



TO: Elizabeth A. Pauli, City Manager
FROM: James G. Parvey, P.E, LEED AP, Division Manager, Environmental Services
Michael P. Slevin III, P.E., Director, Environmental Services *MPS*
COPY: City Council and City Clerk
SUBJECT: Bio-gas Utilization Project – Amendment No. 1 to PSE Receipt Service Agreement –
December 3, 2019
DATE: November 7, 2019

SUMMARY:

A resolution authorizing Amendment No. 1 to the Receipt Service Agreement with Puget Sound Energy, Inc. (PSE) to clarify and modify gas quality testing program requirements for siloxane compounds found in bio-methane from wastewater treatment plants.

STRATEGIC POLICY PRIORITY:

- Assure outstanding stewardship of the natural and built environment.
- Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

The bio-gas treatment facility at the Central Treatment Plant (CTP) will create renewable natural gas (RNG) vehicle fuel. Doing so will create a public benefit by reducing greenhouse gas emissions by at least 60 percent of diesel usage, supporting the use of renewable fuels for transportation purposes, and increasing the revenue received by the Environmental Services Department (ESD).

BACKGROUND:

On January 30, 2018, the City Council approved a series of agreements that would allow ESD to process bio-gas from CTP’s digester into Pipeline Grade Renewable Natural Gas that could then be transported via PSE’s pipeline system to various locations to be used as vehicle fuel.

According to the Environmental Protection Agency, using methane from this source will reduce greenhouse gases by at least 60 percent compared to diesel fuel or natural gas extracted from the earth. In addition, if bio-gas is used for vehicle fuel it is eligible for an environmental credit (Renewable Identification Number or RIN) that provides strong economic support to the project.

This project supports the City’s commitment to reducing greenhouse gas emissions called for in the 2008 Climate Action Plan and the Environmental Action Plan. Further, ESD is challenged to provide its ratepayers vital utility services at an economical price. The opportunity to reduce our greenhouse gas emissions while generating revenue through sale of a valuable product is unique.

This amendment is needed to modify conditions of the Receipt Services Agreement adopted by Resolution No. 39926 related to gas quality testing program requirements for siloxane compounds.

ISSUE:

Limits to commercially available analytical techniques combined with PSE’s previously proposed method of interpreting results would result in false readings of the presence of contaminants in the RNG, adversely affecting operation of the system resulting in unnecessary shutdown periods for system maintenance and reduce net revenues for the project.



ALTERNATIVES:

The Receipt Service Agreement could remain in place without this amendment resulting in operational challenges due to increased uncertainty in gas quality test results and potentially reduced project revenues from RNG sales.

RECOMMENDATION:

A resolution authorizing Amendment No. 1 to the Receipt Service Agreement with Puget Sound Energy, Inc. (PSE) to clarify and modify gas quality testing program requirements for siloxane compounds found in bio-methane from wastewater treatment plants.

FISCAL IMPACT:

This project has required the City to finance construction of the needed facilities. Debt service for these facilities will be paid by revenues derived from sale of the processed Bio-gas and environmental credits. It is expected that this project will provide positive cash flow for the life of the facility. This amendment will have no impact on the existing project budget.