

Renewable Energy Certificate Purchase from 10 MW of the Stateline Wind Project

Date of this Brief	October 12, 2011		
Supersedes	N/A		
		Phone	Short Title
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Council Action Required?	Yes	If YES, within the next 3 months?	
		Yes	
Public Hearing Required?	No		
Presenters (if applicable)	Steven D. Kern, Officer, Power Supply & Environmental Affairs Robert W. Cromwell, Jr., Director, Power Contracts & Resource Acquisition Division		

Summary Statement

The City Light Department is requesting City Council approval of a purchase of renewable energy certificates (“RECs”) from a wind project in Walla Walla County, Washington and Umatilla County, Oregon, beginning in 2022. 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 23,000 RECs per year at \$14 per REC, flat for the term of the agreement from 2022 through 2026. The cost for I-937 compliance associated with this agreement is approximately \$320,000 per year.

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.

City Light Issue Paper

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 2022 through 2026 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; however, the contract for Stateline expires at the end of 2021. With this proposed REC purchase contract, City Light is taking proactive steps to meet the 2020 target, consistent with the strategy presented to the Energy, Technology and Civil Right's Committee.

◆ **Stateline Wind Project REC Purchase**

J.P. Morgan Ventures Energy Corporation has rights to RECs generated from 10 MW of the Stateline Wind Project during the period 2022 through 2026. The Stateline Wind Project is a 300 MW project in Walla Walla County, Washington and Umatilla County, Oregon that went into commercial operation in December 2001. Under the proposed agreement J. P. Morgan Ventures Energy Corporation will sell the RECs to City Light from 2022 through 2026. Expected annual output from is 23,000 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 2022.

Key Issues

Effect on Ratepayers

The REC purchase increases annual revenue requirements approximately \$320,000 per year or 0.032% from 2022 through 2026. 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.