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August 30, 2011

I-937 Technical Working Group

Analytic Guidance: Carlson Small Power – RECs and distributed generation

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Mr. Carlson:

On August 5, 2011, Carlson Small Power submitted a letter to Commerce seeking an interpretation of how RECs generated by a planned installation will be treated in the context of distributed generation under I-937. The I-937 Technical Working Group (TWG) members met on August 16 to review your request.

Background

Relevant sections of the Energy Independence Act, RCW 19.285.030

(9) "Distributed generation" means:

An eligible renewable resource where the generation facility or any integrated cluster of such facilities has a generating capacity of not more than five megawatts.

Carlson's biomass power consulting firm represents seven potential sawmill-based, biomass-fueled combined heat and power (CHP) projects in Oregon, Idaho and western Montana. For all seven projects, owners seek to:

- Install new boilers—or generation on existing boilers—of about 5MW capacity.
- Sell to the incumbent utility at "Avoided Cost" rates, relying on other state Public Utility Commission rulings stipulating that the sale of Avoided Cost does not include sale of Renewable Energy Credits (RECs).
- Sell RECs to Washington utilities as distributed generation, thus allowing REC to be doubled when counted towards Washington RPS compliance.
- Initiate projects prior to December 31, 2011 in order to capture the 30% federal renewable energy grant that requires a "Safe Harbor" provision relating to construction initiation and completion dates.
- Obtain interpretation of I-937 because these CHP projects serve a highly variable lumber dry kiln.

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 Carlson Small Power, the TWG provides the following opinion:


- *Is the nameplate rating the determining factor, or are distributed generation REC's truncated at 5MW?* Yes, we agree the nameplate is an appropriate measure of capacity, and if the 5MW system occasionally exceeds the 5MW threshold (due to normal operating variance in fuel characteristics and process loads), the distributed generation REC's would still be eligible under I-937 to satisfy Washington RPS compliance.

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

Thank you,



Tony Usibelli, Director, State Energy Office
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