

SUMMARY and FISCAL NOTE

Department:	Dept. Contact:	CBO Contact:
Seattle City Light	Karen Liu	Christie Parker

1. BILL SUMMARY

Legislation Title

AN ORDINANCE relating to the City Light Department; authorizing the Department to develop programs, enter into agreements with customers and other parties, and provide incentives for modifications to customer electricity consumption; and amending Section 21.49.130 of the Seattle Municipal Code.

Summary and Background of the Legislation

This legislation amends the Seattle Municipal Code to provide the Department with authority to establish demand response programs for customers. This legislation authorizes the Department to enter into agreements with customers and other parties and provide incentives, including but not limited to monetary compensation, based on the value of the demand response they provide. The total cost of incentives should be less than the anticipated monetary value of the demand response measures.

Load growth from building and transportation electrification; rising frequency, duration, and severity of extreme climate events; and increasing prices and volatility in the wholesale energy market are driving the need for City Light to develop demand response programs. Demand response programs help flatten peak demand, which will reduce costly energy purchases in the wholesale market and also will reduce the size of the generation, transmission and distribution investments required to meet future peak load. The 2024 Integrated Resource Plan Progress Report identified the need for 16 megawatts (MW) of demand response by 2028 to manage climate- and electrification-related extremes while also generally reducing customers' energy burden. Additionally, in 2026, the Department will file a Clean Energy Implementation Plan that sets a 12 MW demand response target between 2026-2029 to comply with the Washington Clean Energy Transformation Act (CETA).

This legislation provides the authority to build and offer demand response programs to eligible customers. The size of City Light's demand response portfolio will match the scale of cost-effective demand response potential identified over time. Demand response targets are set and updated every two years based on the Demand-Side Management Potential Assessment (DSMPA) and Integrated Resource Plan (IRP). Incremental funding requirements will be assessed as part of the budget cycle and represent the least-cost portfolio of energy resources as identified by the IRP. As such, similar to energy efficiency, demand response will lower overall cost of delivered energy to customers (includes energy, transmission, and distribution). Demand response programs will be evaluated to ensure the portfolio reduces overall power costs relative to supply side solutions.

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

The total cost of demand response is uncertain but is expected to reduce the overall cost of energy delivered to customers. This ordinance does not directly modify revenues or appropriations; however, it does authorize City Light to enter into future agreements that could impact revenues and expenditures. In 2027-2029 the demand response program budget will be included in City Light's proposed budget, including any necessary budget for staffing resources, incentive payments, and program support.

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 directly change appropriations or revenues. However, demand response programs will be designed to reduce the overall cost of delivering power to customers. Since City Light recovers costs through rates, retail revenue with demand response will be lower than if City Light were to substitute demand response with supply-side solutions. Lower rates/retail revenue would mean slightly lower utility tax for the General Fund; however, the difference is not anticipated to be significant.

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.

There are no specific costs in this legislation.

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

Demand Response is part of a lowest cost strategy to serve customers. Not having the authority to develop and offer demand response would increase the cost of delivered power and the associated electricity rates of City Light customers.

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

N/A

4. OTHER IMPLICATIONS

Is a public hearing required for this legislation?

No

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

No

b. Does this legislation affect a piece of property?

No

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.**

Demand response has a number of use cases that could provide value to City Light, including deferring generation capacity, avoiding or deferring transmission and distribution upgrades, peak shaving, and avoiding high wholesale market prices. Any of these use cases can help lower overall power costs for all customers.

However, because demand response is highly dependent on electrified end-uses and smart technologies that enable flexibility and control, there are significant race and social justice implications. It is likely that highly impacted communities will have less access to smart technologies as a result of historical harms, so it is critical that future demand response programs are designed intentionally to center these communities in the clean energy transition.

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

A high-level racial equity analysis was completed. A full Racial Equity Toolkit was not completed at this stage and will be further built out in the Demand Response Strategy, and racial equity analysis is embedded in each step of program design.

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

Any communications to the public will be planned in partnership with the Department's Communications team.

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.**

This legislation supports a decrease in carbon emissions by potentially lowering the Department's power purchases on the wholesale market to serve customers. Power purchases account for 60% of the Department's emissions, as there is no guarantee that the power purchased is generated by renewable resources and are therefore considered unspecified to account for potential fossil fuel-based purchases.

- 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 legislation supports an increase in Seattle's resilience to climate change by providing more flexibility to the grid for both the bulk energy system and the distribution system. During times of need that are typically driven by extreme weather events, demand response can provide additional capacity to increase grid resilience and reliability for the bulk system, which reduces the likelihood of customers losing power. Demand response can also provide targeted geographic grid benefits to support grid and customer resiliency at the distribution level.

- 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?**

As part of the Clean Energy Transformation Act (CETA), the Department must file a Clean Energy Implementation Plan (CEIP) every four years that includes targets for demand response. Under CETA, utilities must be carbon neutral and 80% must be renewable or non-emitting by 2030, and utilities must be 100% renewable or non-emitting by 2045. The CEIP must demonstrate progress towards meeting these goals. The Integrated Resource Plan and Demand-Side Management Potential Assessment identify the amount of cost-effective demand response that is achievable and are used to set the demand response goal in the CEIP. This legislation will enable the Department to develop demand response programs to meet the CEIP targets and demonstrate the utility's progress towards becoming 100% renewable or non-emitting.

- f. **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: N/A