



# Agenda Report

January 29, 2018

**TO:** Honorable Mayor and City Council

**THROUGH:** Municipal Services Committee (January 9, 2018)

**FROM:** Water and Power Department

**SUBJECT:** **ADOPT REVISIONS TO THE PASADENA WATER AND POWER DEPARTMENT ("PWP") RENEWABLE PORTFOLIO STANDARD ("RPS") ENFORCEMENT PROGRAM AND RPS PROCUREMENT PLAN IN ACCORDANCE WITH THE CALIFORNIA PUBLIC UTILITIES CODE SECTION 399.30**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the adoption of the PWP RPS Enforcement Program and the PWP RPS Procurement Plan is exempt from the California Environmental Quality Act ("CEQA") per Section 15061(b)(3) of the state CEQA Guidelines;
2. Adopt the proposed PWP RPS Enforcement Program (Attachment 1) pursuant to Section 399.30(e) of the California Public Utilities Code; and
3. Adopt the proposed PWP RPS Procurement Plan (Attachment 2) pursuant to Section 399.30(f) of the California Public Utilities Code.

## **MUNICIPAL SERVICES COMMITTEE RECOMMENDATION:**

The Municipal Services Committee recommended that the City Council approve these recommendations at its January 9, 2018 meeting.

## **EXECUTIVE SUMMARY:**

In 2011, the California Public Utilities Code ("Public Utilities Code") which establishes RPS requirements for all electric load serving entities in California, including local publicly owned utilities ("POUs") such as PWP, was revised by Senate Bill ("SB") X1-2. Under the Public Utilities Code, the Pasadena City Council is required to adopt and implement an RPS Enforcement Program and an RPS Procurement Plan demonstrating

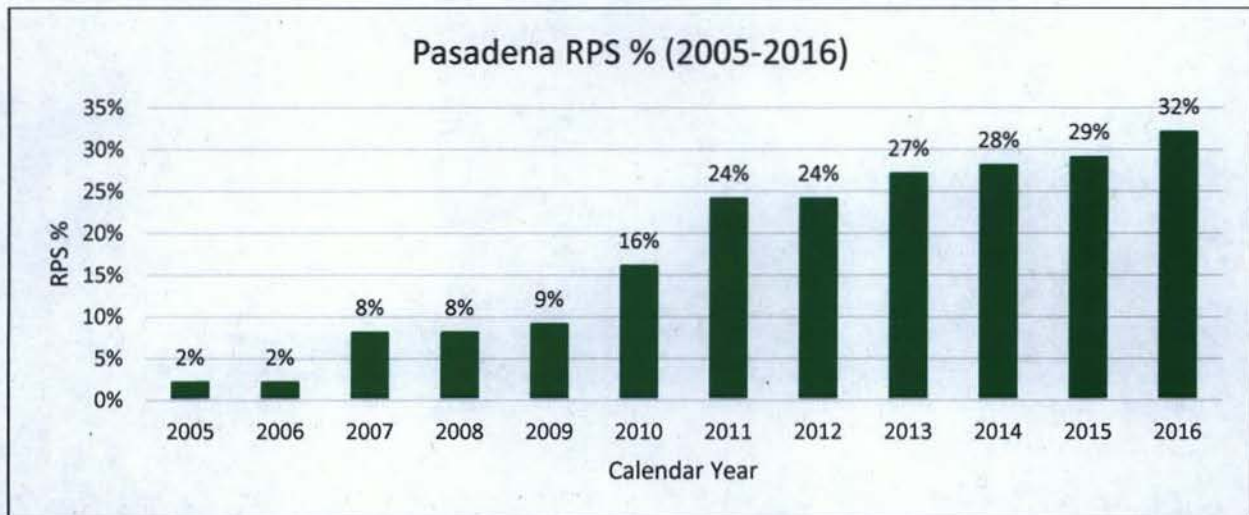
the Utility's plan to comply with the goals and requirements of Section 399.30 of the Public Utilities Code. Accordingly, an RPS Enforcement Program and RPS Procurement Plan were last adopted and revised by the City Council on July 22, 2013.

In 2015, SB 350 further refined the Public Utilities Code and this recommended RPS Enforcement Program and RPS Procurement Plan incorporates those updates.

**BACKGROUND:**

***Progress to Date***

Thus far, PWP has satisfied and exceeded the RPS requirements for compliance periods one and two, ending December 2013 and 2016, respectively. For 2016, PWP was at 30% RPS and it anticipates that renewables will supply approximately 32.5% of PWP's retail energy needs for calendar year 2017. Based on procurement to date, PWP also expects to meet or exceed the compliance period three requirement of 33% RPS by December 2020. Overall, since 2005, PWP has increased its renewable portfolio by 30%. The chart below shows PWP's RPS growth for this time period.



In addition, through the recommendations of the 2015 Integrated Resource Plan ("IRP"), PWP is well ahead of state compliance requirements for both RPS and greenhouse gas ("GHG") emissions. In order to reduce the GHG emissions, PWP plans to eliminate coal from its portfolio, as early as 2025 but no later than 2027. The table below shows PWP's progress to date.

IRP Recommendation	IRP Goals	Status
Renewable Energy: RPS	40% RPS by 2020; Meet/exceed the state mandated level. (note: state mandate is 33% RPS, voluntary PWP goal is 40% RPS)	On track; Expect to be at 32.5% for 2017; on target for 2018-2020 requirements of 35%, 37.5% and 40%.
GHG Emissions Reductions (1990 emission approx. 918,600 metric tons)	Reduction of at least 60% from 1990 levels by 2030 (approx. 367,500 metric tons).(note: state mandates is 40% GHG reductions by 2030)	On track, with a 39% reduction in 2016 (554,628 MT).

**Pasadena's RPS Enforcement Program**

The Public Utilities Code establishes RPS requirements for all electric load serving entities in California, including local POU's, such as PWP. In accordance with the Public Utilities Code, PWP has developed an RPS Enforcement Program that directs PWP to develop an RPS Procurement Plan to guide renewable resource procurement. The proposed RPS Enforcement Program will ensure compliance with RPS targets based on the requirements in SB 350 and will guide development, adoption, progress reporting, violation reporting, and contingency relief with respect to PWP's procurement of renewable resources. The RPS Enforcement Program incorporates new provisions enacted by SB 350 as summarized in the California Energy Commission ("CEC") Guidebook and CEC Enforcement Procedures.

The proposed key changes to PWP's RPS Enforcement Program include:

- Beginning January 1, 2019, RPS Procurement Plans must be incorporated into the proscribed IRP;
- "Unanticipated increase in retail sales due to electrification" is allowed as justification for delaying RPS compliance under certain conditions;
- Clarifications regarding cost limitations for compliance with the RPS have been added;
- The option to reduce Pasadena's RPS goals in the event that total resource procurement exceeds PWP's load due to existing long term non-renewable contracts was added;
- RPS reporting requirements to the CEC were clarified; and
- The description of potential RPS compliance penalties was revised.

**Pasadena's RPS Procurement Plan**

PWP's RPS Procurement Plan complies with the current version of the CEC RPS Guidebook, the CEC Enforcement Procedures, as well as PWP's RPS Enforcement Program. It should be noted that Pasadena's higher RPS goal (a voluntary 40% RPS goal by 2020 RPS, set through the previous IRP) is solely voluntary and not subject to any provisions of the CEC or any other legislative or regulatory compliance obligation.



The proposed key changes to PWP's RPS Procurement Plan include:

- The RPS procurement target has been increased from 33% of retail sales by 2020 to 50% of retail sales by 2030, with reasonable progress in the intervening years;
- New compliance periods have been established, 2021-2024, 2025-2027, 2028-2030 and every three calendar years thereafter;
- The specific RPS portfolio mix has been set. After 2020: 75% of renewable electricity products must come from Category 1 and no more than 10% from Category 3;
- Beginning January 1, 2021, 65% of the renewable energy must be procured through contracts or ownership agreements with terms of 10 years or more;
- Under certain conditions, retail sales through voluntary green pricing programs such as PWP's Green Power Option, or community solar programs may be deducted from the total retail sales;
- A post-2020 "excess procurement" formula has been provided for calculating the amount of renewable energy credits to be carried over;
- An update on the amount of renewable energy expected to be supplied by existing and pending contracts;
- An update on the status of new, amended, terminated, and defaulting or potentially defaulting renewable energy project contracts;
- A description of the renewable energy contract procurement process;
- Updated procurement plan listing specific contract quantities by portfolio content category and compliance period;
- An updated projection of retail sales; and
- An updated list of REC purchases.

### **PROCUREMENT PROCESS:**

PWP secures renewable energy resources through a combination of long and short-term procurement processes that are consistent with the City of Pasadena's competitive selection rules and delegated authorities. For long-term contracts, typically more than 10 years in duration, PWP partners with other members of the Southern California Public Power Authority ("SCPPA") to solicit proposals and determine the most cost-effective resources that meet multiple members' needs, enabling economies of scale that otherwise would not be possible acting independently. In some instances, PWP has contracted directly with renewable resource project owners. PWP also solicits bids and contracts for "short-term market" renewable energy supplies with terms ranging from one-month to three years in duration to cost-effectively fill any gaps in RPS supply.

PWP's renewable resource procurement process is further described in the RPS Procurement Plan.

### **CEC COMPLIANCE**

In order to comply with the CEC regulations, full copies of Attachments 1 and 2 will be available on the City Website in draft form prior to City Council approval. In addition, a

link to the documents will be provided to the CEC in advance of posting the City Council Agenda.

**CITY COUNCIL POLICY CONSIDERATION:**

The proposed amendments to PWP's RPS Enforcement Program and RPS Procurement Plan are mandatory under State law (Public Utilities Code Section 399.30), and are consistent with the City's Urban Environmental Accords Goals with respect to increasing renewable energy and reducing greenhouse gas emissions, the General Plan Energy Element, the City Council's Strategic Planning Goals to increase conservation and sustainability, and the 2015 PWP Power IRP.

**ENVIRONMENTAL ANALYSIS:**

The proposed action is to adopt the RPS Enforcement Program and the RPS Procurement Plan, both of which are mandatory under State law. There are no specific projects proposed at this time. The RPS Enforcement Program and RPS Procurement Plan are guidance documents which do not commit the City or PWP to undertake any specific project at this time. It may be that further environmental review is required as particular actions are taken pursuant to this plan, and those actions will receive proper environmental review at the time an action is developed to the point where its potential environmental effects can be analyzed.

This action has been determined to be exempt from the CEQA process pursuant to State CEQA Guidelines Section 15061(b)(3), the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. As stated earlier, The RPS Enforcement Program and RPS Procurement Plan are guidance documents which do not commit the City or PWP to undertake any specific project at this time, therefore; the activity is not subject to CEQA.

**FISCAL IMPACT:**

There is no fiscal impact as a result of this action and it will not have any indirect or support cost requirements immediately. However, once adopted, future actions required to comply with the RPS Enforcement Program and RPS Procurement Plan may result in additional costs, and may require additional City Council authorization. The anticipated impact to other operational programs or capital projects as a result of this action will be none.

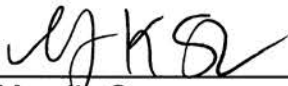
Respectfully submitted,



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Prepared by:



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Approved by:

  
for STEVE MERMELL  
City Manager

**REFERENCE DOCUMENTS:**

Attachment 1: RPS Enforcement Program  
Attachment 2: RPS Procurement Plan