

January 24, 2022

Dear Partners,

Like so many others at this time of year, we are reflecting on 2021 and planning our 2022 work. It has been almost a year since we reset our approach to relicensing the Skagit River Hydropower Project, and I wanted to update you on our progress and next steps.

This time last year, some of our partners were voicing concerns that they weren't truly engaged in the relicensing process. That was concerning to me personally: City Light must meet regulatory deadlines, but we also have a larger, mission-driven commitment to being a good partner to Tribes, federal, state, and local agencies, and others as we support the Skagit River watershed and meet the needs of our customers.

In March 2021, City Light started changing its approach to relicensing, and you were willing to give us a chance to make improvements. Thank you for that. We have made a concerted effort to communicate better, resolve our issues earlier and more effectively, and stay focused on ecosystem needs for future generations. Working together, we believe we have made real progress and have much to be optimistic about.

Back in March, we made some short- and long-term commitments to what we would do and how. We started looking beyond the immediate regulatory requirements and took a longer-term view of the entire watershed. We prioritized resolving our differences about the study plan, and as a result, immediately doubled the amount of money spent on scientific studies. Those studies are critical to inform the next stage of decision-making about mitigation.

We also committed to:

Return water to the bypass reach: Restoring water to the bypass reach is vital to the cultural well-being of the Upper Skagit Tribe. We are already working on data collection and conceptual design of a new valve that will enable us to release controlled flows directly from the dam. Over the next few months, we will be working with license partners to determine the level of flow that would meet short- and long-term needs while ensuring the protection of endangered fish species that may use the bypass reach. We will collaborate with our partners every step of the way to ensure that we are moving forward in a way that meets cultural and ecosystem needs while also meeting regulatory requirements.

Create a fund to support Skagit watershed habitat restoration during the relicensing process:

Last year, the Seattle City Council passed an ordinance creating the Skagit Habitat Enhancement Program. The fund can spend \$2.5 million in the first year and an additional \$500,000 in each

subsequent year until the new license is issued. The Council also allocated an additional \$500,000 for 2021 that could be allocated to projects supported by tribes prior to the implementation of the new administrative process for the fund.

The first two projects selected are:

- The Smokehouse Project estuary restoration project, sponsored by the Swinomish Indian Tribal Community; and
- The Skagit River Estuary restoration projects, sponsored by the Washington Department of Fish and Wildlife.

Accelerate ecosystem protection and restoration work: The new FERC license will be issued with an extensive set of ecosystem protections and restoration requirements, and those requirements are informed by multiple years of study. However, City Light also committed to working with partners on early implementation of mitigation measures that could be implemented in advance of the license.

Study fish passage: Because of our partners' involvement, we are now doing extensive research to understand the engineering feasibility and biological impacts of moving salmon from the lower to the upper river. Questions about species interactions, population viability, and physical infrastructure options need to be answered. The studies will inform the next set of decisions that Tribes and regulatory agencies will make about fish passage.

We look forward to sharing preliminary results as we roll out the initial study report in March and collaborating with you on the best way to move forward.

Other areas of real importance to City Light ratepayers and local communities include:

Partner Relationships

The process reset started last March. Since then, we have had hundreds of meetings with hundreds of individuals from the Tribes and partner agencies. Our focus has been on having constructive dialogue where everyone feels heard and where it is "safe" to raise issues and resolve them together. I would love to hear your perspective on how or whether this shift is working for you.

Responsibility to Customers

As a publicly owned utility, City Light has a responsibility to manage ratepayer dollars effectively. We have budgeted \$68 million from 2018 to 2026 for the relicensing process. Relicensing, which only happens every 30-50 years, is in an intense regulatory process that takes many years to complete. It requires the work of dozens of scientists, engineers, lawyers, and other experts, as well as careful coordination among many federal and state agencies, Tribes, groups, and individuals. We are also on pace to meet our major milestones. While the timing of some project components may have shifted, the overall project is on track. It may seem like it takes a long time to relicense, but keep in mind that the decisions established under this license will have implications for decades to come. It's critical that we take the time needed to get this right.

City Light's costs are comparable to recent relicensing projects of similar size and complexity, even while we are doing more research and more community outreach than is typical. Relicensing is a regulatory requirement, but it is also a long-term investment in our future. We plan for these investments well in advance in order to avoid impact to customers. The \$68 million dollar budget is for the process and the science that will determine the required investment in license measures. Ultimately, the budget for license implementation and mitigation measures will be developed as the terms of the new license are determined.

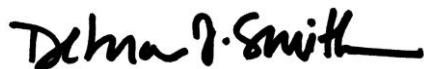
Moving Forward

The next big milestone is in March 2022, when we file the Initial Study Report. There will be significant opportunities for collaboration then, and as we move into the development of mitigation measures to include in the new license.

We should all be proud of the work we have done in the past year. However, my message to City Light leadership and staff is clear: there is still much work to be done, and it will require continued conversation, collaboration, and compromise. We are positioned to improve the health of the watershed, and we are grateful for your partnership.

If you have any questions or concerns, please don't hesitate to reach out. We are still limiting in-person meetings and trying not to let that interfere with building important relationships.

Take care and be safe.

A handwritten signature in black ink that reads "Debra J. Smith". The signature is written in a cursive, flowing style with a long horizontal line extending to the right.

Debra J. Smith
General Manager and CEO
Seattle City Light