Lassen Municipal Utility District
Renewable Energy Resources Procurement Plan
Per Senate Bill X 1-2

INTRODUCTION

This document presents the Renewable Energy Resources Procurement Plan of the Lassen Municipal Utility District ("LMUD") as required for compliance with Senate Bill (SB) X1-2. This legislation, which was enacted in the 2011-2012 First Extraordinary Session of the Legislature, modifies the state's Renewable Portfolio Standard ("RPS") program and sets forth new RPS requirements applicable to Publicly Owned Utilities ("POUs"). LMUD, as a POU, is covered under the new legislation. Pursuant to Public Utilities Code § 399.30(a), each POU must adopt and implement a Renewable Energy Resources Procurement Plan (referred to herein as the "RPS Procurement Plan"). In addition to the development of an RPS Procurement Plan, SBX 1-2 requires POUs to adopt and implement a separate program for the enforcement of the RPS Procurement Plan.

LMUD's RPS Procurement Plan, as reflected in Sections 1-13 below consists of: (1) plan elements that are directly mandated by the legislation; (2) measures that address each of the optional provisions set forth in §399.30(d); and (3) RPS reporting provisions. Where appropriate, this RPS Procurement Plan includes section citations to the legislation.

1. <u>Purpose</u> (§ 399.30(a))

In order to fulfill unmet long-term generation resource needs, LMUD adopts and implements this RPS Procurement Plan that requires the utility to procure a minimum quantity of electricity products from eligible renewable energy resources, including Renewable Energy Credits ("RECs"), as a specified percentage of LMUD's total kilowatt hours sold to its retail end-use customers, each compliance period, to achieve the targets specified in SBX 1-2.

2. <u>Compliance Periods</u> (§ 399.30(b))

A. Compliance Period 1: January 1, 2011, to December 31, 2013, inclusive.

B. Compliance Period 2: January 1, 2014, to December 31, 2016, inclusive.

C. Compliance Period 3: January 1, 2017, to December 31, 2020, inclusive.

D. Annual Compliance Periods: Annually after 2020.

3. Procurement Targets of Renewable Energy Resources for Each Compliance Period (§§ 399.30(c)(1) and (2))

A. During Compliance Period 1, January 1, 2011 to December 31, 2013, LMUD shall attempt to the best of its ability, without causing detrimental financial risk to the District and its customers, procure renewable energy resources equivalent to an average of at least twenty percent (20%) of retail sales.

B. By the end of Compliance Period 2, December 31, 2016, LMUD shall attempt to the best of its ability, without causing detrimental financial risk to the District and its customers, procure renewable energy resources equivalent to at least twenty-five percent (25%) of retail sales.

C. By the end of Compliance Period 3, December 31, 2020, LMUD shall attempt to the best of its ability, without causing detrimental financial risk to the District and its customers, procure renewable energy resources equivalent to at least thirty-three percent (33%) of retail sales.

D. Commencing on December 31, 2021, and annually thereafter, LMUD shall attempt to the best of its ability, without causing detrimental financial risk to the District and its customers, procure renewable energy resources equivalent to at least thirty-three percent (33%) of retail sales.

The method used to determine the actual renewable energy resource percentage achieved for a given calendar year shall be to: (i) sum the total metered generation from each of LMUD's eligible renewable resources and qualifying purchases in Megawatt hours (MWh) during the preceding calendar year, (ii) subtract sales, if any, of eligible renewable resources during the same time period, and (iii) divide the result by the total energy sold to LMUD's retail end-use customers (in MWh) in the same time period.

4. Reasonable Progress Towards Meeting Compliance Period Targets During Intervening Years (§§ 399.30(c)(1) and (2))

A. By December 31, 2014, LMUD shall demonstrate that it is making reasonable progress towards ensuring that it shall meet the twenty-five percent (25%) RPS target by 2016.

B. By December 31, 2015, LMUD shall demonstrate that it is making reasonable progress towards ensuring that it shall meet the twenty-five percent (25%) RPS target by 2016.

C. By December 31, 2017, LMUD shall demonstrate that it is making reasonable progress towards ensuring that it shall meet the thirty-three percent (33%) RPS target by 2020.

D. By December 31, 2018, LMUD shall demonstrate that it is making reasonable progress towards ensuring that it shall meet the thirty-three percent (33%) RPS target by 2020.

E. By December 31, 2019, LMUD shall demonstrate that it is making reasonable progress towards ensuring that it shall meet the thirty-three percent (33%) RPS target by 2020.

5. Procurement Requirements – Definitions for Eligible Resources (§399.30 (i))

LMUD's RPS Procurement Plan will include eligible renewable energy resources, defined pursuant to Public Utilities Code section 399.30 (i);

A. Content Category 1 (consistent with § 399.16(b)(1): Resources in this category shall either:

(A) Have a first point of interconnection with a California balancing authority, have a first point of interconnection with distribution facilities used to serve end users within a California balancing authority area, or be scheduled from the eligible renewable energy resource into a California balancing authority without substituting electricity from another source. The use of another source to provide real-time ancillary services required to maintain an hourly or sub-hourly import schedule into a California balancing authority shall be permitted, but only the fraction of the schedule actually generated by the eligible renewable energy resource shall count toward this portfolio content category.

(B) Have an agreement to dynamically transfer electricity to a California balancing authority.

B. Content Category 2 (consistent with § 399.16(b)(2)): Resources in this category shall include firmed and shaped eligible renewable energy resource electricity products providing incremental electricity and scheduled into a California balancing authority.

C. Content Category 3 (consistent with § 399.16(b)(3)): Resources in this category shall include eligible renewable energy resource electricity products, or any fraction of the electricity generated, including unbundled renewable energy credits, that do not qualify under the criteria of Content Category 1 or Content Category 2.

D. Grandfathered Resources (§ 399.16(d)): Any contract or ownership agreement originally executed prior to June 1, 2010, shall count in full towards the procurement requirements, if all of the following conditions are met:

(1) The renewable energy resource was eligible under the rules in place as of the date when the contract was executed;

(2) Any contract amendments or modifications occurring after June 1, 2010, do not increase the nameplate capacity or expected quantities of annual generation, or substitute a different renewable energy resource;

(3) The duration of the contract may be extended if the original contract specified a procurement commitment of fifteen (15) or more years; and

(4) "Eligible renewable energy resource" means an electrical generating facility that meets the definition of a "renewable electrical generation facility" in Section 25741 of the Public Resources Code, subject to the following: . . . (C) A facility approved by the governing board of a local publicly owned electric utility prior to June 1, 2010, for procurement to satisfy renewable energy procurement obligations adopted pursuant to former Section 387, shall be certified as an eligible renewable energy resource by the Energy Commission pursuant to this article, if the facility is a "renewable electrical generation facility" as defined in Section 25741 of the Public Resources Code. (§ 399.12(e)(1)(C).

Resources procured prior to June 1, 2010 shall be counted for RPS compliance without regard to the limitations on the use of each portfolio Content Category as described in Section 6.

6. <u>Waiver of Timely Compliance</u> (§ 399.30(d)(2), § 399.15(b)(5))

A. <u>Waiver of Timely Compliance</u>: Enforcement of timely compliance shall be waived if LMUD demonstrates that any of the following conditions are beyond LMUD's control, and will prevent timely compliance:

1. *Inadequate Transmission* (§ 399.15(b)(5)(A)): There is inadequate transmission capacity to allow for sufficient electricity to be delivered to LMUD. In making its findings relative to the existence of this condition, LMUD's deliberations shall include, but not be limited to the following:

(i) Whether LMUD has undertaken, in a timely fashion, reasonable and financially feasible measures under its control and consistent with its obligations under local, state, and federal laws and regulations, to develop and construct new transmission lines or upgrades to existing lines intended to transmit electricity generated by eligible renewable energy resources. In determining the reasonableness of LMUD's actions, LMUD shall consider its expectations for full-cost recovery for these transmission lines and upgrades; and

(ii) Whether LMUD has taken all reasonable and financially feasible operational measures to maximize cost-effective deliveries of electricity from eligible renewable energy resources in advance of transmission availability.

2. *Permitting, interconnection, or other factors that delayed procurement or insufficient supply* (399.15(b)(5)(B)). In making its findings relative to the existence of this condition, LMUD's deliberations shall include, but not be limited to the following:

(i) Whether LMUD prudently managed portfolio risks, including relying on a sufficient number of viable projects;

(ii) Whether actions or events beyond the control of LMUD have adversely impacted timely deliveries of renewable energy resources including, but not limited to, acts of nature, terrorism, war, labor difficulty, civil disturbance, or market manipulation.

3. *Unanticipated curtailment to address needs of the balancing authority* (§ 399.15(b)(5)(C)).

B. Procedures Upon Approving Waiver: In the event of a Waiver of Timely Compliance due to any of the factors set forth above, LMUD shall implement the following procedures:

1. Establish additional reporting for intervening years to demonstrate that reasonable and financially feasible actions under LMUD's control are being taken (§399.15(b)(6)).

2. Require a demonstration that all reasonable actions within LMUD's control have been taken to ensure compliance in order to grant the waiver (§ 399.15(b)(7)).

C. Prior Deficits: In no event shall deficits from prior compliance periods be added to future compliance periods (§ 399.15(b)(9)).

9. Cost Limitations for Expenditures (§ 399.30(d)(3), § 399.15(c))

A. Cost Limitations for Expenditures: LMUD, at its sole discretion, has elected to establish cost limitations for all eligible renewable energy resources used to comply with the Renewables Portfolio Standard. Any such cost limitations will be developed consistent with §399.15(c). LMUD shall set such cost limitations so as not to cause disproportionate rate impacts on customers. Further, LMUD shall set such cost limitations so as not to cause financial detriment to the District itself or its ratepayers.

LMUD's ratepayer base is very small and electric ratepayers are largely economically disadvantaged. According to the Chico Economic Development Agency, in 2010 17% of Lassen County residents lived at or below the Federal poverty level. Additionally,

LMUD has an agricultural base of customers who depend on stable electricity rates in order to remain competitive in the California and U.S. markets.

SBX 1-2 allows for each POU to establish a limitation on the procurement expenditures for all eligible renewable resources used to comply with the RPS. In establishing this limitation, the LMUD Board of Directors shall set limits based on the following:

1. The limitation is set at a level that prevents disproportionate rate increases.

2. The limitation is set at a level that is not financially detrimental to LMUD or its end-user customers.

10. **Exclusive Control (§399.30(m)):** In all matters regarding compliance with the RPS Procurement Plan, LMUD shall retain exclusive control and discretion over the following:

A. The mix of eligible renewable energy resources procured by LMUD and those additional generation resources procured by LMUD for purposes of ensuring resource adequacy and reliability.

11. **Reporting (§ 399.30(f), § 399.30(g), § 399.30(l))**

A. Annual Report to CEC regarding Contract Execution (§399.30(g))

1. In compliance with SBX 1-2, LMUD shall submit a report to the CEC regarding procurement contracts executed during the prior year.

2. LMUD's report to the CEC regarding contract execution shall include, to the best of its wholesale power provider's ability, all of the following:

a. A description of the eligible renewable energy resource, including the duration of the contract or electricity purchase agreement;

b. A description and identification of the electrical generating facility providing the eligible renewable energy resource under the contract; and

c. An estimate of the percentage increase in LMUD's total retail sales of electricity from eligible renewable energy resources that will result from the contract.

C. Report to CEC and Customers (§399.30(l))

1. In compliance with SBX 1-2, LMUD shall provide a report to the CEC and customers regarding renewable resources.

2. LMUD's report to the CEC regarding renewable resources shall include all of the following:

    a. Expenditures of public goods funds collected pursuant to Section 385 for eligible renewable energy resource development, including programs descriptions, expenditures, and expected/actual results;

    b. The resource mix used to serve its customers by energy source; and

    c. LMUD's status in implementing the Renewables Portfolio Standard pursuant to § 399.30(a) and LMUD's progress toward attaining the standard following implementation of the RPS Procurement Plan.

12. Program Review

LMUD's RPS Procurement Plan shall be reviewed by the LMUD Board of Directors in accordance with LMUD's "Renewable Portfolio Standard Enforcement Program."

13. Plan Modifications/Amendments

This RPS Procurement Plan may be modified or amended by an affirmative vote of the Board of Directors during a public meeting. Any Board action to modify or amend the plan must be publicly noticed in accordance with Section 11.