



**CITY OF LODI
COUNCIL COMMUNICATION**

AGENDA TITLE: Adopt Resolution Establishing the City of Lodi Renewable Energy Resources Procurement Plan

MEETING DATE: December 19, 2012

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Adopt a resolution establishing the City of Lodi Renewable Energy Resources Procurement Plan

BACKGROUND INFORMATION: On April 12, 2011, the Governor of the State of California signed California Senate Bill 2 of the First Extraordinary Session (SBX1-2, Chapter 1, Statutes of 2011, First Extraordinary Session) (SBX1-2), known as the California Renewable Energy Resources Act, which became effective on December 10, 2011. SBX1-2 requires that the amount of electricity generated per year from eligible renewable energy resources be increased to an amount that equals at least 20 percent of the total electricity sold to retail customers in California per year by December 31, 2013, 25 percent by December 31, 2016 and 33 percent by December 31, 2020.

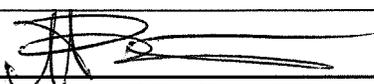
In accordance with this law Lodi is required to establish a Renewable Energy Resources Procurement Plan (RPS Procurement Plan) and a Program for Enforcement of the RPS Plan. In December 2011 the Program for Enforcement was adopted by the City Council. Although the California State Energy Commission (CEC) has not published the final details of their renewable energy requirements, the City must establish its RPS Procurement Plan by December 31, 2012. The attached RPS Procurement Plan is based on the current version of the CEC's renewable energy requirements. After the CEC has finalized the requirements this plan may be modified as necessary.

FISCAL IMPACT: No significant financial impact is expected from the approval of the RPS Procurement Plan through calendar year 2016. The plan contains a rate limiter of two percent of annual gross electric sales.

FUNDING AVAILABLE: Included in the FY 2012/13 Budget Account No. 160642.8201.


Elizabeth A. Kirkley
Electric Utility Director

EAK/lst

APPROVED: 
Konradt Bartlam, City Manager

RESOLUTION NO. 2012-206

A RESOLUTION OF THE LODI CITY COUNCIL
ESTABLISHING THE CITY OF LODI RENEWABLE
ENERGY RESOURCES PROCUREMENT PLAN

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WHEREAS, on April 12, 2011, the Governor of the State of California signed California Senate Bill 2 of the First Extraordinary Session (SBX1-2, Chapter 1, Statutes of 2011, First Extraordinary Session) (SBX1-2), known as the California Renewable Energy Resources Act, which became effective on December 10, 2011; and

WHEREAS, SBX1-2 requires that the amount of electricity generated per year from eligible renewable energy resources be increased to an amount that equals at least 20 percent of the total electricity sold to retail customers in California per year by December 31, 2013, 25 percent by December 31, 2016, and 33 percent by December 31, 2020; and

WHEREAS, in accordance with this law, Lodi is required to establish a Renewable Energy Resources Procurement Plan (RPS Procurement Plan) and a Program for Enforcement of the RPS Plan, and in December 2011, the Program for Enforcement was adopted by the City Council; and

WHEREAS, although the California State Energy Commission (CEC) has not published the final details of its renewable energy requirements, the City must establish its RPS Procurement Plan by December 31, 2012; and

WHEREAS, the attached RPS Procurement Plan is based on the current version of the CEC's renewable energy requirements, and after the CEC has finalized the requirements, this plan may be modified as necessary; and

WHEREAS, no significant financial impact is expected from the approval of the RPS Procurement Plan through calendar year 2016, and the plan contains a rate limiter of two percent of annual gross electric sales.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby approve and establish the City of Lodi Renewable Energy Resources Procurement Plan, as attached.

Dated: December 19, 2012

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I hereby certify that Resolution No. 2012-206 was passed and adopted by the City Council of the City of Lodi in a regular meeting held December 19, 2012, by the following vote:

- AYES: COUNCIL MEMBERS – Hansen, Johnson, Katzakian, Mounce, and Mayor Nakanishi
- NOES: COUNCIL MEMBERS – None
- ABSENT: COUNCIL MEMBERS – None
- ABSTAIN: COUNCIL MEMBERS – None

RANDI JOHL
City Clerk

Lodi Electric Utility Department

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CITY OF LODI RENEWABLE ENERGY RESOURCES PROCUREMENT PLAN

1.00 INTRODUCTION AND PURPOSE

Senate Bill 2 of the first extraordinary session (SBX1-2) was chaptered into the Public Utilities Code (Section 399) by Governor Jerry Brown. Under SBX1-2 the City of Lodi (City), a Publicly Owned Utility, must adopt and implement a renewable energy resources procurement plan (RPS Procurement Plan) to reach and maintain a renewable energy content of 33% by the end of calendar year 2020. At the end of calendar year 2010, the City was compliant with the energy purchase requirements of SBX1-2.

This document outlines the requirements of SBX1-2 and the City's minimum requirements for the procurement of renewable energy. In addition to the development of an RPS Procurement Plan, SBX1-2 requires the City to adopt and implement a separate program for the enforcement of the RPS Procurement Plan.¹ The City's RPS enforcement program was approved by Lodi City Council Resolution 2011-195 on December 21, 2011.

With all future resource needs, the City's Electric Utility Department (EUD), through the Risk Oversight Committee, shall apply this document, as approved by the City Council, to assure that the City's retail electric customers are provided at least a minimum quantity of electricity products from eligible renewable energy resources and products consistent with the targets set by SBX1-2.

1.10 PLAN MODIFICATIONS/AMENDMENTS

This RPS Procurement Plan may be modified or amended by an affirmative vote of the Lodi City Council during a publicly noticed meeting. Any Council action to modify or amend the plan must be publicly noticed in accordance with Section 4.00, applicable Public Utilities Codes, and/or applicable sections of the Government Code.

¹ Pursuant to § 399.30(e), POUs must have adopted a "program for enforcement" of the RPS Procurement Plan on or before January 1, 2012 at a publicly noticed meeting.

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2.00 PROCUREMENT REQUIREMENTS FOR RENEWABLE ENERGY

SBX1-2 created several very specific requirements for the procurement of renewable energy for the resale to electric customers. Section 2.00 of this document details the procurement requirements of SBX1-2 and adopts these requirements as minimum standards for the City's procurement of retail energy.

2.10 COMPLIANCE PERIODS (PUC §399.30(b))

The amendment of SBX1-2 created three distinct compliance periods. At the end of each compliance period, a specific target for renewable energy must be met unless "waivers of timely compliance" are incurred. Each of the compliance periods includes the following: 1) the retail sales percentage target for renewable energy; and 2) the allowed percent from each Content Category.

A. Compliance Period 1: January 1, 2011, to December 31, 2013, inclusive.

The City must procure an average of 20% of the calendar year's retail sales with renewable energy. Renewable energy procured for this compliance period should be comprised of not less than 50% of Content Category 1 and not more than 25% from Content Category 3.

B. Compliance Period 2: January 1, 2014, to December 31, 2016, inclusive.

The City must procure, at the end of compliance period 2, at least 25% of calendar year 2016's retail sales with renewable energy. Renewable energy procured for this compliance period should be comprised of not less than 65% of Content Category 1 and not more than 15% from Content Category 3.

C. Compliance Period 3: January 1, 2017, to December 31, 2020, inclusive.

The City must procure, at the end of compliance period 3, at least 33% of calendar year 2020's retail sales with renewable energy. Renewable energy procured for this compliance period should be comprised of not less than 75% of Content Category 1 and not more than 10% from Content Category 3.

D. Starting January 1, 2021 and after renewable energy procurements shall at least meet the end requirements of compliance period 3.

2.20 CONTENT CATEGORY DEFINITIONS (PUC §399.30(c)(3))

As required by the Public Utilities Code, each compliance period shall further restrict the procurement of energy through the concept of Content Categories (sometimes referred to as energy buckets) that describe the criteria for differing eligible renewable energy resource electricity products:

- A. Content Category 1 (consistent with §399.16(b)(1)): Resources in this category shall either:
 - a. Have a first point of interconnection with a California balancing authority, have a first point of interconnection with distribution facilities used to serve end users within a California balancing authority area, or are scheduled from the eligible renewable energy resource into a California balancing authority without substituting electricity from another source. The use of another source to provide real-time ancillary services required to maintain an hourly or sub-hourly import schedule into a California balancing authority shall be permitted, but only the fraction of the schedule actually generated by the eligible renewable energy resource shall count toward this portfolio Content Category.
 - b. Have an agreement to dynamically transfer electricity to a California balancing authority.
- B. Content Category 2 (consistent with §399.16(b)(2)): Resources in this category shall include firmed and shaped eligible renewable energy resource electricity products providing incremental electricity and scheduled into a California balancing authority.
- C. Content Category 3 (consistent with §399.16(b)(3)): Resources in this category shall include eligible renewable energy resource electricity products, or any fraction of the electricity generated, including unbundled renewable energy credits, that do not qualify under the criteria of Content Category 1 or Content Category 2.
- D. Grandfathered Resources (§399.16(d)): Any contract or ownership agreement originally executed prior to June 1, 2010, shall count in full towards the procurement requirements, if all of the following conditions are met:

(1) The renewable energy resource was eligible under the rules in place as of the date when the contract was executed.

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(2) Any contract amendments or modifications occurring after June 1, 2010, do not increase the nameplate capacity or expected quantities of annual generation, or substitute a different renewable energy resource.

(3) The duration of the contract may be extended if the original contract specified a procurement commitment of fifteen (15) or more years.

(4) "Eligible renewable energy resource" means an electrical generating facility that meets the definition of a "renewable electrical generation facility" in Section 25741 of the Public Resources Code, subject to the following: . . . (C) A facility approved by the governing board of a local publicly owned electric utility prior to June 1, 2010, for procurement to satisfy renewable energy procurement obligations adopted pursuant to former Section 387, shall be certified as an eligible renewable energy resource by the Energy Commission pursuant to this article, if the facility is a "renewable electrical generation facility" as defined in Section 25741 of the Public Resources Code § 399.12(e)(1)(C).

Resources procured prior to June 1, 2010 shall be counted for RPS compliance (Grandfathered) without regard to the limitations on the use of each portfolio Content Category as described in Section 2.20.

3.00 QUALIFYING CONDITIONS OF COMPLIANCE

Provisions of SBX1-2 allow for un-foreseen circumstances beyond the control of the POU. Section 3.00 details the conditions of compliance allowed by the amendments of SBX1-2.

3.10 EXCESS PROCUREMENT (§ 399.30(d)(1), §399.13(a)(4)(B))

The City shall be allowed to apply excess procurement from one compliance period to subsequent compliance periods as long as the following conditions are met:

- A. The accumulation of excess procurement of a compliance period beginning on or after January 1, 2011, can be applied to any subsequent Compliance Period.
- B. In calculating the total quantity of excess procurement, the amount of procurement associated with contracts of less than ten (10) years in duration shall be deducted (not counted) from actual procurement quantities.

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- C. Excess procurement applied to future compliance periods must comply with the definitions of Content Category 1, Content Category 2, or Grandfathered Resources.
- D. Resources from Content Category 3 shall not be counted as excess procurement.

3.20 HISTORIC CARRY-OVER

- A. The City shall be allowed to apply excess procurement, generated before January 1, 2011, procured prior to June 1, 2010, and was not applied to the RPS program established by the City pursuant to former Utilities Code Section 387.
- B. Excess procurement must be from facilities that were RPS-eligible under the rules in place for retail sellers at the time of procurement, except that such facilities need not be tracked in the Western Renewable Energy Information System.
- C. Historic carry-over shall be calculated by subtracting procurement generated between January 1, 2004, and December 31, 2010, that was applied to the City's RPS compliance obligation during that same period.
- D. The City will submit claims for any historic carry-over to the California Energy Commission by June 1, 2013.

3.30 WAIVER OF TIMELY COMPLIANCE (§399.30(d)(2), §399.15(b)(5))

Under the concept of "Waiver of Timely Compliance", enforcement of timely compliance shall be waived if it can be demonstrated that any of the conditions described in the Public Utilities Code or any condition beyond the direct control of the City will prevent timely compliance. In making its findings relative to the existence of this condition, deliberations shall include only conditions within the direct control of the City and consistent with the applicable Public Utilities Code.

In the event of a Waiver of Timely Compliance due to any of the factors set forth above, the City may implement one or more of the following procedures:

- A. Establish additional reporting for intervening years to demonstrate that reasonable actions under the City's control are being taken (§399.15(b)(6)).

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- B. Require a demonstration that all reasonable actions within the City's control have been taken to ensure compliance in order to grant the waiver (§399.15(b)(7)).

As described in the Public Utilities Code (§399.15(b)(9)), in no event shall deficits from prior compliance periods be added to future compliance periods. However, excess procurement from previous years may be used to gain compliance due any of the unforeseen conditions allowing waiver of timely compliance.

3.40 COST LIMITATIONS FOR EXPENDITURES (§399.30(d)(3), §399.15(c))

The amendments of SBX1-2 concede for cost limitations with regard to energy purchases for the compliance periods. The City, at its sole discretion, may elect to establish and adjust cost limitations for all eligible renewable energy resources used to comply with the renewable portfolio standards. Any such cost limitations will be developed consistent with PUC §399.15(c). The City's EUD shall review the need for cost limitations on an ongoing basis as part of prudent utility practices with regard to forecasting of load growth and long-term energy needs.

As approved by the City Council, the RPS Procurement Plan includes a rate limiter of 2% of EUD's gross annual sales. The 2% rate limiter is in addition to, not in substitution of, any needed rate increases due to inflationary or other increase to the EUD's total cost recovery requirement.

3.50 EXCLUSIVE CONTROL (§399.30(m))

In all matters regarding compliance with the RPS Procurement Plan, the Lodi City Council shall retain exclusive control and discretion over the following; the mix (type) of eligible renewable energy resources procured, additional generation resources procured for purposes of ensuring resource adequacy and reliability, and the reasonable costs incurred for eligible renewable energy resources owned by it.

4.00 REPORTING REQUIREMENTS (§399.30(f), §399.30(g), §399.30(l))

As required by the Public Utilities Code, Publicly Owned Utilities must provide periodic reporting on their progress and status of compliance with the legislated renewable energy requirements. The following sections outline these requirements and the applicable Public Utilities Code.

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4.10 DELIBERATIONS OR CHANGES REGARDING PROCUREMENT PLAN (§399.30(f))

Before the Lodi City Council publicly deliberates on any portion of the RPS Procurement Plan a notice of a public hearing must be posted in accordance with the requirements of the public utilities code. Contemporaneous with the posting of a notice for such a meeting, the City shall notify the California Energy Commission (CEC) of the date, time, and location of the meeting in order to enable the CEC to post the information on its website. When City Staff present information to a majority of the City Council that relates to the adopted renewable energy resources procurement status and/or plans, this information shall also be made available to the public and the CEC through the electronic posting of the documentation.

4.20 ANNUAL REPORT TO CEC REGARDING CONTRACT EXECUTION (§399.30(g))

Annually, the City's EUD shall submit a report to the CEC regarding procurement contracts executed during the prior year. The annual report to the CEC regarding contract execution shall include all of the following components:

- A. A description of the eligible renewable energy resource, including the duration of the contract or electricity purchase agreement.
- B. A description and identification of the electrical generating facility providing the eligible renewable energy resource under the contract.
- C. An estimate of the percentage increase in total retail sales of electricity from eligible renewable energy resources that will result from the contract.

4.30 REPORTS TO THE CEC AND CITY CUSTOMERS (§399.30(l))

Annually, the EUD will provide information to the CEC and customers regarding renewable resources. The information to the CEC regarding renewable resources shall include each of the following components:

- A. Expenditures of public goods funds collected pursuant to Section 385 for eligible renewable energy resource development, including a description of programs, expenditures, and expected or actual results.
- B. The resource mix used to serve its customers by energy source type.
- C. The City's status in implementing and/or maintaining the renewable portfolio standards pursuant to §399.30(a).