

Renewable Energy Certificate Purchase from PaTu Wind Farm

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

Summary Statement

The City Light Department is requesting City Council approval of a purchase of renewable energy certificates (“RECs”) from a wind farm near Wasco, Sherman County, Oregon, beginning in 2016. The price and timing make the purchase a low-cost option for partially complying with Washington State’s renewable portfolio standard. The Department proposes to purchase approximately 27,600 RECs per year at \$14.50 per REC, flat for the term of the agreement. There is a one-time brokerage fee of \$107,000 due in 2011. The cost for I-937 compliance associated with this agreement is approximately \$414,000 per year from 2016 to 2031.

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, but may be resold if surplus to City Light’s needs. 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. Consistent with that strategy and in conjunction with the Master REC agreement approved by Ordinance 123499 in December 2010, this proposed purchase of RECs from 2016 to 2031 is a cost-effective means of partially meeting the City’s need for RECs during that period of time.

◆ **PaTu Wind Farm REC Purchase**

PaTu Wind Farm (“PaTu”) was developed by a farm owner near Wasco, Sherman County, Oregon. PaTu is a 9 MW project that came on-line in December 2010. Under the proposed agreement, PaTu will sell the electrical output to Portland General Electric and will sell the RECs to City Light from 2016 to 2031 for \$14.50 per REC. Expected annual output is 27,600 RECs, all of which will be dedicated by City Light to satisfy its I-937 targets for those years.

This is the most cost-effective means of meeting part of the City’s I-937 targets for the term of the proposed agreement, thereby decreasing the rate pressure on our customers for that period of time. Other than the one-time brokerage fee of \$104,000 in 2011, there are no financial impacts to our ratepayers until 2016.

Key Issues

◆ **Effect on Ratepayers**

This REC purchase, in conjunction with the other REC purchase concurrently submitted to the City Council, increases retail revenue requirements approximately 0.1% in 2016 to 2031.

Next Steps

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