



City Light Review Panel Meeting Meeting Minutes

Date of Meeting: April 17, 2024 | 9:00 – 11:00 AM

Meeting held in SMT 3204 “Approved”

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	√	Drew Grissom	

Welcome and Introductions. The meeting was called to order at 9:04 a.m.

Public Comment. There was no public comment.

Standing Items:

Chair’s Report. Leo Lam welcomed everyone to the meeting.

Review Agenda. Julie Ryan reviewed the agenda.

Approval of March 20, 2024, Meeting Minutes. Minutes were approved as presented.

Communications to Panel. There was one communication to the Panel regarding a customer’s inquiry about getting service at his construction project. This inquiry was forwarded to the City Light Escalation Team and is being resolved.

The Strategic Plan submission timeline was pushed forward until June 3rd, so the Panel will have the May 15th meeting to work on their letter.

Q: When will the Panel present the Strategic Plan to the Council?

A: Current schedule would be for July 5th, though this meeting may be cancelled due to the holiday. Timelines will be adjusted if that occurs.



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General Manager's Update.

Good morning! It is great to see you in person. We truly appreciate the time and commitment you have made to working with us and I am so happy to really meet you today.

It has been just about a month and a half at Seattle City Light! It's been a busy and informative time, and I'm benefitting from conversations with employees, customers, regional leaders, community partners, and our colleagues across City government. I thought I'd share some of what I've been up to!

1. Wholesale market trading in the Pacific Northwest

Twenty-four hours a day, seven days a week, City Light's Power Management Division is transacting in the wholesale energy market. Grid physics demand that the system is always balanced, matching "resources" (supply) with "load" (demand). If resources are below load, we are out in the wholesale market buying electricity. If resources exceed the amount our customers need, we sell power.

By their nature, wholesale market transactions pose financial risk. They are also a significant part of our budget and operations. If a cold snap hits Seattle, and everyone turns up the heat, creating a sudden spike in load, we go out on the market to buy megawatts from other energy-producing entities to cover the gaps. Drought last year caused hydropower to lag in the Pacific Northwest. As a result, City Light spent \$131 million on purchasing power and sold \$66 million – we were a net importer. Many thanks to our energy traders and our control centers for ensuring City Light can match resources to load and can help offset costs through wholesale market transactions. More than 88% of the power we deliver is generated from renewable hydroelectricity. We must identify more renewable sources, such as wind and solar, to power our energy future. We have signed two contracts for Solar in the past few weeks, making progress on this need.

In response to this, I made clear my desire to tackle the monumental shifts in the energy market with Seattle City Councilmembers when I appeared before the Council's Sustainability, City Light, Arts & Culture Committee for the first time in my role as general manager and CEO on March 15. I joined City Light leaders to brief the Council committee on the utility's Wholesale Energy Risk Management (WERM) policy, which establishes how the utility operates in the wholesale energy market. We continue to work with our committee to amend policies and practices.

2. A tour of City Light's 'nerve center'

I'd also like to acknowledge the power dispatchers at our System Operations Center (SOC) who work around the clock to manage transmission, distribution, and generation dispatch, as well as provide oversight of power system automation activities. Last week, I toured the SOC, which houses a control room and critical power management infrastructure. It functions as a sort of nerve center for City Light, where critical work happens behind the scenes to ensure we balance our load. I visited our South Service Center last week and look forward to visiting the other sites this spring.



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3. Engaging with top public power leaders

I've spent the past month on the move, including a quick trip to Pasadena, Calif., for the American Public Power Association's CEO Roundtable. We discussed a range of topics, including issues compounding grid reliability and the impact of artificial intelligence on the utility industry. I've heard AI and energy referred to as the new "power couple." As a former utility Chief Information Officer, I recognize the critical role of AI for managing the grid of the future. However, risks associated with AI must also be considered and addressed before the technology is scaled across the sector. Keeping in mind energy moves at the speed of light, we also need tools to manage it at that speed as well.

4. Stakeholder meetings

In late March I had the opportunity to meet with several of City Light's key stakeholder groups: BOMA (the Seattle Building and Managers Association,) an environmental roundtable, a homebuilder consortium, and a Franchise Suburban cities session. During each of these meetings I was able to introduce myself and to share our strategic planning and rate process with them. In addition, these were good venues for our stakeholders to share their concerns with me.

5. Hydro Power Production (from an article on the Marketplace website)

U.S. hydropower production was down 11% from the year before and dipped to a 22-year low last year, according to the federal Energy Information Administration. With climate change making drought patterns more volatile, places that rely on hydro are having to look for alternatives, just like we are.

About half of the country's hydropower is generated in the Pacific Northwest. The region saw high spring temperatures and early mountain snow melt last year. "The earlier melt that we've been seeing for quite a while is a relatively clear climate change signal," said Adrienne Marshall, a hydrologist at the Colorado School of Mines.

Early, rapid runoff makes it harder to store water and generate hydroelectricity year-round, she said. So, utilities turn to other power sources.

We spent in the neighborhood of \$100 million purchasing supplemental power for our customers last year," said Kirsty Grainger, the CFO of Seattle City Light, the city's electric utility. To make up for the hydro deficit, she said it bought natural gas power, which emits more carbon than hydro does, as well as some solar energy. "So, it increased rates for all of our customers by 4%," Grainger said.

Seattle is working to further diversify its energy portfolio as hydropower gets less reliable, she added. With variable weather the diverse portfolio becomes even more essential.



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6. EV adoption in Washington (from an article on NPR/KUOW website)

Demand for electric vehicles has been surging more in Washington than in any other state, according to data provided by the Electric Power Research Institute (EPRI).

One in five new cars sold in Washington in 2023 can plug into an electrical outlet. EVs' market share in the Evergreen State was higher than in any other state except California, and its growth was the highest in the country in 2023. We know EV load of us is on the rise, confirming our forecasts.

Electric vehicles' share of new passenger-vehicle sales rose from 18% in the first half of 2023 to 23% in the second half, according to Washington Department of Licensing data.

7. Affordable housing

In the last week of March, the site of a former City Light substation will be transformed in Highland Park into housing, "affordable homeownership" to be specific, with ground floor commercial space. The City Council voted in December to approve transferring the 10,000+ square foot parcel from City Light to the Office of Housing for \$424,000 (the appraised value) in mandatory housing affordability fees from developers who chose to pay fees instead of building affordable units in their projects. The Office of Housing will open a request for proposals for developers interested in the site. It is projected that the site might be able to house 16 units. This was completed with tremendous support from Mayor Harrell and Marco Lowe.

A couple of other things before we jump into the meeting:

Today we will see another presentation on our rate path. This rate path reflects the financial policies we updated as part of our debt management strategy work. Those updated policies will be included in a stand-alone resolution as part of the strategic plan sent to Council. We continue to make adjustments to the rate path with the dual goals of limiting the burden on our customers while also providing the revenue necessary to deliver reliable service.

In this strategic plan we continue our commitment to 5 priorities:

- Service to our customers, including process improvements to our service delivery model, a project we refer to as Service to Bill, the goal of which it to improve predictability and length of service connection timelines.
- Creating an energy future that supports increased load from customer electrification and decarbonization efforts requires investment on our part in both infrastructure and procurement of alternative energy sources.
- Creating an agile workforce requires investments in employee training, leadership training, and a focus on our culture so all employees feel supported and have opportunities for growth.



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- Financial stewardship and accountability, which means that all employees are well versed in our financial policies and have the knowledge needed to fulfill SCL's stewardship of rate payer dollars.
- And with We Power we focus on the work needed to continue optimizing our unique power delivery infrastructure. As you know, we are currently in negotiations for the relicensing of Skagit. We will be happy to give you an update when this process is completed.

We are excited to see where the outcomes and programs in this strategic plan take us in coming years.

Q: To follow financial outcomes with regards to drought, were those numbers this winter or last winter?

A: It was in the calendar year of 2023, so it was in December. We also had a cold snap in 2022 and January of 2023 was a very dry year. There was a deficit in 2022 that continued through 2023. In 2023 we had surplus through November. This first quarter of 2024 was also surplus.

Q: Is the \$100 million tied to the \$60 million from this January?

A: The \$100 million was the Rate Stabilization Account (RSA) deficit.

Q: Since December 2022 you had discussed bringing in a risk management consultant.

A: Yes, we have risk management policies working their way through the Mayor's Office and City Council. We will also be bringing in an external audit perspective following this process. We haven't asked for an update to these policies since 2015. We're finding that as we join external markets, we need to be able to provide updated, accessible policy documents. The previous document had both parameters and process steps. Our new version will be simpler in that it will focus only on parameters of how to operate in the market, not the process steps. Pulling the process out allows us to be able to operate with greater agility in this space.

Q: Will you be sharing these policies with us?

A: Yes, we can share the materials we have presented to the Council with you.

Q: You commented that the labor market is still very tight. What is your prediction on that?

A: There are a few areas that we need to consider. First, we need to raise employee pay to market rates. 95% of our employees are represented across 16 unions (23 across the City). Many of our employees can only afford to live in Snohomish or Pierce County while they work here. Once we get pay rates adjusted, we will recruit in earnest, as we will then be competitive in the market. Two, this is a good place to work. I've spent time at SOC and South Service Center and people are grateful to work here. Three, we need to build a culture where people feel comfortable and look forward to coming to work. We're working on succession planning and identifying the workforce of the future as this is a different skillset than what we need now. We're doing both leadership training and employee training. We are engaged and working on this – we want it to be a fun place to work.

Q: What percent of the 95% are allowed to work remotely.



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A: The 2 days in person applies to our entire office workforce. Operational boots on the ground staff are in person all day, every day and have been through the pandemic. 2/3 of our workforce work in Operations.

Power Marketing Overview. Siobhan Doherty presented. Materials are included in the Review Panel packet.

Q: Is there solar here in the power mix?

A: There is none on this chart but there is some wind. The two contracts for 40 and 45 MW that we recently signed will begin in 2025 and the projects are based in Oregon.

Q: In the EIM, my understanding is that there are prices that are set.

A: We submit the price at which we are willing to sell. We set a high price so our unit will not be dispatched, if we think we will need the power later in the day.

Q: Is the 2024 hydro assumption an estimate? Will this be updated?

A: This may be a little high to you, given the current water year projections being low. However, what you are seeing here is calendar year 2024, which spans the end of the current hydro year, and includes the beginning months of the next hydro year (which commences in October). The forecast is currently normal for the next hydro year. We are expecting a transition to la Nina in September bringing wetter weather.

Q: Do you have a sense from relicensing about how many more constraints on the hydro projects that there will be?

A: The flood control operational constraints will shift – the Corps of Engineers has a big say in that. Flood control will happen a little earlier in the season. It's a big issue for the Skagit Valley – the agriculture community cares a lot about this. This might actually be good for markets. Right now, we don't typically start drawing down the Ross reservoir down until February and that might shift.

Q: Does the Energy Imbalance Market (EIM) add volatility to the wholesale market price?

A: In the long-term EIM brings value through coordinated dispatch of the most economic units across the region. In the short term, sometimes events compound. We will sometimes see market prices that reflect multiple utilities trying to cover peak demand.

Regarding the higher market prices and increased volatility, it is not the EIM causing this but rather weather events are longer, stronger and in a larger region. Everyone is trying to buy the same power, driving prices up. These are "100-year" or "1,000-year" events using historical data series, yet they have occurred multiple times in the past five years. This is an industry problem. Across the industry CEOs are being encouraged to plan for more of these lifetime events. We will need to budget to buy at a high price at least once a year in addition to hardening our infrastructure.

C: Surprised to see the levels of natural gas usage on the chart. It seems like it went down and then back up.



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A: That is a correct observation. Natural gas has lower emissions compared to coal, but gas generation is generally declining due to new carbon policies. But, in years when hydro conditions are dry, the existing natural gas plants are dispatched at a higher rate to meet regional demand.

Q: Is the gap in supply relative to demand in August due to drought?

A: We usually have a gap in August as that is when we have the fewest resources. Also, summer air conditioning demand is increasing.

Q: Why is there no BPA contract in June?

A: Historically, because we have had surplus energy in June, we have not requested long term contract power from BPA in that month.

Q: It's hard to draw too many conclusions going back to 2020 due to COVID.

A: Yes and going back you'll see many years that look like 2020 did. It mostly decreased load but did not change usage patterns.

Q: In addition to acquiring resources, is City Light also adding load management programs?

A: Yes, we have load management in the model assumptions. We will incur some costs to add staff and software to deliver these programs that will help reduce peak load.

Q: Will we hear about EDAM (Day Ahead) and Markets Plus?

A: We're exploring all of the options. Markets Plus is still under construction – it's an idea not yet a reality. As the markets develop and we have more data on which to base our decisions, we will share this with you at a future Review Panel meeting. We will eventually have to decide which market to join, if any. We want to join the market that best benefits us. We can't stay solo as we need people to trade with.

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. Revenue Requirement and Rate path Follow up (Kirsty Grainger presented. Materials are in the Review Panel Packet).

Q: Why did you pick 30% percentile assumption for future hydro?

A: It is a conservative planning number based on the previous 25 years and made sense to us given the recent five years of dry conditions. The last rate path used a planning value of \$40M for wholesale net revenue. That was a policy number and was not tied to a specific resource stack or price. On slide 6 of the presentation, you can see the prior year planning assumptions. In prior years, we had adopted a more conservative planning number, and we have found it was not conservative enough. We need to balance that more conservative forecasts raise rates.

Q: I thought you were buying solar because you're short?

A: Yes, on an average basis we have adequate resources today, but we will need more resources to meet



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demand in future years. However, we are limited to clean energy resources due to CETA. Solar is not the only resource that we're looking at. However, at this time, we believe that we can use hydro storage to store solar power in the middle of the day, and then use the stored solar later in the day to meet load during the evening peak hours. For the purposes of the rate path, we are using some assumptions based on available information today. And we will continue to update the financial model as we develop the integrated resource plan and receive actual offers from sellers.

Q: The other side of this is demand-side resources. Is that factored in here?

A: It is factored in. We are working on bringing these into our portfolio in a meaningful way.

Panel member comment: It would be helpful to see in a table how the assumptions have changed from the prior Plan to this Plan.

- b. Strategic Plan draft (Leigh directed the panel to the packet)
- c. Outreach Report (Leigh directed panel to the packet)
- d. Review Panel letter discussion (Julie asked the panel to contact her and Leo with edits to the letter)

Adjourn. The meeting was adjourned at 11:22 a.m.

Next meeting: May 15, 2024, 9:00 – 11:00 a.m., via Teams.