

**CITY OF PALO ALTO ELECTRIC UTILITY'S
RENEWABLE ENERGY RESOURCES PROCUREMENT PLAN
Per SENATE BILL X1 2**

INTRODUCTION:

This document presents City of Palo Alto Utilities' (CPAU) Renewable Energy Resources Procurement Plan, as required for compliance with Senate Bill (SB) X1 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. CPAU, as a publicly owned utility, is covered under the new legislation. Pursuant to Public Utility Code § 399.30(a) each publicly owned utility must adopt and implement a renewable energy resources procurement plan (RPS Procurement Plan). In addition to the development of an RPS Procurement Plan, SBX1 2 requires publicly owned utilities to adopt and implement a separate program for the enforcement of the RPS Procurement Plan by January 1, 2012.¹ City of Palo Alto's enforcement program is not addressed in this document, but rather, in a separate report.

CPAU'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 (3) RPS reporting provisions. Where appropriate, this RPS Procurement Plan includes section citations to the legislation.

1. Purpose (§ 399.30(a))

In order to fulfill unmet long-term generation resource needs, CPAU shall adopt and implement 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 CPAU's total kilowatt hours sold to its retail end-use customers, each compliance period, to achieve the targets specified in SBX1 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, 2011, CPAU shall procure renewable energy resources equivalent to an average of at least twenty percent (20%) of retail sales.
- B. By the end of Compliance Period 2, December 31, 2016, CPAU shall procure renewable energy resources equivalent to at least twenty-five percent (25%) of retail sales.
- C. By the end of Compliance Period 3, December 31, 2020, CPAU shall procure renewable energy resources equivalent to at least thirty-three percent (33%) of retail sales.
- D. Commencing on December 31, 2021, and annually thereafter, CPAU shall procure renewable energy resources equivalent to at least thirty-three percent (33%) of retail sales.

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

- A. By December 31, 2014, CPAU 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, CPAU 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, CPAU 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, CPAU 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, CPAU 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))

CPAU'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 subhourly 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 firm 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. Procurement 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, CPAU 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, CPAU 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, CPAU 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, CPAU 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))

CPAU 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. CPAU 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, CPAU 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.

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 CPAU demonstrates that any of the following conditions are beyond CPAU'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 CPAU's proposed eligible renewable energy resource projects using the current operational protocols of the CAISO Balancing Authority Area. In making its findings relative to the existence of this condition, CPAU's deliberations shall include, but not be limited to the following:

(i) Whether CPAU 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 a CPAU's actions, CPAU shall consider its expectations for full-cost recovery for these transmission lines and upgrades, and

(ii) Whether CPAU 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, Council's deliberations shall include, but not be limited to the following:

(i) Whether CPAU prudently managed portfolio risks, including relying on a sufficient number of viable projects;

(ii) Whether CPAU 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 CPAU 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 CPAU has taken reasonable measures, under its control to procure cost-effective distributed generation and allowable unbundled renewable energy credits;

(v) Whether any of CPAU's existing and operating renewable energy resources suffers a force majeure event that causes the complete or partial destruction of the generator resource or significant damage to the generator resource thus necessitating an extended forced outage.

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, CPAU shall implement the following procedures:

1. Establish additional reporting for intervening years to demonstrate that reasonable actions under the CPAU's control are being taken (§399.15(b)(6)).

2. Require a demonstration that all reasonable actions within the CPAU'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. Cost Limitations for Expenditures (§ 399.30(d)(3), § 399.15(c))

- A. Cost Limitations for Expenditures: City of Palo Alto, 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). City of Palo Alto current RPS policy requires that CPAU pursue a target level of renewable purchases of 33% while “[e]nsuring that the retail rate impact for renewable purchases does not exceed 0.5 ¢/kWh on average”. City of Palo Alto shall review the need for cost limitations as part of the annual review process described in Section 12.

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

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

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

- A. Deliberations on Procurement Plan (§399.30(f)):
 - 1. *Public Notice*: Annually, CPAU shall post notice of meetings if the Council of the City of Palo Alto (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, CPAU 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 CPAU provides information to the Council related to its renewable energy resources procurement status and future plans, for the Council’s consideration at a noticed public meeting, CPAU 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. Annual Report to CEC regarding Contract Execution (§399.30(g))

1. Annually, CPAU shall submit a report to the CEC regarding procurement contracts executed during the prior year.
2. CPAU's annual report to the CEC regarding contract execution shall include all of the following:
 - a. A description of the eligible renewable energy resource, including the duration of the contract or electricity purchase agreement.
 - b. A description and identification of the electrical generating facility providing the eligible renewable energy resource under the contract.
 - c. An estimate of the percentage increase in CPAU's total retail sales of electricity from eligible renewable energy resources that will result from the contract.

C. Report to CEC and Customers (§399.30(l))

1. Annually, CPAU shall provide a report to the CEC and customers regarding renewable resources.
2. CPAU's annual report to the CEC regarding renewable resources shall include all of the following:
 - a. Expenditures of public goods funds collected pursuant to Section 385 for eligible renewable energy resource development, including a description of programs, expenditures, and expected or actual results.
 - b. The resource mix used to serve its customers by energy source.
 - c. CPAU's status in implementing the renewables portfolio standard pursuant to § 399.30(a) and CPAU's progress toward attaining the standard following implementation of the RPS Procurement Plan.

12. Annual Review

CPAU's RPS Procurement Plan shall be reviewed annually by the Council in accordance with CPAU's "RPS 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 Council action to modify or amend the plan must be publicly noticed in accordance with Section 11.

Effective Date: This plan shall be effective on January 1, 2012.

APPROVED AND ADOPTED this _____ day of _____, 2011.