

Gridley Electric Utility
Renewable Energy Resources Procurement Plan
Per Senate Bill 1x 2
Adopted October 21, 2013

INTRODUCTION

This document presents the Renewable Energy Resources Procurement Plan of the City of Gridley (Gridley), as required for compliance with Senate Bill (SB) 1X 2. This legislation, which was enacted in the 2011-2012 First Extraordinary Session of the Legislature, modifies the state's renewable portfolio standard (RPS) program and sets forth new RPS requirements applicable to publicly owned utilities (POUs). Gridley, as a POU, is covered under the new legislation. Pursuant to Public Utilities Code § 399.30(a), each POU must adopt and implement a renewable energy resources procurement plan (referred to herein as the "RPS Procurement Plan"). In addition to the development of an RPS Procurement Plan, SB 1X 2 requires POUs to adopt and implement a separate program for the enforcement of the RPS Procurement Plan by January 1, 2012.¹ Gridley's enforcement program is not addressed in this document, but rather, in a separate report.

Gridley's RPS Procurement Plan, as reflected in Sections 1-13 below consists of: (1) plan elements that are directly mandated by the legislation; (2) measures that address each of the optional provisions set forth in §399.30(d) and section 3206 of the RPS Regulation; and (3) RPS reporting provisions. Where appropriate, this RPS Procurement Plan includes section citations to the Public Utilities Code (PUC) sections 399.11, et seq, as last revised in 2012.

1. Purpose (§ 399.30(a))

In order to fulfill unmet long-term generation resource needs, Gridley adopts and implements this RPS Procurement Plan that requires the utility to procure a minimum quantity of electricity products from eligible renewable energy resources, including renewable energy credits, as a specified percentage of Gridley's total kilowatt hours sold to its retail end-use customers, each compliance period, to achieve the targets specified in SB 1X 2.

2. Compliance Periods (§ 399.30(b))

- A. Compliance Period 1: January 1, 2011, to December 31, 2013, inclusive.
- B. Compliance Period 2: January 1, 2014, to December 31, 2016, inclusive.
- C. Compliance Period 3: January 1, 2017, to December 31, 2020, inclusive.
- D. Annual Compliance Periods: Annually after 2020.

¹ Pursuant to § 399.30(e), POUs must adopt a "program for enforcement" of the RPS Procurement Plan on or before January 1, 2012, at a publicly noticed meeting with not less than 30 days prior notice given to the public.

3. Procurement Targets of Renewable Energy Resources for Each Compliance Period (§§ 399.30(c)(1) and (2))

- A. During Compliance Period 1, January 1, 2011 to December 31, 2013, Gridley shall procure renewable energy resources equivalent to an average of at least twenty percent (20%) of retail sales, applying the following formula:

$$\frac{EP_{2011} + EP_{2012} + EP_{2013}}{RS_{2011} + RS_{2012} + RS_{2013}} > .20$$

Where:

RS_x = total retail sales made by POU for the specified year x

EP_x = electricity products retired for the specified year x; this may include excess procurement and historic carryover that the POU has chosen to apply to the compliance period containing year x

- B. By the end of Compliance Period 2, December 31, 2016, Gridley shall procure renewable energy resources equivalent to at least twenty-five percent (25%) of retail sales, applying the following formula:

$$EP_{2014} + EP_{2015} + EP_{2016} > 0.20(RS_{2014}) + 0.20(RS_{2015}) + 0.25(RS_{2016})$$

- C. By the end of Compliance Period 3, December 31, 2020, Gridley shall procure renewable energy resources equivalent to at least thirty-three percent (33%) of retail sales. During the intervening years of Compliance Period 3, Gridley shall increase procurement annually to reflect an imputed 2020 compliance obligation expressed as:

$$\frac{(EP_{2017} + EP_{2018} + EP_{2019} + EP_{2020})}{> (0.27(RS_{2017}) + (0.29(RS_{2018}) + 0.31(RS_{2019}) + 0.33(RS_{2020}))$$

- D. Commencing on December 31, 2021, and annually thereafter, Gridley shall procure renewable energy resources equivalent to at least thirty-three percent (33%) of retail sales.

The procurement targets listed above are minimum requirements. The City Council may determine that a higher percentage of renewable energy resources is appropriate in any given compliance period.

The method used to determine the actual renewable energy resource percentage achieved for a given calendar year shall be to: (i) sum the total metered generation from each of Gridley's eligible renewable resources and qualifying purchases in Megawatt hours (MWh) during the preceding calendar year, (ii) subtract sales, if any, of eligible

renewable resources during the same time period, and (iii) divide the result by the total energy sold to Gridley's retail end-use customers (in MWh) in the same time period.

4. Reasonable Progress Towards Meeting Compliance Period Targets During Intervening Years (§§ 399.30(c)(1) and (2))

- A. By December 31, 2014, Gridley shall demonstrate that it is making reasonable progress towards ensuring that it shall meet the twenty-five percent (25%) RPS target by 2016.
- B. By December 31, 2015, Gridley shall demonstrate that it is making reasonable progress towards ensuring that it shall meet the twenty-five percent (25%) RPS target by 2016.
- C. By December 31, 2017, Gridley shall demonstrate that it is making reasonable progress towards ensuring that it shall meet the thirty-three percent (33%) RPS target by 2020.
- D. By December 31, 2018, Gridley shall demonstrate that it is making reasonable progress towards ensuring that it shall meet the thirty-three percent (33%) RPS target by 2020.
- E. By December 31, 2019, Gridley shall demonstrate that it is making reasonable progress towards ensuring that it shall meet the thirty-three percent (33%) RPS target by 2020.

5. Procurement Requirements – Definitions for Content Categories (§399.30(c)(3))

Gridley's RPS Procurement Plan shall consist of procurement Content Categories that meet the criteria for the following eligible renewable energy resource electricity products:

- A. Content Category 1 (consistent with § 399.16(b)(1)): Resources in this category shall either:
 - (A) Have a first point of interconnection with a California balancing authority, have a first point of interconnection with distribution facilities used to serve end users within a California balancing authority area, or are scheduled from the eligible renewable energy resource into a California balancing authority without substituting electricity from another source. The use of another source to provide real-time ancillary services required to maintain an hourly or sub hourly import schedule into a California balancing authority shall be permitted, but only the fraction of the schedule actually generated by the eligible renewable energy resource shall count toward this portfolio content category.
 - (B) Have an agreement to dynamically transfer electricity to a California balancing authority.

- B. Content Category 2 (consistent with § 399.16(b)(2)): Resources in this category shall include firmed and shaped eligible renewable energy resource electricity products providing incremental electricity and scheduled into a California balancing authority.
- C. Content Category 3 (consistent with § 399.16(b)(3)): Resources in this category shall include eligible renewable energy resource electricity products, or any fraction of the electricity generated, including unbundled renewable energy credits, that do not qualify under the criteria of Content Category 1 or Content Category 2.
- D. Grandfathered Resources (§ 399.16(d)): Any contract or ownership agreement originally executed prior to June 1, 2010, shall count in full towards the procurement requirements, if all of the following conditions are met:
 - (1) The renewable energy resource was eligible under the rules in place as of the date when the contract was executed.
 - (2) Any contract amendments or modifications occurring after June 1, 2010, do not increase the nameplate capacity or expected quantities of annual generation, or substitute a different renewable energy resource.
 - (3) The duration of the contract may be extended if the original contract specified a procurement commitment of fifteen (15) or more years.
 - (4) “Eligible renewable energy resource” means an electrical generating facility that meets the definition of a “renewable electrical generation facility” in Section 25741 of the Public Resources Code, subject to the following: . . . (C) A facility approved by the governing board of a local publicly owned electric utility prior to June 1, 2010, for procurement to satisfy renewable energy procurement obligations adopted pursuant to former Section 387, shall be certified as an eligible renewable energy resource by the Energy Commission pursuant to this article, if the facility is a “renewable electrical generation facility” as defined in Section 25741 of the Public Resources Code. (§ 399.12(e)(1)(C)).

Resources procured prior to June 1, 2010 shall be counted for RPS compliance without regard to the limitations on the use of each portfolio Content Category as described in Section 6.

6. Portfolio Balancing Requirements – Quantity for Content Categories (§ 399.30(c)(3), 399.16(c)(1) and (2))

- A. Compliance Period 1 Procurement Requirements: For Compliance Period 1, Gridley shall procure not less than fifty percent (50%) of the eligible renewable energy resource electricity products associated with contracts executed after June

1, 2010 from Content Category 1, and not more than twenty-five percent (25%) from Content Category 3.

- B. Compliance Period 2 Procurement Requirements: For Compliance Period 2, Gridley shall procure not less than sixty-five percent (65%) of the eligible renewable energy resource electricity products associated with contracts executed after June 1, 2010 from Content Category 1, and not more than fifteen percent (15%) from Content Category 3.
- C. Compliance Period 3 Procurement Requirements: For Compliance Period 3, Gridley shall procure not less than seventy-five percent (75%) of the eligible renewable energy resource electricity products associated with contracts executed after June 1, 2010 from Content Category 1, and not more than ten percent (10%) from Content Category 3.
- D. Annual Procurement Requirements After 2020: Beginning in calendar year 2021 and annually thereafter, Gridley shall procure not less than seventy-five percent (75%) of the eligible renewable energy resource electricity products associated with contracts executed after June 1, 2010 from Content Category 1, and not more than ten percent (10%) from Content Category 3.

7. Excess Procurement (§ 399.30(d)(1), §399.13(a)(4)(B))

Gridley shall be allowed to apply excess procurement (Excess Procurement) from one compliance period to subsequent compliance periods as long as the following conditions are met:

- A. Gridley may accumulate, beginning on January 1, 2011, Excess Procurement from one Compliance Period to be applied in any subsequent Compliance Period.
- B. In calculating the quantity of Excess Procurement, Gridley shall deduct from actual procurement quantities, the total amount of procurement associated with contracts of less than ten (10) years in duration.
- C. Eligible resources must be from Content Category 1 or Content Category 2 or Grandfathered Resources to be Excess Procurement.
- D. Resources from Content Category 3 shall not be counted as excess procurement.

8. Waiver of Timely Compliance (§ 399.30(d)(2), § 399.15(b)(5))

- A. Waiver of Timely Compliance: Enforcement of timely compliance shall be waived if Gridley demonstrates that any of the following conditions are beyond Gridley's control, and will prevent timely compliance:
1. *Inadequate Transmission* (§ 399.15(b)(5)(A)): There is inadequate transmission capacity to allow for sufficient electricity to be delivered from Gridley's proposed eligible renewable energy resource projects using the current operational protocols of Gridley's Balancing Authority, the California Independent System Operator (CAISO). In making its findings relative to the existence of this condition, Gridley's deliberations shall include, but not be limited to the following:
 - (i) Whether Gridley has undertaken, in a timely fashion, 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 determining the reasonableness of Gridley's actions, Gridley shall consider its expectations for full-cost recovery for these transmission lines and upgrades, and
 - (ii) Whether Gridley has taken all reasonable operational measures to maximize cost-effective deliveries of electricity from eligible renewable energy resources in advance of transmission availability.
 2. *Permitting, interconnection, or other factors that delayed procurement or insufficient supply* (399.15(b)(5)(B)). In making its findings relative to the existence of this condition, Gridley's deliberations shall include, but not be limited to the following:
 - (i) Whether Gridley prudently managed portfolio risks, including relying on a sufficient number of viable projects;
 - (ii) Whether Gridley sought to develop one of the following: its own eligible renewable energy resources, transmission to interconnect to eligible renewable energy resources, or energy storage used to integrate eligible renewable energy resources.
 - (iii) Whether Gridley procured an appropriate minimum margin of procurement above the minimum procurement level necessary to comply with the renewables portfolio standard to compensate for foreseeable delays or insufficient supply;
 - (iv) Whether Gridley has taken reasonable measures, under its control to procure cost-effective distributed generation and allowable unbundled renewable energy credits;

- (v) Whether actions or events beyond the control of Gridley have adversely impacted timely deliveries of renewable energy resources including, but not limited to, acts of nature, terrorism, war, labor difficulty, civil disturbance, or market manipulation.

3. *Unanticipated curtailment to address needs of the balancing authority* (§ 399.15(b)(5)(C)).

B. Procedures Upon Approving Waiver: In the event of a Waiver of Timely Compliance due to any of the factors set forth above, Gridley shall implement the following procedures:

- 1. Establish additional reporting for intervening years to demonstrate that reasonable actions under the Gridley's control are being taken (§399.15(b)(6)).
- 2. Require a demonstration that all reasonable actions within Gridley's control have been taken to ensure compliance in order to grant the waiver (§ 399.15(b)(7)).

C. Prior Deficits: In no event shall deficits from prior compliance periods be added to future compliance periods (§ 399.15(b)(9)).

9. **Portfolio Balance Requirement Reduction Section 3206(a)(4)**

Gridley may reduce the portfolio balance requirement for PCC1 for a specific compliance period, consistent with PUC §399.16 (e) and the following:

- a. The need to reduce the portfolio balance requirements for PCC 1 must have resulted because of conditions beyond Gridley's control, as provided in the CEC's RPS Regulations.
- b. Gridley may not reduce its portfolio balance requirement for PCC 1 below 65 percent for any compliance period after December 31, 2016.
- c. Gridley must comply with the requirements of section 3206 (a)(4) of the CEC's RPS Regulations should it proceed with this option.
- d. Gridley must receive Council approval at a publicly noticed meeting to reduce its portfolio balance requirement.

10. **Cost Limitations for Expenditures** (§ 399.30(d)(3), § 399.15(c))

Gridley, at its sole discretion, may elect to establish cost limitations for all eligible renewable energy resources used to comply with the renewables portfolio standard. Any such cost limitations will be developed consistent with §399.15(c).

- A. In adopting these rules, Gridley shall rely on this procurement plan, as well as: 1) procurement expenditures that approximate the expected cost of building, owning, and operating eligible renewable energy resources, and 2) the potential that some planned resource additions may be delayed or canceled.
- B. In addition to section §399.15(c), Gridley may take into account local and regional economic conditions and the ability of Gridley's customers to afford produced or procured energy products. These economic conditions may include but are not limited to unemployment, wages, cost of living expenses, the housing market, and cost burden of other utility rates on the same customers. Gridley may also consider cost disparities between customers classes within Gridley, and between Gridley customers and other POU and IOU customers in the region.
- C. Gridley shall review the need for cost limitations as part of the annual review process described in Section 12.

11. Historic Carryover

- A. Gridley, at its sole discretion, may elect to adopt rules that allow for procurement generated before January 1, 2011 that meets the criteria of Section 3202 (a)(2), that is in excess of the sum of the 2004-2010 annual procurement targets defined in Section 3206(a)(5)(D) and that was not applied to the RPS of another state or to a voluntary claim, to be applied to the POU's RPS procurement target for the compliance period ending December 31, 2013, or for any subsequent compliance period.
- B. Both the historic carryover and the procurement applied to the POU's annual procurement target must be from eligible renewable resources that were RPS-eligible under the rules in place at the time of execution of ownership agreement.
 - a. Historic carryover must be procured pursuant to a contract or ownership agreement executed before June 1, 2010.
- C. Historic carryover will be calculated based on the following:
 - a. A baseline of an amount equal to 2001 procurement divided by 2001 retail sales, multiplied by 2003 total retail sales, plus one percent of 2001 retail sales.
 - b. Annual procurement targets for 2004-2010 that are equal to the lesser of 20 percent of the previous year's retail sales or 1 percent of the previous year's retail sales greater than the annual procurement target for the previous year.
- D. All applicable historic procurement claims for January 1, 2004 – December 31, 2010, baseline calculations, annual procurement target calculations, and any other pertinent data must be submitted to the California Energy Commission by January 1, 2014.

10. Exclusive Control (§399.30(k)): In all matters regarding compliance with the RPS Procurement Plan, Gridley shall retain exclusive control and discretion over the following:

- A. The mix of eligible renewable energy resources procured by Gridley and those additional generation resources procured by Gridley for purposes of ensuring resource adequacy and reliability.
- B. The reasonable costs incurred by Gridley for eligible renewable energy resources owned by it.

11. Reporting (§ 399.30(f), 399.30(g) and 399.30(l))

A. Deliberations on Procurement Plan (§399.30(f)):

- 1. *Public Notice:* Annually, Gridley shall post notice of meetings if the Council will deliberate in public regarding this RPS Procurement Plan.
- 2. *Notice to the California Energy Commission (CEC):* Contemporaneous with the posting of a notice for such a meeting, Gridley shall notify the CEC of the date, time and location of the meeting in order to enable the CEC to post the information on its Internet website.
- 3. *Documents and Materials Related to Procurement Status and Plans:* When Gridley provides information to the Council related to its renewable energy resources procurement status and future plans, for the Board's consideration at a noticed public meeting, Gridley shall make that information available to the public and shall provide the CEC with an electronic copy of the documents for posting on the CEC's Internet website.

B. Compliance Reporting (per Section 3207 of the CEC RPS Regulations):

- 1. Annual Reports – by October 31, 2013 for 2011 and 2012 data and by July 1 for each year thereafter.

Gridley shall submit an annual report to the CEC that includes the information in paragraphs (1) - (4) below for the prior calendar year. The report submitted in 2013 shall include information required by paragraphs (1)-(4) below for both the 2011 and 2012 calendar years. The format for the annual report shall be specified by the CEC, but the information contained in the annual report may be combined with other existing reports that contain the same information and are also supplied to the CEC. If the annual report refers to information provided to the CEC through existing reports, the annual report shall reference the information by identifying the name, submittal date, and page number of the existing report. Included in the report will be the following:

- (1) Identifying information, including:

(A) POU name, contact name, mailing address, phone number, and e-mail address.

(B) Year Gridley's electric utility was established.

(C) Number of end-use retail customer accounts in California.

(2) RPS annual progress information for the prior calendar year, including:

(A) Amount of total retail sales to end-use customers, in MWh, and projected retail sales for the current compliance period.

(B) Amount of procured electricity products retired, in MWh.

(C) WREGIS compliance report for procurement claims in the prior calendar year. For any procurement claims not tracked through WREGIS as permitted by the RPS Guidelines, Gridley shall report procurement claims using the interim tracking system established by the Commission prior to the implementation of WREGIS.

(D) An initial, nonbinding classification of retired electricity products qualifying for each portfolio content category or qualifying to count in full in accordance with section 3202 (a)(2).

(E) A description of each of the eligible renewable energy resources with which Gridley has executed contracts or ownership agreements during the prior year, including but not limited to the contracted amount of MWh, the contracted amount of MWh as a percentage of retail sales, resource fuel type, the execution date of the procurement contract or ownership agreement, the duration of the procurement contract or ownership agreement, a summary of the procurement contract or ownership agreement, the operational status of the resource, the date the resource came on-line, the date the resource came on-line using a renewable fuel or technology, if different, the date on which procurement of electricity products begins, if different, RPS certification status, the county, state, and country in which the resource is located, and a summary of the resource names and identification numbers.

(F) Documentation demonstrating the portfolio content category classification claimed for procured electricity products. This documentation may include interconnection agreements, NERC e-Tag data, scheduling agreements, firming and shaping agreements, and electricity product contract information.

(G) An explanation of any public goods funds collected for eligible renewable energy resource development, including a description of programs, expenditures, and expected or actual results.

(H) A description of any identified issues that occurred that have the potential to delay timely compliance with the RPS procurement requirements defined in section 3204, and planned actions to minimize the delay of timely compliance. Such issues may include, but are not limited to, inadequate transmission to allow for procurement to be delivered from eligible renewable energy resources,

permitting, interconnection, or other circumstances that have delayed the procurement from eligible renewable energy resources, unanticipated curtailment of a contracted or owned eligible renewable energy resource, and higher-than-expected costs for the procurement or development of eligible renewable energy resources.

(I) An attestation, signed by an authorized agent, affirming that the information provided in the report is true and correct.

(3) Actions taken by Gridley demonstrating reasonable progress toward meeting its RPS procurement requirements. The information reported shall include, but not be limited to, a discussion of the following actions taken by Gridley during the prior calendar year:

(A) Solicitations released to solicit bid for contracts to procure electricity products from eligible renewable energy resources to satisfy Gridley's RPS procurement requirements.

(B) Solicitations released to solicit bid for ownership agreements for eligible renewable energy resources to satisfy the Gridley's RPS procurement requirements.

(C) Actions taken to develop eligible renewable energy resources to satisfy Gridley's RPS procurement requirements, including initiating environmental studies, completing environmental studies, acquiring interests in land for facility siting or transmission, filing applications for facility or transmission siting permits, and receiving approval for facility or transmission siting permits.

(D) Interconnection requests filed for eligible renewable energy resources to satisfy Gridley's RPS procurement requirements.

(E) Interconnection agreements negotiated and executed for eligible renewable energy resources to satisfy Gridley's RPS procurement requirements.

(F) Transmission-related agreements negotiated and executed to transmit electricity products procured from eligible renewable energy resources to satisfy Gridley's RPS procurement requirements.

(G) Other planning activities to procure electricity products from eligible renewable energy resources.

(4) Gridley shall include a description of all actions planned in the current calendar year to demonstrate progress towards achieving its RPS procurement requirements.

2. Compliance Period Reports – by July 1 of 2014, 2017, 2021, and annually thereafter. (Section 3207(d) of the CEC RPS Regulations)

By July 1, 2014; July 1, 2017; July 1, 2021; and by July 1 of each year thereafter, Gridley shall submit to the CEC a compliance report that addresses the reporting requirements

of the previous section and the following information for the preceding compliance period

- (1) Classification per RPS-certified facility of the amount of procurement qualifying for each portfolio content category and procurement that shall count in full.
- (2) Gridley's RPS procurement target for the compliance period, in MWh.
- (3) The amount of excess procurement, in MWh, from previous compliance periods, if any, and historic carryover, if any, that Gridley is applying to the compliance period.
- (4) The amount of procurement retired, in MWh, that Gridley wishes to claim toward the RPS procurement target for calculating the portfolio balance requirements.
- (5) The amount of excess procurement, in MWh, for the compliance period, if any, that may be applied toward future compliance periods.
- (6) If the compliance report indicates that Gridley's RPS procurement requirements were not met, Gridley's shall provide documentation to justify the application of any optional compliance measures adopted in accordance with this plan. The documentation shall include all reports, analyses, proposed findings, and any other information upon which Gridley's relied in applying the measure. Gridley shall also submit an updated enforcement program and/or procurement plan that includes a schedule identifying potential sources of electricity products currently available or anticipated to be available in the future for meeting the shortfall.

(A) If Gridley applies adopted cost limitation measures, it shall report that cost limitation to the CEC in dollars spent during the compliance period. Gridley shall also provide the CEC with an estimate of the total cost to procure sufficient electricity products to meet its RPS procurement requirements for the preceding compliance period. A report on actions taken in response to RPS procurement expenditures meeting or exceeding the cost limitation shall also be provided.

12. Program Review

Gridley's RPS Procurement Plan shall be reviewed by the Council in accordance with Gridley's "Renewable Portfolio Standard Enforcement Program."

13. Plan Modifications/Amendments

This RPS Procurement Plan may be modified or amended by an affirmative vote of the Council during a public meeting. Any Board action to modify or amend the plan must be publicly noticed in accordance with Section 12.