

MEMORANDUM

TO: City of Burlington City Council

FROM: Ken Nolan, Manager of Power Resources

DATE: October 2, 2013

RE: **Ryegate Associates RSCR Stipulation**

cc. Barbara Grimes

The Ryegate wood chip generator in Ryegate, Vermont had a contract to sell its output to all Vermont utilities through VEPP Inc. (the statewide purchasing agent for federal PURPA power). That contract, which was signed in the early '90's, utilized provisions of federal law to force the Vermont utilities to buy the plant's output at guaranteed prices. The federally mandated contract ended in October, 2012.

In preparation for their contract ending, the owners of Ryegate went to the Vermont legislature in 2011 and sought passage of a state law that would require the Vermont utilities to continue purchasing the output of the plant. In response the legislature passed new Baseload Renewable provisions to the state's existing SPEED statutes (the SPEED statutes require all utilities to buy the output of small renewable resources under a state program). The only generator that met the requirements to supply the Baseload Renewable power was Ryegate, which in essence meant that the legislature had required the Vermont utilities to buy the plant's output. The new contract between Ryegate and VEPP Inc. was executed this past spring, and Ryegate has continued to sell power to the Vermont utilities through this state contract since that time.

Importantly for BED, the Baseload Renewable statute also included a carve-out for any utility that received more than 33% of its energy from biomass resources in any year. Any utility that could demonstrate such a reliance on biomass did not have to buy the Ryegate power in the subsequent year. BED has purchased more than 33% of its energy from biomass (namely McNeil) since the law's passage and has therefore not purchased any of the Ryegate power.

After its new contract with VEPP Inc. was executed Ryegate determined that it would be economic to install a Regenerative Selective Catalytic Converter (RSCR), similar to the one McNeil had installed in 2008, to reduce air pollutant emissions and qualify the plant to sell Renewable Energy Certificates (RECs) in Connecticut and New Hampshire. However, the Baseload Renewable statute required them to turn over all RECs to the Vermont utilities, so to

move forward with the project Ryegate needed to negotiate a cost sharing arrangement with the utilities.

After nearly 6-months of negotiation the attached stipulation was reached. It requires Ryegate to provide the \$6 million of capital needed to install the RSCR, and in return shares any revenue received from REC sales. For the first 3-years Ryegate will get 90% of any revenue, to insure that they recoup their investment. For the next 3-years the revenue will be split 50-50, and for the final 3-years the utilities will receive 90% of the revenue. Even though BED is not receiving any power from Ryegate at the moment, BED staff was actively involved in the negotiation to make sure Burlington ratepayers would be protected if BED ever did receive the power. BED staff believes the stipulation is a reasonable compromise that will result in additional revenue to the Vermont utilities while providing cleaner air.

The Burlington Electric Commission approved the stipulation at its September meeting, with the recommendation that BED become a signatory to make sure that the protections it provides will be available to BED ratepayers in the event that BED is required to buy Ryegate power in the future.