



Agenda Date: 1/16/2018

Agenda Placement: 4C

Napa Sanitation District Finance Committee Board Agenda Letter

TO: Finance Committee

FROM: Jeff Tucker - Director of Administrative Services/CFO
NS-Administration

REPORT BY: Jeff Tucker, Director of Administrative Services/CFO - 707-258-6000

SUBJECT: Provide Direction Whether to Sell or Officially Retire Renewable Energy Credits (RECs) from Solar Project

RECOMMENDATION

Provide direction to staff whether to sell or officially retire the Renewable Energy Credits (RECs) from the solar project PPA with SunPower.

EXECUTIVE SUMMARY

NapaSan and SunPower entered into a Power Purchase Agreement (PPA) for solar electricity. As part of the agreement, SunPower constructed a 1 MW solar array on 4 acres of NapaSan property near the treatment plant. This solar facility started producing solar power at the end of March 2017.

As part of the PPA with SunPower, NapaSan negotiated that the Renewable Energy Credits (RECs) be owned by NapaSan. By owning the RECs, NapaSan can make the claim that it is using solar power (if NapaSan did not retain ownership of the RECS, it could not legally make this claim). One REC is earned for every 1 MWh of electricity generated by the solar facility, and has an estimated current market value of about \$50-\$100 each. As the facility is expected to produce 1,700 MWh of electricity each year, this equates to a value of between \$85,000 and \$170,000.

There is currently not a mechanism in place to ensure that the RECs are being retired, and are not being sold by SunPower, other than contract language in our PPA that forbids the practice. One way to ensure that the RECs are not resold is for NapaSan to establish a REC trading account, and then actively "retire" the RECs without sale. This would establish an auditable record to ensure the RECs are retained by and then retired by NapaSan, ensuring its ability to claim that it is using solar power to operate its facilities. There is effort and cost associated with setting up the trading account, but is not expected to be significant.

The question before the Committee is whether NapaSan should continue to own the RECs through contract only, set up a process to officially retire the RECs, or sell the RECs on the energy credit market.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

None.

SUPPORTING DOCUMENTS

None

Napa Sanitation District Finance Committee: Approve

Reviewed By: Jeff Tucker