

## 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; 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 ten 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.
  
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. City Light usually pays incentives to the owner of a facility and has two-year contracting authority in place for incentive agreements. Many of City Light's energy efficiency programs will continue to operate using this funding model.

However, under current programs, there is little incentive for a building owner or investor to finance deep energy retrofits whose benefits accrue to tenants. To address this issue, often referred to as a split incentive, innovative financial transaction structures, coupled with energy savings measured at a whole building level are needed. The Energy Efficiency as a Service (EEaS) model, which allows for payments over time based on verified performance, addresses the split incentive challenge because investors can finance projects with a predictable return, owners can generate a new revenue stream, and tenants can occupy productive and energy efficient spaces.

City Light intends to pilot up to thirty buildings using an EEaS concept based on the lessons learned in a prior proof of concept at the Bullitt Center, as authorized by Ordinance 124604. To do so, City Light requires an extension of contracting authority to execute up to 30 contracts with a contract length up to 240 months.

### **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. However, this program design is unique in that the utility also collects revenue from the customer, a portion of which is then transferred to the energy efficiency investor.

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

There is no direct financial cost of not implementing this legislation. However, City Light customers expect the utility to develop innovative and market-responsive incentive structures that drive the market to undertake energy efficiency projects. With this expectation, City Light's Customer Energy Solutions Division has been working to design and implement energy efficiency programs, including incentive structures, to meet customer needs. Recent examples include our pay-for-performance program and the offering of incentives based on whole building energy performance. This ordinance allows City Light, in a pilot mode, to further enhance our service offerings and to secure energy efficiency in a cost-effective manner.

#### **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 service offerings in a limited number of pilot projects, and does not alter or reallocated 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 address barriers of the split incentive, while also testing a service-based approach to whole building efficiency. 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 contracts to drive their energy efficiency investment.

**List attachments/exhibits below:**

None