

**CITY OF SEATTLE**

**ORDINANCE \_\_\_\_\_**

**COUNCIL BILL \_\_\_\_\_**

..title

AN ORDINANCE relating to the City Light Department; authorizing execution of agreements for up to 30 buildings, including buildings participating in the City's 2030 Challenge High Performance Existing Building Pilot, for the purchase and/or sale of energy occurring as part of the Energy Efficiency as a Service pilot projects with a contract length of up to 20 years to test the viability of providing Energy Efficiency as a Service as part of the utility's pay for performance program.

..body

WHEREAS, the City Light Department ("City Light") acquires energy efficiency as its first priority energy resource and has been doing so since 1977; and

WHEREAS, the City Council, through various ordinances and resolutions, has supported City Light's ongoing efforts to improve on the utility's long history of conservation and energy efficiency efforts; and

WHEREAS, in 2016 the City Council passed Resolution 31631, establishing the criteria for use of ratepayer funding to acquire cost-effective energy efficiency; and

WHEREAS, City Light is committed to innovative means of promoting energy efficiency, including efforts to pilot innovative strategies and programs, as demonstrated by the Metered Energy Efficiency Transaction Structure ("MEETS") proof-of-concept at the Bullitt Center, as authorized by Ordinance 124604; and

WHEREAS, City Light acknowledges the success of the Bullitt Center and would like to apply the lessons learned from the MEETS prototype to a broader spectrum of Energy Efficiency as a Service ("EEaS") projects; and

WHEREAS, the EEaS structure is explicitly designed to address untapped potential for energy savings in commercial buildings resulting from building owner's reluctance to invest in comprehensive energy efficiency when costs savings will accrue to tenants; and

1 WHEREAS, The City of Seattle’s 2013 Climate Action Plan, adopted by the City Council  
2 through Resolution 31447, included a recommendation that City Light “[p]ilot a utility  
3 incentive program that would pay for actual energy savings over time instead of  
4 providing up-front payment for projected savings”; and

5 WHEREAS, these jobs and benefits, as well as benefits from energy conservation, will help to  
6 ensure that Seattle is meeting its goals for social justice, and creating opportunity for  
7 historically disenfranchised communities; and

8 WHEREAS, Seattle Municipal Code subsection 21.49.130.B provides authority for City Light to  
9 enter into agreements to purchase power, including energy savings, that is currently  
10 limited in duration of two years; and

11 WHEREAS, EEaS requires extension of existing authority for length of contract; NOW,

12 THEREFORE,

13 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

14 Section 1. Findings

15 Under current energy efficiency programs offered by the City Light Department (“City  
16 Light”), there is little incentive for a building owner or investor to finance deep energy retrofits  
17 whose benefits accrue to tenants. To address this issue, often referred to as a split incentive,  
18 innovative financial transaction structures are needed. The Energy Efficiency as a Service  
19 (“EEaS”) model, which allows for payments to owners or investors over time based on verified  
20 energy efficiency performance, addresses the split incentive challenge because investors can  
21 finance projects with a predictable return, owners can generate a new revenue stream, and  
22 tenants can occupy productive and energy efficient spaces. The pilot projects authorized by this  
23 legislation will be the basis for determining feasibility and design of a standard program

1 addressing the gap in costs and benefits between tenants and owners at scale across a variety of  
2 building types.

3 Section 2. The General Manager and Chief Executive Officer of City Light, or his  
4 designee, is hereby authorized to execute, for and on behalf of The City of Seattle, agreements of  
5 up to 20 years for up to 30 buildings, including buildings participating in the City's 2030  
6 Challenge High Performance Existing Building Pilot, for the purchase and/or sale of energy  
7 occurring as part of the Energy Efficiency as a Service Pilot. At the end of the term, if City Light  
8 and participant mutually agree, the agreement may be extended for up to two additional terms up  
9 to seven years each per Seattle Municipal Code subsection 21.49.130.B. Selection of the projects  
10 in existing buildings or new construction will be based on transparent evaluation criteria  
11 included within a formal public recruitment solicitation to be issued in 2018. The EEaS will be  
12 available to commercial customers. Projects will not include distributed energy resources, such  
13 as on-site solar generation, wind, etc. and will be focused exclusively on building energy  
14 efficiency across capital, operational, and behavioral improvements.

15 Section 3. The methodology used in the EEaS structure will ensure that the energy  
16 efficiency savings are shared with the investor. Bill payers will be charged by City Light for both  
17 electricity delivered at the appropriate customer class rate and a service fee based on measured  
18 electricity savings consistent with the applicable class rate. City Light will return a portion of the  
19 amount collected for energy efficiency to the investor that made the energy efficiency  
20 investment.

21 Section 4. Any contracts entered into pursuant to this section shall aim to meet or exceed  
22 the standards set forth in Seattle's Priority Hire statute, use labor that is receiving area standard  
23 wages and bona fide benefits, and meet apprenticeship utilization goals of 15% per craft.

1           Section ~~4~~5. City Light will report to the City Council Committee with jurisdiction over  
2 City Light ~~within three years twice a year from~~of the effective date of ~~the~~is ordinance introduced  
3 as this council bill on pilot project implementation and how the proposed EEaS structure can be  
4 applied to a broader set of use cases. These reports shall include, but not be limited to, number of  
5 contracts entered into, apprenticeship utilization percentage, priority hire utilization, and energy  
6 savings estimates compared with actual energy savings for participating buildings.  
7

1 Section 56. This ordinance shall take effect and be in force 30 days after its approval by  
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it  
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

4 Passed by the City Council the \_\_\_\_\_ day of \_\_\_\_\_, 2018,  
5 and signed by me in open session in authentication of its passage this \_\_\_\_\_ day of  
6 \_\_\_\_\_, 2018.

7 \_\_\_\_\_  
8 President \_\_\_\_\_ of the City Council

9 Approved by me this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

10 \_\_\_\_\_  
11 Jenny A. Durkan, Mayor

12 Filed by me this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

13 \_\_\_\_\_  
14 Monica Martinez Simmons, City Clerk

15 (Seal)