



City Hall
601 4th Avenue E.
Olympia, WA 98501
360-753-8244

City Council

Approval of Resolution Approving and Authorizing Signature of All Documents Necessary to enter into an Agreement with Puget Sound Energy Green Direct Program

Agenda Date: 4/25/2017
Agenda Item Number: 4.I
File Number: 17-0465

Type: resolution **Version:** 1 **Status:** Passed

Title

Approval of Resolution Approving and Authorizing Signature of All Documents Necessary to enter into an Agreement with Puget Sound Energy Green Direct Program

Recommended Action

Committee Recommendation:

The Finance Committee voted unanimously in favor of the staff recommendation to pursue a 20-year Green Direct agreement with Puget Sound Energy.

City Manager Recommendation:

Move to approve a resolution authorizing the City Manager to enter into a long-term, 20-year agreement with Puget Sound Energy to purchase renewable energy through the Green Direct Program.

Report

Issue:

Whether to enter into a long-term agreement with Puget Sound Energy to purchase renewable energy through the Green Direct Program.

Staff Contact:

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

Presenter(s):

None - Consent Calendar Item

Background and Analysis:

Since 2006, the City of Olympia has purchased “green power” from Puget Sound Energy (PSE) to offset 100% 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% 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). The program has been approved by the Washington State Utilities and Transportation Commission under Schedule 139 (see attached).

Based on the interest in this new program, PSE is moving forward with a contract for purchase of wind power from a new, planned project in the south Thurston County/north Lewis County area. Under this program, the City could acquire all of its power from renewable energy sources generated nearby.

At this time, PSE has commitments to support 75 percent of the project. PSE is selling only a limited amount of renewable energy under this program and expects 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% 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 would have slightly lower annual costs for the City. The cost of the renewable energy is fixed with a guaranteed 2% 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.

Under the Green Direct Program, the City would pay the renewable energy power costs (these are fixed), along with traditional costs of transmission, customer service, billing, etc. The cost of traditional “energy related power” costs are credited back to the City. As a result, whether the City saves money or spends more under the Green Direct Program depends on the level of traditional “energy-related power” cost increases over the life of the contract.

Based on the rate formula provided in the attached Schedule 139 Voluntary Long Term Renewable Energy Service Agreement, this break-even threshold appears to be 2.2 percent annually over the life of a 20-year contract. In other words, if regular electricity power costs go up more than 2.2 percent annually, the City would save money under the 20-year Green Direct agreement. Under a 10-year agreement, this break-even threshold is higher - at 2.7 percent. Given the uncertainty of future costs related to PSE’s retirement of coal plants and other rising costs, the Green Direct program looks very favorable.

In summary, after reviewing the program details, staff believes the Green Direct Program provides a cost-effective way to obtain 100% of the City’s electricity from renewable energy sources. It provides some cost certainty and could 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.

According to PSE, several other municipalities are pursuing Green Direct contracts, including King

County, and the Cities of Anacortes, Mercer Island and Bellevue. Several others are currently evaluating it.

The Council Finance Committee voted unanimously in favor of the staff recommendation to pursue a 20-year Green Direct agreement with PSE.

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. Move to approve a resolution authorizing the City Manager to enter into a long-term 20-year agreement with Puget Sound Energy to purchase renewable energy through the Green Direct Program. This option supports the City's climate goals by purchasing 100% renewable energy, and establishes cost certainty over the life of the contract.
2. Move to authorize the City Manager to enter into a long-term 10-year contract with PSE for purchase of renewable energy through PSE's Green Direct program. This option has slightly higher costs, but is a shorter-term commitment.
3. Recommend to City Council that the City not purchase renewable energy or renewable energy credits. This option may cost less or more over time (difficult to predict), 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 traditional electricity rate increases over time.

Attachments:

Resolution

Puget Sound Energy Electric Tariff G - Schedule 139 Voluntary Long Term Renewable Energy Purchase Rider

Puget Sound Energy - Schedule 139 Voluntary Long-Term Renewable Energy Service Agreement