

Renewable Energy Certificate Purchases from Power County Wind Parks North and South

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Key Contact		Phone	Short Title
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Council Action Required?	Yes	If YES, within the next 3 months?	Yes
Public Hearing Required?	NO		
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Summary Statement

The City Light Department is requesting that City Council approve purchase of renewable energy certificates (“RECs”) from two wind developments located in southern Idaho, beginning in 2024. The price and timing make the purchase a low-cost option for partially complying with Washington State’s renewable portfolio standard. City Light proposes to purchase approximately 110,000 RECs per year at \$12 per REC, flat for the 8 year term of the agreement. The cost for I-937 compliance associated with this agreement is approximately \$1,320,000 per year from 2024 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 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

City Light Issue Paper

Ordinance 123499 in December 2010, this proposed purchase of RECs from 2024 to 2031 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 previously acquired Stateline wind project. With this proposed REC purchase contract, City Light is taking proactive steps to meet the 2020 and 2030 targets, consistent with the strategy presented to the Energy, Technology and Civil Right’s Committee.

◆ **Power County Wind Park North, LLC and Power County Wind Park South, LLC REC Purchases**

Power County Wind Park North, LLC and Power County Wind Park South, LLC have developed two wind farms in southern Idaho. The Power County Wind Park North consists of 22.5 MW wind turbines and Power County Wind Park South consists of 22.5 MW wind turbines are located in southern Idaho. The projects are in the final stages of construction, and both wind facilities are expected to be operating by the end of 2011. Under the proposed agreements, Power County Wind Park North, LLC and Power County Wind Park South, LLC will sell the RECs to Seattle City Light from 2024 to 2031. Total expected annual output is approximately 110,000 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 2024.

Key Issues

◆ **Effect on Ratepayers**

The REC purchase increases annual revenue requirements approximately \$1.32 million or 0.15% of City Light’s total estimated revenue requirement in 2024. 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 two REC purchase agreements.