

Supporting Material for the Economic and Fiscal Impact Statement and Assessment for Modifications of Regulations Establishing Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities

California Energy Commission

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This document contains an analysis of the potential economic and fiscal impacts resulting from proposed modifications to the regulations establishing enforcement procedures for the Renewables Portfolio Standard (RPS) for local publicly owned electric utilities. It includes supporting information for the Economic and Fiscal Impact Statement (STD 399) prepared as required by the Department of Finance and includes the economic impact assessment required by California Government Code section 11346.3(b).

A. Fiscal Impact on Local Government

1. Background

The Energy Commission is proposing modifications to existing regulations specifying procedures for the enforcement of the RPS on local publicly owned electric utilities (POUs) under Article 16 (commencing with section 399.11) of Chapter 2.3 of Part 1 of the Public Utilities Code. The Energy Commission adopted these regulations in 2013 in accordance with Public Utilities Code section 399.30 (l), and is now proposing modifications to implement changes in law under Senate Bill (SB) 591.¹

SB 591 adds a new subdivision (k) to Public Utilities Code section 399.30 and establishes a limited procurement exemption for a “local publicly owned electric utility that receives greater than 50 percent of its annual retail sales from its own hydroelectric generation that is not an eligible renewable energy resource.” If this criteria is satisfied the POU may limit its RPS procurement obligations for a given compliance period to the lesser of 1) the portion of the POU’s retail sales not met by its own hydroelectric generation, 2) the procurement obligations applicable to other POUs under PUC section 399.30 (c), or

¹ SB 591 (Stats. of 2013, ch. 520). SB 591 amended Public Utilities Code section 399.30, subdivision (k), and renumbered subsequent subdivisions, so that Public Utilities Code sections 399.30 (k)-(n) became sections 399.30 (l) – (o), respectively.

3) the amount of procurement capped by the POU's cost limitations adopted in accordance with Public Utilities Code section 399.30.

In addition to the modifications needed to implement SB 591, the Energy Commission has identified several areas in the regulations that need clarification. These areas of clarification are related to the following: i) the definitions of "bundled," "resale," and the "Western Electricity Coordinating Council," ii) the requirements for qualifying electricity products procured under agreement executed prior to June 1, 2010, iii) the requirements for electricity products qualifying as dynamic transfers, iv) the portfolio content category classification of generation from POU-owned resources, v) the excess procurement rules related to amended contracts, vi) the application of optional compliance measures, vii) select reporting requirements, and viii) procedural provisions for complaints of noncompliance.

The need for these clarifications are based in part on the inquiries received from stakeholders since the regulations were adopted in 2013 and from the comments received in response to a pre-rulemaking public workshop held on July 11, 2014.

The proposed modifications to the regulations will provide improved direction and guidance on how the Energy Commission will interpret, apply and enforce the RPS law, so the POUs can plan accordingly in procuring renewable electricity to meet their RPS requirements. Specifically, POUs will now better understand the requirements for bundled and resale transactions, dynamic transfers, excess procurement calculations, portfolio content category classification for POU-owned resources, applying optional compliance measures, reporting information, and procedures related to complaints of noncompliance. In addition, a POU that meets the criteria of Public Utilities Code section 399.30 (k) will have direction on how to demonstrate that it meets the criteria in the statute as well as how to demonstrate that it meets its RPS requirements.

Clarifying the requirements in the regulations will also result in a more uniform and consistent application of the RPS law, which in turn will help promote the underlying goals of the RPS, including reducing air pollution associated with fossil fuel-based electrical generation and helping the state meet its climate change goals by reducing greenhouse gas emissions associated with electrical generation.

2. Statement of the Mandate

For any proposed regulations or changes to regulations, an agency must determine whether the regulations impose a mandate on local agencies or school districts and, if so, whether the mandate requires state reimbursement. Additionally, an agency must prepare an estimate of the cost or savings to any state agency, the cost to any local agency or school district that is required to be reimbursed, other nondiscretionary costs or savings imposed on the local agencies, and the cost or savings in federal funding to the state. Costs or savings mean additional costs or savings, both direct and indirect, that

a public agency necessarily incurs in reasonable compliance with a regulation. Under state regulations, such impacts must be analyzed for the current fiscal year and for at least the next two fiscal years.

If adopted, the proposed modifications to the regulations will introduce new mandates on local agencies. POU's are local agencies. For purposes of the RPS, a POU is defined in Public Utilities Code section 224.3 as follows:

"Local publicly owned electric utility" means a municipality or municipal corporation operating as a 'public utility' furnishing electric service as provided in section 10001, a municipal utility district furnishing electric service formed pursuant to Division 6 (commencing with section 11501), a public utility district furnishing electric services formed pursuant to the Public Utility District Act set forth in Division 7 (commencing with section 15501), an irrigation district furnishing electric services formed pursuant to the Irrigation District Law set forth in Division 11 (commencing with section 20500) of the Water Code, or a joint powers authority that includes one or more of these agencies and that owns generation or transmission facilities, or furnishes electric services over its own or its member's electric distribution system.

Currently, there are 44 local agencies that meet the definition of a "local publicly owned electric utility" as defined in Public Utilities Code section 224.3 and will be subject to the Energy Commission's modified regulations. These 44 POU's are identified in Appendix A.

The first step in this analysis is to determine what additional mandates the proposed modifications to the regulations will impose on these 44 POU's that are not already required by law or the existing regulations.

Below is a summary of the proposed modifications to the regulations and the corresponding new mandates, if any on POU's:

- The definition of "bundled" was revised to clarify that electricity products associated with electricity consumed onsite will only be considered bundled if the POU claiming the electricity product to meet its RPS obligations owns the eligible renewable energy resource. The change will provide POU's and other market participants with better direction in classifying electricity product transactions. The change will have no material impact on the POU's in regard to costs and/or reporting requirements. The change will not impose additional mandates on POU's.
- The definition of "resale" was added to the regulations to clarify which electricity product transactions are subject to the resale rules in section 3203 of the regulations. This addition will provide POU's and other market participants with better guidance in classifying electricity product transactions subject to the resale requirements. The addition will have no material impact on the POU's in

regard to costs and/or reporting requirements. The change will not impose additional mandates on POUs.

- The definition of “Western Electricity Coordinating Council” was revised to clarify WECC’s affiliation with the North American Electric Reliability Corporation (NERC). This change will have no material impact on the POUs in regard to costs and/or reporting requirements. The change will not impose additional mandates on POUs.
- Section 3202 (a)(3)(C) was added to clarify how procurement of electricity products that meet the criteria of section 3202 (a)(3) will be classified if the associated contract is amended after June 1, 2010. The existing regulations do not specify how these electricity products will be classified if the associated contract is amended. The change is needed, because subdivision (a)(3) does not currently specify the affect to electricity products if the associated contract is amended after June 1, 2010. Subdivision (a)(3)(C) clarifies the classification of electricity products procured under these contract amendments in a manner consistent with the requirements of section 3202 (a)(2)(B). The change will have no material impact on the POUs in regard to costs and/or reporting requirements. The change will not impose additional mandates on POUs.
- Section 3203 (a)(1)(D) was revised to clarify the requirements for electricity products procured from eligible renewable energy resources that are under dynamic transfer agreements to qualify as Portfolio Content Category (PCC) 1. An additional requirement has been added to the regulations to specify that electricity products procured under a dynamic transfer agreement must be scheduled into a California balancing authority to qualify for PCC 1. This change is necessary to ensure electricity products procured under dynamic transfer agreements are either generated in or scheduled into a California balancing authority consistent with the requirements for other electricity products qualifying as PCC 1 and in accordance with Public Utilities Code section 399.16 (b)(1). This new requirement may result in additional costs, but only for those POUs that procure electricity products from eligible renewable energy resources that are under a dynamic transfer agreement. The additional costs include a \$212.00/month fee (\$2544.00/year) from the Western Renewable Energy Generation Information System (WREGIS) to import e-Tags that demonstrate that the electricity was scheduled into a California balancing authority. POUs may also need to pay an additional fee to WREGIS to generate an e-Tag related report and submit it to the Energy Commission annually. WREGIS currently charges a fee of \$25 to generate the e-Tag report and submit it to the Energy Commission. A survey was conducted by the Energy Commission with the assistance of the Southern California Public Power Authority, Northern California Power Agency, and California Municipal Utilities Authority to gather information on which POUs plan on entering into dynamic transfer agreements

for eligible renewable energy resources in the future. Two POU's responded to affirm they plan to procure from eligible renewable resources under dynamic transfer agreements. One of the two POU's has already incurred the WREGIS e-Tag import cost as indicated on previous WREGIS compliance reports, so only one POU may face additional costs from this change.

- Section 3204 (a)(7)(C) was revised to change the averaging period for a POU's qualifying hydroelectric generation from seven years to twenty years under Public Utilities Code section 399.30 (j). This change is necessary to establish a better averaging period that will capture more fluctuations in the hydroelectric facility's production due to drought conditions. The change will also make the averaging period consistent with the requirements in the Energy Commission's *RPS Eligibility Guidebook* for purposes of calculating incremental electricity generation from a hydroelectric generation facility. The change will only affect a POU that satisfies the criteria of Public Utilities Code section 399.30 (j), and as to that POU will have no material impact on costs and/or reporting requirements. Consequently, the change will not impose additional mandates on POU's.
- Section 3204 (a)(10) was added to specify the requirements for a POU that meets the criteria of Public Utilities Code section 399.30 (k), as amended by SB 591. A POU that meets the criteria of section 399.30 (k) must demonstrate that "qualifying hydroelectric generation produced an average of greater than 50 percent of the POU's annual retail sales in the twenty years preceding each compliance period, or the entire generating history of the qualifying hydroelectric generation facility, whichever is less." The changes made by subdivision (a)(10) are necessary to provide direction on how the Energy Commission will apply the provisions of Public Utilities Code section 399.30 (k). The changes will result in minor additional data collection and reporting, but only for the POU that meets the criteria of Public Utilities Code section 399.30 (k). Based on the legislative history of SB 591, Energy Commission staff understand that Public Utilities Code section 399.30 (k) is intended to apply only to the Merced Irrigation District (MEID). The cost associated with the additional information and reporting is expected to be very minor and easily absorbed in the context of the POU's on-going reporting requirements under the existing regulations. Energy Commission staff estimate the POU will spend no more than 2 hours of a single staff person's time to report on the additional requirements of section 3204 (a)(10). If the POU staff person's responsibilities, duties and pay were equivalent to that of an Energy Analyst² in the Energy Commission's

² The duties and responsibilities of an Energy Analyst in the Renewable Energy Division include the following: i) Assist in reviewing data submittals by RPS obligated entities for completeness, accuracy, and consistency with regulatory requirements; ii) update RPS program database as needed; iii) create complex data queries, spreadsheets, and graphs under the direction of the RPS program technical leads; iv) analyze renewable generation data and provide results to be

Renewable Energy Division, the cost to the POU to satisfy this additional reporting requirements is estimated to be at most [(2 hours) X (\$26.66/hour)] or \$53.32.

- Section 3206 (a)(1)(A)(3) was revised to clarify how excess procurement is determined if the original contract term is amended and additional time is added to the contract. The changes specify the criteria for excess procurement and describe the restrictions on excess procurement associated with PCC 3 and contracts of less than 10 years in duration. The current regulations do not specify how excess procurement is determined if the original contract term is amended and additional time is added to the contract. The changes made to this section are necessary to provide direction to POUs and other market participants on how the Energy Commission will apply the excess procurement criteria and restrictions when the contract term is amended. The changes will have no material impact on POUs in regard to costs and/or reporting requirements. The changes will not impose additional mandates on POUs.
- Section 3206 (e) was added to clarify that a POU may apply an optional compliance measure in accordance with sections 3206 (a)(2) or 3206 (a)(3) to satisfy or delay either a portion or all of a shortfall in meeting its RPS requirements under section 3204. This change is necessary to provide direction to POUs in applying optional compliance measures. The changes will have no material impact on POUs in regard to costs and/or reporting requirements. The changes will not impose additional mandates on POUs.
- Section 3206 (f) was added to clarify that a POU may apply a portfolio balance requirement reduction in accordance with section 3204 (a)(4) to satisfy a portion or all of a shortfall in meeting its portfolio balance requirement under section 3204 (c). This change is necessary to provide direction to POUs in applying optional compliance measures. The changes will have no material impact on POUs in regard to costs and/or reporting requirements. The changes will not impose additional mandates on POUs.

incorporated into annual and triennial RPS verification reports; iv) assist in reviewing applications submitted to the Energy Commission for RPS certification for accuracy, completeness, and consistency with program requirements; v) maintain certification records; vi) perform data validation checks; vii) correspond with applicants and RPS program stakeholders regarding status of certification applications; viii) participate in Energy Commission stakeholder meetings, workshops, and conferences and assist in preparing presentations as needed. The monthly salary range of an Energy Analyst is \$2,817.00 to \$4,532.00, or the hourly equivalent of \$16.67 to \$26.66. The hourly equivalent is based on an average of 170 hours per month. (Energy Commission Job Opportunity Bulletin, Energy Analyst, RPA #520-154, issued September 18, 2014.)

- Section 3207 (c) was revised so that the attestation currently required under subdivision (c)(2)(I) covers all of the information included in a POU's annual report, rather than just the information on the POU's annual RPS progress. This change is necessary to ensure all of the information provided by a POU or its agents in the annual reports is true and correct. The change will have no material impact on POU's in regard to costs and/or reporting requirements. The change will not impose additional mandates on POU's.
- Section 3207 (c)(2)(F) was revised to clarify the type of documentation that may be needed as part of the annual report to demonstrate the PCC classification of procured electricity products. The regulations currently state that this documentation may include "interconnection agreements, NERC e-Tag data, scheduling agreements, firming and shaping agreements, and electricity product contract information." The latter – electricity product contract information - was intended to cover electricity product procurement contracts and similar ownership agreements. The change to this section now states this. The change will have no material impact on POU's in regard to costs and/or reporting requirements. The POU's have already submitted electricity product contract information, including electricity product procurement contracts and similar ownership agreements, as part of the annual reports submitted to the Energy Commission under section 3207 (c)(2) of the existing regulations. The change will not impose additional mandates on POU's.
- Section 3207 (c)(2)(I) was revised to require POU's to report on the energy consumption by the POU, including electricity used by the POU for water pumping, the purpose of this consumption, annual amount in MWh, and the annual amount in MWh being satisfied with electricity products. This information is needed to verify that energy consumption by the POU was properly characterized and was not otherwise counted as retail sales. The changes to this section will require POU's to report additional information to the Energy Commission and will result in an additional cost to POU's. Because POU's already collect information on their own energy consumption to report to the California State Board of Equalization³, the additional costs will result from having to report this information to the Energy Commission. The cost associated with reporting this additional information is expected to be very minor and easily absorbed in the context of the POU's on-going reporting requirements under the existing regulations. Energy Commission staff estimate that the

³ The California Board of Equalization collects energy consumption information from electric utilities for purposes of assessing the electrical energy surcharge pursuant to the Energy Resources Surcharge Law, Revenue and Taxation Code section 40001, et seq.

median-sized⁴ POU will spend no more than 4 hours of a single staff person's time to report on the additional requirements of section 3207 (c)(2)(I). If the POU staff person's responsibilities, duties and pay were equivalent to that of an Energy Analyst in the Energy Commission's Renewable Energy Division, the cost to the POU to satisfy this additional reporting requirements is estimated to be at most [(4 hours) X (\$26.66/hour)] or \$106.64. The cost associated with reporting this additional information may be less for a smaller POU, if the POU has very little of its own energy consumption, or more for a larger POU with significantly more of its own energy consumption.

- Section 3207 (g) was added to address the reporting requirements for a POU that meets the criteria of Public Utilities Code section 399.30 (h). This change requires a POU to provide documentation demonstrating that it provides retail electric service to 15,000 or fewer customer accounts in California, and that it is interconnected to a balancing authority primarily located outside California but within WECC. The Energy Commission needs this information at the beginning of each compliance period to verify the POU meets the criteria of Public Utilities Code section 399.30 (h) and is therefore eligible for its provisions. This change will result in minor additional reporting, but only for the POU that meets the criteria of Public Utilities Code section 399.30 (h). Energy Commission staff estimate the POU will spend no more than 2 hours of a single staff person's time to report on the additional requirements of section 3204 (a)(10). If the POU staff person's responsibilities, duties and pay were equivalent to that of an Energy Analyst⁵ in the Energy Commission's Renewable Energy Division, the cost to the POU to satisfy this additional reporting requirements is estimated to be at most

⁴ As identified in Appendix A, there are 44 POUs subject to the Energy Commission's regulations. These POUs vary in size from Kirkwood Meadows Public Utility District], which had 6,659 MWhs in 2013 retail sales, to the Los Angeles Department of Water and Power, which had 23,227,047 MWhs in 2013 retail sales.

⁵ The duties and responsibilities of an Energy Analyst in the Renewable Energy Division include the following: i) Assist in reviewing data submittals by RPS obligated entities for completeness, accuracy, and consistency with regulatory requirements; ii) update RPS program database as needed; ii) create complex data queries, spreadsheets, and graphs under the direction of the RPS program technical leads; iii) analyze renewable generation data and provide results to be incorporated into annual and triennial RPS verification reports; iv) assist in reviewing applications submitted to the Energy Commission for RPS certification for accuracy, completeness, and consistency with program requirements; v) maintain certification records; vi) perform data validation checks; vii) correspond with applicants and RPS program stakeholders regarding status of certification applications; viii) participate in Energy Commission stakeholder meetings, workshops, and conferences and assist in preparing presentations as needed. The monthly salary range of an Energy Analyst is \$2,817.00 to \$4,532.00, or the hourly equivalent of \$16.67 to \$26.66. The hourly equivalent is based on an average of 170 hours per month. (Energy Commission Job Opportunity Bulletin, Energy Analyst, RPA #520-154, issued September 18, 2014.)

[(2 hours) X (\$26.66/hour)] or \$53.32. The cost associated with the additional reporting is expected to be very minor and easily absorbed in the context of the qualifying POU's on-going reporting requirements under the existing regulations.

- Section 3207 (h) was added to address the reporting requirements for a POU that meets the criteria of Public Utilities Code section 399.30 (k). As discussed above, in the context of section 3204 (a)(10), this change requires a POU to provide documentation demonstrating that qualifying hydroelectric generation as defined in section 3204 (a)(10) produced an average of greater than 50 percent of the POU's annual retail sales in the twenty years preceding each compliance period, or the entire generating history of the qualifying hydroelectric generation facility, whichever is less. The POU must additionally submit documentation to identify the amount of any generation during the compliance period that would have qualified as qualifying hydroelectric generation as defined in section 3204 (a)(10), except that it resulted from an increase in the amount of water stored by a dam, because the dam was enlarged or otherwise modified after December 31, 2012. The Energy Commission needs this information at the beginning of each compliance period to verify the POU meets the criteria of Public Utilities Code section 399.30 (k) and is therefore eligible for its provisions. This change will result in minor additional reporting, but only for the POU that meets the criteria of Public Utilities Code section 399.30 (k). The cost associated with the additional reporting is expected to be very minor and easily absorbed in the context of the qualifying POU's on-going reporting requirements under the existing regulations.
- Section 1240 (d)(1) was revised to identify mitigating or otherwise pertinent factors that a POU may choose to address in responding to a complaint of noncompliance by the Energy Commission. In addition, section 1240 (g) was revised to specify that the Energy Commission may include suggested penalties in its final decision for the Air Resources Board to consider, as appropriate. The change to subdivision (d)(1) is necessary to describe and provide direction to POUs on the type of information that may be included in an answer to an Energy Commission complaint. The change to subdivision (g) is necessary to describe the type of penalties that may be suggested by the Energy Commission in its final decisions. The changes will have no material impact on POUs in regard to costs and/or reporting requirements. The changes will not impose additional mandates on POUs.

The proposed modifications to the regulations would impose minor additional reporting requirements on all POUs to report the POU's own energy consumption. Energy Commission staff estimate that each POU will spend no more than 4 hours of a single

staff person's time to report on the POU's own energy consumption, and that the additional cost to report this information is estimated to be no more than \$106.64 annually for a median-sized POU based on the duties, responsibilities and salary of an Energy Commission Energy Analyst. In addition, the proposed modifications to the regulations would impose minor additional reporting requirements on the POUs that meet the criteria of Public Utilities Code section 399.30 (h) or (k) to verify these POUs satisfy the criteria of these sections of the statute. Energy Commission staff estimate these POUs will spend no more than 2 hours of a single staff person's time to report the additional information every compliance period,⁶ and that the additional cost to report the information is estimated to be no more than \$53.32 based on the duties, responsibilities and salary of an Energy Commission Energy Analyst. Lastly, POUs that procure electricity products from eligible renewable energy resources that are under a dynamic transfer agreement would need to demonstrate the associated electricity was scheduled into a California balancing authority. This new requirement could result in additional WREGIS costs for a POU to report e-Tag data to the Energy Commission. These additional costs could include additional WREGIS e-Tag tracking fee of \$2544.00/year plus a related WREGIS report fee of \$25. A survey was conducted by the Energy Commission with the assistance of the Southern California Public Power Authority, Northern California Power Agency, and California Municipal Utilities Authority to gather information on which POUs plan on entering into dynamic transfer agreements for eligible renewable energy resources in the future. Two POUs responded to affirm they plan to procure from eligible renewable resources under dynamic transfer agreements. One of the two POUs has already incurred the WREGIS e-Tag import cost as indicated on previous WREGIS compliance reports, so only one POU may face additional costs from this change.

Overall, the proposed modifications to the regulations are expected to impose very minor additional reporting costs on POUs, which POUs can absorb in the context of their on-going reporting requirements under the existing regulations.

3. Working Data, Assumptions, and Calculations

a. Scope of Economic and Fiscal Impact Analysis

The scope of the analysis includes reporting and administrative costs that are a direct result of the Energy Commission's proposed modifications to regulations. The scope of the analysis also includes the additional WREGIS e-Tag tracking fee and WREGIS report fee for POUs that procure electricity products from eligible renewable energy resources that are under a dynamic transfer agreement.

⁶ The current three-year compliance period ends on December 31, 2016, in accordance with Public Utilities Code section 399.30 (b). POUs are required to submit their next compliance period report to the Energy Commission by July 1, 2017, in accordance with section 3207 (d) of the Energy Commission's existing regulations.

The scope of this analysis does not include any POU costs that may be associated with the clarification, if any, of a POU's existing procurement plan to reflect the proposed modifications to the regulations.

As noted above, the proposed modifications to the regulations are expected to impose very minor additional reporting costs on POUs, which POUs can absorb in the context of their on-going reporting requirements under the existing regulations.

b. Method Used in Acquiring Data Set

The Energy Commission analyzed each proposed change to the regulations to determine if the POUs will be impacted by an increase of their reporting and administrative cost to comply with RPS laws. If a cost increase is likely, a calculation has been made to determine the amount of the increase. These costs and associated calculation of the amount are discussed above.

Apart from the very minor additional reporting costs under the proposed modifications to sections 3207 (c)(2)(I), (g) and (h), there could be additional costs if a POU procures electricity products from eligible renewable energy resources that are under a dynamic transfer agreement. Electricity products procured by a POU under a dynamic transfer agreement must be scheduled into a California balancing authority to qualify as PCC 1 under the proposed modifications to the amended regulations. In order to verify electricity from these products is scheduled into a California balancing authority the e-Tags corresponding to the electricity schedules must be tracked and imported into the WREGIS. This service is conducted by WREGIS at a cost to the POU of \$212.00 monthly. This service cost will pose a cost increase to each POU that is not currently procuring electricity under a dynamic transfer agreement, but chooses to in the future. After review of the POU compliance reports for 2011-2013, the Energy Commission determined that no POU is procuring or has procured electricity products from eligible renewable energy resources under a dynamic transfer agreement.

In addition, Energy Commission surveyed POUs with the assistance of the Southern California Public Power Authority, Northern California Power Agency, and California Municipal Utilities Authority to determine which if any POUs may procure electricity products from eligible renewable energy resources under a dynamic transfer agreement in the future. Two POUs responded to affirm they plan to procure from eligible renewable resources under dynamic transfer agreements. One of the two POUs has already incurred the WREGIS e-Tag import cost as indicated on previous WREGIS compliance reports, so only one POU may face additional costs from this change.

c. Anticipated Economic Costs Resulting From the Proposed Modifications to the Regulations

The proposed modifications to the regulation would result in a minor increase in costs to POUs based on the following:

- Additional Reporting Requirements on Consumptive Load.

Energy Commission staff estimate that each POU will spend no more than 4 hours of a single staff person's time to report on the POU's own energy consumption, and that the additional cost to report this information is estimated to be no more than \$106.64 annually for a median-sized POU based on the duties, responsibilities and salary of an Energy Commission Energy Analyst. Energy Commission staff expect these minor additional costs to be absorbed by POUs in the context of their on-going reporting requirements under the existing regulations.

- Additional Reporting Requirements for POUs that Satisfy Public Utilities Code Section 399.30 (h) or (k).

Energy Commission staff estimate that POUs that meet the criteria of Public Utilities Code section 399.30 (h) or (k) will spend no more than 2 hours of a single staff person's time to report the additional information required to verify eligibility under section 399.30 (h) or (k), and that the additional cost to report this information is estimated to be no more than \$53.32 once per compliance period (next compliance period report is due in 2017) based on the duties, responsibilities and salary of an Energy Commission Energy Analyst. Energy Commission staff expect these minor additional costs to be absorbed by the POUs in the context of their on-going reporting requirements under the existing regulations.

- WREGIS Participation and Reporting.

POUs may incur increased costs connected with the tracking and reporting of electricity products procured from eligible renewable energy resources under dynamic transfer agreements. The procurement of electricity products from eligible renewable energy resources under dynamic transfer agreements must be scheduled into a California balancing authority, tracked, and reported through WREGIS by importing e-Tags for the procurement of these electricity products into WREGIS to count toward meeting the requirements of PCC 1. This cost to POUs will be \$2,544/year for WREGIS-related e-Tag tracking fee plus a WREGIS report fee of \$25. However, POUs may already be incurring this \$2,544 annual cost if they already import e-Tags into WREGIS to demonstrate that they meet the PCC 1 requirements for electricity products not associated with a dynamic transfer agreement that are scheduled into a California balancing authority on an

hourly or subhourly basis in accordance with Public Utilities Code section 399.16 (b)(1)(A).

d. Conclusion

The administrative cost to the state's POU's to implement the proposed modifications to the regulation are expected to be very minor and can be absorbed in the context of implementing of the existing regulations. Energy Commission staff estimate that each POU will spend no more than 4 hours of a single staff person's time to report on the POU's own energy consumption, and that the additional cost to report this information is estimated to be no more than \$106.64 annually for a median-sized POU based on the duties, responsibilities and salary of an Energy Commission Energy Analyst. In addition, Energy Commission staff estimate that POU's that meet the criteria of Public Utilities Code section 399.30 (h) or (k) will spend no more than 2 hours of a single staff person's time to report the additional information required to verify eligibility under section 399.30 (h) or (k), and that the additional cost to report this information is estimated to be no more than \$53.32 once per compliance period based on the duties, responsibilities and salary of an Energy Commission Energy Analyst. Also, POU's may incur increased costs connected with the tracking and reporting of electricity products procured from eligible renewable energy resources under dynamic transfer agreements if they procure such electricity products. These costs will be \$2,544/year for a WREGIS-related e-Tag tracking fee plus a WREGIS report fee of \$25 and would be incurred if a POU procures electricity products under a dynamic transfer agreement. The WREGIS e-Tag tracking fee would only result in a cost increase if the POU is not currently incurring the additional WREGIS fee for importing e-Tags for electricity non-dynamically scheduled into a California balancing authority. Energy Commission surveyed POU's with the assistance of the Southern California Public Power Authority, Northern California Power Agency, and California Municipal Utilities Authority to determine which if any POU's may procure electricity products from eligible renewable energy resources under a dynamic transfer agreement in the future. Two POU's responded to affirm they will be procuring eligible renewable resources under dynamic transfer agreements. One of the two POU's has already incurred an e-Tag cost as indicated on previous WREGIS compliance reports.

The total cost to all POU's is \$7,154 for 2015-2016, \$7,261.16 in 2016-2017, and \$7,154 in 2017-2018.

B. Fiscal Impact on State Government

Energy Commission staff estimate that the proposed modifications to the regulations will result in approximately 60 hours of a single staff person's time to evaluate and process all of the information reported by POU's under the proposed modifications. This includes the additional staff time to evaluate and process POU consumptive load

information under section 3207 (c)(2)(I), POU eligibility information under section 3207 (g) and (h), and WREGIS e-Tag information to verify electricity products are scheduled into a California balancing authority under section 3203 (a)(1)(D). The cost associated with evaluating and processing this new information is [(60 hours) X (\$26.66/hour)] or \$1600, and is based on the responsibilities, duties and pay of an Energy Analyst in the Energy Commission's Renewable Energy Division.

These additional costs are negligible in comparison to the Energy Commission's ongoing costs of \$376,000 annually to implement the existing regulations, and can be absorbed by existing Energy Commission staff and resources.

C. Fiscal Impact on Federal Funding of State Programs

The proposed modifications to the regulations do not result in any costs or savings in federal funds.

D. Economic Impact Assessment on Jobs and Businesses Within the State

1. Cost Impact to Representative Person or Business

The Energy Commission is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed modifications to the regulations. The proposed modification to the regulations would not directly apply to private individuals or businesses. The proposed regulations to the regulations would apply only to POUs, which are local agencies and not independently owned and operated businesses. The proposed modifications to the regulations would impose minor additional reporting requirements on all POUs to report consumptive load information. In addition, POUs that meet the criteria of Public Utilities Code section 399.30 (h) or (k) would need to report minor additional information to verify they satisfy the criteria of these sections. Lastly, POUs that procure electricity products from eligible renewable energy resources under a dynamic transfer agreement would need to demonstrate the associated electricity was scheduled into a California balancing authority. This new requirement could result in additional WREGIS costs. However, at this time no POUs have reported to the Energy Commission that they are procuring electricity products under a dynamic transfer agreement, so Energy Commission staff does not anticipate additional costs to POUs from this new requirement.

2. Creation or Elimination of Jobs

The proposed modifications to the regulations are not expected to directly create a significant number of new jobs. The proposed modifications may result in some of the

POUs having to hire new full- or part-time employees to satisfy the reporting requirements included in the proposed modifications to the regulations. However, because the proposed modifications impose only minimal new reporting requirements, the Energy Commission does not anticipate that any POU will need to hire new full- or part-time employees.

The Energy Commission does not expect existing jobs to be eliminated as a result of the proposed modifications to the regulation.

3. Creation or Elimination of Businesses

The proposed modifications to the regulations are not expected to directly create a significant number of new businesses. The proposed modifications may result in the creation of new consulting businesses that are developed to help POUs comply with the reporting requirements included in the proposed modifications to the regulations. However, because the proposed modifications impose only minimal new reporting requirements, the Energy Commission does not anticipate the creation of any new consulting businesses. The Energy Commission does not expect existing businesses to be eliminated as a result of the proposed modifications to the regulations.

If new consulting businesses are developed to help POUs comply with the reporting requirements included in the proposed modifications to the regulations, new jobs may be created within the state.

4. Expansion of Existing Businesses

The proposed modifications to the regulations are not expected to directly result in the expansion of existing businesses. However, if existing consulting businesses provide services to POUs for compliance reporting, such businesses may need to hire new staff to help with any increased POU reporting requirements as a result of the proposed modifications to the regulations. Because the proposed modifications to the regulations impose only minimal new reporting requirements, the Energy Commission does not anticipate existing consulting businesses will need to hire new staff.

If existing consulting businesses are expanded to provide services to POUs, the expansion of such businesses may result in the creation of new jobs within the state.

5. Significant Statewide Adverse Economic Impact Directly Affecting Business, Including the Ability of California Businesses to Compete With Businesses in Other States

The Energy Commission finds that the proposed modifications to the regulations will have no significant statewide adverse economic, fiscal, or environmental impact directly

affecting businesses, including the ability of California businesses to compete with businesses in other states. This initial determination also applies to small businesses, which, as defined in Government Code section 11342.610, are limited to business activities that are “independently owned and operated” and “not dominant in its field of operation.”(Gov. Code, § 11342.610, subd. (a)(1) and (2).)

The Energy Commission is unaware of any legitimate cause and effect relationship between the proposed modifications to the regulations and a significant statewide adverse economic impact directly affecting businesses. As noted above, no business, including a small business, is legally required to comply with or enforce the proposed modifications to the regulations. Nor will any business derive a direct benefit or detriment from the implementation of the proposed modifications to the regulations. The proposed modifications to the regulations will apply to a POU, which is a local agency and not an independently owned and operated business.

The proposed modifications to the regulations will not require businesses, including small businesses, to submit any new reports.

6. Effects on Housing Costs

The Energy Commission has determined, based on the nature of the proposed modifications to the regulations, that the proposed modifications to the regulations will have no significant effect on housing costs.

7. Benefits of the Regulations to the Health and Welfare of California Residents, Worker Safety, or the Environment

The proposed modifications to the regulations are not expected to directly impact the health and welfare of California residents, worker safety, or the state’s environment. However, the modified regulations may have an indirect effect on the state’s environment if the modified regulations result in a more consistent application of the state’s RPS with respect to POUs. A more consistent application and enforcement of the state’s RPS will help promote the underlying goals of the RPS, which include reducing air pollution associated with fossil fuel-based electrical generation and helping meet the state’s climate change goals by reducing greenhouse gas emissions associated with electrical generation.

The proposed modifications to the regulations will also help the POUs by providing direction and guidance on how the Energy Commission will interpret, apply, and enforce the law, so the POUs can plan accordingly in procuring electricity products to meet their RPS requirements.

APPENDIX A: POUs Subject to the Proposed Regulation Changes

Alameda Municipal Power

Anaheim, City of

Azusa Light and Water

Banning, City of

Biggs Municipal Utilities

Burbank Water and Power

Cerritos, City of

City and County of San Francisco

Colton Public Utilities

Corona, City of

Eastside Power Authority

Glendale Water and Power

Gridley Electric Utility

Healdsburg, City of

Imperial Irrigation District

Industry, City of

Kirkwood Meadows Public Utility District

Lassen Municipal Utility District

Lodi Electric Utility

Lompoc, City of

Los Angeles Department of Water & Power

Merced Irrigation District

Modesto Irrigation District

Moreno Valley Electric Utility

Needles, City of
Palo Alto, City of
Pasadena Water and Power
Pittsburg, City of (doing business as Island Energy)
Port of Oakland
Port of Stockton
Power and Water Resources Pooling Authority
Rancho Cucamonga Municipal Utility
Redding Electric Utility
Riverside, City of
Roseville Electric
Sacramento Municipal Utility District
Shasta Lake, City of
Silicon Valley Power (City of Santa Clara)
Trinity Public Utility District
Truckee Donner Public Utilities District
Turlock Irrigation District
Ukiah, City of
Vernon, City of
Victorville Municipal Utilities Services