



CITY OF NEEDLES, CALIFORNIA STAFF REPORT

MEETING TYPE: Regular

MEETING DATE: February 13, 2024

TITLE: Authorize the City Manager to execute the agreement dated August 10, 2020 with 3Degrees Group, Inc. through March 15, 2032 for the purchase of Renewable Energy Certificates "RECs"

BACKGROUND: The Needles Public Utility Authority is required to meet the California Energy Commission's renewable portfolio standard (RPS), i.e. to include renewable energy as a portion of its energy supply portfolio. For POUs, the Energy Commission determines the Portfolio Content Category classification of procurement claims, calculates procurement requirements, and determines RPS compliance. Adopted regulations set the procurement quantity requirement targets are

	Compliance Period 3				Compliance Period 4				Compliance Period 5			Compliance Period 6		
Year	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
% of Retail Sales	27.0%	29.0%	31.0%	33.0%	35.8%	38.5%	41.3%	44.0%	47.0%	49.2%	52.0%	54.6%	57.2%	60.0%

There are three primary categories of REC classification: • PCC 1 • PCC 2 • PCC 3. The City of Needles has a waiver to procure PCC 3 rec's which are lower than PCC 1. PCC 1's current market price is \$75/rec. However, PCC 3 rec's have increased significantly over the past several years due to the unbundle rec's are being consumed by long-term PPA's in addition to other states (Washington, Oregon, Colorado, Idaho) increasing REC consumption.

Pursuant to D.17-06-026:

Beginning with the 2021-2024 compliance period, each retail seller must demonstrate that at least 65% of the RECs it counts towards its PQR in the compliance period are associated with long-term contracts.

Long-term contracts are characterized as:

- Contracts that are at least 10 years or more in duration;
- Contracts that are initially 10 years or more in duration, that may be extended for any period of time; and
- Contracts with an initial term of less than 10 years and the contract is amended by an extension of at least 10 continuous years of duration.

For compliance period 4 the NPUA RPS PCC3 requirement would be roughly a total of 133,797. The proposed 3Degrees contract will secure 150,000 recs for the current compliance period and cover future compliance periods.

Year	Retail Sales (MWh)	RPS Target	RPS Quantity
2021	79,161	35.75%	28,300
2022	80,950	38.50%	31,165
2023	84,997	41.25%	35,061
2024	89,247	44.00%	39,268

Staff contacted Amerex to seek a third-party offer for a 10-year offer. 3Degrees submitted a 10-year proposal of 50,000 recs for \$8.25/each.

Staff attempted to obtain additional offers from Shell, Chevron, and historical rec suppliers however, due to the contract length and limited quantity of recs requested there were no offers submitted. Current PCC 3 prices have increased to \$9.00/rec since this contract was negotiated and continue to increase. The requirements also require the contract agreement date to start in 2020 to cover compliance periods.

CEC regulations include non-compliance penalties. Current penalties amount to \$50 per renewable energy credit (REC) which is applied to the REC shortfall in a retail seller's RPS procurement obligation.

The Board of Public Utilities approved the recommended action on February 6, 2024.

FISCAL IMPACT: FY 24 adopted electric budget will be charged \$875,000 which includes the one-time Amerex broker fee of \$50,000 and 3Degrees PCC 3 recs \$825,000. The funds for the FY 24 expenditures budget will come from excess in the power purchase account.

Thereafter, annual adopted electric budgets through FY 2032 will be charged \$412,500 for RPS rec's allowances for CEC compliance.

ENVIRONMENTAL IMPACT: The reduction in carbon dioxide and other harmful emissions helps mitigate the adverse effects of greenhouse gases on the environment and public health.

RECOMMENDED ACTION: Authorize the City Manager to execute the agreement dated August 10, 2020 with 3Degrees Group, Inc. through March 15, 2032 for the purchase of Renewable Energy Certificates "RECs"

SUBMITTED BY: Rainie Torrance, Utility Manager

City Manager Approval: Patrick J Martinez Date: 2/6/2024
 Other Department Approval (when required): Barbara DiDeo Date: 02/07/24