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CB 117212

ORDINANCE _____

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AN ORDINANCE relating to the City Light Department; authorizing the execution of a 15-year agreement with PaTu Wind Farm LLC for the purchase of environmental attributes in the form of renewable energy certificates that are necessary or convenient for meeting the requirements of the Washington State Energy Independence Act; and further authorizing the execution of other necessary and convenient agreements for the receipt, tracking, transferring, management, and sale of the environmental attributes.

WHEREAS, the Revised Code of Washington ("RCW") Chapter 19.285 (the "Washington State Energy Independence Act") requires City Light to acquire renewable resources and/or environmental attributes; and

WHEREAS, PaTu Wind Farm LLC has the marketing rights to the environmental attributes of the PaTu Wind Farm; and

WHEREAS, the PaTu Wind Farm LLC's environmental attributes meet the requirements of RCW Chapter 19.285; and

WHEREAS, Ordinance 123499 authorized City Light's use of a Master Renewable Energy Certificate Purchase and Sale Agreement; NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The Superintendent of the City Light Department, or his designee, is hereby authorized to execute for and on behalf of The City of Seattle, a transaction-specific 15-year Confirmation Agreement, substantially in the form attached hereto as Attachment 1. The agreement with PaTu Wind Farm LLC set forth the terms under which PaTu Wind Farm LLC will deliver environmental attributes in the form of renewable energy certificates ("RECs") to City Light.

Section 2. The Superintendent of the City Light Department, or his designee is hereby further authorized to execute for and on behalf of The City of Seattle additional agreements necessary for use of the Western Renewable Energy Generation Information System or any other



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system for tracking and transferring the RECs to City Light and other necessary and convenient agreements to enable City Light to use the RECs purchased hereunder to meet its regulatory requirements.

Section 3. Upon determining the availability of surplus environmental attributes within City Light's portfolio, and in order to minimize the cost to City Light's customers of compliance with the Washington State Energy Independence Act when the Superintendent believes it is cost-effective to acquire RECs in advance of need, the Superintendent, or his designee, is further authorized to execute for and on behalf of The City of Seattle agreements for the sale of all or a portion of the environmental attributes purchased under the Renewable Energy Certificate Purchase and Sale Agreement with PaTu Wind Farm LLC, on terms and conditions that the Superintendent deems in the best interests of City Light provided, however, that no such sale shall jeopardize City Light's compliance with the Washington State Energy Independence Act.



1 Section 4. This ordinance shall take effect and be in force 30 days after its approval by
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

4 Passed by the City Council the ____ day of _____, 2011, and
5 signed by me in open session in authentication of its passage this
6 ____ day of _____, 2011.

7 _____
8
9 President _____ of the City Council

10
11 Approved by me this ____ day of _____, 2011.

12 _____
13
14 Michael McGinn, Mayor

15
16 Filed by me this ____ day of _____, 2011.

17 _____
18
19 Monica Martinez Simmons, City Clerk

20 (Seal)

21 Attachments:

- 22 • Master Agreement – Exhibit A: Confirmation Agreement – Renewable Energy
- 23 Certificates – PaTu Wind Farm
- 24 • Attachment 1 to Confirmation Agreement – Attestation From Generator Participating
- 25 in WREGIS
- 26 • Attachment 2 to Confirmation Agreement – Guaranteed Minimum Calculator



ORDINANCE ATTACHMENT 1
MASTER AGREEMENT - EXHIBIT A - CONFIRMATION

Seller: PaTu Wind Farm LLC	Buyer: Seattle City Light
Contract ID:	Contract ID:
Deal Maker:	Deal Maker:
Phone:	Phone:
E-mail:	E-mail:
Fax:	Fax:

**CONFIRMATION AGREEMENT
 RENEWABLE ENERGY CERTIFICATES
 PATU WIND FARM**

This Confirmation Agreement ("**Confirmation**") dated as of _____ ("**Trade Date**") is entered into by and between PaTu Wind Farm LLC ("**Seller**") and The City of Seattle, a Washington municipal corporation, by and through its City Light Department ("**Buyer**"), each referred to herein individually as a "**Party**" and collectively as the "**Parties**".

The following describes a Transaction between Buyer and Seller for the sale, purchase and delivery of Product pursuant to the terms of the Master Renewable Energy Certificate Purchase and Sale Agreement between them dated _____ ("**Master Agreement**"). The Master Agreement and this Confirmation, including the Special Terms & Exceptions described in Section 8 below, shall be collectively referred to herein as the "**Agreement**".

1. **Product:** Renewable Energy Certificates ("RECs") that include all Environmental Attributes arising as a result of the generation of electricity associated with the REC. The REC is generated from the Unit Specific Renewable Energy Facility that, as of the Trade Date, meets the requirements of the Renewable Portfolio Standard ("RPS") of Washington State, the definition of a Renewable Resource under Revised Code of Washington ("RCW") 19.285.030 (18) and is eligible for certification under Section II of the Green-e Energy National Standard for Renewable Electricity Products, National Standard Version 1.6. Such Product is created by a facility that meets the requirements of a Certified Renewable Energy Facility. Buyer shall have the right to disaggregate, retain or separately sell the RECs or Environmental Attributes purchased under this Agreement.
2. **Term:** The Term of this Transaction shall commence on January 1, 2016 and shall continue through December 31, 2030 and until all obligations of the Parties under



this Agreement have been satisfied. This Confirmation Agreement is conditional upon and shall not take effect or be enforceable against either Party until all of the following have occurred:

- a. The Confirmation Agreement has been executed by a properly authorized representative of PaTu Wind Farm LLC; and
- b. The Confirmation Agreement has been executed by a properly authorized representative of the City of Seattle.

3. Unit Specific Certified Renewable Energy Facility Information:

- a. Name of Facility: PaTu Wind Farm
- b. Location of Facility: Wasco, Sherman County, Oregon
- c. Facility ID Number: _____ EIA or QF? (check one)
- d. Fuel Type: wind energy
- e. Initial Operating Date: December 1, 2010
- f. Nameplate Capacity (MW): 9 MW

4. Contract Quantity: 100% of the Environmental Attributes generated by the Renewable Resource during the Term. The Nameplate Capacity shall be used in the determination of 4.b. and in the calculation shown in Attachment 2.

- a. Estimated Capacity Factor: 35%
- b. Guaranteed 3-Contiguous Years Minimum RECs calculated as follows: 20% multiplied by the Nameplate Capacity multiplied by the total number of hours in the 3 year period. Details of this calculation are shown in Attachment 2. Based on the above Nameplate Capacity shown in Section 3.f, the estimated number of guaranteed RECs over a 3-year contiguous period is 47,304.

In the event that the Renewable Energy Facility substation transformer fails such that a replacement is necessary, the number of hours in the calculation above will be reduced by the number of hours the transformer is not working.

5. Purchase Price: \$14.50 per REC

6. WREGIS Generator Information:

- a. Generating Unit Identification Number: _____
- b. Generating Unit Name: PaTu
- c. Primary Facility Name: PaTu
- d. Facility Owner Name: PaTu Wind Farm LLC



A completed Generator Attestation in the form of Attachment 1 to this Confirmation will be provided as soon as reasonably practicable.

- 7. Delivery Date:** By WREGIS REC electronic tracking and transfer system. Seller shall comply with all laws, including, without limitation, the WREGIS Operating Rules, regarding the certification and transfer of such WREGIS Certificates to Buyer and Buyer shall be given sole title to all such WREGIS Certificates. Within 10 Business Days after receipt by Seller of RECs from WREGIS, Seller shall deliver such RECs to Buyer's WREGIS account ID 217. After such delivery of RECs to Buyer's WREGIS account, Seller shall invoice Buyer for such RECs in accordance with Section 2.3 of the Master Agreement.

8. Special Terms & Exceptions:

8.1 Miscellaneous

Where the terms of this Confirmation conflict with the Master Agreement, the Confirmation shall control.

The Parties are subject to all WREGIS Operating Rules dated June 4, 2007, as may be amended, supplemented or replaced (in whole or in part) from time to time.

Verification may be requested by Buyer. If Buyer makes such a request for, or the Certification Authority requires documentation from Buyer that is in the possession of Seller or that Seller may readily attain, Seller shall use reasonable efforts to help Buyer comply with the documentation requirements of the Certification Authority.

8.2 Confirmation Agreement

a. Guaranteed 3-Year Minimum Volume

i. Beginning in the fourth Contract Year and continuing every year thereafter through the Term, within 30 days following the Delivery of the WREGIS Certificates from the prior December, Buyer shall calculate the number of RECs Delivered to the Buyer by Seller through WREGIS for each of the three prior Contract Years.

ii. If the amount of RECs Delivered in the three prior Contract Years is less than the Guaranteed 3-Year Minimum Volume, Buyer shall immediately provide written Notice of Deficiency to Seller showing Buyer's computation of the number of Replacement RECs due to Buyer from Seller. Seller shall have 7 days to verify Buyer's calculation. No later than 30 days following receipt by Seller of Notice of Deficiency, Seller shall provide Replacement RECs to Buyer. The vintage of the Replacement RECs must be no older than the Contract Year immediately preceding the current Contract Year. If the Seller is unable to provide Replacement RECs to the Buyer, then Seller will pay Buyer an amount equal to the administrative penalty pursuant to



RCW 19.285.060 (or any successor statute) or, if Buyer is able to obtain the Replacement RECs at a cost that is less than the applicable administrative penalty, Seller will reimburse Buyer for the cost of such Replacement RECs.

iii. Buyer will use the Excel spreadsheet shown as Attachment 2 to determine the Guaranteed 3-Year Minimum Volume.

8.3 Changes to Article 1 of the Master Agreement – “Definitions”

a. **Section 1.23 “Downgrade Event”** is replaced as follows:

1.23 “Downgrade Event” means (a) for the Seller, the Renewable Energy Facility has not produced at the end of a rolling calendar 2-year period, RECs equal to two (2) multiplied by 15% multiplied by the actual Nameplate Capacity multiplied by 8760 (the number of hours in the year), and (b) for the Seller’s Affiliate or the Buyer, means that the Buyer’s Credit Rating falls below BBB- from S&P or Baa3 from Moody’s or becomes no longer rated by either S&P or Moody’s.

8.4 Changes to Section 4.2 – “Credit Assurances”

- a. Subparagraphs (a), (b), and (e) through (g) are applicable to both Parties.
- b. Subparagraph (c) is not applicable to Seller.
- c. Subparagraph (d) is applicable to Buyer.

8.5 Changes to Article 5 of the Master Agreement – “Events of Default, Remedies”

Section 5.1 is amended by adding the following subsection (h) to the end of the Section:

(h) Failure by Seller to provide Replacement RECs in accordance with Attachment 2 to the Confirmation will constitute an Event of Default under this Article 5.

8.6 Environmental Information

Seller will provide Buyer with a copy of all completed environmental evaluation and permits related to air, land, water, wildlife, archaeological/cultural, and recreation resources, including plans for any studies not yet completed, with an estimated timeline for completion and submission.



8.7 Marketing and Media Rights

Seller shall provide to Buyer marketing and media rights including the ability to obtain, document and publish project information and photos.

Buyer's Marketing Contact:

Name:
Phone:
Fax:
Email:

Mailing Address
Seattle City Light

Attn:
PO Box 34023, Suite 3200
Seattle, WA 98124-4023

Overnight mail
Seattle City Light
901 Fifth Avenue, Suite 1800
Seattle, WA 98124

Seller's Marketing Contact:

Name:
Phone:
Fax:
E-mail:

Mailing Address:

Overnight mail

The parties agree to the Transaction set forth herein.

Seller: PaTu Wind Farm LLC	Buyer: The City of Seattle, City Light Department (dba "Seattle City Light")
By:	By:
Name:	Name:
Title:	Title:



Robert W. Cromwell, Jr./MLS
SCL PaTu REC Purchase Authorization ORD ATT 1
May 6, 2011
Version 3

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**ATTACHMENT 1 TO CONFIRMATION AGREEMENT
ATTESTATION FROM GENERATOR PARTICIPATING IN WREGIS**

This Attachment 1 to the Confirmation governs generation at the Facility during the Term. Any changes shall be provided to the Buyer as soon as reasonably practicable by providing a revised Attachment 1.

1. Renewable Energy Facility Owner Information

- a. Name of Owner: PaTu Wind Farm LLC
- b. Address of Owner: Wasco, Sherman County, Oregon 97065
- c. Contact person: _____ Title: _____
- d. Telephone: _____ Fax: _____ Email: _____

2. Renewable Energy Facility and WREGIS Registration Information

- a. Name of Facility: PaTu Wind Farm
- b. Location/Address of Facility: Wasco, Sherman County, Oregon 97065
- c. Facility ID Number: _____ EIA or QF? (check one)
- d. Fuel Type: wind
- e. Initial Operating Date: December 1, 2010
- f. Nameplate Capacity (MW): 9 MW

3. WREGIS Information

- a. Generating Unit Identification Number: _____
- b. Generating Unit Name: PaTu
- c. Primary Facility Name: PaTu

4. Other

- a. Is the Facility owner reporting its direct greenhouse gas emissions in a legally binding cap and trade program for the time period of generation listed on this form?

- Yes; list the cap and trade program: _____
- No



- b. If Seller is providing only RECs to Purchaser and selling the associated electricity to a utility or load-serving entity, please write the name of the utility or load-serving entity here: Portland General Electric.
- c. If Facility has been registered in a Tracking System by an entity other than Owner, complete items 1 – 3 immediately below and have an agent of the company or individual designated in WREGIS to manage Facility's account in WREGIS complete and sign this form. For the purposes of this form, such a company or individual is referred to as an "Account Manager".¹
- (i) Name of Account Manager as appears in WREGIS:
 - (ii) Date that account management rights assigned to Account Manager expire.²
 - (iii) Account Manager has attached documentation³ accepted by WREGIS authorizing Account Manager to register Facility in Tracking System.

5. Declaration

I, (print name and title) _____
("Signatory"), authorized agent of Owner / Account Manager (check one)
declare that I have sufficient knowledge and authority to make the following
attestation for the Effective Period of this document. I also declare the following
regarding Facility's participation in WREGIS and regarding Renewable Attributes
(also called "Certificates", "Renewable Energy Certificates" or "RECs") generating
by Facility and tracked in Tracking System:

- a. all renewable and environmental attributes associated with the production of electricity from Facility, including any and all CO2 benefits, emissions offsets, reductions or claims, are transferred to purchasers within the WREGIS Tracking System;
- b. for Transactions made within WREGIS only fully aggregated Environmental Attributes are traded:

¹ Only fill in this section if Owner and Account manager have signed the appropriate bi-lateral form required by WREGIS to designate Account Manager as the sole manager of Facility's Tracking System account and sole recipient of Facility's Environmental Attributes. If there is no Account Manager, and Owner manages Facility's account, this section should be left blank, and Owner must complete this attestation.



- c. the Environmental Attributes of a particular MWh are sold, retired or reserved only once;
- d. to the best of my knowledge, the Environmental Attributes or the electricity that is generated with the Environmental Attributes are not used to meet any federal, state or local renewable energy requirement, renewable energy procurement, renewable portfolio standard, or other renewable energy mandate by any entity other than the party on whose behalf the Environmental Attributes are retired;
- e. the electricity that was generated with the attributes is not separately sold, separately marketed or otherwise separately represented as renewable energy attributable to Facility by Seller, or, to the best of my knowledge, any other entity other than Buyer.

6. Signature

As an authorized agent of Owner or Account Manager, Signatory declares that they have the knowledge and authority to attest that the statements on this form are true and correct. By signing this form, Signatory is attesting that the statements and declarations herein will remain true for the Effective Period.

If any conditions change related to the information on this form prior to Expiration Date, Signatory agrees to inform the Buyer in writing as far in advance of the change as commercially practicable.

Signature

Date

Title

PaTu Wind Farm LLC

Organization

Place of Execution



**ATTACHMENT 2 TO CONFIRMATION AGREEMENT
 GUARANTEED MINIMUM CALCULATOR**

Capacity (MW)	9
Minimum Capacity Factor	20%
Three Year Guaranteed (MWh)	47,304

Example:

Year	Actual CF	Actual	Actual three Years	Additional	Total 3 years
1	20%	15,768	NA	NA	NA
2	20%	15,768	NA	NA	NA
3	21%	16,556	48,092	0	48,092
4	31%	24,440	56,765	0	56,765
5	31%	24,440	65,437	0	65,437
6	31%	24,440	73,321	0	73,321
7	31%	24,440	73,321	0	73,321
8	31%	24,440	73,321	0	73,321
9	31%	24,440	73,321	0	73,321
10	31%	24,440	73,321	0	73,321
11	31%	24,440	73,321	0	73,321
12	31%	24,440	73,321	0	73,321
13	31%	24,440	73,321	0	73,321
14	31%	24,440	73,321	0	73,321
15	31%	24,440	73,321	0	73,321

Change numbers with blue fonts to simulate the numbers

Actual CF=Actual capacity factor each year

Additional= the amount of shortage settled after the fact

Actual three years= actual three years generation plus additional RECS if they were provided

Total 3 years = has to be greater than or equal to the Three Year Guaranteed amount



FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
City Light	Robert W. Cromwell, Jr./206-684-3856	Calvin Chow/206-684-4652

Legislation Title:

AN ORDINANCE relating to the City Light Department; authorizing the execution of a 15-year agreement with PaTu Wind Farm LLC for the purchase of environmental attributes in the form of renewable energy certificates that are necessary or convenient for meeting the requirements of the Washington State Energy Independence Act; and further authorizing the execution of other necessary and convenient agreements for the receipt, tracking, transferring, management, and sale of the environmental attributes.

Summary of the Legislation:

This legislation approves a fifteen year purchase of renewable energy certificates to allow the City Light Department to comply with state law. The City Light Department would pay \$14.50 per REC from 2016 through 2030 for approximately 27,600 RECs per year, as well as a one-time brokerage fee of \$107,000.

Background:

This legislation approves a transaction-specific confirmation of a 15-year renewable energy certificates ("RECs") purchase for the City Light Department to receive environmental attributes in the form of RECs from PaTu Wind Farm LLC's new PaTu Wind facility located near Wasco, Sherman County, Oregon. The facility is expected to produce about 27,600 RECs annually. City Light will receive 100 percent of the RECs associated with the 9 MW facility starting in 2016. The RECs will be delivered to City Light through the Western Renewable Energy Generation Information System. PaTu Wind is an eligible renewable resource under Washington State's Energy Independence Act (Chapter 19.285 of the Revised Code of Washington) and City Light intends to use them to meet a portion of this requirement.

X **This legislation has financial implications.** (Please complete all relevant sections that follow.)

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2011 Appropriation	2012 Anticipated Appropriation
TOTAL			\$0	\$0

*See budget book to obtain the appropriate Budget Control Level for your department.

Appropriations Notes: A one-time brokerage fee of \$107,000 will be payable upon contract execution. No other costs or fees until 2016. Expected annual cost for the 15-year term starting



in 2016 is \$414,000. City Light's 2011-12 budget includes sufficient budget authority for this transaction.

Anticipated Revenue/Reimbursement: Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2011 Revenue	2012 Revenue
TOTAL			\$0	\$0

Revenue/Reimbursement Notes:

None.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2011 Positions	2011 FTE	2012 Positions*	2012 FTE*
TOTAL				0	0	0	0

* 2012 positions and FTE are total 2012 position changes resulting from this legislation, not incremental changes. Therefore, under 2012, please be sure to include any continuing positions from 2011.

Position Notes:

None.

Do positions sunset in the future?

Not applicable.

Spending/Cash Flow:

Fund Name & #	Department	Budget Control Level*	2011 Expenditures	2012 Anticipated Expenditures
TOTAL			\$0	\$0

* See budget book to obtain the appropriate Budget Control Level for your department.

Spending/Cash Flow Notes:



None.

What is the financial cost of not implementing the legislation?

The cost of not implementing this legislation would be to increase City Light's risk of not meeting its regulatory obligations at a penalty cost four times greater than the acquisition cost of these RECs. This facility will meet approximately 3 percent of City Light's regulatory requirement.

Does this legislation affect any departments besides the originating department?

No.

What are the possible alternatives to the legislation that could achieve the same or similar objectives?

Alternatives would include RECs from other renewable resources and/or energy plus RECs from new renewable resources. City Light is acquiring and will continue to acquire both renewable energy and RECs to meet its regulatory obligation and its retail customer load requirements. Renewable resources that include energy, RECs and delivery currently cost approximately six times more than RECs alone.

Is the legislation subject to public hearing requirements?

There have not been previous hearings, but in addition to the public notice and comment period, there will be an opportunity for public comment at the council meeting prior to council's vote to approve or reject the legislation.

Other Issues: (Include long-term implications of the legislation.)

None.

List attachments to the fiscal note below:

None.





City of Seattle
Office of the Mayor

June 7, 2011

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Conlin:

I am pleased to transmit the attached proposed Council Bill that authorizes the City Light Department to execute a transaction-specific confirmation of a 15-year agreement with PaTu Wind Farm LLC for the purchase of environmental attributes in the form of renewable energy certificates from their new PaTu Wind facility. City Light is required to purchase renewable resources and/or environmental attributes under Chapter 19.285.030 (18) of the Revised Code of Washington. This agreement will facilitate meeting this requirement.

By acquiring the "renewable energy certificates" from the PaTu Wind Farm we are not only taking a meaningful step to assure City Light's compliance with "I-937" for a number of years in the future, we are helping to support and promote the development of new, renewable electric generating resources in the Pacific Northwest. This agreement is fully consistent with our shared goal of promoting a sustainable community, doing so in a very cost-effective manner.

Thank you for your consideration of this legislation. Should you have questions, please contact Robert W. Cromwell, Jr. at 684-3856.

Sincerely,

Michael McGinn
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

