

# CPUC is Striving Towards RPS Goal of 20% by 2010

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## CPUC is Aggressively Implementing RPS Program in 2006

- February 2006 CPUC opened new RPS proceeding to address the following issues in 2006:
  - Rules for participation of ESPs, CCAs, small utilities, and multi-jurisdictional utilities in RPS program.
  - Coordination with related programs (e.g., California Solar Initiative)
  - Evaluate use of unbundled and/or tradable renewable energy credits (RECs) for RPS compliance.
- In May 2006, CPUC approved 2006 IOU RPS short-term procurement plans. Decision requires:
  - 2006 RPS solicitations to commence by July 2006
  - IOUs to use Independent Evaluators to review IOU bidding protocols and contract selection process used in every solicitation.
  - IOUs to file project status reports with CPUC
- In June 2006, CPUC approved decision regarding application of backstop cost recovery mechanism (399.25) for transmission costs that are not rolled into transmission rates.

## Measurable Progress in Achieving RPS Goals is Under Way

- Actual renewable deliveries in 2005:
  - PG&E – 11.9% (8,650 GWh)
  - SCE – 17.1% (12,920 GWh)
  - SDG&E – 5.2% (830 GWh)
- To date - 47 RPS contracts, not including 2005 contracts, have been approved by CPUC
  - PG&E – 14 contracts (409 MW)
  - SCE – 16 contracts (954 MW)
  - SDG&E – 17 contracts (548 MW)

## Potentially Significant Obstacles to Full Compliance with 20% in 2010 have Emerged

- Developer/Contract Issues:
  - There is a shortage of wind turbines. Developers that have not locked in turbine prices are claiming inability to honor their contract (PPA) prices.
  - Developers claim that IOU credit/collateral requirements are a barrier to RPS contracting
  - Developers are concerned that projects requiring SEPs may be difficult to finance.
  - Prices from 2005 solicitations are higher than prices from 2004 solicitations
- Transmission Investment is Required to Meet RPS 20% by 2010 Target:
  - Progress on Tehachapi transmission is slower than anticipated
    - CPUC ordered SCE to commence biological field work necessary to conduct permitting for Phases 2 and 3

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- ISO has commenced study process to resolve configuration issues
- Coordination of projects, contracts and open access transmission is complicated
  - Current rules may require projects lower in the transmission queue but with earlier online dates to finance some or all of the costs of transmission associated with projects that are higher in the queue with later online dates
  - CPUC working with ISO, utilities, developers to facilitate early or temporary interconnection to maximize deliveries of wind energy at earliest date
- SDG&E claims that Sunrise transmission project is necessary to meet 20% by 2010.
  - SDG&E to file documents in July 2006 that are necessary to complete the application and conduct environmental review
- RPS Participation by ESPs, CCAs, Small and Multi-Jurisdictional Utilities:
  - Non-IOWs may have difficulty reaching RPS procurement targets if required to sign long-term renewable contracts.
  - RECs might be a solution but the CEC's WREGIS tracking system, a requirement for REC trading, won't be ready until late 2007.
    - No consensus on whether or to what extents use of RECs should be permitted

### **CPUC is Refining Contract Selection Process to Assess Quality v. Quantity of Contracts**

- Will standardize assessment of project viability and assign it greater importance in contract selection/approval process.
- CPUC will monitor achievement of project milestone for approved contracts.
- CPUC expects to issue "Lessons Learned" decision in 4<sup>th</sup> quarter 2006
  - Decision will assess impediments to RPS procurement and seek to refine contracting process

### **Additional CPUC Actions to Address Obstacles to Compliance**

1. Designate RPS Transmission Project Manager (June 2006)
2. Streamline the CPUC review process for transmission permitting (Summer 2006)
3. Address/resolve ISO queue issues (Summer 2006)
4. Clarify and expand upon RPS reporting guidelines (Summer 2006)
5. Address credit/collateral policies in 2006 long term procurement proceeding (December 2006 decision)
6. Explore the use of RECs and flexible delivery requirements (ongoing)
7. Meet with developers to assess claims of non-participation/gaming (ongoing)
8. Evaluate proposals for flexible compliance in 2010 to mitigate seller's advantage