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I-937 Technical Working Group

Analytic Guidance: Climate Trust – Nonpower Attributes Associated with Renewable Energy Credits

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Mr. Weisberg:

On June 9, 2011, Climate Trust submitted a letter to Commerce requesting clarification on Washington State RCW 19.285.030 Definitions, (13) "Nonpower attributes" as they apply to Renewable Energy Credits (RECs). On June 30, members of the interagency I-937 Technical Working Group (TWG) met to review your request.

Background

The relevant definitions from Washington State RCW 19.285.030 are:

(17) "Renewable energy credit" means a tradable certificate of proof of at least one megawatt-hour of an eligible renewable resource where the generation facility is not powered by fresh water, the certificate includes all of the nonpower attributes associated with that one megawatt-hour of electricity, and the certificate is verified by a renewable energy credit tracking system selected by the department.

The department (Department of Commerce) chose the Western Renewable Energy Generation Information System (WREGIS) as the REC trading system, (WAC 194-37.210)

(13) "Nonpower attributes" means all environmentally related characteristics, exclusive of energy, capacity reliability, and other electrical power service attributes, that are associated with the generation of electricity from a renewable resource, including but not limited to the facility's fuel type, geographic location, vintage, qualification as an eligible renewable resource, and avoided emissions of pollutants to the air, soil, or water, and avoided emissions of carbon dioxide and other greenhouse gases.

Select supporting information provided by the Climate Trust:

The definitions for nonpower attributes and Renewable Energy Credits are unclear and do not take into account a scientifically credible GHG emission reductions associated with the

destruction of landfill gas and dairy manure methane that are separate from the environmental attributes associated with displacing fossil fired grid electricity. The Climate Trust is a 501(c)3 organization that is interested in supporting innovative clean energy projects. We have provided carbon offset funding for two biogas electricity projects in Washington State and are interested in financing additional projects in Washington State, but the current definitions create uncertainty over whether carbon offsets can be purchased from projects that sell Renewable Energy Credits that are intended to meet the RPS. Clarifying this uncertainty would help avoid potential disputes associated over the ownership of the distinct environmental attributes.

The definitions of “Nonpower attributes” and “Renewable Energy Credits” are unclear as to whether they include the methane destruction benefits associated with landfill gas and biogas energy generation projects. All qualified renewable energy generation projects create nonpower attributes by displacing fossil-fired grid electricity and avoiding air and carbon emissions from coal, oil, and natural gas fired plants. Landfill gas and biogas projects are unique from solar and wind projects in that they produce a second greenhouse gas reduction (GHG) benefit associated with the capture and destruction of methane, a potent GHG whose global warming potential is 21 times stronger than carbon dioxide.

This distinct environmental benefit is recognized and accounted for by the Western Renewable Energy Generation Information System (WREGIS). The definition of “Renewable and Environmental Attributes” in WREGIS’s December 2010 Operating Rules contains a footnote that states the following:

“The avoided emissions referred to here are the emissions avoided by the generation of electricity by the Generating Unit, and therefore do not include the reduction in greenhouse gases (GHGs) associated with the reduction of solid waste or treatment benefits created by the utilization of biomass or biogas fuels....”

The WREGIS renewable and environmental attributes definition creates clarity that the methane destruction benefits is unique from the environmental attributes associated with displacing fossil fired grid electricity. This interpretation allows these projects to generate revenues from the sale of both certified GHG offsets and Renewable Energy Credits. This practice is allowed under the California and Oregon Renewable Portfolio Standards. More importantly it allows these projects, which can be financially marginal, improved prospects for being economically viable.

TWG Analysis and Response

The TWG offers analytic guidance to provide more clarity on issues related to I-937; however, the guidance does not represent pre-qualification under I-937, nor does it represent a legal opinion. This guidance contains staff opinions based solely on facts presented in your letter and assumes those facts to be true and correct. Agency staff reserve the right to change their opinion should additional information come to their attention. These views are solely those of the agency staff and cannot be considered to be

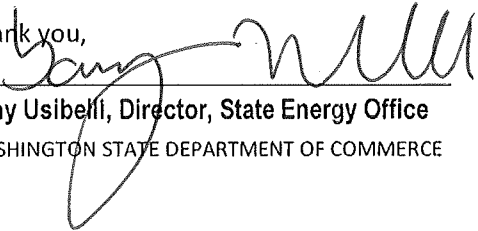
binding in any formal proceeding on this matter. It is incumbent on the stakeholder using this process to make their case to the State Auditor or UTC, as appropriate.

Based on the information provided by the Climate Trust, the TWG provides the following opinion:

- The laws and rules of the states of California and Oregon as well as the policy of the WREGIS tracking system do not provide relevant guidance if it contradicts a Washington law.
- Two key phrases in the definition of “Nonpower attributes” helped inform our opinion. This included the general phrase, “all environmentally related characteristics”, and the more specific phrase, “avoided emissions of pollutants to the air”. We viewed the methane as a component that is included in both phrases of the definition.
- RECs used by Washington utilities to show compliance with the Energy Independence Act must include all “Nonpower attributes”. Specific to the example provided by the Climate Trust, our conclusion is that nonpower attributes include the capture and destruction of methane. As a result, the REC would not qualify under the Washington statute as a Washington REC if the methane capture and destruction was used separately on an alternate market.

If you have questions, please contact Meg O’Leary at meg.oleary@commerce.wa.gov or (360) 725-3121.

Thank you,



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