

Master Renewable Energy Certificate Agreement

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Supersedes	N/A		
Key Contacts		Phone	Short Title
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Council Action Required?	Yes	If YES, within the next 3 months?	
		Yes	
Presenters (if applicable)	Robert W. Cromwell, Jr.		

Summary Statement

The City Light Department is requesting the City Council’s approval of a Master purchase and sale agreement for renewable energy certificates (“RECs”). This will be the template for all future City Light Department REC purchase and sales, including two proposed purchases being presented to the City Council concurrently.

Background

In 2006, voters in Washington state passed Initiative 937 (“I-937”), also called the Energy Independence Act. The initiative sets targets for energy efficiency and acquisition of eligible renewable energy resources. I-937 requires that 3% of load be served with eligible resources by 2012, 9% of load served by 2016, and 15% of load served by 2020.

I-937 allows utilities to use eligible resources or RECs, or a combination of these, to meet the targets. Eligible resources provide energy, which City Light can use to serve its customer energy requirements or resell. REC purchases do not provide energy. Depending on City Light’s need for power and the relative price of eligible resources and RECs, REC-only purchases can be the most cost-effective means of complying with I-937.

In the summer of 2010 the Department presented a set of strategy options to the City Council’s Energy, Technology and Civil Rights Committee to assure the city’s compliance with I-937. Establishing this Master REC Agreement is part of that strategy to achieve cost-effective compliance.

◆ Master REC Purchase Agreement

The City Light Department believes that establishing a master REC agreement will facilitate less-costly negotiations with counter-parties while also simplifying the subsequent legal and legislative review of long-term REC purchases by the Department. The Master agreement provides this opportunity by creating a separate “Confirmation” that memorializes the specific terms and conditions of an individual transaction in a much shorter document. The Department

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believes this will streamline the legal and legislative review process when compared to the current practice of reviewing every unique agreement in its entirety.

In 2008, the American Bar Association released its Master REC Purchase and Sale agreement to provide a foundation for the standardization of various REC trading markets in the U.S. The master agreement accommodates different kinds of RECs and regulatory standards across the country. City Light has modified that agreement to meet the specific needs of the City and the requirements of I-937.

City Light may negotiate changes to the Master in a given Confirmation, which will then be reviewed and approved by the Law Department and the City Council when that transaction is brought forward for legislative review and approval. Therefore the future review of individual transactions will focus on just the specific terms and conditions, and any transaction-specific variations from the language already approved by the City Council, if this Ordinance is adopted. For example, the proposed REC purchases concurrently submitted to the City Council include such changes.

The other primary purpose of the Master REC agreement is to facilitate the sale of RECs when, the City Light Department determines that it has an excess supply of RECs and it would decrease the net cost of compliance with I-937 to our ratepayers to sell those RECs to another utility that has a similar need in that year. In such cases, the sale would be for less than 18 months worth of RECs, and would fall under the existing authority the City Council has delegated to the Superintendent. In those circumstances the Department can enter into a Master agreement with its most common counter-parties in advance and therefore streamline the subsequent negotiation of specific transactions.

There is also the possibility that the Department could, after 2012, find that it has an insufficient supply of RECs in a given year, whether due to an unexpected failure at one of the renewable generation projects from which RECs are being purchased, or unexpected load growth. In that circumstance the City Light Department would have the authority to purchase the (presumably) small quantity of RECs that it was “short” in order to precisely meet the I-937 target for that year.

Key Issues

◆ **Effect on Ratepayers**

The Master REC Agreement itself has no financial impact on our ratepayers. It is the Department’s belief that having a City Council authorized Master REC agreement will facilitate more cost-effective transactions and impose less administrative burden on the City Council when reviewing future, long-term REC purchases.

Next Steps

If City Council approval is received, execute the agreement thereafter.