



Overview of CPUC RPS Implementation to Date and Related Issues

**Presented to Senate Energy,
Utilities, and Communications Committee
Hearing on SB 14
February 10, 2009**

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Outline of Presentation

- Progress toward 20% RPS
- Transmission process and progress
- Key policy choices for 33% renewables
- Other SB 14 provisions
 - AB1X rate caps
 - Dynamic pricing
 - Low-income issues
 - PUC governance





Progress Towards 20% Renewables





California's 20% RPS Policy

- The RPS Program requires all retail energy sellers to procure **20% renewable energy by 2010**
 - Original legislation (SB 1078, 2002) was 20% by 2017. Accelerated target to 2010, effective January, 2007 (SB 107, 2006). ***Began at around 14% in 2003.***
 - All RPS-obligated retail sellers must procure an incremental 1% of retail sales per year until 2010
 - 20% obligation continues post-2010, growing with California's energy use
- RPS procurement compliance is measured in terms of electricity deliveries, **not signed contracts**





20% by 2010: Current Contracting Status

CPUC has approved 112 contracts for almost 7,000 MW of new and existing RPS capacity

- Of these, 73 are projects with new capacity, totaling 5,245 MW
 - Were all this capacity to come online by 2010, we would more than achieve our RPS target
- Recent RPS solicitations have been robust:
 - Increased participation from larger and more experienced developers
 - IOUs shortlisting 10x their incremental procurement targets
 - California renewable market is maturing
- **Procurement process is working**
 - Due to complexity of program, took time to coordinate across agencies and implement; process now hitting its stride





Renewable Power Delivery Status

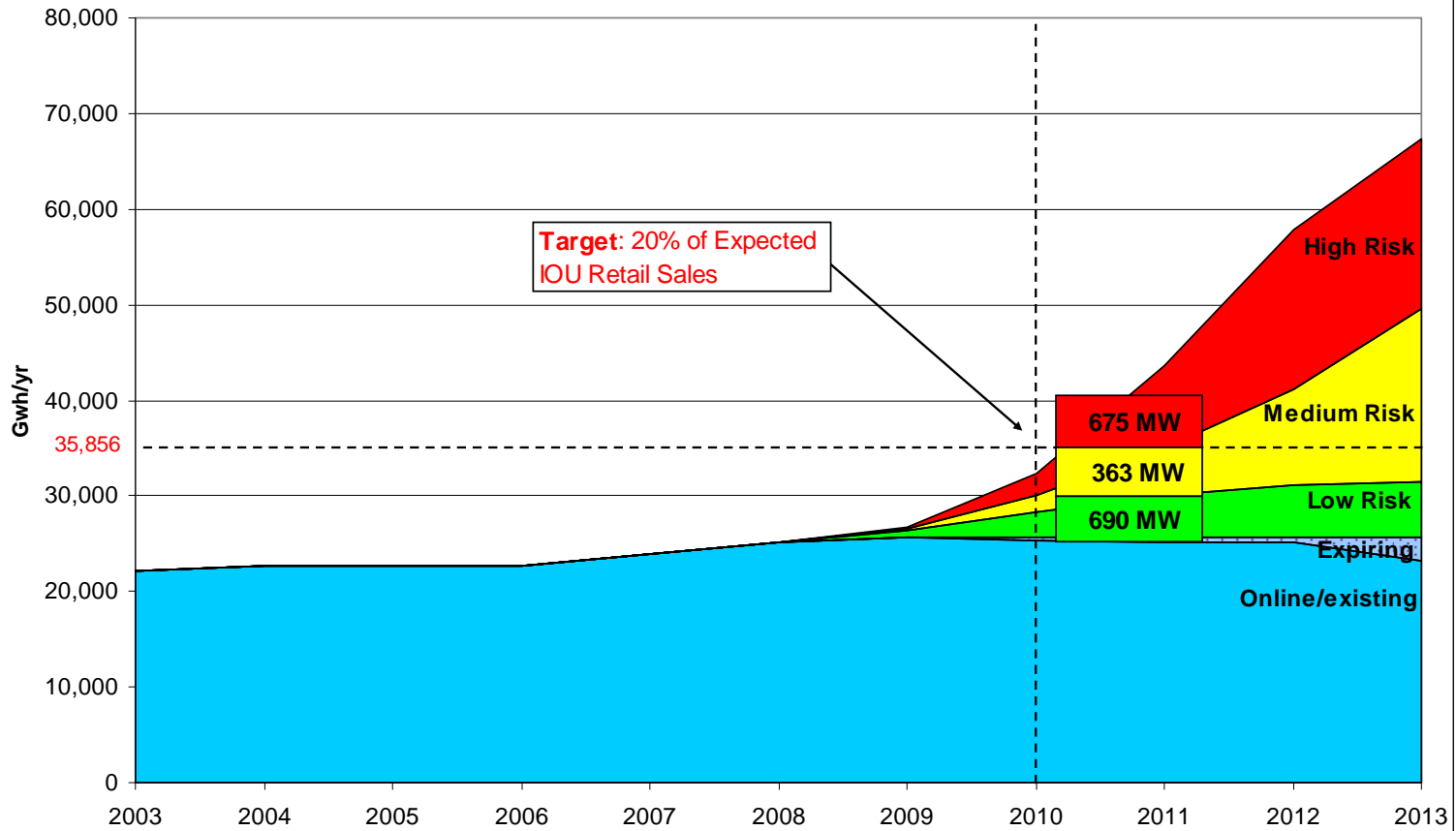
- 21 contracts for over 800 MW of new capacity have come online
- RPS generation has not kept pace with overall load growth
- Utilities likely to hit 20% by ~2013

		2003	2004	2005	2006	2007	2008 (estimate)
PG&E	RPS Eligible GWh	8,828	8,575	8,543	9,114	9,047	10,275
	RPS GWh as % of bundled sales	12.4%	11.6%	11.7%	11.9%	11.4%	12.9%
SCE	RPS Eligible GWh	12,613	13,248	12,930	12,706	12,465	12,754
	RPS GWh as % of bundled sales	17.9%	18.2%	17.2%	16.1%	15.7%	16.0%
SDG&E	RPS Eligible GWh	550	678	825	900	881	1,071
	RPS GWh as % of bundled sales	3.7%	4.3%	5.2%	5.3%	5.2%	6.3%
TOTAL	RPS Eligible GWh	21,991	22,500	22,298	22,719	22,393	24,100
	RPS GWh as % of bundled sales	14.0%	13.9% ↓	13.6% ↓	13.2% ↓	12.7% ↑	13.7% ↑





Risk Assessment of Forecasted RPS Generation



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CPUC working to create multi-agency solutions to facilitate 20% RPS

- **Transmission planning and permitting**
 - See forthcoming slides
- **Site control**
 - Working with BLM, other relevant federal and state agencies
- **Project Viability**
 - Issued ruling for comment last week suggesting ways to scrutinize non-performing contracts
- **Generation permitting**
 - California Energy Commission (thermal facilities)
 - County agencies (wind, thermal <50 MW)





Transmission: Is it the “problem”?

(no, but it does take time)





Transmission for 20% RPS

- CPUC ordered SCE to build Tehachapi; segments 1-3 are under construction, segments 4-11 are under review
- CPUC implemented Public Utilities Code Section 399.25, which allows for backstop rate recovery for transmission built for renewable purposes
- CPUC approved Sunrise Powerlink for SDG&E in December 2008
- **With these actions, available transmission will be sufficient to reach 20% renewables**





Transmission Planning

- Initiated Renewable Energy Transmission Initiative (RETI)
 - with CAISO and Energy Commission, plus investor-owned and publicly-owned utilities
- Purpose is to identify and rank competitive renewable energy zones (CREZs) for transmission development
 - To solve “chicken and egg” problem of which comes first: transmission or generation





Transmission Permitting

- After transmission pathway identified for CPUC-jurisdictional entities:
- Utility submits project to CAISO for approval
- CPUC and CAISO working to collaborate on determination of “need” to streamline timing
- Utility simultaneously conducts initial environmental assessment
- Utility files application, with proposed route, alternatives, and environmental assessment, at CPUC
- CPUC conducts CEQA review or CPUC is a co-lead with a federal agency on CEQA/NEPA review – includes extensive public input and outreach
- CPUC issues certificate of public convenience and necessity (CPCN) or permit to construct (PTC): aka “permit”





Policy Options for 33% Renewables





Lessons Learned from 20% by 2020

- 20% RPS legislation was detailed and prescriptive - 33% statute should be as **simple and flexible** as possible, to allow responsiveness to market conditions
- 20% RPS legislation focused on the procurement process (now working) – 33% should focus on **statewide coordination** needed to facilitate more efficient and timely project development
- Consider recognizing **different characteristics and starting points**
- Current **cost containment mechanism** (market price referent – MPR or benchmark) should be phased out in favor of a more dynamic approach to **utility portfolio planning and procurement**





33% Renewables: What is the Goal?

- Greenhouse gas emissions reduction
 - AB 32 CARB Scoping Plan as key driver
- **or** –
- In-State Benefits
 - Job creation
 - Fuel diversity
 - In-state air quality





What is the Goal?: Part 2

- 33% renewables

- or -

- Orderly progress toward a higher percentage renewable portfolio at reasonable costs
 - Different starting points may imply potential for different end points
 - Acknowledgement of customer-owned rooftop photovoltaics helping to meet statewide goals?





Cost Containment

- MPR (or any replacement benchmark) problematic
 - May actually increase costs to MPR level
 - Does not contain costs or help assess contracts
- Reasonableness should be assessed by CPUC just like any procurement costs, as part of utility portfolio
- In 2015-16 timeframe, possible to compare against other GHG-emissions mitigation strategies under AB 32





Other Non-RPS SB 14 Provisions





AB 1X Portions

Rate-Related

- Support allowing some rate increases for usage under 130% of baseline; rates otherwise become more skewed over time
 - Particular mechanism: 3-5% per year adjusted with CPI may not be best option – seek flexibility
- Should not be coupled with prohibition on dynamic pricing tariffs for residential customers
 - Pilots have shown that small consumers can conserve 15-30% with appropriate meters and tariffs and still remain *happy* with the programs

Direct Access

- Reasonable to allow some loosening of restrictions





Low-Income Provisions

- In general, flexibility is key
 - Fixing income levels in statute may not make sense in negative economic environment
 - Statutory requirements to target specific populations may miss neediest citizens; utilities can always target specific groups for outreach, at PUC direction
 - Rate design flexibility also desirable to ensure highest possible protection





PUC Governance

- Regular Commission meetings always include webcasting for remote access
 - Requiring Sacramento meetings costly
- Senior staff already answerable to all Commissioners
- Senate already confirms all Commissioner appointments





More Information

CPUC RPS Website:

www.cpuc.ca.gov/renewables

Questions:

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