

2014 Seattle City Council Green Sheet

Ready for Notebook

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**Budget Action Title:** Add a \$0 district energy capital project to SCL's Customer-Focused CIP BCL and the proposed 2014-2019 CIP

Has CIP Amendment: Yes Has Budget Proviso: No

Councilmembers: Clark; Conlin; O'Brien

Staff Analyst: Meg Moorehead; Rashad Morris

Council Bill or Resolution:

Date		Total	SB	BH	TR	RC	TB	NL	JG	SC	MO
	Yes										
	No										
	Abstain										
	Absent										

**Budget Action description:**

This green sheet adds a \$0 district energy capital project to Seattle City Light’s (SCL’s) Customer-Focused CIP Budget Control Level (BCL) and the proposed 2014-2019 capital improvement program (CIP).

Seattle’s Climate Action Plan recommends reducing greenhouse gas emissions through the development of district energy systems. The Office of Sustainability and Environment (OSE) has been leading City efforts to develop district energy, with a focus on First Hill and South Lake Union (SLU)/north downtown. The proposed OSE budget includes \$100,000 to conduct the next phase of district energy feasibility work for SLU/north downtown. However despite landowner interest, the fast pace of development might mean that key properties are developed without district energy connection capabilities before feasibility work is complete. Although a private utility is envisioned as the ultimate provider of district energy services, arrangements for establishing and installing a private system are still under discussion. To keep up with rapid development and help jump-start private development of a neighborhood district energy system, the City could build early “nodes” of district energy infrastructure. The nodes might serve a few key areas around 6<sup>th</sup> Ave between the Westin Hotel and proposed Amazon headquarters, in vicinity of the Convention Center, and an area near 8<sup>th</sup>/9<sup>th</sup> Avenues.

The concept of City-funded district energy nodes needs further development to determine property owner interest, arrangements for long-term system connection and operation, system design, and revenue sources. Qualified Energy Conservation Bonds (QECBs) may be one source of funding. The City has authority to issue more than \$6 million in QECBs that would be repaid at a low interest rate

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(perhaps between 0.64% and 1.5%) over 19 years. Because there are specific criteria for use of QECBs, the City's ability to use them for district energy needs further evaluation. And, because district energy is not a function of existing City utilities, the QECBs would need to be repaid with General Subfund or other general purpose City capital revenue sources. In addition to identifying funding sources, further evaluation will be needed to assess the risk and design for the possibility that a neighborhood system is not ultimately built and connected to the City-funded nodes.

To create the opportunity to move quickly on key district energy nodes while recognizing the need for further refinement of the City-funded capital project, this green sheet adds a project (see attached project description) to SCL's CIP with \$0 in 2014 through 2019. The scope of the new project can be further developed in 2014.

