

Burbank Water and Power

MEMORANDUM

DATE: November 22, 2011

TO: Michael Flad, City Manager

FROM: Ron Davis, General Manager BWP

SUBJECT: **ADOPTION OF SBX1 2 COMPLIANCE PLAN FOR BURBANK WATER AND POWER**

PURPOSE

Staff seeks the City Council's adoption of a resolution approving Burbank Water and Power's (BWP) SBX1 2 Compliance Plan (Plan). The Plan meets two requirements imposed on every publicly-owned utility (POU) in California by recent legislation known as SBX1 2.

SBX1 2 was enacted during a recently adjourned special session of the state legislature and will take effect on December 10, 2011. Its primary impact is to require POUs to adopt a Renewables Portfolio Standards (RPS) program with prescribed goals for procuring renewable energy resources and the criteria for achieving such goals. Secondly, the bill requires POUs to adopt a plan for enforcing its provisions no later than January 1, 2012. Staff has elected to combine these two requirements into one document entitled the SBX1 2 Compliance Plan.

BURBANK AND RENEWABLE PORTFOLIO STANDARDS

The City of Burbank presently has a Renewable Portfolio Standard (RPS) goal of having 33% of energy, based on sales, coming from renewable energy sources by 2020. This self-imposed standard was adopted by Council, via Resolution No. 27,480, on June 5, 2007. Over the last few years, there have been several legislative and regulatory efforts that would have made it mandatory for Burbank to achieve a 33% RPS. On the legislative front, these efforts included SB 14 which was passed by the legislature in 2009 but was subsequently vetoed by the Governor. During 2010, the vehicle for mandatory RPS programs for all utilities was SB 722 which looked like it would pass last summer but ultimately failed when it died in committee. Finally, earlier this year the legislature passed SBX1 2 which was signed by the Governor in April 2011 but does not become law until December 10, 2011, as it was passed during the First Extraordinary Session of the 2011-2012 Legislature and such bills only become law 91 days after the session is adjourned.

SBX1 2

Overall, SBX1 2 expands the reach of the State into the affairs of all utilities, but especially for POUs. A consequence is that Burbank, along with other POUs, will lose their ability to determine their own RPS goals. The bill gives the California Energy Commission (CEC) new responsibilities including establishing the eligibility of various renewable resources, ensuring

that POU's are complying with their RPS programs and enforcement plans, and making recommendations to the California Air Resources Board (CARB) whether a POU's non-compliance rises to the level where penalties should be assessed. Unfortunately, it appears that the CEC is approximately one year behind schedule in meeting its own requirements under SBX1 2.

PROPOSED SBX1 2 COMPLIANCE PLAN

The full text of BWP's SBX1 2 Compliance Plan can be found in Appendix 1 of this report. The purpose of the Plan is to adopt the goals and criteria set forth in the bill. Some of the major provisions are as follows:

- Interim Compliance Periods: Rather than just targeting a policy goal of 33% renewable energy by the end of 2020, the bill calls for interim targets that must be attained. There are three compliance periods that cover 2011 through 2013, 2014 through 2016, and 2017 through 2020.

The primary focus of the Plan is procurement for the first compliance period, or 2011 through 2013. Regular updates will be provided on the progress of implementing the Plan.

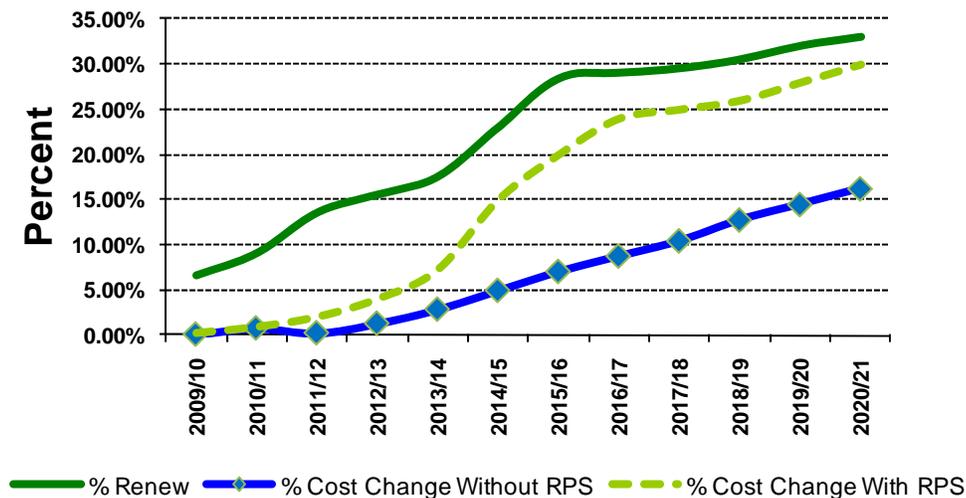
- Grandfathering of Resources: The bill allows utilities to grandfather resources as compliant with SBX1 2 that were procured prior to June 1, 2010. This means that the utility can count these resources towards meeting the goals of SBX1 2.
- Portfolio Diversity: SBX1 2 sets forth three broad categories of eligible resources based on where and how a resource is procured. Such resource differentiation is commonly characterized as coming from different "buckets." Further, over the 2011 – 2020 timeframe the amount of RECs that can come from each bucket and in each compliance period is prescribed.
- Procurement Plan: This portion of the Plan combines the energy expected from the grandfathered resources and then identifies additional resources that will be procured to meet the compliance target of each compliance period. The focus of the Procurement Plan is for the first compliance period and will be updated if procurement efforts fall short. As well, the Procurement Plan for the second and third compliance periods will be presented to Council for approval within six months after the start of these compliance periods.
- Plan Administration: Burbank is committed to meeting the goals of SBX1 2. However, the Legislature foresaw that this would be challenging and recognized that there are legitimate reasons why despite best efforts it might not be possible to comply. This portion of the Plan sets forth what Council wants staff to take into consideration as staff goes about meeting the requirements of SBX1 2. This includes things like a description of previously contracted resources that will be counted and the criteria, or circumstances, that the City of Burbank considers being valid and legitimate reasons for relief in meeting these RPS goals. In summary these are:

- Pre-existing contracts or approvals for contracts made prior to June 1, 2010 will count towards the RPS
 - The rate impacts associated with acquiring renewables continue to be approved by Council
 - The transmission necessary to get renewables home needs to be available
 - There is an inability to find suitable projects, or projects in a timely manner
 - Provisions that permit excess procurement to be counted in subsequent years
 - Relief associated with permitting-development-construction-financing delays and operational problems
 - Changing regulatory rules or regulatory delays
 - Burbank will also reserve for itself waiver from compliance obligations for any of reasons identified in the bill and those adopted by the CPUC for investor owned utilities
- Enforcement: The Plan specifies that the General Manager of Burbank Water and Power has the responsibility of carrying out the RPS Program in a manner that fully complies with SBX1 2.

FISCAL IMPACT OF COMPLYING WITH SBX1 2

As reported previously, staff has undertaken some analysis to determine future BWP costs through 2020 with and without the addition of sufficient renewable energy to meet the 33% RPS. The results of this analysis are presented in the following graph. The graph shows that under a normal course of business scenario, without adding renewable energy, costs are expected to cumulatively increase about 15% by 2020. For the 33% RPS by 2020 scenario, it is expected that costs would increase an additional 15%, or a total of approximately 30% by 2020.

Cost Impacts on BWP of Achieving A 33% Renewable Portfolio



RECOMMENDATION

Staff recommends City Council approval of a resolution that would adopt the SBX1 2 Compliance Plan as required by that statute before the end of 2011.

If the Council concurs, the appropriate action would be a motion to adopt the proposed resolution entitled:

**A RESOLUTION OF THE COUNCIL OF THE CITY OF BURBANK ADOPTING
AN SBX1 2 COMPLIANCE PLAN FOR BURBANK WATER AND POWER**

RD:FF:RM:BJ:tw

Attachment