

# **EXHIBIT 2**

## **2012 RENEWABLE PORTFOLIO STANDARD (REVISED, MARCH 5, 2012)**

**Pasadena Water and Power Renewable Portfolio Standard**  
(Revised March 5, 2012)

**Objectives**

PWP's Renewable Portfolio Standard (RPS) objectives are to reliably meet Pasadena's electric energy needs at stable and reasonable rates in an environmentally responsible manner. This policy is effectuated through an integrated resource plan that incorporates thermal resources, contracts, short-term purchases, and demand-side management programs in addition to renewable resources.

Specific RPS objectives include:

- Reduce the greenhouse gas emissions associated with PWP's portfolio of energy supply resources used to meet the electric demand of its retail customers;
- Meet or exceed the mandated RPS;
- Obtain a diverse portfolio of cost-effective renewable resources;
- Encourage the development of local renewable resources; and
- Minimize adverse impact of acquiring new renewable energy resources on customer electric rates.

**Qualified Renewable Resources**

- Renewable resources are defined as non-fossil fueled electric generating resources, including: biomass, solar thermal, photovoltaic, wind, geothermal, fuel cells using renewable fuels, hydroelectric generation, digester gas, municipal solid waste, landfill gas, biomethane, ocean wave, ocean thermal, tidal current, or renewable distributed generation on the customer side of the meter;
- Renewable components of system sales from other parties shall qualify to the extent they can be verified;
- Pasadena's existing Azusa hydroelectric entitlements shall qualify;
- Energy purchased by PWP from customer-owned cogeneration facilities using renewable fuels shall qualify;
- New hydroelectric projects must be less than 30 MW to qualify;
- Renewable resources may be located within the Western Electricity Coordinating Council region, and PWP may procure tradable Renewable Energy Certificates (RECs) associated with qualifying resources with or without the associated energy; and
- Procurement to meet state-mandated goals must meet the criteria set forth Senate Bill 2 (1X) and related regulations, whereas procurement to meet voluntary goals in excess of state-mandated is not subject to such criteria.

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**RPS Target**

Renewable resources used to meet PWP's retail electric energy sales shall be linearly progressing from 15% in 2010 to 40% by 2020 and thereafter. The 40% RPS target insofar as it exceeds the mandatory 33% RPS target established by Senate Bill 2 (1X) enacted on December 10, 2011 is a voluntary target and shall not be subject to mandated compliance obligations of the Pasadena Compliance Plan constructed under the Pasadena Enforcement Program pursuant to California Public Utilities Code (CPUC) Section 399.30.

**Strategies for Meeting PWP's RPS Objectives**

- Procure new renewable resources through a combination of cost-effective long-term contracts, short-term purchases, and tradable renewable energy certificates; Procure least-cost renewable resources, including tradable REC's, to meet the voluntary RPS goals and procurement for Green Power customers in excess of state-mandated RPS procurement.
- Seek least-cost best-fit renewable resources;
- Mitigate rate impact of renewable resource premiums by utilizing funds from Green Power rate options and a portion of Public Benefits Charges as available;
- Renewable resources will be procured to the extent they fulfill unmet needs identified in PWP's Strategic Resource Plan and supplemental short-term resource needs. PWP will not terminate, abrogate, or otherwise end any existing long-term contract in order to meet the renewable target portion of its energy portfolio;
- Replacing part of existing base-loaded resources for limited periods with renewable resources will be considered if such sales or exchanges meet resource portfolio economic, risk, and reliability objectives;
- The Pasadena City Council shall consider rate impacts, including the cost of associated transmission to deliver the energy to PWP's service territory, when approving contracts for additional renewable resources.

**Reporting RPS Performance**

In addition to the reporting requirements mandated by CPUC Section 399.30, PWP will report the following information to its customers annually:

- PWP's resource mix used for retail electric sales, by fuel type, including each type of renewable resource in a form that is consistent with the Power Content Label;
- PWP's revenues from "Green Rates" and the use of these revenues for renewable energy resource purchase and development; and
- PWP's expenditure of public benefits funds used for renewable energy and renewable resource development.