

### **3. Finance EBR**

DEPARTMENT OF FINANCE ENROLLED BILL REPORT

AMENDMENT DATE:  
RECOMMENDATION:

August 28 2002  
Sign

BILL NUMBER: SB 1078  
AUTHOR: B Sher  
RELATED BILLS: SB 532

ASSEMBLY: 55/23  
SENATE: 40/0

**BILL SUMMARY: CA Renewable Portfolio Standard Program**

Existing law requires electricity suppliers to disclose electrical generation information to the State Energy Resources Conservation and Development Commission (Energy Commission). This bill would create the California Renewables Portfolio Standard Program (RPS) and require the Energy Commission and the Public Utilities Commission (PUC) to develop and implement the RPS to require retail electricity sellers to gradually increase their renewable energy portfolios to meet a statewide goal of 20 percent by December 31, 2017.

**FISCAL SUMMARY**

PUC reports minor costs because the Commission would fold the bill's requirements into existing electric corporation procurement plan proceedings. The Energy Commission reports that costs to implement the RPS would be minor. Finance concurs. It is unknown how this bill would affect the Department of Water Resources' (DWR) current procurement practices or cause rate adjustments for DWR's electricity customers.

This bill would result in State-mandated costs. Parts of those costs are related to a change in the definition of a crime. The bill appropriately contains a "crimes and infractions" disclaimer. The bill also would require local publicly owned electric utilities and community choice aggregators to implement a renewables portfolio standard. Finance believes that resultant State-mandated costs would not be reimbursable because those utilities have the ability to charge fees to offset any increased costs.

**COMMENTS**

Finance recommends that this bill be signed because it is consistent with the Administration's goal to increase California's usage of renewable power from 12 to 17 percent by 2006. However, Finance also notes that this bill would allow electric corporations to recover procurement and administrative costs incurred to satisfy the requirements of the RPS. Since renewable energy technologies tend to be more costly than fossil-fueled technologies in the short-term, the requirement for greater percentages of renewable technologies in procurement portfolios may cause upward pressure on customer electricity rates.

Finance notes that portions of this bill are incorporated in SB 532

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Analyst/Principal	Date	Program Budget Manager	Date
(0621) R. Dean	8/30/02	Fred Klass	
<i>Robert Dean</i>		<i>John Y. King</i>	<i>9/3/02</i>
Department Director	Date		
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ENROLLED BILL REPORT

Form DE-43 (Rev 03/95 Pink)

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**ANALYSIS**

**A. Programmatic Analysis**

This bill is intended to:

- Increase the number of generation facilities in the state that contribute little or no air pollution.
- Diversify the energy portfolio of the state to hedge against future natural gas price spikes and related rate increases for electricity customers.
- Continue to develop new technologies and expand manufacturing of renewable energy technologies in order to drive down the prices of these technologies.

Existing law requires electricity suppliers to disclose electrical generation information to the Energy Commission. The Energy Commission uses this information to prepare statewide electricity supply and demand analyses and forecasts.

This bill would create the Renewable Portfolio Standard to increase the overall amount of renewable energy in the state's energy portfolio to 20 percent by December 31, 2017.

More specifically, the bill would require PUC to:

1. Create a portfolio standard requiring electric corporations to procure minimum amounts of electricity from eligible renewable energy resources. Beginning January 1, 2003, electric corporations would be required to procure at least an additional 1 percent per year so that at least 20 percent of retail sales are procured from renewable energy resources by December 31, 2017.
2. Direct each electric corporation to periodically prepare a renewable procurement plan to satisfy its obligations under the RPS and require that an initial renewable energy procurement plan be filed before an electric corporation resumes general procurement responsibilities.
3. Review, accept, modify, or reject each renewable energy procurement plan to ensure specific criteria are met.
4. Determine the market prices for renewable energy after electric corporations complete competitive solicitations.
5. Allow electric corporations to recover from ratepayers the procurement and administrative costs incurred to meet the RPS.
6. Determine if the construction of new transmission lines are necessary to achieve the RPS goals.
7. Permit electric corporations to apply excess procurement in one year to subsequent years.

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**ANALYSIS** (Continued)

**A. Programmatic Analysis (Continued)**

The bill would require the Energy Commission to:

1. Certify eligible renewable energy resources meeting specific criteria.
2. Establish a single, central, electronic credit-accounting system to verify compliance with portfolio standards and ensure that renewable energy output is only counted once.
3. Award supplemental energy payments to eligible renewable energy resources to reduce the cost of compliance with the RPS by retail sellers, such as electric corporations, electric service providers, and community choice aggregators.

This bill would require electric corporations to:

1. Conduct competitive solicitations for renewable energy resources within 90 days of being deemed creditworthy.
2. Perform assessments of annual or multiyear portfolio supply and demand of renewable energy resources.
3. Give preference to projects that benefit minority or low-income populations.
4. Offer contracts of no less than 10 years in duration to renewable generators.

This bill would require local publicly owned electric utilities to implement a renewables portfolio standard similar to the one that applies to investor-owned utilities and annually report expenditure and resource portfolio information to their customers.

**B. Fiscal Analysis**

The PUC reports minor Public Utilities Commission Utilities Reimbursement Account costs because the Commission would fold the bill's requirements into existing electric corporation procurement plan proceedings. The Energy Commission reports that costs to implement the RPS would be minor. Finance concurs.

It is unknown whether the bill's requirement for DWR to procure renewable resources for electric corporations would have any effect on its current procurement practices or cause rate adjustments for DWR's electricity customers. Several outstanding issues must be resolved before a fiscal effect can be determined, namely: (1) whether DWR's procurement responsibilities will be extended beyond December 31, 2002, (2) whether the state's electric corporations will be able to resume procurement responsibilities within the next several months or several years, or (3) what the actual renewable energy procurement costs would be and how those costs could affect any future rate setting proceedings.

This bill would result in State-mandated costs. Parts of those costs are related to a change in the definition of a crime. The bill appropriately contains a "crimes and infractions" disclaimer. The bill also would require local publicly owned electric utilities and community choice aggregators to implement a renewables portfolio standard. Finance believes that resultant State-mandated costs would not be reimbursable because those utilities have the ability to charge fees to offset any increased costs.

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Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year)				Fund Code
		PROP 98	FC	2002-2003 FC	2003-2004 FC	
3360/Energy Comm	SO	No		----- No/Minor Fiscal Impact -----		0382
3860/Water Res	SO	No		----- See Fiscal Analysis -----		3100
8660/PUC	SO	No		----- No/Minor Fiscal Impact -----		0462
8885/Comm St Mndt	SO	No		----- See Fiscal Analysis -----		0001
<u>Fund Code</u>	<u>Title</u>					
0001	General Fund					
0382	Renewable Resource Trust Fund					
0462	Publ Utilities Comm Utilities Reimb Acct					
3100	Dept Water Resources Electric Power Fund					