

CITY OF NEEDLES RENEWABLE ENERGY RESOURCES PROCUREMENT PLAN

Compliance Period 4 (2021-2024)

December 11, 2024

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Section 1. POLICY STATEMENT

California Public Utilities Code § 399.30(a) requires all publicly owned electric utilities (“POUs”), including the City of Needles, to “adopt and implement a renewable energy resources procurement 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. This document comprises the renewable energy resources procurement plan (“RPS Procurement Plan”) for the City of Needles, operating through the Needles Public Utility Authority (“NPUA”). This RPS Procurement Plan describes how NPUA will achieve its RPS procurement requirements in each compliance period.

Section 2. DEFINITIONS

The definitions set forth in Public Resources Code (“PRC”) § 25741 and Public Utilities Code (“PUC”) § 399.12 are incorporated herein. Capitalized terms in this RPS Procurement Plan, as first identified in parentheses, shall have the meaning given to such term in the body of this RPS Procurement Plan.

Section 3. RPS ENFORCEMENT PROGRAM

As required by PUC § 399.30, the Needles City Council (NPUA’s Governing Board) adopted the Renewable Energy Resources Enforcement Program (“RPS Enforcement Program”) on November 12, 2013. Through the RPS Enforcement Program, the Needles City Council established compliance periods, adopted RPS-eligible procurement targets, and described the framework for how NPUA would implement its RPS program.

Section 4. SPECIFIED RPS PROCUREMENT TARGETS

In the RPS Enforcement Program, the Needles City Council adopted general RPS procurement targets for each of the initial three compliance periods. Pursuant to PUC § 399.30(b) and (c), the Needles City Council adopts and further specifies the RPS procurement targets for Compliance Periods 4, 5, 6, and all subsequent three years periods as follows:

Compliance Period 4

For the four-year period beginning January 1, 2021 and ending December 31, 2024, NPUA 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). NPUA shall not be required to procure a

specific quantity of RPS-eligible resources in any individual year during this compliance period.

Compliance Period 5

For the three-year period beginning January 1, 2025 and ending December 31, 2027, NPUA 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). NPUA shall not be required to procure a specific quantity of RPS-eligible resources in any individual year during this compliance period.

Compliance Period 6

For the three-year period beginning January 1, 2028 and ending December 31, 2030, NPUA 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). NPUA shall not be required to procure a specific quantity of RPS-eligible resources in any individual year during this compliance period.

Subsequent Three Year Compliance Periods

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

Section 5. RPS PROCUREMENT REQUIREMENTS

As described in NPUA's Enforcement Program, NPUA meets the criteria of PUC § 399.30(h). Consistent with PUC § 399.30(h), as implemented by Section 3204(b)(4) of the Energy Commission's RPS Regulations. A POU that meets the criteria of PUC § 399.30(h) may comply with the Renewable Resource Energy Procurement Targets, specified in Section 4 above, without regard to the portfolio content category requirements specified in PUC § 399.30(c)(3), consistent with PUC § 399.16. Accordingly, NPUA will not classify Renewable Energy Resource procurement into portfolio content categories.

Section 6. RPS PROCUREMENT

A. RPS Contracts Executed Prior to June 1, 2010

None.

B. RPS Procurement Acquired After June 1, 2010

The NPUA procured Renewable Energy Certificates “RECs” in the open market annually based on the quantities required for the compliance period.

C. Planned RPS Procurement

The City of Needles entered into a ten-year long-term transactions for the sale, purchase and delivery of Renewable Energy Certificates “RECs” in February, 2024. The long-term agreement is through December 31, 2033. The annual product quantity of RECs is 50,000 to be delivered on or before March of the given year. The City of Needles intends to utilize the annual delivered quantities of the long-term contract to meet annual RPS requirements. If any additional quantities of RPS is needed beyond long-term contract deliveries the City of Needles will need to utilize outside resources to procure quantities.

Section 7. FORECAST OF RETAIL SALES AND RPS COMPLIANCE OBLIGATIONS

| | Compliance Period 4 | | | | | Compliance Period 5 | | | | Compliance Period 6 | | | |
|--|---------------------|----------------|----------------|------------------|---------------|---------------------|------------------|------------------|---------------|---------------------|------------------|------------------|-----------|
| Year | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Forecast | 2021- 2024 | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2025- 2027 | 2028 Forecast | 2029 Forecast | 2030 Forecast | 2028-2030 |
| Retail Sales (MWh) | 74,302 | 82,647 | 78,454 | 90,802 | 326,205 | 91,710 | 92,627 | 93,553 | 277,891 | 94,489 | 95,434 | 96,388 | 286,311 |
| RPS % | 35.75% | 38.5% | 41.25% | 44% | | 46% | 50% | 52% | | 54.67% | 57.33% | 60% | |
| RPS Procurement Requirement (MWh) | 26,563 | 28,606 | 30,650 | 32,693 | 118,512 | 34,179 | 37,151 | 38,637 | 109,967 | 40,621 | 42,597 | 44,581 | 127,799 |

Notes:

* Individual year targets are for planning purposes only.

Section 8. EXCESS PROCUREMENT RULES

A. The following rules for excess procurement shall apply for Compliance Period 4 and all subsequent Compliance Periods:

1. NPUA may apply excess procurement in one compliance period to a subsequent compliance period, subject to the limitations specified in Section 3206(a)(1)(I) of the Energy Commission's RPS Regulations.
2. Excess procurement meeting those requirements may be applied to any future compliance period and shall not expire.

Section 9. DELAY OF TIMELY COMPLIANCE RULES

A. Delay of Timely Compliance Rule

Pursuant to PUC § 399.30(d)(2)(A), and consistent with Section 7 of the RPS Enforcement Program, the Needles City Council may adopt measures permitting NPUA to delay timely compliance with the RPS procurement requirements. Needles City Council adopts the following delay of timely compliance rules.

If any of the conditions listed below occurs and is beyond the control of NPUA and causes NPUA to not be reasonably able to comply with the RPS procurement requirements, NPUA may delay timely compliance with the RPS procurement requirements.

1. Transmission Constraints

There is inadequate transmission capacity to allow sufficient electricity to be delivered from eligible renewable energy resources, or proposed eligible renewable energy resource projects, to the extent applicable, using the current operational protocols of the BA in which the NPUA operates. If NPUA owns transmission or has transmission rights, then NPUA shall demonstrate that:

- NPUA undertook all reasonable measures under its control and consistent with its obligations under local, state, and federal laws and regulations to develop and construct new transmission lines or upgrades to existing lines intended to transmit electricity generated by eligible renewable energy resources, in light of its expectation for cost recovery.
- NPUA took all reasonable operational measures to maximize cost-effective purchases of electricity from eligible renewable energy resources in advance of transmission availability.

2. Permitting, Interconnection, or Other Circumstances

Permitting, interconnection, or other circumstance have delayed the procurement of eligible renewable energy resource projects, or there is an insufficient supply of eligible renewable energy resources available to NPUA. To utilize this condition, NPUA must show that the permitting, interconnection, or other circumstance caused the delay or insufficient supply and that:

- NPUA prudently managed portfolio risks, including, but not limited to, holding solicitations for RPS-eligible resources with outreach to market participants and relying on a sufficient number of viable projects to achieve RPS procurement requirements.
- NPUA sought to develop either its own eligible renewable energy resources, transmission to interconnect to eligible renewable energy resources, or energy storage used to integrate eligible renewable energy resources.
- If the cause for delay or insufficient supply was foreseeable, NPUA procured an appropriate minimum margin of procurement above the level necessary to comply with the RPS to compensate for foreseeable delays or insufficient supply.
- NPUA took reasonable measures to procure cost-effective distributed generation and allowable unbundled RECs.

3. Unanticipated Curtailment

Unanticipated curtailment of eligible renewable energy resources, if the delay of timely compliance would not result in an increase in greenhouse gas emissions.

4. Transportation Electrification

Unanticipated increase in retail sales due to transportation electrification. To utilize this condition, NPUA must consider whether transportation electrification significantly exceeded forecasts in NPUA's service territory based on the best and most recently available information available to NPUA. Further, NPUA must take reasonable measures to procure sufficient resources to account for unanticipated increases in retail sales due to transportation electrification.

Section 10. COST LIMITATION

A. Cost Limitation Rule

Pursuant to PUC § 399.30(d)(2)(B), and consistent with Section 8 of the RPS Enforcement Program, the NPUA shall establish a cost limitation on the procurement expenditures for all eligible renewable energy resources used to comply with the RPS and Needles City Council shall set this limitation at a level that prevents disproportionate rate impacts to NPUA's ratepayers.

If the cost limitation is insufficient to support the projected costs of meeting NPUA's RPS targets, as specified above, NPUA may refrain from executing any further contracts for eligible renewable energy resources, beyond what can be procured within the cost limitation.

B. Relevant Factors and Findings

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

1. *Economic Conditions*

Property tax receipts fund essential City services. NPUA provides electric service to several of the City's largest property taxpayers. The City of Needles faces persistently high levels of poverty. In 2023, Needles's poverty rate (averaged over the prior 5 years) was 29.3%,¹ which is significantly higher than the statewide average of 12%.² Further, Needles's current unemployment rate is 11.1% compared to a statewide average of 5.3%. Due to these higher levels of poverty and unemployment, Needles's ratepayers are disproportionately harmed by increases in electric rates. This is due to the greater impacts that any such increase has on individual residential customers as well as the severe harm that would be caused if such rate increases threatened the viability of local businesses. Maintaining competitive electric rates is essential to keeping local businesses from relocating or shutting down.

Finding: The Needles City Council finds that NPUA's cost limitation must be structured and set at a level that avoids harm to the local economy, limits impacts on economically vulnerable residents, and avoids increasing the unemployment rate.

2. *Customer Make-up*

500 of NPUA's customers consume 60% of commercial sales. To the extent that any one of these customers ceases to operate or relocates, NPUA's remaining customers would bear the costs of any stranded investments. Shifting these costs to other customers could have cascading consequences by threatening the viability of other customers and further exacerbating the high poverty and unemployment rates in the City. In light of these factors, NPUA's customers could be disproportionately harmed by rate increases.

Finding: The Needles City Council finds that NPUA's cost limitation must be designed so that it does not overly burden any one-customer class.

3. *Improving the Financial Condition of NPUA*

The NPUA develops a multi-year forecast when developing a rate study that will determine the level of annual rate revenue required to satisfy projected annual operations and maintenance (O&M) costs, debt service expenses, and capital cost requirements, while maintaining adequate reserves and meeting financial management targets.

¹ American Community Survey (2023).

² *Id.*

The NPUA currently maintains three reserves, an operating reserve, a rate stabilization reserve, and a PCA balancing reserve. The City’s Financial Policies currently maintain a minimum operating reserve balance of 10% of budgeted annual O&M expenditures, or approximately 1.2 months of O&M expenses, consistent with General Fund policies.

The current capital plan will draw down the operating reserve near the minimum level. To allow the Utility to maintain sufficient cash on hand to fund emergency repairs and expenses beyond what is in the current financial plan, the City has adopted an update to its financial policy, increasing the operating reserve from 1.2 months to 3 months.

The NPUA’s rate stabilization reserve and PCA balancing reserve are both intended to mitigate potential shocks from unforeseen events. Funds may be drawn from the rate stabilization reserve to mitigate potential short-term rate increases driven by sudden changes in revenue or expenditure levels.

The PCA balancing reserve was established to mitigate unanticipated, significant changes in the cost of purchased power. When funds are drawn from this reserve, they are to be replenished shortly thereafter using a “power cost adjustment” rate add-on applied to electrical usage rates.

An increase in costs associated with procuring REC’s interfere with the NPUA and the City’s policy of setting a minimum reserve, completing critical capital improvements and potentially procuring purchased power.

Finding: The Needles City Council finds that NPUA’s cost limitation should be set at a level that does not threaten the long-term financial stability of NPUA by reducing its existing customer base and that NPUA’ cost limitation is also set at a level that allows NPUA to competitively seek new large commercial customers and expand the Needles housing market.

C. Cost of Full Compliance

In order to estimate the cost of full compliance for Compliance Period 4, NPUA relies on the cost data reported in the *2024 Padilla Report, Costs and Cost Savings for the RPS Program*, published May 2024 (“Padilla Report”).³ The Padilla Report includes aggregated cost information for the CPUC-jurisdictional entities. Based on the Padilla Report, the District assumes that the cost of an unbundled REC is \$12/REC in 2021 and 2022, and \$10/REC in 2023 and 2024.⁴ The following table shows the forecasted cost of full compliance based on these assumptions.

| | PCC | Formula for Determining Cost | | Compliance Cost |
|------|------|------------------------------|---|-----------------|
| 2021 | PCC3 | 26,563 RECs x \$12/REC | = | \$318,756 |

³ Available at: <https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/documents/energy/rps/2024/2024-padilla-reportvfinal.pdf>.

⁴ For PCC3 Electricity Products, NPUA utilized the contract price data for Bear Valley Electric Service, which procures through REC-only contracts that approximate PCC3 transactions.

| | | | | |
|--------------|------|------------------------|---|-------------|
| 2022 | PCC3 | 28,606 RECs x \$12/REC | = | \$343,272 |
| 2023 | PCC3 | 30,650 RECs x \$10/REC | = | \$306,500 |
| 2024 | PCC3 | 32,693 RECs x \$10/REC | = | \$326,930 |
| Total | | | = | \$1,295,458 |

Therefore, the estimated cost of full compliance with the RPS Procurement Requirements is \$1,295,458.

D. Expenditures that Will Count Toward the NPUA' Cost Limitation

To determine if NPUA' expenditures have met or exceeded the cost limitation established in this RPS Procurement Plan, NPUA will include all direct costs associated with procurement from executed contracts and owned resources. Where applicable, this will include the contract price multiplied by electricity products delivered during the Compliance Period. For any contract where the associated electricity is resold, NPUA will still count towards its Cost Limitation the total cost of the combined electricity and REC.

The following table provides actual and forecast data for NPUA's procurement expenditures to date in Compliance Period 4.

| | 2021 | 2022 | 2023 | 2024 Forecast | CP4 Total Forecast |
|-----------------------------|-------------|-------------|-------------|--------------------------|-------------------------------|
| 3Degrees Group, Inc. | \$412,500 | \$412,500 | \$412,500 | \$412,500 | \$1,650,000 |
| Total Expenses | \$412,500 | \$412,500 | \$412,500 | \$412,500 | \$1,650,000 |

E. Explanation of How NPUA Developed a Cost Limitation Methodology and How Such Cost Limitation Prevents Disproportionate Rate Impacts.

In developing its Cost Limitation methodology, NPUA has reviewed the potential impacts of the factors, findings, and considerations described above. Specifically, NPUA has evaluated what would occur if NPUA expended the amount of the full cost of compliance and estimated the impacts to customers on a rate basis and total bill basis under different scenarios.

F. Adoption of Methodology for Calculating Cost Limitation for Compliance Period.

To avoid disproportionate rate impacts for Compliance Period 4, the Needles City Council the NPUA completes a rate study every five years and adopts an annual fiscal budget for the utility. The annual forecasted fiscal impact of RPS is adopted by City Council in the annual fiscal budget. The adopted annual budgets are a reflection of the adopted rate study which sets the current rates for the electric utility. The annual cost of RPS cannot exceed 10% of the adopted budget in any circumstance. Any RPS cost above 10% would have a disproportionately negative impact on the

ratepayers of the City of Needles. The adopted annual budget for the NPUA for annual RPS compliance is set at \$415,500 per fiscal year.

G. Adoption of Cost Limitation for Compliance Period 4

Pursuant to the methodology for calculating the cost limitation for Compliance Period 4, established above, the cost limitation for Compliance Period 4 is determined to be \$415,500.