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Burbank Water and Power Responses To

CEC Attachment B:

Stakeholder Survey on the Cost Impact of the 33 Percent Renewables Portfolio Standard Draft Regulations

Energy Commission staff seeks stakeholder input on whether and to what extent the new rules for the 33 Percent Renewables Portfolio Standard as proposed in the staff draft regulations will have an economic impact on local publicly owned electric utilities (POUs).

Public Utilities Code Section 399.30 (a) requires POUs to “adopt and implement a renewable energy resources procurement plan that requires the utility to procure a minimum quantity of electricity products from eligible renewable energy resources.” The Energy Commission has defined “eligible renewable energy resources” as being from a facility that the Energy Commission has certified as being eligible for the RPS pursuant to the Energy Commission’s RPS Guidelines. Additionally, Public Utilities Code Section 399.30 (e) requires a POU to adopt a program for the enforcement of the RPS statute on or before January 1, 2012.

Under proposed staff draft regulations, POUs will be required to submit both procurement plans and compliance reporting to the Energy Commission on an annual basis to ensure that reasonable progress is being made in achieving RPS procurement requirements.

The draft regulations will be available on the Energy Commission’s Website at:
www.energy.ca.gov/portfolio/documents/index.html

Questions to address as they apply to a given POU’s compliance with the staff draft regulations.

1. What was the total number of full time employees of the POU in 2011?

Burbank budgets 293 full time equivalent employees for its electric utility.

2. How many total hours were part-time/seasonal employees employed by the POU in 2011?

The exact number of hours is unknown. It is, however, very small.

3. Does the POU plan to hire additional staff to assist in compliance with the requirements of the RPS?

No plans exist at this time and we hope to avoid the need for additional staff; however, given the complexity in complying with the multiple regulatory matters we expect there may be one of two additional staff required. The area where we have seen the most significant increases in staffing is in the need for outside consultants and legal consultants. As we work to comply with the RPS policy, each new contract involves attorney time to help negotiate the deals with the developers and navigate our way through the regulatory process. In addition, we have seen an uptick in legal counsel used to monitor legislation, provide representation before the various regulatory agencies, and provide input on regulatory, legislative and guidebook changes. Both internal and external legal counsels are relied upon.

4. What was or will be the total cost of adoption of a renewable energy procurement plan for the POU? What was or will be the total cost of adoption of a program or plan for RPS enforcement for the POU? Please

include a description of necessary actions and costs for adopting these plans and programs.

A procurement plan has been developed. We expect to change, modify, or update this plan as additional resources are identified and approval is sought from Council to enter into contracts. In other words, when we go to Council for contract approval we will simultaneously seek approval for any corresponding change in our procurement plan, where necessary.

What, if any, additional costs that will be associated with this request are unknown at this time. At a minimum, the current plan results in an approximate 1% rate increase for 1% increase in renewable energy. We seek to reduce that effect as much as possible. This is not the only regulatory initiative that we are working on and others also have potential costs.

5. What is the estimated annual cost of implementation of the adopted renewable energy procurement plan for the POU?

Burbank is a fully resourced utility and the implementation of the mandated RPS program adds to the complexity and challenge of our current situation. Consequently, adding renewable energy means that we've added resources that are not needed to serve our retail customers. Determining the cost of these extra resources has not been calculated nor is it clear how such costs might be calculated. We have developed below an approach that may approximate that cost.

The table below is an estimate which assumes that if we were not procuring renewable energy for RPS purposes we would be running IPP and Magnolia more as well as making economic energy purchases on the open market when attractively priced. To come up with the incremental annual additional cost over the next five years, would use a blended cost estimate for IPP, Magnolia, and the spot market compared to the cost of renewable energy that replaces these resources.

Estimated Cost of RPS Compliance in Indicated Fiscal Year

Burbank Water and Power

Burbank is an Adequately Resourced utility so could Replace Renewable with More Generation
at IPP, Magnolia, or Market Purchases

		FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
Total cost of:						
Purchased power		71,368,378	61,995,193	69,356,586	78,594,445	78,854,970
Fuel related		21,280,265	30,934,609	30,202,294	28,181,899	28,261,249
Transmission		<u>15,092,952</u>	<u>15,092,997</u>	<u>15,092,952</u>	<u>15,092,952</u>	<u>15,092,952</u>
	\$	107,741,595	108,022,799	114,651,832	121,869,296	122,209,171
Percent RPS		26.02%	25.79%	30.94%	35.97%	35.66%
Renewable energy	MWh	303,579	306,868	373,744	441,732	441,732
Cost of Renewable energy	\$	26,068,902	25,960,867	33,139,795	39,772,325	39,772,325
Cost for Renewable energy	\$/MWh	85.87	84.60	88.67	90.04	90.04
Incremental Cost of:						
IPP	\$/MWh	25.00	26.00	27.00	28.00	29.00
Magnolia	\$/MWh	26.64	31.97	35.51	39.07	42.62
Spot	\$/MWh	<u>29.60</u>	<u>35.52</u>	<u>39.46</u>	<u>43.41</u>	<u>47.36</u>
Average incremental cost		27.08	31.16	33.99	36.83	39.66
Renewable energy Premium	\$/MWh	58.79	53.44	54.68	53.21	50.38
COST of RPS COMPLIANCE	\$	17,847,983	16,398,042	20,435,738	23,504,955	22,252,645
COST Without RPS	\$	89,893,612	91,624,757	94,216,094	98,364,341	99,956,526
PERCENT COST INCREASE DUE TO RPS		19.85%	17.90%	21.69%	23.90%	22.26%

6. If the POU applies for the RPS-certification of a facility, what will be the additional cost of applying for and maintaining RPS-certification compared to current operations? Note that the Energy Commission does not impose any fees to apply for or maintain a RPS certification, nor does it require the creation of original documentation for the required supplemental documentation if information created for other purposes is sufficient. Please consider the following facility or location types that require additional reporting requirements:

Such costs are hard to quantify but it is estimated that each pre-certification and certification application could take about 1 day to process. Of course dealing with follow-up questions and inquiries from the CEC would take additional time.

7. What is or will be the total cost of participation in the Energy Commission's generation tracking and verification system (Interim Tracking System and/or WREGIS)?

It estimated that the annual fees paid directly to WREGIS will range from \$75,000 to \$100,000 annually. In addition, having to pay for third party verification as well as staff time would likely have a similar cost. The total cost would be expected to be between \$125,000 and \$175,000 per year.

8. Are there any additional POU costs that should be taken into consideration?

Yes, as follows:

- The potential cost of having to follow-up with the CEC on questions they might have related to verification and certification, and reporting would take staff time and effort.
- Potentially responding to third-party requests or “special” investigations by the CEC would also cost staff time as well as potentially the cost of outside counsel and consultants.
- Another additional cost category is ongoing regulatory compliance. Historically, this has been done by technical staff, however, in the future depending on the nature of the relationship with the CEC there might be a need to hire more outside legal help to answer questions, prepare regulatory filings and represent us before the commission. These costs are by no means certain and could cost only a few thousand, but if extensive legal support is required, then the costs could run well over \$100,000 per year.

9. Is there potential for the creation of new business as a result of an increase in procurement requirements under the RPS

Yes –jobs will be created to build new facilities as well as to operate and maintain them wherever they are located. Along with the increase in jobs for building the new renewables, there is also the need to respond to regulatory agencies which requires more staff time and potential outside legal resources, or other consultants which POUs are not currently geared up to deal with. .