

## **SUMMARY and FISCAL NOTE**

<b>Department:</b>	<b>Dept. Contact:</b>	<b>CBO Contact:</b>
City Light	Siobhan Doherty	Christie Parker

### **1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to the City Light Department; authorizing the execution of a 16-year power purchase agreement with the Bonneville Power Administration and related agreements.

**Summary and Background of the Legislation:** This legislation authorizes the execution of a 16-year power purchase agreement to ensure that City Light can purchase its portion of the Federal Columbia River Power System managed by the Bonneville Power Administration (“BPA”) during the 16-year contract delivery period, from October 1, 2028 through September 30, 2044. The BPA currently supplies power to meet a portion of City Light’s electric load (approximately 40 percent) under an existing 2012-2028 power supply contract. As a public preference customer within the BPA system, City Light has access to the lowest cost rates in the region. Alternative power sources from new, firm generation are approximately two to three times the cost of BPA’s power rates.

The power purchase agreement, known as BPA’s “Provider of Choice” contract, will allow City Light to purchase federal power at one or more cost-based power rates. Accordingly, this legislation authorizes the General Manager and CEO for the City Light Department to sign a final Provider of Choice power sales agreement with BPA similar to the form attached to this ordinance as Attachment B, a related creditworthiness agreement similar to the form attached to this ordinance as Attachment C, along with other supporting agreements, as needed. This legislation also allows the General Manager and CEO of the City Light Department to agree to modifications and amendments to such forms as reasonably necessary.

The exact amount of BPA power that City Light will be allowed to buy from BPA under a Provider of Choice contract at a Tier 1 (BPA’s lowest) rate depends on a maximum right to purchase Tier 1 power that BPA sets for all customers, the Contract High Water Mark. BPA will determine City Light’s Contract High Water Mark through a 2026 process. The 2026 process will determine City Light’s Contract High Water Mark based on City Light’s weather normalized actual retail load during the Federal fiscal year (FY) 2023 (October 2022 – September 2023), and BPA’s plans to acquire additional resources to provide additional Tier 1 power service prior to the new contract.

At this time, City Light expects to be offered a Contract High Water Mark of approximately 570 average megawatts (aMW) of firm power that it can purchase at BPA’s Tier 1 rate, an increase of about 15 aMW from our current Contract High Water Mark. BPA’s power rates are updated periodically in rate cases to reflect BPA’s statutory requirement to set rates based on BPA’s costs to provide power to City Light and other public utility customers. These rate cases involve a

public process that allows stakeholder input from City Light and other parties. During the new contract period, BPA is expected to conduct two-year rate cases in alternate years, beginning in October 2028 for the FY 2029 – FY 2030 rate period. BPA’s current wholesale power rates average about \$41 per MWh, and BPA forecasts that its Provider of Choice rate design principles will keep our power rates at a similar average rate. In comparison, City Light’s 2024 Integrated Resource Plan (IRP) update recommended procuring firm energy costing up to \$134 per MWh to meet our growing loads in the 2030’s.

The Provider of Choice contract offers three power supply product options: Block, Slice/Block, and Load Following. The Block product provides a monthly, predetermined block of energy (MW) that has several shaping options. City Light currently takes the Block product under the existing BPA 2012-2028 contract. The Slice/Block product provides both a monthly, predetermined block of energy (MW) and a “slice” of the BPA system output and capability on a day-ahead basis. Finally, the Load Following product provides power to meet customer hourly load requirements less customer owned resources. City Light staff within the Power Supply Business Unit conducted a thorough analysis of the three product options throughout the contract term using an integrated resource planning (IRP) model. The Slice/Block product will provide the highest economic benefits in the future contract and is best suited to complement City Light’s future power generation portfolio and power marketing strategies based on the financial results of the IRP model.

The Provider of Choice power sales agreement listed as Attachment B is in template form and is customized for the Slice/Block product selection. BPA intends to offer a proposed final version of a Provider of Choice contract customized for City Light in August or September 2025, with the expectation that City Light will review, execute, and return the contract by December 5, 2025 so that BPA can finalize and countersign the Provider of Choice contract by December 31, 2025. It is in the best interest of City Light to enter into a new agreement with the BPA as this power supply option is expected to be the region’s least-cost resource throughout the contract term.

## 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

Expenditure Change (\$); General Fund	2025	2026 est.	2027 est.	2028 est.	2029 est.
Expenditure Change (\$); Other Funds (Light Fund)	2025	2026 est.	2027 est.	2028 est.	2029 est.
				-\$17,000,000	-\$1,000,000

Revenue Change (\$); General Fund	2025	2026 est.	2027 est.	2028 est.	2029 est.

Revenue Change (\$); Other Funds	2025	2026 est.	2027 est.	2028 est.	2029 est.

Number of Positions	2025	2026 est.	2027 est.	2028 est.	2029 est.
Total FTE Change	2025	2026 est.	2027 est.	2028 est.	2029 est.

### 3.a. Appropriations

☐ This legislation adds, changes, or deletes appropriations.

**Appropriations Notes:** This Ordinance will not affect City Light's appropriations until October 1, 2028, when power deliveries begin under the new BPA power purchase contract.

### 3.b. Revenues/Reimbursements

☐ This legislation adds, changes, or deletes revenues or reimbursements.

### 3.c. Positions

☐ This legislation adds, changes, or deletes positions.

**Position Notes:** Since City Light already employs staff to implement the current BPA power sales contract, no new hires will be necessary to implement the Provider of Choice power purchase agreement. New staff related to our Slice/Block power product implementation will be requested in the 2027-2028 budget. The focus of this legislation is the authority to execute a new power purchase agreement; a fiscal ordinance related to staffing the power marketing function of our business unit will be addressed later.

### 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.**

This legislation does not have other financial impacts to The City of Seattle that are outside of Sections 3.1 through 3.c.

**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.**

City Light expects to continue purchasing power from the BPA through long-term power purchase agreements and therefore creates its O&M budget expecting power costs to be relatively stable based on BPA rate design. City Light's 2025 adopted and 2026 endorsed O&M budgets provide the resources necessary to acquire power under the existing contract.

**Please describe any financial costs or other impacts of *not* implementing the legislation.**

Failing to implement this legislation would have a significant, negative impact on City Light's ratepayers. City Light would need to purchase replacement power (in the amount of approximately 570 aMW) beginning October 1, 2028, from other power sources that Power Supply Business Unit predicts will cost two to three times the cost of BPA power. Similarly, developing new, renewable generation of equivalent firm capacity would be very expensive and require several years for project origination.

**Please describe how this legislation may affect any City departments other than the originating department.**

This legislation is not expected to affect any City departments other than the originating department.

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

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

No.

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

No.

**c. Does this legislation affect a piece of property?**

No.

**d. 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 adoption of this Ordinance allows City Light to purchase long-term power through a contract process first originated in 1980 under the federal Pacific Northwest Electric Power Planning and Conservation Act. As a public utility, City Light is given preference rights and is offered the lowest cost power rates in the region. This low-cost rate structure has a position impact on all communities with City Light's service territory, particularly those communities that have a higher energy burden. The alternative to this low-cost, hydroelectric power source would cost two to three times

more to procure and would require significant resources for project origination over decades.

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

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

Not applicable to this ordinance.

**e. 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.**

This resolution supports a neutral carbon emissions position by continuing to provide energy from majority non-emitting, firm federal hydroelectric facilities. BPA is committed to providing a power supply portfolio that supports statewide clean energy initiatives.

**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.**

This resolution supports Seattle's resiliency to climate change by allowing City Light to continue to purchase long-term power from one of the largest federal power marketing administrations. This power supply purchase adds diversity to City Light's power resource portfolio ensuring the future generation mix is comprised of non-emitting resources.

**f. 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

- g. Does this legislation create a non-utility CIP project that involves a shared financial commitment with a non-City partner agency or organization?**

No.

## 5. ATTACHMENTS

**Summary Attachments:** None.