

**SUMMARY and FISCAL NOTE\***

| <b>Department:</b> | <b>Contact Person/Phone:</b> | <b>Executive Contact/Phone:</b> |
|--------------------|------------------------------|---------------------------------|
| Seattle City Light | Wayne Morter/<br>684-3659    | Greg Shiring/386-4085           |

*\* Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

**1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to the City Light Department; authorizing the Department to participate in the California Independent System Operator’s Energy Imbalance Market, including authorizing the execution of any necessary agreements with the California Independent System Operator, as well as any additional agreements necessary or convenient for implementation and participation in the California Independent System Operator’s Energy Imbalance Market.

**Summary and background of the Legislation:** In 2012, Seattle City Light and other members of the Northwest Power Pool formed the Northwest Power Pool Market Assessment and Coordination Initiative (NWPP MC) to address renewables integration and other system-operation issues within the region. While the effort was underway, a number of the investor owned utilities opted out of the MC effort in favor of the Western Energy Imbalance Market (EIM). With the loss of critical mass by the close of 2015 and shrinking regional benefits, the remaining MC Initiative members decided to stop pursuing the development of a northwest-centric within hour energy market.

As a result, Seattle City Light completed a cost benefit analysis on its participation in the Western EIM and determined that there are projected to be significant benefits associated with participation. Joining will allow City Light to more efficiently use generation and transmission assets, buy and sell energy in shorter term increments, and use pricing to match loads and resources across more buyers and sellers than existing markets currently permit. Most importantly, Seattle City Light will get paid for assisting the market to more effectively integrate renewable energy across the West due to its flexible hydro capacity. Seattle City Light is planning to begin participating in the market in the spring of 2019, subject to approval and the authority to initiate the project.

The Western EIM was developed for participants in 2009. In 2013, PacifiCorp announced that it would join the Western EIM, the first non-California participant to do so. Subsequent to PacifiCorp, Nevada Power joined in October 2015. Arizona Public Service and Puget Sound Energy intend to join in October 2016, Portland Gas and Electric plans to join in October 2017, and Idaho Power has announced plans to join in spring 2018.

**2. CAPITAL IMPROVEMENT PROGRAM**

**\_\_\_\_\_ This legislation creates, funds, or amends a CIP Project.**

### 3. SUMMARY OF FINANCIAL IMPLICATIONS

X This legislation does not have direct financial implications.

### 4. OTHER IMPLICATIONS

a) **Does the legislation have indirect or long-term financial impacts to the City of Seattle that are not reflected in the above?**

Yes, this legislation will have indirect long-term financial impacts to the City of Seattle. The activities are currently funded in the 2017-18 Strategic Plan. There are also gross revenue opportunities for City Light estimated in a study done by Energy+Environmental Economics (E3) to be approximately \$4 million per year which will vary from year to year. While there is a range in the estimated benefits, it is commensurate with the uncertainty in our current hydroelectric generation portfolio because of variable weather and water conditions. This revenue will recover the implementation and operating costs of the EIM project and potentially lower the revenue requirement for City Light customers.

b) **Is there financial cost or other impacts of not implementing the legislation?**

Yes, by not implementing this legislation, Seattle City Light will be forgoing the opportunities and benefits listed above, including the opportunity to accrue additional revenue. By forgoing this opportunity, City Light will be ignoring an opportunity to minimize future retail rate increases through additional, and potentially offsetting, revenue.

Operationally, City Light would also be foregoing the opportunity to be prepared in advance for changes in the wholesale markets which are likely to impact City Light eventually, regardless of whether City Light participates in the Western EIM.

c) **Does this legislation affect any departments besides the originating department?**

Yes, the actions associated with this legislation requires support from Seattle IT in implementing hardware and software associated with new operations technology systems and operations technology integrations.

To a lesser extent and further in time, City Light will need support from City of Seattle's Finance and Administrative Services to implement billing and payment practices consistent with the CAISO's practices.

d) **Is a public hearing required for this legislation?**

No

e) **Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**

No

f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle***

***Times required for this legislation?***

No

**g) Does this legislation affect a piece of property?**

No

**h) Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities?**

As mentioned above, City Light is estimating an annual gross benefit of approximately \$4 million a year for participating in the EIM. This potential benefit would help offset City Light's overall revenue requirement and, as such, would help keep rates low. Keeping rates low and following City Light's Strategic Plan rate path helps low income communities plan for their fixed costs, including utility costs, and also helps offset the need for any potential unplanned rate adjustments in the future.

**i) If this legislation includes a new initiative or a major programmatic expansion: What are the long-term and measurable goals of the program? Please describe how this legislation would help achieve the program's desired goals.**

This legislation will enhance current business practices and is not a major programmatic expansion.

**j) Other Issues:**

**List attachments/exhibits below:**