

**FISCAL NOTE FOR NON-CAPITAL PROJECTS**

<b>Department:</b>	<b>Contact Person/Phone:</b>	<b>CBO Analyst/Phone:</b>
Seattle City Light	Glenn Atwood/4-3740	Calvin Chow/4-4652

**Legislation Title:** AN ORDINANCE relating to the City Light Department; adopting the Washington State Department of Commerce’s advisory opinion on the eligibility of Nucor Steel’s waste heat to power project as energy conservation under the Washington Energy Independence Act; authorizing the Superintendent of City Light, or his designee, to enter into a multi-year energy conservation funding agreement with Nucor Steel for the project; and ratifying and confirming certain prior acts.

**Summary of the Legislation:** This ordinance adopts the Washington State Department of Commerce’s advisory opinion on the eligibility of Nucor Steel’s waste heat to power project as energy conservation under the Washington Energy Independence Act and authorizes the Superintendent of City Light to enter into a multi-year energy conservation funding agreement with Nucor Steel for the project.

**Background:**

(Include a brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable.)

Nucor Steel wishes to install a waste-heat-to-power electricity generation project at its facility in Seattle. Under the Washington Energy Independence Act (I-937), electricity produced by the project may be eligible for credit to Seattle City Light to meet its energy conservation requirements. Nucor sought and obtained an advisory opinion from the Washington State Department of Commerce that electricity actually produced by this project would be eligible. For this opinion to be binding on the Washington State Auditor, who is responsible for determining Seattle City Light’s compliance with the Act, the Seattle City Council must adopt the Department of Commerce’s opinion. City Light wishes to enter into a multi-year funding agreement with Nucor for the net electricity production of the project, and this legislation authorizes the Superintendent of City Light or his designee to enter into such an agreement in accordance with the Term Sheet executed by Nucor and City Light attached to the legislation.

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.)

**Appropriations:**

(This table should reflect appropriations that are a direct result of this legislation. In the event that the project/programs associated with this ordinance had, or will have, appropriations in other legislation please provide details in the Appropriation Notes section below. If the

appropriation is not supported by revenue/reimbursements, please confirm that there is available fund balance to cover this appropriation in the note section.)

Fund Name and Number	Department	Budget Control Level*	2012 Appropriation	2013 Anticipated Appropriation
<b>TOTAL</b>				

\*See budget book to obtain the appropriate Budget Control Level for your department.

Appropriations Notes: None.

**Anticipated Revenue/Reimbursement Resulting from this Legislation:**

(This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below the table.)

Fund Name and Number	Department	Revenue Source	2012 Revenue	2013 Revenue
<b>TOTAL</b>				

Revenue/Reimbursement Notes: None

**Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:**

(This table should only reflect the actual number of positions affected by this legislation. In the event that positions have been, or will be, created as a result of other legislation, please provide details in the Notes section below the table.)

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2012 Positions	2012 FTE	2013 Positions*	2013 FTE*
<b>TOTAL</b>							

\* 2013 positions and FTE are total 2013 position changes resulting from this legislation, not incremental changes. Therefore, under 2013, please be sure to include any continuing positions from 2012.

Position Notes: None

**Do positions sunset in the future?**

(If yes, identify sunset date)

**Spending/Cash Flow:**

(This table should be completed only in those cases where part or all of the funds authorized by this legislation will be spent in a different year than when they were appropriated (e.g., as in the case of certain grants and capital projects). Details surrounding spending that will occur in future years should be provided in the Notes section below the table.)

Fund Name & #	Department	Budget Control Level*	2012 Expenditures	2013 Anticipated Expenditures

Light Fund (41000)	City Light	Conservation Resources and Environmental Affairs O&M	\$0	\$0
<b>TOTAL</b>			<b>\$0</b>	<b>\$0</b>

\* See budget book to obtain the appropriate Budget Control Level for your department.

Spending/Cash Flow Notes: No payments are anticipated until the project is constructed and begins operation, likely in early 2014.

**Other Implications:**

**a) Does the legislation have indirect financial implications, or long-term implications?**

(If yes, explain them here.)

Yes. Seattle City Light will use its funds for energy conservation authorized under its 2013 annual budget ordinance to pay for the energy savings generated by the project over the contract term. No additional authorization will be needed for this project.

The payments made to Nucor will be based on the actual net electricity generated over the first three years of the project's operation, based on a payment of \$0.067/kWh. This incentive amount represents one-third of the one-time payment originally offered to Nucor of \$0.20/kWh, the first-year incentive provided to custom conservation projects with an expected life of 12 years. The payment is being spread over three years to mitigate City Light's risk should the project fail to operate as proposed or Nucor be unable to meet its obligations during that period. The agreement with Nucor will also have a provision requiring repayment of a proportional share of the conservation incentive should the project be permanently taken out of service prior to the expected twelve-year life of the project.

City Light will contract for the maximum possible net energy production from the project, currently estimated to be 5,450,000 kilowatt-hours (kWhs) resulting in a maximum total incentive payment over three years of \$1,090,000.

Under State law (WAC Chapter 194-37), City Light's conservation credit for the project under I-937 will be based on the first year of energy production, (this is consistent with the treatment of energy conservation, for which first-year energy savings are counted towards the conservation target).

**b) What is the financial cost of not implementing the legislation?**

(Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs.)

If the City does not implement this legislation, it would have to acquire other energy conservation to meet its I-937 requirements in future years. The cost of acquiring that conservation may be more or less expensive to City Light, depending on the energy conservation that was acquired.

**c) Does this legislation affect any departments besides the originating department?**

(If so, please list the affected department(s), the nature of the impact (financial, operational, etc), and indicate which staff members in the other department(s) are aware of the proposed legislation.)

No.

**d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?**

(Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)

There is no alternative that would allow City Light to receive energy conservation credit for the project under I-937 and thereby justify providing financial incentives for it.

**e) Is a public hearing required for this legislation?**

(If yes, what public hearing(s) have been held to date, and/or what public hearing(s) are planned for the future?)

Yes. A public hearing is necessary and will be held as part of the Energy & Environment Committee meeting at which the legislation is considered.

**f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

(For example, legislation related to sale of surplus property, condemnation, or certain capital projects with private partners may require publication of notice. If you aren't sure, please check with your lawyer. If publication of notice is required, describe any steps taken to comply with that requirement.)

No.

**g) Does this legislation affect a piece of property?**

(If yes, and if a map or other visual representation of the property is not already included as an exhibit or attachment to the legislation itself, then you must include a map and/or other visual representation of the property and its location as an attachment to the fiscal note. Place a note on the map attached to the fiscal note that indicates the map is intended for illustrative or informational purposes only and is not intended to modify anything in the legislation.)

No.

**h) Other Issues:**

City Light may pursue additional similar waste-heat-to-energy projects with other customers and may use this legislation as a model for such future projects.

**List attachments to the fiscal note below:**