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RESOLUTION NO. R-48-12

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLTON DESIGNATING THE ELECTRIC UTILITY DIRECTOR AS THE DESIGNATED REPRESENTATIVE FOR THE CITY OF COLTON ELECTRIC DEPARTMENT TO THE CALIFORNIA AIR RESOURCE BOARD FOR MATTERS RELATED TO GREEN HOUSE GAS REDUCTION PROGRAMS; TO AUTHORIZE THE ELECTRIC UTILITY DIRECTOR TO MAKE CERTAIN PURCHASES AND TAKE OTHER ACTIONS UNDER THE CARB PROGRAMS; TO AUTHORIZE THE ELECTRIC UTILITY DIRECTOR TO PURCHASE CONGESTION REVENUE RIGHTS (CRR) IN THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR'S ANNUAL CRR AUCTION; AND TO AUTHORIZE THE ELECTRIC UTILITY DIRECTOR TO PURCHASE RENEWABLE ENERGY CREDITS (REC).

WHEREAS; On September 27, 2006, California Governor Arnold Schwarzenegger signed Assembly Bill 32 (AB 32) into law, requiring a statewide reduction in greenhouse gas (GHG) emissions to 1990 levels by the year 2020; and

WHEREAS, the California Air Resources Board (CARB) has been assigned as the lead agency to develop and implement the goals of AB 32; and

WHEREAS, CARB has developed a mandatory Cap & Trade (C&T) Program to be used as the principal mechanism for the reduction of GHG emissions, which requires each utility and power generator, within the State of California, to participate in the sale and purchase of Emission Allowances (EAs); and

WHEREAS, CARB allows for the procurement of carbon offsets, separate from the emission allowances, to help utilities meet compliance obligations as part of the GHG Emissions Reduction Program; and

WHEREAS, CARB has created the Compliance Instrument Tracking Service System (CITSS) through which each covered entity must designate if its EAs are to be used for compliance, holding, or limited use prior to the auction process; and

WHEREAS, CARB has incorporated significant penalties for non-compliance with its rules and regulations; and

WHEREAS, CARB has allocated emission allowances to the City of Colton Electric Department to offset its carbon emissions and to be used in the auction processes; and

1 **WHEREAS**, the City must authorize participation in the mandatory C&T
2 Program, designate representatives authorized to participate in the CARB GHG
3 Reduction Programs, including the C&T Program and to take such necessary actions to
4 purchase, trade and/or sell carbon allowances and carbon offsets in the auctions and/or
5 secondary markets on behalf of the Colton Electric Department, and establish the
6 necessary bank accounts and lines of credit designated by CARB to operate in the
7 auction; and

8 **WHEREAS**, in addition to meeting the GHG reduction obligations, the City of
9 Colton Electric Department requires the procurement of Congestion Revenue Rights
10 (CRRs) from the CRR markets in order to manage its hourly transmission costs and to
11 avoid high congestion costs on the CAISO controlled grid; and

12 **WHEREAS**, the City of Colton Electric Department has been allocated some
13 CRRs, but it does not have sufficient CRRs to cover high congestion periods; and

14 **WHEREAS**, the State of California has adopted Senate Bill SB 2 requiring Load
15 Serving Entities (LSEs) to meet specific renewable energy standards; and

16 **WHEREAS**, on December 20, 2011, the Colton City Council adopted
17 Resolution R-103-11 to establish a Renewable Portfolio Standard (RPS) in compliance
18 with SB 2; and

19 **WHEREAS**, SB 2 allows utilities to purchase and sell Renewable Energy
20 Credits (RECs) to help meet its RPS mandates through the Western Renewable Energy
21 Generation Information System (WREGIS); and

22 **WHEREAS**, the City Council must take action to authorize the Colton Electric
23 Department to participate in the REC markets, and designate an authorized
24 representative to act on behalf of the Colton Electric Department;

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2 **NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF COLTON**
3 **DOES HEREBY RESOLVE AS FOLLOWS:**

4 Section 1. Approve and authorize the CED's participation, so long as it is in
5 compliance with CED's Risk Management Plan and when applicable appropriate action
6 by the Risk Management Committee, in the California Air Resources Board (CARB and
7 any successor thereto) Cap-and-Trade Program and auction and secondary markets for
8 Carbon Offsets, Emission Allowances and Carbon Allowances on behalf of the City of
9 Colton;

10 Section 2. So long as such actions are in compliance with CED's Risk
11 Management Plan and when applicable appropriate action by the Risk Management
12 Committee, approve and authorize the purchase, trade and/or sale of Carbon Offsets and
13 Carbon Allowances by Colton as part of CARB's auction and/or secondary markets;
14 direct the Electric Utility Director, or designee, on behalf of Colton to take such actions
15 to purchase, trade and or/sell Carbon Allowances and Carbon Offsets on an as needed
16 basis to comply with California Assembly Bill 32 (AB 32) and CARB's Program; and
17 prepare, attest to, execute and where appropriate, register or submit such information and
18 documentation needed with appropriate and designated agencies;

19 Section 3. Authorize the Electric Utility Director, or designee, on behalf of
20 Colton, to negotiate, execute and deliver Carbon Offset and/or Carbon Allowance
21 purchase and sales agreements with CARB, brokers, other utilities, exchanges, carbon
22 traders, including supplemental transaction confirmations and service agreements that are
23 the best and least-cost solutions for Colton, as well as any other agreements or documents
24 deemed necessary, advisable or required to implement, participate and administer
25 Colton's participation in the secondary markets and CARB Program, so long as all such
26 agreements or documents are in compliance with CED's Risk Management Plan and
27 when applicable appropriate action by the Risk Management Committee, and so long as
28 they are in a form and include such changes, additions, insertions and omissions as shall
be approved by the Electric Utility Director, City Attorney and Risk Manager consistent
with the CED's Risk Management Plan;

Section 4. Authorize the Electric Utility Director to modify insurance and
indemnification provisions of any CARB Program or secondary agreements, so long as
such modified provisions are acceptable to the City Attorney and Risk Manager and are
in compliance with CED's Risk Management Plan and when applicable appropriate
action by the Risk Management Committee,;

