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Title: AN ORDINANCE relating to the sale of biomethane and related environmental attributes held by the county; authorizing the wastewater treatment division to enter into an agreement for the sale of biomethane and environmental attributes associated with purified biomethane produced at the South wastewater treatment plant to IGI Resources, Inc.

Sponsors: Rod Dembowski

Indexes: Natural Resources, Department of, Wastewater

Code sections:

Attachments: 1. 18363_Redacted.pdf, 2. A. Base Contract for Sale and Purchase of Natural Gas_Redacted.pdf, 3. 2016-0339 legislative review form.pdf, 4. 2016-0339 transmittal letter.doc, 5. 2016-0339 fiscal note.xls, 6. Base Contract for Sale and Purchase of Natural Gas as transmitted_Redacted.pdf, 7. 2016-0339_SR_WTDEnvironmental Attributes.docx, 8. ATT2_Summary.docx, 9. ATT5_ExecPresentation.pdf, 10. 2016-0339_SR_WTD-RINs-091416.docx, 11. ATT2_S3 for 09-14-16.docx, 12. ATT6_ExecPresentation-09-14-16, 13. 2016-0339_REVISED Staff Report WTD-RINs-091416.docx

Date	Ver.	Action By	Action	Result
9/19/2016	2	Metropolitan King County Council	Hearing Held	
9/19/2016	2	Metropolitan King County Council	Passed	Pass
9/14/2016	1	Transportation, Economy, and Environment Committee	Recommended Do Pass Substitute Consent	Pass
8/24/2016	1	Transportation, Economy, and Environment Committee	Deferred	
8/16/2016	1	Transportation, Economy, and Environment Committee	Deferred	
7/11/2016	1	Metropolitan King County Council	Introduced and Referred	

Clerk 09/20/2016

AN ORDINANCE relating to the sale of biomethane and related environmental attributes held by the county; authorizing the wastewater treatment division to enter into an agreement for the sale of biomethane and environmental attributes associated with purified biomethane produced at the South wastewater treatment plant to IGI Resources, Inc.

STATEMENT OF FACTS:

1. The wastewater treatment division of the department of natural resources and parks operates three regional wastewater treatment facilities, including the South wastewater treatment plant in Renton, Washington, which treats approximately thirty billion gallons of wastewater each year.
2. Anaerobic digesters at the treatment plant generate methane digester biogas as part of the water and associated solid material treatment and purification processes.
3. Since 1988, the wastewater treatment division has been scrubbing impurities from the digester biogas to create biomethane, using some of the resulting pipeline quality gas for internal heating purposes, and injecting the surplus pipeline quality gas into the regional natural gas pipeline.
4. Since 1988, the pipeline quality gas commodity not consumed at the treatment plant has been sold to Puget Sound Energy, per a pipeline quality gas purchase and sales agreement between King County and Puget Sound Energy, most recently amended in 2005.
5. In addition to the energy content of the pipeline quality gas, the origin of the pipeline quality gas as a byproduct of the wastewater treatment process provides significant greenhouse-gas reduction benefits when compared to the consumption of fossil fuel-derived natural gas.
6. These environmental benefits, as an extension of the energy content, are recognized as environmental attributes. Environmental attributes refer to renewable energy or other characteristics of a resource that are distinguished from a commodity, and can have financial value related to both voluntary and mandatory environmental requirements.
7. Renewable Identification Numbers are environmental attributes that can be produced when a renewable energy source is consumed for an on-road transportation purpose, and have an economic value beyond the commodity value of the renewable fuel. Renewable Identification Numbers are defined under the Federal Renewable Fuel Standard, authorized by Congress under

the Energy Policy Act of 2005 and expanded under the Energy Independence and Security Act of 2007, which was created in an effort to reduce greenhouse gas emissions and expand the nation's renewable fuels sector while reducing reliance on imported oil.

8. Under the Federal Renewable Fuel Standard legislation, obligated parties such as oil producers and importers must meet specific annual renewable fuel obligations for on-road transportation fuels, through Renewable Identification Number credits. The legislation has created demand for transportation fuels sourced from renewable sources, including biomethane sourced from wastewater treatment plants.

9. In 2014, in an attempt to determine if the Federal Renewable Fuel Standard would result in greater economic value for wastewater biomethane, the wastewater treatment division issued a request for proposals for the future sale of the combined pipeline quality gas commodity and any related environmental attributes of the biomethane.

10. Through a selection process, the wastewater treatment division selected IGI Resources, Inc., for the sale of the biomethane, specifying that the environmental attributes be monetized as Renewable Identification Numbers.

11. After certification under the Federal Renewable Fuel Standard, Renewable Identification Numbers will be generated when the biomethane generated at the South wastewater treatment plant is sold to IGI Resources, Inc., and consumed by local natural gas powered vehicles, resulting in renewable fuels being utilized for transportation purposes.

12. Under K.C.C. 4.56.250, sales of rights, title or interests in emissions credits, offsets or allowances or renewable energy certificates, credits, benefits, environmental air quality credits and any similar rights, title or interests held by the county are exempt from the real and personal property requirements of K.C.C chapter 4.56 when unique circumstances are present. Such sales may be made in the best interests of the public to a person or entity through a direct agreement

negotiated by the King County executive and approved by the King County council.

13. In accordance with K.C.C. 4.56.100.A.2. and K.C.C 4.56.250, unique circumstances are present for this agreement because the market for the sale of biomethane and the environmental attributes from biomethane is highly specialized and is subject to market variability that requires prompt action. The nature of these rights is unique in that they do not lend themselves to a sale to the highest responsible bidder at public auction or by sealed bid. While under such unique circumstances K.C.C. chapter 4.56 authorizes the county to negotiate directly with a person or entity, nevertheless, the county conducted a competitive process to locate a qualified buyer for the combined sale of the biomethane and its environmental attributes to ensure that this agreement is in the best interests of the public.

14. The sale of the biomethane and related environmental attributes provide public benefit by increasing the revenue generated through the sale of the biomethane resource. The revenue from the sale of the biomethane and related environmental attributes will be used to reduce or offset greenhouse gas emissions greater than the reduction benefit that would come through direct wastewater treatment division ownership of the environmental attributes, but only if the use of wastewater revenues is consistent with: chapter 35.58 RCW; Section 230.10.10 of the King County Charter; agreements for sewage disposal entered into between King County and component agencies; and other applicable county ordinance and state law restrictions. Revenue from the sale will also be used to expand energy efficiency and renewable energy generation efforts within the wastewater treatment division.

15. The investment of revenue from the sale of the biomethane and related environmental attributes to expand energy efficiency and renewable energy production and use within the wastewater treatment division and the resulting financial savings from these efficiencies has the effect of stabilizing rates.

BE IT ORDAINED BY THE COUNCIL OF KING COUNTY:

SECTION 1. **Findings:** The King County council has determined, and therefore finds, that unique circumstances make a negotiated direct sale of the sale of biomethane and the related environmental attributes at the South Wastewater Treatment Plant is in the best interests of the public.

SECTION 2. The King County executive is hereby authorized to execute a base contract for sale and purchase of natural gas and all related documents with IGI Resources, Inc., substantially in the form of Attachment A to this ordinance.

SECTION 3. Moneys from the sale of biomethane and environmental attributes under section 2 of this ordinance shall be allocated to the originating division. The revenue from the biomethane and environmental attributes shall be used to further the goals outlined in the 2015 Strategic Climate Action Plan in relation to the operations and capital improvement program of the wastewater treatment division, with the direct result of offsetting carbon emissions in excess of the reduction benefit that would come through direct wastewater treatment division ownership of the environmental attributes. Revenue beyond that needed for the annual carbon emissions offsets may be spent on rate stabilization.