

**LODI CITY COUNCIL  
SHIRTSLEEVE SESSION  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, JUNE 26, 2012**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, June 26, 2012, commencing at 7:00 a.m.

Present: Council Member Johnson, Council Member Katzakian, and Mayor Mounce

Absent: Council Member Hansen, and Mayor Pro Tempore Nakanishi

Also Present: Deputy City Manager Ayers, Deputy City Attorney Magdich, and City Clerk Johl

B. Topic(s)

B-1 Renewable Portfolio Standard Update (EUD)

Electric Utility Director Elizabeth Kirkley provided a PowerPoint presentation regarding the Renewable Portfolio Standards (RPS) update. Specific topics of discussion included legislative background, new legislative requirements, revised goals, portfolio content, oversight by California Energy Commission (CEC), steps taken by Lodi to date, Lodi's current portfolio, RPS implementation, and next steps.

In response to Mayor Mounce, Consultant Matthew Foskett and Ms. Kirkley confirmed that there are approximately five other balancing authorities throughout the State of California and in the western area.

In response to Council Member Johnson, Mr. Foskett stated the Air Resources Board is involved because green house gases are considered airborne.

In response to Mayor Mounce, Mr. Foskett stated credits are sold based on developing market prices using mega watt hours and can be sold in smaller blocks. He stated the bucket one price is approximately \$50 per mega watt hour and bucket three averages at \$15 per mega watt hour.

In response to Council Member Katzakian, Mr. Foskett stated legislation has been introduced in favor and against hydro electric and the City will not be affected greatly if it is eliminated because the City's portfolio is diverse.

In response to Mayor Mounce, Ms. Kirkley stated the City is continuing to look at options for diversifying its portfolio into the future and is considering biomethane. Ms. Kirkley stated staff is also continuing to review options for a future solar project near the I-5 property, which is currently being used for Lodi Energy Center purposes.

In response to Council Member Johnson, Ms. Kirkley stated geothermal is affected by declining steam fields and Northern California Power Agency has made additional improvements to its plant to mitigate the impact.

In response to Council Member Hansen, Ms. Kirkley stated the City should not be affected in the next five years with the RPS because it can sell bucket ones and purchase bucket threes and the biggest unknown continues to be enforcement and penalties for the future.

In response to Myrna Wetzel, Ms. Kirkley stated there are no penalties for the CEC's inability to clearly define the requirements and penalties by a certain date.

In response to Ed Miller, Mr. Foskett stated there is no financial impact for the consumer up to 2019 because the costs stay below \$1 million and impacts thereafter will be reviewed in the next steps as outlined in the presentation.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:25 a.m.

ATTEST:

Randi Johl  
City Clerk



**CITY OF LODI  
COUNCIL COMMUNICATION**

TM

**AGENDA TITLE:** Renewable Portfolio Standard Update

**MEETING DATE:** June 26, 2012

**PREPARED BY:** Electric Utility Director

**RECOMMENDED ACTION:** Renewable Portfolio Standard update.

**BACKGROUND INFORMATION:** The State of California has a Renewable Portfolio Standard (RPS) requirement that is intended to increase the amount of electricity generated each year from eligible renewable energy resources.

The first bill, in 2002, required investor-owned utilities such as PG&E to generate at least 20 percent of their power from eligible renewable energy resources by 2017. In 2006, the target date was accelerated to 2010. While both of these laws applied specifically to investor-owned utilities, they directed local publicly-owned utilities, such as the City of Lodi, to implement and enforce a similar RPS. Local utilities, however, were granted significant discretion to establish the resource eligibility criteria, target levels, and timeframes for their RPS programs.

In April 2011, California's Governor Brown signed Senate Bill 2 of the First Extraordinary Session (SBX1-2), known as the California Renewable Energy Resources Act, extending California's RPS mandate to 33 percent by 2020. In addition, this new measure expanded the RPS mandate to include all electricity retailers. All utilities in California are now required to meet the new state RPS goals that electricity provided by eligible renewable energy resources equal at least 20 percent of retail electricity sales by 2013, at least 25 percent by December 31, 2016, and at least 33 percent by December 31, 2020 (and continuing every year thereafter).

Lodi's Current RPS Policy

In April 2003, the City Council adopted Lodi's current RPS (Resolution 2003-71) to meet the intent of SB 1078 to encourage renewable resources. This resolution:

- Defined qualified RPS resources as non-fossil fueled electric generating resources, which included large hydroelectric resources.
- Required that Lodi's power mix will have a minimum of 20 percent of renewable resources.
- Required Lodi Electric Utility report to its electric customers, in the annual power content label, the resource mix by fuel type including renewable resources.

APPROVED:

Konradt Bartlam, City Manager

### SBX1-2 Impact

One of the key differences between SBX1-2 and the two previous state RPS laws is that the new law explicitly gives state regulators the authority to enforce the mandate on public utilities. Under the 2002 and 2006 laws, the California Energy Commission (CEC) was responsible only for certifying renewable facilities as eligible for the RPS and for developing a tracking and verification system to prevent the double-counting of renewable energy output. SBX1-2 increases the CEC's role in RPS implementation, giving it the authority to develop enforcement regulations for public utilities. In this role, if the CEC determines that a public utility has failed to comply with RPS regulations, it must refer the case to the California Air Resources Board, which has the authority to impose penalties. SBX1-2 still allows public utilities' governing boards to establish certain rules and provisions for their RPS, provided that these rules satisfy the general requirements of the law. With respect to the enforcement of the law, SBX1-2 states, "[t]he governing board of the local publicly owned electric utility shall adopt a program for the enforcement of this article on or before January 1, 2012." Lodi approved its RPS Enforcement Program on December 21, 2011 in Resolution 2011-195.

Other differences between Lodi's current RPS policy and the state law require the City to adopt a formal RPS Procurement Plan, which is separate and in addition to the RPS Enforcement Program.

### RPS Procurement Plan

The new state law – specifically California Public Utilities Code sections 399.13, 399.15, 399.16 and 399.30 – includes new compliance period procurement requirements and the creation of new resource eligibility categories. State law establishes three separate multi-year compliance periods. Furthermore, the compliance requirement for the first period sets a minimum average RPS level over the whole three-year period (20 percent for 2011-2013), while the requirements for the latter two compliance periods are that the regulated entities make "reasonable progress" to ensure that a minimum level of renewable resources is procured by the end of each period (25 percent by the end of 2016 and 33 percent by the end of 2020).

The law also establishes three different categories or "buckets" of renewable energy products, and sets limits on the degree to which utilities can rely on some categories to fulfill their RPS requirements, whereas Lodi's RPS policy does not make such a distinction. The first product (Bucket 1), the preferred one, encompasses all renewable energy that is delivered into the California grid as it is generated. Utilities are required to meet at least 50 percent of their RPS requirement with Bucket 1 resources in the first compliance period, with this threshold rising to 75 percent by the third compliance period. All of Lodi's currently operating or contracted resources fall into the Bucket 1 category.

**FISCAL IMPACT:** Not applicable.

**FUNDING AVAILABLE:** Not applicable.



Elizabeth Kirkley  
Electric Utility Director



# RPS Update

26 June 2012

City Council Shirtsleeve Session



# RPS Update

- RPS Legislative Background
- New RPS Requirements (SB X1-2)
- RPS Steps Taken by Lodi
- Lodi's Current RPS Portfolio
- RPS Implementation
- Next Steps



# RPS Legislative Background

2002

- SB 1078
- Established RPS → 20% by 2017

2006

- SB 107
- Accelerated RPS → 20% by 2010

2011

- SB X1-2
- Expanded RPS → 33% by 2020



# New RPS Requirements (SB X1-2)

- Revised RPS Goals
- 3 Portfolio Content Categories (PCCs or “buckets”)
- POU oversight by California Energy Commission



# Revised RPS Goals

- Compliance Periods
  - 2011-2013 → 20%
  - 2014-2016 → 25%
  - 2017-2020 → 33%



# Portfolio Content Categories / Buckets

- Bucket 1
  - Directly interconnected to CA Balancing Authority (BA)
- Bucket 2
  - Firmed and shaped incremental electricity scheduled in CA BA
- Bucket 3
  - Renewable Energy Credits (RECs)



# POU Oversight by CEC

- Regulations & enforcement procedures (TBD)
- Certify & verify eligible renewable energy resources
- Reports non-compliance to CA Air Resources Board (CARB)
  - CARB may impose penalties



# POU Oversight by CEC

- Reporting & Tracking System



- Lodi registered June 13, 2011
- NCPA transfers Lodi's RPS eligible resources monthly



# RPS Steps Taken by Lodi

April 16, 2003 → RPS Program; Resolution No. 2003-71



October 20, 2010 → WSPP Agreement; Resolution No. 2010-179



December 15, 2010 → NCPA Interim REC Transfer Agreement; Resolution No. 2010-217



August 3, 2011 → NCPA MPP Agreement; Resolution No. 2011-122



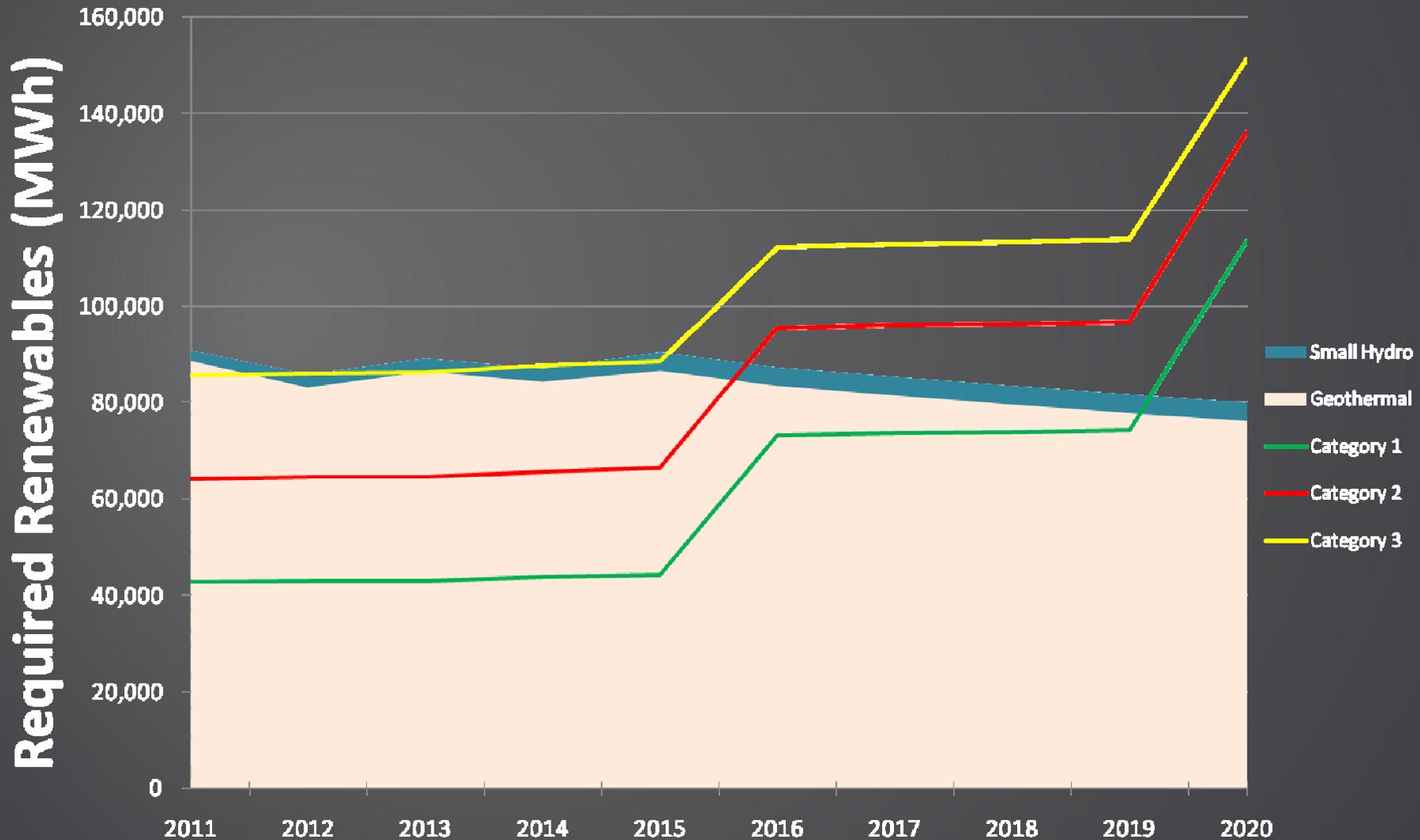
December 21, 2011 → RPS Program Enforcement; Resolution No. 2011-195



June 6, 2012 → NCPA SMSA Agreement; Resolution No. 2012-78



# Lodi's Current RPS Portfolio

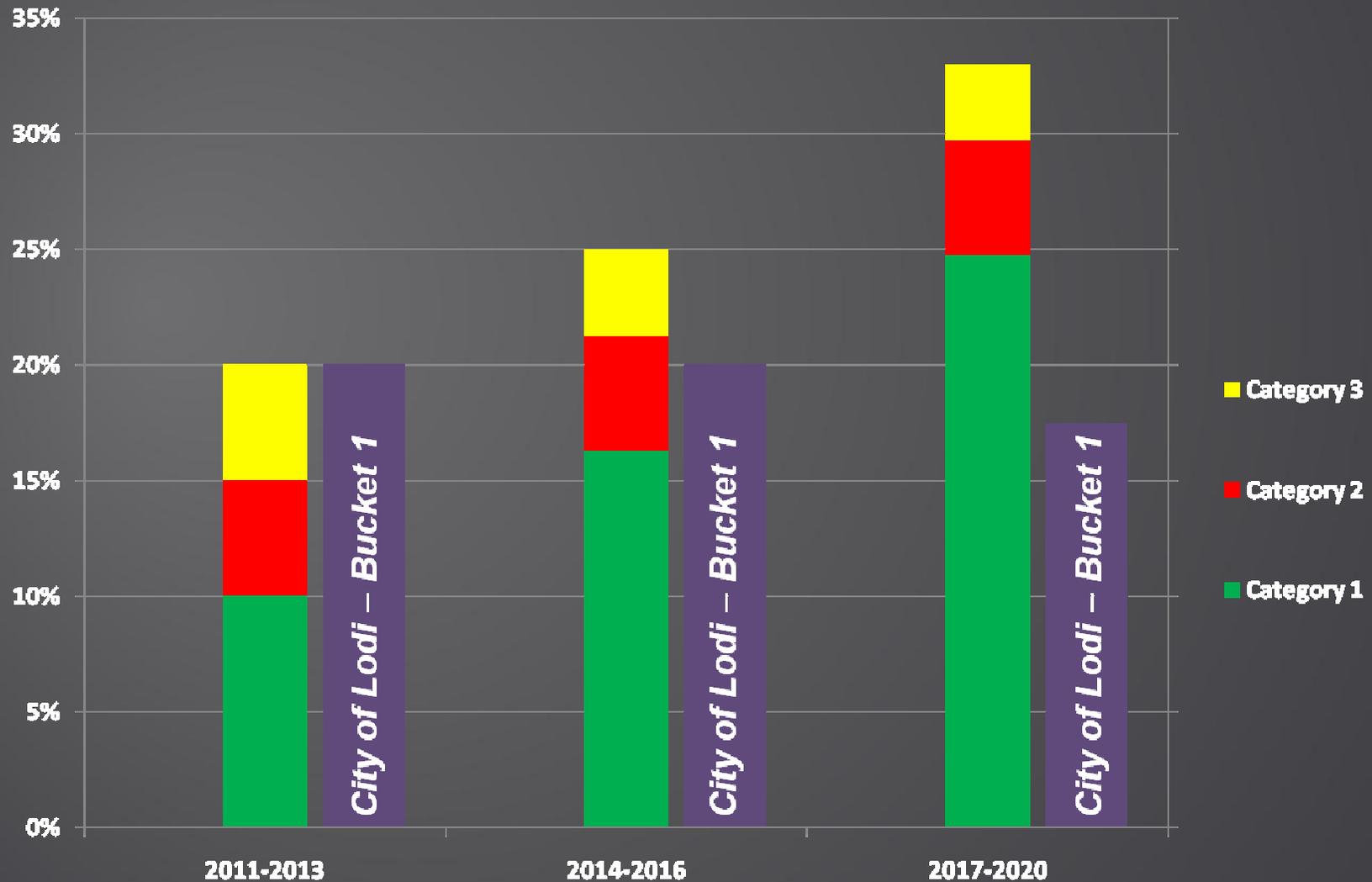


(Note: Includes NCPA Geo Turbine Upgrade and NCPA Beaver Creek Small Hydro Project.)



# RPS Implementation

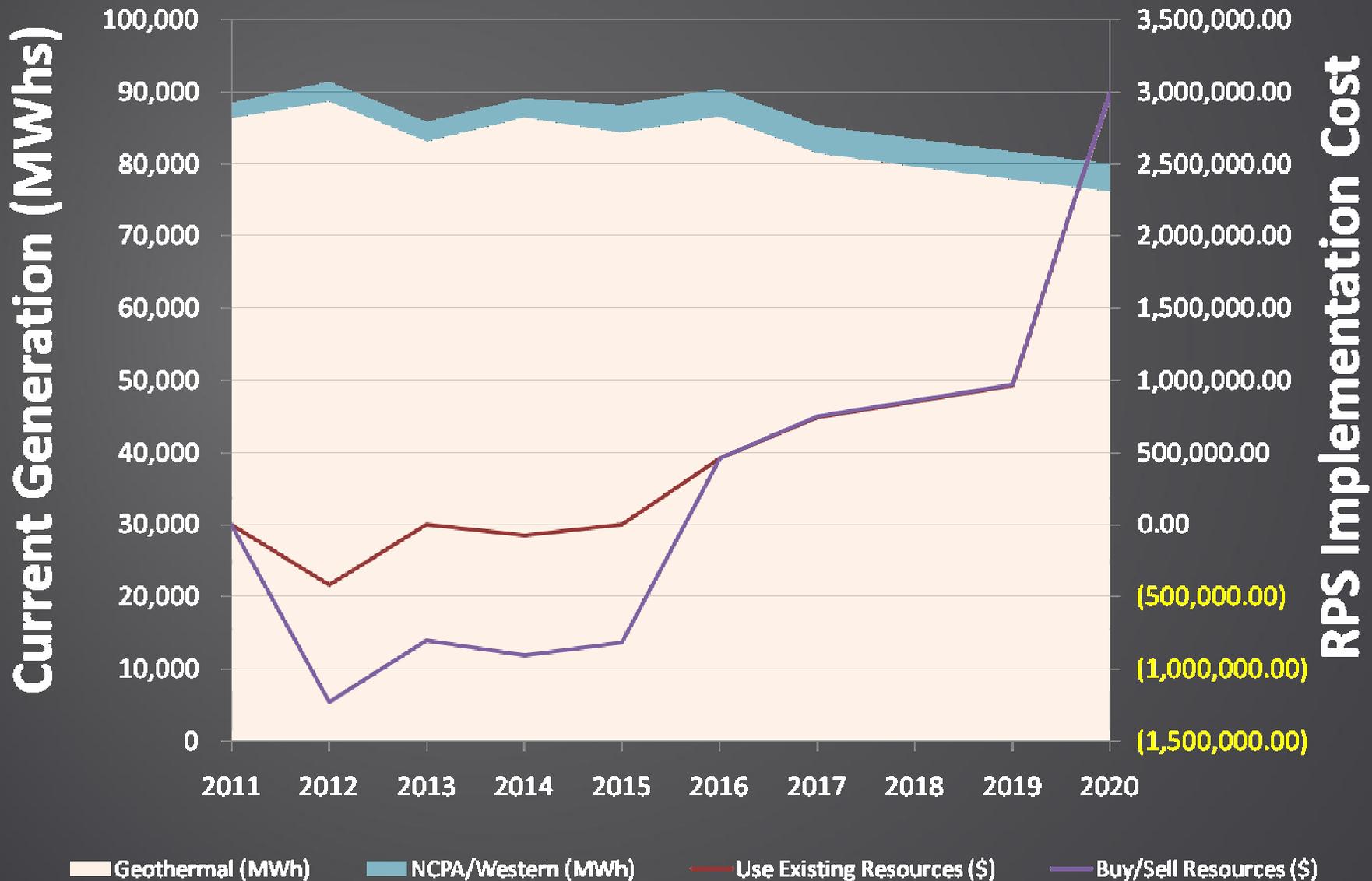
SB X1-2 Implementation Periods & PCCs / Buckets





# RPS Implementation

Generation and RPS Implementation Costs





# Next Steps

- Finalize RPS Plan for City Council approval later this year
  - Revised NCPA MPP Agreement
  - Bucket mix
  - Financial impact
  - Reporting / tracking
  - Customer outreach



# RPS Update

