

**RANCHO CUCAMONGA MUNICIPAL UTILITY'S
RENEWABLE ENERGY RESOURCES PROCUREMENT PLAN**

The California Energy Commission's (CEC's) adopted guidelines, listed in the California Code of Regulations Title 20, Division 2, Chapter 13, Section 3205 requires the Rancho Cucamonga City Council to adopt a Renewable Energy Resources Procurement Plan with a noticed public hearing by December 1, 2013. The procurement plan would establish 1) a minimum quantity of electricity products from eligible renewable energy resources, including renewable energy credits (RECs), 2) establish procurement targets, 3) the quantity of eligible renewable energy resources required over certain compliance periods, 4) eligible procurement content categories, and 5) details on how RPS targets will be achieved for each Compliance Period.

I. RPS Procurement Targets

<p>A. Adopt Compliance Periods</p>	<p><u>Compliance Period One:</u> January 1, 2011, to December 31, 2013.</p> <p><u>Compliance Period Two:</u> January 1, 2014, to December 31, 2016.</p> <p><u>Compliance Period Three:</u> January 1, 2017, to December 31, 2020.</p>
<p>B. Adopt Procurement Targets</p>	<ul style="list-style-type: none"> • An average of 20% renewables during Compliance Period ("CP") one. • In CP two: 20% by end of 2014, 20% by end of 2015 and 25% by the end of 2016. • In CP three: 27% by end of 2017, 29% by end of 2018, 31% by end of 2019, and 33% by the end of 2020.

II. Procurement Content Categories

<p>A. Define Procurement Buckets</p>	<p><u>Procurement Content Category ("PCC") One:</u> Eligible renewable energy resource electricity that meet the requirement of "in-state" or "out-of-state" resources scheduling power directly to a California balancing authority in accordance with PUC section 399.16(b)(1)</p> <p><u>PCC Two:</u> "Firmed and shaped" eligible renewable energy resource electricity products providing incremental electricity and scheduled into a California balancing authority, in accordance with PUC section 399.16(b)(2)</p> <p><u>PCC Three:</u> Eligible renewable energy resource electricity products or any fraction of the electricity generated, including unbundled renewable energy credits that do not qualify under the criteria of Categories 1 or 2.</p>
<p>B. Adopt Procurement Bucket Targets</p>	<p><u>PCC One:</u> (1) at least 50% in CP one; (2) at least 65% in CP two; and (3) at least 75% from that point on.</p> <p><u>PCC Three:</u> (1) 25% or less in CP one; (2) 15% or less in CP 2; and (3) 10% or less in CP 3.</p>

III. Current and Planned Projects and Contracts

Procurement Plan Resources	Project Name	Type	Contract Date	Term Year	Delivery Year	Location (State)
Current Resources						
Fortistar Methane (PCC 1)	Mid-Valley	Landfill Gas	Jan 2013 – Dec 2017	5	2013 - 2017	CA BA
Fortistar Methane (PCC 1)	Milliken	Landfill Gas	Jan 2013 – Dec 2017	5	2013 - 2017	CA BA
Brookfield Energy (PCC 3)	N/A	RECs	Oct 2011	1	2011	WECC Region
Planned Resources						
RECs PCC 3	Unspecified	RECs	Compliance Period 2	3	2014-16	WECC Region
RECs PCC 3	Unspecified	RECs	Compliance Period 3	4	2017-20	WECC Region
PCC 1 and/or PCC 2	Unspecified	Unspecified	2018	??	2018 or 2019	CA BA

IV. Procurement Plan Resources (Compliance Period 1)

For the three-year period beginning January 1, 2011 and ending December 31, 2013, the Rancho Cucamonga Municipal Utility (RCMU) shall procure sufficient RPS-eligible resources to equal the sum of the average of 20 percent of 2011-2013 retail sales. For Compliance Period 1, RCMU plans on utilizing PCC3 RECs from a 2011 transaction agreement and a PCC1 bundled renewable energy from two landfill gas contracts with Fortistar in 2013.

The following table below provides additional detail regarding the City's Compliance Period 1 procurement targets with regard to each of the Portfolio Content Category products. It is estimated that RCMU will be at a 16% RPS for Compliance Period 1.

Compliance Period 1 Estimated Actual	Avg. 2011-2013
Actual/Forecasted Retail Sales (MWh)	214,221
Planned RPS Purchases (%)	20%
RPS Procurement Obligation (MWh)	42,844
Minimum Procurement of Portfolio Content Category 1 (MWh) (at least 50%)	24,276
Minimum Procurement of Portfolio Content Category 3 (RECs-MWh) (max 25%)	10,393
Residual Procurement of Portfolio Content Category 2 (MWh)	0
Total eligible RPS Purchases	34,669
Estimated RPS %	16%

V. Procurement Plan Resources (Compliance Period 2)

For the three-year period beginning January 1, 2014 and ending December 31, 2016, RCMU shall procure sufficient RPS-eligible resources to equal the sum of the following: (20 percent of 2014 retail sales) + (20 percent of 2015 retail sales) + (25 percent of 2016 retail sales). RCMU plans on utilizing the existing PCC1 bundled renewable energy from two landfill gas contracts in 2014-16 and PCC3 RECs that have yet to be purchased. RCMU will also utilize excess procurement during this Compliance Period 2 from the PCC1 contract to be carried over to Compliance Period 3. The following table provides additional detail regarding the City's Compliance Period 2 procurement targets with regard to each of the Portfolio Content Category products

Compliance Period 2 Estimated	2014	2015	2016
Actual/Forecasted Retail Sales (MWh)	85,000	90,000	100,000
Planned RPS Purchases (%)	20%	20%	25%
RPS Procurement Obligation (MWh)	17,000	18,000	25,000
Minimum Procurement of Portfolio Content Category 1 (MWh) (at least 65%)	25,000	25,000	25,000
Minimum Procurement of Portfolio Content Category 3 (RECs-MWh) (max 15%)	2,550	2,700	3,750
Residual Procurement of Portfolio Content Category 2 (MWh)	0	0	0
PCC1 Excess Procurement Carryover (MWh)	10,550*	9,700*	3,750*
Total estimated eligible RPS purchases	27,550*	38,250*	48,950*
Estimated RPS %	32%*	43%*	49%*

**Excess Procurement to be applied to Compliance Period 3*

VI. Procurement Plan Resources (Compliance Period 3)

For the four-year period beginning January 1, 2017 and ending December 31, 2020, RCMU shall procure sufficient RPS-eligible resources to equal the sum of the following: (27 percent of 2017 retail sales) + (29 percent of 2018 retail sales) + (31 percent of 2019 retail sales) + (33 percent of 2020 retail sales).

RCMU plans on utilizing the excess procurement of PCC1 bundled renewable energy from Compliance Period 2 to Year 2017 or Year 2018. In addition, RCMU's two landfill gas contracts will expire at the end of 2017, therefore, RCMU will be seeking other PCC 1 renewable energy contracts for the remaining Compliance Period 3. PCC3 RECs will also be utilized for compliance, but have yet to be purchased. The following table provides additional detail regarding the City's Compliance Period 3 procurement targets with regard to each of the Portfolio Content Category products

Compliance Period 3 Estimated	2017	2018	2019	2020
Actual/Forecasted Retail Sales (MWh)	110,000	120,000	125,000	130,000
Planned RPS Purchases (%)	27%	29%	31%	33%
RPS Procurement Obligation (MWh)	29,700	34,800	38,750	42,900
Minimum Procurement of Portfolio Content Category 1 (MWh) (at least 75%)	24,000*	26,100**	29,063	32,175
Minimum Procurement of Portfolio Content Category 3 (RECs-MWh) (max 10%)	2,970	3,480	3,875	4,290
Residual Procurement of Portfolio Content Category 2 (MWh)	2,730	5,220	5,813	6,435
PCC1 Excess Procurement Carryover (MWh)	24,000**	0	0	0
Total estimated eligible RPS purchases	29,700	34,800	38,750	42,900
Estimated RPS %	27%*	29%	31%	33%

*Excess Procurement from Compliance Period 2 may be applied to these years

** Excess Procurement from 2017 may be applied to 2018

OPTIONAL COMPLIANCE MEASURES

VII. Excess Procurement

Pursuant to Public Utilities Code (PUC) § 399.30(3)(d)(1), and consistent with Section 8 of the adopted RPS Enforcement Program, the City Council adopts the following rules for excess procurement:

- A. RCMU may apply excess procurement in one compliance period to a subsequent compliance period, subject to the following limitations: Electricity products that exceed the maximum limit for Portfolio Content Category 3, as specified in PUC § 399.16(c), must be subtracted from the calculation of excess procurement.
- B. RCMU may begin accruing excess procurement as of January 1, 2011.
- C. Excess procurement meeting these requirements may be applied to any future compliance period and shall not expire.

VIII. Waiver of timely compliance

Pursuant to PUC § 399.30(3)(d)(2), consistent with the requirements of PUC § 399.15(b)(5) or other conditions adopted by the City Council, certain measures permit the City to delay timely compliance with the RPS Enforcement Program for a particular compliance period, based on any of the following conditions that prevent compliance and it is demonstrated that RCMU took reasonable actions to comply and the conditions were beyond the control of RCMU:

Attachment A

- Legislative or regulatory actions that change the eligibility of energy already procured or contracted for;
- Permitting, interconnection, or other circumstances that delay procured eligible renewable energy resource projects;
- Inadequate transmission capacity to allow for sufficient electricity to be delivered;
- Unanticipated curtailment of eligible renewable energy resources that limit renewable energy deliveries to RCMU;
- Contract failures, insufficient supply or other circumstances that delay procured eligible renewable energy resource projects.
- An insufficient supply of eligible renewable energy available within the cost limitations set forth.

For Compliance Period 1, the City Council is requesting that the CEC allow for a one-time waiver of timely compliance of the 20% RPS requirement in lieu of several factors and conditions listed above that were beyond the control of RCMU. Detailed narratives of the factors and conditions will be provided in RCMU's annual compliance report to the CEC.

IX. Cost Limitation

Pursuant to PUC § 399.30(3)(d)(3), and consistent with Section 9 of the adopted RPS Enforcement Program, the City Council is establishing a limitation on the procurement expenditures for all RPS-eligible resources used to comply with this RPS Enforcement Program in order to prevent disproportionate rate impacts to RCMU customers. The City Council has relied on the following information to establish its cost limitation 1) The information on cost and availability of Eligible Renewable Energy Resources which is contained in this RPS Procurement Plan, 2) the expected cost of building, owning and operating an Eligible Renewable Energy Resource, and 3) the potential that some planned resource additions may be delayed or cancelled.

The City will review any potential cost limitations annually as part of its budget process to determine whether (1) the establishment of cost limitations is appropriate to ensure that there are no disproportionate rate impacts to RCMU customers, and; (2) that the City is able to continue to demonstrate good faith in pursuing the objectives of SB 2-1X and meeting the State's overall RPS goals.

Relevant Factors and Findings

To determine what cost limitation is necessary to prevent disproportionate rate impacts, the City Council has considered the following factors and made the following findings:

- RCMU is one of the smallest POUs in California;
- The starting point for RCMU is not equal to those of the other POUs in the State, as RCMU has only been in operation less than 10 years;
- RCMU incurred significant startup costs, including settlement agreements with Southern California Edison in the form of exit fees;

Findings: The lack of financial resources to procure Eligible Renewable Energy Resources in volumes sufficient to satisfy its RPS targets would lead to the likelihood of disproportionate rate impacts on the City's customers if cost limitations were not established.

Adoption of Cost Limitation

In reliance on the information, factors, and findings specified above, the City Council determines that in order to avoid disproportionate rate impacts, a cost limitation must be established.

Compliance Period 1

For Compliance Period 1, the City Council hereby establishes a cost limitation as follows:

- 1) Procurement expenditures for all RPS-eligible resources used to comply with the RPS procurement plan shall not exceed 22% of the first compliance period's average fiscal year gross annual revenues from RCMU electric retail sales.
- 2) The City is not obligated to expend any funds on RPS procurement in excess of the Compliance Period 1 Cost Limitation.
- 3) The City Council further determines that total RPS expenditures during Compliance Period 1 have already exceeded the cost limitation, and therefore, RCMU shall not expend any further funds on RPS expenditures.

Compliance Periods 2 and 3

For Compliance Period 2 and Compliance Period 3 and thereafter – The City Council hereby establishes a cost limitation as follows:

- 1) Procurement expenditures for all RPS-eligible resources used to comply with the RPS procurement plan shall not exceed 22% of total gross annual revenues from RCMU electric retail sales.
- 2) The City is not obligated to expend any funds on RPS procurement in excess of the Compliance Period 2 and 3 Cost Limitation.
- 3) In no event shall the purchase of renewable energy volumes required to ensure the City's compliance with applicable RPS procurement plan result in customer rate impacts that would lead to RCMU's electric rates to exceed those of Southern California Edison.

Should conditions change such that any of these criteria cannot be met, including procurement requirements that have exceeded cost limitations, staff will return to the City Council with an adjusted Procurement Plan for consideration that would include revised cost limitations that shall rely on elements consistent with PUC § 399.15(c)(1)-(3) and with pertinent policies and rules established by the City Council.

Plan Version

Version	Date	Action Change
1	12/21/2011	RPS Procurement Plan created
2	11/20/2013	Removed grandfathered resources, updated RPS % and provided details on optional compliance measures, including cost limitations