

MOTION NO. M2017-11

**Agreement with Puget Sound Energy for the Green Direct Program**

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:
Board	01/26/2017	Final Action	Ric Ilgenfritz, Executive Director of Planning, Environmental and Project Development <b>Amy Shatzkin, Sustainability Manager</b>

**PROPOSED ACTION**

Authorizes 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.

**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.
- The Green Direct program is a power purchase agreement that allows Sound Transit to directly purchase locally produced, renewable wind power from Puget Sound Energy (PSE) over a 10-year contract term, from 2019 to 2028.
- Currently, Link light rail is powered by both Seattle City Light (SCL) and PSE). Participating in the Green Direct program for current Link accounts powered by PSE will allow Sound Transit to run the light rail system on renewable energy since SCL is already a carbon neutral utility.
- The agreement provides price security by stabilizing 42.0% of the electricity production charges over the duration of the contract for the six Link light rail accounts that will be enrolled in this program. There is no capital cost for entering into this agreement.
- Sound Transit’s participation in the Green Direct program provides opportunities to:
  - Meet Sound Transit’s sustainability goals to reduce greenhouse gas emissions and make electricity use carbon neutral.
  - Reduce exposure to utility price increases and potentially reduce long-term operating costs; and
  - Allow Link light rail to run on renewable energy as of 2019, until the opening of Lynnwood Link and East Link in 2023.

**BACKGROUND**

*Alignment with Sound Transit policy commitments and implementation strategies*

Sound Transit’s 2015 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. Develop on-site renewable energy installations.
3. Purchase renewable energy through alternative means, such as power purchase agreements like the Green Direct program.

### *Green Direct program overview*

This power purchase agreement with PSE commits the agency today (2017) to a 10-year fixed rate price increase on electricity production charges beginning in 2019, which is when the wind power project under development is expected to begin operations. The agreement would commit Sound Transit to purchase the volume of electricity for all PSE accounts associated with Link light rail from locally-produced wind power sources. These electricity accounts consume about 6.7 million kWh of electricity annually. (Only currently operating accounts can be enrolled in this program. At this time, there are six PSE accounts associated with Link light rail service that account for 24.2% of Link electricity usage).

Participation in the Green Direct program does not require any up-front capital investment. Furthermore, under this 10-year term, annual rate increases are fixed at 2.0% per year on the electric production portion of the bill, which is currently 42.0% of charges.

There will be no impact on Link light rail operations and the agreement will not alter the security of electricity provision to these accounts. The wind power project 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*

Running Link light rail on renewable energy will further reduce the agency's overall environmental footprint. Reducing the greenhouse gas emissions and air pollution associated with Link light rail increases the regional air quality benefits of people switching from driving to transit and helps green one of our region's most fossil fuel dependent utilities.

PSE is pursuing the development of this wind power project based on the early commitment of businesses and local governments, such as Sound Transit. This project only received approval from PSE after sufficient demand had been committed to participation by local businesses and governments.

The Green Direct program will fund a wind power project sited in Thurston and Lewis Counties. Permits have been approved for the project, which will represent the largest wind power installation built in Western Washington. Entering into this agreement will ensure that Link light rail will run on renewable energy from 2019 until the opening of Lynnwood Link and East Link in 2023.

### *Considerations and next steps*

If the Green Direct program's wind power project is delayed and wind power is not available at the anticipated commencement date, the contract commencement and term will be delayed accordingly. If PSE determines in its own discretion that the project will not produce adequate power to meet Sound Transit's needs, it may terminate the contract with no liability to Sound Transit. If in any given year the renewable energy produced by the wind power project is inadequate to meet subscriber's needs, the deficiency will be distributed pro-rata among subscribers to the program and PSE will purchase renewable energy credits on behalf of subscribers in an amount up to the net amount of funds to be collected under the contract.

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. As Sound Transit Link extensions move further into PSE and

Snohomish PUD territory, the agency's electricity use becomes more greenhouse gas intensive because these utilities have a smaller percentage of hydropower and renewables in their portfolio.

In the next two to three years, staff will return to the Board to provide a long-term strategy for making all of Link light rail's future expansion run on renewable energy.

#### FISCAL INFORMATION

Under the proposed action, the Agency agrees to purchase the electricity provided to all (six) Sound Transit Link light rail accounts served by PSE through their Green Direct program. These accounts currently comprise approximately 49% of the agency's electricity consumption from PSE and 24.2% of all Link light rail electricity consumption. The program will run for 10 years (2019-2028). Annual rate increases during the program period are fixed at 2.0% per year on the electric production portion of the bill, which is currently 42.0% of charges. The scope of the Agency's participation in this program is limited to the six utility accounts currently in service providing electric power for Link light rail (in South King County). These six accounts are projected to consume 6.7 million kilowatt hours of energy annually at an estimated cost of \$798,000 in 2019 under the Green Direct program. The cost for those same six accounts under standard PSE rates is estimated to be \$784,000 in 2019. The projected electricity budget for Link in 2017 is expected to be over \$2.77 million. There is no capital investment required to enroll in or participate in the Green Direct program under the agreement.

When the Green Direct program begins in 2019, the variable electric rates are expected to initially be approximately 4.2% higher than the standard rate. If actual electric rates rise more than 2.75%, the fixed 2.0% growth rate under the Green Direct program will offset the higher initial rate and save Sound Transit money over the 10-year term of the agreement. Industry forecasts project rates to increase between 2.4% and 5.6% annually from 2019-2028, based on historic growth rates and regional price forecasts. Therefore, the program is expected to mitigate some of the risk of rising electricity rates and potentially deliver lower costs for Link operations. If rate increases are 5.6% (the highest projection) annually over the 10-year program, savings may be up to \$533,000.

#### SMALL BUSINESS/DBE 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 the development of the wind power installation is dependent on having enough customers to purchase the energy produced. Sound Transit has provided an initial enrollment letter expressing interest in the PSE Green Direct Program. PSE asked Sound Transit to sign an agreement to participate in the program by December 14, 2016 but agreed to postpone pending Board action in January, 2017.

## PRIOR BOARD/COMMITTEE ACTIONS

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

JI 1/18/2017

## LEGAL REVIEW

JB 1/20/2017

## **MOTION NO. M2017-11**

A motion of the Board of the Central Puget Sound Regional Transit Authority authorizing 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.

### **BACKGROUND:**

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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 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.

APPROVED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on January 26, 2017.



Dave Somers  
Board Chair

ATTEST:



Kathryn Flores  
Board Administrator