



City Light Review Panel Meeting Meeting Minutes

Date of Meeting: February 21, 2024 | 9:00 – 11:00 AM |
Meeting held in SMT 3204 and via Microsoft Teams “Draft”

MEETING ATTENDANCE					
Panel Members:					
Mikel Hansen	√	Leo Lam	√	Oksana Savolyuk	√
Joel Paisner	√	John Putz	√	Thien-Di Do	√
Kerry Meade		Tim Skeel	√	Amy Altchuler	√
Dawn Lindell (<i>New GM, pending appointment</i>)	√	Jen Chan	√	Julie Ryan (Consultant /RP Facilitator)	√
Mike Haynes	√	Andrew Strong		Craig Smith	√
Kirsty Grainger	√	DaVonna Johnson		Maura Brueger	√
Julie Moore	√	Chris Ruffini	√	Leigh Barreca	√
Greg Shiring	√	Carsten Croff	√	Angela Bertrand	√
Eric McConaghy		Caia Caldwell	√	Brian Taubeneck	√
Jeff Wolf	√	Karin Estby	√	Bridget Molina	√
Pat Leyritz		Siobhan Doherty	√		

Welcome and Introductions. The meeting was called to order at 9:01 a.m.

Public Comment. There was no public comment.

Standing Items:

Chair’s Report. There was no Chair’s report.

Review Agenda. Julie Ryan reviewed the agenda.

Approval of Jan. 24, 2024, Meeting Minutes. Minutes were approved as presented.

Communications to Panel. There were no communications to the Panel.

General Manager’s Introduction.

Dawn Lindell, City Light’s new general manager, joined the organization two days ago. Dawn introduced herself, provided details on her background, and highlighted some of her initial priorities for leading Seattle City Light.

Creating our Energy Future

Currently we are experiencing a new era of challenges and opportunities in this industry, requiring us to do different things, differently. The changing weather patterns present a great unknown and require us to partner broadly to bring the best minds across industries together to find innovative solutions. We can expect increased



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price pressure around renewable energy and there are resource adequacy issues to address. This requires new thinking, including outside the industry in environmentally focused groups. I look forward to starting discussions here on new technologies that could provide grid support and resource adequacy.

One of those to consider is small modular reactors, which can be built modularly and on a smaller scale (e.g. 450 MW) compared to the old very large nuclear plants. They are usually configured in groups of 6 or more units to get economies of scale. They are air-cooled as opposed to water cooled when they need to be shut down. The new technology is much safer than older nuclear plants, taking 10% of the safety zone of what the older, larger plants required. They are a carbon-free baseload resource that can be flexibly dispatched. And the spent fuel is kept on site as spent fuel becomes future fuel. The Department of Energy is looking to fund small modular reactors. There are opportunities to use this technology in the Pacific Northwest as well.

Batteries are critical to manage peak load, especially with more intermittent renewable energy added to the grid. Another resource to explore is iron flow batteries. Batteries are valuable for meeting peak load. Iron flow batteries have a longer life, provide a longer discharge cycle than lithium-ion batteries (6 to 10 hours as opposed to 4 hours). They are not expected to fatigue like lithium ion, and there is less toxicity at the end of life.

Great outcomes are exactly what we need to reverse the climate damage and change the trends – open minded exploration of carbon capture, new generation technologies such as small modular reactors, batteries to help offset peak usage, TOU rates to help reduce peak demand, and open communication for curtailment when needed. I am also committed to system reliability. At City Light, we'll be making investments in infrastructure to continue providing the reliability that our customers need and expect.

Energy Burden

I am excited to see SCL focus also on reducing the energy burden on our disadvantaged communities. We will look for opportunities to partner with organizations to lower the energy burden for those customers.

Workforce of the Future

Creating the energy future requires creating the workforce of the future. We need to be thinking ahead about the types of skillsets we will need now and, in the future, and build to those now. Artificial intelligence and data analytics are critical to our future. Predictive maintenance can greatly improve reliability while reducing costs. We need the expertise and the tools to identify trends and react to them. Therefore, we need to identify the skillsets that we need now to meet our needs in 10 years – not just with analytics and technology, but also in skilled craft employees.

We need to be hiring and retaining our top talent. To this end, we need to pay at mid-market, and we are not. We need to be partnering with local schools and universities so that we can develop the skillsets we need and show how we are an interesting and cool place to work. We also need to train and re-train our workforce. Investment in people demonstrates how much we value our people, engages our team members in helping to address our challenges, and strengthens our connections to the community.

Diversity matters because groups made up of diverse team members have better results. Studies have found that companies with women and minorities on their boards are 20% more effective and racially diverse boards are 36% more effective. Diverse teams deliver 60% better results across the board. Diverse juries spend more time on



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deliberations, look back at facts, and deliver more correct verdicts. Peter Drucker said culture eats strategy for breakfast so we want to create a strong, healthy culture where people can disagree agreeably will help to create belonging and engagement. Investment in both staff and resources is critical. So is effective management designed for continuous improvement, accountable to measurable results including cost avoidance and cost reduction which sends a message that we value that.

Electrification

The largest carbon emissions come from the transportation and building sectors. Building electrification will be increasing City Light's customer load. There are opportunities to add EV charging infrastructure in Seattle. City Light can also help customers learn more about EVs, such as used and new EVs, driving range, battery life, and total cost of ownership. I look forward to learning more about what SCL provides customers.

Q: Regarding small modular reactors, what will it take to get this off the ground? Is there space for a public/private partnership?

A: Yes, there is an opportunity. Right now, many utilities are nervous about heading into the nuclear space, but not having baseload resources is problematic given additions in intermittent renewable energy. The industry needs baseload resources for resource adequacy, to ensure no system outages. These can be scaled from 6-12 units for cost efficiency. When operational, the operator can dispatch one or any combination of units needed to meet demand on the grid.

Q: Do you have thoughts on City Light's portfolio being roughly 85% hydro, between owned hydro generation and the BPA contract? What are your thoughts on our current resource opportunities and challenges?

A: WAPA is 100% hydro – I'm a huge fan! That was part of the draw to bring me here. While we are not in full drought yet, we have seen dryer weather and lower production in recent years. We also have a significantly decreased salmon population, and we want to turn that around. This conversation is ongoing with the Skagit Relicensing effort. We need to invest in fish passage and other mitigation efforts. . With respect to power supply costs, City Light is focusing on forecasting weather patterns and planning for extreme circumstances. Weather events are longer, stronger in intensity, and larger than in the past.

Q: One of the Review Panel's responsibilities is to approve the strategic plan. You've introduced a few new focus areas that have not been discussed for this upcoming strategic plan.

A: SMRs and other new technologies are not something we would be building in the next 5 years, but we need to start the conversation now. Energy Northwest is working on an SMR project in Richland WA and UAMPs in Grant County. We have to start the conversation in the region that we can learn from and address the fears and concerns that our customers and stakeholders have.

Strategic Plan Update. Leigh Barreca introduced the topics related to the 2025 – 2030 Strategic Plan Update. All materials are included in the Review Panel packet.

- a. Draft Revenue Requirement (Kirsty Grainger presented, in the packet.).

Q: The change in forecast is pretty dramatic. How confident are we in its accuracy?

A: The Revenue Requirement is the total cost to serve customer demand. In this forecast, sales volumes are forecast to increase, but costs are increasing faster and at a significant rate. Electrification adoption is an important forecast driver.



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The hardest thing about forecasting is human decisions and actions. Forecasting snowpack is much easier than forecasting policy changes. There is a lot of uncertainty because it is based on what we think people will do. Knowing this, we partnered with EPRI who develops scenarios about adoption levels and government policy, in order to estimate load growth. We are confident that we must add capacity as load grows.

Q: What is the Skagit cost going towards?

A: A portion of the costs are for ongoing investments that we would do regardless of current relicensing negotiations, such as generator rewinds and turbine replacements. The additional costs are for species protection, mitigation, and enhancement work will need to be done as part of the relicensing agreement. This includes fish passage, estuary enhancement and mitigation, and recreation. These will be big investments over the 50-year license.

Q: What are the assumptions that are driving the changes in Net Wholesale Revenue (NWR)?

A: We are planning to bring in new resources through Purchase Power Agreements (PPAs) to meet the future load increase. The NWR is increasing because there are periods when we have surplus to sell. As we acquire more resources, that means more surplus power sales during low demand periods. The NWR is the revenue we receive when we sell the excess power into the wholesale power market.

Q: We knew there would be increasing costs for the Skagit Relicense, but what did we miss in estimating contingencies? What lessons were learned?

A: The timing and scale of the investments were difficult to forecast. We have been at the table with the settling parties for close to four years. We didn't know what their requests would be at the time of the last strategic plan revenue requirements forecast. Additionally, the timing of implementing the components of the agreement is important with investments this large. There are 30+ parties that are part of the negotiation—each with their own desires and interests.

Q: Can we go through the capital budget in more detail? [posed by one panel member] Could we see the information in terms of ongoing investment as opposed to new investment? [posed by another panel member]

A: We will return next month with more information. As we are a public entity, anything we add to the budget is in the public domain. We are currently at the negotiation table and the conversations are "privileged" (i.e., confidential) so we cannot disclose some details.

Q: For the last 6 or so years, our load forecast has gone down and that was why rates had to go up as fixed costs were spread out over lower volume sold. Now that your load forecast is increasing, why are costs per customer still going up?

A: Correct, if costs did not change, we would expect the rate per customer to decrease as we sell more energy. However, the prices for future power supply are much higher than in the past. The forward market price is \$80-90/MWh, compared to a historical price closer to \$30/MWh. In the real-time market, the price volatility is even higher. In a low demand period, prices may be at \$30. But during high demand hours, prices rise. For example, over the MLK weekend, there were hourly prices at \$1000/MWh, when demand was high.

Unfortunately, when we have surplus to sell, the wholesale market price tends to be lower. And, when we need to buy in the market, so do other utilities, which drives up the price. This makes supply price forecasting extremely difficult,

Q: Why have capital costs increased 10% in one year?

A: The capital forecast is larger than in the prior six years. We are still working on the forecast and there are some



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placeholder assumptions. We will provide details as we have them.

Q: When developing the forecast, how much is your own power vs. acquiring from others?

A: Our 2022 IRP included a market reliance assumption of 200MW. This has been a common assumption for us and more broadly in the industry. But we will be reevaluating that planning assumption in our next IRP.

Q: Do we really expect transmission expenses to be this low in the forecast? The past 8 years of history indicate were higher, and wouldn't we expect the same or higher costs going forward?

A: We do not anticipate any new transmission builds similar to those in 2018 and 2019. The forecast estimate reflects maintaining our transmission. Also, this category does not include purchased power transmission. That said, you do bring up a good point and we will take another look at those numbers.

Q: What is the "optimal" debt service coverage ratio (DSC), to balance affordability in the short-term vs future rates. Why is the DSC higher in the later years of the forecast (e.g., 2.4 in 2030)?

A: Debt service coverage is our primary performance indicator—we are balancing how much we pay for investment up front vs how much of the investment cost is spread over future years. This is a strategic issue for us – balancing a stable rate path with affordability in the near term and we target a 1.4 ratio. We also try to smooth rates over the time horizon. Keeping the rate increase at 3.6% in the last three years of the forecast resulted in these DSC ratios.

b. Strategic Outcomes (Angela Bertrand presented)

Q: Can you explain what the second and third items are in the financial stewardship section?

A: The second item, "Align resourcing strategy with customer priorities", refers to aligning our spending to services and products that our customers want. The third item, "Limit burden on residential customers", refers to energy burden, to seek ways that we can decrease the cost of power to our low-income customers through energy assistance programs.

Q: Is there more detail to how you will serve your low-income customers? Are you contemplating changing your rate structure and/or making your assistance programs more readily available?

A: Yes, we will present that to you in March. There is an ongoing City-wide program that is looking at utility discount programs and developing ways to make them more accessible and to develop strategies to increase enrollment.

Q: Do we exclude Section 8 residents (who also receive a utility allowance) from enrollment in the UDP? I assume NO but just wanted to confirm.

A: (The answer was provided after the meeting ended) Good question! We do not exclude them. In fact, Seattle Housing Authority includes Housing Choice Voucher tenants on the annual list we receive from them to use for auto-enrolling customers into the Utility Discount Program, UDP.

Adjourn. The meeting was adjourned at 11:01 a.m.

Next meeting: March 2, 2024, 9:00 – 11:00 a.m.