

Renewable Energy Certificate Purchases from Exergy Development Group of Idaho

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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 three confirmation agreements for the purchase of renewable energy certificates (“RECs”) from wind parks in southern Idaho, beginning in 2018. 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 150,000 RECs per year at \$15 per REC, flat for the 15 year term of the agreements. The cost for I-937 compliance associated with these agreements is approximately \$2,300,000 per year from 2018 to 2032.

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 targets are 3% of load 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. 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 2018 to 2032 is a cost-effective means of partially meeting the City’s need for RECs during that period of time. Currently, City Light expects to meet its 2012 I-937 target with output from the Stateline wind project. With this proposed REC purchase contract, City Light is taking proactive steps to meet

the 2016 and 2020 targets, consistent with the strategy presented to the Energy, Technology and Civil Right's Committee.

◆ **Lava Beds, Notch Butte, and Deep Creek Wind REC Purchases**

Exergy Development Group of Idaho LLC has developed several wind farms in Idaho. The Lava Beds Wind Park consists of 12 1.5 MW wind turbines in southern Idaho. Notch Butte Wind Park consists of 12 1.5 MW wind turbines in southern Idaho. The Deep Creek Wind Park consists of 13 1.6 MW turbines in southern Idaho. The projects are in the final stages of construction, and Exergy expects the projects will be operating by June 2012. Idaho Power purchases the electrical output from these three wind parks. Under the proposed agreement, Exergy Development Group of Idaho LLC will sell the RECs to City Light from 2018 to 2032. Each wind park is a separate company; Exergy owns each company. Total expected annual output is approximately 150,000 RECs, which City Light intends to use to satisfy its I-937 requirements.

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. There are no financial impacts to our ratepayers until 2018.

Key Issues

Effect on Ratepayers

The REC purchase increases annual revenue requirements approximately \$2.25 million or 0.3% of SCL's total estimated revenue requirement in 2018. Cost allocation and rate design will likely change how this spending ultimately affects retail rates. The increase for some rate classes will be higher and some smaller than the amount shown here.

Next Steps

If City Council approval is received, execute the agreement.