



AGENDA ITEM

Public Utilities Commission

City and County of San Francisco



DEPARTMENT Power Enterprise

AGENDA NO. 20

MEETING DATE December 13, 2011

Adopt an Enforcement Program as required under the California Renewable Energy Resources Act: Regular Calendar

Project Manager: Barbara Hale

Adopt Enforcement Program

Summary of Proposed Commission Action:	Adopt the attached Enforcement Program, consistent with California Public Utilities Code Section 399.30(e). The Enforcement Program establishes the process under which the SFPUC intends to comply with the requirements of the California Renewable Energy Resources Act.
Background:	<p>On April 12, 2011, Governor Jerry Brown signed the <i>California Renewable Energy Resources Act (The Act)</i>. This Act was passed by the Legislature as Senate Bill 2 (SB2) in the First Extraordinary Session of 2011-2012¹ and becomes effective on December 10, 2011. This bill establishes renewable portfolio standards for electric utilities. SB2 was supported by the SFPUC² as well as a broad range of renewable energy producers, consumer, labor, and environmental groups.³</p> <p>Among the major goals of SB2 are to promote the use of renewable energy to displace the use of fossil fuels (such as coal and natural gas) for electric generation, thereby reducing air pollution and greenhouse</p>

¹ Chapter 1, Statutes of 2011-12 First Extraordinary Session. The legislation is also referred to as SBX1-2 with X1 denoting its consideration in the first extraordinary (or special) session.

² Letter from SFPUC General Manager Ed Harrington to the Legislature dated March 4, 2011.

³ Among the environmental groups supporting SB2 were the League of Conservation Voters, Clean Air Now, Coalition for Clean Air, Environmental Defense Fund, Natural Resources Defense Council, Planning and Conservation League, Sierra Club California, and the Union of Concerned Scientists. Labor groups supporting SB2 included AFSCME, California Coalition of Utility Employees, California Conference of Carpenters, California Labor Federation, California State Pipe Trades Council, State Building & Construction Trades Council of California, and the Western States Council of Sheetmetal Workers.

APPROVAL:

DEPARTMENT /
BUREAU

Barbara Hale 12/9/11

FINANCE

Todd L. Rydstrom

COMMISSION
SECRETARY

Mike Housh

GENERAL
MANAGER

Ed Harrington

gas (GHG) emissions, while also stabilizing electric rates and ensuring a safe and reliable electric system. These goals parallel many of the energy goals adopted by the City and County of San Francisco (CCSF) in the 2011 Updated Electricity Resource Plan (ERP),⁴ adopted by the Commission (Resolution 11-0035) and the Board of Supervisors (Resolution 349-11).

To achieve these goals, the Act makes a number of changes to state law, including the California Public Utilities Code (the Code).

The Act requires governing boards of local publicly-owned electric utilities to adopt an Enforcement Program prior to January 1, 2012 that identifies the process by which the governing board will ensure compliance with the Act. The Commission acts as the SFPUC's governing board.

EFFECT ON THE SFPUC'S POWER ENTERPRISE

The primary provision of the Act applicable to the SFPUC is Section 399.30(k) of the Code, which states that:

“A local publicly owned electric utility in a city and county that only receives greater than 67 percent of its electricity sources from hydroelectric generation located within the state that it owns and operates, and that does not meet the definition of a renewable electrical generation facility pursuant to Section 25741 of the Public Resources Code, shall be required to procure eligible renewable energy resources, including renewable energy credits, to meet only the electricity demands unsatisfied by its hydroelectric generation in any given year, in order to satisfy its renewable energy procurement requirements.”

The SFPUC will be subject to this provision of the Act since in almost all years⁵ it expects to receive more than 67% of its electricity sources from the Hetch Hetchy Water and Power System, which it owns and operates.

Under this provision of the Act, in any given year, the SFPUC will meet its electricity demands that are unsatisfied by the Hetch Hetchy system with renewable energy resources, including renewable energy credits.

⁴ These goals are to Maximize Energy Efficiency; Develop Renewable Power; Increase Local Control; Affordable Electric Bills; Improve Air Quality; Support Environmental Justice; and Promote Economic Opportunities.

⁵ Except potentially in cases of extended drought or outages of generating units on the Hetch Hetchy Water and Power System.

As a result of the Act, the SFPUC will be required to meet 100% of its energy needs from a combination of its clean Hetch Hetchy resources and renewable energy resources. The SFPUC will continue to have the lowest GHG emissions of any large electric utility in California.

This provision of the Act only applies to the SFPUC's operations as a local publicly owned electric utility. It does not apply to SFPUC's electricity demands as a community choice aggregator (CCA) through its CleanPowerSF program. The requirements for the CCA program will be set by the California Public Utilities Commission (CPUC). As noted in previous presentations to the Commission, the CleanPowerSF program is proposed to begin operation with 100% of its energy needs coming from renewable energy sources.

DEVELOPMENT OF AN ENFORCEMENT PROGRAM

The Act requires governing boards of local publicly owned electric utilities to adopt a program for the enforcement of the Act prior to January 1, 2012. (Section 399.30(e) of the Code). The Commission is the governing board of the SFPUC.

SFPUC has prepared the attached Enforcement Program to establish the Commission's process for ensuring the SFPUC meets its obligations pursuant to the Act on an on-going basis. Although the Enforcement Program can be modified over time by the Commission if necessary, the goal of the Enforcement Program is to provide the overarching framework under which the Commission ensures the SFPUC's compliance with the Act.

The staff's proposed Enforcement Program:

- Describes the SFPUC's renewable procurement requirements as defined in the Act;
- Directs SFPUC staff to develop Procurement Plans that allows the SFPUC to meet the renewable energy procurement requirements of the Act, and to present those Procurement Plans to the Commission for its adoption;
- Defines elements to be included in Procurement Plans;
- Establishes the timing of submission to the Commission for Procurement Plans;
- Specifies that the SFPUC will meet various notice and reporting requirements specified in the Act, including to the public; and
- Requires the General Manager to report to the Commission on the status of the SFPUC's compliance with Procurement Plans, and, if necessary, to recommend corrective actions to ensure compliance.

THE ENFORCEMENT PROGRAM DEFINES REQUIRED PROCUREMENT PLAN ELEMENTS

The Enforcement Program provides guidance on the development of initial and subsequent Procurement Plans. The purpose of the Procurement Plan is to identify and forecast the SFPUC's likely obligations under the Act over a specified time period, including current and subsequent budget cycles, and longer-term planning horizons where appropriate. The SFPUC's likely obligations would be determined by comparing the SFPUC's forecasted electric demand to its forecasted supplies.

Staff's proposed Enforcement Program defines several elements that must be included in any Procurement Plan developed by the SFPUC. These elements are:

- Establishment of time periods covered by the Procurement Plan;
- Forecasts and description of electricity demands;
- Forecasts and description of Hetch Hetchy supplies;
- Forecasts and description of the renewable energy resources and renewable energy credits needed to meet the requirements of the Act;
- Estimates of costs, impacts on customers' rates, and impacts on the SFPUC's financial condition; and
- Identification of uncertainties and strategies to mitigate costs and risk exposure.

The proposed Enforcement Program also defines the timing for submission and adoption of Procurement Plans so that Procurement Plans will be coordinated with the Commission's budget process. The initial Procurement Plan will be developed and submitted to the Commission in 2012 and may be submitted after the California Energy Commission has adopted its regulations for its enforcement of the Act.

The initial Procurement Plan will address renewable energy procurement requirements from the effective date of the Act (December 10, 2011) through the end of fiscal year 2012-2013 (June 30, 2013). Each subsequent Procurement Plan will be developed and submitted to the Commission with sufficient time for the Commission to review and consider the Procurement Plan's fiscal effects.

THE RELATIONSHIP OF THE ENFORCEMENT PROGRAM TO CITY POLICIES

The Enforcement Program, as well as corresponding Procurement Plans, are not meant to either determine City policies on renewable energy or modify existing renewable programs as determined by the Commission. These policies will continue to be developed by the

	<p>Commission and/or the Board of Supervisors. As mentioned above, the purpose of the Enforcement Program is to establish the Commission's process for ensuring the SFPUC meets its obligations pursuant to the Act on an on-going basis.</p> <p>CALIFORNIA ENERGY COMMISSION REGULATIONS</p> <p>The California Energy Commission (CEC) is the state agency responsible for enforcing the Act upon local publicly owned utilities, and is currently in the process of developing the necessary regulations and reporting requirements.</p> <p>The CEC regulations are in the early stages of development and have yet to be adopted. SFPUC staff is participating in the CEC's development of its regulations. The elements of any Enforcement Program adopted by the Commission may need to be revised once regulations are adopted by the CEC.</p> <p>PUBLIC NOTICE REQUIREMENTS</p> <p>The Act requires that a local publicly owned electric utility must provide at least 30 days notice prior to adopting its Enforcement Program. Notice of the SFPUC's proposed action was included as part of the Commission's Agenda package for its November 8, 2011 meeting that was posted on November 4, thirty-nine days in advance of today's meeting. The Commission also conducted a Workshop and Discussion of this item at its November 8, 2011 meeting and conducted outreach to interested stakeholders.</p> <p>NEXT STEPS</p> <p>Upon adoption of the Enforcement Program, staff will begin the process of preparing the initial Procurement Plan for the Commission's consideration in 2012. Staff will also continue its participation in CEC proceedings related to the Act.</p>
Result of Inaction:	<p>The Act requires governing boards of local publicly-owned electric utilities to adopt an Enforcement Program prior to January 1, 2012.</p> <p>Pursuant to the Act, the CEC has authority to issue, after a public process, notices of violation and correction to local publicly owned electric utilities that are not in compliance with the Act's requirements and may refer violations to the California Air Resources Board (ARB), which can assess penalties.</p>
Environmental Review:	<p>The Bureau of Environmental Management of the SFPUC determined adoption of the proposed Enforcement Program to be exempt from environmental review under Section 15308 (Class 8, Actions by Regulatory Agencies for Protection of the Environment) of the California Environmental Quality Act (CEQA) Guidelines.</p>

Agreement: Approval of the Enforcement Program for the California Renewable Energy Resources Act
Commission Meeting Date: December 13, 2011

Description of Project Action:	Adopt the attached Enforcement Program, consistent with California Public Utilities Code Section 399.30(e). The Enforcement Program establishes the process under which the SFPUC intends to comply with the requirements of the California Renewable Energy Resources Act.
Recommendation:	SFPUC staff recommends that the Commission adopt the attached Enforcement Program through approval of the attached Resolution.
Attachments:	<ol style="list-style-type: none">1. SFPUC Resolution2. SFPUC Enforcement Program for the California Renewable Energy Resources Act3. Notice of public meeting issued on November 4, 2011

PUBLIC UTILITIES COMMISSION

City and County of San Francisco

RESOLUTION NO. _____

WHEREAS, The *California Renewable Energy Resources Act (the Act)*, effective as of December 10, 2011, imposes requirements upon the SFPUC's operations as a local publicly owned electric utility through various changes to the state's Public Utilities Code, including but not limited to Section 399.30, which regulates local publicly owned electric utilities; and

WHEREAS, Under Section 399.30 of the Public Utilities Code, the SFPUC is required to "procure eligible renewable energy resources, including renewable energy credits, to meet only the electricity demands unsatisfied by its hydroelectric generation in any given year" in which it receives more than 67 percent of its electricity supplies from hydroelectric generation that is located within California, owned and operated by the City, and that does not meet the definition of a "renewable electrical generation facility" pursuant to Section 25741 of the Public Resources Code; and

WHEREAS, Section 399.30(e) of the Public Utilities Code requires local publicly owned electric utilities to adopt a program for enforcement of the Act; and

WHEREAS, Staff of the SFPUC has developed an Enforcement Program (attached to this Resolution and incorporated herein) that establishes the process under which the SFPUC intends to comply with the requirements of the Act; and

WHEREAS, The Enforcement Program establishes a process for preparation of Procurement Plans that is compatible with the Commission's budget process, and requires the General Manager to report to the Commission on the status of the SFPUC's compliance with Procurement Plans; and

WHEREAS, The Enforcement Program requires that Procurement Plans include certain elements, including consideration of such factors as the estimated cost of implementation and resulting customer rate impacts; and

WHEREAS, The SFPUC intends to follow the reporting and public notice requirements included in the Act; and

WHEREAS, The SFPUC provided at least 30 days notice prior to adopting its Enforcement Program consistent with Public Utilities Code Section 399.30(e), by noticing the item as part of the SFPUC's Commission November 8th agenda posted on November 4, 2011, thirty-nine days in advance of the SFPUC's consideration of this item at today's meeting; and

WHEREAS, The SFPUC provided opportunity for public comment by conducting a Workshop and Discussion of this item at its November 8, 2011 meeting as well as engaging in outreach to interested stakeholders; and

WHEREAS, The Bureau of Environmental Management of the SFPUC has determined adoption of the proposed Enforcement Program to be exempt from environmental review under Section 15308 (Class 8, Actions by Regulatory Agencies for Protection of the Environment) of the California Environmental Quality Act (CEQA) Guidelines; and

WHEREAS, The SFPUC recognizes that further changes to the Enforcement Program may need to be made in the future as staff develops greater understanding of the impacts of the new law and after the California Energy Commission adopts its implementing regulations pursuant to the Act; now, therefore, be it

RESOLVED, That this Commission hereby approves and adopts the attached Program for the Enforcement of the California Renewable Energy Resources Act.

I hereby certify that the foregoing resolution was adopted by the Public Utilities Commission at its meeting of _____ *December 13, 2011*

Secretary, Public Utilities Commission

**San Francisco Public Utilities Commission
PROGRAM FOR THE ENFORCEMENT OF THE
CALIFORNIA RENEWABLE ENERGY RESOURCES ACT
(Adopted by Resolution ____)**

1. PURPOSE

This document establishes the Enforcement Program for the SFPUC's operations as a local publicly owned electric utility, consistent with the California Renewable Energy Resources Act (the Act) and subsection (e) of Section 399.30 of the California Public Utilities Code (Code). The Act becomes effective on December 10, 2011.

2. APPLICABILITY

This Enforcement Program applies to SFPUC's operations as a local publicly owned utility.

This Enforcement Program does not apply to SFPUC's operations as a Community Choice Aggregator (CCA), because the California Public Utilities Commission is responsible for enforcing CCA compliance with the Act.

3. RENEWABLE PROCUREMENT REQUIREMENTS

The primary provision of the Act applicable to the SFPUC is Section 399.30(k) of the Code, which requires that:

"(k) A local publicly owned electric utility in a city and county that only receives greater than 67 percent of its electricity sources from hydroelectric generation located within the state that it owns and operates, and that does not meet the definition of a "renewable electrical generation facility" pursuant to Section 25741 of the Public Resources Code, shall be required to procure eligible renewable energy resources, including renewable energy credits, to meet only the electricity demands unsatisfied by its hydroelectric generation in any given year, in order to satisfy its renewable energy procurement requirements."

4. PROCUREMENT PLAN PROCESS AND ELEMENTS

The General Manager shall prepare and submit to the Commission for its review and adoption Procurement Plans that allow the SFPUC to meet the renewable energy procurement requirements of the Act and this Enforcement Program.

Procurement Plans shall be compatible with SFPUC's budget process and shall include at a minimum the following elements:

- a. Establishment of time periods for which the Procurement Plan is applicable;
- b. Forecasts and description of the electricity demands to which the Plan is applicable;
- c. Forecasts and description of Hetch Hetchy supplies;
- d. Forecasts and description of the renewable energy resources and renewable energy credits needed to meet the requirements of the Act;
- e. Estimates of the cost of implementation and a description of the potential impacts on customer rates and on the SFPUC's financial condition, including whether customer rates will allow the SFPUC to be financially stable and in compliance with its reserve policies; and
- f. Identification of known forecasting uncertainties included in the Procurement Plan and strategies to mitigate costs and risk exposure.

5. TIMING OF SUBMISSION AND ADOPTION OF PROCUREMENT PLANS

Initial Procurement Plan

The General Manager shall prepare a proposed Procurement Plan and shall present the Procurement Plan to the Commission for its adoption. The Procurement Plan may be submitted after the California Energy Commission has adopted its regulations for the Enforcement of the Act. The Plan shall address renewable energy procurement requirements from the effective date of the Act (December 10, 2011) through the end of fiscal year 2012-2013 (June 30, 2013).

Subsequent Plans

For each subsequent Procurement Plan, the General Manager shall prepare a proposed Procurement Plan and shall present the Procurement Plan to the Commission with sufficient time so that the Commission can review, consider, and adopt the Procurement Plan and include its fiscal effects into the SFPUC Power Enterprise budget.

6. PUBLIC NOTICE AND REPORTING REQUIREMENTS

The SFPUC shall provide not less than 10 days' notice to the public and the California Energy Commission before any meeting is held to make a substantive change to this Enforcement Program consistent with subsection (e) of Section 399.30 of the Code.

The SFPUC shall provide notice, information and reports to the public and to the California Energy Commission as required in the Act.

The General Manager shall report to the Commission any material variance from the adopted Procurement Plan on a quarterly basis. The report shall explain any material variances, and to the extent the variances show a trend toward non-compliance with the adopted Procurement Plan, the report shall recommend corrective actions to ensure compliance.



San Francisco
Water Power Sewer

Services of the San Francisco Public Utilities Commission

PUBLIC NOTICE

POSTED NOVEMBER 4, 2011

Consideration and Possible Adoption of a Program for the Enforcement of Article 16 of the California Public Utilities Code Relating to the California Renewable Energy Resources Act

The San Francisco Public Utilities Commission (SFPUC), the governing board of the publicly owned electric utility operations of the City and County of San Francisco, with this public notice announces that it will consider for adoption an Enforcement Program, consistent with Section 399.30(e) of the Public Utilities Code, at its regular meeting scheduled for December 13, 2011.

The Enforcement Program establishes the Commission's process for ensuring that the SFPUC's obligations under the law are met.

San Francisco Public Utilities Commission
Regular Meeting
Tuesday, December 13, 2011
1:30 P.M.
City Hall, Room 400
1 Dr. Carlton B. Goodlett Place
San Francisco, California

Michael Housh, Secretary
San Francisco Public Utilities commission



For information, contact the Commission Secretary at 554-3165.
Minutes and other information are available on the SFPUC web site: www.sfwater.org.