



STAFF REPORT

DATE: 12/18/2024
TO: Honorable Mayor and City Council Members
FROM: Utilities Department

2024-170

REQUEST FOR CITY COUNCIL ACTION

SUBJECT:

RESOLUTION ADOPTING THE RENEWABLE ENERGY RESOURCES PROCUREMENT PLAN, COMPLIANCE PERIOD 4 (2021-2024) FOR THE CITY OF CORONA UTILITIES DEPARTMENT

EXECUTIVE SUMMARY:

This staff report asks the City Council to adopt a resolution approving the Utilities Department Electric Division's Renewable Energy Resources Procurement Plan, Compliance Period 4 (2021-2024).

RECOMMENDED ACTION:

That the City Council adopt Resolution 2024-107, approving the Renewable Energy Resources Procurement Plan, Compliance Period 4 (2021-2024) for the City of Corona Utilities Department.

BACKGROUND & HISTORY:

California Public Utilities Code (PUC) § 399.30(a) requires all publicly owned utilities (POUs) to "adopt and implement a renewable energy resources procurement plan" (RPS Plan) that requires the POU to procure a minimum quantity of electricity and/or renewable energy credits (RECs) from eligible renewable energy resources, as a percentage of total retail sales.

As required by PUC § 399.30, on February 9, 2012, the Utilities Department (UD) adopted the Renewable Energy Resources Program Plan and Enforcement Program (RPS

Enforcement Program), which includes general RPS procurement targets for each of the initial three compliance periods and describes the framework for how UD would implement its RPS Program. Pursuant to PUC § 399.30(b) and (c), the RPS Plan, Compliance Period 4 (2021-2024) (RPS Plan-4) specifies the RPS procurement targets for Compliance Periods 4, 5, 6, and all subsequent compliance periods. UD shall not be required to procure a specific quantity of RPS-eligible resources in any individual year during the compliance period.

Pursuant to PUC § 399.16(b)-(c), as implemented by the California Energy Commission's (CEC) RPS Regulations, eligible renewable electricity products must be classified into three distinct Portfolio Content Categories (PCCs).

PCC1: Electricity products that are procured as bundled and associated with an eligible renewable energy resource located within the State or from out-of-state generators that can meet strict scheduling requirements to ensure uninterrupted deliverability to California.

PCC2: Electricity products that are procured as bundled and that are associated with an eligible renewable energy resource that is located within the Western Electricity Coordinating Council (WECC) but outside of a California Balancing Authority (BA), and for which the renewable energy is matched with an equal amount of incremental energy that is scheduled into a California BA.

PCC3: All electricity products that are associated with eligible renewable energy resources but that do not meet the definition of PCC1 or PCC2.

Portfolio balance requirements apply to all electricity products that are credited toward the RPS Procurement Quantity Requirements. PCC1 products must make up 75% or more of the portfolio balance. PCC3 products must make up 10% or less of the portfolio balance. There is no limitation on PCC2 products.

ANALYSIS:

The RPS Plan-4 lists the following for each compliance period:

Compliance Period 4 (January 1, 2021 – December 31, 2024)

UD shall procure sufficient RPS-eligible resources to equal the sum of the following: (35.75 percent of 2021 retail sales) + (38.5 percent of 2022 retail sales) + (41.25 percent of 2023 retail sales) + (44 percent of 2024 retail sales).

Compliance Period 5 (January 1, 2025 – December 31, 2027)

UD shall procure sufficient RPS-eligible resources to equal the sum of the following: (46 percent of 2025 retail sales) + (50 percent of 2026 retail sales) + (52 percent of 2027 retail sales).

Compliance Period 6 (January 1, 2028 – December 31, 2030)

UD shall procure sufficient RPS-eligible resources to equal the sum of the following: (54.67 percent of 2028 retail sales) + (57.33 percent of 2029 retail sales) + (60 percent of 2030 retail sales).

Subsequent Three-Year Compliance Periods

For each subsequent three-year compliance period, UD shall procure sufficient RPS-eligible resources to equal an average of 60 percent of retail sales.

UD was deemed in compliance with the RPS procurement requirements for Compliance Period 1 (2011-2013), 2 (2014-2016), and 3 (2017-2020) by the CEC. For Compliance Period 4, UD will utilize the Cost Limitation Rules per PUC § 399.30(d)(2)(B) consistent with Section 9 of the RPS Enforcement Program, and Delay of Timely Compliance Rules per PUC § 399.30(d)(2)(A) consistent with Section 7 of the RPS Enforcement Program.

The Cost Limitation Rules set the limitation of RPS procurement requirements at a level that prevents disproportionate rate impacts to UD's ratepayers. The Delay of Timely Compliance Rules allow a delay of timely compliance with the RPS procurement requirements when any of the following conditions exist:

1. Transmission constraints
2. Permitting, interconnection or other circumstances
3. Unanticipated Curtailment
4. Transportation Electrification

UD will apply the Delay of Timely Compliance rules based on condition 2, Permitting, Interconnection, or Other Circumstances. On June 9, 2020, UD signed a 25-year Power Purchase Agreement (PPA) with AM Wind Repower LLC for eleven megawatts of renewable energy from the Alta Mesa Wind Energy Center. This PPA was intended to cover a significant portion of the RPS requirements in Compliance Period 4. The project was scheduled to be completed by January 1, 2022. The current forecast for project completion is January 1, 2025, due to major permitting and materials delays related to COVID-19. Additional unanticipated interconnection issues delayed the project even further. Because of the continuous and unanticipated delays associated with this project, UD could not meet the RPS plan requirements for compliance period 4 (2021-2024).

Compliance Period 4 is an exception due to the continually revised delays in UD's largest renewable energy power, PPA, achieving commercial operation, which were outside of UD's control. Once UD's largest renewable energy PPA achieves commercial operation, UD will again comply with future short-term and long-term RPS procurement requirements.

UD did procure an additional 8,000 PCC1 RECs to make up for the delays with the Alta Mesa PPA, however REC prices continued to escalate, and UD could not continue to purchase RECs without creating a disproportionate impact to our ratepayers. Per PUC § 399.30(d)(2)(B) and section 9 of the RPS Enforcement Program, the Council may set a cost limitation on RPS procurement expenditures. UD may refrain from executing any further contracts for eligible renewable resources if the cost limitation is exceeded.

For Compliance Period 4, the cost of full compliance is estimated to be \$7,278,005. Actual and forecast data for renewable energy procurement for this period is \$3,121,361. If the difference of \$4,156,644 were to be procured, it would disproportionately impact UD's ratepayers. During Compliance Period 4 (2021-2024), budgeted costs exceeded budgeted revenues for the electric funds by just over \$5.5 million. If the additional \$4,156,644 were required to be procured, customer rates could increase by an average of 9.4% for customers without contractual limitations. Therefore, UD recommends Council approve the RPS Plan-4 and set the cost limitation for RPS procurement at \$3,121,361.

FINANCIAL IMPACT:

The estimated cost for renewable energy and RECs below the cost limitation is included in the Fiscal Year 2025 Utilities Department's operating budget in both the Greenfield Electric Utility Fund (578) and the Direct Access Electric Utility Fund (576).

ENVIRONMENTAL ANALYSIS:

State CEQA Guidelines Section 15061(b)(3) states that a project is exempt from CEQA if the activity is covered by the commonsense exemption that CEQA applies only to projects that have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. This action is to update the Renewable Energy Resources Procurement Plan, and there is no possibility that approving these changes will have a significant effect on the environment. Therefore, no environmental analysis is required.

PREPARED BY: ERIN KUNKLE, ELECTRIC UTILITY MANAGER

REVIEWED BY: TOM MOODY, DIRECTOR OF UTILITIES

ATTACHMENTS:

1. Exhibit 1 – Resolution No. 2024-107