

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
City Light	Chris Townsend	Christie Parker

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to the City Light Department; authorizing the Mayor or her designee to execute a Comprehensive Settlement Agreement, five Off-License Agreements, and other related agreements for purposes of relicensing The City of Seattle’s Skagit River Hydroelectric Project before the Federal Energy Regulatory Commission; and ratifying and confirming certain prior acts.

Summary and Background of the Legislation:

In 1927, the City acquired a fifty-year license to operate the Skagit River Hydroelectric Project. Following a renewal process that began in 1977, a 30-year operating license was issued by the Federal Energy Regulatory Commission (FERC) in 1995. This license expired on April 30, 2025, and the project has since operated under annual licenses.

As required by the Federal Power Act, the Department has been engaged in the FERC Integrated Licensing Process (ILP) since 2018. This involved active negotiations with State, Federal, Tribal, and other license partners. After five years of intensive meetings, the City has developed a comprehensive Settlement Agreement that resolves all outstanding issues and impediments to relicensing.

The proposed Skagit Project Settlement represents a historic package of integrated actions and commitments designed to protect, mitigate, and enhance the resources of the Skagit River Valley while securing a reliable long-term source of renewable and affordable electricity for the City and region.

The attached Ordinance will authorize the Mayor or her designee within the City Light Department to sign the Settlement and related agreements on behalf of the City of Seattle. This authorization will allow the City to file the Settlement and Amended Final License Application with FERC. Subsequently, FERC will initiate the environmental and public review phase of their rulemaking. This will lead to the ultimate acceptance of the license package, and its associated financial implications, via a separate future ordinance anticipated no earlier than 2030.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? **No**

This legislation does not directly fund or modify the budget or the CIP. Any necessary changes to the budget or CIP will occur through annual budget development and budget supplemental processes. The Skagit License is an intangible capital asset and the relicensing program is a

capital project. Accepting the ordinance will create new obligations totaling approximately \$42 million over the next 5 years in the form of signature payments to certain parties and Early Implementation actions committed to in the Comprehensive and other settlements.

Project Name:	Master Project I.D.:	Project Location:	Start Date:	End Date:	Total Project Cost Through 2031:**
Skagit Relicensing	XS6986	Skagit	2018	2030*	\$140,657,000

* The Skagit Relicensing CIP is scheduled to close in 2030. At that time, a new CIP project will be established for the new license.

** Includes prior year costs.

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? Yes No
 See Section 3d below.

3.a. Appropriations

This legislation adds, changes, or deletes appropriations.

Fund Name and Number	Dept	Budget Control Level Name/Number	2026 Appropriation Change	2027 Estimated Appropriation Change
TOTAL				

Appropriations Notes: NA

3.b. Revenues/Reimbursements

This legislation adds, changes, or deletes revenues or reimbursements.

Anticipated Revenue/Reimbursement Resulting from This Legislation:

Fund Name and Number	Dept	Revenue Source	2026 Revenue	2027 Estimated Revenue
TOTAL				

Revenue/Reimbursement Notes: NA

3.c. Positions

This legislation adds, changes, or deletes positions.

Total Regular Positions Created, Modified, or Abrogated through This Legislation, Including FTE Impact:

Position # for Existing Positions	Position Title & Department*	Fund Name & Number	Program & BCL	PT/FT	2026 Positions	2026 FTE	Does it sunset? (If yes, explain below in Position Notes)
TOTAL							

* List each position separately.

Position Notes: NA

3.d. Other Impacts

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.

Yes, this legislation has direct and indirect financial implications. Direct effects comprise approximately \$42 million in settlement payments and early implementation actions. These financial implications are reflected in the Skagit License forecasts through 2030. The indirect effect is informed by forecasts of the estimated financial impact of meeting the obligations of the Comprehensive Settlement Agreement, related settlements, and the new FERC License over the 50-year prospective period of the license once it is issued by the FERC (anticipated no earlier than 2030). These estimates will be confirmed at the completion of the environmental review and public comment period required before FERC can formally order the new License terms and provide certainty. City Light anticipates preparing a separate ordinance for the purpose of accepting the new license. Funding for financial obligations of the settlement agreements and the new License will be met through appropriations approved as part of the annual budget process.

The long-term implications are positive in that the new Skagit License will provide more economic certainty for ratepayers while preserving the City’s commitment to environmental stewardship. The Skagit River Hydroelectric Project provides 20 percent of Seattle’s annual electricity needs and is a reliable and renewable resource. The new license will allow continued operations for up to 50 years, providing certainty for financial planning purposes. This certainty has been balanced with significant environmental and capital improvements to Skagit Project facilities, the enhancement of native fish, protection of endangered plant and wildlife species, preservation of historic and cultural resources, new and improved recreational access and facilities, protection of water quality in the Skagit Project area, and continued stewardship of over 13,000 acres of conservation land holdings in the Skagit Valley.

The estimated total cost of the license proposal is \$4 billion (2025 dollars) over 50 years. These estimated costs include:

- \$1.8 billion for capital improvements to dams and facilities
- \$979 million for fish passage
- \$350 million for off-license agreements
- Other protection, mitigation, and enhancement measures
- Operations and maintenance costs.

The estimated cumulative impact of the new license costs is an increase in retail rates of approximately 5% during 2027 to 2032, the period of City Light's upcoming Strategic Plan update.

The Federal Power Act requires the City of Seattle to obtain a new license to operate the Skagit Project, and the City will be bound by the terms of the new license, including funding the costs of implementing the protection, mitigation, and enhancement measures. It is in the best interest of the City to enter into the settlement agreements and accept the new License in order to show its commitment to the new measures, to preserve City Light's power portfolio, and to achieve more certainty in financial forecasting. Failure to obtain and comply with the new FERC license will result in financial penalties and ultimately the requirement to stop operating the Skagit Project and purchase replacement power on the open market.

If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.

This legislation has costs detailed in Section 2 that have been included in the City Light CIP program for Skagit Relicensing (MC-CL-XS6986).

Please describe any financial costs or other impacts of *not* implementing the legislation.

If this legislation is not adopted, City Light would be in a position of rejecting the Comprehensive Settlement proposal and would need to continue the Relicensing via the Integrated Licensing Process but would do so on a contested basis without the benefit of resolution of several issues carrying significant financial and regulatory risk. A failure to relicense the project would result in loss of the ability to operate the Skagit project and a need to purchase power on the open market. The cost of that power purchase is likely to exceed the costs of this agreement.

Please describe how this legislation may affect any City departments other than the originating department.

The legislation is not anticipated to affect other City departments.

4. OTHER IMPLICATIONS

a. Is a public hearing required for this legislation?

No

b. Is publication of notice with The Daily Journal of Commerce and/or The Seattle Times required for this legislation?

No

Does this legislation affect a piece of property?

Yes. The Settlement Agreements and new license will require real property transactions that will be authorized under separate future legislation as needed.

c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.

i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.

The Skagit Project boundary is located in the traditional territory and homelands of several Washington Treaty Tribes, including the Sauk-Suiattle Indian Tribe, Swinomish Indian Tribal Community, and Upper Skagit Indian Tribe, as well as bands and coalitions of Canadian First Nations. Indigenous peoples have been historically overburdened, underserved, and constitute as disadvantaged and environmental justice communities. The Settlement Agreements include significant commitments to restorative justice by addressing the unique interests of impacted Tribes and First Nations, including protection, mitigation, and enhancement measures related to fish, aquatics, botanicals, wildlife, natural, environmental, and cultural resources.

ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.

Please see Attachment A.

iii. What is the Language Access Plan for any communications to the public?

The Department will provide a translation upon request.

d. Climate Change Implications

i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.

The Skagit Project is a renewable energy project. Most of the electricity City Light provides to customers comes from several utility-owned hydroelectric resources located in the Pacific Northwest. To make up the difference, City Light purchases any additional power needed from other energy providers. Without the Skagit Project,

City Light would need to purchase additional power from these energy providers, which could be from emitting or unspecified sources. Power purchased by City Light from emitting or unspecified sources to meet customer load requires the retirement of carbon offset credits to account for potential greenhouse gas emissions associated with these purchases.

- ii. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle’s resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.**

Relicensing the Skagit River Hydroelectric Project will increase the climate resiliency of City Light’s energy services. City-owned hydropower provides year-round electricity generation. The Skagit Project includes a dedicated transmission line to Seattle that provides energy security and resiliency through that dedicated connection. Additionally, the terms of the new license specifically emphasize flexibility and storage to facilitate integration of new renewables such as solar and wind, supporting the region’s energy transition. The Skagit Project also supports water management in the Skagit River under extreme conditions exacerbated by changing climate such as floods and drought.

- e. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program’s desired goal(s)? What mechanisms will be used to measure progress towards meeting those goals?**

NA

- f. Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

NA

5. ATTACHMENTS

Summary Attachments:

Summary Attachment A - Skagit Environmental Justice Excerpt