

BEFORE THE PITTSBURG POWER COMPANY OF THE CITY OF PITTSBURG

In the Matter of:

Adoption of Pittsburg Power Company)
Renewable Portfolio Standard Enforcement)
Plan Applicable to Island Energy .)

RESOLUTION NO. 11-258

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

WHEREAS, Pittsburg Power Company ("PPC") owns and operates a municipal electric and gas utility known as Island Energy on Mare Island in Vallejo, California; and

WHEREAS, Renewable Portfolio Standards ("RPS") requirements were originally governed by Senate Bill 1078 passed in 2002; and

WHEREAS, Senate Bill 107 passed in 2006 accelerated the time frame by which California utilities were expected to meet RPS goals such that 20 percent of a utility's retail sales be served by renewable energy resources by 2010; and

WHEREAS, governing boards of municipal utilities had the authority under the previous code to define what energy products would be considered renewable energy resources; and

WHEREAS, by Resolution 09-202, the Board of Directors of Pittsburg Power Company used its authority to define electricity produced by clean, carbon-free large hydro-electrical generating facilities as being a renewable energy resource; and

WHEREAS, Island Energy had contracted to receive much of its power from large hydro-electrical generating facilities, which was in compliance with the previous RPS Eligibility Rules adopted by the governing board ; and

WHEREAS, Senate Bill X1 2 enacted in 2011 revised the Public Utilities Code to put more requirements on local governing boards for enforcing minimum renewable portfolio standards and removed their flexibility for defining what electrical products could be considered renewable; and

WHEREAS, the revised Public Utilities Code requires governing boards to adopt a RPS enforcement plan prior to January 1, 2012, that establishes rules for compliance periods, procurement targets, procurement content categories, grandfathering of procurement content category requirements, deviation from procurement content category requirements, delay of timely compliance, banking rules, cost limitations, renewable energy resources procurement plans and enforcement; and

WHEREAS, staff has drafted a RPS Enforcement Plan for Pittsburg Power Company that would apply to Island Energy and is consistent with the requirements of the revised Public Utilities Code.

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 Pittsburg Power Company Renewable Portfolio Standard (RPS) Enforcement Plan Applicable to Island Energy is hereby approved and adopted.

Section 3.

The Executive Director of the Pittsburg Power Company is hereby authorized to make minor revisions to the Enforcement Plan for the purpose keeping the plan compliant with the existing Public Utilities Code.

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 19th 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: Adoption of a Pittsburg Power Company Renewable Portfolio Standard Enforcement Plan Applicable to Island Energy
MEETING DATE: 12/19/2011

EXECUTIVE SUMMARY

Changes enacted in the Public Utilities Code by SBX1 2 require the Pittsburg Power Company Board of Directors to adopt a program for the enforcement of the new Renewable Portfolio Standard prior to January 1, 2012. Adoption of the Pittsburg Power Company Renewable Portfolio Standard (RPS) Enforcement Plan will fulfill this requirement.

FISCAL IMPACT

Adoption of the Pittsburg Power Company (PPC) RPS Enforcement Plan by itself has no fiscal impact. However, the plan does set forth the requirement, subject to cost limitations, to purchase a growing portion of electricity products for Island Energy from sources classified as renewable. While renewable energy products are more expensive than conventional energy products, Staff propose to establish cost limitations to cap additional expenses on RPS energy procurement to \$20,000 initially and potentially growing up to \$35,000 by year 2020.

RECOMMENDATION

Open the public hearing, take testimony, close the public hearing and adopt the attached Renewable Portfolio Standard Enforcement Plan applicable to Island Energy on its RPS compliances to the revised Public Utilities Code.

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.

On January 20, 2009, the PPC Board of Directors exercised this authority by adopting Resolution 09-202, which determined that electricity generated by carbon free large hydro-electrical plants is renewable for the purposes of PPC's RPS goals at its Island Energy utility.

The changes in the Public Utilities Code brought about by SBX1 2 put more requirements on local governing boards for enforcing minimum renewable portfolio standards and removed their flexibility for defining what electrical products could be considered renewable.

SUBCOMMITTEE FINDINGS

The subcommittee has been briefed on the action.

STAFF ANALYSIS

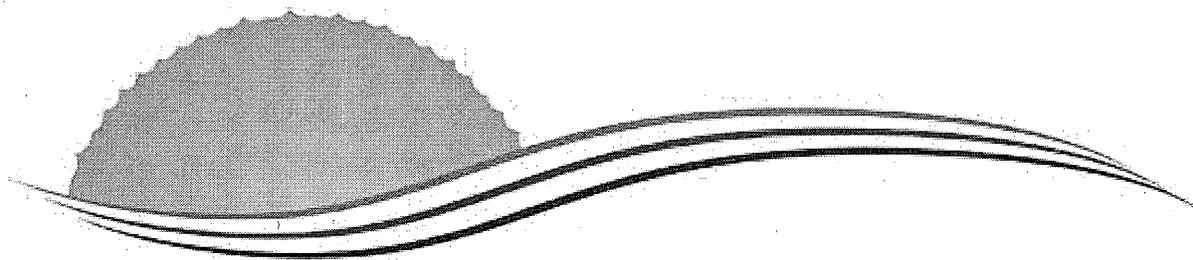
Under the new requirements set forth in the revised Public Utilities Code, the Board of Directors must adopt a Renewable Portfolio Standard Enforcement Plan prior to January 1, 2012 that establishes rules for the following items:

1. Compliance periods
2. Procurement targets
3. Procurement content categories
4. Grandfathering of procurement content category requirements
5. Deviation from procurement content category requirements
6. Delay of timely compliance
7. Banking rules
8. Cost limitations
9. Renewable energy resources procurement plan
10. Enforcement

The Pittsburg Power Company Renewable Portfolio Standard Enforcement Plan Applicable to Island Energy contains rules consistent with the new legislation, yet economically plausible to Island Energy's operation on Mare Island. Its adoption will allow PPC to stay in compliance with the revised Public Utilities Code.

ATTACHMENTS: Resolution,
Pittsburg Power Company Renewable Portfolio Standard Enforcement Plan

Report Prepared By: Peter Guadagni
General Manager of Island Energy



Pittsburg Power Company

Pittsburg Power Company
Renewable Portfolio Standard (RPS)
Enforcement Plan
Applicable to
Island Energy

Adopted December 19, 2011

Pittsburg Power Company RPS Enforcement Plan

Section 1: Definitions

This plan shall be referred to as the Pittsburg Power Company (PPC) RPS Enforcement Program. It shall apply to Island Energy, PPC's municipal utility operation on Mare Island in Vallejo, CA.

The definitions set forth in Public Resources Code (PRC) § 25741 and Public Utilities Code (PUC) § 399.12 are incorporated herein.

The following definitions shall also apply to the PPC RPS Enforcement Program:

Renewable Energy Resources Procurement Plan: The plan adopted by the PPC pursuant to PUC § 399.30

Energy Commission: The State Energy Resources Conservation and Development Commission.

CPUC: The California Public Utilities Commission.

Section 2: Compliance Periods

The Pittsburg Power Company Board of Directors adopts the following compliance periods as required by PUC § 399.30(b):

Compliance Period One: January 1, 2011 through December 31, 2013

Compliance Period Two: January 1, 2014 through December 31, 2016

Compliance Period Three: January 1, 2017 through December 31, 2020

Section 3: Procurement Targets

The Pittsburg Power Company Board of Directors adopts the following RPS-eligible procurement goals as a percentage of retail sales, pursuant to PUC § 399.30(c)(1)-(2):

Compliance Period One:

- An average of 20% RPS-eligible resource procurement for the period starting with the later of January 1, 2011, or the effective date of PUC § 399.30, through December 31, 2013.

Compliance Period Two:

- By December 31, 2016: 25% RPS-eligible resource procurement
- January 1, 2014 through December 31, 2016, sufficient procurement to reflect reasonable progress to ensure the above goal is achieved.

Pittsburg Power Company RPS Enforcement Plan

Compliance Period Three:

- By December 31, 2020: 33% RPS-eligible resource procurement
- January 1, 2017 through December 31, 2020, sufficient procurement to reflect reasonable progress to ensure the above goal is achieved.

Section 4: Procurement Content Categories

The PPC Executive Director shall assign all RPS-eligible resources procured by the PPC to their appropriate procurement content category in accordance with the provisions of PUC § 399.30(c)(3), consistent with PUC § 399.16.

Section 5: Grandfathering of Procurement Content Category Requirements

The Executive Director of the PPC shall count all resources meeting the requirements of PUC § 399.16(d) in full towards the procurement requirements set forth in the PPC RPS Enforcement Program, if all of the following conditions are met: (1) the renewable energy resource was eligible under the rules in place as of the date when the contract was executed; and (2) any contract amendments or modifications occurring after June 1, 2010, do not increase the nameplate capacity or expected quantities of annual generation, or substitute a different renewable energy resource; provided that the duration of the contract may be extended if the original contract specified a procurement commitment of 15 or more years.

This provision permits, but does not require, resources meeting the requirements of PUC § 399.16(d) to be exempted from the procurement content requirements.

Section 6: Deviation From Procurement Content Category Requirements

The Pittsburg Power Company Board of Directors may reduce a procurement content requirement set forth in the PPC RPS Enforcement Program to the extent the PPC demonstrates that it cannot comply with such requirements because of conditions beyond the control of the PPC due to any one of the conditions set forth in PUC § 399.15(b)(5).

Section 7: Delay of Timely Compliance

The Pittsburg Power Company Board of Directors may adopt measures permitting the PPC to delay timely compliance with the PPC RPS Enforcement Program pursuant to PUC § 399.30(d)(2), consistent with the requirements of PUC § 399.15(b)(5).

Section 8: Banking Rules

The Pittsburg Power Company Board of Directors may adopt measures permitting the PPC to accumulate, beginning January 1, 2011, excess procurement in one compliance period to be applied to any subsequent compliance period provided that the quantity of excess procurement is determined in the same manner as allowed for retail sellers pursuant to PUC § 399.30(d)(1), consistent with the requirements of PUC § 399.13(a)(4)(B).

Pittsburg Power Company RPS Enforcement Plan

Section 9: Cost Limitations

The Pittsburg Power Company Board of Directors may establish a limitation on the procurement expenditures for all RPS-eligible resources used to comply with the PPC RPS Enforcement Program pursuant to PUC § 399.30(d)(3). In establishing such limit, the Pittsburg Power Company Board of Directors shall rely on elements consistent with PUC § 399.15(c)(1)-(3). The Executive Director of the PPC shall include a cost limitation value in the Renewable Energy Resources Procurement Plan. This cost limitation value shall be updated on a periodic basis.

Section 10: Renewable Energy Resources Procurement Plan

The Pittsburg Power Company Board of Directors expressly directs the Executive Director of the PPC to develop and present a Renewable Energy Resources Procurement Plan to the Pittsburg Power Company Board of Directors. At a minimum, the Renewable Energy Resources Procurement Plan shall include (1) the specified resources that the PPC plans to use to meet the procurement targets adopted in Section 3 above and (2) the flexible compliance mechanisms to be utilized by the PPC pursuant to Sections 5, 6, 7, 8, and 9 above. In particular, the Pittsburg Power Company Board of Directors recognizes the unique financial constraints of Island Energy and that any cost limitations set forth under Section 9 are likely to affect the Procurement Plan. The Pittsburg Power Company staff shall post a public notice whenever the Pittsburg Power Company Board of Directors will deliberate in public on the Renewable Energy Resources Procurement Plan. The PPC staff shall also provide data annually to the Energy Commission and to report annually to the PPC customers and the Energy Commission in accordance with PUC § 399.30.

Section 11: Enforcement

The Pittsburg Power Company Board of Directors directs the Executive Director of the PPC to inform the Pittsburg Power Company Board of Directors at a public meeting in the event that the PPC will not meet the procurement requirements set out in Sections 3 and 4 above, subject to the flexible compliance mechanisms of Sections 5, 6, 7, 8, and 9. The Executive Director shall develop and present a plan to bring the PPC into compliance.