

City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: December 13, 2011

FROM: PUBLIC UTILITIES DEPARTMENT ITEM NO: 30

WARDS: ALL

SUBJECT: ADOPTION OF ENFORCEMENT PROGRAM FOR CALIFORNIA RENEWABLE ENERGY RESOURCES ACT

ISSUE:

That the City Council consider approval of an enforcement program for Riverside Public Utilities as required by the California Renewable Energy Resources Act (SBX1-2).

RECOMMENDATION:

That the City Council approve and adopt the attached Riverside Public Utilities SBX1-2 Enforcement Program.

BOARD RECOMMENDATION:

The Board of Public Utilities unanimously approved this item at their regularly scheduled meeting on November 18, 2011.

COMMITTEE RECOMMENDATION:

On November 28, 2011, Utility Services/Land Use/Energy Development Committee, with Chair Bailey, Vice Chair Gardner and Member Davis present, unanimously approved and recommended that the City Council approve this item.

BACKGROUND:

SBX1-2 was passed by the State Legislature and signed by the Governor on April 12, 2011. This Act revised the State Renewable Energy Resources Program to set targets leading to an increase in the amount of electricity generated by renewable resources of at least 33% of statewide retail sales by December 31, 2020. SBX1-2 also defines three (3) categories of renewable resources with progressively increasing requirements for the category primarily composed of renewable generating projects located in California.

SBX1-2 sets minimum targets for renewables during the following three compliance periods:

- Period 1: Average of 20% of retail sales during 2011-2013
- Period 2: 25% of retail sales by December 31, 2016
- Period 3: 33% of retail sales by December 31, 2020

Unlike previous State laws, the minimum renewables targets set by SBX1-2 are applicable to publicly owned utilities.

Oversight of compliance with SBX1-2 by publicly owned utilities is provided in part by their respective local governing boards and in part by the California Energy Commission (CEC). Oversight of compliance by investor owned utilities is provided by the California Public Utilities Commission (CPUC). The CEC and CPUC are each conducting regulatory rulemaking processes for implementation of SBX1-2; these processes are scheduled to continue into mid-2012.

SBX1-2 requires the local governing board of each publicly owned electric utility to adopt a program for enforcement on or before January 1, 2012. The enforcement program may include conditions for delaying timely compliance for certain reasons including insufficient supply of renewable resource projects, delay of procured projects, inadequate transmission capacity and unanticipated curtailment of generation to meet the needs of a balancing authority. The local governing board may also establish cost limitations for expenditures on procurement of renewable resources, including limits on rate impacts. If the local governing board waives compliance, it shall establish additional reporting requirements to ensure the utility meets future needs for procurement of renewable resources.

Riverside Public Utilities (RPU) does not anticipate it will have significant difficulty meeting the requirements of SBX1-2 during compliance Period 1 (2011-2013). To a large extent, this is due to previous acquisitions of renewable resources made under the City's own Renewable Portfolio Standard. Existing long-term renewable resources will meet over 90% of the Period 1 needs. The cost impact to fill the remaining gap is expected to increase RPU's annual costs by less than 1%.

However, market costs for in-state renewable resources are significantly higher than for renewable resources available from outside California. This cost differential, combined with SBX1-2's progressively higher requirements to use in-state renewables in Period 2 and Period 3, threatens to cause significantly increased costs for meeting the increased renewables targets after Period 1. Meanwhile, the outcome of the CEC regulatory rulemaking process will not be known until well after the January 1, 2012 deadline for adoption of the enforcement program.

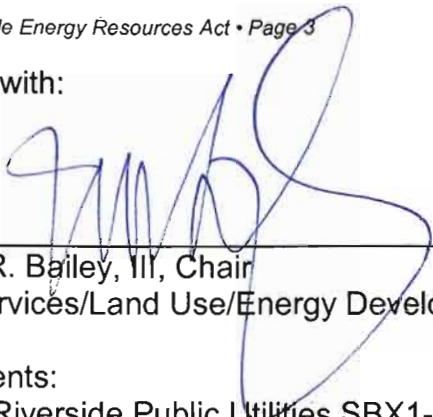
Therefore, the enforcement program has been designed to provide guidance on an interim basis, subject to revision within 180 days after conclusion of the CEC SBX1-2 rulemaking process.

FISCAL IMPACT:

Adoption of the SBX1-2 Enforcement Program does not create a direct fiscal impact. The Program, including future revisions, may help to mitigate cost impacts associated with compliance with SBX1-2.

Prepared by:	David H. Wright, Public Utilities General Manager
Certified as to availability of funds:	Paul C. Sundeen, Assistant City Manager/CFO/Treasurer
Approved by:	Belinda J. Graham, Assistant City Manager for Scott C. Barber, City Manager
Approved as to form:	Gregory P. Priamos, City Attorney

Concurs with:



William R. Bailey, III, Chair
Utility Services/Land Use/Energy Development Committee

Attachments:

1. Riverside Public Utilities SBX1-2 Enforcement Program
2. Board of Public Utilities Minutes – November 18, 2011

CITY OF RIVERSIDE

Enforcement Program for California Renewable Energy Resources Act (SBX1-2)

Adopted: _____

Purpose:

The California Renewable Energy Resources Act (SBX1-2) sets targets to increase the amount of electricity generated from renewable resources to at least 33 percent of statewide retail sales by December 31, 2020. This and certain other requirements of SBX1-2 are applicable to Riverside Public Utilities. SBX1-2 also requires the local governing body of each publicly owned electric utility to adopt a program for its enforcement no later than January 1, 2012. The City of Riverside hereby adopts this Enforcement Program for the California Renewable Energy Resources Act, as codified in the Public Utilities Code. This Enforcement Program is provisional, subject to revision including due to ongoing developments in regulatory proceedings and in energy markets.

Goals:

This City of Riverside is already pursuing the increased use of renewable energy resources through its existing Renewables Portfolio Standard (RPS). With the passage of SBX1-2, Riverside Public Utilities also intends to meet or exceed the state law's objectives and requirements.

In its efforts to comply with SBX1-2, Riverside Public Utilities shall pursue the following goals:

1. Procure renewable resources sufficient to achieve the requirements defined below
2. Avoid and mitigate detrimental impacts to the utility, its customers and community

Procurement Requirements:

Minimum targets for procurement of qualifying renewable energy resources by Riverside Public Utilities shall be as follows:

Compliance Period 1: An average of at least 20 percent of retail electric sales for the period January 1, 2011 – December 31, 2013

Compliance Period 2: At least 25 percent of retail electric sales by December 31, 2016

Compliance Period 3: At least 33 percent of retail electric sales by December 31, 2020, and annually thereafter

In addition, efforts shall be made to ensure reasonable interim progress toward achieving the targets for December 31, 2016 and December 31, 2020.

Conditions for Waiver of Compliance:

Conditions for waiver or delay of compliance include, but are not limited to, the following:

1. Insufficient supply of available renewable energy resources
2. Delay of procured renewable energy projects (including permitting, financing, construction and interconnection)
3. Inadequate transmission capacity (including capacity unavailability that restricts forward procurement of renewable resources, as well as outages, de-ratings or other factors that curtail deliveries of already-procured renewable resources)
4. Unanticipated curtailment of generation to meet the needs of a balancing authority (including due to impacts of intermittent generation)

If a waiver or delay of compliance is granted, the Board of Public Utilities shall establish additional reporting requirements to demonstrate that reasonable actions are being taken to meet future procurement requirements.

Cost Limitations:

Two forms of limitations are hereby placed upon expenditures by Riverside Public Utilities for the procurement of renewable energy resources:

1. Total procurement costs shall not cause more than a 3 (three) percent annual rate of increase in Riverside Public Utilities' average retail electric rates.
2. Costs for procurement of in-state renewable energy resources shall not be excessive in comparison to the costs of comparable renewable energy resources located outside California. Determination of what constitutes excessive costs for in-state renewable energy resources will initially be made on a case-by-case basis.

Reporting Requirements:

Riverside Public Utilities shall report the following information to its customers and to the California Energy Commission on an annual basis:

1. Expenditures of public goods funds for development of renewable energy resources
2. The mix of resources used to serve the utility's customers, by energy source
3. Status and progress in the procurement of renewable resources toward meeting the Procurement Requirements

DISCUSSION CALENDAR

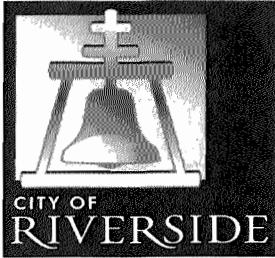
15. ADOPTION OF ENFORCEMENT PROGRAM FOR CALIFORNIA RENEWABLE
ENERGY RESOURCES ACT

Following discussion, the Board of Public Utilities recommended that the City Council approve and adopt the attached Riverside Public Utilities SBX1-2 Enforcement Program.

Motion – Sutter. Second – Scott-Coe.

Ayes: Elliott, Titus, Sutter, Curtin, Scott-Coe, Segura, Ament, and Cash.

Absent: Ian Davidson (excused absence due to illness)




**NOTICE OF PUBLIC MEETING REGARDING ADOPTION OF
PROGRAM FOR ENFORCEMENT OF CALIFORNIA RENEWABLE
ENERGY RESOURCES ACT**

NOTICE IS HEREBY GIVEN that on December 13, 2011, at 6:30 p.m., in the Art Pick Council Chamber of the City of Riverside, 3900 Main Street, Riverside, California, the City Council of the City of Riverside will conduct a public meeting to consider adopting a program for enforcement of the California Renewable Energy Resources Act (Act). The Act requires the governing board of each local publicly owned utility in California to adopt an enforcement program on or before January 1, 2012. Public notice shall be given not less than 30 days before any meeting held for the purpose of adopting the enforcement program.

The proposed enforcement program will be available for review by contacting Charlie Black, Resources Manager, Riverside Public Utilities Power Resources Division, 3901 Orange Street, Riverside, California 92501, 951-715-3524.

All persons interested in this matter are hereby invited to appear at the time and place herein specified to voice their opinions relating thereto. Persons unable to attend such meeting may forward their written statements relating to the matter to the City Clerk, City Hall, 3900 Main Street, Riverside, California 92522. If you challenge any of the above proposed actions in court, you may be limited to raising only those issues you or someone else raised at the public meeting described in this notice, or in written correspondence delivered to the City Clerk of the City of Riverside at, or prior to, the public meeting.



COLLEEN J. NICOL, MMC
City Clerk of the City of Riverside

Dated and Published: November 12, 2011

Printed at: 8:57 am
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Dated and Published: November 12, 2011 11/12

THE PRESS-ENTERPRISE

3450 Fourteenth Street
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Publication(s): Press-Enterprise

PROOF OF PUBLICATION OF

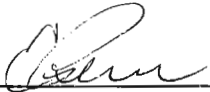
Ad Desc.: / PH- CA ENERGY ACT

I am a citizen of the United States. I am over the age of eighteen years and not a party to or interested in the above entitled matter. I am an authorized representative of THE PRESS-ENTERPRISE, a newspaper in general circulation, printed and published daily in the County of Riverside, and which newspaper has been adjudicated a newspaper of general circulation by the Superior Court of the County of Riverside, State of California, under date of April 25, 1952, Case Number 54446, under date of March 29, 1957, Case Number 65673, and under date of August 25, 1995, Case Number 267864; that the notice, of which the annexed is a printed copy, has been published in said newspaper in accordance with the instructions of the person(s) requesting publication, and not in any supplement thereof on the following dates, to wit:

11/12/2011

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Date: November 12, 2011
At: Riverside, California



RIVERSIDE CITY CLERK
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RIVERSIDE, CA 92522

Ad Number: 0000667822-01

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