



# City of Palo Alto

## Utilities Advisory Commission Staff Report

(ID # 12160)

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**Report Type: New Business**

**Meeting Date: 5/12/2021**

**Summary Title: Presentation on REC Exchange Program**

**Title: Informational Update on REC Exchange Program for 2021 in Accordance With the City's Amended Electric Supply Portfolio Carbon Neutral Plan**

**From: City Manager**

**Lead Department: Utilities**

### **Executive Summary**

On August 24, 2020 the Council approved amendments to the electric utility's Carbon Neutral Plan that clarified and modified policies regarding the sales and exchanges of renewable energy credits (RECs) ([Staff Report #11556](#)). The amendments permitted the exchange of Bucket 1 (primarily in-state) RECs for Bucket 3 (primarily out-of-state) RECs, provided the City maintains compliance with State Renewable Portfolio Standard (RPS) regulations. A portion of the earnings from the program would be used to mitigate the economic impacts of the coronavirus pandemic, and the remainder would be reserved for local decarbonization programs. The amendments also adopted an hourly accounting methodology for managing the City's electric portfolio and permitted the use of Bucket 3 RECs for managing any emissions impacts identified by the use of the hourly accounting methodology.

Since then, staff has purchased and sold RECs for Calendar Year 2020 in accordance with the Carbon Neutral Plan amendments. And at the time of writing this report, staff was in the process of planning to sell RECs for CY 2021. The attached presentation provides staff's projections for the program's net earnings and its impacts on the City's Power Content Label for 2021.

For 2021, staff projects \$2.46 million in net earnings from the program. This is slightly lower than the estimate staff provided to the UAC in March 2021 (\$2.80 million); the difference is primarily due to a significant decrease in hydro generation projections since then, which results in the need to purchase additional Bucket 3 RECs to maintain compliance with the City's Carbon Neutral Plan.

This is an informational item and no Utilities Advisory Commission action is requested.

### **Attachments:**

- Attachment A: Presentation





**REC EXCHANGE:  
CY 2021 UPDATE #2**

**May 12, 2021**

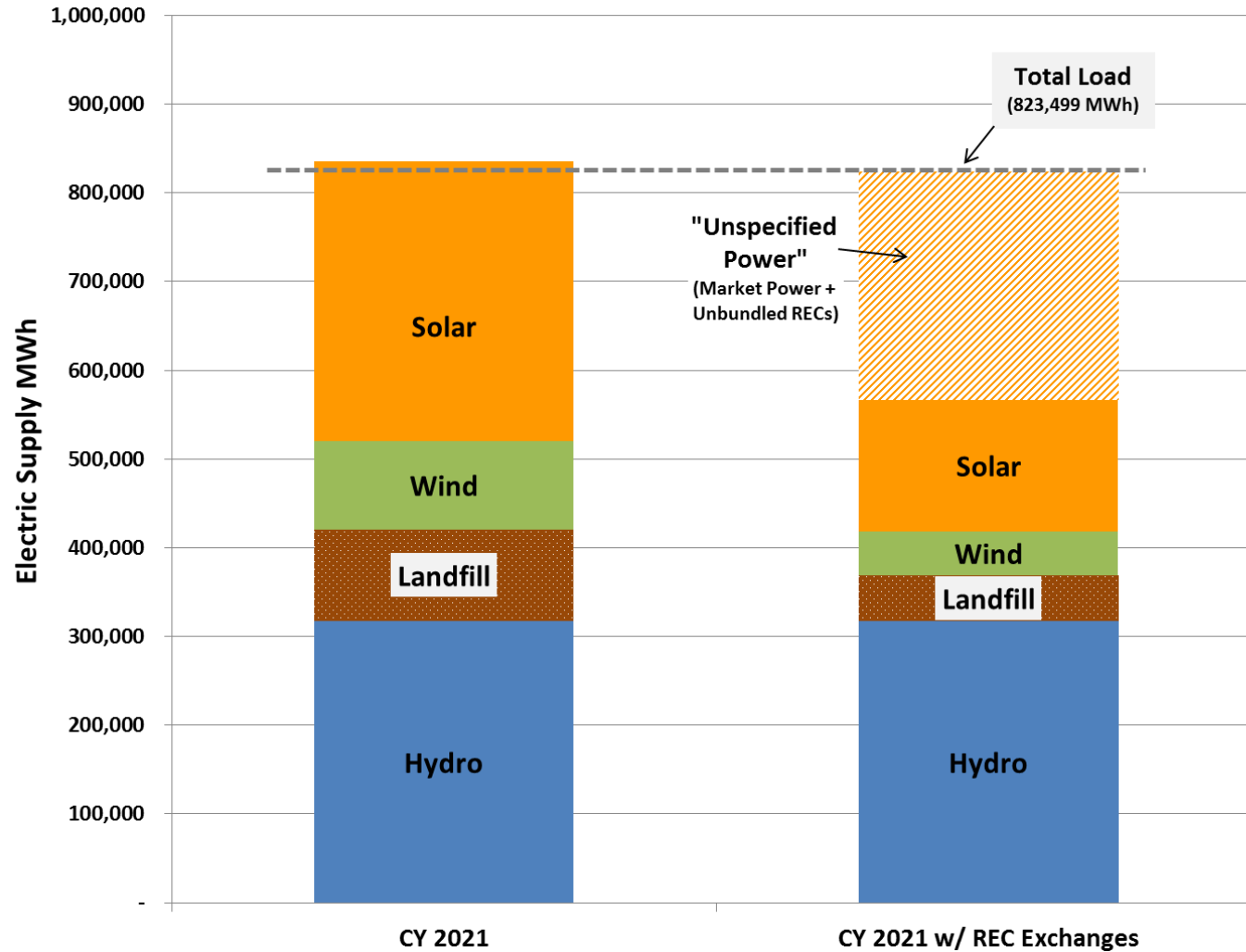
**[www.cityofpaloalto.org](http://www.cityofpaloalto.org)**

# REC EXCHANGE PROJECTIONS FOR CY 2021

	Baseline (No Sales)	REC Exchange Program
Total REC Sales Volume (MWh)	--	274,600
Bucket 3 REC Purchase Volume (MWh)	--	276,380
Total REC Sales Revenue (\$M)	--	\$3.71
Bucket 3 REC Purchase Cost (\$M)	--	\$1.24
Net Revenue (\$M)	--	\$2.46
Bucket 1 RPS Level	67%	33%

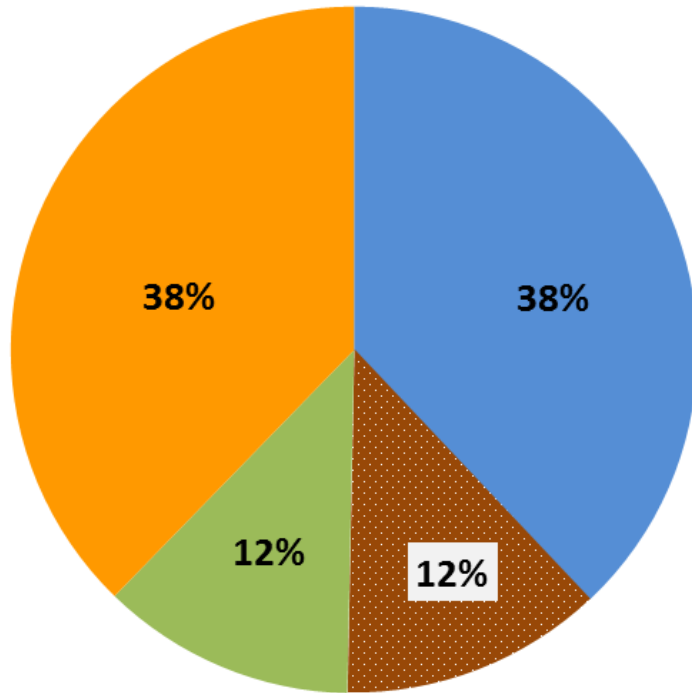
Projected REC Prices: \$13.50 for Bucket 1, \$4.50 for Bucket 3

# ELECTRIC SUPPLY PORTFOLIO IMPACT (CY 2021)



# POWER CONTENT LABEL IMPACT (CY 2021)

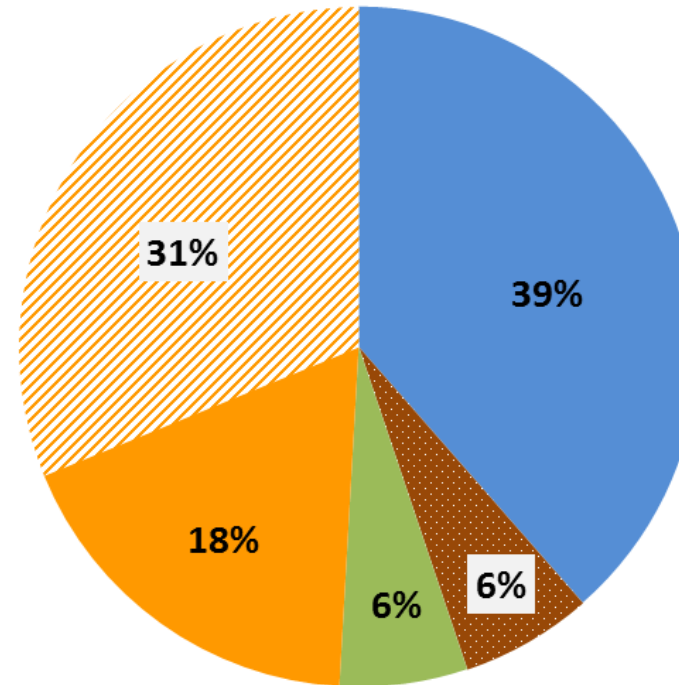
Base Portfolio



RPS Level: 67%

Emissions Intensity: 7 kg CO<sub>2</sub>/MWh

With REC Exchange



RPS Level: 35.75%\*

Emissions Intensity: 142 kg CO<sub>2</sub>/MWh

\*Including eligible  
Bucket 3 REC  
Purchases

■ Large Hydro ■ Landfill Gas ■ Wind ■ Solar ■ Unspecified Power



# POWER CONTENT LABEL IMPACT (CY 2021)

	Base Portfolio	After REC Exchange
<b>Eligible Renewable</b>	67%	33%
Biomass	13%	4%
Geothermal	0%	0%
Small Hydro	1%	1%
Solar	40%	24%
Wind	13%	2%
<b>Coal</b>	0%	0%
<b>Large Hydro</b>	33%	38%
<b>Natural Gas</b>	0%	0%
<b>Nuclear</b>	0%	0%
<b>Unspecified Sources</b>	0%	29%

<b>Emissions Intensity (kg CO2/MWh)</b>	7.0	128.0
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CITY OF  
**PALO  
ALTO**

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