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Summary and Fiscal Note

1. Legislation Summary

Department: Seattle City Light

Title: An ordinance relating to the City Light Department; authorizing the General Manager and Chief Executive Officer of City Light or designee to execute the First Amendment to Boundary Hydroelectric Project Relicensing Settlement Agreement and other related agreements for amending the Federal Energy Regulatory Commission License for the Boundary Hydroelectric Project; and ratifying and confirming certain prior acts.

Background: Seattle owns and operates the Boundary Hydroelectric Project, FERC Project No. 2144 ("Project") and is the licensee for the Project. The Project produces approximately 1000 megawatts of power, which currently meets about 35% of the City's electricity needs. The current license was issued in March 2013, has a term of 42 years, and has not previously been amended. City Light and the licensing participants worked for more than 2 years to successfully conclude negotiations on terms and conditions for the First Amendment to the Boundary License. After the amendment is filed with FERC, FERC will begin its review and will likely take 12-18 months to complete. The approved amendment will remain in effect through the end of the license term in 2055.

The Amended License issued by FERC will defer the implementation of the Reduction of Project Related Entrainment program (Entrainment Reduction) until the next license period. Entrainment is the passage of fish through the project via the turbines, spillways, or sluice gates which can lead to mortality. Deferral of the entrainment reduction program will produce savings of approximately $100,000,000 in this license period. The Amendment also eliminates three additional License measures (Mainstem Gravel Augmentation, North Fork Sullivan culvert replacement, and installation of engineered log jam structures (ELJs) at three tributary mouths) generating additional savings of approximately $12,000,000.

In exchange for removing these obligations from the current License SCL agrees to expand operations of the Native Salmonid Conservation Facility (hatchery) to include propagation of native Westslope Cutthroat Trout for regional needs, to expand spawning capacity by constructing an additional building at the hatchery (second species building), and to create a $4,000,000 Second Species account to fund agency and tribal field work related to regional native salmonid restoration. Anticipated construction cost for the second species building is approximately $7,000,000. No new funding or staffing is being requested for this Amendment.

Summary Attachments: None

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2. Capital Improvement Program (CIP)

Does this legislation create, fund, or amend a CIP Project?

☐ Yes

☒ No

a. CIP Project Name: Boundary License Mitigation
b. Master Project ID: XB6987
c. Project Location: Pend Oreille County, WA
d. Start Date: March 20, 2013
e. End Date: February 28, 2055
f. Total Project Cost: $316 million

This legislation does not directly amend a CIP project; however, it does alter the commitments required for Boundary Licensing which should result in reduced costs in the near term. Any changes needed in this CIP will be reflected in one or more future budget actions.

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3. Summary of Financial Implications

Does this legislation have financial impacts to the City?

☐ Yes

☒ No

This legislation does not change appropriations; however, it is anticipated that this action will result in relief from $100 million of future financial liability.

3d. Other Financial Impacts

a. Does this legislation create any other financial impacts for The City of Seattle, such as direct or indirect costs, one-time or ongoing, that aren't mentioned above? If yes, please explain these impacts.

This project removes more than $100 million of future financial liability for the design, construction, and operation of multiple license measures that were determined to not likely be able to meet their original intended objectives. The following table outlines the changes to commitments and liabilities:

Type	Action	Item	Original Settlement Commitment	Anticipated Expenditure Date	Revised Settlement Commitment
CIP	Deferred	Entrainment Reduction program—deferred to next license.	~$100,000,000	2027-2041	(~$100,000,000)

CIP	Remove	Mainstem gravel augmentation, North Fork Sullivan culvert replacement, engineered log jam structures	~$12,000,000	2028	(~$12,000,000)
CIP	Add	Second Species Building	-	2028-2030	~$7,000,000
O&M	Add	Second Species Fund (SSF)	-	2028-2042	$4,000,000
O&M	Transfer	Regional hatchery operations — funded by reallocating remaining Entrainment Reduction program spending	$23,000,000	2028-2055	$16,000,000

b. If the legislation has costs that can be covered within the current budget, explain how. Does the department have extra resources in its budget to handle these costs? Or does the department need to shift resources away from other work to handle these costs?

All costs for this amendment were developed to fit within the existing 6-year forecast budget for the Boundary License implementation. Funding of the conservation fund and construction of the new building at the hatchery is fully funded through the 2026 Adopted CIP in project Boundary- Licensing Mitigation (MC-CL-XB6987). No additional funding requests are anticipated because of this License Amendment; however, some CIP funding will be transferred to City Light's operations budget in the 2027 Proposed Budget and CIP.

c. What financial costs or other impacts might happen if this legislation is not implemented?

If legislation is not approved and City Light does not sign and file the License Amendment, SCL would be required to spend the remaining $16,000,000 of prescribed funding to complete the initial study and design phases of the entrainment reduction project. Per the License SCL would then provide an additional $47,000,000 beginning in 2032 for the initial implementation of entrainment reduction measures. Based on the construction cost of similar programs in the region, City Light would likely need to provide supplemental funding in order to be able to complete construction, estimated to be $30M-$50M. If SCL were required to complete entrainment reduction measures, it would also be impossible to rule out mandated operational changes that could affect our ability to generate power. Neither operational changes nor labor costs have been estimated or included in City Light's anticipated cost savings estimate.

The three additional projects that are proposed to be removed from the License (Mainstem Gravel Augmentation, North Fork Sullivan culvert replacement, and installation of engineered log jam structures (ELJs) at three tributary mouths) would need to be studied, designed, and implemented costing approximately $12,000,000.

d. How might this legislation affect other City departments besides the one that proposed it?

There are no anticipated effects to other City departments.

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4. Other Impacts

a. Does this legislation require a public hearing?

☐ Yes

☒ No

b. Does this legislation require a notice to be published in The Daily Journal of Commerce and/or The Seattle Times?

☐ Yes

☒ No

c. Does this legislation affect a piece of property?

No.

d. Race and Social Justice Initiative impacts:

1. How does this legislation affect vulnerable or historically disadvantaged communities? How did you come to this conclusion? Please consider both impacts within City government (like employees and internal programs) and in the broader community.

The Boundary License Amendment will create a positive impact for the Kalispel Tribe. The Tribe initiated discussions with City light outlining the underlying concept of this amendment and played a key role in the negotiation. The outcome of the changes to the License will specifically target the Kalispel

Tribe's pursuit of restoring native Westslope Cutthroat and Bull Trout populations within the Pend Oreille River basin.

2. Please attach any Racial Equity Toolkits or other racial equity analyses used to develop or assess this legislation.

N/A

3. What is the Language Access Plan for communicating with the public about this legislation?

The Department will provide a translation upon request.

e. **Climate change impacts:**

1. Emissions: Will this legislation significantly increase or decrease carbon emissions? Attach any studies or materials that inform your answer.

No, this legislation will not have a significant effect on carbon emissions. The proposed measures in the license amendment outlined in this ordinance do not affect generation at the hydro-electric facility or create a significant impact on infrastructure.

2. Resiliency: Will this legislation make Seattle more or less able to adapt to climate change? If it reduces resiliency, explain what can be done to lessen the impact.

Seattle will be, indirectly, more able to adapt to climate change through its obligations under the FERC License to operate Boundary Dam. This legislation supports expanded hatchery operations for propagation of native fish which also includes maintaining population level genetic diversity of Westslope Cutthroat trout in the Pend Oreille River basin. A population of native fish that has diverse genetic makeup will be more resilient and would have a better chance of adapting to, and surviving, changing environmental conditions.

f. If this legislation creates a new program or expands an existing one, what are the long-term, measurable goals? How will this legislation help achieve those goals? What methods will be used to track progress?

This legislation supports an amendment to the Boundary License which will expand native fish propagation for the Pend Oreille River region. Progress will be measured by growth and population statistics collected at the hatchery and reported to FERC and State agencies through bi-monthly work group meetings and annual reports. Native fish programming and outplanting activities are coordinated through the Kalispel

Tribe and Washington Department of Fish and Wildlife who oversee fish outplanting locations and quantities in waters of the State.

g. Does this legislation create a non-utility CIP that involves shared funding with a non-City partner or organization?

No, this legislation does not create a non-utility CIP.