



THE CITY OF RANCHO CUCAMONGA

DOCKET
11-RPS-01
DATE <u>Jul 08 2011</u>
RECD. <u>Aug 16 2011</u>

July 8, 2011

California Energy Commission
Re: Docket No. 03-RPS-1078
1516 Ninth Street
Sacramento, CA 95814-5504

RE: City of Rancho Cucamonga comments to the California Energy Commission on the 33% Renewables Portfolio Standard

Dear Commissioners:

The City of Rancho Cucamonga appreciates the opportunity to provide comments for the 33% Renewable Portfolio Standard ("RPS") regulations for Publicly Owned Electric Utilities ("POUs").

As one of the newer and smaller POUs in California, the idea to establish a "greenfield" electric utility in 2001 was to ensure that energy costs would be stabilized for one of the City's most important commercial centers that had yet to be developed, the Victoria Gardens Mall, and its surrounding retail and commercial development. By forming its own electric utility, the City of Rancho Cucamonga would be able to deal with energy issues at the local level, especially after the State's energy crisis.

Since 2004, the City-owned Rancho Cucamonga Municipal Utility ("RCMU") serves approximately 500 commercial customers with no current residential customers. Annually, RCMU distributes more than 66,000 megawatt-hours of electricity to its customers via 20 circuit miles of wire spread across the roughly 4 square miles serviced by RCMU through its 66/12 KV substation. RCMU's historical peak demand was 15.5 megawatts, set in August 2010.

Priority Issue #1: "Grandfathered" resources need to be clearly defined.

The Rancho Cucamonga City Council adopted its 33% RPS by 2020 goal in 2008. As an early adopter of the RPS, RCMU signed an in-state renewable energy contract that was executed prior to June 1, 2010. RCMU would have been able to meet the first phase RPS goal of a "20% average" RPS by the end of 2013 if it were able to use that signed contract to "count in full" towards its RPS buckets. However, because of the grandfathering clause stated in Sec. 399.16(d)(1), the treatment of these REC contracts executed prior to the June 1, 2010 date seems to clearly penalize those utilities who chose to be early adopters of RPS. By not allowing the pre June 1, 2010 energy to be included in the RPS "buckets" requirements, RCMU will now need to procure additional Bucket 1 RECs that it does not need in order to meet the "20% average" goal by 2013, at the additional expense of its ratepayers.

RCMU is requesting the California Energy Commission (CEC) to clearly define what it means for a contract to "count in full" towards RPS procurement requirements and consider all pre June 1, 2010 executed contracts as stated in Sec. 399.16(d)(1) to count towards the RPS buckets

requirements, as well as the overall RPS procurement requirement, so that utilities who were early adopters of REC contracts would not be penalized by needing to purchase additional and unnecessary Bucket 1 REC energy.

Priority Issue #2: Smaller POU's are different and have limited resources.

As one of the smaller POU's in California, RCMU's operations and staffing are very different from the other large and mid-size POU's in the State. While those POU's have dedicated sections and business units that deal with daily operations, resource planning, customer service and compliance, small POU's have very little staff, and are often tasked with many of the same duties of the larger POU's sections, with only one or two dedicated utility staff members. In addition, resource planning for small POU's typically involves contracts with energy service providers with a two to three years outlook in which they plan to be fully resourced. Larger POU's typically have longer term (10-30 years) contract plans where they invest in and/or own a generating plant and/or a renewable energy project. Often times, because of cash flow issues, small POU's are not able to do that.

Small POU's such as RCMU has limited resources in meeting all the current administrative and reporting requirements for the utility. RCMU is requesting that the CEC consider this factor when drafting its RPS compliance rules.

Priority Issue #3: Cost Limitations and POU governing board authority.

POU's such as RCMU must be able to have ways to contain costs for meeting the RPS goals. Each individual POU governing board must have the ability to set its own cost limitations on renewable energy in order to ensure the solvency of the POU. Unlike many established larger POU's, newer and smaller POU's such as RCMU have had to pay some forms of "exit fees" or municipal departing load charges to the investor owned utilities, which has left a lot of newer POU's struggling financially. The CEC must not set one cost limitation for POU's in general and needs to ensure that each POU's governing board has the authority to set and enforce these cost limitations since all of the State's POU's are in different financial positions.

Priority Issue #4: Fully resourced, but still need to buy renewables?

RCMU is requesting the CEC to determine and clarify the term, "In order to fulfill unmet long-term generation resource needs" as used in Sec. 399.30(a). If RCMU is fully resourced till fiscal year 2014 and has no "unmet long-term generation resource needs", does that mean that RCMU still needs to procure additional renewable energy per Sec. 399.30(a)? RCMU needs to understand the meaning of this section in order to better quantify our future procurement needs, if necessary.

We thank you again for the opportunity to provide you with our comments and appreciate your consideration of these comments on the specific priority issues. We look forward to working with the CEC in the future to address the 33% RPS issue. If you have any questions about our comments or position, please feel free to contact me at (909) 477-2740, ext. 4035 or fred.lyn@cityofrc.us.

Sincerely,



Fred Lyn
Utilities Division Manager