

BEFORE THE PITTSBURG POWER COMPANY OF THE CITY OF PITTSBURG

In the Matter of:

Acceptance of the Island Energy )  
2012 Renewable Energy Resources )  
Procurement Plan )

RESOLUTION NO. 11-256

The Board of Directors of the Pittsburg Power Company, a Joint Powers Authority, DOES RESOLVE as follows:

WHEREAS, Pittsburg Power Company ("PPC") Board of Directors adopted the Pittsburg Power Company Renewable Portfolio Standard ("RPS") Enforcement Plan Applicable to Island Energy; and

WHEREAS, the Board used its authority under that plan to establish a cost limitation for the procurement expenditures for all RPS-eligible resources used to comply with the Pittsburg Power Company RPS Enforcement Plan; and

WHEREAS, the established cost limitations do not provide sufficient funds in 2012 for Island Energy to make up for the 2011 shortfall in procurement of renewable energy resources, requiring Island Energy to use its rate stabilization fund to procure the additional RPS-eligible resources in 2012 to make up for the 2011 shortfall; and

WHEREAS, the established cost limitations may not provide sufficient funds in 2012 for Island Energy to meet all 2012 goals for individual content categories of renewable energy resources; and

WHEREAS, the Executive Director of PPC has presented a 2012 Renewable Resources Procurement Plan ("Plan") for Island Energy and this Plan will allow Island Energy to meet its overall renewable energy resources procurement goal; and

WHEREAS, a public notice was posted announcing the presentation of the Plan and the public has been given the opportunity to comment on the Plan.

NOW, THEREFORE, the Board of Directors finds and determines as follows:

Section 1.

The above recitals are true and correct and have served as the basis, in part, for the findings and actions of the Board set forth below.

Section 2.

The Board accepts the Island Energy 2012 Renewable Energy Resources Procurement Plan.

Section 3.

The Board directs the Executive Director to implement the Plan and grants him necessary authority to fulfill this directive, including the execution of contracts for the purchase of necessary RPS-eligible renewable energy resources.

Section 4.

This Resolution shall take effect immediately upon adoption.

APPROVED AND ADOPTED by the Pittsburg Power Company Board of Directors at a regular meeting on the 19<sup>th</sup> day of December 2011, by the following vote:

AYES: Casey, Evola, Longmire, Parent, Johnson

NOES: None

ABSTAINED: None

ABSENT: None

  
\_\_\_\_\_  
Ben Johnson, Chair

ATTEST:

*for*   
\_\_\_\_\_  
Joe Sbranti, Executive Secretary



**OFFICE OF THE CITY MANAGER/EXECUTIVE DIRECTOR  
65 Civic Avenue  
Pittsburg, CA 94565**

**DATE:** 12/6/2011  
**TO:** Chair and Agency Members  
**FROM:** Joe Sbranti, Executive Director  
**SUBJECT:** Acceptance of the Island Energy 2012 Renewable Energy Resources Procurement Plan  
**MEETING DATE:** 12/19/2011

**EXECUTIVE SUMMARY**

The previously adopted Pittsburg Power Company Renewable Portfolio Standard ("RPS") Enforcement Plan requires the Executive Director to develop and present to the Board a Renewable Energy Resources Procurement Plan. The procurement plan will allow Island Energy to meet the overall 20% RPS procurement requirement for 2012 but due to established cost limitations it is unlikely to meet the content category goals.

**FISCAL IMPACT**

The specifics of Senate Bill X1 2, the legislation that required the creation of a renewable energy resources procurement plan, were not fully vetted when the FY 2011-2012 Island Energy Rate Case and budget were approved. Consequently no funds were allocated for compliance with the Public Utilities Code revisions created by SBX1 2. A projected cost limitation of Twenty Thousand Dollars (\$20,000) for annual renewable energy procurement expenditures has been established by the Pittsburg Power Company Renewable Energy Resources Procurement Plan. Therefore, the impact for the current fiscal year should be approximately \$10,000. Staff believes this amount can be absorbed within the rate stabilization fund. In future years, the procurement plan is expected to increase electrical energy costs by 2 to 3.5 percent.

**RECOMMENDATION**

Open the public hearing, take testimony, close the public hearing and accept the attached the Island Energy Renewable Portfolio Standard Procurement Plan applicable to Island Energy. The Executive Director is granted with necessary authority to carry out the Plan, including the execution of contracts to purchase RPS-eligible renewable energy resources.

**BACKGROUND**

In 2006, Senate Bill 107 accelerated California's Renewable Portfolio Standard, originally set forth in 2002 by Senate Bill 1078, by requiring that 20 percent of retail sales be served by renewable energy resources by 2010. This legislation allowed the governing boards of locally publicly owned utilities to define which resources would be considered renewable. By Resolution 09-202, the PPC Board of Directors exercised this authority to determine that electricity generated by carbon free large hydro plants is renewable for the purposes of PPC's RPS goals at its Island Energy utility. Under these rules, Island Energy was exceeding its RPS requirement.

The changes in the Public Utilities Code brought about by SBX1 2 eliminated the opportunity for Island Energy to use electricity generated by large hydro facilities to comply with the new RPS rules. Renewable energy tends to be much more expensive than the electricity Island Energy currently obtains under its Western Area Power Authority (WAPA) contract. Due to the Utility's unique circumstances with its aging, oversized and inefficient infrastructure located in a developing community, procurement of sufficient quantities of renewable energy from the required content categories would have either inhibited Island Energy's efforts to improve reliability and efficiency, caused disproportionate rate increases or both. For this reason, the Board established the projected \$20,000 cost limitation for annual renewable energy procurement expenditures.

### **SUBCOMMITTEE FINDINGS**

The subcommittee has been briefed on the action.

### **STAFF ANALYSIS**

Under the new requirements set forth in the revised Public Utilities Code, the Board adopted a Pittsburg Power Company RPS Enforcement Plan. The plan, in its consistency with the new Code, established certain compliance periods during which specified amounts of RPS-eligible must be procured. Furthermore, these resources should be derived from particular content categories specified in the Public Utilities Code. The Code, and therefore, the Enforcement Plan does not offer any guidance on how its individual elements should be prioritized if established cost limitations prevent achievement of all goals.

The revisions to the Public Utilities Code were not fully enacted until November 2011. Island Energy was not able to plan for this change, and therefore, within the established cost limitations will not be able to procure any additional RPS-eligible resources to meet the procurement goals for the current calendar year. Island Energy will need to use \$20,000 from its rate stabilization fund to procure sufficient additional RPS-eligible resources in 2012 to make up for the 2011 shortfall.

For 2012, the Island Energy procurement plan is to purchase sufficient quantity of RPS-eligible Renewable Energy Credits (RECs) to meet the overall goal of 20%. The procurement plan calls for Island Energy to maximize the number of RECs from the first content category, subject to the established cost limitations and the total overall goal. Island Energy probably will not, within the established cost limitations, be able to meet the content category goals of the Enforcement Plan. As mentioned above, there is no guidance on how to prioritize in the event that cost limitations prevent complete compliance with the Plan. Island Energy has decided to put the priority on meeting the overall goal. The revised Public Utilities Code does appear to place a priority on the overall goal in that some smaller

Investor Owned Utilities (IOUs) are permitted to meet their overall RPS goals without respect to content categories. (Island Energy has asked the California Energy Commission (CEC) to extend this small IOU exemption to small POUs.)

Staff recommends the Board accept the Island Energy 2012 Renewable Energy Resources Procurement Plan and grant the Executive Director necessary authority to carry out the Plan, including the execution of contracts to purchase RPS-eligible renewable energy resources.

ATTACHMENTS: Resolution,  
Island Energy 2012 Renewable Energy Resources Procurement Plan

Report Prepared By: Peter Guadagni  
General Manager of Island Energy

Island Energy  
2012 Renewable Energy Resources Procurement Plan

2011 Projected Electricity Sales	16,395,000 kWh
2011 Projected RPS Procurement Goal	3,279,000 kWh
2011 Projected RPS Shortfall	3,115,050 kWh
2012 Cost Limitation	\$20,000
2012 Expected Electricity Sales	16,552,000 kWh
2012 RPS Procurement Goal	3,310,400 kWh

Plan:

Between January 1, 2012 and June 30, 2012, Island Energy will purchase 3,279,000 kWh of RPS-eligible Renewable Energy Credits (RECs) using \$20,000 allocated from the rate stabilization fund. Subject to the \$20,000 limitation, Island Energy will maximize the number of RECs from the first content category with the remaining RECs coming from the third content category.

From January 1, 2012 and December 31, 2012, Island Energy expects to purchase 248,280 kWh of RPS-eligible electricity generated by small hydro-electrical facilities as part of its full load service contract with Western Area Power Authority.

Between January 1, 2012 and December 31, 2012, Island Energy will purchase 3,062,120 kWh RPS-eligible Renewable Energy Credits (RECs). Subject to the \$20,000 established cost limitation, Island Energy will maximize the number of RECs from the first content category with the remaining RECs coming from the third content category.

By purchasing RECs in this manner, Island Energy expects to meet the overall goal of 20% of electricity sales being procured from RPS-eligible resources. Although Island Energy is unlikely to meet the content category goals for 2012 due to established cost limitations, this plan should maximize the number of RECs Island Energy can afford to purchase from the first content category. Island Energy will only be able to make up for the 2011 shortfall in procurement of RPS-eligible resources by accessing the rate stabilization fund. This fund is normally used to cover unexpected expenses due to extreme variability in electricity or natural gas costs.