

STAFF REPORT

ENGINEERING SERVICES DEPARTMENT



Date: February 16, 2011
To: Mayor and Members of the City Council
 Jack Lam, AICP, City Manager
From: Mark A. Steuer, Director of Engineering Services/City Engineer
By: Fred Lyn, Utilities Division Manager *FL*
Subject: CONSIDERATION OF A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RANCHO CUCAMONGA TO ADOPT A RESOURCE ADEQUACY PROGRAM FOR THE RANCHO CUCAMONGA MUNICIPAL UTILITY

RECOMMENDATION

The City Council adopts a resolution accepting a Resource Adequacy Program for the Rancho Cucamonga Municipal Utility (RCMU).

BACKGROUND / ANALYSIS

Resource Adequacy (RA) is a mandatory planning and procurement process to ensure adequate resources to serve all RCMU customers. The RA program provides deliverability criteria that each Load Serving Entity (LSE), such as RCMU must meet. Rules are provided for counting resources towards meeting those obligations. Those resources that are counted on must make themselves available to the California ISO (CAISO) for the capacity on which they were counted. The CAISO's Reliability Requirements Program (RRP) is intended to compliment the State's efforts to implement RA programs. In addition, the RA program as proposed by the California ISO (CAISO) requires that LSE's such as RCMU meet a planning reserve margin for their obligation to serve their customers.

As the local regulatory authority of RCMU, the City Council can adopt any planning reserve margin and peak demand and operating reserves, sufficient to provide reliable electric service to its customers per state law (Assembly Bill 380 – Approved September 2005). In addition, the City Council retains some discretion under the CAISO's RRP tariff in 1) adopting any planning reserve margin different from the 15 percent planning reserve margin, 2) adopting other counting conventions for qualifying capacity, and 3) choosing a demand forecast method.

Since January 2007, RCMU's RRP has set its RA program to identify both Local Capacity Area and System Capacity Area Resources, as defined by the CAISO, to be included as capacity resources owned or contracted for by the City for the period covered by each plan. It also set its planning reserves at 7 percent because the Western Electricity Coordinating Council's (WECC's) Minimum Operating Reliability Criteria (the "Reserve") was also set at 7 percent. RCMU has continued to use the 7 percent as its reserve margin. However, the reserve margin and the RA Program was never formally adopted by the City Council. Therefore, RCMU is requesting the City Council to reaffirm its 7 percent planning reserve margin and formally adopt its current RA program which would include both Local Capacity Area and System Capacity Area resources.

Respectfully submitted,

Mark A. Steuer
 Director of Engineering Services/City Engineer

MAS/FL:rf

Attachments

CITY OF RANCHO CUCAMONGA MUNICIPAL UTILITY RESOURCE ADEQUACY PROGRAM

1. RESOURCE ADEQUACY PLANS

Rancho Cucamonga Municipal Utility (RCMU) shall be responsible for developing Resource Adequacy (RA) Plans to guide the procurement of capacity resources adequate to serve the requirements of RCMU's customers consistent with Good Utility Practice and applicable reliability requirements.

The RA Plans shall identify any Local Capacity Area and System Capacity Area Resources, as defined by the CAISO, included as capacity resources owned or contracted for by the City for the period covered by each plan. Firm energy contracts that do not specify specific physical resources (commonly referred to as liquidated damages or "LD" contracts) are also eligible to count as RA Qualifying Capacity.

1.1 Annual Resource Adequacy Plan:

RCMU shall prepare an annual Resource Adequacy Plan each year for the following year. The Annual Resource Adequacy Plan shall identify capacity resources owned or contracted for by the City sufficient to meet 90% of the City's summer (May through September) forecast monthly peak loads plus the Reserve Margin. RCMU shall provide the Annual Resource Adequacy Plan to the CAISO by September 30 of each year, to the extent required by the CAISO and to the City Council, if requested.

1.2 Monthly Resource Adequacy Plan:

RCMU shall prepare a Monthly Resource Adequacy Plan by no later than the last business day of the second month prior to the month covered by the Plan (e.g., by February 28 for the month of April). The Monthly Resource Adequacy Plan shall identify capacity resources owned or contracted for by the City sufficient to meet the greater of 107% of the City's forecast maximum peak load for the month covered by the report or the most recent minimum planning reserve and reliability criteria approved by the Board of Trustees of the Western Electricity Coordinating Council (WECC). RCMU shall provide each Monthly Resource Adequacy Plan to the CAISO to the extent required by the CAISO Tariff and to the City Council, if requested.

1.3 Demand Forecasts

RCMU shall be responsible for developing Demand Forecasts of the maximum annual and monthly peak loads for its Service Area on a schedule adequate for inclusion of such Demand Forecasts in the Annual and Monthly Resource Adequacy Plans, consistent with Good Utility Practice. RCMU shall provide the Demand Forecasts to the CAISO to the extent required by the CAISO and to the City Council, if requested.

1.4 Planning Reserve Margin

RCMU's monthly planning reserve will be equal to no less than one-hundred and seven percent (107%) of the City's Peak hourly demand forecast for the applicable compliance period. The resulting seven percent (7%) capacity reserve margin, which is in excess of the City's peak hourly demand forecast, for the applicable month, is referred to as the Planning Reserve Margin and is derived from the WECC Minimum Operating Reliability Criteria (MORC) above the forecasted peak demand (the "Reserve Margin").

RESOLUTION NO. 11-021A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
RANCHO CUCAMONGA TO ADOPT A RESOURCE ADEQUACY
PROGRAM FOR RANCHO CUCAMONGA MUNICIPAL UTILITY

WHEREAS, the City of Rancho Cucamonga desires to ensure that there will be adequate electric resources to serve all of its Municipal Utility customers, and

WHEREAS, the State of California's Independent System Operator (CAISO) has proposed that Load Serving Entities (LSEs) meet a Reserve Planning Margin for their obligation to serve their customers, and

WHEREAS, the City of Rancho Cucamonga's Municipal Utility (RCMU), which as a LSE have developed a Resource Adequacy Program that will guide the purchase of capacity resources that are adequate to serve the Municipal Utility's customers;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Rancho Cucamonga does hereby resolve and find as follows:

Section 1. The City Council does fully support the implementation of a Resource Adequacy (RA) program that will provide for adequate electric resources to serve all RCMU customers.

Section 2. The City Council for the City of Rancho Cucamonga, California ("City") hereby adopts the following RA Program for its Municipal Utility ("RCMU"). Capitalized terms not otherwise defined herein shall be defined as set forth in the Master Definitions Supplement of the California Independent System Operator Corporation ("CAISO"). This RA Program shall remain in effect, subject to modification by the City Council.