

California Utilities Reached 18% Renewables in 2010

It's official: California's investor-owned utilities did not meet their 20 percent renewable energy target by 2010. Together, Pacific Gas & Electric, Southern California Edison and San Diego Gas & Electric got about 18 percent of their power from geothermal, wind, solar, small hydroelectric, biomass and biogas sources in 2010. That's up from 15 percent in 2009, overall.

Breaking down the numbers

further shows Edison in the lead, with 19.4 percent of its load from renewables. PG&E was just behind, with 17.7 percent met through renewable energy contracts, and SDG&E was way off the pace, at 11.9 percent.

The data, from the state's Public Utilities Commission, confirm a commonly told suspicion that the utilities would not meet the mandate in place since 2003. The PUC in a statement noted that the IOUs have a few more

years to meet the 20 percent target under "flexible compliance" mechanisms written into the rule. The commission expects full compliance to occur by the end of 2012.

Unlike the 2010 target, the 2020 version will apply to all electric utilities in the state, including public power.

To read this article in its entirety please go to:
<http://climateprogress.org/2011/03/04/>

Inside this issue:

CA Utilities Reached 18% Renewables in 2010	1
Cap-and-Trade Faces Potential Hurdle	1
CA RPS Reform Legislative Update	2

California Cap-and-Trade Faces Potential Hurdle

California's cap-and-trade program is being threatened by groups of local residents, even after the ambitious climate plan survived an electoral challenge in November.

Communities For A Better Environment, California Communities Against Toxics, Society For Positive Action and other groups and individuals have sued state regulators, claiming the climate plan won't reduce pollution. The plaintiffs argue that industrial facilities should cut their actual emissions, rather than trade rights to pollute.

The status of the cap-and-

trade program, which is part of a plan to lower greenhouse-gas emissions to 1990 levels within a decade, was thrown into doubt after Superior Court Judge Ernest Goldsmith agreed with the plaintiffs in a Jan. 27 ruling. He said the Air Resources Board, which is tasked with lowering air pollution, hadn't conducted an adequate environmental review before it approved the plan.

Judge Goldsmith is scheduled to issue a final ruling in the next few weeks.

The legal challenge to the state's implementation of the climate law, known as AB 32, comes despite California's

strong support for environmental legislation. In November, California voters defeated a ballot initiative that sought to delay implementation of the climate law, including the cap-and-trade program, which is scheduled to start in January 2012.

Observers and participants said they don't expect the Superior Court to shut down the state's cap-and-trade program, but the case has caused jitters among some environmental groups.

"If the plaintiffs are granted their request, then it would suspend the program," said

Derek Walker, California climate director at Environmental Defense Fund. He said that would put "the state in danger of not meeting the 2020 obligation."

Mr. Walker, whose organization strongly supports cap-and-trade, said he was "optimistic" the final court ruling would spare California's emissions-trading program.

To read this article in its entirety please go to:
<http://online.wsj.com/article/SB10001424052748703300904576178431416877032.html>

CALIFORNIA RPS REFORM LEGISLATION UPDATE

With a page taken out of the “political gaming at its best” playbook, members of the California State Senate have managed to introduce the same RPS Reform bill that has been vetoed the last 3 Sessions and reintroduce it – not once, but twice. Senate Bill (SB) 23 is the regular 2011 session version of the 33% by 2020 RPS legislation and SB1X 2 is the extraordinary session version of the same bill. The extraordinary bill (SB1X 2) is the one that we are currently focusing on because it is a very fast moving train where the bill gets to bypass all of the regular process and procedures, deadlines and any other parameters put in place that are intended to allow legislation to be fully vetted.

If the process is not slowed down, it is anticipated that the bill will hit Governor Brown’s desk in the next two weeks. HOWEVER, there is no guarantee that Brown will sign the bill. More likely is the scenario where he will not sign the bill until there is a Budget passed. If you know anything about California politics – getting a budget passed here is not an easy task. The RPS bill would have 18 days to sit idle on his desk before he had to sign or not sign. So the lack of a 2/3rds majority budget vote could be the end of SB1X 2 given that he will not sign legislation without a budget. This being said, this strategy is uncharted territory and a bit unpredictable.

We are still in the process of analyzing the bill for the purpose of compiling a full explanation of how RPS compliance requirements would change if this bill were to pass. In the meantime, below is a summary of the provisions of the bill that we are focusing on:

- **RPS Product definitions:** This is being done with a “bucket” approach where there are associated % requirements for each bucket and requirements for the priority “buckets”.
 - o Note: The definition of each bucket says that procurement must be from contracts executed on or after June 2010, but then it says all contracts executed as of that date are fully grandfathered. This is contrary and we must get clarification.
 - o Limitations on the use of WECC wide resources and RECs: RECS can be no more than 25% in first compliance period, declining to 15% for the second compliance period, then to 10%. Use of Out of state resources declines from a 25% (presuming the maximum TRECs are always used) to 20% in the second compliance period and 15% thereafter.
- **Limitations on grandfathering and banking/flexible compliance**
 - o Language is unclear as to whether banks that exist as of the end of 2010 remain in place or whether they are being eliminated.
 - o Banking of resources that are from bucket 2 (out of state delivered through firming and shaping) cannot be banked unless the underlying contract is 10 years.
 - o No banking of bucket 3 resources (TRECS) is permitted at *all*.
 - o While the definition of each of the buckets does not include a component that requires the contracts to be of a certain length, there is another provision that requires the Commission to set out a percentage of procurement that must be from contracts that are 10 years or longer.
- **Deferral of the 20% obligation for 2010, and forgiveness of shortfalls**
 - o The bill eliminates any obligation for 2010 (i.e., it is not part of any future compliance period).
- **Off-ramps/waivers:**
 - o Off-ramps and waivers for compliance is largely utility focused and therefore equal off-ramps or waivers need to be applied to ESPs.
 - o The bill also says that deficits from any compliance period are not added to future compliance periods.
- **Utility Procurement/Utility Owned Generation Provisions;**
 - o Utilities may own 8.25%, and there are provisions that allow that to go even higher
- **Distributed Generation for RPS Compliance:** We will be pushing for an expansion of the definition of an eligible renewable energy resource to include a facility that generates, or a renewable energy credit associated with the generation of, electricity from an eligible distributed generation facility and that any use of DG for RPS compliance will not count against any TREC usage cap

We will continue to keep you updated as this moves through the legislative process. Please let us know if you have questions in the meantime. Contact: [Andrea Morrison](#), President, Alliance for Retail Energy Markets (AREM), at (916) 759-7052