

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, OCTOBER 1, 2013**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, October 1, 2013, commencing at 7:04 a.m.

Present: Council Member Hansen, Council Member Johnson, and Mayor Nakanishi
Absent: Council Member Mounce, and Mayor Pro Tempore Katzakian
Also Present: City Manager Bartlam, City Attorney Schwabauer, and Assistant City Clerk Robison

B. Topic(s)

B-1 Renewable Portfolio Standard Update (EU)

City Manager Rad Bartlam briefly introduced the subject matter of the Renewable Portfolio Standard (RPS) update.

Electric Utility Director Elizabeth Kirkley provided a PowerPoint presentation regarding the RPS update. Specific topics of discussion included legislative background, regulation changes, previous and revised RPS implementation, historic carryover, existing resources versus RPS requirement, RPS steps taken by Lodi, and next steps.

In response to Mayor Nakanishi, Ms. Kirkley explained that RPS is a percentage of the electric load that is provided by a state-eligible renewable resource such as geothermal, solar, wind, and small hydro not exceeding 30 megawatts.

Council Member Hansen expressed frustration with the fact that Lodi is producing more clean energy than it receives credit for because of the legislative restrictions placed on hydro production.

In response to Council Member Johnson, Council Member Hansen stated that California is ahead of the curve with regard to the federal government and green energy and unfortunately the federal government controls how much money is spent on hydro, which has left utilities handling the impact of the costs. Mr. Bartlam added that water is regulated by federal government, which is why it became involved in mitigating costs.

In response to Council Member Hansen, Mr. Bartlam stated that utilities do not receive credit on renewable energy purchased outside the state because it is an investment issue to encourage renewable resources in the state.

In response to Council Member Hansen, Mr. Bartlam stated the field of geothermal is declining.

Consultant Matt Foskett explained the revised RPS implementation, stating the historic carryover is approximately \$1.6 million, the City would meet the requirements in the first compliance period, the second period would be a two-tiered approach, and the third compliance period would involve a stair-step formula to avoid a substantial increase.

In response to Council Member Johnson, Mr. Foskett stated that the range varies on where other communities stand in meeting this provision. Some members do not yet meet the 20 percent

level, while others are already above 50 percent. Because today's price for renewable providers has dropped by as much as 70 percent, the provision is much less a financial issue, and Mr. Foskett believed most will be able to meet the goal. Mr. Bartlam added all electric providers, no matter how they operate or how large or small, must meet this same goal.

In response to Mayor Nakanishi, Mr. Bartlam stated Lodi's rate will routinely be lower than Pacific Gas & Electric because that is the City's cap. As the industry has become more technologically advanced and more resources have come on line, the cost of renewable energy per megawatt is dropping significantly. It is a benefit that the City did not purchase this energy years ago and it would be prudent to wait and watch the prices, which will most likely continue to drop.

Ms. Kirkley stated the City has two major advantages in meeting this provision: how it defines retail load and the ability to use historic carryover. Mr. Foskett stated the carryover can be used during any time frame, which provides the City with greater flexibility in meeting the requirements.

In response to Council Member Hansen, Mr. Foskett stated solar power has greater potential since the best sites for wind power have already been taken. Mr. Hansen pointed out that the greater number of homes that install solar power means less revenue for the City. He further expressed concern that some legislators are contemplating increasing the 33 percent requirement to 50 percent.

In response to Mayor Nakanishi, Mr. Bartlam stated he cannot predict the effect on rates until the additional costs are known. The historic carryover will likely push out the need for that; however, there is some concern that the decision to use carryover could be reversed.

In response to Council Member Hansen, Ms. Kirkley stated the use of carryover will be in the revised procurement plan, and Mr. Foskett confirmed that the provision to use carryover went into effect today. Ms. Kirkley stated the California Air Resources Board is responsible for enforcement and penalties.

Mr. Foskett explained that the plan at this time is to go out to market with a Request for Proposals (RFP) later this year to determine true prices with the first year being 2016.

In response to Council Member Johnson, Mr. Bartlam agreed this would be a continuous RFP, similar to those used for the purchase of power. In addition to a staff member who handles RFPs, the City is also part of a sub-group through the Northern California Power Agency that monitors the market and stays on top of trends and prices.

In response to Council Member Hansen, Ms. Kirkley stated a large renewable project at White Slough could be a possibility. In further response, Ms. Kirkley stated the consequences of not meeting the 33 percent by 2020 has not yet been determined. Mr. Bartlam added, however, that the California Air Resources Board is not bashful about assessing penalties and paying a fine is not a viable alternative.

Council Member Hansen questioned if the City was on track to meet the standard, to which Ms. Kirkley replied in the affirmative, attributing it primarily to the ability to use carryover.

In response to Council Member Hansen, Ms. Kirkley stated that bio methane projects are fairly expensive and can only be used if produced in California; therefore, there are very few, if any, bio methane projects moving forward. The most economical solution for Lodi is solar projects.

Ed Miller questioned if natural gas is part of this mandate, to which Ms. Kirkley replied in the negative. In further response, Ms. Kirkley stated that solar panels on residential homes cannot be considered because most homes typically do not generate excess energy as they are made to

only meet the demand. Mr. Bartlam pointed out that the benefit of solar panels is the reduction in how much power the City must purchase. Mr. Miller suggested installing solar panels on homes, in partnership with citizens, that could generate excess capacity. Mr. Bartlam stated this may be a viable option on much larger, industrial roofs where the City could buy energy from participants via a contract, but it would not be feasible for residential.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:05 a.m.

ATTEST:

Jennifer M. Robison
Assistant City Clerk



**CITY OF LODI
COUNCIL COMMUNICATION**

TM

AGENDA TITLE: Renewable Portfolio Standard Update
MEETING DATE: October 1, 2013
PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: Receive Renewable Portfolio Standard update.

BACKGROUND INFORMATION: Since 2002 the State of California has signed various bills into law mandating Renewable Portfolio Standard (RPS) requirements for electric utilities.

In response these RPS requirements the following City Council action has occurred:

- April 2003 (Resolution 2003-71) Lodi's RPS
- December 2011 (Resolution 2011-195) Lodi's RPS Enforcement Program
- December 2012 (Resolution 2012-206) Lodi's RPS Procurement Plan

The California Energy Commission has now adopted the RPS Regulations which are effective October 1, 2013. This presentation will provide the Council with an update of these regulations. In addition, staff will outline a recommendation for Lodi's continued RPS compliance.

FISCAL IMPACT: Not applicable.

FUNDING AVAILABLE: Not applicable.

A handwritten signature in black ink, appearing to read "Elizabeth Kirkley", written over a horizontal line.

Elizabeth Kirkley
Electric Utility Director

EK/lst

APPROVED:

A handwritten signature in black ink, appearing to read "Konradt Bartlam", written over a horizontal line.

Konradt Bartlam, City Manager

City Council Shirtsleeve Session

October 1, 2013

Renewable Portfolio Standard Update

City of Lodi Electric Utility



RPS Update

- Legislative Background
- Regulation Changes
- Historic Carryover
- Existing Resources vs. RPS Requirements
- RPS Steps Taken by Lodi
- Next Steps



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

2013

- RPS Regulations → 10/01/2013

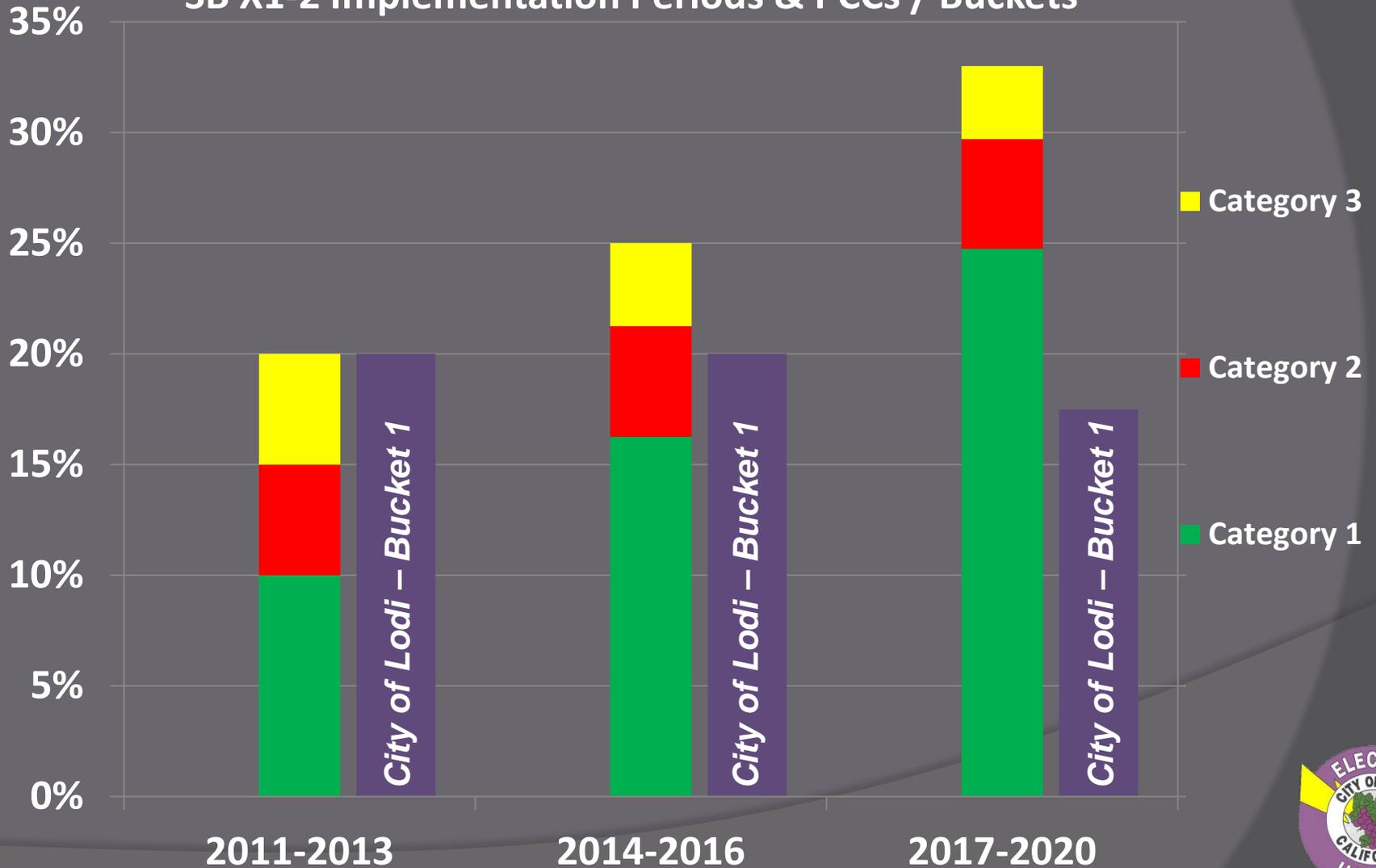
Regulation Changes

- ⦿ Positive
 - Historic Carryover/Excess Procurement
 - “Retail Load” Definition
- ⦿ Negative
 - “Substantial Progress”
- ⦿ Neutral
 - Content Category “0”

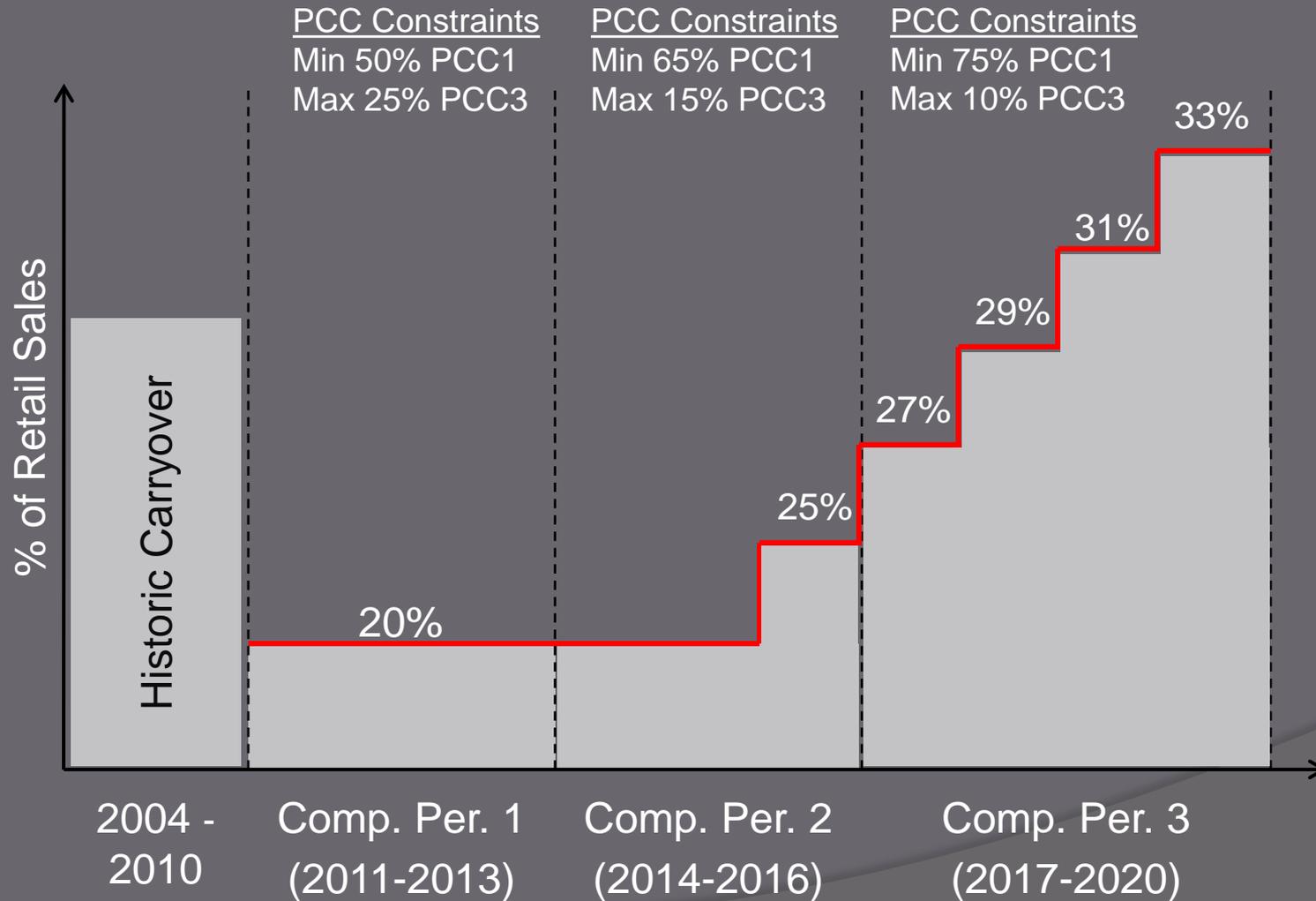


Previous RPS Implementation

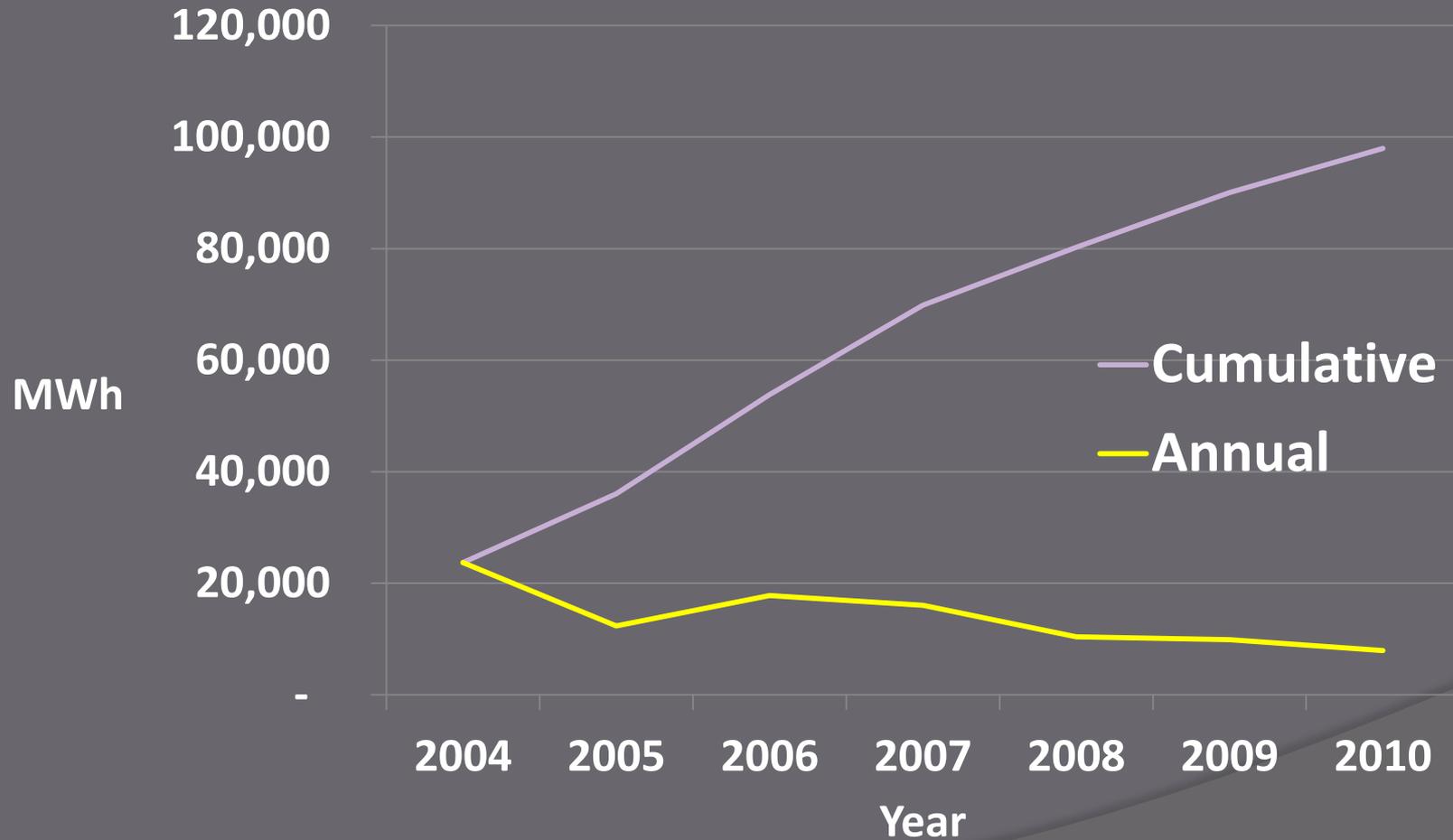
SB X1-2 Implementation Periods & PCCs / Buckets



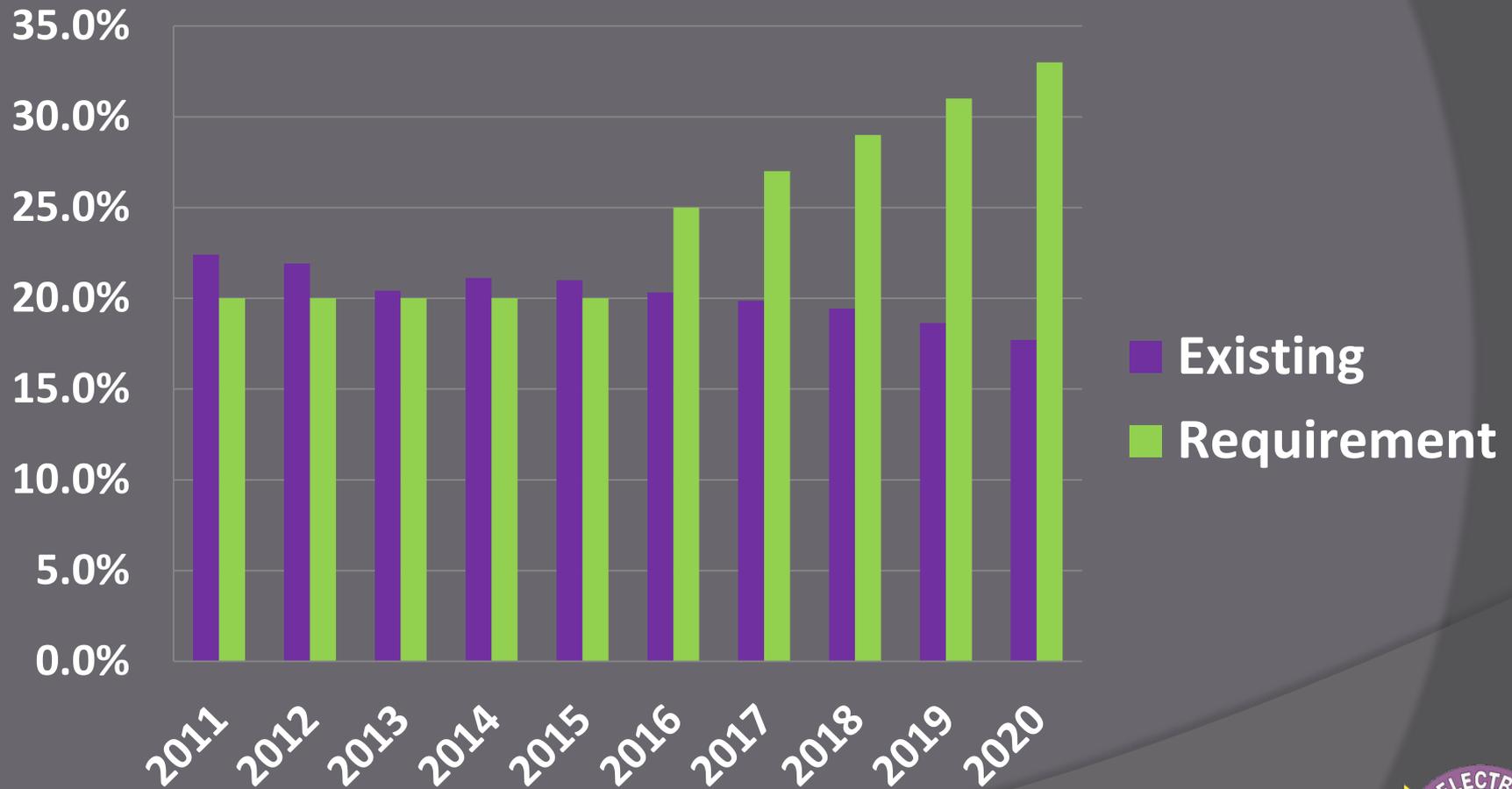
Revised RPS Implementation



Historic Carryover 97,989 MWh



Existing Resources vs. RPS Requirement



RPS Steps Taken by Lodi

- Enforcement Plan Approval (12/21/2011)
- Procurement Plan Approval (12/19/2012)
- Future Renewable Resource Options
 - NCPA Market Purchase Program
 - Solar
 - Wind

Next Steps

- Historic Carryover Filing (10/31/13)
- Update Lodi's RPS Plan
 - Combine Enforcement & Procurement Plans (November 2013)
- Future Procurement RFP (CY2013)
- Future Regulation (51% by 2030?)