

Status of California's Renewables Portfolio Standard



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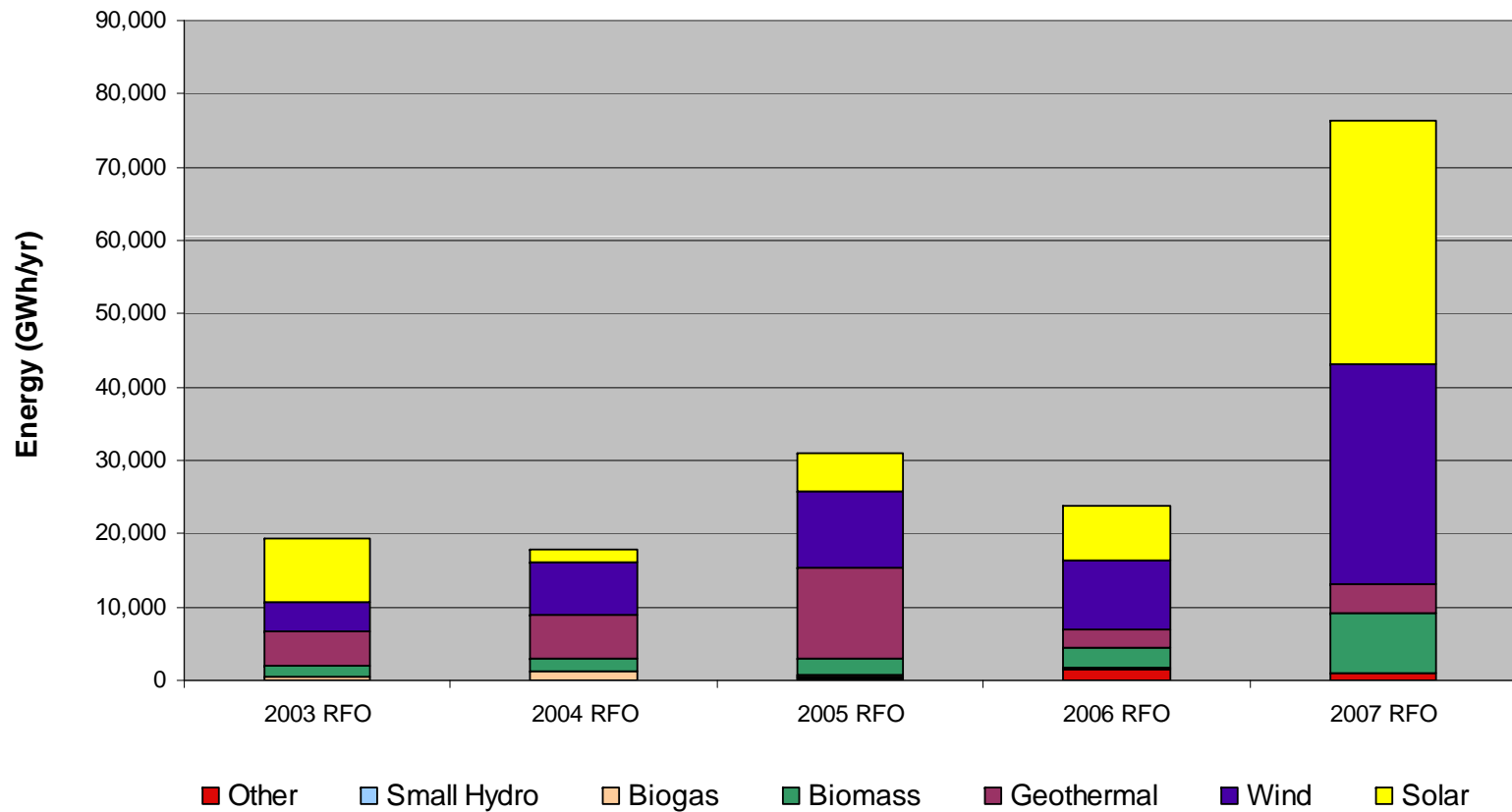
California Public Utilities Commission

June 30, 2008

RPS procurement process is working

- CPUC has approved 95 contracts for 5,900 MW for new and existing RPS capacity
 - 61 are contracts with new projects, totaling 4,480 MW
 - Were all approved capacity online by 2010, would more than achieve RPS target.
- Response to RPS solicitations robust and increasing, one indication that the market is maturing
 - 2008 RFO: IOUs have short-listed **~10 times** their incremental annual requirement
- Process emphasizes competitive solicitations with a focus on long-term contracts – key to project financing

IOU RPS Bids by Fuel Type



RPS bid prices have increased 2002-2008

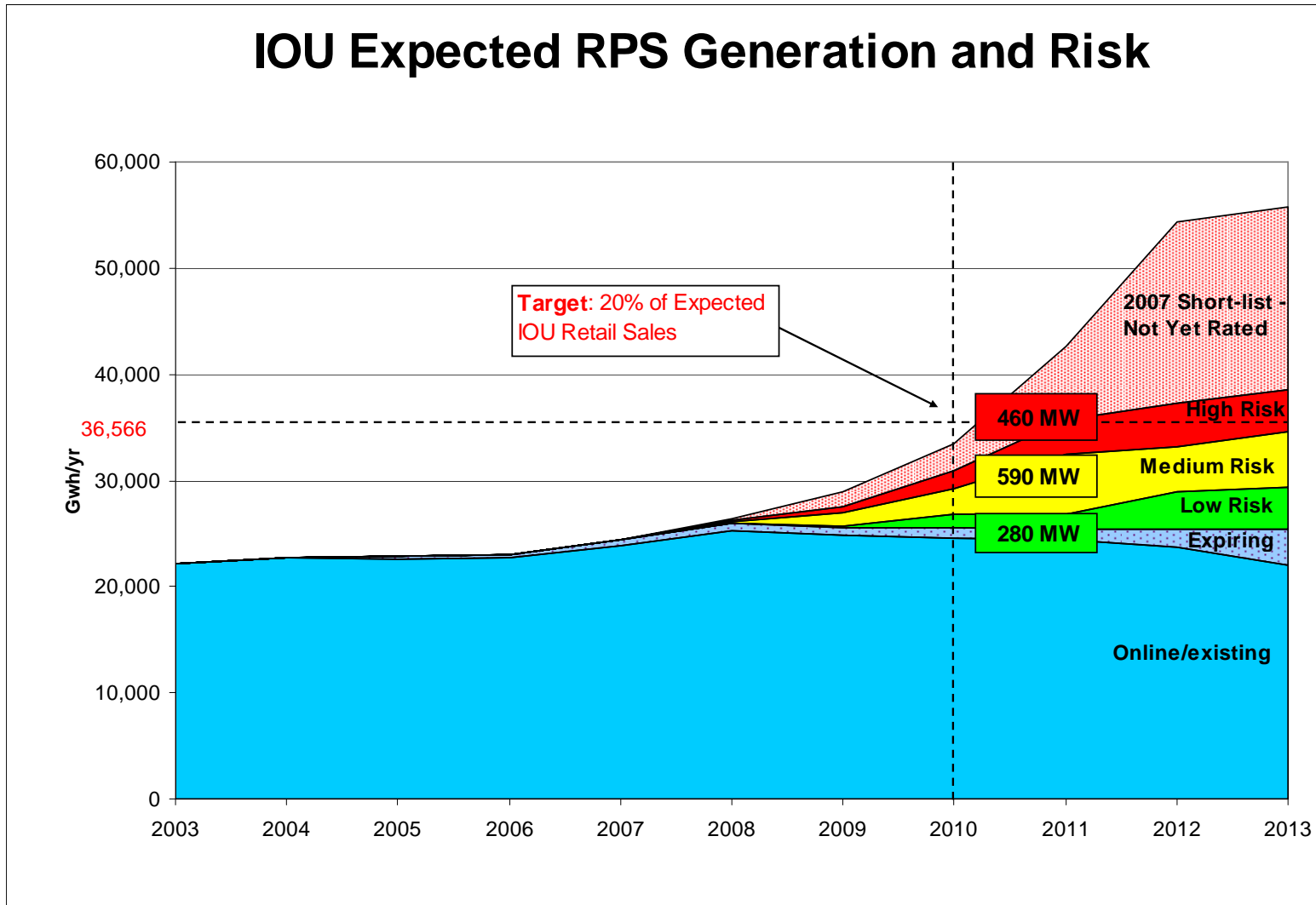
- Construction costs increasing for both renewable and conventional generation
- Resource mix is shifting
 - Little geothermal and biomass in response to recent RFOs
 - Increase in share of solar thermal and PV – relatively high installation costs and significant permitting challenges
- Many prime resource sites have already been developed
- Concern that constrained supply and policy-driven demand drive up costs

Project development has been slow

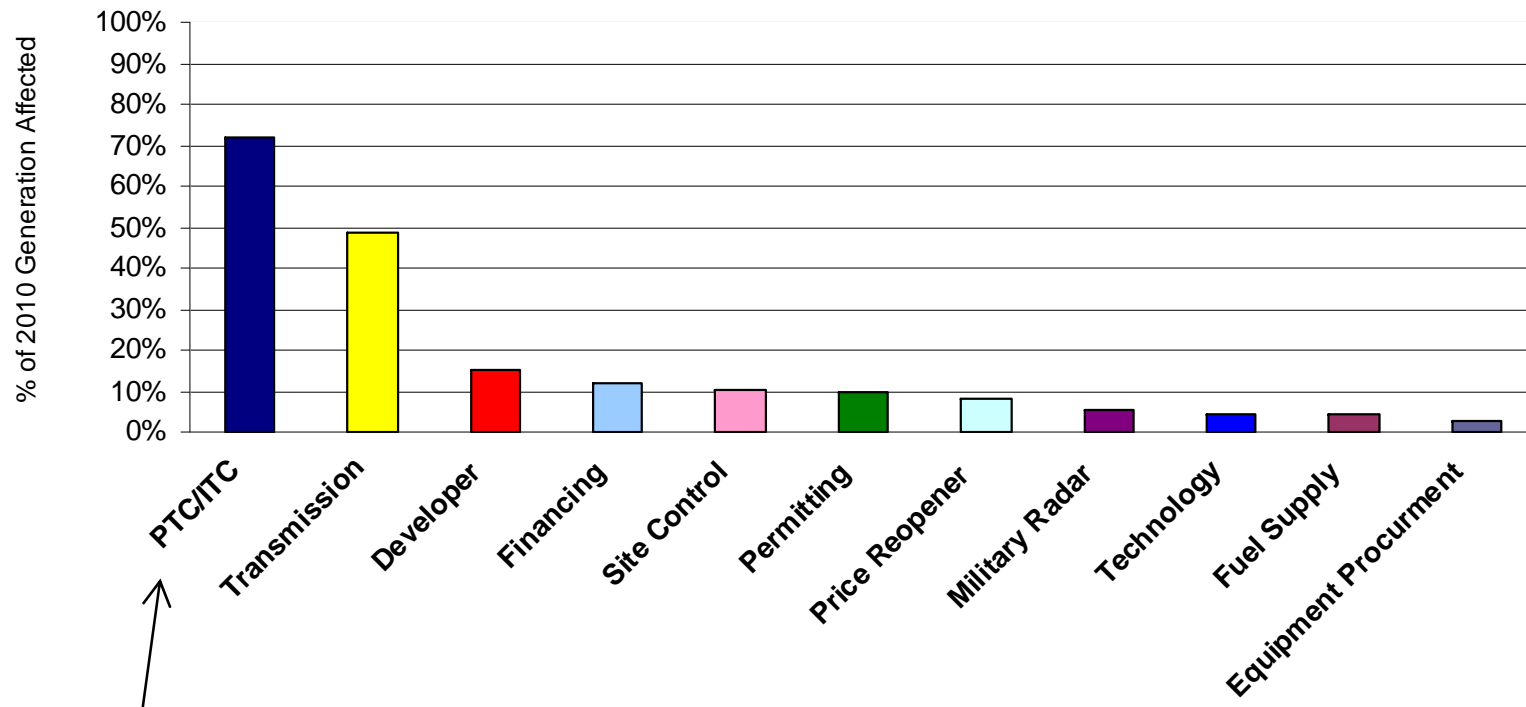
- Only 14 contracts for ~400 MW have come online; need about 3,000 more new MW in next 2 years for IOUs to meet 20% in 2010
- RPS generation has not kept pace with overall load growth

		2003	2004	2005	2006	2007
PG&E	RPS-eligible GWh	8,828	8,575	8,543	9,114	9,047
	RPS GWh as % of bundled sales	12.4%	11.6%	11.7%	11.9%	11.4%
SCE	RPS-eligible GWh	12,613	13,248	12,930	12,706	12,465
	RPS GWh as % of bundled sales	17.9%	18.2%	17.2%	16.1%	15.7%
SDG&E	RPS-eligible GWh	550	678	825	900	881
	RPS GWh as % of bundled sales	3.7%	4.3%	5.2%	5.3%	5.2%
TOTAL	RPS-eligible GWh	21,991	22,500	22,298	22,719	22,393
	RPS GWh as % of bundled sales	14.0%	13.9%	13.6%	13.2%	12.7%

IOU Expected RPS Generation and Risk



Risk Factors for 2010 RPS Generation



Note: California has little control over this barrier

CPUC working to create multi-agency solutions to known 20% RPS barriers

- Transmission
 - Streamlined permitting process
 - Initiated Renewable Energy Transmission Initiative (RETI)
 - Working closely with California ISO on queue reform
- Site control
 - Beginning to work with BLM, other relevant agencies
- Permitting
 - California Energy Commission (thermal facilities)
 - County agencies (wind, thermal <50 MW)

Feed-in Tariff – key questions

- What is the problem that California is trying to solve?
 - Problem with the procurement process?
 - Problem with the project development process?
 - How significant are these problems?
 - How would a feed-in tariff address these problems?
- What challenges associated with implementation and administrative oversight might a feed-in tariff create?
 - Could these challenges outweigh the benefits of a feed-in tariff?

Questions?

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