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November 30, 2010

MEMORANDUM

TO: Power Committee

FROM: Sandra Hirotsu

SUBJECT: Update on CA Renewable Energy Policy

Since Council staff last updated the Power Committee, Proposition 23, which would have suspended AB 32 (Global Warming Solutions Act of 2006) until California's unemployment rate dropped to 5.5 percent or below for four consecutive quarters, was rejected by California voters.

On or about December 2, 2010, the California Public Utilities Commission (CPUC) is scheduled to consider adopting a revised Proposed Decision (released on or about October 28, 2010) that allows the three large investor owned utilities (IOUs)¹ and Energy Service Providers (ESPs) to use tradable renewable energy credits (TRECS) to meet up to 30 percent of their annual procurement targets for the CA renewable portfolio standard (RPS), beginning with the 2010 compliance year. The Proposed Decision also treats RPS procurement contracts approved by the CPUC before March 11, 2010 as bundled transactions; lifts the stay/moratorium imposed on TREC trading and approval of RPS contracts that has been in effect since March; and contains a sunset provision that eliminates the 30 percent usage cap and the \$50/Renewable Energy Credit (REC) price cap on December 31, 2013.

On October 25, 2010, an Alternate Proposed Decision was issued by CPUC Commissioner Dian M. Grueneich. The primary differences between the revised Proposed Decision and this Alternate Proposed Decision (APD) is the APD would eliminate the sunset provision on the 25 percent TREC usage cap² and \$50/REC price cap and ensure those provisions exist indefinitely until superseded by a CPUC decision or an act of the CA Legislature.

Additional information on the CPUC's consideration of the TREC issue should be available by the time the Power Committee meets.

¹ Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company

² Both the Proposed Decision and the Alternate Proposed Decision effectively modify a previous CPUC decision adopting a 25 percent usage cap which was stayed by the CPUC in May 2010.

Power Committee
December 9, 2010

Update on CA Renewable Energy Policy

October Power Committee

CA had/still has:

- 20 % by 2010 Renewable Portfolio Standard (RPS)
- 33% by 2020 Renewable Energy Standard (RES)

In October, CA was considering:

- Proposition 23
- CPUC was taking public comment on a Proposed Decision that
 - Authorized IOUs to use TRECs to fulfill RPS obligations
 - Limited TREC usage to 40% of IOUs' annual RPS obligations and a price cap of \$50/REC.
 - Contained sunset provision for TREC usage and price caps – Dec. 31, 2011

Currently

Proposition 23 did not pass

After receiving public comments:

- CPUC Commissioner Peevey issued a Revised Proposed Decision; and
- Commissioner Gruenich issued an Alternative Proposed Decision

The CPUC is scheduled to consider adopting either the Proposed Decision or the Alternative Proposed Decision at its December 16, 2010 meeting.

CPUC is Currently Considering

PROPOSED DECISION

- Limits use of TRECs to meet RPS obligations to 30%.
- Retains \$50/REC price cap
- Extends sunset date for TREC usage/price caps from Dec. 31, 2011 to Dec. 31, 2013.

ALTERNATIVE PROPOSED DECISION

- Limits use of TRECs to meet RPS obligations to 25%.
- Retains \$50/REC price cap
- Extends sunset date for TREC usage/price caps from Dec. 31, 2011 to Dec. 31, 2013.

What's Next?

Await CPUC decision on TRECs – possibly this month.

Follow legislation re-introduced this session to require IOUs and public utilities to obtain 33% of their electricity from renewable energy sources by 2020. (Codifies 33% RES)