



## Motion No. M2021-09

### Delegating Authority to Execute Long Term Carbon-Free Energy Service Agreements

Meeting:	Date:	Type of action:	Staff contact:
Executive Committee Board	02/04/2021 02/25/2021	Recommend to Board Final Action	Don Billen, Executive Director, PEPD Suraj Shetty, Executive Director, Operations <b>Amy Shatzkin, Sustainability Manager</b> <b>Jessica Rose, Utilities &amp; Resource Conservation Manager</b>

### Proposed action

Delegating authority to the chief executive officer to execute and amend new and existing Long Term Carbon-Free Energy Service Agreements with Sound Transit's utility service providers. These agreements include, but are not limited to, power purchase agreements or similar utility agreements, so long as they require no up-front capital investment by the agency, offer cost-effective financial and other terms that are in the agency's best interest, are within the agency's legal authority, demonstrate achievement towards the agency's adopted sustainability goals, and can be accommodated within adopted agency budgets and financial plans.

### Key features summary

- The Board's Procurement and Delegated Authority Policy (Resolution No. R2018-40) authorizes the CEO to pay for utility charges as a routine expense of government. Long Term Carbon-Free Energy Service Agreements are a non-routine way of obtaining utilities services. They require no up-front capital investment by the consumer, but offer stable pricing over a long term (usually in terms of five, 10, 15 or 20 years) with lower average prices to the consumer.
- This action delegates authority to the chief executive officer to enter into Long Term Carbon-Free Energy Service Agreements as an alternative method of obtaining utility services and to meet agency sustainability goals.
- Sound Transit's 2019 Update to the Sustainability Plan and the Sound Transit 3 Plan (ST3) commit the agency to reduce greenhouse gas emissions, expand the use of renewable energy and make all facilities and electricity carbon-free by 2030.
- The agency anticipates expanding Sound Transit's participation in Long Term Carbon-Free Energy Service Agreements. This motion provides a means to streamline decision-making and the approval process as a result of a projected increase in activity.
  - In recent years, to meet its sustainability goals, Sound Transit has executed two Long Term Carbon-Free Energy Service Agreements with Puget Sound Energy (PSE) to purchase locally produced, renewable wind and solar power through the utility's Green Direct Program. Additional amendments to the existing PSE agreements, as well as additional phases of the PSE Green Direct program, are anticipated.

- In addition to the PSE power purchase agreements, staff are exploring opportunities for Long Term Carbon-Free Energy Service Agreements with its other utilities as well.
- There is no capital cost for participating in Long Term Carbon-Free Energy Service Agreements. In the case of the Green Direct Phase 1 and Green Direct Phase 2, the agreements and associated amendments provided electricity rates for the enrolled accounts that are lower than both current commercial rates and future projected rates.
- Long Term Carbon-Free Energy Service Agreements have no impact on operations and do not alter the security of electricity provision to agency accounts. The renewable power projects supported by such agreements add renewable energy to a utility's production portfolio - and allow Sound Transit to claim the benefits of that production.

## **Background**

Sound Transit's 2019 Update to the Sustainability Plan and the ST3 Plan commit the agency to make all facilities and all electricity carbon-neutral by 2030.

In order to meet this commitment, the agency is pursuing three main implementation strategies:

1. Continue to invest in energy efficiency for existing and new facilities.
2. Purchase cost-effective renewable energy through alternative means, such as Long Term Carbon Free Energy Service Agreements such as PSE's Green Direct program. .
3. Develop on-site renewable energy installations where feasible and cost-effective.

### *Current Long Term Carbon Free Energy Service Agreements*

In 2021 Sound Transit's electricity is powered by Seattle City Light (SCL), Puget Sound Energy (PSE), Snohomish PUD (SnoPUD), Tacoma Public Utilities (TPU) and Lakewood Light and Power.

Puget Sound Energy's Green Direct Phase 1 and Phase 2 agreements are the only Long Term Carbon Free Energy Service agreements that the agency is currently enrolled in. These agreements include:

- The Green Direct Phase 1 power purchase agreement powers six Link light rail accounts already enrolled in the Green Direct program from locally-produced wind power sources. As of 2019, these six PSE accounts consume approximately 6.4 million kilowatt hours of electricity annually and account for 74% of the agency's consumption from PSE and 13% of the agency's overall electricity consumption.
- The Green Direct Phase 2 power purchase agreement adds an additional 32 accounts (the remainder of PSE accounts not included in the Phase 1 agreement as of August, 2018). As of 2020, these 32 accounts consume approximately 2.25 million kilowatt hours of electricity annually and account for 26% of the agency's consumption from PSE and 4.3% of the agency's overall electricity consumption.

### *Long Term Carbon Free Energy Service Agreement benefits*

Transitioning to renewable energy via Long Term Carbon Free Energy Service agreements such as PSE's Green Direct Program will save utility costs and further reduce the agency's overall environmental footprint. Reducing the greenhouse gas emissions and air pollution associated with facility energy use improves the regional air quality benefits and helps green one of our region's most fossil fuel dependent utilities.

Sound Transit's participation in agreements such as the Green Direct program provides opportunities to:

- Lower the cost of electricity by entering into long-term agreements with utilities. For example, the Green Direct Phase 1 rates are reduced to 2.2% lower than standard current PSE commercial utility rates and are forecasted to save money over the 10-year duration of the Green Direct agreement.
- Reduce exposure to utility price increases and potentially reduce long-term operating costs. For example, Phase 1 Green Direct rate will increase at a fixed percent annual growth rate of 2%, rather than the regional projected annual growth rate of 4.36%. As a result of a lower fixed rate and lower annual growth rate, savings are projected to start accruing immediately. Additionally, the savings are estimated to be up to \$296,177 greater than the initial agreement's projected savings of \$51,961. Savings are based on current rates increasing annually as expected, consistent with the 'medium' scenario for regional electricity price increases provided by the Northwest Power and Conservation Council.
- Reduce agency greenhouse gas emissions. In 2019, just six month of participation in PSE's Green Direct Phase 1 program, enabled the agency to reduce its total greenhouse gas emissions by four percent. This is the first overall reduction in greenhouse gas emissions since record-keeping began in 2007. In 2020, it is estimated that a full year of participation in Green Direct Phase 1 will reduce a little more than eight percent of agency greenhouse gas emissions.
- Meet Sound Transit's sustainability goals to reduce greenhouse gas emissions and make electricity use carbon neutral.

#### *Future Carbon Free Energy Service Agreements*

In the next two to three years, staff anticipate continuing to pursue additional Long Term Carbon Free Energy Service Agreements with our utilities. This motion is being proposed as a means to streamline decision-making as a result of projections of increased activity in this arena.

In order to meet the agency's commitment to expand the use of renewable energy and make all facilities and electricity carbon-neutral by 2030, the agency will need to recalibrate its carbon neutral and renewable energy strategy as Link light rail expands to include Lynnwood Link, Federal Way, and East Link extensions among others. As Link light rail moves farther into PSE territory, the agency's electricity use becomes more greenhouse gas intensive because this utility has a smaller percentage of hydropower and renewables in their portfolio.

### **Fiscal information**

Long Term Carbon Free Energy Service Agreements are expected to mitigate some of the risk of rising electricity rates and potentially deliver lower costs for facility operations in Puget Sound Energy's service territory.

### **Disadvantaged and small business participation**

Not applicable to this action

### **Public involvement**

Not applicable to this action

### **Time constraints**

A one month delay may represent a risk to participating in the Phase 2 of Green Direct Program, as PSE requires the agency's signature to the amendment in order to participate by March 1, 2021.

## **Prior Board/Committee actions**

Motion No. M2020-65: (1) Authorized the chief executive officer to execute an addendum to the power purchase agreement with Puget Sound Energy for the Green Direct – Phase 1 program, allowing Sound Transit to purchase locally produced renewable wind power, to (a) further lower the 10-year fixed-rate for purchasing renewable power for six Link light rail accounts, (b) extend the end date of the contract to ensure a full 10 years of renewable power, as the initial project launch was delayed, and (2) delegated authority to the chief executive officer to execute future amendments to the power purchase agreement with Puget Sound Energy to add, subtract or swap PSE accounts participating in the Green Direct Program and/or extend the term of the agreement for up to an additional 10 years, so long as utility rates are equal to or less than those of the initial agreement.

Resolution No. R2018-40: Adopted a Procurement, Agreements and Delegated Authority Policy and superseding Resolution Nos. 78-2, 42, 58, and 98-7 and Motion Nos. M2004-111 and M99-2.

Motion No. M2018-91: Authorized the chief executive officer to (1) execute a new power purchase agreement with Puget Sound Energy (PSE) through its Green Direct – Phase 2 program to purchase locally produced renewable wind and solar power starting in 2021 with a 10-year fixed-rate contract for 32 Sound Transit electricity accounts and (2) execute an August, 2018 amendment letter with PSE for the Green Direct – Phase 1 program that is projected to lower Sound Transit's costs to purchase wind power for six Link light rail accounts for a 10-year fixed rate contract starting in 2019.

Motion No. M2017-11: Authorized the chief executive officer to execute a power purchase agreement with Puget Sound Energy for the Green Direct program to purchase locally produced, renewable wind power directly from Puget Sound Energy starting in 2019 for a 10-year contract term for all Puget Sound Energy electricity accounts related to the operations of Link light rail.

Motion No. M2015-06: Directed the chief executive officer to implement the Sustainability Plan – 2015 Update to continue the integration of sustainable business practices and strategies throughout the Sound Transit organization.

Motion No. M2011-40: Implemented a Sustainability Plan and continue integrating sustainable business practices and strategies throughout the Sound Transit organization.

Resolution No. R2007-12: Authorized the chief executive officer to establish a Sound Transit Sustainability Initiative.

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**Environmental review** – KH 1/21/21

**Legal review** – JB 1/27/21



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A motion of the Board of the Central Puget Sound Regional Transit Authority Delegating authority to the chief executive officer to execute and amend new and existing Long Term Carbon-Free Energy Service Agreements with Sound Transit's utility service providers. These agreements include, but are not limited to, power purchase agreements or similar utility agreements, so long as they require no up-front capital investment by the agency, offer cost-effective financial and other terms that are in the agency's best interest, are within the agency's legal authority, demonstrate achievement towards the agency's adopted sustainability goals, and can be accommodated within adopted agency budgets and financial plans.

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## Motion

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that authority is delegated to the chief executive officer to execute and amend new and existing Long Term Carbon-Free Energy Service Agreements with Sound Transit's utility service providers. These agreements include, but are not limited to, power purchase agreements or similar utility agreements, so long as they require no up-front capital investment by the agency, offer cost-effective financial and other terms that are in the agency's best interest, are within the agency's legal authority, demonstrate achievement towards the agency's adopted sustainability goals, and can be accommodated within adopted agency budgets and financial plans.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on February 25, 2021.

  
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Paul Roberts  
Board Vice Chair

### Attest:

  
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Kathryn Flores  
Board Administrator