



City of Biggs

Agenda Item Staff Report for the Regular City Council Meeting: September 09, 2013

TO: Honorable Mayor and Members of the City Council

FROM: City Administrator

SUBJECT: Purchase Authority for Renewable Energy Certificates.

Council is asked to consider and approve the purchase of REC's (Renewable Energy Certificates) to enable the City of Biggs to attain its state mandated RPS (Renewable Portfolio Standard) goals in calendar years 2013 and 2014.

Background

In 2003 Council adopted a local policy setting standards for purchase of renewable energy, consistent with SB1078 which amended the California Public Utilities Code to require (among other things) that publicly owned utilities (POU) set RPS standards and report compliance annually to their customers. Biggs has done so annually with publication of its "Power Content Label."

Subsequent legislation (SBX1-2, Chapter 1, Statutes of 2011, First Extraordinary Session), known as the California Renewable Energy Resources Act, placed additional requirements on POU's (Publicly Owned Utilities), including a State Mandated renewable energy procurement targets, compliance periods and timelines.

The State RPS Compliance Periods being considered today are Compliance Period 1 (2011-2013), and Compliance Period 2 (2014-2016)

In 2011 the City of Biggs passed resolution 2011-26 which set forth an RPS compliance plan (attached). As allowed in State Statutes, an important consideration in the compliance plan is "cost", as quite factually all costs are passed onto the Rate Payers.

In recent years Biggs has enjoyed the benefit of a large resource base of Western Power (which can not be sold), generally adequate existing resources, and no load growth. Therefore the City of Biggs has not been in a position to acquire additional resources that might have considered procurement of RPS eligible sources.

However, the State did develop the concept of the REC (Renewable Energy Certificate). A REC represents the environmental and renewable attributes of

renewable electricity. A REC can be bought or sold either "bundled" with the underlying energy or "unbundled"

California law (Public Utilities Code §399.12[f]) defines a REC as:

"a certificate of proof, issued through the accounting system established by the Energy Commission... that one unit of electricity was generated and delivered by an eligible renewable energy resource.

'Renewable energy credit' includes all renewable and environmental attributes associated with the production of electricity from the eligible renewable energy resource, except for an emissions reduction credit issued pursuant to Section 40709 of the Health and Safety Code and any credits or payments associated with the reduction of solid waste and treatment benefits created by the utilization of biomass or biogas fuels."

In the Western region of the U.S., RECs are tracked using the Western Renewable Energy Generation Information System (WREGIS). A City of Biggs WREGIS account was established in March 2013 which enables the City to purchase REC's and to properly report the REC transactions.

Number of REC's needed for RPS Compliance:

A detailed analysis was completed by the NCPA Commissioner, NCPA Staff and City Administrator which was triggered by consideration of a purchase of CalPine Geothermal resources beginning in 2015. Aside from the fact that such a purchase would not assist with Compliance Period 1 (2011-2013) the analysis indicates that the City of Biggs could more cost effectively utilize existing resources and purchase REC's to achieve near term RPS goals.

Using a variety of assumptions, the analysis indicates that the following dollar amounts of REC's would be required to achieve RPS goals in each calendar year:

Compliance Period 1			Compliance Period 2		
2011	2012	2013	2014	2015	2016
\$35,798	\$30,564	\$23,483	\$38,451	\$40,206	\$64,310

Funding Source:

As a component of the State's GHG credit market, the City receives a designated number of annual "Freely Allocated" GHG units which it sells into the California GHG market. The proceeds have been and will be credited to City Fund 054. Generally, the proceeds from the sales of GHG units are restricted to uses which further the goals of AB32. We believe that the purchase of REC's is an allowable (if not perfect) use of these revenues.

The past and expected revenues from the sale of GHG units are believed to be just sufficient to support the recommended purchase of REC's to achieve RPS goals in Calendar Years 2013 and 2014.

Further Comment:

Under the recommendation, the City is leaving its 2011 and 2012 RPS performance in place, as lack of load growth, adequate existing resources, and cost considerations did not present reasonable opportunities to achieve State RPS goals at that time. The result is that the City will not have achieved the RPS goal for Compliance Period 1.

The recommendation is to utilize the purchase of REC's to achieve RPS goals in calendar years 2013 and 2014 as the city considers and evaluates other methods of achieving RPS goals in the future, which shall include consideration of the associated costs.

Recommendation:

In pursuit of State Mandated Renewable Portfolio Standard goals, authorize the City Administrator to purchase up to \$30,000 of Renewable Energy Credits for calendar year 2013, to purchase up to \$45,000 of Renewable Energy Credits for calendar year 2014, and to execute any related purchase agreements. The funding source shall be Fund 054 Freely Allocated Greenhouse Gas Credits. And, to modify and increase the expense budget of Fund 054 by \$75,000.

RESOLUTION NO. 2011-26

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BIGGS
ADOPTING A PROGRAM FOR ENFORCEMENT OF THE RENEWABLE
PORTFOLIO STANDARDS PROGRAM**

BE IT RESOLVED BY THE CITY OF BIGGS AS FOLLOWS:

WHEREAS, the State of California has an existing California Renewables Portfolio Standard Program (RPS program), that is intended to increase the amount of electricity generated per year from eligible renewable energy resources,

WHEREAS, on April 12, 2011, the Governor of the State of California signed California Senate Bill 2 of the First Extraordinary Session (SBX1-2, Chapter 1, Statutes of 2011, First Extraordinary Session), known as the *California Renewable Energy Resources Act*;

WHEREAS, SBX1-2 states the intent of the Legislature that the amount of electricity generated per year from eligible renewable energy resources be increased to an amount that equals at least 20% of the total electricity sold to retail customers in California per year by December 31, 2013, and 33% by December 31, 2020.

WHEREAS, pursuant to the provisions of Public Utilities Code section 399.30(a), the City must adopt and implement a renewable energy resources procurement plan to fulfill unmet long-term generation resource needs, that requires the City to procure a minimum quantity of electricity products from eligible renewable energy resources, including renewable energy credits, as a specified percentage of the total kilowatt-hours sold to the City's retail end-use customers each compliance period, to achieve specified procurement targets (hereinafter referred to as the "RPS Procurement Plan");

WHEREAS, the City has adopted and implemented, or will adopt and implement, an RPS Procurement Plan that includes compliance periods (Compliance Periods) pursuant to Public Utilities Code section 399.30(b). Such Compliance Periods shall be January 1, 2011 to December 31, 2013, inclusive (Compliance Period 1), January 1, 2014 to December 31, 2016, inclusive (Compliance Period 2), January 1, 2017 to December 31, 2020, inclusive (Compliance Period 3), and each calendar year annually after 2020;

WHEREAS, the City has adopted and implemented, or will adopt and implement, an RPS Procurement Plan that includes specified procurement targets (Procurement Targets) of renewable energy resources for each Compliance Period pursuant to Public Utilities Code section 399.30(c)(1) and (2). Procurement Targets must average twenty percent of retail sales by December 31, 2013, meet twenty-five percent of retail sales by December 31, 2016, thirty-three percent of retail sales by December 31, 2020, and thirty-three percent of retail sales for all years thereafter;

WHEREAS, the City has adopted and implemented, or will adopt and implement, an RPS Procurement Plan that includes provisions that address a demonstration of reasonable progress in 2014 and 2015 to ensure the twenty five percent RPS procurement requirement by 2016 and reasonable progress in 2017, 2018, and 2019 to ensure the thirty three percent RPS procurement requirement by 2020, pursuant to Public Utilities Code section 399.30(c)(2);

WHEREAS, the City has adopted and implemented, or will adopt and implement an RPS Procurement Plan that includes definitions for three renewable product content categories (Content Categories) pursuant to Public Utilities Code section 399.30(c)(3) and consistent with Public Utilities Code section 399.16;

WHEREAS, the City's RPS Procurement Plan shall include Content Category 1; Content Category 1, shall include resources that 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, including 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, but only the fraction of the schedule actually generated by the eligible renewable energy resource shall count toward this portfolio content category, or have an agreement to dynamically transfer electricity to a California balancing authority consistent with Public Utilities Code section § 399.16(b)(1) (A) and (B);

WHEREAS, the City's RPS Procurement Plan shall include Content Category 2; Content Category 2 shall include firm and shaped eligible renewable energy resource electricity products providing incremental electricity and scheduled into a California balancing authority consistent with Public Utilities Code section 399.16(b)(2);

WHEREAS, the City's RPS Procurement Plan shall include Content Category 3; Content Category 3 shall include all other resources not included in Content Categories 1 or 2 consistent with Public Utilities Code § 399.16(b)(3);

WHEREAS, the City has adopted and implemented, or will adopt and implement, an RPS Procurement Plan that includes the minimum procurement requirements (Procurement Requirements) of eligible renewable energy resource electricity products associated with contracts executed after June 1, 2010 for each Compliance Period consistent with Public Utilities Code section 399.30(c)(3) and section 399.16;

WHEREAS, the City's RPS Procurement Plan shall include Content Category 1 Procurement Requirements of not less than fifty percent of the eligible renewable energy resource electricity for Compliance Period 1, not less than sixty-five percent of the eligible renewable energy resource electricity for Compliance Period 2, and not less than seventy-five percent of the eligible renewable energy resource electricity for Compliance Period 3 and every year thereafter.

WHEREAS, the City's RPS Procurement Plan shall include Content Category 3 Procurement Requirements of not more than twenty-five percent of the eligible renewable energy resource electricity for Compliance Period 1, not more than fifteen percent of the eligible renewable energy resource electricity for Compliance Period 2, and not more than ten percent of the eligible renewable energy resource electricity for Compliance Period 3.

WHEREAS, the City has adopted and implemented, or will adopt and implement, an RPS Procurement Plan that provides a definition for grandfathered resources (Grandfathered Resources) consistent with Public Utilities Code section 399.16(d). Grandfathered Resources shall include contract or ownership agreement originally executed prior to June 1, 2010 for resources that were RPS eligible under the rules in place when the contract was executed, and for which any subsequent contract amendments or modifications after June 1, 2010 do not increase the nameplate capacity for the facility, nor increase expected quantities of annual generation, nor substitute different kind of renewable resource, and for which original agreements were of 15 or more years;

WHEREAS, the City has adopted and implemented, or will adopt and implement, an RPS Procurement Plan that includes rules for application of excess procurement (Excess Procurement) of eligible renewable energy resource electricity from one Compliance Period to a subsequent Compliance Period consistent with Public Utilities Code section 399.30(d)(1) and 399.13(a)(4)(B). The application of Excess Procurement provides that beginning January 1, 2011, Excess Procurement from one Compliance Period may be applied to a subsequent Compliance Period. The amount of Excess Procurement shall be calculated by deducting from actual procurement quantities, the total amount of procurement associated with contracts of less than ten years in duration, and shall not include any resources designated as Content Category 3;

WHEREAS, the City has adopted and implemented, or will adopt and implement, an RPS Procurement Plan that includes conditions for delaying timely compliance consistent with Public Utilities Code section 399.30(d)(2) and section 399.15(b). The City may approve a waiver of timely compliance (Waiver of Timely Compliance) in the event that there is inadequate transmission capacity (§ 399.15(b)(5)(A)), permitting, interconnection, or other factors that delayed procurement or insufficient supply (§ 399.15(b)(5)(B)), unanticipated curtailment are mandated to address needs of the balancing authority (§ 399.15(b)(5)(C)), or related factors existed;

WHEREAS, the City has adopted and implemented, or will adopt and implement, an RPS Procurement Plan that establishes procedures to employ in the event of an approval of a Waiver of Timely Compliance, which provisions require the City to establish additional reporting for intervening years to demonstrate that reasonable actions under the City's control are being taken (§ 399.16(b)(6)) and to demonstrate that all reasonable actions within the City's control have been taken to ensure compliance in the future (§ 399.16(b)(7)); in no event shall the deficit from prior compliance periods be added to subsequent compliance periods in the event of a waiver for timely compliance (§ 399.16(b)(9));

WHEREAS, the City has adopted and implemented, or will adopt and implement, an RPS Procurement Plan that establishes procedures that address cost limitations for expenditures on renewable resources (Cost Limitations for Expenditures) consistent with Public Utilities Code section 399.30(d)(3) and section 399.15(c). Cost Limitations for Expenditures shall be applicable to procurement expenditures for all eligible renewable energy resources used to comply with the renewables portfolio standard, and shall be based on factors that include, but are not limited to, the most recent renewable energy procurement plan, procurement expenditures that approximate the expected cost of building, owning, and operating eligible renewable energy resources, and the potential that some planned resource additions may be delayed or canceled, and further, that the Cost Limitation for Expenditures is set at a level that prevents disproportionate rate impacts, that the costs of all procurement credited toward achieving the renewables portfolio standard are counted towards the Cost Limitation for Expenditures, and that procurement expenditures do not include any indirect expenses, including imbalance energy charges, sale of excess energy, decreased generation from existing resources, transmission upgrades, or the costs associated with relicensing any utility-owned hydroelectric facilities;

WHEREAS, pursuant to the provisions of Public Utilities Code section 399.30(m), the City shall retain discretion over the mix of eligible renewable energy resources procured by the City and those additional generation resources procured by the City for purposes of ensuring resource adequacy and reliability, and the reasonable costs incurred by the City for eligible renewable energy resources owned by it;

WHEREAS, pursuant to the provisions of Public Utilities Code section 399.30(e), the City is required to adopt a program for the enforcement of the RPS program;

WHEREAS, pursuant to the provisions of Public Utilities Code section 399.30(e), the City must adopt the enforcement program on or before January 1, 2012;

WHEREAS, on September 9, 2011, the California Legislature ended the First Extraordinary Session;

WHEREAS, SBX1-2 becomes effective on December 10, 2011, ninety-one days after the end of the First Extraordinary Session; and

WHEREAS, the City Council, in compliance with Public Utilities Code section 399.30(e), desires to adopt a program for the enforcement of RPS program.

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF BIGGS DOES HEREBY RESOLVE AS FOLLOWS:

1. The City shall have a program for the enforcement of RPS program, which shall include all of the provisions set forth herein and shall be known as the “City’s RPS Enforcement Program”;
2. The City’s RPS Enforcement Program shall be effective January 1, 2012,

3. Not less than 10 days' advance notice shall be given to the public before any meeting is held to make a substantive change to the City's RPS Enforcement Program,
4. Annually, the Director of Biggs Electric Utility shall cause to be reviewed, the City's RPS Procurement Plan to determine compliance the RPS Program,
5. Annual review of the RPS Procurement Plan shall include consideration of each of the following elements:
 - A. By December 31, 2013 (end of Compliance Period 1):
 - Verify that the City has met twenty percent of retail sales with eligible renewable resources from the specified Content Categories
 - If targets are not met, the City must:
 - Ensure than any Waiver of Timely Compliance was compliant with the provisions in the RPS Procurement Plan
 - Review the applicability and appropriateness of excusing performance based on the Cost Limitations on Expenditures provisions of the RPS Procurement Plan
 - B. By December 31, 2014
 - Ensure that the City is making reasonable progress toward meeting the December 31, 2016 compliance obligation, consistent with the RPS Procurement Plan
 - C. By December 31, 2015
 - Ensure that the City is making reasonable progress toward meeting the December 31, 2016 compliance obligation, consistent with the RPS Procurement Plan
 - D. December 31, 2016 (end of Compliance Period 2)
 - Verify that the City has met twenty-five percent of retail sales with eligible renewable resources from the specified Content Categories
 - If targets are not met, the City must:
 - Review the applicability of applying Excess Procurement from Compliance Period 1 consistent with the provisions of the RPS Procurement Plan
 - Ensure than any Waiver of Timely Compliance was compliant with the provisions in the RPS Procurement Plan
 - Review applicability and appropriateness of excusing performance based on the Cost Limitations on Expenditures provisions of the RPS Procurement Plan
 - E. By December 31, 2017
 - Ensure that the City is making reasonable progress toward meeting the December 31, 2020 compliance obligation of thirty-three percent renewable resources electricity, consistent with the RPS Procurement Plan

- F. By December 31, 2018
 - Ensure that the City is making reasonable progress toward meeting the December 31, 2020 compliance obligation of thirty-three percent renewable resources electricity, consistent with the RPS Procurement Plan

- G. By December 31, 2019
 - Ensure that the City is making reasonable progress toward meeting the December 31, 2020 compliance obligation of thirty three percent renewable resources electricity, consistent with the RPS Procurement Plan

- H. December 31, 2020 (end of Compliance Period 3), and annually thereafter,
 - Verify that that the City met thirty-three percent of retail sales with eligible renewable resources from the specified Content Categories, consistent with the RPS Procurement Plan

 - If targets are not met, the City must:
 - Review the applicability of applying Excess Procurement from a previous Compliance Period consistent with the provisions of the RPS Procurement Plan
 - Ensure than any Waiver of Timely Compliance was compliant with the provisions in the RPS Procurement Plan
 - Review applicability and appropriateness of excusing performance based on the Cost Limitations on Expenditures provisions of the RPS Procurement Plan

- 6. If it is determined that the City has failed to comply with the provisions of its RPS Procurement Plan, the City Council shall direct that the City immediately take steps to correct any untimely compliance, including:
 - a. review of the City’s RPS Procurement Plan to determine what changes, if any, are necessary to ensure compliance in the next Compliance Period,
 - b. report quarterly to the City Council regarding the progress being made toward meeting the compliance obligation for the next Compliance Period.

- 7. Effective Date: This Resolution shall be effective on January 1, 2012.

I HEREBY CERTIFY that the foregoing **RESOLUTION** was duly introduced, passed and adopted at a regular meeting of the City Council of the City of Biggs, held on the 19st of December 2011, by the following vote:

AYES: COUNCILMEMBER Frith, Thompson, Arnold, Bottorff & Sheppard

NOES: COUNCILMEMBER _____

ABSENT: COUNCILMEMBER _____

ABSTAIN: COUNCILMEMBER _____

ATTEST:

APPROVED:

Roben Dewsnup
CITY CLERK

Roger L. Frith
MAYOR