

April 30, 2024

MEMORANDUM

To: Sustainability, City Light, Arts and Culture Committee
From: Eric McConaghy, Analyst
Subject: Seattle City Light Biennial Energy Conservation Target and Ten-Year Conservation Potential, Resolution 32134

On Friday, May 3, 2024, the Sustainability, City Light, Arts and Culture Committee (Committee) will continue discussion and possibly vote on [Resolution \(RES\) 32134](#) that would adopt Seattle City Light's (SCL's) proposed energy conservation target for 2024-2025 and 10-year conservation potential for 2024-2033. The Committee held a public hearing on Resolution 32134 during the regular meeting on April 19. A briefing and discussion followed the hearing during the same meeting.

This memo provides (1) background on why SCL must establish conservation targets; (2) describes how targets are established and how SCL has performed to-date; and (3) describes the proposed targets included in RES 32134.

Background

Initiative 937 (I-937), also known as the [Energy Independence Act](#) (EIA), was passed by Washington state voters on November 7, 2006. The EIA, codified as [Revised Code of Washington \(RCW\) 19.285](#), requires large utilities (serving at least 25,000 retail customers) to obtain 15 percent of their electricity from new renewable resources such as solar and wind by 2020 and undertake cost-effective energy conservation. The RCW 19.285 requirements began in January 2010. There are 18 utilities subject to the EIA including SCL that provide 80 percent of the electricity sold to Washington retail customers.

Under the EIA, SCL must pursue all energy conservation that is cost-effective, reliable, and feasible. The [Washington Administrative Code \(WAC\) 194-37-070](#) requires qualifying utilities to “establish their ten-year potential and biennial target by action of the utility's governing board, after public notice and opportunity for public comment.” Resolution 32134 acknowledges and approves SCL's biennial conservation target and ten-year conservation potential and states that the SCL will meet or exceed the biennial energy targets. Council, as SCL's governing board, has adopted biennial conservation targets and ten-year conservation potentials by resolution seven times previously, every two-years since 2010.

Energy Conservation Targets

SCL contracted with Cadmus, a technical consulting company, to complete the [Demand Side Management Potential Assessment \(DSMPA\)](#) “to produce rigorous estimates of the magnitude, timing, and costs of resources in its service territory over the next 22 years, beginning in 2024.” SCL’s 131 square-mile service territory includes the City of Seattle, portions of seven adjacent cities, and parts of unincorporated King County. The DSMPA is the basis for SCL’s current proposal.

The RCW 19.285 defines the “conservation,” as: “any reduction in electric power consumption resulting from increases in the efficiency of energy use, production, or distribution.” To meet the targets, SCL invests in efficiency measures that cost less to save energy than the cost to generate or acquire the same amount of energy. SCL spent \$30 million on conservation in 2023.

Conservation savings for SCL come from investments in four major categories: lighting, non-lighting (like heating, cooling, and building systems), regional market transformation (via [Northwest Energy Efficiency Alliance](#)), and influencing customer behavior in the operating and maintenance of buildings.

SCL has met or exceeded the EIA biennial targets for all periods except 2022-2023. During the last two years, SCL experienced a drop-off in commercial energy efficiency related to the COVID-19 pandemic manifesting in building vacancies, supply chain issues, and decreased investment in commercial real estate. In 2022, SCL met 32 percent of the total 2022-23 biennial conservation target, less than the 50 percent considered full achievement for the first year of the two-year period.¹ SCL is currently completing 2023 conservation reporting to the Washington Department of Commerce, the relevant regulatory agency, and expects to remain in good standing because SCL is allowed to claim over-achievement in conservation from past biennial periods.

Resolution 32134

Resolution 32134 would establish a 10-year conservation potential of 79 average megawatts (aMW) and a conservation target of 18 aMW for 2024-2025. The biennial target measures SCL’s conservation goal for the first two years of that period; that two-year period is a portion of the 10-year conservation potential that represents the energy savings made possible through implementing all achievable, cost-effective measures.

The proposed biennial target is less than the respective, previous target adopted by [Resolution 32030](#): down from 18.7 aMW to 18 aMW, a 3.9 percent decrease, but over the ten-year period, the conservation target is an increase of 2.7 percent, up from 76.9 aMW to 79 aMW.

¹ EIA 2023 Report Summary and Detail. <https://www.commerce.wa.gov/wp-content/uploads/2023/12/EIA-2023-Report-Summary-and-Detail.pdf>

SCL has three sectors of retail customers: residential, commercial, and industrial. For the 2024-2033 ten-year period, SCL projects most of the total conservation to come from the commercial sector (62 percent) consistent with proportions of retail sales. SCL estimates the ten-year conservation potential by sector increasing most in residential, doubling from 11 aMW to 22 aMW. SCL expects the increase in residential conservation potential to result from improvements in heating efficiency and weatherization. When electricity prices are the highest in the winter, residential conservation yields the biggest savings.

SCL explains the differences between the biennial target from the 2022-2023 to 2024-2025 as resulting from changes in forecast inputs, including assumptions about:

- (1) Building equipment supply chain disruptions and vacancy and decreased investment in commercial real estate (conservation reduction);
- (2) Higher load (demand) forecasts in winter and summer yield bigger savings due to residential building electrification (conservation increase); and
- (3) Local, state, and federal policy and legislation promoting efficiency and energy use reduction (countervailing increases and decreases in conservation)

Next steps

If the Committee votes on the resolution during the meeting on May 3, then Council could schedule final action on the resolution as soon as May 14.

cc: Benjamin Noble, Director
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