Renewable Resource Incentives

4 levels of renewables incentives:

- Within 20% mandate
- Beyond 20% mandate
- Emerging technology deployment
- Facilitative investments (e.g., transmission, storage)

"Crossover" incentive:

- Energy Efficiency substitute for renewables growth

Renewable Incentive: Savings Based

- 10% savings from MPR on an NPV basis
  - Within 20% mandate: Existing penalty structure
  - Beyond 20% mandate: No penalty
- No recapture if project fails after 3 years
- Illustrative earnings:
  - Assuming 1% annual RPS requirement, 20-year contracts with prices an average ½ cent below MPR, 10% shareholder sharing, NPV basis:
  - Earnings during the first 6 years (until 20% achieved) average $3.3 million per year (range from $3.9 to $2.7 million per year)

Renewable Incentive: Technology Based

Emerging technology deployment:

- P.U. Code Sec. 454.3 (c) allows for "increase of from one-half of 1 percent to 1 percent in the rate of return" if "facility is experimental and is, in the determination of the commission, reasonably designed to improve or perfect technology for the generation of electricity from renewable resources"
  - CEC and CPUC would jointly decide in a public process which technologies qualify for incentive
  - CPUC would determine RoR adder: 0.5 – 1.0%

Facilitative investments (e.g., transmission, storage)

- CPUC and CEC would support utility filing at FERC requesting that transmission to renewables earn 0.5% RoR adder
- Pumped Storage that facilitates renewables would earn 0.5 adder on the cost-of service RoR, other storage would be treated as authorized emerging technology

Renewable Incentive: "Crossover"

"Crossover" incentive:

- Energy Efficiency "Negawatts" in excess of CPUC-ordered targets would substitute for renewables Megawatt growth beyond 20% RPS mandate
- Utility would have the option of choosing the approved energy efficiency incentive or the equivalent of the 10% of NPV for "less than MPR savings" incentive