

Resolution No. 31329

A RESOLUTION supporting the efforts of the Office of Sustainability and Environment to prepare the groundwork for district energy in Seattle and identifying the policy analysis the Council anticipates will be necessary to allow the City to take the next steps in the process.

Related Legislation File: _____

Date Introduced and Referred: <u>Oct. 3, 2011</u>	To: (committee): <u>Full Council</u>
Date Re-referred:	To: (committee):
Date Re-referred:	To: (committee):
Date of Final Action: <u>10-16-11</u>	Date Presented to Mayor: <u>10-11-11</u>
Date Signed by Mayor: <u>Oct. 17, 2011</u>	Date Returned to City Clerk: <u>Oct. 18, 2011</u>
Published by Title Only <input checked="" type="checkbox"/>	Date Returned Without Concurrence:
Published in Full Text _____	

The City of Seattle – Legislative Department

Resolution sponsored by: Richard Conlin

Committee Action:

Date	Recommendation	Vote

This file is complete and ready for presentation to Full Council. _____

Full Council Action:

Date	Decision	Vote
<u>10-10-11</u>	<u>Adopted as amended</u>	<u>9-2</u>

RESOLUTION 31329

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2 A RESOLUTION supporting the efforts of the Office of Sustainability and Environment to
3 prepare the groundwork for district energy in Seattle and identifying the policy analysis
4 the Council anticipates will be necessary to allow the City to take the next steps in the
5 process.

6 WHEREAS, the City has an interest in reducing greenhouse gas emissions within the city,
7 expressed in Resolution 31312 and elsewhere; and

8 WHEREAS, district energy holds the potential to reduce such emissions by providing heating
9 and cooling to buildings from a centralized, efficient, and clean source; and

10 WHEREAS, a study commissioned by the Seattle Housing Authority suggests that district
11 energy may provide the lowest life-cycle cost for heating and cooling for its proposed
12 redevelopment of Yesler Terrace; and

13 WHEREAS, a study commissioned by the Office of Sustainability and Environment evaluated a
14 number of areas in the city where district energy may be feasible and desirable, and
15 identified a "district energy partnership" on First Hill including Yesler Terrace as a
16 potential early implementation opportunity; and

17 WHEREAS, the "district energy partnership" would involve a Request For Expressions of
18 Interest to engage and evaluate a third-party district utility through negotiations, detailed
19 feasibility study, and ultimately the assessment of its ability to meet the City's policy and
20 performance metrics; NOW, THEREFORE,

21 **BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE**
22 **MAYOR CONCURRING, THAT:**

23
24 Section 1. The Council requests that the Office of Sustainability and Environment
25 (OSE), working with other City departments, non-City agencies, and entities with technical,
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1 financial, legal, or other expertise, as appropriate, address key issues including those listed
2 below, and report back in writing to the Council so that the Council can make a well-informed
3 decision about whether it should pursue one or more energy districts in Seattle, and if so how
4 best to proceed. This list of issues is not intended to be exhaustive and OSE should include
5 analysis of other relevant issues as well. The Council understands that complete analysis of, and
6 responses, to some of these issues may not be possible without external expert assistance.
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9 Issues to be addressed by OSE:

10 a. In addition to the “strategic district energy partnership” approach recommended
11 by Compass Resource Management Ltd., in its August 2011 report (Compass), what other
12 approaches warrant analysis or have already been analyzed? This should include identification
13 of alternatives including:
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- 15
- 16 (1) taking no further action;
 - 17 (2) creating a smaller, stand-alone district energy system for Yesler Terrace
18 which could possibly be expanded in the future; and
 - 19 (3) creating a municipal heating district.
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22 b. For each alternative:

- 23 (1) conduct or cite policy, financial, legal, and other analysis to the extent
24 necessary to compare the alternatives, evaluating pros and cons and
25 tradeoffs;
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- 1 (2) identify entities or groups that have interests in the area or the issues and
2 how they might be affected by the choice of alternative;
- 3 (3) identify and address challenges or barriers to implementing the
4 alternative;
- 5 (4) identify the changes in City law or practice that might be needed,
6 including revising or waiving City requirements as recommended by
7 Compass, the pros and cons of making such changes (costs, legal,
8 policy, etc.), and the likely schedule for considering them; and
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- 10 (5) identify the changes in state law (if any) that might be needed, and the
11 positions and interests of other groups in the state, and assess the
12 likelihood of the City being successful in securing the changes.
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15 c. For the partnership approach recommended by Compass on First Hill:

- 16 (1) What is the City's authority to select and contract with a retail district
17 energy provider?
- 18 (2) What regulatory authority over scope, operations, guarantee of load,
19 rates, performance etc., does the City have?
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- 21 (3) What might the legal structure of such an entity look like? What are the
22 risks to the City of involvement in such a legal construct?
- 23 (4) Does RCW 35.97 provide a feasible basis for such a system? What
24 authority does it give the City in this context? What risks are involved
25 in using that authority?
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- 1 (5) If a new district energy system were to include a guaranteed load to a
2 new provider, what consumer protections would exist and how would
3 they be enforced?
4 (6) What might the City's role(s) in a new structure be? These could
5 include regulatory, financial (capital, operating, debt, guarantees),
6 contractual, etc.
7 (7) What are the likely financial implications for the parties over 10, 20, 30
8 years? How might capital costs reasonably be financed and recovered?
9 (8) Describe the process and criteria for establishing a rate structure for
10 retail customers. What is the likely range of possible rates? How would
11 rates be expected to compare to those for existing systems, and to those
12 for other alternatives? How might future expansion be financed and
13 paid for?
14 (9) If key parts of a new system were to rest on contractual relationships
15 among parties (e.g., City, new retail provider, Seattle Steam, customers),
16 what might happen when the various contracts end? What if a particular
17 party were to choose not to renew a contract? What if a particular party
18 failed to perform?
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23 d. Some of Compass's analysis of potential carbon reduction shows "aggressive"
24 scenarios that represent "an upper bookend for potential savings." The Council would like to
25 see policy analysis that shows other, perhaps more likely, scenarios.
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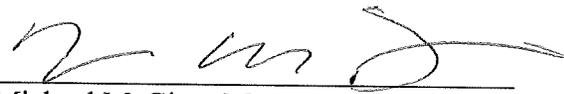
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2 e. Compass describes examples of district energy elsewhere, including in St. Paul,
3 MN, and Vancouver, B.C. What are their similarities to, and differences from, Seattle in terms
4 of legal framework, regulatory framework, existing conditions, energy types and prices, etc.?

5 Section 2. The Council anticipates that after reviewing the report submitted by
6 OSE and other information, the Council will decide by resolution how to proceed.

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8 Adopted by the City Council the 10th day of October, 2011, and
9 signed by me in open session in authentication of its adoption this 10th day of
10 October, 2011.

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13 President _____ of the City Council

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16 THE MAYOR CONCURRING:

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19 Michael McGinn, Mayor

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21 Filed by me this 18th day of October, 2011.

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23 
24 Monica Martinez Simmons, City Clerk

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26 (Seal)



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
LEG	Tony Kilduff/4-3580	NA

Legislation Title:

A RESOLUTION supporting the efforts of the Office of Sustainability and Environment to prepare the groundwork for district energy in Seattle and identifying the policy analysis the Council anticipates will be necessary to allow the City to take the next steps in the process.

Summary of the Legislation:

This legislation requests that the Office of Sustainability and Environment continue its research into the feasibility of establishing one or more utility districts in Seattle and the best way to do so should the analysis support it.

Background:

The City has a long-standing interest in efforts aimed at reducing carbon emissions in the city. Energy districts have the potential to assist in that effort by providing hydronic heating and cooling to buildings within the district produced from efficient, central facilities. Establishing a new district raises a variety of policy, legal, and financial questions that the Council would like to see addressed. This resolution charges OSE with that task.

Please check one of the following:

This legislation does not have any financial implications.

(Please skip to "Other Implications" section at the end of the document and answer questions a-h. Earlier sections that are left blank should be deleted. Please delete the instructions provided in parentheses at the end of each question.)

This legislation has financial implications.

(If the legislation has direct fiscal impacts (e.g., appropriations, revenue, positions), fill out the relevant sections below. If the financial implications are indirect or longer-term, describe them in narrative in the "Other Implications" Section. Please delete the instructions provided in parentheses at the end of each title and question.)



RESOLUTION _____

A RESOLUTION supporting the efforts of the Office of Sustainability and Environment to prepare the groundwork for district energy in Seattle and identifying the policy analysis the Council anticipates will be necessary to allow the City to take the next steps in the process.

WHEREAS, the City has an interest in reducing greenhouse gas emissions within the city, expressed in Resolution 31312 and elsewhere; and

WHEREAS, district energy holds the potential to reduce such emissions by providing heating and cooling to buildings from a centralized, efficient, and clean source; and

WHEREAS, a study commissioned by the Seattle Housing Authority suggests that district energy may provide the lowest life-cycle cost for heating and cooling for its proposed redevelopment of Yesler Terrace; and

WHEREAS, a study commissioned by the Office of Sustainability and Environment evaluated a number of areas in the city where district energy may be feasible and desirable, and identified a "district energy partnership" on First Hill and Yesler Terrace as a potential early implementation opportunity; and

WHEREAS, the "district energy partnership" would involve a Request For Expressions of Interest to engage and evaluate a third party district utility through negotiations, detailed feasibility study, and ultimately the assessment of its ability to meet the City's policy and performance metrics; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR CONCURRING, THAT:

Section 1. The Council requests that the Office of Sustainability and Environment (OSE), working with other City departments, non-City agencies, and entities with technical, financial, legal, or other expertise, as appropriate, address key issues including those listed below, and report back in writing to the Council so that the Council can make a well-informed decision about whether it should pursue one or more energy districts in Seattle, and if so how

THIS VERSION IS NOT ADOPTED



1 best to proceed. This list of issues is not intended to be exhaustive and OSE should include
2 analysis of other relevant issues as well. The Council understands that complete analysis of and
3 responses to some of this issues may not be possible without external expert assistance.

4
5 Issues to be addressed by OSE:

6 a. In addition to the "strategic district energy partnership" approach recommended
7 by Compass Resource Management Ltd., in its August 2011 report (Compass), what other
8 approaches warrant analysis or have already been analyzed? This should include identification
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- (5) identify the changes in state law (if any) that might be needed, the positions and interests of other groups in the state, and assess the likelihood of the City being successful in securing the changes.

c. For the partnership approach recommended by Compass on First Hill:

- (1) What is the City's authority to select and contract with a retail district energy provider?
- (2) What regulatory authority over scope, operations, guarantee of load, rates, performance etc., does the City have?
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6 OSE and other information, the Council will decide by resolution how to proceed.
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9 Adopted by the City Council the ____ day of _____, 2011, and
10 signed by me in open session in authentication of its adoption this ____ day of
11 _____, 2011.
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13 _____
14 President _____ of the City Council

15 THE MAYOR CONCURRING:

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17 _____
18 Michael McGinn, Mayor

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20 Filed by me this ____ day of _____, 2011.
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22 _____
23 Monica Martinez Simmons, City Clerk

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25 (Seal)
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THIS VERSION IS NOT ADOPTED



STATE OF WASHINGTON – KING COUNTY

--SS.

277739
CITY OF SEATTLE, CLERKS OFFICE

No. 31329

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:TITLE ONLY RESOLUTION

was published on

10/27/11

The amount of the fee charged for the foregoing publication is the sum of \$ 34.13, which amount has been paid in full.



Affidavit of Publication

Subscribed and sworn to before me on

10/27/11

Notary public for the State of Washington,
residing in Seattle

State of Washington, King County

City of Seattle

The full text of the following legislation, passed by the City Council on October 10, 2011, and published below by title only, will be mailed upon request, or can be accessed at <http://clerk.seattle.gov>. For information on upcoming meetings of the Seattle City Council, please visit <http://www.seattle.gov/council/calendar>.

Contact: Office of the City Clerk at (206) 684-8344.

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Date of publication in the Seattle Daily Journal of Commerce, October 27, 2011.
10/27(277739)