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Finance Committee

Puget Sound Energy (PSE) Green Direct Program

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Title

Puget Sound Energy (PSE) Green Direct Program

Recommended Action

Committee Recommendation:

Not referred to a committee

City Manager Recommendation:

Move to approve a recommendation to enter into a long-term contract with PSE to purchase renewable energy through the Green Direct Program, and forward to Council for consideration.

Report

Issue:

Whether to recommend entering into a long-term contract with PSE to purchase renewable energy through PSE's Green Direct Program.

Staff Contact:

Rich Hoey, P.E., Public Works Director, 360.753.8495

Presenter(s):

Rich Hoey, P.E., Public Works Director
Tom MacLean, PSE (available for questions)

Background and Analysis:

Since 2006, the City of Olympia has purchased "green power" from Puget Sound Energy (PSE) to offset 100 percent of the electricity consumed by the City's water related utilities. This green power, otherwise known as renewable energy credits (RECs), represents the environmental attributes of renewable energy. These RECs are sold separately from the electricity and are purchased by people or organizations wanting to support developing renewable sources of energy.

In 2016, the City made a one-time, bulk purchase of RECs from PSE that was sufficient to offset 100 percent of its electricity use city-wide. This one-time, low cost option was no longer available in 2017.

Representatives from Puget Sound Energy recently approached the City about a new “Green Direct” program beginning in 2019. This new program offers large customers the opportunity to directly purchase renewable energy (both electricity and RECs). PSE indicated that if there is sufficient interest in this new program, a new wind power project would move forward in the south Thurston County area. Under this program, the City could clearly say that all of its power is coming from renewable energy sources.

At this time, PSE has commitments to support 75 percent of the project cost to proceed. PSE is selling only a limited amount of renewable energy under this program and expect it to be fully committed this year. The next open enrollment period starts May 1 and extends through July 31, 2017. In order to qualify, the City needs to purchase 100 percent of its energy through the Green Direct program. The City used 8.4 million kwh of electricity in 2016.

The Green Direct program requires a long-term commitment. The available contract terms are 10-years, 15-years and 20-years. The longer term options have slightly lower annual costs. The cost of the renewable energy is fixed with a guaranteed 2 percent annual inflation factor. When compared to the cost of traditional electricity purchases, it is possible that the City could save money through the Green Direct program. Whether the City saves money or spends more depends on the level of regular electricity rate increases over the life of the contract. Staff will share additional detail on this during the Finance Committee meeting.

In summary, after reviewing the program details, staff believes the Green Direct Program provides a cost-effective way to obtain 100 percent of the City’s electricity from renewable energy sources. It may even save the City money over time. In addition, it will lead to the development of a renewable energy facility within our region, thereby benefitting our regional economy. Finally, it supports the City’s Comprehensive Plan goals related to climate change and emissions reduction.

Neighborhood/Community Interests (if known):

Several community groups, including Thurston Climate Action Team, have expressed support for City action on reducing greenhouse emissions. The City of Olympia is highly ranked nationally for the percentage of residents that choose to purchase green power (or renewable energy credits).

Options:

1. Recommend to City Council that the City enter into a long-term contract with PSE for purchase of renewable energy through PSE’s Green Direct program. This option supports the City’s climate goals by purchasing 100 percent renewable energy, and establishes cost certainty over the life of the contract.
2. Recommend to City Council that the City pursue purchasing renewable energy credits via an open market. This option would require additional staff research on options and costs.
3. Recommend to City Council that the City not purchase renewable energy or renewable energy credits. This option may cost less, but may be perceived as counter to the City’s climate goals.

Financial Impact:

Funding would come from existing program budgets. Whether the City will save or spend more under the Green Direct program will depend on the level of electricity rate increases over time.

Attachments:

None.