

**Imperial Irrigation District RPS Policy (SBX1 2)
Enforcement Program & Procurement Plan
2012**

PURPOSE:

This document represents Imperial Irrigation District's (IID) commitment to renewable resource procurement. It contains the Renewable Portfolio Standards ("RPS") Program and Enforcement Plan every publicly owned utility ("POU") is required to implement pursuant to § 399.30 of the Public Utilities Code, as enacted by Senate Bill 2 of the First Extraordinary Session of the 2011-12 California Legislature (as known as "SBX1 2"). The California Renewable Energy Resource Act, Senate Bill (SBX1 2) requires utilities to achieve a 33% RPS by 2020, with interim targets of an average of 20% through 2011-2013, 25% by 2016 and 33% by 2020. While IID must comply with the terms of the statute, some terms are open to interpretation. Therefore, as long as a POU acts in accordance with its governing board's reasonable interpretation of the statute, the California Energy Commission (CEC) should hold the POU in compliance with statute.

SECTION A: ENFORCEMENT PROGRAM

1. Goals & Target Quantities of Renewable Energy

IID will increase procurement of electricity from eligible renewable resources towards a portfolio level of 33% by 2020 measured by the amount of energy required for retail sales of electricity. Consistent with § 399.30(b), energy from eligible/qualified renewable sources will be procured to meet the following targets in the indicated compliance periods:

- **Compliance Period 1 (CP1)** – Between January 1, 2011 and December 31, 2013 the quantity of renewable energy procured shall average at least 20% of retail sales.
- **Compliance Period 2 (CP2)** – Between January 1, 2014 and December 31, 2016 the annual quantity of renewable energy procured shall be 25% of retail sales by December 31, 2016 and reasonable progress in the intervening years 2014 and 2015 will be made.
- **Compliance Period 3 (CP3)** – Between January 1, 2017 and December 31, 2020 the annual quantity of renewable energy procured shall be 33% of retail sales by December 31, 2020 and reasonable progress in the intervening years 2017 through 2019.

IID interprets reasonable progress as proactive steps in achieving and maintaining the RPS percentage targets required under SBX1 2 on an annual basis through IID's Resource Procurement Plan. The board will be responsible for enforcing the RPS Policy.

2. Meeting the Targets

The IID is a Balancing Authority (BA) within the Western Electric Coordinating Council (WECC) and currently procures resources to meet 115 percent of IID's forecasted peak demand requirement. IID is currently fully resourced during the majority of the year. SBX1 2 will cause IID to procure additional resources so that IID will be resourced beyond its balancing authority reserve requirements during certain months, requiring IID to back down some existing resources to sell excess generation through the wholesale electricity market.

A least cost, best fit procurement process will be used that takes into account availability of resources, financial feasibility, transmission availability and all other relevant considerations to meet SBX1 2 targets.

3. Cost for Implementation of SBX1 2

Consistent with § 399.30(d), the addition of renewable energy resources should not require a disproportionate increase of retail electricity rates above the rates approved by the board. Possible cost efforts and limitations will be placed upon expenditures by the board for the procurement of renewable energy resources, such as:

- i. Consideration of competitiveness of rates (by comparing to other utilities) as well as the impact of a rate increase on IID's customers will be given. Procurement costs for renewable energy shall not cause excessive rate increases in annual rates between 2012-2020.
- ii. IID's rate stabilization fund will be utilized as a cost recovering mechanism as indicated in IID's Resolution No. 40-2011. Amounts deposited in the rate stabilization fund shall be treated as restricted funds to offset rate increases attributable to renewable energy requirements in fiscal year 2013 and beyond.
- iii. Any over collection of the IID's energy cost adjustment may be used to offset rate increases attributable to renewable energy requirements in fiscal year 2013 and beyond.
- iv. IID's and Southern California Public Power Authority's request for proposal process will be followed to obtain, procure and secure the most competitive renewable energy resources.
- v. Costs for procurement of in-state renewable energy resources shall not be excessive in comparison to the costs of comparable renewable energy resources located outside California. Determination of what constitutes excessive costs for in-state renewable energy resources will initially be made on a case-by-case basis.

- vi. IID will continue to strive in offering competitive retail rates to its customers while implementing SBX1 2 renewable targets.

4. Grandfathered Resource Prior to June 1, 2010

IID has existing renewable resources and has entered into contracts prior to June 1, 2010. These resources and existing contracts will be considered as being in compliance with SBX1 2 and counted towards SBX1 2 compliance consistent with § 399.30.16(d) for the duration of their terms. The following is a list of resources and contracts:

Project	Technology	Origin	Date Signed	Term	SBX1 2 Category
IID's Hydroelectric	Small Hydro	CA	Various years between 1941 through 1984	Life of Facility	Grandfathered – Category 1
Pilot Knob	Small Hydro	CA	Confirmed Annually	Confirmed Annually	Grandfathered – Category 1

5. Renewable Resource Categories and RPS requirements

SBX1 2 is the first state law that mandates specific RPS compliance by POUs. SBX1 2 amends PUC Section 399 to include the following requirements:

Categories (Buckets) of Resources per SBX1 2

Categories (Buckets)	Definition	CP 1 2011- 2013	CP 2 2014-2016	CP 3 2017-2020
1	Energy or Renewable Energy Credits (RECs) from eligible resources that: Have the first point of interconnection with a California (CA) balancing authority or with distribution facilities used to serve end users within a CA balancing authority area; or Are scheduled into a CA balancing authority without substituting electricity from another source. If another source provides real-time ancillary services to maintain an hourly imported schedule into CA, only the fraction of the schedule actually generated by the renewable resource will count; or Have an agreement to dynamically transfer electricity to a CA balancing authority.	Minimum 50% of RPS	Minimum 65% of RPS	Minimum 75% of RPS
2	Firmed and shaped energy or RECs from eligible resources providing incremental electricity and scheduled into a CA balancing authority.	Maximum 50% of RPS	Maximum 35% of RPS	Maximum 25% of RPS
3	Energy or RECs from eligible resources that do not meet the requirements of category 1 or 2, including unbundled RECs.	Maximum 25% of RPS	Maximum 15% of RPS	Maximum 10% of RPS
Total	Minimum total renewable energy as a percentage of retail sales (RPS).	20% on average	25%	33%

6. Reporting Requirements

Consistent with SBX1 2, IID will provide the CEC with documentation and reports, as required in § 399.30(g) and § 399.30(l). Much of the reporting requirement information is already submitted to the CEC through their various reporting requirements.

7. Banking Excess Procurement

Pursuant to PUC Section 399.130(a) (4) (B), excess procurement of eligible renewable resources in one compliance period may be applied to any subsequent compliance period. This will be further clarified once rules and regulations are made more precise.

8. Enforcement

The general manager of IID shall have the duty and responsibility of executing the RPS Program outlined above and insuring that it is done in full compliance with SBX1 2 and any applicable regulations issued hereunder. The general manager will inform the board at a public meeting in the event that IID will not meet the procurement requirements set out above. The general manager shall develop and present a plan to bring IID into compliance.

Beginning in January 2013, the general manager will provide an annual update on the progress made during the preceding calendar year towards meeting the procurement goals specified in the Procurement Plan for the board's consideration.

9. Waiver for Noncompliance

IID intends to comply with the mandates of SBX1 2 and demonstrate reasonable progress towards achieving the SBX1 2 RPS targets, on an annual basis through the IID Resource Procurement Plan. The legislation authorizes the IID to waive IID's compliance requirements, consistent with § 399.15(b) (5), if IID can demonstrate any of the following conditions are beyond its control and will prevent compliance. The conditions for waiver or delaying compliance include, but are not limited to, the following:

- Inadequate transmission capacity due to transmission limitation caused from outages
- Permitting, interconnection or other circumstances that delay procured renewable energy resource projects or insufficient supply of eligible renewable energy resources
- Unanticipated curtailment to address reliability needs of IID's balancing authority

SECTION B: PROCUREMENT PLAN

The following identifies the resources and quantities of renewable energy that IID expects to receive during the year of Compliance Period 1. It begins with grandfathered resources and then lists the additional resources which have been procured:

- i. **Hydroelectric**: IID owns a number of hydroelectric facilities on its canal system, including Drops 1, 2, 3, 4, 5, Pilot Knob, Turnip, Double Weir and the East

Highline plants. These plants are operated on a “run of the river” and are dependent upon irrigation water flow. It is anticipated that IID will receive approximately 274,714 MW of renewable energy on an annual basis.

- ii. **Yuma County Water Users’ Association (WAPA-DSR)**: IID has entered into a five year agreement to receive the entire scheduled hourly output of Yuma County Water Users’ Association’s Siphon Drop and Pilot Knob resource. It is estimated that IID will receive approximately 3,581 MW annually.

The following identifies the additional resources that were approved after June 1, 2010. SBX1 2 specifies that all contracts approved on or after June 1, 2010 will have portfolio content category criteria applied. IID has the following additional RPS eligible contacts as summarized below:

Project	Technology	Origin	Date Signed	Term (Years)	SBX1 2 Category
IVSC LLC 1 (Sun Peak 1)	Solar	CA	08/24/2010	30	Category 1
ISI LLC (Ormat)	Solar	CA	11/15/2011	20	Category 1
SOI LLC 1 (Sol Orchard)	Solar	CA	11/22/2011	25	Category 1
IVSC LLC 2 (Sun Peak 2)	Solar	CA	12/20/2011	30	Category 1
Element Markets	Landfill Gas	TX and GA	12/20/2011	10	Category 1
Salt River Project	Geothermal	CA	02/2012	2 with a 1 year extension option	Category 1
Desert View Power, Inc.	Woody Biomass	CA	04/18/2012	10 with an option to extend 10	Category 1
Salt River Project	Geothermal	CA	Summer 2012	2 (seasonal)	Category 1

The following is a brief summary of the additional resourced procured listed in the table above:

- i. **Imperial Valley Solar Company LLC 1**: IID’s board approved on August 24, 2010 a power purchase agreement with IVSC LLC 1 for 20 MW of solar energy generation. IID started taking delivery of energy in May 2012.
- ii. **Imperial Valley Solar Company LLC 2**: IID’s board approved in December 2011 a power purchase agreement with IVSC LLC 2 for 20 MW of solar energy generation. Commercial Operation Date (COD) is anticipated to be in mid-year 2014.
- iii. **Sol Orchard Imperial I, LLC**: IID board approved in November 2011 a power purchase agreement with SOI LLC I, for 20 MW of solar energy generation. COD is anticipated to be late 2013.

- iv. **Imperial Solar I, LLC:** IID board approved in December 2011 a power purchase agreement with ISI, LLC for 10 MW of solar energy generation. COD is anticipated late 2013.
- v. **Element Markets Renewable Energy, LLC:** IID has entered into a 10 year contract to purchase 1,500 MMBTUs per day of biogas contingent upon the certification of El Centro #3 generating unit. COD is anticipated to be during the first part of 2013.
- vi. **Salt River Project:** IID has entered into a two year contract with an option to extend one year for the purchase of 10 MW of geothermal energy from the Hudson Ranch generation facility. IID started taking delivery of energy the early part of 2012.
- vii. **Desert View Power, Inc:** IID has entered into a 10 year contract with an option to extend ten years for the purchase of 45 MW of biomass energy from the Desert View woody biomass electrical generation facility. IID started taking delivery of energy in May 2012.
- viii. **Salt River Project:** IID has entered into a two year seasonal contract for the purchase of up to 45 MW of geothermal energy from the Hudson Ranch generation facility. IID started taking delivery of energy in May 2012.

Use of Renewable Energy Credits

The primary method of renewable energy resource procurement will be through the development and acquisition of physical generation assets and energy purchase contracts where the "Renewable Energy Credit" (REC) is "bundled" with the associated energy. PUC Section 399.12 (h) provides the REC definition.

In order for RPS compliance targets to be mandated effectively, IID may buy, sell, or trade RECs without associated energy (unbundled). This procurement approach will be limited by the percentage requirements established by PUC Section 399.16 (b) (3).