low-income seniors and disabled customers with weatherization services and bill co-payments. The program also included arrearage forgiveness upon successful completion.*
- *The Deposit Guarantor Program provided funds for half of a required service deposit to income qualifying customers.*
- *Customer Care Plus provided qualifying customers with a menu-based approach to weatherization and utility bill management*
- *Customer Care and the post-recession Job Loss Program, both provided traditional bill payment assistance.*

Under my leadership EWEB also committed to regular outside audits of program efficiency and effectiveness and worked collaboratively with county Human Services and local agency partners to prevent shut-off and assist customers in developing budget and financial skills. In 2012 - my last year at EWEB - we served 34,000 limited income households.

The City of Seattle's Utility Discount Program is an important part of providing affordable housing and meeting the needs of Seattle's limited income population. If confirmed, I would work with my partners at the City to increase enrollment and continue the provision of this vital program.

29. Customers continue to raise concerns about billing issues and wait times associated with Seattle City Light's customer service team. At the same time, workers report that City Light's customer service team has essentially remained the same size for nearly 20 years (not including the shared customer service center with SPU), despite significant growth in residential customers. What do you believe is an appropriate customer service representative-to-residential customer ratio, and what steps will you take to improve customer engagement with the utility for residential customers?

I believe community-owned utilities have an absolute obligation to provide outstanding customer service to their customer-owners. As monopolies, I believe we should be held to an even higher standard since our customers cannot vote with their dollars. I don't have enough information about how or at what level the customer service function at Seattle City Light is currently staffed to offer an opinion about the appropriate staffing ratios. I understand that the customer contact center is shared with and operated by Seattle Public Utilities so consulting and collaborating with staff there during my initial review process would be important first step. I can offer a few thoughts about the qualitative inputs to establishing a staffing plan, based on previous work I did leading customer service at EWEB and the customer service redesign work we completed at Central Lincoln.

- 1. The customer count and type of service received (residential, commercial, etc.) is important, but the number and quality of “tools” available for customers to transact business is also a driver. Is there an easy electronic interface for customers to engage online? What’s the penetration rate for paperless billing? Where are high bill questions resolved and does Seattle City Light provide an easy-to-use tool for customers to track their power usage? I’m aware that the 2019-2024 Strategic Plan includes an initiative to modernize customer service and improve the digital customer service experience. What, if anything, can be done as a bridge strategy?*
- 2. What’s the maturity of recent change initiatives, particularly those dealing with technology? Have employees received adequate training on the new software? The recent customer information system implementation has impacted the number and types of interactions as has installation of digital broadcasting meters. What’s the anticipated time to stabilization and where is Seattle City Light on the stabilization curve?*
- 3. What’s the City of Seattle and Seattle City Light’s overall philosophy with respect to customer service and customer interactions? For instance, do customer service representatives have the authority to “adjust to satisfy” within established parameters? Is the goal “one call resolution”? How are issues escalated when resolution can’t be easily achieved and what’s the relative priority of residential, commercial and industrial customers?*
- 4. What’s being measured and how does measurement impact frontline employee focus and results? Are customer service personnel evaluated based on customer satisfaction and issue resolution or on the number of interactions completed? Do call center employees have established call quotas or are performance goals more qualitative? What’s the turnover rate amongst customer service employees and what’s the time to train?*

These are just a few of the questions I would ask if confirmed. My approach would be consistent with the way I tackle all large process improvement tasks - talk to the people involved and impacted by the work and dig into the data; in this case, customer and employee satisfaction/engagement information as well as budgets, capital project overviews, historical metrics and industry benchmark data.

Governance and Public Engagement

- 30. Much of Seattle City Light’s financial difficulties lie in capital projects, and ongoing fixed-costs associated with running the utility. The Review Panel has expressed major concerns with spending priorities, and the Mayor has requested significant cuts to the Capital Improvement Program, as well as routine maintenance and operations, to**

reduce rate increases for customers. After reviewing cost overrun issues, and fixed-costs that are impacting the utility, what do you believe can be done to better manage these costs? Considering the limitations from state law and current rate design, how do you believe these overruns should be paid for?

I have not had an opportunity to review specific cost overruns or talk with City Light staff about ongoing work to reduce expenses, trim the capital improvement plan or control capital project costs in the future. If confirmed, I look forward to doing so.

That said, community-owned utilities only have two ways to fund capital projects or operations and maintenance expense items. Issuing debt is often appropriate if the assets or project has a useful life that justifies cost recovery by future customers. Rate funding is appropriate for most operations and maintenance expenses as well as many capital items. There are lots of theories about the impacts and equity of recovering costs through fixed charge rates versus consumption-based rates and I know the Review Panel will be grappling with these issues over the coming months.

My background is in finance and accounting and I've done my share budget and project review. In general, I look at three things. 1. A variation on activity-based budgeting is value-based budgeting. What are the activities being funded, but more importantly, what is the utility and ultimately customer value proposition for the work that's being proposed? Understanding that is critical. 2. What's the risk of not doing the work? Are reductions or deferrals reasonable in the short term, or will a change in the activity level today result in long-term impacts or service disruptions? 3. What's the impact on people? Customers, employees and community members? Are impacts reasonable given numbers 1 and 2 and will they be felt equitably or are there social justice issues that need to be considered?

I mentioned this in a previous question but where capital or other projects are concerned, there are usually just three legs to the stool – budget, time, or scope. Capital project overruns are sometimes dealt with by scaling back other project components or increasing the time to completion. But when a project has positive economics and the economics are part of the funding package, slowing the implementation can be exactly the wrong approach to take. In the end, it is sometimes best to commit to doing better the next time, moving forward to completion, and deferring other project work if no other funding alternative exists.

31. What experience do you have contacting and involving community stakeholders in infrastructure projects, public works, and policy development? What is your approach to identifying and managing community impacts and what strategies will you use to ensure input from underrepresented constituencies, and to center communities most impacted?

I've previously discussed my experience using the IAP2 Spectrum for designing and ensuring appropriate and effective public participation. One of the most important elements to that work is identifying communities of interest, including underrepresented constituencies, and actively recruiting for their involvement, if necessary. An approach we used at EWEB which I subsequently brought to Central Lincoln, was to reach out to established stakeholder groups and ask them to identify one or more participants for planned outreach initiatives. For instance, Chambers of Commerce can readily identify impacted members of the business community and Community Action Agencies have been great partners in identifying members of the limited income population to weigh in on proposed plans or policy changes.

The Central Lincoln Board of Directors hosts an annual Customer Forum to hear directly from customers and discuss policy issues as well as current and potential product offerings. The forum's location changes each year to encourage maximum participation (Central Lincoln's service territory is 700 square miles.) When I joined the utility, it had become increasingly tough to attract a cross-section of customers that represented the communities we served. By identifying specific communities of interest, we increased the value of the listening sessions for Board Members and provided increased opportunity for customers to be heard. Although the specific constituent groups differ somewhat by geographical location, they generally include parents with school age children including single parents; members of the business community including non-profits, local government, the commercial fishing industry, the tourism and hospitality industry, and small business owners; retirees; the local chamber of commerce; racially diverse customers; college age customers and Tribal members.

Ensuring that all stakeholders have a voice in how their community-owned utility is managed; is and would continue to be, a priority for me if confirmed by the City Council.

32. How do you plan to build public trust and how will you communicate with the City Council on major projects and decisions?

Building trust takes time and a commitment to doing the "right thing" even when the right thing is challenging or unpopular with some. It also requires open communication, responsiveness to issues or problems and timely follow-up, regardless of the resolution. My guiding beliefs around transparency, accountability and intentionality will be the tools I use to build and maintain public trust and keep the Mayor and City Council well-informed.

My hope would be to have an established time on the Committee agenda and regular one-on-one meetings with the Mayor and Council members. I would also expect to provide a written report to Mayor Durkan, and the Council as appropriate, including the status of key projects, a snapshot of emerging issues, and a sampling of the week's successes. One of my mantras in

working with staff is “no surprises” and I strive to do the same in my own reporting relationships. You can count on me to keep you well-informed and to look for advice and counsel as I learn about City priorities and the expectations and needs of Seattle City Light’s community-owners.

33. How will you cultivate partnerships with other City departments, such as the Department of Transportation and Seattle Public Utilities? What opportunities do you see to enhance delivery of City projects in right-of-way?

Creating and maintaining collaborative cross-departmental relationships is always challenging and when successful, incredibly rewarding. EWEB (Eugene Water & Electric Board) provided water and energy services and billed for city-provided sewer and stormwater. Even with shared senior management, there were occasional “rubs” between water and electric operations due to very different cost structures and the allocation of resources. Working together on shared priorities increased the level of inter-departmental cooperation, as did temporary assignments outside of the department manager’s home base. A great example of the former was participation on the EWEB-wide labor management committee.

At Central Lincoln, I’ve used shared performance goals as a tool to increase team efficacy and cohesiveness. Although department managers each have “business as usual” goals that are specific to their area of responsibility, organizational initiatives always involve more than one department manager. Success is dependent on building strong peer relationships.

I understand there are existing cross-department teams in place at the City of Seattle including the Mayor’s Capital Project Cabinet and other large capital project coordinating committees. If confirmed, I look forward to learning about the existing structures and identifying opportunities for Seattle City Light to be an even better partner.

34. Earlier this year the City Council adopted Resolution 31829, implementing SHB 2382 for Seattle City Light properties, allowing for below-market-value property transfers of surplus properties, or below-market-value leasing of underutilized properties, for affordable housing purposes and, where appropriate, interim housing/shelter purposes. What do you see Seattle City Light’s role in addressing affordability and homelessness with surplus and underutilized properties, and how would you balance that with its role as a low-cost energy provider?

Seattle City Light, along with all City departments, must play a role in addressing the City’s homelessness crisis, and I am committed to supporting the City’s efforts on this issue. I also know that affordable housing includes affordable utility services and Seattle City Light has an

obligation to address the cost trajectory in a responsible and responsive manner. As previously discussed, new revenue sources are likely part of the solution. That said, homeless families have urgent needs and providing basic shelter takes priority over almost anything else.

I am still learning about the specific legislation referenced as well as the context and historical background and I look forward to learning more. That said, I applaud the Mayor and City Council for their commitment to repainting this landscape and if confirmed, I will bring my best thinking to the table.