

**RESOLUTION NO. 2013-111**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CORONA, CALIFORNIA, ADOPTING AND IMPLEMENTING A RENEWABLE ENERGY RESOURCES PROCUREMENT PLAN FOR THE CITY OF CORONA DEPARTMENT OF WATER AND POWER IN FURTHERANCE OF RESOLUTION NO. 2012-013 AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, the City of Corona, a municipal corporation (City), is authorized under various provisions of the California Constitution and the general laws of California (including, specifically, Article XI, Section 9(a) of the California Constitution, Public Utilities Code (PUC) Section 10004, and Government Code Section 39732(a) to establish, purchase, and operate a public utility to furnish its inhabitants with, among other things, electricity; and

**WHEREAS**, the City operates a municipal electric utility (City of Corona Department of Water and Power or DWP) to provide electric service to the City for its own uses and to certain retail customers within the City of Corona; and

**WHEREAS**, as a municipal electric utility, DWP is generally subject to the legislative and regulatory requirements applicable to local publicly owned electric utilities (POUs); and

**WHEREAS**, the State of California passed Senate Bill 2 (1st Extraordinary Session) (SB 2-1X), effective as of December 10, 2011, requiring governing boards of POUs to adopt and implement, among other things, a renewable energy resources enforcement program that requires POUs, like DWP, to procure a minimum quantity of eligible renewable energy resources over certain periods, subject to a delay of timely compliance, cost limitation and other optional compliance measures adopted by the POUs' respective governing board; and

**WHEREAS**, in accordance with PUC Section 399.30(e) (added by SB 2-1X), the City Council, as the governing board of DWP, adopted Resolution No. 2012-013 on February 9, 2012, adopting and establishing a renewable energy resources enforcement program for the enforcement of the DWP's obligations under SB 2-1X (RPS Enforcement Program); and

**WHEREAS**, in accordance with PUC Section 399.30(a), the RPS Enforcement Program directs staff to develop and present a renewable energy resources procurement plan (RPS Procurement Plan) to the City Council; and

**WHEREAS**, DWP has taken various steps, including participation in a Request for Information issued jointly by DWP and several other small POU's, to obtain information from market participants on the expected cost and sufficiency of supply of RPS renewable energy Portfolio Content Category 1 meeting the requirements of SB 2-1X and the unique portfolio risks and cost limitations of small POU's (RPS Information); and

**WHEREAS**, DWP has analyzed the RPS Information and factors underlying the use of optional compliance measures in a manner that assures good faith compliance with SB 2-1X while recognizing the unique circumstances facing DWP as a small POU; and

**WHEREAS**, based on information and factors analyzed by DWP, DWP has developed a proposed RPS Procurement Plan that (1) describes the electricity products DWP plans to use to meet the procurement targets described in the RPS Enforcement Program and (2) includes adoption of two optional compliance measures (delay of timely compliance and cost limitation) that DWP requests the City Council to adopt for the first and subsequent compliance periods under SB 2-1X; and

**WHEREAS**, the City Council held a public hearing noticed in accordance with the provisions of PUC Section 399.30(f) on November 6, 2013, providing interested parties the opportunity to comment on the proposed RPS Procurement Plan.

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CORONA DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:**

**SECTION 1.** The RPS Procurement Plan for City of Corona Department of Water and Power set forth in Attachment A, which is attached hereto and incorporated as part of this Resolution, is hereby approved and adopted.

**SECTION 2.** As authorized in SB 2-1X, the following optional compliance measures are hereby approved and adopted:

A delay of timely compliance in Compliance Period 1 for procurement of the RPS renewable energy Portfolio Content Category 2 by the City of Corona Department of Water and Power is hereby approved and adopted, as described in Section 9 of the RPS Procurement Plan.

A cost limitation for procurement expenditures by the City of Corona Department of Water and Power is hereby approved and adopted, as described in Section 9 of the RPS Procurement Plan.

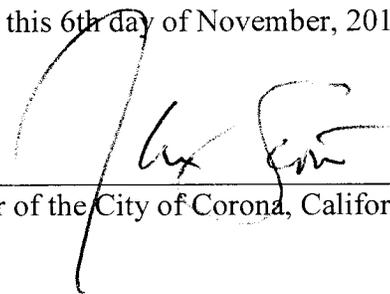
**SECTION 3.** Except for matters specifically reserved under SB 2-1X for action by the City Council, as governing board of the City, the City of Corona Department of Water and Power General Manager or his authorized designee is authorized and directed to do and perform

all acts required to implement the RPS Procurement Plan, and to periodically report to the City Council.

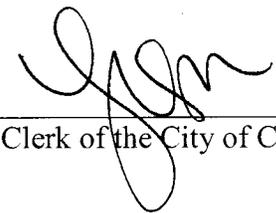
**SECTION 4.** The Chief Deputy City Clerk shall certify to the adoption of this Resolution.

**SECTION 5.** This Resolution shall take effect immediately upon its adoption.

**PASSED, APPROVED AND ADOPTED** this 6th day of November, 2013.

  
\_\_\_\_\_  
Mayor of the City of Corona, California

**ATTEST:**

  
\_\_\_\_\_  
Chief Deputy City Clerk of the City of Corona, California

**CERTIFICATION**

I, Lisa Mobley, Chief Deputy City Clerk of the City of Corona, California, do hereby certify that the foregoing Resolution was regularly passed and adopted by the City Council of the City of Corona, California, at a regular meeting thereof held on the 6th day of November, 2013, by the following vote:

**AYES:       HALEY, MONTANEZ, SCOTT, SKIPWORTH, SPIEGEL**  
**NOES:       NONE**  
**ABSENT:     NONE**  
**ABSTAINED: NONE**

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed the official seal of the City of Corona, California, this 6th day of November, 2013.



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Chief Deputy City Clerk of the City of Corona, California

(SEAL)

**ATTACHMENT A**

**DWP RENEWABLE ENERGY RESOURCES PROCUREMENT PLAN**

## ATTACHMENT A

### **DWP RENEWABLE ENERGY RESOURCES PROCUREMENT PLAN**

This Renewable Energy Resources Procurement Plan (“RPS Procurement Plan” or “Plan”) shall apply to the City of Corona (“City”), operating through its municipal electric utility (“City of Corona Department of Water and Power” or “DWP”).

#### **Section 1: Background**

The California Renewables Portfolio Standard (“RPS”) program was established by Senate Bill (“SB”) 1078, and has been subsequently modified by SB 107, SB 1036 and most recently by SB 2 in the 2011-2012 First Extraordinary Session (“SB 2-1X”). The RPS program is codified at Public Utilities Code (“PUC”) sections 399.11-399.31. SB 2-1X requires California’s electric utilities and other retail sellers to procure eligible renewable energy resources so that the amount of electricity generated from eligible renewable resources equals or exceeds a specified percentage of the total electricity sold to retail customers in California (“California Renewable Portfolio Standard” or “RPS Program”). SB 2-1X directed the California Energy Commission (“CEC”) to adopt regulations specifying RPS enforcement procedures for local publicly-owned electric utilities (“POUs”); certify and verify eligible renewable energy resources procured by POUs; and refer any compliance failures of POUs to the California Air Resources Board (“CARB”), which may impose penalties. On June 12, 2013, the CEC adopted the “Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities,” (“CEC Regulations”), which became effective at of October 1, 2013, following subsequent approval by the Office of Administrative Law.

#### **Section 2: Definitions**

The definitions set forth in Public Resources Code (“PRC”) §25741 and PUC §399.12 are incorporated herein. Capitalized terms in this RPS Procurement Plan shall have the meaning given to such term in the body of this RPS Procurement Plan or in the PRC and PUC.

#### **Section 3: Previous Adoption of the RPS Enforcement Program**

On February 15, 2012 (Resolution No. 2012-013), the City Council adopted the renewable Energy Resources Enforcement Program (“RPS Enforcement Program”). Through the RPS Enforcement Program, the City Council established three compliance periods consistent with SB 2-1X, adopted RPS-eligible procurement goals for each of the three compliance periods and described the framework for how DWP would implement the requirements and measures in SB 2-1X with respect to the RPS Program. Section 10 of the RPS Enforcement Program directed the City Manager to develop and present a Renewable Energy Resources Procurement Plan to the City Council.

#### Section 4: Purpose

This document comprises DWP's RPS Procurement Plan. As required by its RPS Enforcement Program, this Plan describes how DWP will achieve its RPS procurement requirements consistent with the optional compliance measures specified in SB 2-1X and applicable to DWP's status as a small POU.

#### Section 5: Eligible Renewable Energy Resources

|                       |   |  |
|-----------------------|---|--|
| Biodiesel             | Fuel cells using renewable fuels                                  | Ocean wave, ocean thermal, and tidal current |
| Biogas                | Geothermal  | Photovoltaic                                 |
| Biomass               | Hydroelectric incremental generation from efficiency improvements | Small hydroelectric (30 megawatts or less)   |
| Conduit hydroelectric | Landfill gas  | Solar thermal electric                       |
| Digester gas          | Municipal solid waste   | Wind   |

#### Section 6: RPS Requirements

The CEC Regulations impose three initial compliance periods:

| Compliance Period                   | RPS Procurement Obligation (% of retail sales) |
|-------------------------------------|--|
| January 1, 2011 – December 31, 2013 | Average of 20%                                 |
| January 1, 2014 – December 31, 2016 | 25% by December 31, 2016                       |
| January 1, 2017 – December 31, 2020 | 33% by December 31, 2020                       |

The CEC Regulations allow optional compliance measures, including banking (accumulating excess procurement in one compliance period to be applied in a subsequent compliance period); delayed compliance (inadequate transmission, insufficient eligible renewable resources, delays in permitting or interconnections or unanticipated curtailment for reliability needs) and cost limitations (cost limitations on expenditures for renewable energy resources).

The CEC Regulations identify three distinct Portfolio Content Categories ("PCCs" or "Buckets") that may be used to satisfy the procurement obligations ("RPS Procurement Obligation").

A. PCC 1 refers to bundled procurement from qualified renewable energy generators located within the State or from out-of-State generators that can meet strict scheduling requirements to ensure uninterrupted deliverability to California. The CEC Regulations set minimum procurement amounts for PCC 1, but impose no limitation on the amount of RPS procurement that can come from PCC 1.

B. PCC 2 refers to "firmed and shaped" transactions where the bundled procurement from a renewable resource is "matched" with an equivalent amount of

incremental, non-renewable energy, which is scheduled into a California Balancing Authority (“CBA”). For purposes of PCC 1 and PCC 2, “bundled” procurement refers to a purchase of both the energy and the renewable energy attributes or (“Renewable Energy Credits” or “RECs”), produced by the eligible renewable generator.

C. PPC 3 procurement relates to purchases of “unbundled” RECs with no physical delivery of associated or related energy.

The CEC Regulations describe the following specific procurement guidelines for each PCC:

| <b>Portfolio Content Category (PCC or Bucket)</b> | <b>Description</b>  | <b>Usage Limits(% of Renewable Energy)</b>                           |
|---|---|--|
| PCC 1   | First point of interconnection inside of a California BA; Scheduled into a California BA without substituting electricity from another source; or dynamically transferred into a California BA. | Minimum of 50% through 2013; 65% through 2016, 75% beginning in 2017 |
| PCC 2   | Firmed and shaped   | Limited to anything left over after meeting PCC 1 and PCC 3 limits.  |
| PCC 3   | Unbundled renewable energy certificates   | Maximum of 25% through 2013, 15% through 2016, 10% beginning in 2017 |

**Section 7: Specified RPS Procurement Targets**

In the RPS Enforcement Program, the City Council adopted general RPS procurement targets for each of the three compliance periods. As further specified in the RPS Program and CEC Regulations, DWP is not required to procure a specific quantity of RPS-eligible resources in any individual year during this compliance period. Pursuant to PUC §399.30(b) and (c), the City Council adopts and further specifies the RPS procurement targets, as follows:

A. Compliance Period 1 (January 1, 2011 – December 31, 2013)

Subject to the Initial Delay in Timely Compliance described in Section 9.A.5 of this Plan, and the Initial Cost Limitation described in Section 9.B.5 the following table provides a forecast of DWP’s Compliance Period 1 procurement targets with regard to the total RPS Procurement Obligation and each of the PCC products described in the RPS Program and CEC Regulations.

|  | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>Total</b>   |
|--|-------------|-------------|-------------|----------------|
| Actual/Forecasted Retail Sales (MWh)                         | 100,953     | 97,596      | 95,550      | <b>294,099</b> |
| RPS Procurement Obligation (% of Total)                      | 20%         | 20%         | 20%         | <b>20%</b>     |
| RPS Procurement Obligation (MWh)                             | 20,191      | 19,519      | 19,110      | <b>58,820</b>  |
| Minimum Procurement of Portfolio Content Category 1 (MWh)    | 10,095      | 9,760       | 9,555       | <b>29,410</b>  |
| Maximum Procurement of Portfolio Content Category 3 (RECs)   | 5,048       | 4,880       | 4,777       | <b>14,705</b>  |
| Residual Procurement from Portfolio Content Category 2 (MWh) | 5,048       | 4,879       | 4,778       | <b>14,705</b>  |

Notes: (1) The retail sales figures listed above exclude electricity used by the City for water pumping.  
(2) The annual procurement targets are for planning purposes only.

**B. Compliance Period 2 (January 1, 2014 – December 31, 2016)**

Subject to the Cost Limitation Guideline described in Section 9.B.6 of this Plan the following table provides a forecast of the DWP'S Compliance Period 2 procurement targets with regard to the total RPS Procurement Obligation and each of the PCC products described in the RPS Program and CEC Regulations.

|  | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>Total</b>   |
|--|-------------|-------------|-------------|----------------|
| Forecasted Retail Sales (MWh)                                | 95,500      | 95,500      | 95,500      | <b>286,500</b> |
| RPS Procurement Obligation (% of Total)                      | 20%         | 20%         | 25%         |                |
| RPS Procurement Obligation (MWh)                             | 19,100      | 19,100      | 23,875      | <b>62,075</b>  |
| Minimum Procurement of Portfolio Content Category 1 (MWh)    | 12,415      | 12,415      | 15,519      | <b>40,349</b>  |
| Maximum Procurement of Portfolio Content Category 3 (RECs)   | 2,865       | 2,865       | 3,581       | <b>9,311</b>   |
| Residual Procurement from Portfolio Content Category 2 (MWh) | 3,820       | 3,820       | 4,775       | <b>12,415</b>  |

Notes: (1) The retail sales figures listed above exclude electricity used by the City for water pumping.  
(2) The annual procurement targets are for planning purposes only.

C. Compliance Period 3 (January 1, 2017 – December 31, 2020)

Subject to the Cost Limitation Guideline described in Section 9.B.6 of this Plan the following table provides a forecast of the DWP’S Compliance Period 3 procurement targets with regard to the total RPS Procurement Obligation and each of the PCC products described in the RPS Program and CEC Regulations.

|  | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>Total</b>   |
|--|-------------|-------------|-------------|-------------|----------------|
| Forecasted Retail Sales (MWh)                                | 95,500      | 95,500      | 95,500      | 95,500      | <b>382,000</b> |
| RPS Procurement Obligation (% of Total)                      | 27%         | 29%         | 31%         | 33%         |                |
| RPS Procurement Obligation (MWh)                             | 25,785      | 27,695      | 29,605      | 31,515      | <b>114,600</b> |
| Minimum Procurement of Portfolio Content Category 1 (MWh)    | 19,339      | 20,771      | 22,204      | 23,636      | <b>85,950</b>  |
| Maximum Procurement of Portfolio Content Category 3 (RECs)   | 2,578       | 2,770       | 2,960       | 3,152       | <b>11,460</b>  |
| Residual Procurement from Portfolio Content Category 2 (MWh) | 3,868       | 4,154       | 4,441       | 4,727       | <b>17,190</b>  |

Notes: (1) The retail sales figures listed above exclude electricity used by the City for water pumping.  
 (2) The annual procurement targets are for planning purposes only.

D. Subsequent Annual Compliance Periods

For each subsequent annual compliance period, subject to modifications to the Cost Limitation Guidelines described in Section 9.B.6 of this Plan, DWP will act in good faith to procure sufficient Eligible Renewable Energy Resources to equal an average of 33 percent of retail sales.

**Section 8: Status of RPS Procurement Efforts**

A. Hydroelectric Power Purchase Agreement

DWP has a 20-year power purchase agreement with the Western Area Power Administration to annually procure 8,585 MWh from the Parker-Davis hydroelectric generating facilities.

B. Distributed Generation

Consistent with the objectives of SB 2-1X and meeting the State’s overall RPS targets the DWP has encouraged the installation of behind-the-customer-meter distributed generation of photovoltaic solar panels (“BTM

Solar Systems”). In 2010 and 2011 the DWP installed 350 kW photovoltaic systems at the Water Reclamation Facility Number 1.

C. Purchase of PCC 3

DWP applied public goods funds and purchased 80,000 RECs and Green Attributes that conform to the RPS Program requirements and are associated with the 80,000 MWH of energy generated during 2011 from a CEC-certified Eligible Renewable Resource. The RECs were transferred to DWP’S Western Renewable Energy Generation Information System (“WREGIS”) account. This certificate volume represents approximately 188% of DWP’s forecasted RPS Obligation for Compliance Period 1.

D. Request for Information – RPS Procurement

In an effort to better understand eligible renewable resource availability, pricing and transactional terms, that may apply to small POU’s, a group of small POU’s (“Small POU Group”), which at the time included DWP, Cerritos Electric Utility, Eastside Power Authority, Moreno Valley Utility, Rancho Cucamonga Municipal Utility and Victorville Municipal Utility Services, issued a Request for Information (“RFI”) in October 2012 for the purpose of gathering relevant information from sellers of PCC 1 resources sufficient to allow the members in the Small POU Group to develop renewable energy resources procurement plans pursuant to PUC §399.30(a), and to evaluate costs and options in connection with their respective obligations for Compliance Period 1, 2 and 3 pursuant to PUC §399.30(b). The responses to the RFI included project opportunities that could meet the short-and long-term PCC 1 needs of DWP.

E. Purchase of PCC 1

DWP has negotiated the firm delivery of 104,600 MWh of bundled renewable electricity and green attributes from generating facilities that are located within California and interconnected with the California Independent System Operator (“CAISO”) grid. 45,000 MWh are scheduled to be delivered in 2013 and 59,600 are scheduled to be delivered in 2014. The commencement of delivery is contingent upon conditions precedent.

F. Purchase of PCC 2

PCC 2 refers to electricity products that are generated from an eligible renewable energy resource that is interconnected to a transmission network within the Western Electricity Coordinating Council (“WECC”) service territory and outside the metered boundaries of a CBA. The electricity must be matched with incremental electricity that is scheduled into a CBA. DWP contacted independent energy producers, other POU’s and investor-owned utilities about the availability of eligible renewable

resources that are outside the metered boundaries of a CBA. DWP's agents solicited owners of renewable energy resources throughout the WECC service territory. As of the date of adoption of this RPS Procurement Plan, DWP and its agents have been unsuccessful in locating uncommitted energy that would be generated before December 31, 2013.

G. Incremental RPS Procurement Costs to Meet RPS Procurement Obligation

DWP continues to monitor the indicative prices for renewable energy products. Based upon current market conditions, the forecasted "Incremental RPS Procurement Costs" (defined as the difference in the projected cost of non-renewable energy resources and the projected cost of Eligible Renewable Energy Resources) associated with meeting the total RPS Procurement Obligation are:

Compliance Period 1

January 1, 2011 – December 31, 2013

|                                    | <b>Assumed Procurement<br/>(MWh)</b> | <b>Forecasted<br/>Incremental Cost</b> |
|------------------------------------|--------------------------------------|--|
| Portfolio Content Category 1       | 29,410                               | \$745,000                              |
| Portfolio Content Category 2       | 14,705                               | 105,000                                |
| Portfolio Content Category 3       | 14,705                               | 45,000                                 |
| <b>Total Compliance Obligation</b> | <b>58,820</b>                        | <b>\$895,000</b>                       |

Compliance Period 2

January 1, 2014 – December 31, 2016

|                                    | <b>Assumed Procurement<br/>(MWh)</b> | <b>Forecasted<br/>Incremental Cost</b> |
|------------------------------------|--------------------------------------|--|
| Portfolio Content Category 1       | 40,349                               | \$1,025,000                            |
| Portfolio Content Category 2       | 12,415                               | 60,000                                 |
| Portfolio Content Category 3       | 9,311                                | 10,000                                 |
| <b>Total Compliance Obligation</b> | <b>62,075</b>                        | <b>\$1,095,000</b>                     |

Compliance Period 3

January 1, 2017 – December 31, 2020

|                                    | <b>Assumed Procurement<br/>(MWh)</b> | <b>Forecasted<br/>Incremental Cost</b> |
|------------------------------------|--------------------------------------|--|
| Portfolio Content Category 1       | 77,354                               | \$1,965,000                            |
| Portfolio Content Category 2       | 15,470                               | 75,000                                 |
| Portfolio Content Category 3       | 10,316                               | 10,000                                 |
| <b>Total Compliance Obligation</b> | <b>103,140</b>                       | <b>\$2,050,000</b>                     |

## Section 9: Application of Optional Compliance Measures

### A. Delay of Timely Compliance

1. *Delay of Timely Compliance Rule.* Pursuant to the authority granted to the City Council by PUC § 399.30(d)(2) to adopt conditions that allow for delaying timely compliance consistent with PUC § 399.15, and consistent with Section 3206(a)(2) of the CEC Regulations, the City County adopts the following rule:
  - (a) Enforcement of timely compliance shall be waived if DWP demonstrates that the insufficient supply of eligible renewable energy resources is beyond its control, will prevent timely compliance, and DWP would have met its RPS procurement requirements but for the cause of delay.
2. *Relevant Factors.* The following factors are relevant in the City Council's consideration in the delay of timely compliance to procure PCC 2 and meet the RPS Procurement Obligation.
  - (a) There was the initial expectation that smaller POUs would be exempt from the RPS Program or could meet the total RPS procurement obligation with RECs. DWP took all reasonable measures and procured sufficient PCC 3 resources to meet its total RPS Procurement Obligation.
  - (b) DWP took all reasonable measures to cost-effectively purchase its PCC 1 forecasted requirements for the Compliance Period 1 and Compliance Period 2.
  - (c) Since August 2013, there has been an insufficient supply of PCC 2 uncommitted energy for 2013 from eligible renewable resources that are outside the metered boundaries of a CBA.
  - (d) DWP contacted independent energy producers, other POUs and investor-owned utilities about uncommitted energy in 2013 from eligible renewable resources that are outside the metered boundaries of a CBA.
  - (e) DWP's agents solicited owners of renewable energy resources throughout the WECC service territory about uncommitted energy in 2013 from eligible renewable resources that are outside the metered boundaries of a CBA.
3. *Information Reviewed.* Consistent with Section 9 of the RPS Enforcement Program, the City Council relied on the following information to consider a delay of timely compliance for PCC 2 in Compliance Period 1:
  - (a) Direct contact with independent energy producers, other POUs and investor owned utilities did not identify uncommitted energy in 2013

- from eligible renewable resources that are outside the metered boundaries of a CBA.
- (b) The solicitation of renewable energy resources throughout the WECC service territory did not identify uncommitted energy in 2013 from eligible renewable resources that are outside the metered boundaries of a CBA.
4. *Relevant Findings.* Based on the foregoing factors and information, the City Council makes the following findings:
- (a) DWP prudently managed portfolio risks, including, but not limited to, holding solicitations for RPS eligible resources with outreach to market participants and relying on a sufficient number of viable projects to achieve RPS procurement requirements.
  - (b) DWP sought to develop its own eligible renewable energy resources, and the City Council adopted Resolution No. 2013-020, initiating a process to determine appropriate targets, if any, for viable and cost-effective energy storage systems, pursuant to California State Assembly Bill 2514 (Chapter 469, Statutes of 2010) that would integrate eligible renewable energy resources.
  - (c) DWP procured an appropriate minimum margin of procurement above the level necessary to comply with the RPS PCC 1 and PCC 3 to compensate for foreseeable delays or insufficient supply.
  - (d) DWP had taken reasonable measures to develop a net-energy metering program to procure cost effective distributed generation and allowable unbundled RECs.
5. *Establishment of Initial Delay in Timely Compliance.* There is an insufficient supply of uncommitted energy in 2013 from eligible renewable resources that are outside the metered boundaries of a CBA to procure PCC 2. DWP will not meet the PCC 2 requirements specified in the CEC Regulations, and therefore must rely on the delay in timely compliance as an optional flexible compliance measure. Based on the foregoing factors and information, the City Council establishes an initial delay in timely compliance due to an insufficient supply of PCC 2 resources in Compliance Period 1. The initial delay in timely compliance for PCC 2 resource is hereby set at zero (“Initial Delay of Timely Compliance”). For Compliance Period 1, DWP has made a good faith effort to meet the RPS Procurement Obligation. DWP has procured additional PCC 1 and PCC 3 resources equivalent to the forecasted incremental cost for PCC 2 resources in Compliance Period 1.
6. *Planned Actions to Ensure Future Compliance.* DWP has taken actions to seek to ensure that it will be able to secure sufficient PCC 2 to meet its RPS Procurement Obligations in Compliance Period 2.

## B. Cost Limitation

1. *Cost Limitation Rule.* Pursuant to the authority granted to the City Council by PUC §399.30(d)(3) to adopt conditions that allow for cost limitations for procurement expenditures used to comply with its RPS procurement requirements consistent with PUC §399.15, and consistent with section 3206(a)(3) of the CEC Regulations, the City Council adopts the following:

(a) The cost limitation rules shall ensure that:

- i. The limitation is set at a level that prevents disproportionate rate impacts;
- ii. The costs of all procurement credited toward achieving the RPS are counted toward the limitation; and
- iii. Procurement expenditures do not include any indirect expenses including, without limitation, imbalance energy charges, sale of excess energy, and decreased generation from existing resources.

(b) In setting this limitation, the City Council shall rely on all the following:

- i. The most recent renewable energy resources procurement plan for DWP;
- ii. Procurement expenditures that approximate the expected cost of building, owning, and operating eligible renewable energy resources; and
- iii. The potential that some planned resource additions may be delayed or cancelled.

2. *Relevant Factors.* The following factors are relevant in the City Council's consideration in the cost limitation to procure PCC 2 and meet DWP's RPS Procurement Obligation.

- (a) Corona is a city of approximately 160,000 residents, located about 45 miles southeast of Los Angeles.
- (b) In response to the 2000-2001 California energy crisis, DWP began serving customers by offering competitive electric rates that would retain and attract businesses and jobs.
- (c) DWP incurred significant start up costs, including payment of exit fees to Southern California Edison Company ("SCE").
- (d) Forty-seven percent of retail electric sales are to direct access customers (where DWP provides the supply of electricity and SCE provides physical distribution of electricity) and fifty-three percent of retail electric sales are to bundled customers (where DWP provides the supply of electricity and physical distribution of electricity).

- (e) DWP's electric sales to direct access customers have contractual rate limitations.
  - (f) DWP's direct access customers have the option to switch energy service providers, if, among other things, DWP's rate for the supply of electricity is not less than or equal to competing providers, including SCE.
  - (g) Any additional cost (excluding any indirect expenses) above the market price for PPC 2 would have a disproportionate rate impact on DWP's bundled electric customers.
  - (h) The CEC Regulations set minimum procurement amounts for PCC 1, but impose no limitation on the amount of RPS procurement that can come from PCC 1
  - (i) DWP has procured additional PPC 1 resources equivalent to the forecasted incremental cost for PPC 2 resources in Compliance Period 1.
3. *Information Reviewed.* Consistent with Section 9 of the RPS Enforcement Program, the City Council relied on the following information to consider a limitation in the cost limitation to procure PCC 2 and meet the RPS obligation.
- (a) The information on cost and availability of Eligible Renewable Energy Resources that is contained in this RPS Procurement Plan and was obtained through the RFI and subsequent offers to sell eligible renewable energy products.
  - (b) The forecasted Incremental RPS Procurement Costs for RPS-eligible resources to fully satisfy the RPS Procurement Obligation in Compliance Period 1, which, as described in Section 8G, is \$895,000 ("Full RPS Cost").
  - (c) The procurement expenditures associated with the offers received to build, own, and operate eligible renewable energy resources.
  - (d) Monitoring the offers received for planned resources that were delayed or cancelled.
4. *Establishment of Initial Cost Limitation.* Based on the foregoing factors and information, the City Council establishes an initial cost limitation equivalent of \$895,000 for Compliance Period 1 ("Initial Cost Limitation"). DWP is not obligated to expend any funds on RPS procurement in excess of this amount, unless eligible renewable energy resources can be procured without exceeding a de minimis increase in rates
5. *Planned Actions to Ensure Future Compliance.* DWP has taken actions to seek to ensure that it will be able to secure sufficient PCC 2 to meet its RPS Procurement Obligation in Compliance Period 2.

6. *Establishment of Cost Limitations for Compliance Period 2, Compliance Period 3, and Thereafter.* The City Council hereby establishes a cost limitation on the Incremental RPS Procurement Cost for Compliance Period 2, Compliance Period 3, and thereafter as follows:

- (a) During the annual budget approval process, DWP will calculate the revenues less expenses (before the incremental cost of procuring electricity products to satisfy the RPS requirements; and any associated indirect expenses) and identify the funds available from such amount to concurrently satisfy the applicable RPS requirement and maintain prudent reserves (“Cost Limitation Guideline”).
- (b) DWP will have no obligation to expend funds on RPS procurement in excess of the Cost Limitation Guideline or RPS procurement targets.
- (c) In the event that the Cost Limitation Guideline results in an amount greater than zero, DWP will seek contracts for eligible renewable energy resources on a least cost, best fit basis in an effort to achieve the procurement targets specified in Sections 7.B. and 7.C. Procurement considerations will include availability of resources, financial feasibility, transmission availability and any other relevant factors to ensure procurement contracts fit DWP’s risk profile as a small POU.