

Possible Uses of Public Revenues Acquired from Swapping Renewable Energy Credits

Please consider the below four options carefully. Which one, or combination of options, will provide the greatest benefits to Oberlin and its residents? Please attend City Council work session, March 21, 2016, 6:00 p.m., City Council Chambers on use of REC dollars and give your preference.

The City of Oberlin presently holds \$2,000,000 from the exchange of higher priced Renewable Energy Credits (RECs) for lower priced RECs. RECs were introduced by states in the mid 1990s to encourage the shift from fossil fuels to renewable energy sources for electricity generation. Over the next 10 years or less, the revenue will grow by another \$2-4 million. As a result the City Council must decide how to allocate roughly \$4-6 million.

As background for Council's deliberation it is important to note several facts. First, these are public revenues that we own collectively, not individually. The same distinction applies to individual ownership of a home and our collective ownership of a City park. Second, the revenues were accumulated legally and properly by OMLPS from the swap of higher priced RECs for lower priced RECs. Third, Oberlin's retail electric rates are average in comparison with other Ohio cities but our carbon emissions are much lower. Fourth, all electric utilities and their customers must adapt to rapid changes in energy technology such as improvements in energy efficiency, wind and solar power. Fifth, it is legally permissible for Council to apply the funds broadly to purposes that provide public benefits.

Four possible ways to use REC funds are described below. The pros and cons of each as well as their short-term and longer-term impacts are briefly described.

The first is to use the REC monies while they last to artificially reduce electric rates by one or two cents/kWh across all OMLPS customers. The ten largest commercial rate-payers, including Oberlin College, the Federal Aviation Administration (FAA), Kendal at Oberlin, and Walmart would receive the majority of the benefits. Oberlin residents would receive the rest, or approximately \$7-8 per month while REC dollars last. Thereafter rates would rebound to a higher level. The advantage of "crediting wholesale power rates" is a reduction of rates across the board. The disadvantage is that this would result in only a *temporary* reduction without any effect on longer-term costs of electricity.

The second option is to use the revenues to fund utility-related projects selected by City Council as recommended by the Public Utilities Commission, the staff of OMLPS, and the public. Possibilities include improving energy efficiency throughout municipal buildings, upgrading street and park lighting, financing the transition from natural gas to electricity for heating, reducing transmission charges through a demand-side management program, providing high-efficiency electric water heaters to residents, and constructing a municipal solar field. The advantage of this approach is flexibility and control as OMLPS would oversee the planning and

implementation of the various projects along with delivering permanent annual savings. It would, however, significantly expand the duties of OMLPS and likely necessitate hiring additional employees. And it risks scattering funding across various projects in the absence of a larger plan that reduces costs for businesses.

The third possibility is to place REC monies in an Oberlin Community Foundation directed by the City Council with a mandate to allocate the money to particular objectives. Those could include improving energy efficiency, comfort, and value in homes of those most in need; deploying renewable energy to homes and neighborhoods; and the creation of a locally-owned energy services company (ESCO) employing local residents. The advantages of a community foundation are several. One is flexibility. The Council could decide to make the endowment a permanent fund or spend it down. Foundations can make grants or lend money. They can seek matching funds to grow an initial endowment. They can also receive bequests from Oberlin residents. Properly managed and wisely used, Community Foundation funds could be a permanent asset to improve equity and sustainable prosperity in Oberlin. Any energy savings from projects would be permanent annual savings. The disadvantages of creating a Community Foundation of Oberlin mostly pertain to the challenges of leadership necessary to form a consensus for long-term benefits over short-term gain. A Community Foundation could be directed to favor projects that deliver more than \$1 of benefit for every \$1 in REC money spent or to maximize social benefits, less administrative costs and plus matching funds and donations. It offers the largest potential to raise additional funds to benefit Oberlin.

The fourth possibility would combine the second and third possibilities by selecting several immediate and worthy municipal projects while preserving the balance of REC monies in a smaller Community Foundation. Projects with wide community impact and long-term benefits should include funding energy efficiency improvements in: Oberlin's twenty-two churches, the Underground Railroad museum and transit hub, the Public Library, the Oberlin Early Childhood Center, and Oberlin Community Services. The Foundation would also contract with ESCOs to provide energy savings to businesses and residents in conjunction with existing programs offered by Columbia Gas, P.O.W.E.R. and the USDA. The City would contract with energy service companies to improve lighting, heating/cooling, and building insulation to permanently lower energy bills and provide more comfortable and healthy spaces. Energy savings from these projects would be permanent annual savings. Funds might also be allocated to hire a City Sustainability Coordinator to oversee the programs as have hundreds of other U.S. cities. The main advantage of this approach is that it provides the greatest immediate and long-term benefits to residents without complications to OMLPS

Summary

Oberlin has a one-time opportunity to improve the lives of its citizens and take significant steps toward broad-based, equitable prosperity beginning with those who need it most.