

SUMMARY and FISCAL NOTE*

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|--------------------|-----------------------------|---------------------------|
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** 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 enter and participate in the Western Energy Imbalance Market, including the ability to execute additional agreements necessary or convenient to participating in the Western Energy Imbalance Market.

Summary and background of the Legislation: The Western Energy Imbalance Market (EIM) is a real-time energy imbalance market that allows participants to engage in short-term energy transactions on a real-time basis (15-minute and 5-minute ahead). The EIM balances fluctuations in supply and demand by automatically finding lower-cost resources from across a larger region to meet real-time needs, resulting in balanced supply and demand at a lower cost. The EIM was created in 2009 and is managed and operated by the California Independent System Operator (CAISO).

In 2016, Seattle City Light completed an analysis of potential participation in the EIM and determined that projected benefits are likely to result from participation. Benefits fall into three major categories:

- Environmental benefit - Flexible hydro can displace non-renewables, resulting in an overall carbon emission reduction.
- Potential Customer benefit - The opportunity for additional revenues, enhanced system reliability with increased grid visibility, and improved transmission planning and management all benefit customers.
- Core Business benefit - Employee growth and development, as well as improved operational coordination bring value to our core business.

On October 31, 2016, Council passed Ordinance 125176 authorizing City Light to participate in the EIM implementation process, including the authority to execute agreements and further evaluate potential benefits to City Light customers, but required approval to join the market. Since then, City Light has moved forward with implementation and take the following actions:

- City Light executed its EIM implementation agreement with CAISO, with approval by the Federal Energy Regulatory Commission (FERC) in July 2017.
- City Light provided briefings to Council on progress and updates related to implementation, benefits and costs during 2017.
- After completing a gaps analysis and bringing in an experienced Project Manager, it was realized that additional technology improvements would be needed to participate in the

market and the budget was increased from \$8.8 million to \$14.0 million to accommodate the new costs (additional labor, software, integration consulting support, and contingency).

- In late 2017, City Light determined that its existing marketing and risk software vendor would be unable to support the requirements of participation in EIM. As a result, City Light initiated a request for proposal process for a new software vendor and selected OATI to provide software required for both EIM participation and Energy Trading and Risk Management.
- As a result of City Light's need to replace existing software and obtain new software for EIM, the timeline for City Light joining EIM was moved from April 2019 to April 2020.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes ___ X ___ No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes ___ X ___ No

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?

Yes, this legislation will have indirect long-term financial impacts to City of Seattle. There are gross revenue impacts to Seattle anticipated associated with joining EIM. These revenues will vary year by year commensurate with the uncertainty in our current hydroelectric generation portfolio, due to variable weather and water conditions. It is anticipated that this revenue will, over time, recover the implementation and operating costs of the EIM project and potentially lower the revenue requirement for City Light customers.

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 forgoing 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 choose to participate in the Western EIM.

4. OTHER IMPLICATIONS

a. 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.

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? What is the Language Access plan for any communications to the public?

City Light is estimating additional revenues associated with participating in EIM. Any additional revenues in excess of project costs and associated debt service payments would offset City Light's overall revenue requirement, and as such, would contribute to keeping rates lower than they would have otherwise been. Keeping rates low and following City Light's Strategic Plan rate path helps low-income customers and communities plan for their fixed costs, including utility costs, and also helps offset the need for any potential unplanned rate adjustments in the future.

There is no planned public communications since the impact is to the Utilities Power Marketing function.

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

List attachments/exhibits below:

None