SENATE THIRD READING
SB 2 X1 (Simitian, et al.)
As Introduced February 1, 2011
Majority vote

SENATE VOTE: 26-11

UTILITES & COMMERCE	10-3	NATURAL RESOURCES	6-3
Ayes:	Bradford, Buchanan, Fong, Fuentes, Furutani, Roger Hernández, Huffman, Ma, Skinner, Swanson	Ayes:	Chesbro, Brownley, Dickinson, Huffman, Monning, Skinner
Nays:	Gorell, Knight, Valadao	Nays:	Knight, Grove, Halderman

APPROPRIATIONS	12-3
Ayes:	Fuentes, Blumenfield, Bradford, Charles Calderon, Campos, Davis, Gatto, Hall, Hill, Lara, Mitchell, Solorio
Nays:	Harkey, Donnelly, Nielsen

SUMMARY: Increases California's renewables portfolio standard (RPS) to require all retail sellers of electricity and all publicly owned utilities (POUs) to procure at least 33% of electricity delivered to their retail customers from renewable resources by 2020. Specifically, this bill:

1) Requires all retail sellers of electricity and all POUs to procure renewable energy resources with the following targets:

   a) 20% by December 31, 2013;

   b) 25% by December 31, 2016; and,

   c) 33% by December 31, 2020, and each year thereafter.

2) Authorizes the California Public Utilities Commission (CPUC) to waive enforcement and allow retail sellers to delay compliance with the renewable procurement requirement if the retail seller demonstrates that any of the following conditions are beyond its control and will prevent timely compliance:

   a) Inadequate transmission capacity for delivery of sufficient renewable energy;

   b) Unanticipated permitting, interconnection or other related delays for renewable energy projects or an insufficient supply of eligible renewable energy resources available to the retail seller; or,

   c) Unanticipated curtailment of renewable energy necessary to address the needs of a balancing authority.

3) Revises eligibility conditions to allow various electricity products from eligible renewable energy resources located within the Western Electricity Coordinating Council transmission network service territory and differentiates the products based on the following three categories of renewable energy products:

   a) Products that have the first point of interconnection with a California balancing authority or other criteria primarily scheduled to serve California load at not less than the following procurement targets:

      i) 50% by December 31, 2013;

      ii) 65% by December 31, 2016; and,

      iii) 75% thereafter.

   b) Firmed and shaped renewable energy products providing incremental electricity and scheduled into a California balancing authority; or,

   c) Renewable energy products that do not meet either condition above, including unbundled renewable energy credits at not more than the following procurement targets:

      i) 25% by December 31, 2013;

      ii) 15% by December 31, 2016; and,

      iii) 10% thereafter.

4) Requires CPUC to adopt a process for the rank ordering and selection of least-cost and best-fit eligible renewable energy resources.

5) Requires CPUC to adopt rules that permit retail sellers to accumulate excess procurement of more-than-10-year contracts in one compliance period to be applied to any subsequent compliance period.

6) Sets aside 25% of the 33% renewable market for IOU-owned generation by requiring CPUC to approve an application by an IOU to construct, own and operate a renewable energy facility until IOU-owned renewable facilities equal 8.25% of IOU's anticipated 2020 retail sales.

7) Requires CPUC to establish a cost limit for each IOU according to specified criteria.

8) Prescribes factors that CPUC must consider when establishing a feed-in tariff for electricity generated from a renewable generating facility that is less than three megawatts (MW).

9) Requires CPUC to determine the effective load carrying capacity of wind and solar energy resources on the grid and use those values in establishing the contribution of wind and solar energy

toward meeting resource adequacy requirements.

10) Requires the California Energy Commission (CEC) to refer the failure of a POU to comply with RPS to the Air Resources Board, which may impose penalties and requires the penalties to be expended for reducing emissions of air pollution or greenhouse gases within the same geographic area as the local publicly owned electric utility.

11) Appropriates $322,000 from CPUC Utilities Reimbursement Account (PURA) to CPUC for additional staffing related to transmission lines.

EXISTING LAW requires IOUs and certain other retail sellers to achieve a 20% RPS by 2010 and establishes a process and standards for renewable procurement.

FISCAL EFFECT:

1) California Public Utilities Commission (CPUC)

   a) Ongoing annual special fund costs of approximately $650,000, equivalent to 5.0 positions, to implement RPS provisions for retail sellers, including developing new interim goals, developing cost limitations on renewable electricity procurement, communicating with retail sellers regarding new requirements, developing requirements for approval of IOU-owned electricity generating facilities, and reporting to the Legislature. (PURA)

   b) Ongoing annual special fund costs of approximately $650,000, equivalent to 5.0 positions, for transmission planning and expedited review of applications to construct new transmission lines. (PURA)

   c) Ongoing annual special fund costs of approximately $1 million for contracts for program evaluation and technical assistance, such as analysis of program implementation options. (PURA)

   d) Appropriation of $322,000 from PURA for additional staff for transmission line applications that facilitate RPS compliance.

   e) Potential revenue from fines levied against retail sellers that fail to meet RPS targets. (General Fund (GF))

2) California Energy Commission

   Ongoing annual special fund costs in the range of $1 million to $1.5 million, equivalent to no more than 9.0 positions, to CEC to adopt regulations, assess and modify tracking systems and programs, and monitor RPS compliance among POUs. (Energy Resources Program Account (ERPA))

3) Department of Fish and Game

   Ongoing annual costs of $350,000 to $600,000 to the Department of Fish and Game (DFG) to establish an internal division to conduct planning and environmental compliance services. (GF or Fish and Game Preservation Fund)

4) Air Resources Board

   a) Ongoing annual special fund costs of approximately $290,000, equivalent to 2.0 positions, to enforce renewable energy resources procurement requirements on POUs. (Air Pollution Control Fund (APCF))

   b) Potential revenue from fines levied against retail sellers that fail to meet RPS targets. (APCF)

5) Other Costs

According to a 2009 CPUC report, achievement of a 33% RPS by 2020 will have the following effect on capital costs and electricity rates when compared to a baseline scenario in which the state receives 20% of its electricity from renewable energy resources:

   a) Tens of billions of dollars in one-time costs over the period 2011-2020 to construct capital projects, such as transmission lines and electricity generation facilities. Presumably, those costs will be paid by the ratepayers and customers of the state's IOUs, POUs and other providers of electricity service.

   b) A 7.1% increase in statewide electricity expenditures.

CPUC notes it has revised downward its projected energy demand for 2020. Accordingly, this downward projection should revise the cost CPUC associates with a 33% RPS. While CPUC has yet to conduct an analysis that would allow it to revise its project costs of a 33% RPS, it contends the estimates from its 2009 report are "a useful reference" nonetheless.

COMMENTS: Over the past few years, there have been a few attempts to increase the RPS. The author and members of the Legislature have convened numerous stakeholder meetings to try to reconcile divergent concerns over some significant barriers. By the end of session last year, stakeholders acquiesced and compromised on certain provisions in SB 722 (Simitian) that brought them to a tenuous détente. Some of the compromises have included the use of in-state, out-of-state, or renewable energy credits as procurement categories; the decline of flexible compliance mechanisms in subsequent compliance periods; and, the requirement for cost containment.

SB 722 passed both houses; however, due to the legislative calendar, the Senate adjourned before it could vote on concurrence. This year, SB 23 (Simitian) is virtually identical to SB 722 and was introduced in the regular session. This bill also mirrors SB 722.

Although some stakeholders are concerned that this bill is not "perfect," there is discussion of a "clean-up" RPS bill to address some of the technical and outstanding issues. Some of the reports and findings required by state agencies will need to be updated. In addition, provisions may need clarity on how POU penalties will stay in the service territory of POU to assist with it attaining its RPS goals, how many state agencies will regulate compliance, how CPUC will interpret resource adequacy metrics, and other unresolved fixes.

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