

**California Energy Commission  
PROPOSED REGULATIONS**

**SUPPORTING MATERIAL FOR THE  
ECONOMIC AND FISCAL IMPACT  
STATEMENT AND ASSESSMENT FOR THE  
ADOPTION OF REGULATIONS  
ESTABLISHING ENFORCEMENT  
PROCEDURES FOR THE RENEWABLES  
PORTFOLIO STANDARD FOR LOCAL  
PUBLICLY OWNED ELECTRIC UTILITIES**



CALIFORNIA  
ENERGY COMMISSION

Edmund G. Brown, Jr., Governor

MARCH 2013

CEC-300-2013-001-SD



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

This document contains an analysis of the potential economic and fiscal impacts resulting from implementation of the proposed regulations establishing enforcement procedures for the Renewables Portfolio Standard 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 also includes the economic impact assessment required by Government Code section 11346.3(b).

## **A. Fiscal Impact on Local Government**

### **1. Background**

The proposed regulations establish rules and procedures for the enforcement of California's Renewables Portfolio Standard (RPS) for local publicly owned electric utilities (POU) under the law as amended by Senate Bill (SB) X1-2<sup>1</sup> and Assembly Bill 2227.<sup>2</sup> The RPS was established to increase the amount of electricity generated from eligible renewable energy sources<sup>3</sup> that is procured for California retail customers.

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1 SBX1-2 (Stats. of 2011, 1<sup>st</sup> Ex. Sess., ch. 1). SB X1-2 is effective December 10, 2011; the 91<sup>st</sup> day following the adjournment of first extraordinary session of 2011-2012 legislative session pursuant to Government Code section 9600 (a). SBX1-2 amends pertinent provisions in Public Resources Code sections 25740 through 25751, and amends and/or adds Public Utilities Code sections 399.11 through 399.31.

2 AB 2227 (Stats. 2012, ch. 606, sec. 8). AB 2227 repealed some of the reporting requirements for POUs in Public Utilities Code section 399.30 and re-codified these requirements elsewhere in the Public Utilities Code without making substantive changes to the requirements. As a result of this change, subdivisions (h) through (p) of Public Utilities Code section 399.30, as enacted by SBX1-2, have now been renumbered subdivisions (g) through (n).

3 "Eligible renewable energy resources" generally refer to electrical generating facilities or power plants that utilize qualifying renewable energy resources, such as wind, solar, biomass, landfill gas, digester gas, geothermal, or small hydroelectric resources, to generate electricity. (Pub. Util. Code, § 399.12, subd. (e); Pub. Res. Code, § 25741, subd. (a).)

Increased reliance on the use of electricity from eligible renewable energy resources will reduce the amount of electricity generated and procured from nonrenewable energy sources, such as fossil fuel-based electrical power plants, and may ease air quality problems and improve public health by reducing the burning of fossil fuels and the associated environmental impacts and by reducing in-state fossil fuel consumption.

The RPS was established in 2002 as a result SB 1078,<sup>4</sup> which required retail sellers of electricity (retail sellers)<sup>5</sup> to increase their procurement of electricity from eligible renewable energy resources by at least 1 percent per year so that 20 percent of their retail sales are procured from eligible renewable energy resources by 2017. SB 1078 additionally required each governing body of a POU to be responsible for implementing and enforcing a renewables portfolio standard that recognizes the intent of the Legislature to encourage renewable resources.

SB 107<sup>6</sup> accelerated the RPS goal for retail sellers to 20 percent renewables by 2010. SB 107 also required each POU in California to report to the Energy Commission on the POU's status in implementing an RPS program and the progress made toward achieving its RPS goals.

SB X1-2 adjusts the RPS goal of 20 percent by 2010 to an average of 20 percent for the years 2011 through 2013, increases the long term RPS goal to 33 percent by the end of 2020, and expands these requirements to include POUs as well as retail sellers. (Pub. Util. Code § 399.15, subd. (b), § 399.30, subd. (b) and (c).) SB X1-2 gives the Energy Commission new oversight responsibilities with respect to POUs, including adopting regulations for enforcement of the RPS procurement requirements of POUs. (Pub. Util. Code § 399.30, subd. (l).) SB X1-2 authorizes the Energy Commission to issue a notice of violation and correction for potential penalties to the California Air Resources Board (CARB) for a POU's failure to comply with the RPS procurement and reporting requirements. (Pub. Util. Code § 399.30, subd. (m).)

The California Public Utilities Commission (CPUC) is responsible for establishing the RPS procurement requirements for retail sellers, determining compliance for retail sellers, and imposing penalties for noncompliance of retail sellers. (Pub. Util. Code, §§ 399.13 – 399.17.)

Prior to SB X1-2, POUs had discretion to establish and enforce their own RPS requirements, which could vary from POU to POU and differ from the requirements applicable to retail sellers and enforced by the CPUC. Under SB X1-2, POUs are now

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4 SB 1078 (Stats. of 2002, ch. 516).

5 By statute, the definition of “retailer sellers” includes electrical corporations, community choice aggregators, and electric service providers, but excludes local publicly owned electric utilities. (Pub. Util. Code, § 399.12, subd. (j).)

6 SB 107 (Stats. of 2006, ch. 464).

subject to many of the same or similar RPS procurement requirements as retail sellers, which will lead to a more consistent application of the state's RPS. While POU's still retain discretion under the law to develop and implement procurement rules, plans, and policies that meet their particular needs, they are now required to take certain actions to implement the RPS.

The proposed regulations establish the rules and procedures by which the Energy Commission will assess a POU's procurement actions and determine whether those actions meet the RPS procurement requirements in the law. The proposed regulations determine what POU action is required by the law, so when the Energy Commission evaluates a POU's actions, it may determine whether the POU complied with the law.

## 2. Statement of the Mandate

For any proposed regulation, an agency must determine whether the regulation imposes 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 means additional costs or savings, both direct and indirect, that a public agency necessarily incurs in reasonable compliance with a regulation (SAM 6601). 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 regulations would impose a mandate 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.

At the present time, there are 45 local agencies that meet the definition of a "local publicly owned electric utility" as provided in Public Utilities Code section 224.3 and

will be subject to the Energy Commission's proposed regulations. These 45 POU's are identified in Attachment A.

The first step in this analysis is to determine what additional mandates the regulations will impose on these 45 POU's that are not already required by law.

As noted above, the law requires the governing board of a POU to take certain actions to implement the RPS. Specifically, the governing board of a POU must take the following actions, unless otherwise exempted by the law:

- The governing board shall implement procurement targets for the POU that require the utility to procure a minimum quantity of eligible renewable energy resources for each of the following compliance periods: January 1, 2011, to December 31, 2013, inclusive; January 1, 2014, to December 31, 2016, inclusive; and January 1, 2017, to December 31, 2020, inclusive. (Pub. Util. Code § 399.30, subd. (b).)
- The governing board shall ensure that quantities of eligible renewable energy resources to be procured by the POU for the first compliance period from January 1, 2011, to December 31, 2013, are equal to an average of 20 percent of the POU's retail sales. (Pub. Util. Code § 399.30, subd. (c)(1).)
- The governing board shall ensure that the quantities of eligible renewable energy resources to be procured by the POU for all other compliance periods reflect reasonable progress in each of the intervening years sufficient to ensure that the procurement of eligible renewable energy resources achieves 25 percent of the utility's retail sales by December 31, 2016, and 33 percent of the POU's retail sales by December 31, 2020.
- The governing board shall require that the POU procures not less than 33 percent of retail sales from eligible renewable energy resources in all subsequent years. (Pub. Util. Code § 399.30, subd. (c) (2).)
- The procurement requirement adopted by the governing board of a POU shall be consistent with the procurement requirements for retail sellers in Public Utilities Code section 399.16. (Pub. Util. Code § 399.30, subd. (c)(3).)
- When adopting a procurement plan, the governing board of a POU may adopt optional compliance measures, including rules permitting the utility to apply excess procurement in one compliance period to subsequent compliance periods, conditions that allow for delaying timely compliance, and cost limitations for procurement expenditures. (Pub. Util. Code § 399.30, subd. (d).)
- The governing board of a POU shall adopt a program for the enforcement of the RPS procurement requirements. (Pub. Util. Code § 399.30, subd. (e).)
- A POU must annually notify and provide information to its customers and the Energy Commission when the POU's governing board considers the adoption, status or changes to its procurement plan. (Pub. Util. Code § 399.30, subd. (f).)
- Lastly, a POU shall annually report information to the Energy Commission on the POU's procurement contracts for eligible renewable energy resources,

expenditures of funds for eligible renewable energy resources, the resource mix used to serve its customers, and the utility's status and progress in implementing the RPS. (Pub. Util. Code § 9507, subd. (b), and § 9508, subd. (e).)

These actions must be taken by the governing board of a POU irrespective of the proposed regulations. However, the proposed regulations, in addition to clarifying the above noted statutory requirements, do require the POUs to submit various documents and reports to the Energy Commission for purposes of verifying and determining compliance with the RPS procurement requirements. These documents and reports include the following:

- A renewable energy resources procurement plan, and any revisions or updates to that plan, must be submitted to the Energy Commission within 30 calendar days of the plan's adoption by the POU;
- An enforcement program detailing actions the POU will take if it determines it will not meet the RPS procurement requirements, and any revisions or updates to the program, must be submitted to the Energy Commission within 30 calendar days of adoption by the POU;
- Rules or rule revisions adopted by the POU to implement optional compliance measures, including rules permitting the utility to apply excess procurement in one compliance period to subsequent compliance periods, conditions that allow for delaying timely compliance, and cost limitations for procurement expenditures. The rules and rule revisions must be submitted to the Energy Commission with 30 calendar days of their adoption by the POU along with all reports, analyses, findings, and other information upon which the POU relied in adopting the rule or rule revisions;
- An annual report must be submitted to the Energy Commission that details the POU's annual progress in meeting the RPS, actions taken by the POU demonstrating reasonable progress towards meeting the RPS, and actions planned in the current calendar year demonstrating progress towards meeting the POU's RPS procurement requirements for the compliance period;
- A compliance report must be submitted to the Energy Commission at the end of each compliance period that details various information on the POU, including all information included in the annual report, the type and amount of electricity products procured by the POU from each qualifying eligible renewable energy resource, the POU's RPS procurement target for the compliance period, the amount of excess procurement being applied by the POU to the compliance period, if any, the POU's justification for applying any optional compliance measures, and information on any cost limitations applied by the POU to procurement for the compliance period.

The preparation and submission of these documents and reports to the Energy Commission will require the POUs to incur administrative costs. However, some of

these administrative costs are already being incurred by POU's because POU's are under a separate statutory obligation to report some of the same or similar information to the Energy Commission through other programs. For example, POU's have been reporting information on their RPS-related activities to the Energy Commission since 2007 pursuant to SB 107 and former Public Utilities Code section 387.<sup>7</sup> In addition, POU's have been reporting information on their electricity resource mix, including electricity procured from renewable energy electrical generators, since 1999 pursuant to the Energy Commission's Power Source Disclosure Program under Public Utilities Code section 398, et seq. In addition, POU's have been reporting information to the Energy Commission every two years for the Integrated Energy Policy Report, and annually for the Senate Bill 1 (Murray, Chapter 132, Statutes of 2006) program.

To avoid duplication and reduce the cost of POU reporting to the Energy Commission, the proposed regulations permit a POU to combine its RPS-related reports with other existing reports that contain the same information and are also supplied to the Energy Commission.

In addition to the above noted reporting costs, POU's will incur costs connected with the tracking and reporting of electricity procured from eligible renewable energy resources. Eligible renewable energy resources must be certified by the Energy Commission pursuant to Public Utilities Code section 399.25 for these resources to be used by electrical corporations, community choice aggregators, electric service providers, or POU's to meet their respective RPS procurement requirements. The Energy Commission has adopted RPS guidelines<sup>8</sup> specifying the procedures and requirements for certifying eligible renewable energy resources and for tracking and reporting the electricity generated by these resources. The RPS guidelines require Energy Commission-certified eligible renewable energy resources to participate in the Western Renewable Energy Generation Information System (WREGIS)<sup>9</sup> and to track and report their electricity

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<sup>7</sup> Public Utilities Code Section 387 was repealed by SB X1-2. Under SBX1-2 POU's must report the same or similar RPS-related information required under former Section 387, and must additionally report information on their procurement contracts for eligible renewable energy resources. Under SBX1-2 these POU reporting requirements were initially specified in Public Utilities Code section 399.30 (g) and (l), but are now specified in Public Utilities Code section 9507 (b) and Section 9508 (e), as a result of changes in law under AB 2227.

<sup>8</sup> The RPS guidelines are set forth in the *Renewables Portfolio Standard Eligibility Guidebook, Sixth Edition*, and the *Overall Program Guidebook for the Renewable Energy Program, Fifth Edition*. The RPS guidelines were adopted in accordance with Public Utilities Code section 399.25 and are exempt from the formal rulemaking requirement of the Administrative Procedure Act pursuant to Public Resources Code Section 25747 (a).

<sup>9</sup> WREGIS is an independent, renewable energy tracking system used by participants in the electricity market, including retail sellers, POU's, electric generators, electricity marketers, and others, for the region covered by the Western Electricity Coordinating Council (WECC): this region includes the provinces of Alberta and British Columbia, the northern portion of Baja California, Mexico, and all or portions of the 14 Western states between. WREGIS tracks



generation and transfers through WREGIS. The costs to participate in WREGIS are as follows: \$1,500 annual fee; \$0.005 Renewable Energy Credit (REC) issuance fee; \$0.005 REC transfer fee; and, \$0.01 REC retirement, reserve, or export fee.<sup>10</sup>

The RPS guidelines also permit electricity generation from Energy Commission-certified eligible renewable energy resources to be verified and tracked through an Interim Tracking System (ITS),<sup>11</sup> rather than WREGIS, under certain circumstances. There are no direct costs associated with use of the ITS, but tracking and reporting information using the ITS is expected to have higher administrative costs for POUs because the POUs must maintain and report data on monthly electricity generation for each electric generation facility from which they are claiming procurement.

Lastly, POUs may incur costs to certify eligible renewable energy resources that they own or have contracted with for purposes of the RPS. These costs do not spring directly from the proposed regulations and would be administrative in nature, such as the cost to complete and submit an application for certification to the Energy Commission. The Energy Commission does not charge an application fee to process applications for certification. Applications for certification are often submitted by the developer or owner of an eligible renewable energy resource, but may be submitted by a utility, such as a POU, on behalf of the developer or owner.

The proposed regulations will result in POUs incurring additional cost to prepare and submit the required documents and reports to the Energy Commission, and to track and report the procurement of electricity from eligible renewable energy resources through WREGIS or the ITS. In addition, POUs may incur administrative costs to certify eligible renewable energy resources. Pursuant to Government Code section 17556(d), these costs would not be required to be reimbursed by the state because the POUs have authority to levy service charges, fees, or assessments sufficient to pay for the additional costs. Public Utilities Code sections 10001, et seq., 11501, et seq., and 15501 et seq., and Water Code section 20500, et seq. provide revenue sources for the affected POUs to recoup any costs incurred through compliance with these proposed regulations.

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renewable energy generation from renewable energy resources that register in the system by using verifiable data and creating RECs for this generation. One REC is issued for one megawatt-hour of electricity.

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<http://www.wecc.biz/WREGIS/Documents/WREGIS%20Fee%20Matrix%20and%20Definitions.pdf>

11 The ITS is the system of tracking and reporting used by the Energy Commission for procurement for which no WREGIS data is available. The ITS is a manual system in which utilities manually complete and submit forms provided by the Energy Commission, as well as any additional documentation that is necessary to support their procurement claims. The Energy Commission then manually compares the provided procurement claims with independent generation data and procurement claims from the same electric generating facilities made by other load-serving entities.

### 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 regulations on POU's. The cost of participating in WREGIS (or the ITS), compiling and submitting information, and submitting annual and compliance reports are also included in this analysis.

The scope of this analysis does not include a POU's costs associated with adopting and implementing procurement plans, adopting and implementing programs for RPS enforcement, and procuring electricity products from eligible renewable energy resources in the amounts and types specified in the law, as these costs are not the result of the proposed regulations, but a statutory obligation on the governing boards of the POU's.

These statutory obligations are identified above, and require the governing board of a POU to take the following actions, unless otherwise exempted by the law:

- Implement procurement targets that require the POU to procure a minimum quantity of eligible renewable energy resources for each of the following compliance periods: January 1, 2011, to December 31, 2013, inclusive; January 1, 2014, to December 31, 2016, inclusive; and January 1, 2017, to December 31, 2020, inclusive;
- Ensure that quantities of eligible renewable energy resources to be procured by the POU for the first compliance period from January 1, 2011, to December 31, 2013, are equal to an average of 20 percent of the POU's retail sales;
- Ensure that the quantities of eligible renewable energy resources to be procured by the POU for all other compliance periods reflect reasonable progress in each of the intervening years sufficient to ensure that the procurement of eligible renewable energy resources achieves 25 percent of the utility's retail sales by December 31, 2016, and 33 percent of the POU's retail sales by December 31, 2020, and require the POU procure not less than 33 percent of retail sales from eligible renewable energy resources in all subsequent years;
- Ensure the adopted RPS procurement requirements of a POU are consistent with the RPS procurement requirements for retail sellers in Public Utilities Code section 399.16;
- Adopt a program for the enforcement of the RPS procurement requirements;
- Annually notify and provide information to the POU's customers and the Energy Commission when the POU's governing board considers the adoption, status or changes to its procurement plan; and
- Annually report information to the Energy Commission on the POU's procurement contracts for eligible renewable energy resources, expenditures of funds for eligible renewable energy resources, the resource mix used to serve its customers, and the utility's status and progress in implementing the RPS.

*b. Methodology Used in Acquiring Data Set*

The Energy Commission solicited information directly from the POUs on the projected reporting and administrative costs resulting from the proposed regulations. These costs included the costs for participating in WREGIS (or the ITS), compiling and submitting information, and submitting annual and compliance period reports. Information was solicited through a data request that was issued February 2012, in conjunction with the Energy Commission's posting of its preliminary Pre-Rulemaking Draft Regulations. The data request was sent to each of the 45 POUs directly or through an authorized representative such as a POU member group.<sup>12</sup> The data request included questions to determine the estimated cost for each POU to comply with the requirements of the Draft Regulations. The questions included estimates of: staff hours, number of staff, cost of adopting a procurement plan, procurement plan implementation cost, WREGIS-related costs, cost to certify eligible renewable energy resources, and any other additional costs to the POUs. Responses to the data request were provided from POUs identified in three categories: small, medium and large. Of the 45 POUs, 29 are small, 14 are medium, and 2 are large. The size differential was distinguished by looking at 2010 retail sales of electricity in megawatt hours. Small POUs' retail sales were no more than 445,000 megawatt hours, medium POUs' retail sales were between 445,000 and 3.3 million megawatt hours, and the two large POUs' retail sales were 10.3 million and 22.9 million megawatt hours.

In the initial collection of POU responses, Energy Commission staff received data request responses from both large POUs and four medium POUs. No responses were received from small POUs. Staff attempted to contact representatives from Ukiah, Lodi, and Island Energy, all small POUs that staff had found responsive to prior requests for information. Two groups representing POUs, the California Municipal Utilities Association and the Northern California Power Agency, were also contacted in an attempt to gather estimated cost information for small POUs. In June 2012, staff sent a second request to the POUs and POU member groups requesting responses to the earlier issued data request and clarifying the scope of that data request. A third group representing POUs, the Southern California Public Power Authority, replied and offered to help staff obtain additional information on the estimated POU costs. Staff also contacted POUs directly to clarify reported costs, including LADWP, Port of Stockton, and Glendale. These POUs submitted revised and additional information in response to staff's requests.

The Energy Commission ultimately received 16 responses representing the cost information of 20 POUs (Small POU Cities submitted a data request response that

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<sup>12</sup> POU member groups included the California Municipal Utilities Association, the Northern California Power Agency, and the Southern California Public Power Authority.

provided representative costs for its 5 small POU members).<sup>13</sup> A summary of the responses provided by the POUs is included as Attachment B.

When a POU provided a range of costs for a particular line item in the data request, staff selected a cost equal to the midpoint of the range. Staff did not consider costs provided as part of a POU's response that were not related to the proposed regulations, such as third party verification costs, or that were related to a requirement associated with an earlier version of the Draft Regulations that was no longer current, such as the POU's costs of adopting procurement plans and enforcement programs. Only one POU, Port of Stockton, provided Energy Commission staff with annual costs broken out by year, so that POU's estimated costs are the only ones that vary for the years 2012-2013, 2013-2014, and 2014-2015. The costs provided by the Los Angeles Department of Water and Power (LADWP) did not specify whether they were annual, and staff from LADWP did not respond when contacted by Energy Commission staff for clarification. However, Energy Commission staff calculated LADWP's expected annual cost using the WREGIS Fee Matrix and LADWP's approximate annual REC volume, and the WREGIS cost reported by LADWP was consistent with Energy Commission staff's estimate of the total cost for 2011-2020. Therefore, Energy Commission staff assumed that all costs reported by LADWP were ten year totals and calculated LADWP's annual cost by multiplying each reported cost by ten percent.

Energy Commission staff then plotted the total reported costs submitted by responsive POUs as a function of the POU's size, represented by 2010 retail sales of electricity, in an attempt to estimate the costs for POUs that did not supply their cost information. Because the POUs that were not responsive were small and medium-sized POUs, staff excluded the two large POUs when plotting the cost data for the purposes of this estimation, to arrive at an equation that best represented the costs of small and medium-sized POUs. Staff also excluded one outlier, Glendale, which reported costs far in excess of other similarly-sized POUs. Once a best-fit line equation for the remaining data was generated using Excel, staff inputted the 2010 retail sales data for the nonresponsive POUs to generate the estimated costs for those POUs.

*c. Anticipated Economic Costs Resulting from the Proposed Regulations*

The proposed regulations could result in a POU's increased costs based on the following:

- Staff members and total hours
- WREGIS (and/or ITS) Participation and Reporting
- Indirect costs for certification of eligible renewable energy resources
- Other additional costs.

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<sup>13</sup> The 5 small POUs included the Cities of Cerritos, Corona, Moreno Valley, Rancho Cucamonga, and Victorville.

The potential for economic costs from each of these factors is discussed below.

i. Staff Members and Total Hours

In the Energy Commission's data request POU's were asked if they anticipated hiring new staff members and/or increasing the hours of existing staff spent working on RPS compliance. Medium to large-sized POU's indicated they were interested in hiring more staff members to take on additional compliance responsibilities. Smaller POU's, or those POU's that continued to face budgeting issues opted to not bring on additional staff members. Glendale, a medium-sized POU, estimated adding an additional \$761,122 to its annual budget for staff. This figure is the highest annual amount reported by any POU.

ii. WREGIS Participation and Reporting

POU's will incur costs connected with the tracking and reporting of electricity procured from eligible renewable energy resources. The procurement of electricity products from eligible renewable energy resources must be tracked and reported through WREGIS for the procurement of these electricity products to count toward meeting a POU's RPS procurement requirements. Small-sized POU's estimated costs ranging between \$1,100-\$1,800/year for WREGIS-related expenses. Medium-sized POU's estimated costs ranging between \$2,500-\$87,500/year for WREGIS-related expenses. The Los Angeles Department of Water and Power (LADWP), one of the two large POU's, estimates an average cost of \$426,960/year for WREGIS-related expenses, while the other large POU, the Sacramento Municipal Utility District (SMUD), estimates that it will have no incremental cost increases related to WREGIS. Other POU's have either already included WREGIS costs in their total administrative costs, or are not certain what their WREGIS costs may be.

iii. RPS Certification

POU's may incur cost for the certification of eligible renewable energy resources that they own or have contracted with. Eligible renewable energy resources must be certified by the Energy Commission pursuant to Public Utilities Code section 399.25 for these resources to be used by electrical corporations, community choice aggregators, electric service providers, or POU's to meet their respective RPS procurement requirements. The majority of POU's that responded to the Energy Commission's data request could not assess what their RPS certification costs would be, although some POU's indicated that they did not expect to incur additional costs for certification in the future. The small POU's that responded to the Energy Commission's data request did not provide an

estimate for certification costs. Medium-sized POU's that responded to the data request estimate their certification cost ranging between \$2,000-\$140,000/year. SMUD estimates no additional certification costs for its facilities, and LADWP estimates certification costs of \$589,700 through 2020, or \$58,970 per year.

iv. Other additional costs

Additional costs are any costs not covered in the other categories that are attributable to the proposed regulations, rather than to statutory mandates. Burbank Water and Power cited staff time to respond to requests from the Energy Commission and legal costs to answer questions, prepare filings, and represent the POU before the Energy Commission. No specific costs were provided, however. Pasadena Water and Power also cited legal costs without providing specifics and stated that it expected costs related to a loss of efficiency due to shifting staff to reporting and other regulatory requirements. LADWP reported that it had identified additional costs of \$2,674,637, or \$267,464 annually, but staff's request for the assumptions behind LADWP's numbers resulted in a submittal of revised cost estimates without clarification as to what the costs were for. Colton Public Utilities reported that additional costs may include training and travelling costs of \$25,000 annually.

Several POU's reported in this category the incremental costs of procuring electricity products to meet RPS procurement requirements, but such costs are beyond the scope of the economic and fiscal impact analysis of the proposed regulations because procurement costs result from statutory mandates and not from the proposed regulations.

*d. Conclusion*

The administrative cost to the state's POU's to implement these regulations is determined based on the size of the POU and conservatively estimated based on submitted information. Small POU's are expected to incur an average cost of \$1,800-\$58,398/year. Trinity Public Utilities District, a small POU, has a cost of \$0, as Public Utilities Code section 399.30 (g) deems Trinity in compliance with the RPS procurement requirements, provided certain conditions are satisfied. Under the proposed regulations, Trinity is not required to participate in WREGIS, certify facilities for the RPS, or report to the Energy Commission. Medium POU's are expected to incur costs of \$4,000-\$187,500/year, with one outlier estimating a cost of \$826,122/year. The two large POU's estimated their costs as \$55,000 and \$720,123/year.

The total annual cost associated with the proposed regulations for all 45 POU's is estimated to be \$2,176,058 for 2012-2013, \$2,181,124 for 2013-2014, and \$2,177,444 for 2014-2015.

## **B. Fiscal Impact on State Government**

It is estimated that implementation of the proposed regulations will cost the Energy Commission approximately \$376,000 per year. The cost would be incurred in reviewing POU filings and annual reports, verifying POU compliance with the RPS procurement requirements, issuing determinations of noncompliance, and referring violations to the California Air Resources Board. The costs are based on a budget change proposal the Energy Commission submitted to the Department of Finance in April 2011. The budget change proposal requested five permanent positions to conduct the work mandated by SB X 1-2. Of those, four positions will conduct work directly related to the implementation of the proposed regulations at an annual cost of \$376,000, including benefits.

## **C. Fiscal Impact on Federal Funding of State Programs**

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

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

### **1. Creation or Elimination of Jobs**

The proposed regulations are not expected to directly create a significant number of new jobs. The proposed regulations may result in some of the POUs having to hire new full or part time employees to satisfy the information and reporting requirements included in the proposed regulations. The Energy Commission does not expect existing jobs to be eliminated as a result of the proposed regulations.

### **2. Creation or Elimination of Businesses**

The proposed regulations are not expected to directly create a significant number of new businesses. The proposed regulations may result in the creation of new consulting businesses that are developed to help POUs comply with the information and reporting requirements included in the proposed regulations. The Energy Commission does not expect existing businesses to be eliminated as a result of the proposed regulations.

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

### **3. Expansion of Existing Businesses**

The proposed regulations are not expected to directly result in the expansion of existing businesses. However, if existing consulting businesses currently 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 regulations. 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.

### **4. Significant Statewide Adverse Economic Impact Directly Affecting Business, including the Ability of California Businesses to Compete with Businesses in Other States**

The Energy Commission has made an initial determination that there will be no significant statewide adverse economic 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.” (Govt. Code, § 11342.610, subd. (a)(1) and (2).)

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

The proposed regulations will not require businesses, including small businesses, to submit any new reports. However, the proposed regulations will require POUs, which are local agencies, to prepare and submit annual and periodic reports to the Energy Commission for purposes of verifying and determining compliance with the RPS requirements.

### **5. 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 regulations. The proposed regulations would not directly apply to private individuals or businesses. The proposed regulations would apply only to POUs, which are local agencies and not independently owned and operated businesses. The proposed regulations would require the governing boards of POUs to take certain actions to implement the RPS, as specified in statute, and to report various information to the Energy Commission on the POU’s implementation efforts, including procurement



contracts for eligible renewable energy resources, expenditures of funds for eligible renewable energy resources, the resource mix used to serve its customers, and the POU's status and progress in implementing the RPS, so the Energy Commission can verify and determine the POU's compliance with the RPS.

## 6. Effects on Housing Costs

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

The proposed regulations will ensure POUs are subjected to a uniform set of rules for satisfying the RPS requirements. The proposed regulations will also ensure the POU rules are consistent with the rules for retail sellers to the extent appropriate in accordance with SBX1-2. Consistent rules will help provide market uncertainty for stakeholders participating in the California RPS and the renewable energy market. If a POU and retail seller purchase the same electricity product from an eligible renewable energy resource, it makes no sense to characterize the product differently depending on which utility, POU or retail seller, purchases the electricity product. Likewise, it makes no sense to characterize the electricity product differently depending on which of two POUs purchases the electricity product.

Consistency in the application of the rules among POUs and between POUs and retail sellers may also ease the contracting processes for utilities, developers of eligible renewable energy resources, and other market participants, thereby accelerating the development of new eligible renewable energy resources, which in turn helps promote the underlying goals of the RPS.

The proposed 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.

# **Attachment A: POUs Subject to the Proposed Regulations**

Alameda Municipal Power

Anaheim, City of

Azusa Light and Water

Banning, City of

Biggs Municipal Utilities

Burbank Water and Power (BWP)

Cerritos, City of

City and County of San Francisco (CCSF)

Colton Public Utilities

Corona, City of

Eastside Power Authority

Glendale Water and Power (GWP)

Gridley Electric Utility

Healdsburg, City of

Hercules Municipal Utility

Imperial Irrigation District (IID)

Industry, City of

Kirkwood Meadows Public Utility District

Lassen Municipal Utility District

Lodi Electric Utility

Lompoc, City of

Los Angeles Department of Water & Power (LADWP)

Merced Irrigation District

Modesto Irrigation District (MID)

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 (PWRPA)  
Rancho Cucamonga Municipal Utility  
Redding Electric Utility (REU)  
Riverside, City of  
Roseville Electric  
Sacramento Municipal Utility District (SMUD)  
Shasta Lake, City of  
Silicon Valley Power (City of Santa Clara)  
Trinity Public Utility District (TPUD)  
Truckee Donner Public Utilities District  
Turlock Irrigation District (TID)  
Ukiah, City of  
Vernon, City of  
Victorville Municipal Utilities Services

# Attachment B

## POU Responses to Data Request on Estimated Cost

Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
Alameda Municipal Power	No response submitted.						
Anaheim	Anaheim does not plan to hire additional staff for RPS compliance. One staff member is currently assigned to RPS compliance, and is responsible for all aspects of RPS compliance. A total of 11 staff members have assisted with RPS compliance.	Anaheim prepares the procurement and enforcement plans together; see implementation.	RPS compliance takes up 15% of one full time staff member's time, at a cost of \$15,600 per year. In addition, a total of 11 other staff members have worked on SBX 1 2, including legislative staff, settlements staff, and resource planning staff, at a total POU cost of \$50,000.	Anaheim has spent approximately 40 hours of staff time researching repowering, at an estimated cost of \$2,000. The cost for any additional compliance requirements are embedded in our annual cost projections.	Approximately \$10,000 is spent on this item (and is included in the total annual cost).	Costs associated with the negotiation and contractual obligations of RPS contracts that may not count as part of RPS compliance or fall within the PCCs for which it is contracted can cost a utility tens of millions of dollars. Additionally, investment in DG and rooftop solar is highly discounted; it is projected that Anaheim will spend over \$10 million on DG.	The requirements of SBX1 2 make doing business in CA costly. There is a potential for more local renewable resource development, if the CEC and Air Quality Districts can work together for cost efficient resource development.

Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
Azusa Light & Power	No response submitted.						
Banning, City of	No response submitted.						
Biggs Municipal Utilities	No response submitted.						

Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
Burbank	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 or two additional staff required.	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. At a minimum, the current plan results in an approximate 1% rate increase for 1% increase in renewables. We seek to reduce that effect as much as possible.	Burbank is a fully resourced utility and the implementation of RPS adds to the complexity and challenge of our current situation. Adding renewable energy means that we've added resources that are not needed. It is not clear how the costs of such extra resources might be calculated.	Such costs are hard to quantify but it is estimated that each precertification 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.	It is estimated that the annual fees paid directly to WREGIS will range from \$75,000 to \$100,000 annually.	The potential cost of having to follow-up with the CEC on questions related to verification, certification, and reporting would take staff time. Potentially responding to third party requests or "special" investigations by the CEC would also cost staff time. There might be a need to hire more outside legal help to answer questions, prepare regulatory filings, and represent us before the CEC.	Jobs will be created to build new facilities as well as to operate and maintain them. Along with the increase in jobs for building new renewables, there is also the need to respond to regulatory agencies which requires more staff time and potential outside consultants and legal resources.

Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
Cerritos, City of	No. Hiring freeze and budget constraints.	\$35,000 for procurement plan, \$18,000 for enforcement program.	\$27,000	Smaller POUs cannot absorb the risk of development. Offered the more expensive & riskier projects.	\$1,800/year	None reported.	None reported.
Colton Electric Utility	No.	Procurement plan: \$150,000 to \$175,000. Enforcement Plan: \$50,000-\$75,000 annually.		Not sure, has not historically applied for certification.	\$1,100 annually.	Training and travel which are around \$25,000 annually.	Colton does not see much job creation as a result of RPS.
Corona, City of	No. Hiring freeze and budget constraints.	\$35,000 for procurement plan, \$18,000 for enforcement program.	\$27,000	Smaller POUs cannot absorb the risk of development. Offered the more expensive & riskier projects.	\$1,800/year	None reported.	None reported.
Eastside Power Authority	No response submitted.						

Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
Glendale (GWP)	As a direct result of the RPS, Glendale has increased 6 people to its staffing levels and added over \$760,000 to the annual budget. Also, additional consultants are being hired to review renewable contracts and evaluate options. [Costs later submitted: \$761,122 in fully loaded annual costs for the time of 9 staff members, new and existing, solely related to the RPS regulations and reporting.]	Glendale's comprehensive procurement plan has not yet been adopted. Glendale expects to spend at least 100 staff hours on the development of the procurement plan in 2012, including legal, management, and other staff. There will be additional costs for consultants to make sure that our long-term portfolio evaluation model will be capable of handling new requirements.	Unknown at this time. Negotiations are underway with several developers. In addition, this question does not specify the economic accounting perspective. Glendale plans to use the ratepayer perspective: how much will retail rates increase because of the implementation of a procurement plan.	Considerable costs have already been expended of legal and staff time regarding the uncertainty of biomethane issues. Glendale does expect to spend additional amounts on outside consultants for facility-specific issues such as separating RECs produced by multiple phases of expansion of a given renewable facility. Both legal and engineering services may be required.	Estimated \$65,000 (20%) to \$67,200 (33%) in annual fees paid directly to WREGIS. This does not include staff time associated with such participation, nor does it include costs for verification.		
Gridley Electric Utility	No response submitted.						



Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
Healdsburg, City of	No response submitted.						
Hercules Municipal Utility	No response submitted.						

Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
IID	Yes.	Staff and consultant time and costs spent over the past year to understand, draft and adopt various regulations and rules and to negotiate contracts to comply with the RPS procurement and enforcement plans required by SB 1x 2 has been approx. \$246,075. The administrative costs of enforcement will include staff time necessary to draft the reports to the IID Board of Directors and the Commission establishing compliance.	For example, in March 2012 IID spent approximately \$7,000 for staff and consultants' time and expenses to track, attend, and participate in the CEC proceedings reviewing eligible renewable resource types and other RPS issues.	At this time, IID estimates that it will have to hire two new employees to assist in applying for and maintaining RPS certifications. The cost of two employees' salary and benefit packages would total \$120,000-\$160,000 depending on the experience and education required for the positions.	IID estimates that participation in the generation tracking and verification system will cost an additional \$3,000 to \$5,000 per year, plus the costs of the two full time employees for certification.	IID is a transmission operator and certified balancing authority within the WECC. As IID interconnects more renewable energy to its BA, it will be faced with increasing costs to balance and regulate this intermittent generation.	IID has supported the development of renewable energy by undertaking a transmission build-out that will facilitate the export of renewable energy to other parts of CA. The development of IID's renewable potential may create new businesses and new jobs in a region that has long suffered from chronic high unemployment and high poverty rates.
Industry, City of	No response submitted.						

Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
Island Energy	No response submitted.						
Kirkwood	No response submitted.						
LADWP	Yes, the LADWP plans to hire additional staff.	The total estimated cost of adoption of a renewable energy procurement plan is \$2,122,449. The total estimated cost of adoption of an enforcement plan is \$2,523,678.	Annual implementation cost is estimated to be \$6,873,557.	Compared to current operations, LADWP estimates a cost of \$589,700 for applying and maintaining RPS certification.	LADWP estimates a total cost of \$4,269,600.	LADWP has taken into consideration additional estimated cost of \$2,237,600.	Yes, there is potential for the creation of new businesses as a result of an increase in procurement requirements. However, disqualification of certain eligible renewable energy resources can be detrimental to existing and dependable businesses.
Lassen Municipal Utility District	No response submitted.						
Lodi Electric Utility	No response submitted.						

Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
Lompoc, City of	No response submitted.						
Merced Irrigation District	No response submitted.						
Modesto Irrigation District	No response submitted.						
Moreno Valley Electrical Utility	No. Hiring freeze and budget constraints.	\$35,000 for procurement plan, \$18,000 for enforcement program.	\$27,000	Smaller POU's cannot absorb the risk of development. Offered the more expensive & riskier projects.	\$1,800/year	None reported.	None reported.
Needles, City of	No response submitted.						
Palo Alto, City of	No response submitted.						

Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
Pasadena	Due to budget constraints and ongoing rate impact concerns, existing staff are being reassigned and their efforts redirected from other activities as needed to support implementation of the RPS regulations.	Reliable cost data beyond 2013 is proprietary and not available.	Reliable cost data beyond 2013 is proprietary and not available.	It is anticipated that third party auditing costs will equal \$10,000 to \$15,000 per year.	It is anticipated that WREGIS costs will be about \$2,000 to \$3,000 per year.	Additional procurement costs will lead to higher electric rates. Because we intend to perform the compliance efforts with existing staff resources, additional direct costs may be limited to overtime and contract costs for consulting and legal support as needed. Opportunity costs are likely, such as non-optimal procurement or less efficient operations as a result of shifting staff resources to compliance activities.	No, procurement requirements will be assigned to appropriate staff within the existing organization.
Port of Oakland	No response submitted.						

Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
Port of Stockton	The Port most likely will rely on consultants, outside contractors and developers to assist it in meeting the State's RPS requirements. [Costs later submitted for staff time related to RPS reporting: \$11,760 for 2013, \$15,840 for 2014, and \$12,880 for 2015.]	The Port is currently developing a formal RPS development plan consistent with the draft RPS Regs. Between staff time and consultants it is estimated that the plan will require approximately \$25,000.	Cost of implementation will be dependent upon the final RPS Regulations. However, based on previous project development work we anticipate that at least \$100,000 in project studies involving PG&E and the CAISO will be required as well as significant staff time.	It's not clear at this time what the Certification costs will be. [Costs later submitted: \$1,000 for 2013 and \$5,500 for 2014.]	WREGIS fees will be dependent upon the RECs versus generating project decision for the Port. [Costs later submitted: \$4,029.11 for 2013, \$4,145.82 for 2014, and \$4,260.00 for 2015.]	We believe the incremental cost of renewable generation could range between \$40,000 and \$200,000 depending on strategy and Regulations. This amounts to an estimated additional 8.25% revenue requirement for new renewable generation. The Port's load is 100% commercial/industrial and this rate pressure will place competitive pressure on the Port from the surrounding IOU. [Costs later submitted: additional contingency costs of \$1,679 for 2013, \$2,549 for 2014, and \$1,714 for 2015.]	The RPS regulations could lead to new jobs within the region but only for the construction period of the projects, if built.

Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
Power & Water Resources Pooling Authority (PWRPA)	No response submitted.						
Rancho Cucamonga Municipal Utility	No. Hiring freeze and budget constraints.	\$35,000 for procurement plan, \$18,000 for enforcement program.	\$27,000	Smaller POU's cannot absorb the risk of development. Offered the more expensive & riskier projects.	\$1,800/year	None reported.	None reported.
Redding Electric Utility	No response submitted.						
Riverside, City of	No response submitted.						
Roseville Electric	No response submitted.						
San Francisco, City and County of	No response submitted.						
Shasta Lake, City of	No response submitted.						

Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
Silicon Valley Power (SVP)	No response submitted.						
SMUD	SMUD already has staff working on RPS, and expects to hire one or two students to help prepare certifications, enter data in WREGIS, and prepare reports.	SMUD estimates that the incremental cost above previous level of staff time is no more than \$100,000 in staff time.	SMUD already has staff working on RPS, and does not believe there is any incremental cost above previous level of effort.	No incremental administrative cost above previous level of effort.	No incremental administrative cost above previous level of effort.	If RPS regulations do not allow counting of historical procurement, cost of \$100 million dollars to SMUD ratepayers. Second, cost to SMUD ratepayers if behind the meter generation is not PCC 1. Third, additional costs for reporting to the CEC between \$10,000-\$100,000 annually. Fourth, additional costs from ARB penalties - CEC should allow POU governing board to enforce first.	Could lead to the creation of new businesses for tracking and verifying renewable procurement meets category requirements.
Trinity Public Utilities District†	No response submitted.						
Truckee Donner Public Utilities District	No response submitted.						



Utility Name	New Staff	Procurement Plan/Enforcement Program Adoption	Procurement Plan/Enforcement Program Implementation	RPS Certification	WREGIS	Other Costs	New Business
Turlock Irrigation District	No response submitted.						
Ukiah, City of	No response submitted.						
Vernon, City of	No response submitted.						
Victorville Municipal Utilities Services	No. Hiring freeze and budget constraints.	\$35,000 for procurement plan, \$18,000 for enforcement program.	\$27,000	Smaller POU's cannot absorb the risk of development. Offered the more expensive & riskier projects.	\$1,800/year	None reported.	None reported.