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 <b>REDDING ELECTRIC UTILITY</b>  <b>RPS-001 Renewables Portfolio Standard (RPS) Enforcement Program</b>			
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## 1. Introduction

Senate Bill 2 in the First Extraordinary Session (SBX1-2) was signed by Governor Brown on April 12, 2011.<sup>1</sup> SBX1-2 mandates all electric utilities in California to acquire 33 percent of their annual unmet energy needs from renewable resources by 2020, and requires each publicly-owned utility (POU) to adopt a program for enforcement of the statute by January 1, 2012.<sup>2</sup> SBX1-2 authorized the California Energy Commission (CEC) to develop procedures for enforcement of the renewables portfolio standard (RPS) for POUs. As part of that enforcement authority, the CEC adopted Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly-Owned Electric Utilities (RPS Enforcement Regulations).<sup>3</sup>

SBX1-2 required the governing board of a POU to adopt a program for enforcement of the legislation prior to January 1, 2012. SBX1-2 also provides for the governing board of a POU to adopt optional compliance mechanisms to increase the POU's flexibility in complying with the RPS program. The City of Redding's (Redding) Enforcement Program herein includes Redding's Enforcement Policy and the optional compliance mechanisms that Redding may utilize to comply with SBX1-2.

SBX1-2 further requires each POU to adopt an RPS Procurement Plan detailing how the POU will achieve its RPS procurement requirements for each compliance period. Redding has developed an RPS Procurement Plan as part of its RPS Policies and Procedures to comply with this requirement.

In all matters regarding compliance with the RPS program, including the Enforcement Program, Redding shall retain exclusive control and discretion over the following:

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

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<sup>1</sup> SBX1-2 (Simitian, Stats. 2011, ch. 1) was signed by California's Governor on April 12, 2011, and made significant revisions to Public Utilities Code sections 399.11-399.32, the California Renewables Portfolio Standard Program. Various provisions of sections 399.11, *et seq.*, were subsequently amended by statute.

<sup>2</sup> Public Utilities Code section 399.30(e).

<sup>3</sup> The RPS Enforcement Regulations, adopted on June, 12, 2013, in Order No. 13-0612-5, are effective October 1, 2013.

## 2. Enforcement Program

### 2.1 Enforcement Policy

In compliance with the requirement for the governing board of a POU to adopt a program for enforcement of the legislation prior to January 1, 2012, the Redding City Council passed Resolution 2011-197 "Resolution of the City Council of the City of Redding to Revise the Renewable Portfolio Standard for the City of Redding's Electric System" on December 20, 2011. Resolution 2011-197 adopted the following RPS targets:

- A. An average of 20 percent in 2011 through 2013;
- B. 25 percent by 2016; and
- C. 33 percent by 2020 and thereafter.

Resolution 2011-197 also adopted the following Enforcement Policies:

- A. Redding will make a reasonable effort in the context of Good Utility Practice to be in compliance with the requirements of SBX1-2.
- B. Redding will report annually to the City Council on its status of compliance with SBX1-2.
- C. Redding will notify the City Council of any potential for lack of compliance with the requirements of SBX1-2 that may be considered for a notice of violation and penalty imposition.
- D. Redding will provide an explanation and analysis to the City Council on such potential for lack of compliance with SBX1-2, as well as a plan of corrective action and timeframe for returning the City back into compliance.
- E. At such time the City Council will direct Redding staff on its recommended course of action.

### 2.2 Optional Compliance Measures

In addition to the Enforcement Policies adopted through Resolution 2011-197, Redding adopts the following optional compliance measures, which Redding may utilize in the event that factors beyond the reasonable control of Redding interfere with its ability to meet the procurement requirements set forth in SBX1-2.

**A. Excess Procurement:**

Redding shall be allowed to apply Excess Procurement from one compliance period to subsequent compliance periods using the criteria outlined in Section 3206(a)(1) of the RPS Enforcement Regulations beginning on January 1, 2011, and shall be calculated as set forth in RPS Enforcement Regulations section 3206(a)(1)(D).

**B. Delay of Timely Compliance:**

Enforcement of timely compliance shall be waived if Redding demonstrates that any of the conditions defined in RPS Enforcement Regulations section 3206(a)(2)(A)1-3 are beyond the control of Redding, and Redding would have met its RPS procurement requirements but for the cause of delay.

**C. Cost Limitations for Expenditures:**

Redding establishes a Cost Limitation on the procurement expenditures for all eligible renewable energy resources used to comply with the RPS, consistent with RPS Enforcement Regulations section 3206(a)(3).

The Cost Limitation applied to each RPS procurement expenditure will consider the following:

- (1) During the life of the considered RPS procurement the total RPS resource portfolio expenditures, with the addition of the considered procurement, must be less than 50 percent of REU's calculated baseline energy cost to produce energy using its existing natural gas generation and natural gas contracts. Specifically, the baseline energy cost would be determined annually using a melded heat rate for Redding Power Units 4, 5, and 6, the estimated retail load for REU, and a melded cost per dekatherm for existing hedged gas contracts.
- (2) Incorporating the annual RPS expenditure into Redding's current portfolio must not require rate increases of more than 1.5 percent per year at any time during the life of the considered RPS procurement.
- (3) The per kilowatt hour cost of the considered RPS procurement expenditure must not exceed, nor be projected to exceed, 75 percent of Redding's per kilowatt hour retail residential energy charge.
- (4) When estimating the considered RPS procurement expenditure the following must be included:
  - (i) The costs associated with firming and shaping, and/or storage, as needed for intermittent resources; and

- (ii) The costs associated with delivery.

#### D. Portfolio Balance Requirement Reduction:

Redding shall be allowed to reduce the portfolio balance requirement for Procurement Content Category 1<sup>4</sup> for a specific compliance period if conditions beyond the control of Redding occur that warrant a delay in timely compliance (as adopted under Section 2.2 (B) of the RPS Enforcement Program) as defined in Section 3206(a)(4) of the RPS Enforcement Regulations.

If Redding uses this reduction measure, Redding will update its RPS Procurement Plan with the adjusted information and submit such updated plan to the CEC.

### 3. Review and Updating Requirements

Any revisions or updates to Redding's Enforcement Program will be done in accordance with Section 3205(b) RPS Enforcement Regulations and submitted to the CEC within 30 calendar days of adoption.

### 4. Review and Revision History

Revision Number	Revision Date	Summary of Changes
1	10/15/2013	Original version adopted by City Council Date:10/15/2013

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<sup>4</sup> Procurement Content Category 1 is defined in Section 3203 (a) of the RPS Enforcement Regulations.