



California Public Utilities Commission

RENEWABLES PORTFOLIO STANDARD Quarterly Report



2nd Quarter 2011



I. ABOUT THE RPS AND THIS REPORT

California's Renewables Portfolio Standard (RPS) is one of the most ambitious renewable energy standards in the country

Public Utilities Code Section § 399.11 – 399.19, established in 2002 under Senate Bill 1078 (Sher) and modified in 2006 under Senate Bill 107 (Simitian), requires retail sellers (investor-owned utilities (IOUs), electric service providers (ESPs) and community choice aggregators (CCAs)) regulated by the California Public Utilities Commission (CPUC) to procure an additional 1% of retail sales per year from eligible renewable sources until 20% is reached, no later than 2010.

In 2011, Senate Bill SB 2 of the First Extraordinary Session (Simitian) (Stats. 2011, ch.1) makes significant changes to sections § 399.11-399.20; it increases the renewable target to 33% by 2020 and requires both retail sellers and publicly-owned utilities to achieve a 33% RPS. The CPUC and the California Energy Commission (CEC) are jointly responsible for implementing the program.

While the RPS program is the primary vehicle for new utility-scale renewable energy development in California, there are other programs that stimulate development of customer-sited renewable generation. The California Solar Initiative (CSI) and Self-Generation Incentive Program (SGIP) provide incentives for customers to install renewable distributed generation technologies that directly serve their own on-site load.¹ While the electricity generated from power systems installed through CSI and SGIP does not currently contribute towards the RPS requirements,² it indirectly contributes to the RPS by reducing electricity demand when serving customer load. Furthermore, it provides the customer clean, renewable, carbon-free electricity.

The Commission issues this report on the RPS program every quarter pursuant to the 2006 Budget Act Supplemental Report Item 8660-001-0462. This report focuses on California's three large IOUs: Pacific Gas and Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E). These IOUs provide approximately 68% of the state's electric retail sales³ and analyzing this data provides significant insight into the state's RPS progress.

¹ More information on the CSI and SGIP can be found on the CPUC's website: <http://www.cpuc.ca.gov/PUC/energy/DistGen/>.

² In the case of renewable customer generation, the system-owner owns the renewable energy credits (RECs), but could sell the RECs to retail sellers to contribute to the RPS targets.

³ According to the CEC's California Energy Demand 2010-2020 Adopted Forecast.

II. EXECUTIVE SUMMARY

Status of RPS Procurement

- Collectively, the large IOUs reported in their August 2011 Compliance Filings that they served 17.0% of their electricity with RPS-eligible generation in 2010. PG&E served 15.9% of its 2010 load⁴ with RPS-eligible renewable energy, SCE with 19.3%, and SDG&E with 11.9%. While the RPS target is 20% by 2010, the CPUC has implemented flexible compliance rules that allow load serving entities to defer deficits for up to three years when using an allowable excuse.
- Nearly 300 MW of new renewable capacity has achieved commercial operation in 2011, for a total of 2,001 MW of new renewable capacity since the program began in 2002. An additional 777 MW is forecasted to achieve commercial operation by the end of the year.
- The IOUs have submitted 36 contracts representing 2,100 MW of renewable generation in the first and second quarters of 2011. In the same time period, the CPUC approved seven contracts representing 800 MW of renewable generation.

Highlights of Recent and Upcoming Events

- On April 12, 2011, Governor Brown signed into law Senate Bill 2 of the First Extraordinary Session (Simition, SB 2 (1x)). SB 2 (1x) requires California energy providers to buy 33 percent of their energy from clean, renewable energy sources by 2020.
- On May 5, 2011, the CPUC opened Rulemaking (R.) 11-05-005, the successor proceeding to R.08-08-009. R.11-05-005 continues the implementation and administration of the California Renewables Portfolio Standard (RPS) Program.
- From May to June 2011, the IOUs held their 2011 RPS solicitations to procure renewable energy and tradable renewable energy credits.
- CPUC staff reconvened the Rule 21 Working Group on April 29, 2011 in order to ensure that the Rule 21 tariff contains the most up-to-date standards for operation of distributed generation within the utility-controlled distribution grid. The CPUC will continue to lead the Rule 21 Working Group as a consensus-building forum where utilities, generators, and other stakeholders can reach agreement on modifications to the technical standards embedded in Rule 21. The next workshop is scheduled for August 19, 2011.
- The IOUs, ESPs, and CCAs submitted RPS Compliance reports on August 1, 2011. In response to the CEC's recent verification of 2007 RPS procurement, these reports include verified RPS procurement data through 2007. The reports also include unverified (self-reported) renewable procurement data for the years 2008 to 2010, and forecasted renewable procurement data out to 2020.

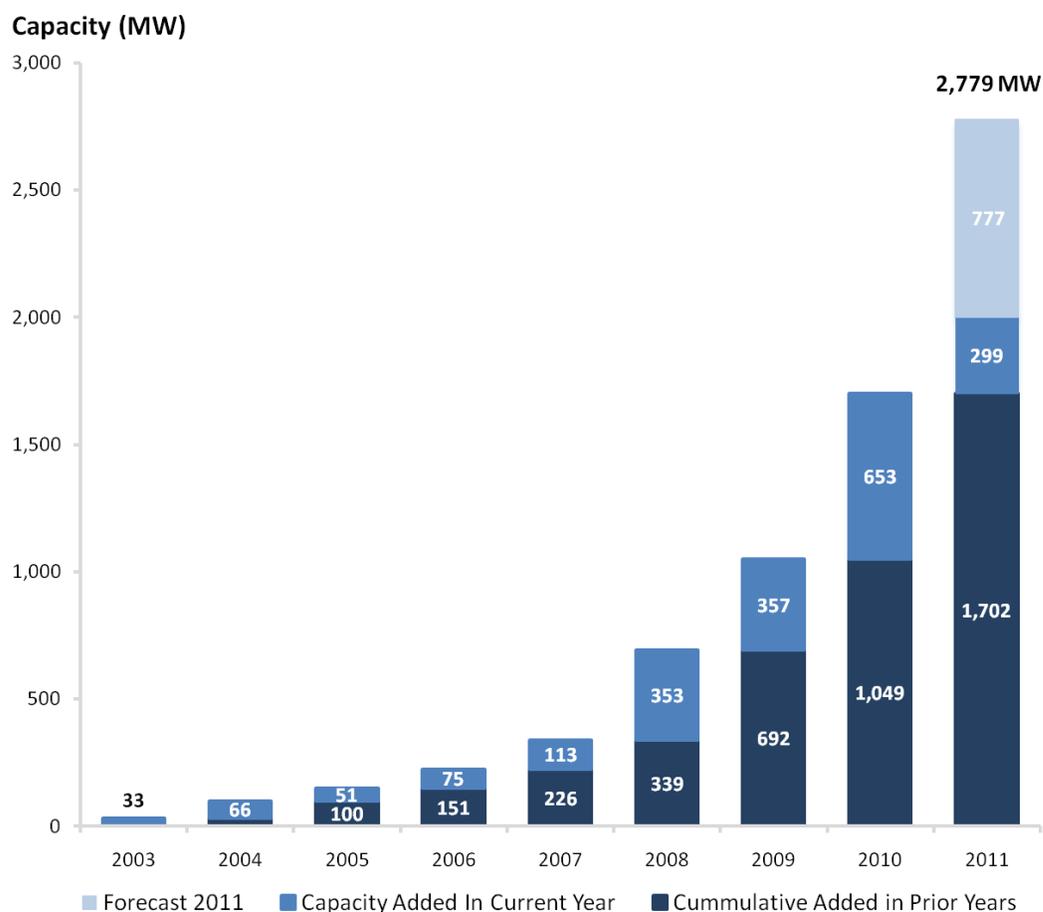
⁴ This percentage does not include several PG&E contracts that are under CPUC review.

III. PROGRESS TOWARDS A 20% RPS BY 2010

New Renewable Capacity Added in 2011

To date, 2,001 MW of new renewable capacity has achieved commercial operation under the RPS program. Almost 300 MW of new renewable capacity has come online in 2011, with an additional 777 MW forecast to come online by the end of the year.⁵

Figure 1. RPS Capacity Installed Since 2003, By Year⁶



Source: California Public Utilities Commission, 2nd Quarter 2011

⁵ Due to an accounting error, the 1st Quarter 2011 RPS Report to the Legislature reported 317 MW had come online in 2011, which is 18 MW more than the 299 MW reported in this report.

⁶ Figure 1 only includes new capacity under contract for 10 years or more.

Contracting Activities in the First and Second Quarters of 2011

Since 2002, the CPUC has approved 191 contracts for nearly 17,000 MW of renewable capacity. As Table 1 below shows, the CPUC approved seven contracts in the first and second quarters of 2011.

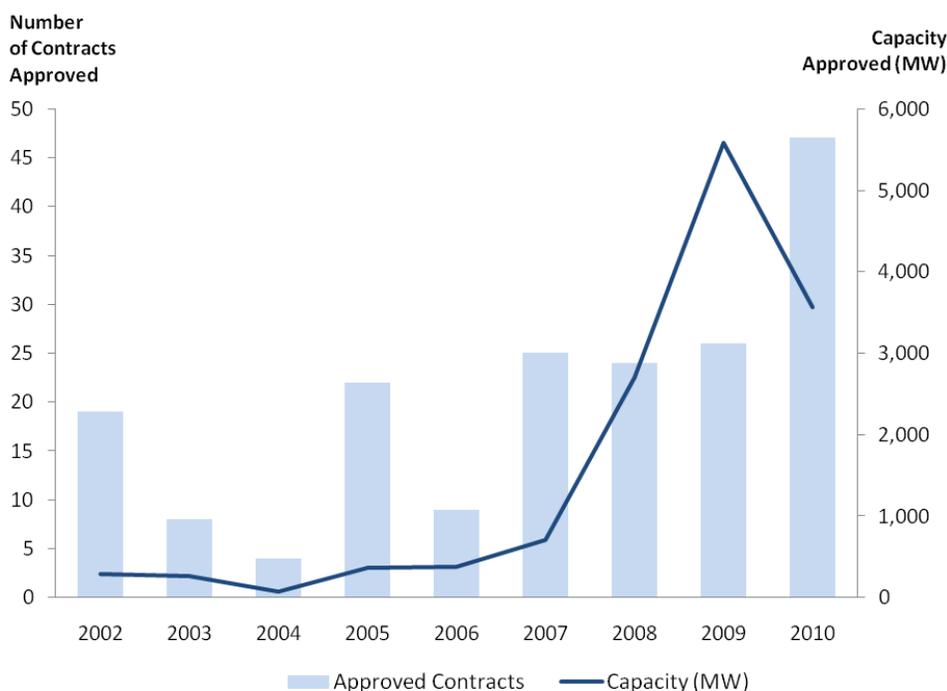
A total of 36 contracts were submitted in the first and second quarters of 2011, consisting solely of solar PV and wind projects. Twenty of the 31 contracts submitted in the first quarter were from SCE's Renewable Standard Contract program, totaling 263 MW.

Table 1. IOU RPS-Eligible Contracts Approved and Submitted in Q1 & Q2 of 2011

		PG&E		SCE		SDG&E		Large IOU Total	
		Number of Contracts	MW	Number of Contracts	MW	Number of Contracts	MW	Number of Contracts	MW
Q1	Approved	3	450	0	0	2	140	5	590
	Submitted	1	78	27	1,094	3	388	31	1,560
Q2	Approved	2	210	0	0	0	0	2	210
	Submitted	1	78	2	270	2	196	5	544

Figure 2 compares the number of approved contracts to the amount of capacity associated with those contracts. In 2010, there was a spike in the number of contracts approved due to the 36 contracts SCE executed under its Solar PV Program with small solar PV facilities.

Figure 2: RPS Contracts and Capacity Approved through 2010



Source: California Public Utilities Commission, 2nd Quarter 2011

RPS Compliance

The CPUC requires two compliance filings per year. The March 1 compliance report is used to show compliance for the previous year(s). It includes historic performance in the RPS program, current year targets and procurement data, and forecasts targets and procurement data for at least three years. The August 1st report includes historic performance in the RPS program, current year targets and procurement data, and forecasts targets and procurement levels for each year forward through 2020. The August report may be used by the Commission to make a final determination of compliance for the prior year(s) when it includes verified data from the CEC.

The IOUs, ESPs, and CCAs submitted RPS compliance reports on August 1, 2011. In response to the CEC's recent verification of 2007 RPS procurement, these reports include verified RPS procurement data through 2007. The reports also include unverified (self-reported) renewable procurement data for the years 2008 to 2010, and forecasted renewable procurement data out to 2020.

In the August 2011 compliance reports, the large IOUs reported that they served 17.0% of their electricity with RPS-eligible generation in 2010. PG&E served 15.9% of its 2010 load with RPS-eligible renewable energy, SCE with 19.3%, and SDG&E with 11.9%. While the RPS target is 20% by 2010, the CPUC has implemented flexible compliance rules that allow load serving entities to defer deficits for up to three years when using an allowable excuse.

The 1st Quarter 2011 RPS Report to the Legislature stated that the IOUs had served 17.9% of their electricity with RPS-eligible generation in 2010. This difference is explained by a change in PG&E's compliance filings. In the March 2011 report, PG&E reported that it served 17.7% of its 2010 load with RPS-eligible renewable energy, which was contingent upon the CPUC approving several contracts. In the August 2011 report, PG&E reported that it served 15.9% of its 2010 load with RPS-eligible renewable energy, which does not include the pending contracts under CPUC review.

IV. PROGRAM UPDATE

Senate Bill 2 (1x): 33% RPS Legislation

On April 12, 2011, Governor Brown signed into law Senate Bill 2 in the First Extraordinary Session (Simitian).⁷ SB 2 (1x) requires California energy providers to buy 33 percent of their energy from clean, renewable energy sources by 2020. SB 2 (1x) also provides a clear statutory directive for public utilities in addition to IOUs, ESPs, and CCAs to reach 33 percent renewable energy.⁸ Additionally, it provides a clear signal to financial markets of the importance and need for renewable projects in the state.⁹ The CPUC is currently implementing the legislation through Rulemaking (R.) 11-05-005.

New RPS Rulemaking

On May 5, 2011, the CPUC opened R.11-05-005, the successor proceeding to R.08-08-009. R.11-05-005 continues implementation and administration of the RPS Program, which includes program oversight, review of RPS procurement plans, and RPS compliance.

The RPS Rulemaking will address program modifications pursuant to SB 2 (1x). These changes, among other things, set an RPS procurement target of 33% of retail sales by 2020, and require establishment of cost containment limits.

Parties participating in the rulemaking have requested that the Commission address a limited number of critical issues in this proceeding first, recognizing that many important issues will not be in this highest priority group.

The four highest priority items include:

1. Implementing the new portfolio content categories, set out in new § 399.16. Ruling mailed for party comment on July 12, 2011.
2. Setting new RPS procurement targets mandated by new § 399.15(b)(2)(A). Ruling mailed for party comment on July 15, 2011.
3. Implementing the most urgent new compliance rules and resolving initial “seams” issues between compliance rules for the 20% RPS program and new 33% RPS program compliance rules set by SB 2 (1x). Ruling mailed for party comment on July 15, 2011.
4. Implementing new § 399.20, expanding the prior feed-in tariff provisions for RPS-eligible generation. Ruling mailed for party comment on June 28, 2011.

⁷ http://www.leginfo.ca.gov/cgi-bin/postquery?bill_number=sbx1_2&sess=CUR&house=S&author=simitian

⁸ Before SB 2 (1x), public utilities were not mandated by statute to meet the 20% RPS target.

⁹ For more information, see Senator Simitian’s Fact Sheet:

http://www.senatorsimitian.com/images/uploads/SB_2X_Fact_Sheet.doc

In addition to these four highest priority items, the proceeding will also address the new cost limitation methodology for utilities mandated by new § 399.15(c) as soon as feasible. Table 2 below lists the proceeding milestones and timing.

Table 2: R.11-05-005 Proceeding Milestones and Timing

Proceeding Milestone	Timing
Comments and workshops on highest priority issues	Third quarter 2011
Proposed decisions on highest priority issues	Fourth quarter 2011
Initial implementation on utility cost limitation issues	Fourth quarter 2011
Issue amended scoping memo on next round of issues to address	First quarter 2012

V. RECENT AND UPCOMING EVENTS

Table 3. Recent and Upcoming Events

Timing	Deliverable	Notes
March 25, 2011	IOUs file “bundled customer” plans in Track 2 of the 2010 Long-Term Procurement Plan (LTPP) proceeding	In Track 2 of the LTPP, each IOU must file a plan demonstrating how it intends to meet the energy needs of its retail electricity customers, from 2011-2020. Each plan also includes the IOU’s planned approach to RPS compliance over the same period.
April 4, 2011	SCE Solar PV Program Advice Letter	SCE filed an advice letter to amend its solar PV program before its second auction for 1 to 2 MW rooftop PV projects. The second auction is anticipated to begin in the fourth quarter of 2011.
April 12, 2011	Senate Bill 2 (1x)	On April 12, 2011, Governor Brown signed into law Senate Bill 2 of the First Extraordinary Session (Simitian). SB 2 (1x) requires California retail sellers to purchase 33 percent of their energy from clean, renewable energy sources by 2020.
April 29, 2011 and August 19, 2011	Rule 21 Working Group	The CPUC reconvened the Rule 21 Working Group on April 29, 2011. The goal of the working group is to ensure that the Rule 21 tariff contains the most up-to-date standards for operation of distributed generation within the utility-controlled distribution grid. The next workshop is scheduled for August 19, 2011.
April and May, 2011	Wholesale Distribution Access Tariff (WDAT)	FERC approved PG&E and SCE’s amended WDAT interconnection tariffs, which are used to interconnect generators to the distribution system.
April 2011	Renewables Integration	In the 2010 LTPP proceeding, CPUC staff adopted four scenarios for modeling purposes that achieve 33% renewables by 2020. Using these scenarios, preliminary analysis in April 2011 showed no need for regulation or load following-up and a very limited need for load following down. In July, the California Independent System Operator and IOUs filed updated analyses and testimony. The renewable integration need is expected to be small.
May 5, 2011	Rulemaking 11-05-005	On May 5, 2011, the CPUC opened R.11-05-005, the successor proceeding to R.08-08-009. R.11-05-005 continues implementation and administration of the RPS Program. Rulings were mailed in June and July for party comments on each of the priority issues scoped in the proceeding.

Timing	Deliverable	Notes
May 2011 – July 2011	RPS 2011 Solicitations	The IOUs held their 2011 RPS solicitations for procuring renewable energy and tradable renewable energy credits to meet their RPS requirements consistent with their 2011 RPS Procurement Plans.
July 13, 2011 August 18, 2011	Renewable Auction Mechanism (RAM) Draft Resolution	The draft resolution recommends the Commission approve with modifications the IOU advice letters in order to implement the RAM program. The draft resolution is scheduled to be on the August 18 Commission agenda and directs the IOUs to close the first auction by November 15, 2011 and the second auction by May 31, 2012.
July 20, 2011	PG&E Solar PV Program	PG&E filed a Tier 2 advice letter to seek CPUC approval of three solar PV projects resulting from PG&E's first solar PV program auction. The project sizes are: 20 MW, 18 MW, and 12 MW.
August 1, 2011	RPS Compliance Reports	The IOUs, ESPs, and CCAs submitted RPS Compliance reports on August 1, 2011. In response to the CEC's recent verification of 2007 RPS procurement, these reports will include verified RPS procurement data through 2007. The reports will also include unverified (self-reported) renewable procurement data for the years 2008 to 2010, and forecasted renewable procurement data out to 2020.
September 1, 2011	CSI RD&D Solicitation ¹⁰	The CPUC is offering up to \$12 million in grant funding for research, demonstration, and deployment projects related to high penetration solar PV. Proposals are due on September 1, 2011.
Fourth Quarter, 2011	2011 MPR	The Energy Division expects to release a draft resolution that adopts the 2011 MPR values.

¹⁰ <http://www.calsolarresearch.ca.gov/>