

DOCKETED

Docket Number:	16-RPS-02
Project Title:	Appeal by Los Angeles Department of Water & Power re Renewables Portfolio Standard Certification Eligibility
TN #:	213450
Document Title:	391 SBX1-2 Leg Hist - Senate Appropriations Committee Fiscal Summary Staff Comments Feb 23 2011 (Bates Nos. LA002883-LA002887)
Description:	N/A
Filer:	Pjoy Chua
Organization:	LADWP
Submitter Role:	Applicant
Submission Date:	8/31/2016 6:59:14 PM
Docketed Date:	9/1/2016

Senate Appropriations Committee Fiscal Summary
Senator Christine Kehoe, Chairman

SB x1 2 (Simitian)

Hearing Date: 02/23/2011
Consultant: McCarthy, Brendan

Amended: As Introduced
Policy Vote: EU&C 8-2

BILL SUMMARY: SBx1 2 requires all retail electricity suppliers in the state (including publicly owned utilities) to procure 33 percent of their total electricity supplies from renewable energy sources by 2020. The bill specifies a "loading order" of renewable energy supplies, based on where the energy supplies are generated. The bill requires the Department of Fish and Game to create a division for the planning and permitting needed for renewable energy projects.

Fiscal Impact (in thousands)				
<u>Major Provisions</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>Fund</u>
Public Utilities Commission oversight	\$1,500	\$2,500	\$2,500	Special *
Energy Commission oversight	\$1,450	\$1,350	\$1,350	General **
Air Resources Board enforcement	Up to \$300 per year			Special ***
Department of Fish and Game planning and permitting	Between \$300 and \$650 per year			General / Special ****
State agency energy costs	Between \$23,000 and \$42,000 by 2020			Various
Public Utility implementation costs	Unknown, not reimbursable			Local

* Public Utilities Commission Utilities Reimbursement Account.

** Energy Resources Program Account.

*** Air Pollution Control Fund.

**** Fish and Game Preservation Fund.

STAFF COMMENTS: This bill meets the criteria for referral to the Suspense File.

Background. Under current law (SB 1078, Sher, 2002 and SB 107 Simitian, 2006), investor owned utilities and energy service providers are required to procure 20 percent of their electricity supplies from renewable energy sources by 2010. (Commonly referred to as the "Renewables Portfolio Standard".) Provisions of existing law allow investor owned utilities to extend compliance until 2013, provided certain conditions are

LA002883

met. Existing law also requires publicly owned utilities to adopt their own Renewables Portfolio Standard.

When final information from 2010 becomes available in March, it is expected that the investor owned utilities collectively will have 18 percent of their electricity supplies coming from renewable energy sources, with 20 percent of supplies to come online sometime in 2011 or 2012.

The state's publicly owned utilities (which collectively serve about 25 percent of the state's electricity market) vary considerably in their procurement of renewable energy. The Los Angeles Department of Water and Power receives 14 percent from renewable sources, the Sacramento Municipal Utility district receives 21 percent, members of the Northern California Power Authority collectively receive 20 percent, and members of the Southern California Power authority receive between 2 percent and 20 percent from renewable sources.

In May of 2010, Governor Schwarzenegger issued an executive order to the Air Resources Board directing it to adopt a 33 percent renewable energy standard under authority granted to the Air Resources Board by AB 32 (Nunez, 2006). The Air Resources Board has developed the regulation, but has not yet formally adopted it. Staff notes that Legislative Counsel has opined that the Air Resources Board would exceed its existing statutory authority if it implements a renewable energy standard that goes beyond the statutorily required 20 percent Renewables Portfolio Standard.

SBx1 2 Provisions. This bill increases the state's Renewables Portfolio Standard requirement to 33 percent of electricity supply by 2020 and broadens the Renewables Portfolio Standard mandate to include publicly owned utilities. To that end, the bill requires all electricity suppliers to provide an average of 20 percent renewable energy for the period between January 1, 2011 through December 31, 2013; 25 percent by December 31, 2016; and 33 percent by December 31, 2020.

Under the bill, all existing renewable energy contracts signed by June 1, 2010 would be "grandfathered" into the program. Going forward, new renewable energy contracts must meet a "loading order" that categorizes renewable resources.

- The first category is renewable electricity that is delivered directly to California "balancing authorities" (entities such as the Independent System Operator that manage electricity transmission systems) or that can be dynamically transferred to a California balancing authority on an hourly basis. Electricity from this category must be *at least* 50 percent of an electricity provider's total renewable energy supplies through 2013, rising to 65 percent by December 31, 2016, and 75 percent by 2020 and thereafter.
- The second category of renewable electricity is unbundled renewable energy credits that have been separated from the actual electricity generated from the renewable energy source. Electricity from this category can be *no more than* 25 percent of an electricity provider's total renewable energy supplies through 2013, declining to 15 percent by December 31, 2016, and 10 percent by 2020 and thereafter.
- The third category is renewable electricity that is not delivered directly to a California balancing authority in real time, but does provide electricity to the state.

This category would make up any remaining renewable energy sources for the electricity supplier.

The bill authorizes investor owned utilities to construct, operate, and own electricity generation facilities up to 8.25 percent of a utility's retail sales projected for 2020.

Public Utilities Commission Costs. The bill requires the Public Utilities Commission to adopt a process for the selection of Renewables Portfolio Standard projects, based on cost and other factors. The Public Utilities Commission is also required to develop a "cost cap" to ensure that the Renewable Portfolio Standard does not impose disproportionate impacts on electricity ratepayers. If the cost of new renewables exceeds the cost cap, an investor owned utility may defer additional procurement of renewable energy resources. Publicly owned utilities are authorized to set their own cost cap consistent with the cost cap determined by the Public Utilities Commission. The bill also allows electricity providers to bank excess renewable generation between compliance periods for future years, under certain circumstances.

The bill authorizes the Public Utilities Commission to impose penalties on investor owned utilities or energy service providers for failure to meet the bill's requirements

The bill requires the Public Utilities Commission to issue a decision on applications for new electricity transmission projects within 18 months.

Staff estimates the cost to the Public Utilities Commission to oversee investor owned utility compliance with the 33 percent Renewable Portfolio Standard and expedite approval of proposed electricity transmission projects to be about \$2.5 million per year.

The bill appropriates \$322,000 from the Public Utilities Commission Utilities Reimbursement Account to the Public Utilities Commission for the review of proposed electricity transmission infrastructure needed to meet the 33 percent Renewables Portfolio Standard.

Energy Commission Costs. The bill requires the Energy Commission to monitor compliance by publicly owned utilities and refer non-compliant publicly owned utilities to the Air Resources Board, which is authorized to impose penalties for non-compliance. Fines imposed by the Air Resources Board would be available, upon appropriation of the Legislature, for projects to reduce air pollution emissions in the region of the violation.

The bill directs the Energy Commission to study whether certain hydroelectric facilities in British Columbia should be eligible for inclusion in the Renewables Energy Portfolio.

The Energy Commission indicates that it will cost about \$1.4 million per year to oversee compliance by publicly owned utilities.

The Energy Resources Program Account is primarily supported by a surcharge on electricity use in the state. Due to the economic recession, energy use in the state has declined, reducing revenues into the Account. In the fall of 2010, the Energy Commission raised the surcharge to near its statutory maximum. Based on the increased surcharge, the Account has a projected fund balance of about \$10 million at

the end of the 2011-12 budget year. However, the Energy Commission also projects expenditures to be larger than revenues in 2011-12 and thereafter.

SBx1 1(Steinberg) includes legislative intent to appropriate \$8 million per year for five years from the Energy Resources Program Account. If both this bill and SBx1 1 are enacted, the administration will likely have to reduce other program expenditures by the Energy Commission by up to \$8 million per year to keep the Energy Resources Program Account in balance. (As the state's economy recovers, revenues into the Account should recover, ultimately mitigating the need for program reductions.)

Air Resources Board Costs. Staff estimates that the Air Resources Board will incur costs up to \$300,000 per year, depending on the number of violations referred to the Board from the Energy Commission.

Department of Fish and Game Costs. The bill requires the Department of Fish and Game to create an internal division for comprehensive planning and permitting for renewable energy projects. (Many proposed and potential renewable energy projects will need permits from the Department of Fish and Game, specifically Endangered Species Act permits.) The bill requires the Department of Fish and Game to ensure the timely completion of plans under the Natural Communities Conservation Planning Act (a tool used to plan for habitat and protected species conservation, which provides regulatory assurances under the Endangered Species Act).

Staff estimates the Department of Fish and Game will incur expenses between \$300,000 and \$650,000 per year to conduct planning and permitting related to additional development of renewable resources. These activities would likely be funded from the Fish and Game Preservation Fund or the General Fund.

State Mandate. The bill imposes a state mandate on publicly owned utilities, which are local government agencies. However, because publicly owned utilities are able to pass any implementation costs along to their customers, the bill does not impose a reimbursable state mandate.

Energy Costs for State Agencies. In addition to direct costs to state agencies, the bill imposes indirect costs on state agencies through higher electricity bills. Both the Public Utilities Commission and the Air Resources Board have conducted studies on the ratepayer impacts of various 33 percent Renewables Portfolio Standard scenarios. According to those studies, in 2020, average retail electricity rates (in current dollars) are projected to be between \$0.006 and \$0.011 per kilowatt-hour higher than they otherwise would be under current law (including the existing 20 percent Renewables Portfolio Standard). Based on current electricity use by state agencies, the state would face projected electricity costs in 2020 that would likely be between \$23 million and \$42 million higher than they would be under current law.

Deadlines in the Bill. Staff notes that some of the timelines included by the bill will be difficult for state agencies to achieve. For example, the bill requires the Energy Commission to conduct a study on certain hydroelectric facilities in British Columbia by June 30, 2011. Also, the bill requires the Energy Commission to adopt regulations implementing the bill's mandates on publicly owned utilities by July 1, 2011. Similarly, the bill requires the Public Utilities Commission to determine the amount of renewable

energy every retail electricity supplier will need to procure to meet the bill's renewable energy mandate by January 1, 2012.

Staff recommends these timelines be delayed to more accurately reflect the time it will take to accomplish these tasks.

Prior Legislation. SB 722 (2010, Simitian) was substantively similar to this bill. SB 722 died on the Senate Floor.

SB 14 (2009, Simitian) also imposed a 33 percent Renewables Portfolio Standard. Some details regarding what types of renewable energy sources would have counted under SB 14 differ from this bill. Governor Schwarzenegger vetoed SB 14, citing constraints on including out-of-state renewable energy sources under that bill.