



Anaheim RPS Policy Procurement Plan and Enforcement Program 2014 Update

POLICY STATEMENT

The California Renewable Energy Resources Act, Senate Bill (SB) 2 (1st Ex. Sess.) (Simitian, Kehoe and Steinberg) (SBX1 2), signed into law in April 2011, established a statewide 33% Renewable Portfolio Standard (RPS) by 2020. SBX1 2 is also referred herein as the Act. Additionally, the Act's passage required publicly owned utilities (POUs) to adopt an enforcement program by January 1, 2012, and prepare a renewable energy resources procurement plan. The Act also codifies a new Public Utilities Code (PUC) Section 399.30(m), directing the California Energy Commission (CEC) to adopt regulations specifying procedures for the enforcement of the RPS on POUs. While the Act does contain mandatory provisions which the City of Anaheim Public Utilities Department (Department) must implement, in some cases, the Act gives discretion as to how to implement the requirements.

The CEC has adopted new regulations to establish enforcement rules and procedures for the RPS for POUs, and these regulations were approved by the Office of Administrative Law, with an effective date of October 1, 2013. The regulations establish the rules and procedures that the CEC will use to assess a POU's procurement actions and determine whether those actions meet the RPS procurement requirements in the law.

This procurement plan and enforcement program (RPS Policy) is intended to provide a workable framework to assist the Department in achieving its goal of complying with the State of California's RPS Program.

The City Council is the Department's governing board, and is responsible for adopting, implementing and enforcing the RPS Policy.

This is an update to the RPS Policy provided to the City Council in March 2013, which includes an updated resource procurement plan (Procurement Plan) incorporating the provisions of the CEC's final regulations. The Department will continue to provide City Council with an updated Procurement Plan on an annual basis.

END OF POLICY STATEMENT



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RESOURCE PROCUREMENT PLAN

I. Elements of the RPS Program

A. Procurement Targets

Public Utilities Code Section 399.30(m), as amended by Assembly Bill 2227, (Bradford) directed the CEC to establish enforcement rules and procedures for the RPS for POUs. Unless otherwise provided herein, all section references will refer to the California Code of Regulations, Title 20, Division 2, Chapter 13, Sections 3200-3208 (Regulation). Section 3204 of the Regulation requires the Department to adopt and implement a procurement plan to demonstrate that it procures a minimum quantity of electricity products from eligible renewable energy resources, including Renewable Energy Credits (RECs). The compliance periods and targets for each calendar year (CY) are as follows:

Compliance Period (CP)	Compliance Period Targets
CP 1 (CY 2011- CY 2013)	Total renewable procurement for CP1 must equal: an average of 20% of retail sales, over 2011-2013
CP 2 (CY 2014- CY 2016)	Total renewable procurement for CP 2 must be equal to or greater than the sum of: [(20% of 2014 retail sales)+(20% of 2015 retail sales)+(25% of 2016 retail sales)]
CP 3 (CY 2017- CY 2020)	Total renewable procurement of CP 3 must be equal to or greater than the sum of: [(27% of 2017 retail sales)+(29% of 2018 retail sales)+(31% of 2019 retail sales)+(33% of 2020 retail sales)]
Post CY 2020	Total renewable procurement for all subsequent years must be equal to or greater than 33% of retail sales

B. Portfolio Content Category (Bucket) Requirements

Per Section 3202(a)(2), any renewable contracts executed after June 1, 2010 will be categorized into one of three portfolio content categories (buckets). The table below describes the types of resources that are subject to the bucket limitations, and the minimums and maximums allowed for each compliance period. Any renewable contracts executed prior to June 1, 2010 are not subject to the following bucket limitations:



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Portfolio Content Categories (PCCs or Buckets)	Percentage Requirements for Post-June 1, 2010 Procurement
<p>PCC 1: Energy or RECs from eligible resources interconnected to a transmission network within the Western Electricity Coordinating Council (WECC) that:</p> <ol style="list-style-type: none"> 1. Has its first point of interconnection within the metered boundaries of a California (CA) balancing authority area; or 2. Has its first point of interconnection to an electricity distribution system used to serve end users within the metered boundaries of a CA balancing authority area; or 3. Is scheduled into a CA balancing authority without substituting electricity from another source. If another source provides real-time ancillary services to maintain an hourly import schedule into CA, only the fraction of the schedule actually generated by the renewable resource will count; or 4. Has an agreement to dynamically transfer electricity to a CA balancing authority area. 	<p>CP 1: Minimum of 50%</p> <p>CP 2: Minimum of 65%</p> <p>CP 3, and thereafter: Minimum of 75%</p>
<p>PCC 2: Energy or RECs from eligible resources interconnected to a transmission network within the WECC that must be matched with incremental energy that is scheduled into a CA balancing authority area.</p>	<p>CP 1: Maximum of 50%</p> <p>CP 2: Maximum of 35%</p> <p>CP 3, and thereafter: Maximum of 25%</p>
<p>PCC 3: Energy or RECs from eligible resources that do not meet the requirements of PCC 1 or PCC 2, including unbundled RECs.</p>	<p>CP 1: Maximum of 25%</p> <p>CP 2: Maximum of 15%</p> <p>CP 3, and thereafter: Maximum of 10%</p>



II. Planning and Procurement

A. Planning Activities

The Integrated Resources Planning Group (IRP) is responsible for managing the Department's energy resource portfolio (both conventional and renewable). To effectively manage all of the Department's resources, IRP develops a Power Supply Forecast on an annual basis. When developing this forecast, IRP considers several factors, including an assessment of the resource supply portfolio and a projection of customer energy and peak demand requirements. This annual review results in a twenty (20) year projection (Power Supply Forecast) that includes all contracted projects, potential projects, and other viable projects to fill the gap of resource needs that are required to meet California Independent System Operator (CAISO) reliability requirements, as well as legislative mandates. IRP determines its expected renewable procurement needs by comparing its forecasted RPS procurement quantity targets to its forecasted energy deliveries from its renewable energy resource portfolio, all of which are key components of the Power Supply Forecast.

IRP takes the RPS program's regulatory framework into account when planning for renewable procurement, and meets to discuss its RPS requirements and progress on a monthly basis. This process includes a thorough analysis of project performance, as well as short and long-term RPS needs. Other factors taken into consideration while conducting this analysis include, but are not limited to: renewable integration costs, the risk of delay or failure associated with renewable resources contracted or under consideration, transmission availability, developer experience, financial considerations (including the ability of the developer to secure funding), technology (new technology versus proven technology), and any other factors that can potentially delay or indefinitely postpone a project.

IRP's objective is to identify renewable projects that are viable, cost-effective, enhance the Department's resource portfolio, and optimize each portfolio content category in an effort to minimize overall costs.

B. Procurement (Origination)

The Department intends to fully comply with the State's ambitious RPS goals; however, it is important to note that the Department is fully resourced and additional resources will exceed the Department's retail demand needs. Per PUC §399.15(a) "... in order to fulfill *unmet* long-term resource needs, the commission shall establish a renewable portfolio standard..." (emphasis added). The Department has no unmet long-term resource needs; as a member of the CAISO, the Department is mandated to procure resources to



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meet 115 percent (115%) of its forecasted peak demand for each month. Going forward the Department will not be in a position to need additional resources to meet its retail demand, but as a result of this requirement, the Department is being mandated to over procure resources.

The Department works with the Southern California Public Power Authority (SCPPA) to gain greater access to a broader pool of renewable resources, through a competitive renewable procurement bidding process, that would otherwise be difficult to leverage as a result of the Department's size. IRP maintains representation on the SCPPA's Renewable Resources Working Group (Working Group), and participates in their bid solicitation process for securing renewable resources. SCPPA currently administers a "rolling" request for proposal (RFP) process for renewable energy projects from qualified renewable providers. After receiving bids from qualified renewable providers, the Working Group meets to narrow down the bids based on price, location, transmission, deliverability, viability, and other considerations that impact a project.

IRP may also elect to negotiate directly with a developer or third party (e.g., broker) to secure renewable resources through bilateral transactions. Once the terms and conditions of the project are agreed upon by both parties, IRP may choose to enter into either a short-term or long term power purchase agreement (PPA). Additionally, should the need arise, the IRP group may choose to launch its own RFP for renewable resources.

Since 2011, origination activities have resulted in the successful negotiation of 13 power purchase agreements with renewable developers. The Department's procurement strategy incorporates both near and long-term renewable power purchase agreements to meet the complex requirements of the RPS Regulation. Table 1 below represents near-term procurement activity undertaken in 2013.

Table 1

Compliance Period 1

Technology	Expected Energy (GWGs)	Term	Commercial Operation Date	Portfolio Content Category
Geothermal	116	1-Yr.	Online	PCC1
Geothermal	100	1-Yr.	Online	PCC1
Wind, Landfill Gas	65	1-Yr.	Online	PCC2
Wind	30	1-Yr.	Online	PCC2



In addition, the Department has successfully negotiated power purchase agreements for renewable energy procurement in the outer compliance periods, as indicated in Table 2 below.

Table 2

Compliance Period 2

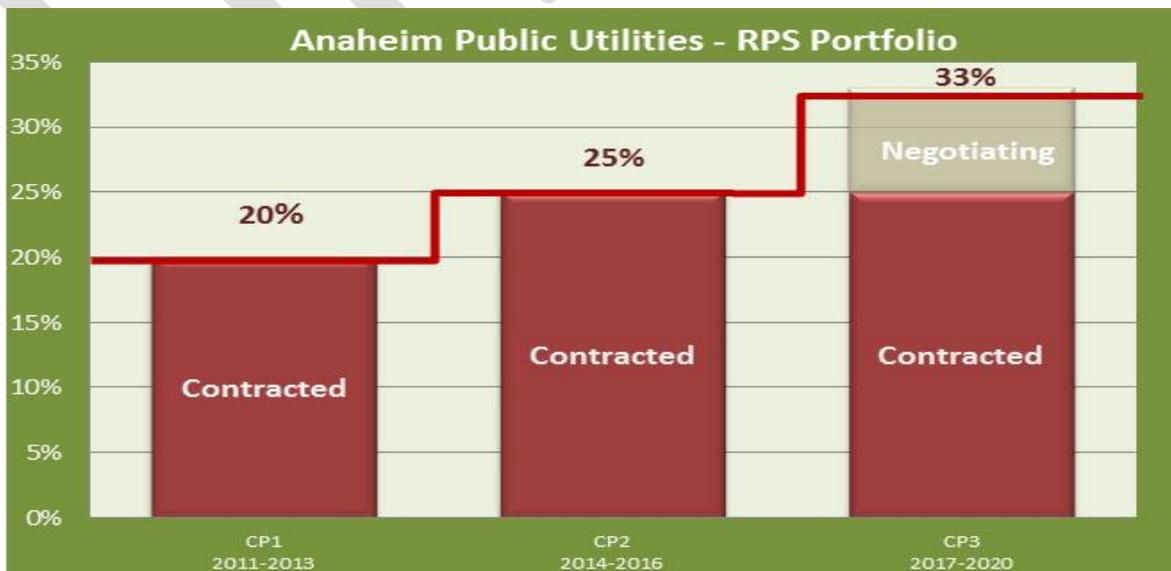
Technology	Expected Energy (GWhs)	Term	Commercial Operation Date	Portfolio Content Category
Digester Gas	31	20-Yrs.	12/30/2015	PCC1
Wind	80	10-Yrs.	3/23/2014	PCC1
Municipal Solid Waste	150	1-Yr.	1/1/2014	PCC1
Solar	4	25-Yrs.	4/1/2015	PCC1
Municipal Solid Waste	150	2-Yrs.	1/1/2015	PCC1

APU continuously revisits its procurement strategy, not only for meeting its RPS goals, but to ensure the reliability of its distribution system, as well. APU is currently looking at the viability of energy storage, fuel cells, and other technology to maintain grid reliability and meet the State’s overall energy policy goals.

III. Status of APU’s RPS Portfolio

A. Progress Toward Meeting Targets

The passage of SBX1 2 made significant changes to the State’s RPS program, including departing from the prior structure of annual RPS goals and moving to multi-year compliance periods.





The Department has made and continues to make progress towards meeting its targets. In 2011 and 2012, the Department delivered approximately 16.1% and 15.7%, respectively, of its retail sales from RPS-eligible resources. In 2013, the Department more than doubled its procurement efforts, not only to meet the 20% overall average target for the first 3-year compliance period, but to fill longer term gaps in the outer compliance periods.

B. Renewable Resource Procurement Plan – 2014 Update

Attachment A gives a more detailed look at the Department's Resource Procurement Plan. The table includes all grandfathered and contracted resources, as well as contracts being actively negotiated. This chart also provides expected RPS compliance percentages and expenditures. The data is based on actual data for the years that have occurred and forecasted data for all future years.

C. Banking of Excess Procurement

Due to the "lumpy" nature of renewables development, there may be years the Department exceeds its projected RPS targets. In order to preserve the investment our customers have made, and will continue to make, in the development of these resources, the legislature and State agencies recognized that the ability to use any excess procurement for future compliance is essential. Pursuant to Section 3206, the City Council may permit the Department to accumulate excess procurement of eligible renewable resources in one compliance period to be applied to any subsequent compliance period. The Department intends to utilize banking of any excess procurement, as appropriate, and will use any surplus to help satisfy its future RPS compliance targets in the most cost-effective manner.

D. Reporting Requirements

The Department is required to provide the CEC with documentation and reports, pursuant to Section 3207. Compliance reports are due by July 1 after every compliance period; however, similar reports are required annually for the CEC to track POU progress toward meeting RPS targets. The first set of reports required under the new Regulation were submitted in October 2013 to the CEC for the years 2011 and 2012. The Department's first report to the CEC to demonstrate compliance with the 20% RPS target is due July 1, 2014.



E. Attachment A

RENEWABLE RESOURCE PROCUREMENT PLAN 2014 Update										
Compliance Period (CP)								CP 1	CP 2	CP 3
Calendar Year (CY)*								CY 2011-2013	CY 2014-2016	CY 2017-2020
Retail Sales (GWh)								7,108	7,222	9,965
Grandfathered Projects	Technology Type	Location	Online Year	Contract Term (Years)	PCC	CP 1 (GWh)	CP 2 (GWh)	CP 3 (GWh)		
Iberdrola (High Winds)	Wind	CA	2003	20	0	42.08	38.72	70.17		
Iberdrola (Pleasant Valley)	Wind	WY	2005	20	0	232.27	152.58	249.65		
Ormat (Heber South)	Geothermal	CA	2005	15	0	193.19	156.73	265.58		
Cryq (Thermo No. 1)	Geothermal	UT	2009	20	0	92.06	159.50	257.89		
Broadrock (Ridgewood)	Landfill Gas	CA	2007	36	0	234.47	631.63	885.23		
MWD (Various Small Hydro)	Small Hydro	CA	2008	20	0	45.68	46.33	70.08		
Total Grandfathered Resources						839.76	1,185.50	1,798.60		
Contracted Projects	Type	Location	Contract Year	Contract Term (Years)	PCC	CP 1 (GWh)	CP 2 (GWh)	CP 3 (GWh)		
San Geronimo Wind Farm	Wind	CA	2012	10	1	143.96	198.57	320.44		
Noble	MSW	CA	2012	2	1	0.00	196.36	0.00		
Anaergia (Anaheim Energy LLC)	Biogas	CA	2015	20	1	0.00	13.52	133.15		
Anaheim Convention Center Roof	Solar	CA	2014	Utility-owned	1	0.00	8.32	13.66		
Short-Term WSPP (CPP 1)	Various	WECC Region	N/A	<1 year	1	216.00	98.18	0.00		
Short-Term WSPP (CPP 2)	Various	WECC Region	N/A	<1 year	2	169.95	0.00	0.00		
Unbonded RECS	N/A	WECC Region	2011	<1 year	3	135.96	0.00	0.00		
APU Small Solar Program (SB1)	Solar	CA	2012	N/A	3	3.42	4.85	7.96		
Total Contracted Resources						669.29	519.80	475.22		
Banked Procurement*										417.58
Projects Under Negotiation**	Type	Location	Online Year	Contract Term (Years)	PCC	CP 1 (GWh)	CP 2 (GWh)	CP 3 (GWh)		
Long-Term PCC 1 Contract	Biogas	California	2016	20	1	0.00	182.74	600.00		
Long-Term PCC 1 Contract	Solar	California	2015	20	1	0.00	6.10	14.68		
Total Projects Under Negotiation						0.00	188.83	614.68		
RPS TARGET						20%	25%	33%		
ESTIMATED APU RPS%						21%	26%	33%		
ESTIMATED GWh						1,509	1,894	3,306		
ESTIMATED RPS COST (all renewables)						\$85,604,219	\$181,693,770	\$272,990,593		

* Expected procurement generated in CP 2 for use in CP 3 to meet RPS target.

**Projects Under Negotiation are currently under consideration. Contracts have not been signed.



IV. Potential Compliance Delays

A. Compliance Period 1 Events

As discussed in [Section II](#) of this RPS Policy, in planning its renewable procurement position and needs, the Department accounts for potential issues that could delay RPS compliance. The Department has met its RPS goal of 20% by the end of 2013; however, throughout the first compliance period circumstances were encountered that could have potentially hindered the Department's ability to comply. Achieving renewable energy goals is dependent on the successful performance of renewable developers in meeting contractual obligations, completing construction milestones in a timely fashion, and achieving commercial operation. During the first compliance period, the Department experienced a delay in interconnection and commercial operation for one key resource, as well as underperformance from some of its other contracted renewable resources. To the extent delays and underperformance occur, the amount of delivered energy which the Department can rely upon to reach its goals is reduced.

The Department's forward procurement strategy includes the probability of circumstances outlined above to occur; as such, the decision to procure additional eligible renewable resources above and beyond planned procurement for the first compliance period was made to make up for any energy delivery shortfalls. Going forward, the Department will continue to consider all factors in the planning process that could have an effect on its renewables portfolio, and delay timely compliance with the RPS.

V. Cost Limitations

A. Background

The passage of SBX1 2 permits the local governing board of each POU to implement, at its sole discretion, a cost limitation for its RPS activities, consistent with Section 3206(a)(3). The City Council, in the manner set forth in this and previous versions of the RPS Policy, has implemented a cost limitation in its RPS Policy for the protection of its customers and continues to review its methodology in coordination with updates to the RPS Procurement Plan.

The City Council, has implemented a cost limitation that relies on:

- The most recent Renewables Energy Resources Procurement Plan; and



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- Procurement expenditures that approximate the expected cost of building, owning or operating eligible renewable resources, which does not include indirect expenses as described in Section 3206(a)(3)(B)(3); and
- The potential that some planned resource additions may be delayed or cancelled.

The City Council adopted a cost limitation that shall ensure all of the requirements of Section 3206(a)(3) are met. The cost limitation value which is contained herein may be updated on a periodic basis.

B. Summary of Cost Limitation Elements

The Department's cost limitation is intended to reflect current market conditions, address any disproportionate rate impacts to customers, and reflect added costs of committing public funds to additional projects as some are delayed or permanently removed from the construction queue. The analysis for the cost limitation is calculated based on the most recent Power Supply Forecast. The City Council, in ensuring that customers do not face a disproportionate burden, has the authority to implement a cost limitation, which may result in the temporary suspension of RPS compliance activities.

C. Establishment of Percentage Range for Disproportionate Rate Impacts

In December of 2011, the Department presented City Council with its first RPS Policy. The RPS Policy stated that RPS activities, as a result of complying with SBX1 2, could lead to an estimated rate increase in the 12%-17% range. However, the Department has taken advantage of new products (renewable resources) at historically low prices in the renewable market, via short term contracts, to meet its RPS goals more cost effectively. The Department now anticipates that the rate impact, to comply with the current renewable mandate, will be between 7% and 12% over the next decade. The Department has determined that any rate increase over and above 12% causes a disproportionate impact to customers; therefore, any rate increase beyond this threshold range would be considered an undue burden for customers.

To provide some perspective as to how potential rate increase relates to Total Net Power Supply Costs (defined below), a 12% rate increase translates to approximately a 17% increase in Total Net Power Supply Costs. The Department recommends that any projected increases in the Department's Total Net Power Supply Costs (using CY 2010 as the base year) due to RPS compliance activities that exceed 17%, be the threshold to consider implementing a cost limitation action. Should this occur, the Department will advise City Council, via a memo or staff report, that the increased cost for complying with RPS activities has reached the 17% threshold level. The Department will recommend a course of action for City Council consideration. City Council can, in its sole discretion, authorize the Department to cease its activities related to RPS



compliance until the costs for complying with the RPS fall below the 17% threshold range.

D. Cost Limitation Threshold

The Department will advise the City Council if the following cost limitation threshold occurs:

1. Any occurrence of the following:

a. Total Cost of Procurement for RPS compliance activities exceed 17% of the actual calendar year (CY) 2010 Total Net Power Supply Costs.

i. Total Net Power Supply Costs are defined as the summation of resource, transmission, and CAISO costs required to meet retail demand and includes renewable energy costs to meet the Department's RPS goals. These costs are calculated annually on a CY basis.

ii. Total Cost of Procurement for the RPS is defined as the total annual incremental CY cost to procure renewable resources to meet RPS compliance above the cost of Department's 2010 Power Supply Budget. Total Cost of Procurement for the RPS also includes the expected cost of building, owning, or operating eligible renewable resources.

b. Projects that are delayed or cancelled, due to circumstances outside of the Department's control, and replacing those projects would significantly impact rate payers or significantly impact the Department's Total Net Power Supply Costs budget on a CY basis, where RPS costs exceed 17%, as compared to the CY 2010 Total Net Power Supply Costs.

2. Any other circumstance that would prevent renewable resources from being delivered to Anaheim, or other circumstances that can detrimentally impact customers. Such circumstances include force majeure which is defined as acts of God, flood, drought, earthquake, storm, fire, pestilence, lightning and other natural catastrophes, epidemic, war, riot, civil disturbance or disobedience, terrorism, sabotage, strikes or labor disputes, and other such events ("Force Majeure").

E. Establishment of the Base Year

SBX1 2 was signed into law in April 2011 but was retroactively effective on January 1, 2011. Power Supply Costs from CY 2010 did not include adjustments for RPS activities for SBX1 2 compliance; therefore, since CY 2010 did not include the impact of RPS



compliance activities that were the result of the passage of SBX 1 2, it is chosen as the base year.

F. Equation for Cost Limitation Threshold

$$\frac{\text{Annual Total Cost of Procurement for RPS (Any given CY)}}{\text{Actual Total Net Power Supply Costs in CY 2010}} \geq 17\%$$

G. Process for Implementation

The Department will continuously monitor its expenditure levels and advise the City Council, annually of its RPS expenditures. Below is the process that the Department will follow to advise the City Council when the threshold to implement its cost limitation is met and the direction the Department will take, as directed by City Council:

- 1) Department Staff will advise City Council, via a memo or staff report, that the threshold for the cost limitation has been met and will recommend a course of action for City Council consideration.
- 2) City Council, at its sole discretion, may choose to implement the cost limitation provision and direct the Department to cease its activities related to RPS compliance until the costs for complying with the RPS fall below the 17% threshold range.
- 3) Through the direction provided by City Council, the Department will either cease its activities related to RPS compliance (until the costs for complying fall below 17% threshold range) or continue its RPS compliance activities.

H. Details on Cost Limitation Threshold

This section provides background on the Department's action, when a cost limitation threshold is reached.

1. Disproportionate Rate Impacts

The Department forecasts its Total Cost of Procurement RPS when developing the annual Power Supply Forecast. The Power Supply Forecast provides twenty (20) year forward projection of supply and demand, including costs, and therefore, provides a forward look at anticipated increases in Total Net Power Supply Costs. This cost limitation is a proactive measure which aims to prevent undue economic consequences of the RPS statute and Regulation on customers.



Below is an example that illustrate when the cost to procure renewable resources may exceed the cost limitation set forth in this RPS Policy. This example also includes the actions to be taken by the City Council and the Department.

Example 1 :

- *CY 2016 Total Cost of Procurement RPS is expected to be \$80 million*
- *CY 2010 Actual Total Net Power Supply Costs were \$300 Million*
- *Total Power Supply Increase: \$80 million/\$300 million= 27% (to pay for additional renewable resources).*
 - *A memo or staff report will be sent to City Council, advising them that the expected costs for procuring renewable resources will exceed the amount discussed in the cost limitation threshold. The Department will recommend a course of action for City Council consideration. City Council has the final authority to direct the Department to continue or cease its RPS compliance activities.*

2. Projects Delayed or Cancelled

Per Section 3206(a)(3)(C) cost limitations can include “the potential that some planned resource additional may be delayed or canceled.”

As discussed in detail in the Procurement Plan, Department staff works diligently to secure the required amount of RPS resources, to meet compliance obligations. However, issues outside the control of the Department, (i.e., permitting, financing of the project, interconnection issues, cost projections, etc.) may delay or indefinitely postpone a project. As a POU, Anaheim must be selective when entering into contracts for renewable procurement as these contracts are associated with financial obligations and tie up public funds. The cost of the delay or indefinite postponement of any project should be included when determining detrimental rate impacts or calculating an increase to power supply costs.

Below is an example that illustrates when a project delay or indefinite postponement may trigger a cost limitation. This example also includes the actions to be taken by the City Council and the Department.

Example 2:

- *CY 2010 Actual Total Net Power Supply Costs were \$300 million*
- *CY 2013 Total Cost of Procurement RPS is expected to be \$40 million*
 - *Cost of Projects Delayed are expected to be \$20 million (This may include a cheaper resource not coming online; thus, the Department has to procure a more expensive resource, that was not budgeted by the end of CY 2013 in order to comply with the RPS mandate.)*



- *Total CY 2013 RPS Costs: \$40 million + \$20 million= \$60 million*
- *Total Power Supply Increase: \$60 million/\$300 million= 20% (to pay for additional renewable resources and pay for the impact of delayed or cancelled projects).*
 - *A memo or staff report will be sent to City Council, advising them that the expected costs for renewable resources will exceed the amount discussed in the cost limitation threshold. The Department will recommend a course of action for City Council consideration. City Council has final authority to direct the Department to continue or cease its RPS compliance activities.*

3. Other Circumstances

The City Council may choose to implement additional cost limitations, consistent with the Regulation upon the occurrence of, but not limited to, the following examples:

- Changes in the Regulation

In the event that the RPS Regulation is modified, there is a possibility that contracted resources may not count in full toward the Department's RPS, as anticipated. The cost of replacing the lost renewable energy that was expected to be delivered from these resources must be taken into consideration.

- Force Majeure

The occurrence of Force Majeure which adversely impacts the delivery of renewable resources and thereby increases RPS compliance costs. It is expected that such Force Majeure events will place an undue economic burden on Anaheim as well as its customers.

END OF RESOURCE PROCUREMENT PLAN



ENFORCEMENT PROGRAM

VI. Enforcement Program

Waiver for Noncompliance

The Department fully intends to comply with the State's RPS Program. The Department will demonstrate its progress in reaching its RPS targets on an annual basis through the Department's Procurement Plan. The City Council is responsible for enforcing the RPS Policy through the Enforcement Program.

Current law authorizes the City Council to waive the Department's compliance requirements, consistent with PUC §399.15(b)(5) and Section 3206(a)(2) of the Regulation, if the Department can demonstrate any of the following conditions are beyond the control of the Department, and will prevent timely compliance. The conditions for waiver or delaying compliance include, but are not limited to the following (which may delay or indefinitely postpone a project):

1. Inadequate transmission capacity: [Section 3206(a)(2)(A)(1)]. There is inadequate transmission capacity to allow for sufficient electricity to be delivered from proposed eligible renewable energy resource projects using the current operational protocols of the California Independent System Operator (CAISO). City Council interprets this to mean the inability to bring eligible renewable resources into the CAISO due to transmission limitations. This includes instances where transmission outages may prevent renewable energy from entering into the CAISO market. This may cause the Department to be out of compliance for a compliance period. The City Council has the authority to waive the Department's compliance for this instance.
2. Permitting, interconnection, or other circumstances that delay procured renewable energy resource projects or insufficient supply of eligible renewable energy resources: [Section 3206(a)(2)(A)(2)]. Examples include, but are not limited, to the following:
 - Development (i.e., permitting, financing, etc.): City Council interprets this to include a renewable resource developer's inability to obtain financing or permits, or lacks interconnection abilities or the rights to build the project. This may cause the Department to be short of compliance for a compliance period. The City Council has the authority to waive the Department's compliance for this instance.
 - Operation (i.e., fires, accidents, outages, etc.): City Council interprets this to include any unforeseen circumstances preventing the renewable resource from being developed or delaying its output. This includes outages at the renewable energy facility. For example, if there is a wildfire, transmission outage or facility outage that prevents resources from delivering energy into the CAISO. This may cause the Department to be short of compliance for a



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compliance period. The City Council has the authority to waive the Department's compliance for this instance.

- **Regulatory Delays:** City Council interprets this to include instances where state agencies delay timely requests by the Department for registering renewable resources, certifying renewable resources, and accepting renewable resources into its renewable portfolio. In addition, these also include changes to state mandates, which may lead to a delay in compliance. The City Council has the authority to waive the Department's compliance for this instance.
3. Unanticipated curtailment to address needs of a balancing authority: [Section 3206(a)(2)(A)(3)]. City Council interprets this section to include the CAISO directing a renewable resource to modify their energy obligations, due to the needs of the balancing authority. This may cause the Department to be short of compliance for a certain period. The City Council has the authority to waive the Department's compliance for this instance.

The Department intends to comply with the State's RPS program; however, as listed above, there may be circumstances that prevent the Department from procuring renewable resources to meet its RPS targets. In such an instance, the Department will request City Council authority to approve a waiver of compliance, consistent with Section 3206(a)(2).

END OF ENFORCEMENT PROGRAM



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Version	Date	Action	Change Tracking
1	December 16, 2011	Effective Date	New
2	March 26, 2013	Amend the RPS Policy to include Cost Limitations and an annual update to the Resource Procurement Plan.	Amended and Updated
3	February 26, 2014	Update RPS Policy with references to the CEC's adopted POU Regulations, update data in the Resource Procurement Plan and clarify cost limitation equation (RPS costs).	Update