



CITY OF GLENDALE, CALIFORNIA
REPORT TO THE:

Joint City Council Housing Authority Successor Agency Oversight Board

November 19, 2013

AGENDA ITEM

Report: Glendale Water & Power (GWP) Updated Renewables Portfolio Standard Procurement Plan

- 1. Resolution approving the 2013 GWP Renewables Portfolio Standard (RPS) Procurement Plan

COUNCIL ACTION

Public Hearing Ordinance Consent Calendar Action Item Report Only
Approved for 11/19/13 calendar

ADMINISTRATIVE ACTION

Submitted by:
Stephen M. Zurn, General Manager - GWP

Signature

Prepared by:
Steven G. Lins, Chief Assistant General Manager

Lon L. Peters, Integrated Resources Planning Administrator

Approved by:
Scott Ochoa, City Manager

Reviewed by:
Yasmin K. Beers, Assistant City Manager

Michael J. Garcia, City Attorney

Bob Elliot, Director of Finance and Administrative Services

RECOMMENDATION

Staff recommends that the City Council adopt the attached 2013 Glendale Water & Power (GWP) RPS Procurement Plan to comply with California's State Renewables Portfolio Standard (RPS) mandates and recently adopted California Energy Commission (CEC) regulations for Publicly Owned Utilities (POUs).

BACKGROUND/ANALYSIS

The California Legislature and the California Energy Commission (CEC) have recently enacted new environmental laws and regulations, which increasingly require GWP and other public and private utilities to transition from conventional generation assets to renewable forms of energy generation. One of the most significant recent legislative enactments was the passage in 2011 of California SBx1-2. SBx1-2 requires that GWP obtain 33% of all resources necessary to serve its retail load from renewable sources by 2020. SBx1-2 also mandates that GWP meet a number of intermediate renewable energy milestones prior to 2020.

In August 2013, the CEC adopted regulations outlining how the CEC will enforce the RPS for local POUs pursuant to the state legislation. The regulations, "Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities", put more restrictions on POUs and define the RPS percentage milestones that GWP must meet between now and 2020.

The 2013 GWP RPS Procurement Plan is designed to help meet such milestones for each year of the compliance periods, and makes other changes that ensure GWP's ability to "count in full" renewable resources acquired prior to June 2010.

On December 16, 2003, the City of Glendale established a renewable portfolio standard (RPS) target of 20% renewable resources by the year 2017, and up to 23% if economically feasible. On December 6, 2011, the City of Glendale revised its RPS target to meet SBx1-2 requirements, by adoption of the City's RPS enforcement plan. The City of Glendale's current RPS targets, as set forth in the 2013 RPS Procurement Plan, are as follows:

Compliance Period 1: January 1, 2011 – December 31, 2013 Average of 20%

Compliance Period 2:

January 1, 2014 – December 31, 2014	20%
January 1, 2015 – December 31, 2015	20%
January 1, 2016 – December 31, 2016	25%

Compliance Period 3:

January 1, 2017 – December 31, 2017	27%
January 1, 2018 – December 31, 2018	29%
January 1, 2019 – December 31, 2019	31%
January 1, 2020 – December 31, 2020	33%

Glendale is well on its way to meeting its renewable energy procurement requirements. GWP currently holds a call option on a fraction of one commercially operating wind project in Utah (Milford II). If cost-effective, this call option can be exercised unilaterally by GWP during 2014. In addition, GWP is working with other SCPPA members on the development of a long-term contract for the purchase of the output of solar generation, and GWP is making short-term purchases as well.

Exhibit A sets out GWP's proposed RPS Procurement Plan for 2013 through 2020. GWP will need to acquire a combination of additional renewable megawatt-hours and tradable Renewable Energy Credits (RECs or T-RECs) over the coming years. The procurement plan sets out the parameters for such acquisitions, which will be made by GWP's Energy Trading group, based on market conditions, GWP's retail loads, and the performance of renewable energy resources already under long-term contract. RECs have monthly and yearly vintages: each megawatt-hour of renewable energy in a given year creates a REC (or, if separated from the energy, a Tradable REC (T-REC)) with the vintage of that year. Because T-RECs of multiple vintages trade at any given point in time, it may be cost-effective for the GWP Trading Group to make purchases of T-RECs, up to the amount allowed by the regulations, and so the procurement plan permits such purchases.

Finally, the procurement plan takes advantage of certain regulatory flexibilities permitted by SBx1-2, including excess procurement, delay of timely compliance, and a reduction in the portfolio balance requirement. Excess procurement means that certain "surplus RECs" acquired in any compliance period may be "banked" for use in later compliance periods. Also, if conditions outside the control of GWP interfere with planned acquisitions of renewable energy in any compliance period, City Council may find that it is necessary to delay timely compliance with the RPS requirements, and/or to reduce the most expensive type of eligible renewable energy in GWP's portfolio. Staff may recommend updates to the procurement plan in the future as required to comply with California law and regulations, and take into account the evolving market conditions.

FISCAL IMPACT

Given the actions taken to date and costs incurred for Fiscal Year 2014, the expected incremental cost of meeting the 20% RPS mandate in Compliance Period 1 ending December 31, 2013 is approximately \$650,000. In this context, incremental cost is defined as the costs incurred in calendar year 2013 over and above the costs of long-term renewable energy resources acquired prior to 2013. This incremental cost consists of (a) renewable energy purchased for consumption in Glendale and (b) Tradable Renewable Energy Credits (T-RECs) that are not associated with any energy delivery, both as allowed by statute and regulation.

The incremental costs of renewable energy purchases will be recovered through Account No. 45510 (Fund No. 552, Organization No. 921), Project No. 11660, and Activity No. UP400 (Miscellaneous Outside Resources: (Spot Purchases), and passed through the Regulatory Cost Adjustment Charge as necessary.

The costs of RECs will be recovered through Account No. 44760 (Fund No. 552, Organization No. 921), Project No. 11660, and Activity No. UP400 (Miscellaneous Outside Resources: Regulatory Fees (Spot Purchases), and passed through the Regulatory Cost Adjustment Charge as necessary.

ALTERNATIVES

Alternative 1: Council may adopt the 2013 GWP RPS Procurement Plan.

Alternative 2: Council may make changes and adopt alternatives to the 2013 GWP RPS Procurement Plan.

Alternative 3: The City Council may consider any other alternative not proposed by staff.

CAMPAIGN DISCLOSURE

Not applicable.

EXHIBITS

Exhibit A: 2013 GWP RPS Procurement Plan

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) SS.
CITY OF GLENDALE)

I, Ardashes Kassakhian, City Clerk of the City of Glendale, certify that the foregoing Resolution
No. _____ was adopted by the Council of the City of Glendale, California, at a regular
meeting thereof held on the ____ day of _____, 2013, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

City Clerk

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GLENDALE, CALIFORNIA, APPROVING AND ADOPTING THE GLENDALE WATER & POWER 2013 RENEWABLES PORTFOLIO STANDARD PROCUREMENT PLAN

WHEREAS, on December 16, 2003, the City of Glendale ("City") established a renewable portfolio standard ("RPS") target of 20% of renewable resources by the year 2017, and up to 23% if economically feasible; and

WHEREAS, in 2011, the California legislature enacted SBx1-2, which requires that the City of Glendale obtain 33% of all resource necessary to serve its retail load from renewable energy sources by 2020, and also mandates that the City meet a number of intermediate renewable energy milestones prior to 2020; and

WHEREAS, on December 6, 2011, the City revised its RPS target to meet SBx1-2 requirements, by adopting the City's RPS enforcement plan; and

WHEREAS, the City's 2013 RPS Procurement Plan, attached hereto as Exhibit A, is designed to help meet the intermediate procurement milestones required by SBx 1-2 and the regulations promulgated thereunder, and makes other changes to ensure that the City is able to "count in full" renewable resources acquired prior to June 2010.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GLENDALE, CALIFORNIA:

That the Glendale Water & Power 2013 Renewables Portfolio Standard Procurement Plan, which is attached hereto as Exhibit A and incorporated herein, is hereby approved and adopted.

Adopted this _____ day of _____, 2013.

Mayor

ATTEST:

City Clerk

APPROVED FOR FORM
Christina L. L...
Senior Assistant City Attorney
Date: 11-14-13

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Glendale Water & Power 2013 Renewables Portfolio Standard Procurement Plan

(1) Introduction. In 2012, the Glendale City Council adopted a Renewables Portfolio Standard (RPS) Procurement Plan for GWP, focused mainly on actions to be taken during Compliance Period 1 (2011-13). This 2013 RPS Procurement Plan expands on the 2012 Plan, by incorporating future Compliance Periods and recent regulations promulgated by the California Energy Commission. The objective of the 2013 Plan is provide direction to GWP for future acquisitions of eligible renewable energy and for cost-effective management of existing renewable energy supplies, to ensure full compliance at the lowest reasonable cost to GWP ratepayers.

(2) Definitions and Acronyms.

Annual Procurement Target. The amount of renewable energy that a POU must procure for a particular year for the purposes of calculating Historic Carryover.

Compliance Period. The compliance period as defined in the PUC Section 399.30(c).

Count-in-Full. See "Grandfathered Resources".

Excess Procurement. The amount of RPS eligible RECs procured after January 1, 2011 that are not applied to a single compliance period, following the guidelines of Section 3206 (1) of the RPS Enforcement Procedures.

Grandfathered Resources. Eligible renewable resources acquired prior to June 1, 2010. A table of GWP's Grandfathered Resources is provided below.

Historic Carryover. An amount of eligible renewable energy (in MWh) acquired during calendar years 2004-10 in excess of requirements at the time, which may be carried over and used for compliance in a later compliance period.

PUC. The State of California's Public Utilities Code.

REC. Renewable Energy Credit means a certificate of proof, as defined by PUC Section 399.12(h), associated with the generation of electricity from an eligible renewable energy resource.

Retail Sales. The sales of electricity by a POU to end-use customers and their tenants, measured in MWh. This does not include energy consumption by a POU, electricity used by a POU for water pumping, or electricity produced for onsite consumption (self-generation).

RPS Compliance Obligations. The amount of renewable energy or RECs (MWhs), the portfolio balance requirements and the RPS procurement target(%) for a given Compliance Period.

RPS Enforcement Procedures. The California Energy Commission's "Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities", August 2013 as amended.

WREGIS. The Western Renewable Energy Generation Information System, which is the CEC-approved REC tracking system.

- (3) RPS Compliance Obligations. GWP will procure sufficient renewable energy to meet the obligations in PUC §399.30(b)(1) and (c)(1) and Section 3204 of the RPS Enforcement Procedures:
- a. 20 percent of retail sales during the first Compliance Period (CP1), which is January 1, 2011 through December 31, 2013;
 - b. 20 percent of retail sales in 2014 and 2015, and 25 percent of retail sales in 2016, which together comprise the second Compliance Period (CP2); and
 - c. 27 percent of retail sales in 2017, 29 percent in 2018, 31 percent in 2019, and 33 percent by the end of 2020, which together comprise the third Compliance Period (CP3); and
 - d. 33 percent of retail sales annually after 2020.
- (4) Compliance Actions in CP1. (a) In Compliance Period 1 (CP1), GWP will make short-term acquisitions of renewable energy in wholesale markets that meet the criteria for Portfolio Content Categories 1 and 2 (PCC1 and PCC2) as defined in statute and regulation. Such acquisitions of energy will be limited in duration to CP1, and will take into account standard commercial risks (e.g., transmission, counterparties) in an effort to meet PCC1 and PCC2 obligations during CP1. (b) During CP1, GWP may also make purchases and sales to yield the maximum allowable quantity of RECs (for PCC3) with vintages in any of the three calendar years in CP1. (c) GWP may also make purchases and sales of RECs with vintages in CP2 (2014-16) and/or CP3 (2017-20) based on the expected performance of GWP's renewable resources and market conditions, and taking into account the limits in PUC §399.16(c)(2) on PCC3 amounts in CP2 and CP3.
- (5) Grandfathered Resources. In determining the PCC1-2 energy and PCC3 RECs to be acquired during each Compliance Period, GWP will first count and project the actual output of renewable energy resources contracted for or acquired prior to June 2010, including any grandfathered firming/shaping contracts that include contractual provisions for true-up during the first quarter of the calendar year following the end of the Compliance Period, in order to ensure that these resources "count in full".
- (6) Grandfathered Resources outside California. (a) If the Glendale City Council determines that "count in full" resources may be used for compliance without the delivery of energy into California or the scheduling of energy into a California balancing authority area, then the RECs generated by such resources will be used for compliance in any Compliance Period. (b) If a "count in full" contract allows for the change of the Point of Delivery (POD) from

outside California to inside California pursuant to the terms of the original contract, and if the change in POD does not (i) increase nameplate capacity or expected quantities of annual generation, (ii) increase the term of a contract with an initial term of less than 15 years, or (iii) substitute a different eligible renewable resource, then the RECs generated by such resource will be used for compliance in any Compliance Period. See RPS Enforcement Procedures section 3202(a)(2)(B).

- (7) Need for Additional Renewable Energy. During each Compliance Period, the difference between (a) GWP's RPS Compliance Obligation and (b) the output of grandfathered resources, including true-ups, will determine GWP's need for additional renewable energy and RECs in that Compliance Period. As this amount cannot be calculated until after the end of each Compliance Period, GWP will aim to acquire PCC1-2 energy and PCC3 RECs such that "excess procurement" of bankable RECs from each Compliance Period can be carried over to later Compliance Periods, taking into account the cost of such excess procurement relative to the expected future cost of renewable energy and GWP's overall need for energy to serve retail load.
- (8) Portfolio Content Categories. GWP's RPS need in each Compliance Period will be met by purchases in the three Portfolio Content Categories (PCC1-3) in accordance with current statutory and regulatory requirements, taking into account the ability to use the "optional compliance measures" in PUC §399.30(d): excess procurement, delay of timely compliance, and portfolio balance requirement reduction.
- (9) Historic Carryover. GWP will calculate Historic Carryover, using a methodology consistent with section 3206(a)(5)(D) of the RPS Enforcement Procedures. The GWP baseline for 2001 will be zero for the purpose of calculating Historic Carryover because GWP did not have an Annual Procurement Target for calendar year 2001. Data showing the specific amount of Historic Carryover will be submitted to the CEC by December 30, 2013. These amounts will be used for compliance obligations in CP2 and later compliance periods.

(10) Excess Procurement.

Excess procurement equals the sum of:

(a) the production of renewable energy during each Compliance Period from GWP's resources under contract or owned as of June 1, 2010,

(b) GWP's acquisition of PCC1-2 energy during each Compliance Period, and

(c) GWP's acquisition of PCC3 RECs during each Compliance Period

minus

(d) the "RPS obligation" multiplied by the percentage of GWP's retail sales during the Compliance Period.

Such excess procurement, minus

the sum of

(e) amounts procured under contracts of less than ten years in duration and

(f) PCC3 RECs

will be banked for application in a future compliance period, in the same manner as PUC §399.13(a)(4)(B) and consistent with Section 3206(a)(1) of the RPS Enforcement Procedures.

- (11) Other Optional Compliance Measures. If circumstances beyond the control of GWP, as described in PUC §399.15(b)(5), interfere with the acquisition of renewable energy during CP1, then GWP's governing body may find reasonable cause for (a) a delay in timely compliance with RPS procurement requirements any Compliance Period and/or (b) a reduction in the portfolio balance requirement for PCC1 during any Compliance Period, consistent with section 3206(a)(4) of the RPS Enforcement Procedures.

- (12) Circumstances beyond the Control of GWP.

The City Council may choose to invoke cost containment policies or other optional compliance measures, including delay in timely compliance and reduction in portfolio balance requirement for PCC1, consistent with PUC §399.15, upon the occurrence of, but not limited to, the following:

Change in Regulations

In the event that the CEC's RPS regulations are modified, resources already under contract prior to such modification may not count toward RPS compliance as expected given the regulations in force at the time the contract was executed. The City Council may, under such circumstances, invoke cost containment policies or other optional compliance measures.

Force Majeure Events

The occurrence of force majeure events may interfere with the scheduling of renewable resources to a California Balancing Authority Area. If such interference with scheduling occurs, the City Council may invoke cost containment policies or other optional compliance measures.

- (13) Transmission Curtailments. If transmission for delivery to a California Balancing Area of energy from a contracted or owned renewable resource becomes physically unavailable, for whatever reason, then the renewable energy actually produced during the period of transmission unavailability may be sold and the Renewable Energy Credits counted toward GWP's compliance obligation. This provision applies to all Portfolio Content Categories and all Compliance Periods.
- (14) Short-Term Acquisitions. Purchases of short-term renewable energy and RECs will be consistent with GWP's Energy Risk Management Policy and the annual trading authority approved by City Council.
- (15) Long-Term Compliance. The City Council directs the General Manager of GWP to develop a long-term compliance plan, including the acquisition of cost-effective renewable resources (by lease or ownership or a combination of lease and ownership), to meet GWP's RPS obligations beyond 2020. Glendale City Council has approved execution of the GWP-SCPPA Renewable Development Agreement Phase II, which provides for long-term joint planning, development and acquisition of new renewable resources.

(16) Reporting Requirements. GWP will comply with the reporting requirements in section 3207 of the RPS Procurement Procedures.

(17) Version-tracking.

Version	Date	Action	Change Tracking
1	12-2012	To meet SBX1 2 legislative requirements	Initiated
2	11-19-2013	Update to comply with RPS Enforcement procedures	Updated/expanded

GWP's Grandfathered Renewable Resources

Contract Name	Type	Approx. Annual Energy (MWh)	Commencement Date	Termination Date
High Winds Power Sales Contract	Wind	26,000	September 1, 2003	August 30, 2028
Pleasant Valley Power Sales Contract	Wind	29,000	July 1, 2006	June 30, 2022
Pebble Springs Power Sales Contract	Wind	58,000	January 1, 2009	December 31, 2027
Ormat Power Sales Contract	Geothermal	17,500	February 1, 2006	January 31, 2031
Teton Power Sales Contract	Small Hydro	23,500	January, 2010	Life of Project
Scholl Canyon Landfill	Landfill Gas	80,000	July 1, 1994	Life of Project
Glendale Community College Glen 1	Solar	400	Various	Life of Project