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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 Bluesource, LLC.

Sponsors: Rod Dembowski

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Attachments: 1. Ordinance 19448, 2. 2022-0157 Amendment 1, 3. A. Contract for Sale of South Treatment Plant Biomethane and Related Environmental Attributes, Revision Date May 2022, 4. A. Contract for Sale of South Treatment Plant Biomethane and Related Environmental Attributes, 5. 2022-0157 transmittal letter, 6. 2022-0157 fiscal note, 7. 2022-0157 Legislative Review Form, 8. 2022-0157_SR_Biomethane_Reed, 9. 2022-0157 Staff Report with Attachments

Date	Ver.	Action By	Action	Result
6/7/2022	1	Metropolitan King County Council	Passed as Amended	Pass
4/19/2022	1	Metropolitan King County Council	Introduced and Referred	

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 Bluesource, LLC.

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 twenty-eight 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 what is then called biomethane, at times using some of the resulting biomethane pipeline quality gas for internal heating purposes and injecting the surplus biomethane pipeline quality gas into the regional natural gas pipeline.
4. Between 1988 and 2016, the pipeline quality gas commodity not consumed at the treatment plant was sold to Puget Sound Energy.
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. Those 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, through a request for proposals and subsequent selection process, the wastewater treatment division selected a private company to which the biomethane and environmental attributes have been sold since 2017, in accordance with Ordinance 18363 and amended under Ordinances 18439, 18763 and 18928. From 2017 through the present, the current contract has resulted in over \$29,000,000 of revenue to the wastewater treatment division, with the vast majority of the combined biomethane and environmental attribute value originating from Renewable Identification Number environmental attribute monetization.

10. In 2021, pending the expiration of the existing biogas and environmental attribute purchase and sales contract, 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.

11. Through a selection process, the wastewater treatment division selected Bluesource, LLC, for the sale of the biomethane, specifying that the environmental attributes be monetized as Renewable Identification Numbers.

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. Unique circumstances are present for the 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 those 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. Although K.C.C. 4.56.250 authorizes the county to negotiate directly with a person or entity in such circumstances, nevertheless, the county conducted a competitive process to locate a qualified buyer to ensure that the 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 those 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 biomethane and the related environmental attributes at the South Wastewater Treatment Plant 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 Bluesource, LLC, 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 2020 Strategic Climate Action Plan. Each year, the division shall use the revenue to offset 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.