

SUMMARY and FISCAL NOTE*

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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; adding a new section to Chapter 21.49 of the Seattle Municipal Code to establish the Renewable Plus Program; authorizing the City Light Department to implement and execute customer participation agreements; amending Seattle Municipal Code subsection 21.49.130.B to authorize the City Light Department to execute, implement, and administer contracts for the acquisition of eligible renewable energy resources, together with any necessary or convenient transmission, integration, or ancillary services related to such renewable energy.

Summary and background of the Legislation: Large corporate customers with aggressive climate goals have been pressing utilities to offer opportunities to support the development of new renewable energy resources. City Light has been approached by large, non-residential customers to increase the supply of renewable energy on the electric grid serving their operations. To date, the combination of declining retail loads, traditional utility policies, and prevailing power market prices has not justified the need for City Light to add new resources to its portfolio. However, customers are eager, and have a financial interest, to demonstrate their environmental commitment by sourcing up to 100% of their electricity from new renewable resources and these customers are seeking optional and voluntary opportunities to purchase renewable energy bundled with Renewable Energy Certificates (RECs) generated by newly constructed renewable resources. With this Ordinance, City Light is seeking new authority to establish the Renewable Plus Program to make this bundled renewable energy product available to customers on a long-term subscription basis and to contract for renewable resources to support the program.

City Light’s Green Up Program provides customers with the opportunity to purchase an unbundled renewable energy product. Customers may choose to “green-up” a certain percentage of their electricity consumption and City Light secures the RECs that represent proof that 1 megawatt-hour of electricity was generated from an eligible renewable energy resource. Since the program only provides the RECs and not the actual electricity from the renewable energy resource, this is considered an unbundled offering. A bundled offering allows customers to purchase both the renewable electricity and the RECs through participation in a single program while also supporting “additionality” – the direct connection between their participation/investment in a program to the construction and integration of newly constructed renewable resources, typically solar or wind, into the utility mix. Programs like the proposed Renewable Plus Program provide customers a pathway to meet renewable energy goals where on-site solar arrays are not feasible or other constraints prohibit the customer from purchasing/installing renewable energy projects.

Seattle City Light is uniquely positioned to meet the majority of our customer's climate and environmental needs with existing programs, services, and our resource portfolio. As the energy-related landscape is evolving, City Light must adapt to meet our evolving customer preferences for broader program and portfolio offerings. The development of a new Renewable Plus program will allow City Light to meet needs that are not being met by our current programs or resource mix. Certain customers have established aggressive sustainability targets including the explicit goal to directly increase renewable energy market additionality with their electricity purchases. Furthermore, City Light's system resource planning team is leveraging this Renewable Plus Program opportunity to analyze the value of adding solar or wind into our energy mix, with an eye towards building system resiliency and understanding rate impacts.

Development of the Renewable Plus Program

To meet the intent described above, Seattle City Light is planning to launch the new Renewable Plus Program for large commercial customers. City Light will contract for the development of a new renewable (solar or wind) resource that would be integrated into City Light's resource mix. City Light began engaging with customers and stakeholders in August 2020 to help inform the size of the renewable project and other aspects of the program design. City Light then released a Request for Proposals in late-2020 for a renewable resource to supply a bundled product for this program. A decision to contract for this resource will occur later in 2021, pending contracting authority from Council and further engagement with customers to determine the size of the resource needed to meet program demand.

The Renewable Plus Program will be a voluntary opportunity for qualifying customers to purchase the bundled energy from a newly constructed renewable energy resource. Qualifying customers are larger commercial customers with high electricity loads, likely exceeding 10 million kWh/year. Customers will be required to sign a contract with City Light for a period not exceeding 20 years. The contracts will take the form of a Renewable Plus Participation Agreement that outlines all program terms and conditions. The program subscribers will be charged a specific renewable rate that would be added to their existing, standard City Light rate; the final program rate will be calculated once City Light has secured a renewable resource for the program. A key feature of the Renewable Plus Program is to ensure that all costs associated with the development, implementation, and administration of the Program will be borne by program subscribers and not by customers that are not participating in the program.

To secure the renewable resources for the Renewable Plus Program, City Light will enter into agreements with renewable resource developers to secure a bundled product. City Light aims to enter contract negotiations for a new renewable resource in late 2021. As this will be a newly constructed resource, construction will begin following power purchase agreement (PPA) execution and likely will come online in 2024.

Council Action Required

To establish this new renewable energy program, City Council approval is being sought to allow City Light to create a new section to Seattle Municipal Code 21.49.089 to establish the Renewable Plus Program and to amend SMC 21.49.130 to establish contracting authority for resources for the Renewable Plus Program.

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?

City Light will continue to use existing staff to develop and implement the Renewable Plus Program; the staff are budgeted positions and can accommodate this work within their existing workload. The Renewable Plus Program is designed to have the participating customers fund the program costs and hold other non-participants harmless from incurring any program costs. Future budget authority will be necessary to pay for the renewable resource contracted to underwrite the program and that budget will be offset by the program's revenues.

Is there financial cost or other impacts of *not* implementing the legislation?

If City Light does not offer this program for these key customers there is a risk that they will seek other existing avenues to meet their sustainability goals, potentially at a cost to City Light retail revenue or to City Light's unique positioning to provide energy services to meet evolving customer demands.

4. OTHER IMPLICATIONS

- a. **Does this legislation affect any departments besides the originating department?**
No other Department is impacted by this legislation.
- b. **Is a public hearing required for this legislation?**
No, a public hearing is not required for this legislation.
- c. **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No, a notice is not required for this legislation.
- d. **Does this legislation affect a piece of property?**
No, this legislation does not affect a piece of property.
- e. **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?**
The Renewable Plus program is designed to target some of City Light's largest customers while minimizing impact on non-participant customers. Contracting for this new renewable energy resource will result in both temporary and permanent green jobs in the community in

which the resource will be sited. The procurement process for the renewable resource will strive to ensure that workforce development and equity outcomes are in line with City Light's Race and Social Justice and Equity principles. Those principles will be reflected in resource selection as well as in the community benefits and impacts occurring from resource construction, operations and maintenance. Communications for the program will be targeted at the largest non-residential customers served by City Light, and the program team will work closely with the City Light Communications team to ensure that planned program communications are accessible for eligible customers.

f. Climate Change Implications

1. Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?

Implementation of the Renewable Plus Program will decrease carbon emissions, both for Seattle City Light, and for the region. The program will directly result in the development of new grid-scale renewable energy resources in the Pacific Northwest. Implementation will increase the renewable resources that are used to serve City Light's customers, thus reducing the fossil fuels embedded in City Light's resource mix. This new renewable supply is also expected to increase City Light's surplus sales and would therefore increase the regional supply of hydroelectric power, reducing regional dependence on fossil fuels.

2. 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.

The new resource for the Renewable Plus Program will be integrated into City Light's long term resource planning and evaluated for its impacts on resource adequacy and the requirements set by the State renewable portfolio standard and the Clean Energy Transformation Act (CETA). This new resource will diversify City Light's energy portfolio is expected to increase the utility's resiliency to climate change.

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 is a new initiative. The long-term goals of the program include: meeting customer demand for such an offering; securing a new renewable resource to underwrite the Program; integration of a new renewable resource into City Light's energy mix; and developing the skills/experience to do that integration and build a comprehensive understanding of its impacts on our short/long term resource planning, rates, and energy portfolio resilience. The program experience would prove valuable to initiate other renewable energy efforts within the utility.