

## SUMMARY and FISCAL NOTE\*

<b>Department:</b>	<b>Dept. Contact/Phone:</b>	<b>CBO Contact/Phone:</b>
Seattle City Light	Brendan O'Donnell/733-9265	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**

- 1. Legislation Title:** AN ORDINANCE relating to the City Light Department; amending Section 21.49.130 of the Seattle Municipal Code to clarify certain contracting details and add a subsection to the Department's authority to contract for energy efficiency through conservation efforts.
- 2. Summary and background of the Legislation:** City Light has a long history of supporting our customer's energy efficiency projects. It is most common for these projects to use an up-front incentive to fund specific energy savings measures. To pay incentives under this structure, City Light has two-year contracting authority in place. Many of City Light's energy efficiency programs will continue to operate using this funding model.

However, as the energy efficiency market evolves, City Light must also evolve how we structure our incentives to encourage more projects. We have successfully piloted a Pay for Performance (P4P) concept in commercial buildings where energy savings are measured at the whole building level (rather than a project, or measure-level) and incentives are paid over time based on verified energy savings rather than energy savings estimated by an up-front engineering calculation. The program ran from 2014-2017 and was authorized by City Council in Ordinances 124381, 124382, and 124383.

City Light hopes to expand the highly-successful P4P program to a larger range of commercial buildings. However, our current two-year (24 month) contract authority does not allow for the incentive structure that forms the backbone of a P4P program. This legislation extends City Light's contracting authority to seven years (84 months). Note that City Light intends for incentives to be paid out over a three or five-year period, with an additional two years to cover time between the contract signing and project completion. Also note that energy savings from this program will continue to contribute to state regulatory and city Climate Action Plan targets.

### **2. CAPITAL IMPROVEMENT PROGRAM**

- a. Does this legislation create, fund, or amend a CIP Project?** \_\_\_ Yes \_\_\_**X**\_\_\_ No

### **3. SUMMARY OF FINANCIAL IMPLICATIONS**

- a. Does this legislation amend the Adopted Budget?** \_\_\_ Yes \_\_\_**X**\_\_\_ No

**b. Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?**

Any funds paid to customers will come from existing appropriations to City Light's Customer Energy Solutions Division. The extension of energy efficiency contract authority to 84 months will allow City Light to deploy the most cost-efficient qualifying energy efficiency measures available to help meet the utility's conservation goals as well as our state energy efficiency and conservation requirements. This will have a positive long term financial impact by utilizing the most cost-effective qualifying product(s) available to meet said goals.

**c. Is there financial cost or other impacts of *not* implementing the legislation?**

Yes, in terms of conservation authority, missed opportunities and impacts of not implementing this legislation include:

- City Light's Customer Energy Solutions Division is working to design innovative energy efficiency programs for our customers. Examples include expanding our pay-for-performance pilot program and offering incentives based on whole-building energy performance. Given the long-term nature of these efficiency investments, each individual project would require council approval under current contract authority term limitations. This would create a significant administrative burden, delay implementation, and potentially limit customer participation. Extending contracting authority as proposed streamlines program implementation for both City Light and our customers; provides flexibility for developing and offering more innovative energy efficiency programs; and creates more opportunities for securing energy efficiency savings.
- Large new construction projects in the commercial marketplace typically have design and construction timelines well beyond City Light's current two-year contracting authority. Targeting energy efficiency incentives and committing funds early in the design phase has the largest potential for energy savings, but under the current contract authority this would require amendments to extend the contract beyond project completion (necessary for the verification of energy savings). Instead, customers must be engaged later in the project cycle when many design decisions have already been made, reducing the potential for energy savings. A longer contracting authority allows for earlier engagement with customers on large new construction projects, increasing overall energy savings, and eliminating the administrative burden of annual amendments.

#### **4. OTHER IMPLICATIONS**

**a. Does this legislation affect any departments besides the originating department?**

No.

**b. Is a public hearing required for this legislation?**

No.

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

No.

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

No.

- e. Does this legislation affect a piece of property?**

No.

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

No, this ordinance allows for testing of new incentive structures, and does not alter or reallocate budget from how City Light offers services to vulnerable or historically disadvantaged communities.

- g. 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).**

This effort is consistent with Seattle City Light's commitment to energy efficiency. The goal of this pilot program is to test longer-term incentive structures in a range of use case types, to assess their viability and value to all affected stakeholders. This legislation will help achieve the pilot program's goal by allowing a maximum number of contracts to be established with customers who are interested in testing longer-term incentive contracts to drive their energy efficiency investment.

**List attachments/exhibits below:**

**None**