

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
City Light	Craig Smith	Greg Shiring

1. BILL SUMMARY

Legislation Title: A RESOLUTION relating to the City’s participation in the State of Washington’s Clean Fuels Standard Program (“Program”) promulgated under Revised Code of Washington (RCW) 70A.535.005; acknowledging and approving the City’s participation in the Program; and acknowledging the Interdepartmental Memorandum of Agreement Regarding City of Seattle Administration of Washington State Clean Fuel Standard Program.

Summary and Background of the Legislation: The Washington State Legislature promulgated the Clean Fuel Standard (CFS), Chapter 70A.535 RCW to reduce greenhouse gas (GHG) emissions from the transportation sector through deployment of low-carbon and zero-carbon transportation fuel technologies. The program provides for the generation of CFS credits from the dispensation of low-carbon and zero-carbon fuels. Seattle City Light has an opportunity to earn credits based on the EV chargers it owns or manages, and for residential electric vehicles within the City Light service territory. The credits can be monetized by selling them within the Washington State CFS market to a Clean Fuel Standard regulated fossil-fuel supplier in need of credits.

SMC 21.49.130 provides City Light authority to execute contracts for the purchase or sale of environmental attributes, which include CFS credits, to meet policy and regulatory requirements. Departments other than City Light will also generate credits under the CFS as a result owning, managing, or controlling eligible electric vehicle supply equipment (EVSE). Right now, City Light, FAS, SDOT, and SPU are eligible to generate credits. The portfolio of departments that generate credits over the lifetime of the CFS is expected to fluctuate as policies and responsibilities in the transportation decarbonization space evolve.

The State’s CFS administrative platform treats the City of Seattle as one entity due to its Federal Employer ID number, meaning each Department’s respective and distinct regulatory activity is aggregated. Being that the core of the City’s eligibility in the program and the bulk of the credits are being earned by City Light as well as the fact that the statute specifically regulates electric utilities, City Light seeks to participate in the program as a voluntary participant, thereby generating credits, and to act as the credit aggregator and program administrator in the state’s platform on behalf of other City Departments, at no additional expense to City Light. City Light will transact its own credits and, at no additional cost to City Light, will transact credits on behalf of other City Departments.

Electric utilities’ expenditures are subject to legal restrictions with statutes and program rules. No budget is being appropriated at this time via this legislation. Due to the confidential and

variable nature of the market-based system and market manipulation restrictions, estimated revenue cannot be provided at this time.

2. CAPITAL IMPROVEMENT PROGRAM

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

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation have financial impacts to the City? Yes No

City Light is currently utilizing existing staff to administer and comply with the state program, which labor costs have not—and are not anticipated to—increase as a result of the participation of other City Departments in the state program. Future revenue opportunities that will occur cannot be specified at this time due to confidential market manipulation restrictions. Revenue from the sale of CFS credits will be appropriated in subsequent legislation when the amount is known.

3.d. Other Impacts

Does the legislation have other financial impacts to The City of Seattle, including direct or indirect, one-time or ongoing costs, that are not included in Sections 3.a through 3.c? If so, please describe these financial impacts.

The legislation will have ongoing costs including labor, administration of the program, and third-party services. These known costs as well as any future costs unknowable at this time will be covered by CFS credit revenue.

- I. Direct costs
 - a. Labor for new City Light regulatory obligations arising from CFS requirements, including but not limited to rulemaking and other regulatory activity, stakeholder engagement, policy analysis and development, compliance analysis and verification, and integration of CFS into utility operations as part of a broader suite of climate policies and regulations.
- II. Indirect costs
 - a. Labor may arise from City Light staff who are not directly involved with CFS compliance or participation, but whose responsibilities are impacted by utility-wide efforts to maintain compliance. For example, IT staff who must work on integrating CFS-needed software systems into broader utility IT applications or customer support staff who must answer questions pertaining to the CFS.
- III. Ongoing costs
 - a. Seattle City Light will pay an annual CFS participation fee for the City of Seattle's participation in the program. This price is adjusted year-to-year according to an established methodology. Seattle City Light should expect to spend no more than \$1500 a year on participation fees. This participation fee would be the same regardless of whether only SCL participated or if multiple

- departments participate because the program requires that the City of Seattle maintain only one single account based on its federal employer identification number, and prevents each City Department from maintaining a separate account.
- b. Seattle City Light may choose to hire a third-party to administer CFS credit auctions or sales depending on the agreed-upon credit arbitrage strategy. This cost is unknown at this time and depends on qualified vendors, scope of work, and market conditions.
- IV. City Light’s analysis shows that for all anticipated costs, either the costs to City Light would remain the same regardless of the participation of other City departments or those costs will be covered by existing resources at the relevant department due to existing function, budget allocation, or responsibility. Accordingly, City Light’s analysis shows that it will not incur additional costs associated with the participation of other City Departments in this program than it would have if it were the sole City of Seattle participant in the CFS program.

If the legislation has costs, but they can be absorbed within existing operations, please describe how those costs can be absorbed. The description should clearly describe if the absorbed costs are achievable because the department had excess resources within their existing budget or if by absorbing these costs the department is deprioritizing other work that would have used these resources.

Please describe any financial costs or other impacts of *not* implementing the legislation. City Light is currently integrating preliminary CFS-associated costs within existing departmental resources. This is a temporary state program that is legislated to end in 2038; the Washington State Legislature may extend the CFS timeline in order to achieve state mandated GHG reduction targets. Full implementation of the CFS Program will require additional staff and purchased services, all of which will be funded from CFS proceeds. Initial analysis indicates that CFS revenues will be sufficient to cover any additional resources.

The financial costs of not implementing the legislation are duplicative labor, potential loss of revenue opportunities, inefficiencies and their associated costs. This legislation aims to take a “One Seattle” approach to achieve a greater benefit for the City. These City Light costs would be the same regardless of the participation of other City departments due to the scope of SCL’s participation, the fixed processes established by the Department of Ecology, and that other departments’ CFS participation overlaps with existing programs, functions, or responsibilities.

4. OTHER IMPLICATIONS

- a. **Please describe how this legislation may affect any departments besides the originating department.**

Any department that directly owns, manages, and/or controls fuel supply equipment that dispenses regulated fuel will be eligible to participate in the CFS. In almost all scenarios, EVSE that dispenses electricity will be the fuel supply equipment that other departments own, manage and/or control that results in their possible participation in the CFS. Note that electricity is a voluntary fuel, so no department besides SCL is required to participate in the CFS. However, participation is strongly encouraged because departments will be able to

monetize investments in fleet electrification, public charging, or other types of EVSE installation that result from separate City or state policy.

City Light has determined that CFS-participation costs would be the same regardless of the participation of other City departments due to the scope of SCL's participation, the fixed processes established by the Department of Ecology, and that other departments' CFS participation overlaps with existing programs, functions, or responsibilities.

- b. Does this legislation affect a piece of property? If yes, please attach a map and explain any impacts on the property. Please attach any Environmental Impact Statements, Determinations of Non-Significance, or other reports generated for this property.**

N/A

- c. Please describe any perceived implication for the principles of the Race and Social Justice Initiative.**

- i. How does this legislation impact vulnerable or historically disadvantaged communities? How did you arrive at this conclusion? In your response please consider impacts within City government (employees, internal programs) as well as in the broader community.**

The Washington State Legislature designed the CFS to specifically benefit highly impacted communities and vulnerable populations. Components of the statute ([intent](#), [utility investments](#)), [Ecology's website](#) and the [promulgated rules](#) demonstrate that environmental, transportation, and economic benefits arising from CFS investments must flow to highly impacted communities and vulnerable populations.

Beyond the specific CFS requirements, existing research and community partnerships confirm that many communities of color, lower-income communities, households living close to transportation arteries or logistical hubs, and other communities characterized by higher burdens in socioeconomic and health indicators face negative outcomes from transportation pollution. Negative outcomes include, but are not limited to, health, environmental, financial, community, infrastructure, and social. Reducing GHG emissions and co-pollutants from the transportation sector results in improved outcomes for highly impacted communities and vulnerable populations.

Electric utilities like Seattle City Light must make expenditures using revenues from the CFS according to statutory guidelines that ensure a minimum amount of investment meant to accelerate transportation electrification is allocated to benefit highly impacted communities and vulnerable populations.

Seattle City Light is awaiting final guidance from Washington's Department of Ecology before proceeding with finalized plans for structuring CFS investments.

- ii. Please attach any Racial Equity Toolkits or other racial equity analyses in the development and/or assessment of the legislation.**

Seattle City Light could provide a Racial Equity Toolkit analysis pertaining to funds generated from credit sales. Seattle City Light presently does not have final guidance from the state regulator on how funds may be used to support highly impacted communities and vulnerable populations in addition to uncertainty about when and to what extent credit sales will occur that in turn generate revenues.

iii. What is the Language Access Plan for any communications to the public?

Seattle City Light is already incorporating awareness of CFS into our Tier 1 language material. Starting later this year SCL staff can utilize the services of a third party specializing in communication and marketing to create CFS-specific educational materials that are created in at least all Tier 1 languages. SCL also works closely with community-based organizations, Department of Neighborhoods, and other trusted community partners to both disseminate this material as well as share through other channels such as oral or visual to targeted communities.

d. Climate Change Implications

i. Emissions: How is this legislation likely to increase or decrease carbon emissions in a material way? Please attach any studies or other materials that were used to inform this response.

The CFS will result in statewide GHG emission reductions. Though a number of variables arise from the complexity of climate policies and transportation systems, Washington's Department of Ecology conducted third-party analysis that forecasts under various scenarios how many emissions will be avoided in the form of credits generated. These reductions must happen under law and the CFS has built in mechanisms to ensure that all regulated fossil fuels have a reduction in carbon intensity of 20 percent, which translates to carbon emissions reductions proportional to ongoing fuel usage.

Credit forecasts can present a reasonable estimate of avoided GHG emissions resulting from the CFS though do not exclusively arise from the program due to parallel transportation electrification efforts.

ii. Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle's resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.

Transitioning transportation systems to electricity in and of itself creates a more resilient transportation system in the long run as reliance on volatile, international and politically susceptible fossil fuel supply chains is reduced. Additionally, electricity can be produced locally through onsite distributed energy resources like solar or through larger scale utility-scale renewable energy resources like wind, solar, and hydro that are located in Washington or regionally. Furthermore, existing and future efforts regarding resiliency hubs that increase community resiliency in key areas such

as energy, cooling/heating, water, food, and shelter can also serve as “fueling” hubs for electric vehicles.

- e. **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)? What mechanisms will be used to measure progress towards meeting those goals?**

N/A

5. CHECKLIST

- Is a public hearing required?**
- Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required?**
- If this legislation changes spending and/or revenues for a fund, have you reviewed the relevant fund policies and determined that this legislation complies?**
- Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

6. ATTACHMENTS

Summary Attachments: None.