

### **Section 1: Introduction**

Sacramento Municipal Utility District (SMUD) is committed to development and procurement of renewable energy for our ratepayers. SBX1-2 establishes a Renewables Portfolio Standard (RPS) goal of 33% by 2020 for local publicly-owned electric utilities (POUs) as well as retail sellers. This document describes SMUD's RPS Enforcement and Compliance Plan, as required by Pub. Util. Code § 399.30(e).

### **Section 2: Enforcement**

Subject to the conditions for waiving compliance detailed below, the SMUD Governing Board may take enforcement action if either of the following occurs:

- Failure to meet the compliance obligation for a compliance period as set forth in Section 4; or
- Failure to meet the percentage requirements for procurement categories in a compliance period for resources procured or owned by SMUD after June 1, 2010 as set forth in Section 7.

In the event that an enforcement action is required, the SMUD Governing Board shall direct the Chief Executive Officer (CEO)/General Manager (GM) to develop and present a plan within 6months to bring SMUD into compliance. This plan shall include one or more of the following enforcement actions:

- Add a procurement deficit for a compliance period to the following compliance period;
- Determine and impose a payment that goes into an AB 32-related fund established from allowance sales, with the restriction that such deposits in the account may only be used for renewable research, development and/or procurement purposes; or
- Other appropriate enforcement actions.

The SMUD Governing Board may waive enforcement of a Compliance Period Requirement for a particular compliance period if any of the following conditions occur that prevent compliance and it is demonstrated that SMUD took all reasonable actions to comply and the conditions are beyond the control of SMUD:

- Inadequate transmission capacity to allow for sufficient electricity to be delivered;
- Permitting, interconnection, or other circumstances that delay procured eligible renewable energy resource projects;
- Unanticipated curtailment of eligible renewable energy resources necessary to address the needs of a balancing authority or renewable generation plant production problems that limit renewable energy deliveries to SMUD;
- Contract failures or other circumstances that delay procured eligible renewable energy resource projects;
- Legislative or regulatory actions that change the eligibility of energy already procured or contracted from renewable energy resource projects; or
- An insufficient supply of eligible renewable energy available within the cost limitations stated in section 8.

If the SMUD Board waives enforcement for a particular compliance period, the CEO/GM shall provide the Board with a compliance plan within 6 months that identifies actions to ensure future procurement requirements.

**Section 3: General Compliance Requirements [Pub. Util. Code §399.30]**

SMUD shall procure a sufficient quantity of electricity products from eligible renewable energy resources, including renewable energy credits (RECs), to comply with or exceed the procurement targets established for each compliance period, and shall adopt and implement other measures as necessary to meet these targets and comply with all statutory requirements.

**Section 4: Compliance Period Requirements [Pub. Util. Code §399.30 (c)]**

SMUD does not establish annual compliance obligations for any specific year within Compliance Periods 1, 2 and 3. Nevertheless, SMUD has set annual procurement targets that will be used to determine the total Compliance Period Requirement for each compliance period. These annual procurement targets were established using a linear increase (or straight line) method consistent with SMUD's historical process.

In Compliance Period 1, January 1, 2011, to December 31, 2013, inclusive, the quantities of eligible renewable energy resources to be procured shall equal or exceed the average of 20 percent of retail sales for the entire period, calculated by the following formula:

$$\text{Compliance Period 1 Requirement} = 0.20 * (\text{Retail Sales}_{2011} \text{ plus Retail Sales}_{2012} \text{ plus Retail Sales}_{2013}).$$

In Compliance Period 2, January 1, 2014, to December 31, 2016, inclusive, with 25% of retail sales by December 31, 2016, the Compliance Period Requirement shall be equal to the sum of the products of the interim procurement targets and retail sales for each of the three years of the compliance period. After the three-year compliance period is over, SMUD shall compare the actual renewable energy procured during the period against the Compliance Period Requirement to determine if the requirement has been satisfied for the entire period. Specifically, the Compliance Period 2 Requirement shall be calculated by the following formula:

$$\text{Compliance Period 2 Requirement} = [.217 * \text{Retail Sales}_{2014} \text{ plus } .233 * \text{Retail Sales}_{2015} \text{ plus } .25 * \text{Retail Sales}_{2016}).$$

In Compliance Period 3, January 1, 2017, to December 31, 2020, inclusive, with 33% of retail sales by December 31, 2020, the Compliance Period Requirement shall be equal to the sum of the products of the interim procurement targets and retail sales for each of the four years of the compliance period. After the four-year compliance period is over, SMUD shall compare the actual renewable energy procured during the period against the Compliance Period Requirement to determine if the requirement has been satisfied for the entire period. Specifically, the Compliance Period 3 Requirement shall be calculated by the following formula:

**Compliance Period 3 Requirement** = [.27 \* Retail Sales\_2017 plus .29 \* Retail Sales\_2018 plus .31 \* Retail Sales\_2019 plus .33 \* Retail Sales\_2020).

In each Post-2020 Annual Compliance Period, the quantities of eligible renewable energy resources to be procured shall equal or exceed 33% of annual retail sales.

SMUD defines “reasonable progress” during a compliance period, as specified in §399.30(c)(2), to be Board approved contracts and SMUD-owned projects that would allow SMUD to meet its statutory obligation of 25% by December 31, 2016 and 33% by December 31, 2020.

**Section 5: Rules For Excess Procurement and Carryover [Pub. Util. Code §399.30 (d)(1)]**

SMUD shall allow banking of excess procurement from one compliance period for use in subsequent periods.

SMUD defines “excess procurement” as any eligible renewable generation in a compliance period that exceeds the compliance period requirement for that period.

SMUD shall not carryover excess procurement associated with Category 3 resources. SMUD shall use procurement from Category 3 resources within the compliance period in which they are procured.

SMUD shall not subtract procurement from contracts of less than 10 years in length when calculating excess procurement.

**Section 6: Portfolio Content Categories [Pub. Util. Code §399.16 (c)]**

SMUD defines the portfolio content categories specified in Pub. Util. Code §399.16(c) herein, and places each resource procured by contract after June 1, 2010 into one or more of the categories.

**Portfolio Content Category 1** – resources that meet the category requirement in Pub. Util. Code §399.16(b)(1), defined as generation that either:

- i) Is from a facility that has its first point of interconnection with a California balancing authority or with distribution facilities used to serve end users within a California balancing authority, even if it is procured as an unbundled product or is unbundled after procurement; or
- ii) Is purchased as a bundled product and scheduled into a California balancing authority without use of substitute energy except to provide real-time ancillary services required to maintain an hourly or sub-hourly import schedule, even if subsequently unbundled within California; or
- iii) Is dynamically transferred as a bundled product into a California balancing authority, even if subsequently unbundled within California.

**Portfolio Content Category 2** – resources that meet the category requirements in Pub. Util. Code §399.16(b)(2), defined as generation that is scheduled into a California balancing authority with substitute energy providing incremental firming and shaping services to maintain an hourly or sub-hourly import schedule.

**Portfolio Content Category 3** – all other procured resources that do not meet the requirements of Category 1 or Category 2, including unbundled RECs for which the underlying renewable resource did not meet either of those requirements.

SMUD shall determine to which category each procured resource belongs.

**Section 7: Limits On Procurement For Procurement Categories [Pub. Util. Code 399.16 (c) ]**

SMUD shall meet the limits on procurement for the procurement categories in each compliance period, as specified in Pub. Util. Code §399.16(c).

SMUD's Governing Board may adjust the percentage limitations specified in Pub. Util. Code §399.16(c) for procurement in each category in order to comply with the obligation for a compliance period in which the conditions for waiving compliance established in Section 2 would otherwise be invoked. In no case shall the SMUD Governing Board adjust the percentage requirement for procurement from Category 1 below 65% for compliance after Compliance Period 1, per Pub. Util. Code §399.16(e).

**Section 8: Cost Limitations/Constraints [Pub. Util. Code §399.30 (d)(3)]**

SMUD shall establish specific cost limitations on procurement to ensure that compliance with the 33% RPS standard does not drive rate increases greater than the rate of inflation. SMUD may consider pursuing renewable energy that would cause rates to change by more than the rate of inflation if such procurement provides sufficient benefits to SMUD's ratepayers, or for other reasons such as if other budget elements offset renewable increases so that the overall rate change is less than the rate of inflation.

**Section 9: Application Of Excess Historical (Pre-2011)Procurement:**

SMUD may calculate excess historical procurement associated with the Board adopted RPS established prior to SBX1-2, and apply that excess historical procurement in the compliance periods defined herein. Excess historical procurement shall be limited to the amount of eligible renewable generation that is in excess of the RPS goals adopted by SMUD's Governing Board and in effect at the time. No historical procurement can count as excess historical procurement if it was previously used to meet historical targets in the Governing Board adopted RPS.

Any excess historical procurement that is carried forward for application in the compliance periods herein, must meet the applicable CEC's RPS eligibility requirements in place at the time of procurement.

SMUD shall include generation from contracts of any length in the calculation of excess historical procurement.

**Section 10: Separability of Greenergy**

This is the enforcement and compliance plan for SMUD's RPS obligation. SMUD also procures renewable energy for its Greenergy voluntary rate, and nothing in this enforcement and compliance plan is intended to apply to SMUD's procurement for the voluntary Greenergy program.