



*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL** **DATE: OCTOBER 9, 2018**  
**FROM: PUBLIC UTILITIES DEPARTMENT** **WARDS: ALL**  
**SUBJECT: UPDATED 2018 RENEWABLE ENERGY PROCUREMENT POLICY AS REQUIRED BY THE CALIFORNIA RENEWABLE ENERGY RESOURCES ACT**

## **ISSUE:**

Adopt the Updated 2018 Renewable Energy Procurement Policy for Riverside Public Utilities as required by the California Renewable Energy Resources Act.

## **RECOMMENDATIONS:**

That the City Council:

1. Adopt the Updated 2018 Renewable Energy Procurement Policy for Riverside Public Utilities; and
2. Delegate implementation of the Updated 2018 Renewable Energy Procurement Policy to the City Manager or his designee.

## **BOARD RECOMMENDATION:**

On September 10, 2018, the Board of Public Utilities, with eight (8) members present, unanimously recommended that the City Council adopt the Updated 2018 Renewable Energy Procurement Policy for Riverside Public Utilities.

## **LEGISLATIVE HISTORY:**

In 2002, the California Legislature adopted Senate Bill (SB) 1078, which established a Renewable Portfolio Standard (RPS) mandate requiring 20% of retail electricity sales to be procured from renewable energy sources, increasing each year by 1% to reach the 20% goal. This bill was only applicable to investor-owned utilities (IOUs). Publicly owned utilities (POUs), such as Riverside Public Utilities (RPU), were not mandated to fulfill this requirement.

In 2006, the California Legislature adopted SB 107, which defined the target year for the 20% RPS goal to 2010. Again, this bill was only applicable to IOUs.

In 2008, the California Governor signed Executive Order S-14-08 to increase the RPS goal to 30% and changed the target year to 2020.

In 2011, the California Legislature adopted SB X1-2, which officially created the first set of tiered RPS targets of 20% by 2013, 25% by 2016, and 33% by 2020. In addition, this bill explicitly stated that POU's were now mandated to fulfill this obligation and to adopt an RPS Enforcement Program and an RPS Procurement Policy.

In 2015, the California Legislature adopted SB 350, which further increased the RPS goal to 50% by 2030. SB 350 retained the goal of 33% by 2020 established by SB X1-2 and added interim goals of 40% by 2024 and 45% by 2027.

## **BACKGROUND:**

In 2003, RPU began procuring power resources via short and long-term contracts to voluntarily meet the changing regulations of RPS mandates. Over the years, RPU gradually increased the procurement of renewable resources to meet these goals before SB X1-2 formally mandated RPS compliance obligations on all POU's.

SB X1-2 required a POU's local governing board to adopt an RPS Enforcement Program by the end of calendar year 2011. As part of this mandate, each POU was also required to adopt an RPS Procurement Policy within 60 days of the California Energy Commission (CEC) adopting its own regulations for the Renewable Portfolio Standard Publicly Owned Utility Enforcement Procedures. In November and December 2011, the Board of Public Utilities and the City Council, respectively, adopted a RPS Enforcement Program for RPU. Oversight for compliance with SB X1-2 is fulfilled by a POU's local governing authority and the CEC.

In May 2013, Riverside adopted its 2013 RPS Procurement Plan (a.k.a. Procurement Policy) consistent with the new SB X1-2 regulations, which included meeting minimum compliance period procurement targets. The 2013 Procurement Policy details how RPU will achieve its RPS procurement requirements for each compliance period, as well as a discussion of the minimum regulatory requirements. RPU procured enough short- and long-term renewable resources to meet the procurement requirements of SB X1-2 for Compliance Period 1 (2011-2013). RPU has also met its minimum three-year RPS procurement goal for Compliance Period 2 (2014-2016), due to the significant number of new renewable energy projects that came online in 2016.

Any new or updated procurement policies must be approved by a POU's local governing board, and notice must be provided to the CEC of the upcoming public meetings. In addition, consistent with SB 350, an updated RPS Procurement Policy must be approved and adopted before January 1, 2019 and be incorporated into the POU's Integrated Resource Plan.

## **DISCUSSION:**

### **Current (2013) RPS Procurement Policy**

Riverside's current 2013 Procurement Policy incorporates the following basic elements:

- a. Compliance period definitions through 2020;
- b. RPS procurement targets through 2020; and
- c. Portfolio balance requirements consistent with SB X1-2.

Additionally, the policy incorporates discretionary rules and guidelines that the local POU governing authority can establish, provided such rules and guidelines are consistent with CEC

regulations. Accordingly, the 2013 Procurement Policy incorporates the following discretionary elements:

- a. Rules for calculating excess RPS procurement;
- b. Rules for delay in compliance with the regulations due to reasons beyond Riverside's control; and
- c. Rules for calculating historic carryover of RPS resources.

Updated (2018) RPS Procurement Policy

The proposed Updated 2018 Renewable Energy Procurement Policy makes the following changes to the basic elements of the current policy:

- a. Extends compliance period definitions through 2030;
- b. Extends RPS procurement targets through 2030;
- c. Maintains portfolio balance requirements consistent with both SB X1-2 and SB 350; and
- d. Incorporates a new 65% long-term Power Purchase Agreement contracting requirement, consistent with SB 350.

Additionally, the proposed updated policy makes the following changes to the discretionary elements of the current policy:

- a. Revises rules for calculating excess RPS procurement on or after 2017;
- b. Maintains the same rules for delay in compliance due to reasons beyond Riverside's control;
- c. Acknowledges that RPU was awarded 769,145 megawatt hours of historic carryover credits by the CEC for use towards future RPS compliance;
- d. Declares RPU's intent to offer a new voluntary 100% Green Energy tariff; and
- e. Reserves the right to further update the policy to comply with future statutory and regulatory mandates.

**FISCAL IMPACT:**

There is no fiscal impact associated with the adoption of the Updated 2018 Renewable Energy Procurement Policy. However, there will be costs associated with implementation of the policy as it is required in order to comply with CEC regulations. Costs accrued while implementing the policy and working toward CEC compliance will continue to be incorporated into the Electric Utility's financial plan.

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Approved by: Al Zelinka, FAICP, City Manager  
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Attachments:

- 1. Updated 2018 Riverside Public Utilities RPS Procurement Policy
- 2. Draft September 10, 2018, Board of Public Utilities Meeting Minutes
- 3. Presentation