



Motion No. M2020-65

Amend Agreement with Puget Sound Energy for Green Direct – Phase 1

Meeting:	Date:	Type of action:	Staff contact:
Executive Committee Board	11/05/2020 11/19/2020	Recommend to Board Final Action	Don Billen, Executive Director, PEPD Suraj Shetty, Executive Director, Operations Amy Shatzkin, Sustainability Manager Jessica Rose, Utilities & Resource Conservation Manager

Proposed action

(1) Authorizes 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) delegates 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.

Key features summary

- Sound Transit’s 2015 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-neutral by 2030.
- To meet those goals, Sound Transit has executed two agreements with Puget Sound Energy (PSE) to purchase locally produced, renewable wind and solar power through PSE’s Green Direct Program.
 - The first agreement with PSE for Phase 1 of Green Direct was approved by the Board in January 2017 through Motion No. M2017-11. The 2017 agreement enrolled six Link light rail accounts for a 10-year fixed rate contract to purchase locally produced, wind power. The agreement was executed in July, 2019 for a 10 year term.
 - The Phase 2 Green Direct agreement was approved by the Board in August, 2018 to directly purchase locally produced, renewable wind and solar power from PSE over a 10-year fixed-rate term, from 2021 through 2030. The Phase 2 agreement enrolled the remainder of Sound Transit PSE accounts (active as of August, 2018) in the Green Direct program, an additional 32 accounts.
- The amendment to the Phase 1 agreement is needed because the Phase 1 project has been delayed due to construction challenges and COVID 19. The amendment will extend the term of the Phase 1 agreement to end after the 10th PSE billing cycle in 2030.

- Under the current Phase 1 agreement, Sound Transit began receiving Renewable Energy Credits (RECs) from PSE's Wild Horse Wind Power facility upon the contract's execution in July, 2019. The provision of RECs was a contractually obligated measure to ensure the agency received renewable resource credit in the event of a project delay. The RECs will be provided until the directly supplied wind power from the Green Direct – Phase 1 is available in November, 2020.
- There is no capital cost for participating in the Green Direct – Phase 1 agreement or its amendment. The amendment will also further lower PSE-related electricity costs from the initial agreement. The new electricity rates for the 6 accounts already enrolled in the Green Direct - Phase 1 program are lower than both current commercial rates and future projected rates.
- This amendment was proposed by PSE to reflect both project delays and a new blended (lowered) rate. The delays in constructing the wind project for first phase of Green Direct triggered a need to alter the term of the agreement. The low cost to implement the Green Direct Phase 2 project also enabled PSE to provide entities who entered in to agreements for both phases a 'blended' rate for Phase 1, which was lower than the initial rate offered.
- This action delegates authority to the chief executive officer to amend the existing agreement; to add or remove accounts, or extend the current agreement term by up to 10 years if the amended utility rates are equal to or less than the utility rates in the initial agreement. This will allow Sound Transit to add new facilities if capacity becomes available and extend the duration of the agreement if it remains cost effective and in Sound Transit's best interest.

Background

Sound Transit's 2019 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 power purchase agreements like the Green Direct program.
3. Develop on-site renewable energy installations.

Green Direct program overview

In 2019 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. Of these utilities, PSE's electricity was responsible for 17 percent of consumption and 96 percent of electricity-related greenhouse gas emissions.

Amending the Green Direct – Phase 1 agreement further lowers the cost of the initial agreement.

- The Phase 1 power purchase agreement powers six Link light rail accounts already enrolled in the Green Direct program from locally-produced wind power sources. 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 Phase 2 Green Direct agreement adds an additional 32 accounts (the remainder of PSE accounts not included in the Phase 1 agreement as of August, 2018). 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.

There will be no impact on operations and the agreement will not alter the security of electricity provision to these accounts. The wind and solar power projects that Sound Transit's agreement supports will add renewable energy to PSE's production portfolio - and allow Sound Transit to claim the benefits of that production.

Green Direct program benefits

Transitioning to renewable energy via both Green Direct phases 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 the Green Direct program provides opportunities to:

- Lower the cost of electricity by entering into long-term agreements with Puget Sound Energy;
- Reduce exposure to utility price increases and potentially reduces long-term operating costs;
- Reduce agency greenhouse gas emissions. In 2019, just six month of participation in the Green Direct Program, enabled the agency to offset its total greenhouse gas emissions by four percent. This is the first overall offset 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.

The amendment to the Green Direct Phase 1 agreement will have the following impacts:

- Green Direct rates for Phase 1 are reduced to be 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.
- Under the amended agreement, the 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 \$340,000 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.

Considerations and next steps

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.

In the next two to three years, staff will continue to pursue similar utility products through additional, separate agreements with our utilities. We also hope to provide a long-term strategy for making the agency's facilities and Link light rail run on renewable energy.

Fiscal information

The Green Direct Phase 1 agreement is 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.

The total amount of electricity to be purchased through both Green Direct phases is projected to be 8.6 million kilowatt hours annually, which is just over 17% of the agency's total electricity use. The agency's total projected electricity costs included in the Proposed 2021 Budget are expected to be \$5.95 million.

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 Green Direct Program, as PSE requires the agency's signature to the amendment in order to participate.

Prior Board/Committee actions

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.

Environmental review – KH 10/13/20

Legal review – JB 10/30/20

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A motion of the Board of the Central Puget Sound Regional Transit Authority (1) authorizing the chief executive officer 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) delegating 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.

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Motion

It is hereby moved by the Board of the Central Puget Sound Regional Transit Authority that the chief executive officer is authorized to (1) 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 the authority 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. [insert proposed action]

APPROVED by the Executive Committee of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on _____.

Kent Keel
Board Chair

Attest:

Kathryn Flores
Board Administrator