



Anaheim RPS Policy Procurement Plan and Enforcement Program 2017 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% Renewables Portfolio Standard (RPS) by 2020. More recently, the Clean Energy and Pollution Reduction Act of 2015, Senate Bill 350 (De Leon) (SB 350), signed into law in October 2015, increased the statewide RPS to 50% by 2030. In addition to setting RPS targets, SBX1 2 and SB 350 also form the framework of the RPS Program for all load serving entities, including local publicly owned utilities (POUs), which requires POUs to adopt and prepare a renewable energy resources procurement plan (Procurement Plan) and enforcement program. State law directs the California Energy Commission (CEC) to adopt regulations specifying procedures to enforce the RPS on all load serving entities, including POUs. While the law does contain mandatory provisions which the City of Anaheim (Anaheim) Public Utilities Department (Department) must implement, in some cases, the law gives discretion as to how to implement the requirements.

The CEC adopted regulations to establish enforcement rules and procedures for the RPS for POUs, and those regulations were approved by the Office of Administrative Law, with an effective date of October 1, 2013. The regulations, as amended from time to time, 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.

The Procurement Plan and Enforcement Program, together referred to as the Anaheim 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 (State) RPS Program.

It is the Department's policy to demonstrate its progress in reaching its RPS targets in compliance with the State's RPS Program. The City Council is the Department's governing board, and is responsible for adopting, implementing and enforcing the RPS Policy. The Public Utilities Board is the City Council's appointed advisory body, and is responsible for reviewing and recommending actions related to the implementation of the Department's RPS to the City Council.

This is an update to the RPS Policy provided to the City Council in January 2016, which includes an updated Procurement Plan and Compliance Period targets for 2021 and beyond.

END OF POLICY STATEMENT



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RPS PROCUREMENT PLAN

I. Elements of the RPS Program

A. Procurement Targets

Public Utilities Code Section 399.30(o), as amended by SB 350, (DeLeon) directs the CEC to establish POU enforcement rules and procedures for the RPS. 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 CEC, through its formal rulemaking process, adopted multi-year Compliance Periods and procurement targets for each calendar year (CY) through 2020. SB 350 continues the same multi-year Compliance Period construct and establishes a 50% RPS by 2030. The CEC is currently scheduled to adopt the 2021 through 2030 Compliance Period and annual procurement targets in early 2017. The current and proposed Compliance Periods and procurement targets are outlined below:

Compliance Period (CP)	Compliance Period Targets
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)]
*CP 4 (CY 2021- CY 2024)	Total renewable procurement of CP 4 must be equal to or greater than the sum of: [(34.8% of 2021 retail sales)+(36.5% of 2022 retail sales)+(38.3% of 2023 retail sales)+(40% of 2024 retail sales)]
*CP 5 (CY 2025- CY 2027)	Total renewable procurement of CP 5 must be equal to or greater than the sum of: [(41.7% of 2025 retail sales)+(43.3% of 2026 retail sales)+(45% of 2027 retail sales)]
*CP 6 (CY 2028- CY 2030)	Total renewable procurement of CP 6 must be equal to or greater than the sum of: [(46.7% of 2028 retail sales)+(48.3% of 2029 retail sales)+(50% of 2030 retail sales)]
*Post-2030	Compliance periods beginning on and after January 1, 2031, shall be three (3) years in length. Total renewable procurement in each three year compliance period must meet an average of 50% over each compliance period.

*Adoption of proposed targets expected by the CEC in Q1 of 2017



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B. Portfolio Content Category Requirements

Per Section 3202(a)(2), any renewable contracts executed after June 1, 2010 will be categorized into one of three portfolio content categories (PCCs). The table below describes the types of resources that are subject to the PCC 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 PCC limitations:

Portfolio Content Categories (PCCs)	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 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 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 2: Maximum of 15%</p> <p>CP 3, and thereafter: Maximum of 10%</p>



II. Planning and Procurement

A. Planning Activities

The Integrated Resources (IR) division is responsible for managing the Department's energy resource portfolio (both conventional and renewable). To effectively manage all of the Department's resources, IR develops a Power Supply Forecast on an annual basis. When developing this forecast, IR considers several factors, including but not limited to, 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 that includes all contracted projects, potential projects, and other viable projects to fill resource needs that are required to meet California Independent System Operator (CAISO) reliability requirements, as well as legislative mandates. IR 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.

IR 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-term 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 (i.e., new technology versus proven technology), and any other factors that can potentially delay or indefinitely postpone a project.

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

SB 350 requires the Department to develop an Integrated Resources Plan (IRP) prior to January 31, 2019. This comprehensive plan will outline the Department's activities in order to meet a 50% RPS by 2030 and greenhouse gas (GHG) emission reduction targets. It must also address impacts on customer rates, energy efficiency, system reliability and the integration of various distributed energy resources within the Department's service area. Development of the IRP has been initiated, and will outline the Department's strategy for effectively managing its overall energy resource portfolio into the future. Going forward, the two components of the RPS Policy, (i.e., the Renewable Energy Resources Procurement and Enforcement Plans), will be incorporated into the Department's IRP, which will be presented for review and



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recommendation by the Public Utilities Board, and considered for approval by City Council in early 2018, and updated every four years thereafter.

B. Procurement (Origination)

The Department intends to demonstrate its progress in reaching its RPS targets in compliance with State's established 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 sufficient long-term resources to meet anticipated needs. Future resource procurement plans will be based upon load forecasts, any new power supplies required, if any, to cover unmet needs, and divestiture of existing coal assets. Additionally, as a member of the CAISO, the Department is mandated to procure resources to meet 115 percent (115%) of its forecasted peak demand for each month to ensure that more than sufficient resources are available to meet customer loads.

During the second Compliance Period, IR executed seven (7) additional renewable energy contracts and is negotiating a power purchase agreement for 64 MW of wind energy sourced within California. The Department's procurement strategy incorporates both near and long-term renewable power purchase agreements to meet the complex requirements of the RPS Regulation.

The Department continuously revisits its procurement strategy, not only for meeting its RPS goals, but to also ensure the reliability of its distribution system. The Department is currently evaluating the viability of energy storage, demand response, and distributed generation resources 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 Department met the 20% overall average target for the first 3-year Compliance Period ending in 2013. Based on procurement activities undertaken since 2013, the Department will meet the Compliance Period 2 target of providing no less than 25% of its power from renewable resources, and is on track to meet the 2020 RPS target of 33% by 2020. Planning activities undertaken in 2016 while developing the IRP will incorporate a variety of renewable resources as a way to ensure continued diversification of the portfolio while progressing toward an aggressive goal of 50% renewables by 2030.



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B. Renewable Resource Procurement Plan – 2017 Update

Attachment A provides a detailed summary of the Department's Procurement Plan. The table includes all grandfathered and contracted resources, as well as any contracts being actively negotiated. This chart also provides expected RPS compliance percentages and expenditures. The data is based on actual data for past years and forecasted data for all future years.

C. Banking of Excess Procurement

Due to the inconsistent nature of renewables development and energy production, there may be years when 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 continue 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 Department demonstrated full compliance for the years 2011-2013 in its July 2014 compliance filing to the CEC. The second Compliance Period filing covering the years 2014-2016 is due in July 2017.



E. Attachment A

RENEWABLE RESOURCE PROCUREMENT PLAN											
2017 Update											
Compliance Period (CP)						CP 1	CP 2	CP 3	CP 4	CP 5	CP 6
Calendar Year (CY)						CY 2011-2013	CY 2014-2016	CY 2017-2020	CY 2021-2024	CY 2025-2027	CY 2028-2030
Estimated APU Retail Sales (GWh)						7,085	7,096	9,606	9,806	7,481	7,591
Grandfathered Projects	Technology Type	Location	Online Year	Contract Term (Years)	PCC	CP 1 (GWh)	CP 2 (GWh)	CP 3 (GWh)	CP 4 (GWh)	CP 5 (GWh)	CP 6 (GWh)
Iberdrola (High Winds)	Wind	CA	2003	20	0	41.93	40.29	70.27	52.70	0.00	0.00
Iberdrola (Pleasant Valley)	Wind	WY	2005	20	0	239.31	225.95	348.57	348.57	54.52	0.00
Ormat (Heber South)	Geothermal	CA	2005	15	0	194.38	174.69	252.29	252.29	192.02	189.22
Cryq (Thermo No. 1)	Geothermal	UT	2009	24	0	90.11	185.22	263.50	263.50	197.63	197.63
Broadrock (Ridgewood)	Landfill Gas	CA	2007	36	0	253.66	620.72	830.07	830.07	622.55	622.55
MWD (Various Small Hydro)	Small Hydro	CA	2008	20	0	46.85	37.94	60.03	40.85	0.00	0.00
Total Grandfathered Resources						866.23	1,284.81	1,824.72	1,787.98	1,066.71	1,009.39
Contracted Projects	Type	Location	Contract Year	Contract Term (Years)	PCC	CP 1 (GWh)	CP 2 (GWh)	CP 3 (GWh)	CP 4 (GWh)	CP 5 (GWh)	CP 6 (GWh)
San Geronio Wind Farm	Wind	CA	2012	10	1	142.11	243.02	320.44	240.33	0.00	0.00
Noble	Municipal Solid Waste	CA	2013	2	1	0.00	454.07	0.00	0.00	0.00	0.00
Anaergia*	Biogas	CA	2015	20	1	0.00	0.00	99.96	133.15	99.86	99.86
Anaheim Solar Energy Plant (Convention Center Roof)	Solar	CA	2014	Utility-owned	1	0.00	0.00	0.00	0.00	0.00	0.00
Westlands	Solar	CA	2015	25	1	0.00	3.26	15.07	15.07	11.31	11.31
Bowerman	Biogas	CA	2015	20	1	0.00	115.77	618.11	618.11	463.58	463.58
Planned Bucket 1 Contract	N/A	CA	2024	20	1					1,461.04	2,060.04
Short-Term WSPP (CPP 1)	Various	WECC Region	N/A	<1 year	1	215.82	0.00	0.00	0.00	0.00	0.00
Short-Term WSPP (CPP 2)	Various	CA	2015	<1 year	1	0.00	173.42	0.00	0.00	0.00	2,060.04
Short-Term WSPP (CPP 2)	Various	WECC Region	N/A	<1 year	2	168.83	0.00	0.00	0.00	0.00	0.00
Unbundled RECS	N/A	WECC Region	2011	<1 year	3	135.96	0.00	0.00	0.00	0.00	0.00
Unbundled RECS	N/A	WECC Region	2015	<1 year	3	0.00	130.05	0.00	0.00	0.00	0.00
APU Small Solar Program (SB1)	Solar	CA	2012	N/A	3	3.44	0.00	0.00	0.00	0.00	0.00
Total Contracted Resources						666.15	1,119.61	1,053.58	1,006.66	2,035.79	4,694.82
Banked Procurement**						0.00	110.00	904.67	899.69	64.83	0.00
RPS TARGET						20%	25%	33%	40%	44%	50%
ESTIMATED APU RPS%						20%	25%	33%	40%	44%	50%
ESTIMATED APU RPS (GWh)						1,532	2,404	2,878	2,795	3,103	5,704
ESTIMATED APU RPS COST						\$95,611,405	\$159,245,053	\$263,585,997	\$319,147,513	\$292,142,878	\$331,177,973

*Site location is yet to be determined

** Expected procurement generated in previous compliance year, for use in the proceeding compliance years.



IV. Potential Compliance Delays

A. Compliance Period 2 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. Circumstances may be encountered in the future that may potentially hinder 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 Compliance Period (CP 2), the Department experienced delays associated with two renewable resource contracts; however, short-term renewable energy was purchased to maintain compliance. The first contract delay was caused by the developer's inability to secure site and fuel agreements in a timely manner, and the second contract delay was due to the difficulties the developer encountered with transmission interconnection and permitting. To the extent delays and resource 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, such as the ones outlined above, occurring, and as such, the Department considers procuring additional eligible renewable resources above and beyond planned procurement to account for potential energy delivery shortfalls. Going forward into the next Compliance Periods, the Department will continue to consider all factors in the planning process that may have an effect on its renewables portfolio and delay timely compliance with the RPS.

V. Cost Limitations

A. Background

The State's RPS law 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 Procurement Plan.

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

- The most recent 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 the added costs of committing public funds to additional projects as some are delayed or permanently removed from a 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

The Department has determined that a Total Net Power Supply Cost increase over and above 17% would cause a disproportionate impact to customers; therefore, any rate increase caused by exceeding this threshold range would be considered an undue burden for customers. Since 2010, Total Net Power Supply Costs have increased to 4% above the established base year, which is below the the 17% threshold. The cost of implementing the new 50% RPS from 2021 to 2030 will be assessed during the development of the IRP discussed in [Section II](#). Since all elements of the RPS Policy will be incorporated into the IRP, any changes to the cost containment methodology and threshold levels will also be addressed during the development of the IRP.

To provide some perspective as to how a Total Net Power Supply Cost (defined below) increase relates to overall electric rates, a 17% increase in Total Net Power Supply Costs is equivalent to approximately 12% increase in overall electric rates. 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. The Department will recommend a course of action for review by the Public Utilities Board and City Council consideration at the time costs near or exceed the 17% threshold. City Council may, in its sole discretion, authorize the Department to suspend 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 Through 2020

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

G. Process for Implementation

The Department continuously monitors its expenditure levels and will 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 actions, 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 a 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.

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 Department's control (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.

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 fully count 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 PROCUREMENT PLAN



ENFORCEMENT PROGRAM

VI. Enforcement Program

Waiver for Noncompliance

The Department monitors its progress in reaching its RPS targets on a monthly basis, as well as through the Department's annual budgeting process, subject to the approval of budgeted expenditures by the City Council as recommended by the Public Utilities Board. The City Council is responsible for enforcing the RPS Policy through the Enforcement Program, and will review any recommendation by the Public Utilities Board.

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, permits, 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



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the CAISO. 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.

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

The Department will monitor its progress in reaching its RPS targets; 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	March 25, 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
4	January 27, 2015	Annual update to RPS Policy with updated cost data and description of procurement activities in the Resource Procurement Plan	Update
5	February 23, 2016	Annual update to RPS Policy with updated RPS targets consistent with SB 350, cost data and description of procurement activities in the Procurement Plan	Update
6	February 28, 2017	Annual update to RPS Policy with updated RPS targets consistent with SB 350, cost data and description of procurement activities in the Procurement Plan	Update