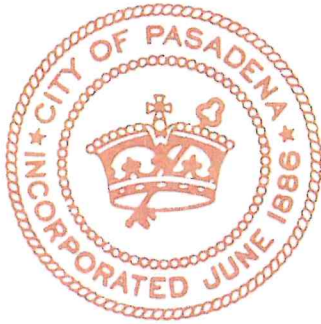




Agenda Report

October 20, 2026

TO: Honorable Mayor and City Council

FROM: Water and Power Department

**SUBJECT: APPROVE THE RESOURCE ADEQUACY PROGRAM ESTABLISHING
RESOURCE ADEQUACY METRICS AND PLANNING RESERVE
MARGIN REQUIREMENTS**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a “project” subject to the California Environmental Quality Act (“CEQA”) pursuant to Public Resources Code Section 21065 and within the meaning of State CEQA Guidelines Section 15378(b); and
2. Approve the Resource Adequacy Program for the City of Pasadena Water and Power Department (“PWP”) which outlines actionable steps to maintain Resource Adequacy and establish planning reserve margins to support grid reliability.

BACKGROUND:

PWP currently manages resource adequacy obligations through procurement and operational planning activities. Approval of the Resource Adequacy Program formalizes these practices into a documented policy framework that establishes reserve margin requirements, resource qualification standards, and reporting procedures to support long-term electric reliability as energy demand grows and the City's power supply portfolio evolves. In simple terms, Resource Adequacy means ensuring Pasadena has enough dependable electricity resources available to meet customer demand during periods of peak use, extreme heat, unexpected outages, and other grid emergencies.

The California Independent System Operator (“CAISO”) adopted regulations requiring Load Serving Entities (“LSEs”) within its Balancing Authority Area to demonstrate adequate electric generation resources and associated transmission capacities for planning purposes, commonly referred to as a Resource Adequacy (“RA”) requirement. The CAISO developed three tiers of RA requirements: (i) System RA requirements to ensure sufficient resources exist to meet CAISO electric load without regard to location, provided that transmission to the CAISO grid is demonstrated; (ii) local capacity

resource requirements (“LCR”) to ensure that sufficient resources are located within specific subsets of the CAISO grid to manage transmission constraints and contingencies; and (iii) Flexible RA requirements which ensure that there are enough generating resources that can quickly respond to changing conditions on the electric grid throughout the day. While the California Public Utilities Commission (“CPUC”) determines RA requirements for LSEs under their jurisdiction, municipal LSE’s have the flexibility to develop their own RA requirements. Two key policy elements for the City’s RA Program include: (i) the “Planning Reserve Margin,” which determines the minimum quantity of RA resources PWP will procure, and (ii) “Qualifying Capacity” criteria, which describe the types of RA resources that PWP will procure and the “counting methodology” that will be used to determine how much RA capacity each resource will provide to the City.

To this effect, PWP developed The Resource Adequacy Program (“RAP”) to provide a structured framework to ensure the City maintains sufficient, reliable, and cost-effective energy resources to meet community needs during normal operations, peak demand periods, and emergency conditions. This plan applies to all City-managed or City-procured energy resources, including power supply contracts, distributed energy resources (“DERs”), backup generation, and critical facility power systems.

The RAP will evaluate and inventory all City-controlled or contracted generation, storage, and demand response resources based on the RA counting methodology developed based on industry best practices as approved by the City. The RAP will assess availability, reliability, and performance characteristics of all potential supply resources. Additionally, the City will evaluate power import constraints, interconnection limits, and local distribution capacity to identify vulnerabilities such as heat waves, wildfire-related outages, or supply shortages.

To maintain sufficient and reliable energy supply, the City shall meet the following minimum standards:

- Establishment of Planning Reserve Margin (“PRM”) – The RAP will set the PRM at 15% and maintain capacity to meet expected peak demand.
- Acquire a mix of resources across peak (PP), net peak (NP), and long-duration categories.

The RAP will monitor energy adequacy and provide regular updates, typically via an Annual or Monthly Resource Adequacy Report. This report shall include:

- Summary of peak forecasts and resource sufficiency
- Status and RA capacity value of contracted and local resources
- Storage performance metrics
- List of vulnerabilities or emerging risks
- Recommendations for procurement or infrastructure improvements

Performance metrics may include:

- Peak load coverage
- Capacity margin percentage

- Battery storage availability
- Outage frequency and duration

DER contribution during peak periods will include:

- **Resource Adequacy:** Ensuring enough dependable energy resources exist to meet forecasted peak demand plus reserve margins.
- **Capacity Resources:** Energy assets capable of providing power during peak periods, including generation, battery storage, and demand response.
- **Critical Facilities:** Facilities that must remain powered during emergencies, including public safety buildings, emergency operations centers, water treatment facilities, and communications infrastructure.

The goals of the RAP are to:

- Maintain sufficient energy resources to meet all forecasted load requirements with adequate reserve margins.
- Ensure high reliability, especially during peak days, extreme weather conditions, or grid disruptions.
- Accelerate deployment of local resilience measures such as microgrids and battery storage.
- Optimize financial investment through balanced procurement and strategic infrastructure upgrades.
- Comply with regional and state energy adequacy obligations (where applicable).

The RAP provides guidance on how the City will evaluate both energy demand and resource availability on an ongoing basis. Using this plan the department will develop annual energy demand forecasts using load trends, economic growth, electrification (EVs, HVAC), and climate impacts. These will include peak load projections for 1-, 5-, and 10-year horizons while integrating extreme weather scenarios into planning assumptions.

COUNCIL POLICY CONSIDERATION:

The proposed action is consistent with the City Council's goals to maintain fiscal responsibility and stability. The proposed action also supports the City's values and goals as laid out in the Pasadena Climate Action Plan and demonstrates PWP's commitment to reduce the City's share of greenhouse gas emissions. The RAP also furthers The City of Pasadena's Resolution 9977 goal to source 100% of Pasadena's electricity from carbon-free sources by the end of 2030 and improve grid reliability for Pasadena ratepayers.

ENVIRONMENTAL ANALYSIS:

CEQA excludes, from environmental review, actions that are not "projects" as defined by Public Resources Code Section 21065 and within the meaning of State CEQA Guidelines Section 15378(b). Sections 21065 and 15378(b) define a project as an

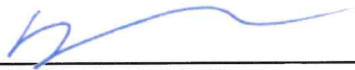
action which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Section 15378 excludes from the definition of "project" organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment. The action proposed herein, will establish resource adequacy metrics and planning reserve margin requirements that the City/Public Utility District is permitted to implement, is an administrative activity, and therefore is not a "project" as defined by CEQA. Since the action is not a project subject to CEQA, no environmental document is required.

For Pasadena residents and businesses, the Resource Adequacy Program helps ensure reliable electric service during periods of high demand and emergency conditions while supporting the City's transition to a carbon-free electric supply.

FISCAL IMPACT:

There is no fiscal impact as a result of this action and there will be no indirect or support costs requirements. There is no impact to the General Fund.

Respectfully submitted,



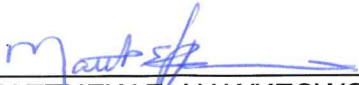
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