

Section 1: Introduction

The 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), and by the *Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Utilities (CEC RPS Regulations)*, Section 3205(b).

Section 2: Enforcement

At the end of each compliance period, SMUD staff will determine SMUD's RPS compliance and prepare an RPS compliance report to the SMUD Governing Board (Board) for approval and submittal to the CEC. The Board will meet in open session to review the RPS compliance report to determine whether SMUD has met its RPS procurement requirements in accordance with Section 3204 of the *CEC RPS Regulations*, for the previous compliance period. If the Board determines that SMUD has met its RPS procurement requirements, the Board shall adopt the compliance report that addresses the reporting requirements of Section 3207 of the *CEC RPS Regulations*. Subject to the conditions for delaying compliance detailed in Section 4, and with consideration of any optional compliance modifications from Sections 7, 8, and 9, the Board will take enforcement action if it finds either of the following:

- Failure to meet the procurement obligations for the previous compliance period set forth in Section 5; or
- Failure to meet the portfolio balance requirement for procurement of Category 1 resources for the previous compliance period, for resources procured or owned by SMUD after June 1, 2010, as set forth in Section 5

Section 3: Enforcement Actions

If the adopted RPS compliance report shows either or both of the failures listed in Section 2, the Board shall direct the Chief Executive Officer (CEO)/General Manager (GM) to develop and present a plan within 6 months to bring SMUD into compliance. The plan will be presented at a Board meeting for discussion and action. The Board will consider one or more of the following enforcement actions, or other actions as determined by the Board:

- Determine and impose a payment that goes into an AB 32-related fund, with the restriction that such deposits in the account may only be used for renewable research, development and/or procurement purposes;
- Instruct staff to issue a Request for Offers to solicit more renewable energy generation to meet the goals and/or the applicable portfolio balancing requirements; or
- Instruct staff to identify the issues resulting in non-compliance and submit a report to the Board that includes recommendations for mitigation.

Section 4: Conditions to Delay Compliance [CEC RPS Regulations, Section 3206(a)(2)]

The Board may delay compliance for an RPS procurement requirement pursuant to Section 3206(a)(2) of the *CEC RPS Regulations* 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 meet the RPS procurement requirements of Section 3204 of the *CEC RPS Regulations*, the conditions are or were beyond the control of SMUD, and SMUD would have been compliant but for the occurrence of the conditions:

- 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 that limit renewable energy deliveries to SMUD;
- An insufficient supply of eligible renewable energy available within the cost limitations stated in Section 7.

If the Board approves a delay in compliance for a particular compliance period, the CEO/GM shall provide the Board with a compliance plan within 3 months that identifies actions to ensure future procurement requirements.

Section 5: Compliance [Pub. Util. Code §399.30 (c), Pub. Util. Code 399.16 (c) and CEC RPS Regulations, Section 3204]

SMUD's procurement target will be consistent with Pub. Util. Code §399.30 (c) and *CEC RPS Regulations*, Section 3204. SMUD shall meet the portfolio balance requirements for the procurement categories in each compliance period, as specified in Pub. Util. Code §399.16(c) and *CEC RPS Regulations*, Section 3204 (c).

Section 6: Rules For Excess Procurement and Carryover [Pub. Util. Code §399.30 (d)(1) and CEC RPS Regulations, Section 3206(a)(1)]

SMUD shall allow banking of excess procurement from one compliance period for use in subsequent periods, pursuant to *CEC RPS Regulations*, Section 3206(a)(1).

SMUD defines "excess procurement" as any eligible renewable generation in a compliance period that exceeds the compliance period requirement for that period, as calculated using the formulas in *CEC RPS Regulations*, Section 3206(a)(1)(D) .

SMUD shall subtract procurement from contracts of less than 10 years in length when calculating excess procurement, unless the procurement is from a contract signed prior to June 1, 2010, pursuant to *CEC RPS Regulations*, Section 3206(a)(1)(A)(3).

Section 7: Cost Limitations/Constraints [Pub. Util. Code §399.30 (d)(3) and CEC RPS Regulations, Section 3206(a)(3)]

SMUD shall establish specific cost limitations on procurement to ensure that RPS costs do not result in disproportionate rate impacts, pursuant to the *CEC RPS Regulations*, Section 3206(a)(3). Specifically, SMUD's goal is that compliance with the 33% RPS standard does not drive rate increases greater than the rate of inflation as measured by the Bureau of Labor Statistics. 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.

In the event that SMUD's RPS costs are projected to be above this cost limitation, SMUD shall consider either: 1) adjusting the portfolio balance requirements in Section 5, pursuant to Section 8, until the cost limitation is achieved; 2) delaying the compliance period requirements in Section 5, pursuant to Section 4 above, until the cost limitation is achieved; or 3) waiving the cost-limitation established in this section.

Section 8: Adjustment of Portfolio Balance Requirements [Pub. Util. Code §399.16(c) and CEC RPS Regulations, Section 3206(a)(4)]:

SMUD adopts the following rule allowing for the reduction of the portfolio balance requirement for Portfolio Content Category 1, pursuant to Pub. Util. Code §399.16, and Section 3204(a)(4) of the *CEC RPS Regulations*:

SMUD's Board may adjust the percentage limitations specified in Pub. Util. Code §399.16(c) for procurement in Portfolio Content Category 1 in order to comply with the obligation for a compliance period, provided the Board:

- Adopts such changes at a publically noticed meeting
- Finds the need to reduce the Category 1 procurement results from conditions beyond SMUD's reasonable control
- Provides reasons to explain why the reduction resulted from conditions beyond SMUD's control

In no case shall the Board adjust the percentage requirement for procurement from Category 1 below 65% for compliance after Compliance Period 2.

Section 9: Application Of Historic Carryover [CEC RPS Regulations, Section 3206(a)(5)]:

SMUD shall calculate historic carryover associated with SMUD's eligible renewable procurement prior to 2011, and apply that excess historical carryover in the compliance periods defined herein, pursuant to the *CEC RPS Regulations*, Section 3206(a)(5).

Any excess historical procurement that is carried forward for application in the compliance periods herein, will 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.