FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title:
AN ORDINANCE relating to the City Light Department; authorizing the General Manager and Chief Executive Officer to execute an agreement with Lake Union Building LLC, one of three participants in the Department's Pay for Performance pilot program.

Summary of the Legislation:

This legislation approves an energy conservation agreement with Lake Union Building LLC, one of three participants in City Light's three-year pay for performance pilot program. Separate legislation authorizes the agreements with the other two participants.

Background:
Energy conservation continues to be City Light's first priority energy resource, and City Light continuously seeks out innovative ways to partner with customers and trade allies to meet its energy savings targets. City Light provides financial incentives to help customers overcome barriers to investing in cost-effective energy conservation, and under its current program design, that typically involves a single up-front payment once conservation measures have been installed, inspected and the energy savings verified.

As a result of input from technical advisors and various energy service providers, the City's 2013 Climate Action Plan, adopted by the City Council through Resolution 31447, included a recommendation that City Light "pilot a utility incentive program that would pay for actual energy savings over time instead of providing up-front payment for projected savings," and the Resolution expressed the Council's desire that departments move forward quickly with a number of specific recommendations including this one.

City Light issued an RFP seeking participants in a pilot program, focusing on commercial office buildings. Respondents were asked to identify the building and energy conservation measures to be implemented, to request the financial incentive rate required for their participation, and to partner with an energy service provider who could estimate the baseline energy savings over the pilot period (adjusted for key factors such as weather, occupancy, and building use). Three participants were selected, as summarized in the table below. The results of the pilot will inform a decision by late 2016 as to whether or not to adopt this approach as a standard conservation program offering.

City Light's current authority for agreements to purchase energy, interpreted to include acquiring energy conservation savings, is limited to two years. This pilot involves energy conservation payments to be made over a three year period, so City Light is seeking authority to enter into three year agreements with the pilot participants.

City Light will use its 2013 conservation incentive budget to fund this pilot, so no additional budget authorization is required.

Building/Address	Owner	Annual Incentive Rate ($/kWh)
Lake Union Building/1700 Westlake Avenue North	Lake Union Building LLC	$0.08
One Union Square/600 University Street	Union Square LLC	$0.228
1111 Third Avenue/1111Third Avenue	Talon Portfolio Services, LLC	$0.116

Please check one of the following:

__X__ This legislation does not have any financial implications.

____ This legislation has financial implications.

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?**
Yes. Authorization of the agreements under the pilot program will allow City Light to make use of more of its 2013 budget authority. The expected total funding amount under the three agreements is $1,229,507. In the long-term, if the pilot program shows that this approach is practical and cost-effective, it would expand the tools available to City Light to encourage energy conservation.

b) **What is the financial cost of not implementing the legislation?**
None.

c) **Does this legislation affect any departments besides the originating department?**
No.

d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?**
None.

e) **Is a public hearing required for this legislation?**
No.

f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No.

g) Does this legislation affect a piece of property?
No.

h) Other Issues:
None.

List attachments to the fiscal note below:
None.