

LEGISLATIVE DIGEST

Ordinance approving a contract between the City and County of San Francisco and the Western Renewable Energy Generation Information System (WREGIS) for documenting and tracking environmental attributes at an estimated initial cost of \$4,500 per year, depending on account activity; and waiving the competitive procurement requirements of the San Francisco Administrative Code Chapter 21 for this service, waiving the requirement of Section 21.9(b) of the San Francisco Administrative Code that a City contract not contain an automatic renewal provision, waiving the requirement of Section 21.35 of the San Francisco Administrative Code that every contract contain a statement regarding liability of claimants for submitting false claims, waiving the requirement of Section 12F.5 of the San Francisco Administrative Code that every contract contain a statement urging companies abide by the MacBride Principles, and waiving the requirement of Section 12O.2 of the San Francisco Administrative Code that every contractor provide EIC forms to eligible employees; and authorizing the San Francisco Public Utilities Commission to enter other similar contracts for tracking environmental attributes.

Existing Law

The San Francisco Administrative Code (SFAC) requires that all contracts for services which cost over \$29,000 be competitively bid (Section 21.5(a) and the Purchaser's Regulations), bars the City from entering into contracts with an automatic renewal provision (Section 21.9), requires language regarding the consequences of submitting false claims to the City (Section 21.35), requires language urging companies to abide by the MacBride Principles (Section 12F.5) and requires every contractor provide EIC forms to eligible employees (Section 12.0.2).

Amendments to Current Law

This ordinance would approve waiver of those requirements in a contract with the Western Renewable Energy Generation Information System (WREGIS) for the registration of Renewable Energy Credits (RECs) and would authorize the San Francisco Public Utilities Commission (PUC) to enter other similar contracts for similar services.

Background Information

The City and County of San Francisco (City), through the PUC, owns facilities that generate renewable energy and also purchases renewable energy generated by others. Renewable energy has what are called "environmental attributes" which are a way of recognizing the environmental benefits of renewable energy. These environmental attributes can be used to meet renewable energy requirements established by state law and may have value in the energy markets. Renewable Energy Credits (RECs) are one example of this type of

instrument. A REC is a certificate which demonstrates that one unit of electricity was generated and delivered by an eligible renewable energy generating unit. The City needs to establish one or more accounts with tracking entities in order to certify, track, and ultimately trade the City's RECs.

The Western Renewable Energy Generation Information System (WREGIS) was developed by the California Energy Commission (CEC), the Western Governors' Association (WGA), and the Western Regional Air Partnership; it is administered by the Western Electricity Coordinating Council (WECC). WREGIS is a single, centralized entity responsible for issuing and tracking WREGIS certified RECs for electricity from renewable facilities in the western United States. WREGIS RECs have more value in the electric market than those certified by other sources because WREGIS is the only entity which can register RECs for purposes of compliance with California's laws mandating the use of renewable energy.

It is likely that in the future, the CEC will mandate registration with WREGIS as it implements the requirements of California's Renewal Portfolio Standards, recently substantially modified by the passage of Senate Bill (SB)X1-2. The legislation requires the CEC verify compliance with the RPS requirements by retail sellers and local publicly-owned electric utilities.

Establishing accounts with WREGIS will allow the City to accurately track and report the environmental attributes of the City's renewable resources including solar, wind, geothermal, and small hydroelectric generation, and in so doing, maximize the benefits of those environmental attributes.

WREGIS requires the registering entity to sign a Terms of Use Agreement that is not subject to negotiation or modification. The Agreement automatically renews annually on payment of an annual fee, currently \$1,500. Other fees are based on the quantity of energy tracked. For example, the PUC estimates a total annual cost (annual fee plus usage based charges) of \$4,500 to track the RECs from the PUC's solar resources. Although the Agreement may be terminated by either WREGIS or the City with 60 days written notice, it imposes conditions which are customarily not in City agreements. These conditions include:

- Sole discretion to increase or decrease its fees with sixty days notice to the account holder.
- Late fees if billed amounts are not paid in a timely manner.
- No liability for most claims of intellectual property infringement, except for those due to WREGIS' own actions.
- No liability for any direct, general, special, indirect, consequential, incidental, exemplary, punitive or other indirect damages regardless of cause.
- The right to audit relevant City records in order to verify any information submitted by the City.

In addition, the Agreement does not include provisions which would customarily be included in the City's agreements such as,

- Notice of False Claims
- MacBride Principles
- Earned Income Credit Information.

Additional tracking systems for other kinds of environmental attributes are being developed. The California Air Resources Board (CARB) recently adopted regulations to reduce greenhouse gas (GHG) emissions and is establishing similar programs that will be used to track greenhouse gas emissions from fossil-fuels, methane, and other sources and track emission reductions over time. These programs include carbon emission allowances, carbon offset credits, and other GHG credits. Under CARB's regulations, entities such as the SFPUC and other City departments will be required to register with tracking systems and participate in these programs.

The PUC anticipates that registries similar to WREGIS will be developed in the near future for tracking other environmental attributes. As additional registries are developed that provide value for tracking other environmental attributes, the PUC will consider entering into agreements on a case-by-case basis. Through this legislation, the PUC seeks authority to enter similar types of agreements in order to register and track the City's environmental attributes.