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COMMISSION

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Renewable Energy Program

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Arnold Schwarzenegger, *Governor*

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ABSTRACT

The *2007 Annual Report to the Legislature* (*2007 Annual Report*) and *Appendix* respond to a legislative directive to report annually on the results of the Renewable Energy Program's activities and status of funding. The comprehensive *2007 Annual Report* covers the period of July 1, 2006 through June 30, 2007, and includes information on the following fiscal and functional aspects of the Renewable Energy Program: allocation of Renewable Resource Trust Fund dollars, information on cash flow, program activities and results, and projects and funding awards. The *Appendix* contains detailed project descriptions, statistics, and financial data.

Keywords: Renewable Energy Program, Renewable Resource Trust Fund, Renewables Portfolio Standard, supplemental energy payments, market price referent, Western Renewable Energy Generation Information System, New Renewable Facilities Program, Existing Renewable Facilities Program, Emerging Renewables Program, California Solar Initiative, New Solar Homes Partnership, Consumer Education Program, Customer Credit Program, renewable energy, solar thermal, photovoltaic, biomass, fuel cell, geothermal, wind, distributed generation

EXECUTIVE SUMMARY

The California Energy Commission (Energy Commission) is pleased to submit its *2007 Annual Report to the Legislature (2007 Annual Report)*, covering the Renewable Energy Program over the period of July 1, 2006, through June 30, 2007. Public Resources Code Section 25748(a) requires the Energy Commission to report annually to the Legislature on the Renewable Energy Program, and the report shall include the following:

> (1) A description of the allocation of funds among existing, new, and emerging technologies, the allocation of funds among programs, including consumer-side incentives, and the need for the reallocation of money among those technologies.
>
> (2) The status of account transfers and repayments.
>
> (3) A description of the cumulative commitment of claims by account, the relative demand for funds by account, and a forecast of future awards.
>
> (4) An itemized list, including project descriptions, award amounts, and outcomes for projects awarded funding in the prior year.

The *2007 Annual Report* must also address the allocation of interest earned on the funds deposited into the Renewable Resource Trust Fund (RRTF) and the voluntary contributions made by utility customers.

In addition, the *2007 Annual Report* must include a discussion of the progress being made toward achieving the Renewables Portfolio Standard (RPS) targets identified in Public Resources Code Section 25740 for each element of the Renewable Energy Program. The RPS requires that 20 percent of retail electricity sales be met with renewable energy by 2010, and Governor Schwarzenegger has endorsed a goal of 33 percent by 2020 statewide to include both investor-owned and municipal utilities.

Lastly, the *2007 Annual Report* must identify the type and quantity of biomass fuels used by facilities receiving supplemental energy payments (SEPs)[1] and receiving funding from the Existing Renewable Facilities Program and their impacts on improving air quality.

Following a background summary of the Renewable Energy Program, this report is divided into six chapters and an Appendix to address the requirements of Public Resources Code Section 25748:

[1] SEPs may be paid to eligible facilities for the above-market costs of renewable energy procured to meet RPS requirements.

Chapter 1: Allocation of Funds

Chapter 2: Program Descriptions and Results

Chapter 3: Reallocation of Funds

Chapter 4: Account Transfers and Repayments

Chapter 5: Interest Expenditures

Chapter 6: Contributions to the Renewable Resources Trust Fund

Appendix: *2007 Annual Report to the Legislature Appendix*

The *2007 Annual Report* discusses the mandated items for fiscal year 2006-2007, with reference to prior and future fiscal years for context and comparison as appropriate.

Background

The last decade has been the latest episode in California's innovative energy policy initiatives. Beginning with the enactment of Assembly Bill 1890 (Brulte, Chapter 854, Statutes of 1996), and continuing through legislation passed in 2006, the state has authorized ratepayer funding and established programs to dramatically increase the proportion of renewable energy and energy efficiency serving California utility customers. AB 1890 authorized the collection of funds from utility ratepayers through a nonbypassable system benefit charge to support existing, new, and emerging renewable resources, among other public goods.

Senate Bill 90 (Sher, Chapter 905, Statutes of 1997), authorized the Energy Commission to establish the Renewable Energy Program to distribute funds collected under AB 1890 and provide incentives for the deployment of renewable energy generation facilities. The Energy Commission, working with the California Public Utilities Commission (CPUC) and other state agencies, achieved initial success with those programs as the state sought to meet new electricity demand with environmentally benign resources. In light of the unwieldy wholesale electricity prices California faced in 2000 and 2001, and other problems in the market, California's efforts to restructure the market have shifted direction, which spawned the creation of the RPS.

AB 995 (Wright, Chapter 1051, Statutes of 2000), and SB 1194 (Sher, Chapter 1050, Statutes of 2000), responded to the state's energy crisis by creating the Reliable Electric Service Investments Act, which extended the system benefit charge funding for energy efficiency, renewable energy, and research, and development through 2011. Under this legislation, the Energy Commission retained the administration of renewable energy funding and was charged with preparing a

five-year investment plan for the Renewable Energy Program for the period January 1, 2002, to January 1, 2007.[2]

Recommendations put forward in the 2001 investment plan were codified by SB 1038 (Sher, Chapter 515, Statutes of 2002). A companion measure, SB 1078 (Sher, Chapter 516, Statutes of 2002), created the state's RPS to help diversify the state's electricity system and reduce its growing dependence on natural gas by increasing the percentage of renewables in the state's electricity mix to 20 percent by 2017. That legislation set specific requirements for the utilities, the CPUC, and the Energy Commission to ensure that the state meets the targets of the RPS.

The years 2003-2005 saw additional legislation adopted that refined the aspects of the Renewable Energy Program, and, consequently, the Energy Commission adopted changes to the program's various guidelines to reflect the following legislation:

- SB 183 (Sher, Chapter 666, Statutes of 2003), amended and recast the provisions of Public Utilities Code Sections 383.5 and 445 governing the Renewable Energy Program into Public Resources Code Sections 25740 through 25751.
- SB 67 (Bowen, Chapter 731, Statutes of 2003), modified the eligibility requirements for renewable generators located out of state.
- SB 168 (Bowen, Chapter 733, Statutes of 2003), made technical amendments to Public Utilities Code Sections 383.5 and 445, which were chaptered out because SB 183 recast those provisions into the Public Resources Code.
- AB 135 (Reyes, Chapter 867, Statutes of 2004), authorized the Energy Commission to immediately use up to $60 million of the funds in the Renewable Resource Trust Fund to support the Emerging Renewables Program element of the Renewable Energy Program. These funds may be expended only until December 31, 2008, and are subject to the repayment requirements of Public Resources Code Section 25751, Subdivision (f).
- AB 200 (Leslie, Chapter 50, Statutes of 2005), modified the eligibility requirements for renewable generators located out of state serving the load of utilities such as Sierra Pacific Power Company and PacifiCorp that have a limited number of customers in California.

California's environmental and energy policy defined 2006 as a watermark year with the legislative passage of SB 1 (Murray, Chapter 132); SB 107 (Simitian, Chapter 464); SB 1250 (Perata, Chapter 512); AB 32, (Nuñez, Chapter 488), and AB 2189 (Blakeslee, Chapter 747). These new statutes affected implementation of the Energy Commission's Renewable Energy Program.

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[2] California Energy Commission, June 2001, *Investing in Renewable Electricity Generation in California*, P500-00-022, www.energy.ca.gov/reports/2001-06-21_500-00-022.PDF.

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- SB 1 establishes in statute the California Solar Initiative, the largest solar installation incentive program of its kind in the country. With a goal of 3,000 MW of new, solar-produced electricity by the end of 2016, the program aims to move the state toward a cleaner energy future and help lower the cost of solar systems for consumers.
- SB 107 accelerates California's RPS target by requiring retail sellers of electricity to increase renewable energy purchases by at least 1 percent per year with a target of 20 percent renewables by 2010. It also adds new components to the RPS program, including bringing publicly owned utilities more fully into the RPS by requiring them to report to the Energy Commission their specific goals and progress toward the goals. Without tracking this additional data, it would not be possible to assess overall state progress toward the RPS goals.
- SB 1250 with SB 107, authorizes the Energy Commission's ongoing use of public goods charge funds collected from January 1, 2007, through January 1, 2012, for the continued operation of the Renewable Energy Program.
- AB 2189 modifies RPS eligibility requirements for small hydroelectric generation facilities regarding efficiency improvements that result in increased capacity.

Also passed in 2006, AB 32, the California Global Warming Solutions Act of 2006, sets mandatory targets for greenhouse gas emissions.[3] The codification of AB 32 represents a tremendous step forward as California takes its place as an international leader in efforts to prevent catastrophic climate change induced by greenhouse gas emissions. Electricity generation from fossil fuel power plants and emissions from the transportation sector are the two largest contributors to the state's greenhouse gas emissions.

California's aggressive renewable and greenhouse gas reduction goals are at the heart of the Renewable Energy Program's efforts as it works to add new renewable generation and promote the continued operation of existing renewable facilities by offering production incentives. In addition, rebates are available to offset the installation costs of distributed solar, wind, fuel cell, and solar thermal electric technologies. Following are descriptions of past and present program elements:

- The New Renewable Facilities Program fosters the development of new in-state renewable electricity generation facilities by providing financial support. The program consists of two parts. Under the first, production incentives provide support to prospective new renewable electricity generation projects. Once they come on-line, eligible projects receive payments for their first five years of generation. Second, under the RPS, the New Renewable Facilities Program provides supplemental energy payments for up to 10 years to eligible projects for the above-market costs of meeting RPS requirements.

[3] AB 32 requires the California Air Resources Board and the Energy Commission to determine baselines and create systems to track greenhouse gas emissions.

- The Emerging Renewables Program provides rebates and production incentives to end-use consumers who purchase and install eligible renewable energy technologies for on-site generation. Through 2006, eligible technologies were solar photovoltaic, small wind, fuel cells using renewable fuels, and solar thermal electric. Effective in 2007, only small wind systems (rated output of 50 kilowatts [kW] or less) and fuel cells (using a renewable fuel) are eligible. The California Solar Initiative has replaced the solar components of both the Energy Commission's Emerging Renewables Program and the CPUC's Self-Generation Incentive Program.
- The Existing Renewable Facilities Program offers production incentives to existing solid-fuel biomass, solar thermal, and wind facilities. Incentive payments are tied to market prices, with no payments made if the market price is above a predetermined target price. Beginning in 2007, under a revised program structure, existing facilities must reapply for funding. The applications request project-specific target prices and caps for energy produced in 2007.
- The Consumer Education Program provides grants and contracts to increase public awareness of renewable energy and its benefits and helps develop a consumer market for renewable energy and small-scale emerging renewable energy technologies.
- The Customer Credit Program provided incentives to consumers who purchased renewable energy in the direct access market. This program allowed renewable energy providers to offer electricity products to their customers at prices competitive with conventional electricity products. The program was discontinued after payments made in December 2004 completed Customer Credit Program activities.

The next chapter discusses Renewable Energy Program funding and expenditures from the RRTF for fiscal year 2006-2007 and summarizes cumulative funding to date.

CHAPTER 1:
Allocation of Funds

Renewable Energy Program funding allocations have supported renewable energy goals and policy priorities while responding to changing market conditions. Table 1 compares funding allocations under SB 90, SB 1038, and the subsequent reallocation of SB 1038 Customer Credit Program funds upon discontinuation of the program consistent with the Energy Commission's *Customer Credit Report* [4] recommendations.

Table 1: Renewable Energy Program Funding Allocations 1998 through 2006

Program	SB 90 1998-2001		SB 1038 2002-2006[5]		SB 1038 2002-2006 (Reallocation of Customer Credit)[4]	
	Percent of Total	$Million	Percent of Total	$Million	Percent of Total	$Million
New Renewable Facilities	30	162.0	51.5	347.625	51.5	347.625
Emerging Renewables	10	54.0	17.5	118.125	26.5	178.875
Existing Renewables	45	243.0	20	135.000	20	135.000
Consumer Education	1	5.4	1	6.750	2	13.500
Customer Credit	14	75.6	10	67.500	0	0.000
TOTAL	100	540.0	100	675.000	100	675.000

Table 2 summarizes funding allocations from 2007 to 2012.

Table 2: Renewable Energy Program Funding Allocations January 1, 2007, to January 1, 2012

Program	2007-2012 Allocations per SB 107 and SB 1250[4]	
	Percent of Total	$Million
New Renewable Facilities	51.5	386.250
Emerging Renewables	37.5	281.250
Existing Renewables	10	75.000
Consumer Education	1	7.500
TOTAL	100	750.000

[4] California Energy Commission, April 2003, *Customer Credit Renewable Resources Account: Report to the Governor and the Legislature*, 500-03-008F, www.energy.ca.gov/reports/2003-04-22_500-03-008F.PDF.

[5] The total amount collected each year is adjusted annually at a rate equal to the lesser of the annual growth in electric commodity sales or inflation, as defined by the gross domestic product deflator.

The Renewable Energy Program retains the authority to reallocate funds among its programs, as detailed in Chapter 3 of this report.

Renewable Energy Program Disbursements

From the Renewable Energy Program's creation in 1998 through June 30, 2007, the Energy Commission has disbursed a total of $771 million.[6] More than $136 million is encumbered for projects in progress, with more than $383 million in reserve to meet statutory requirements.[7] During the period of July 1, 2006, to June 30, 2007, approximately $143.8 million was deposited into the RRTF, and the Energy Commission disbursed more than $116 million to program participants.

The following summarizes Renewable Energy Program cumulative funds disbursed and market support accomplishments through June 2007:

- More than $69 million has been disbursed to 47 projects from the New Renewable Facilities Program, with approximately $81 million encumbered for participating auction winners. Of the 59 active projects that won funding awards, 47 projects are online representing 489 megawatts (MW) of capacity. Projects that were awarded funding from the auctions continue to come online, and the program anticipates a total of 809 MW of new renewables capacity to be added to California's electricity grid as a result of this program.
- Solar photovoltaic and wind energy systems installed on more than 25,680 homes and businesses are providing 112.5 MW of distributed capacity, with over 18.2 MW in various stages of construction. The Emerging Renewables Program has provided rebates totaling more than $374 million with an additional $48.6 million encumbered for 3,493 systems.

  The Emerging Renewables Program for solar ended December 31, 2006, and was replaced by the New Solar Homes Partnership program. By June 30, 2007, a total of 37 applications, representing 228 systems, had been received. Of those, 9 applications were approved, reflecting 43 residential buildings. By the end of the fiscal year, no payments had been made as part of the new program.

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[6] Discussion of RRTF fiscal transactions does not include funds from the California Attorney General's Alternative Energy Retrofit Account (AGAERA) unless specifically noted. AGAERA provided match funds of $2.25 million for the Emerging Renewables Program's Solar Schools Program. This program disburses rebates for the installation of solar photovoltaic systems for public and charter schools meeting certain eligibility requirements.

[7] Reserved funds are committed to meet legislative mandates, but not yet formally assigned to specific projects. Legislative mandates are as follows: supplemental energy payments under the RPS, a renewable energy certificate tracking and registry system, rebates for emerging renewable energy system installations, generation from existing renewable facilities, and consumer education activities.

- The Existing Renewable Facilities Program has helped 273 existing renewable facilities remain competitive or return to service with more than $255 million in funding, representing 4,400 MW of renewable energy capacity. This disbursement also includes Existing Renewable Facilities Program funding for the Agriculture-to-Biomass Program. A total of $6 million was paid to biomass facilities that increased their use of qualified agricultural biomass for the 2003-2004 fiscal year.

- Consumers statewide have been educated about renewable energy and its benefits via public service announcements, events, radio and television, newspaper and magazine articles, brochures, and fact sheets. Since 1999, the Consumer Education Program has expended or encumbered over $14 million to support 3 public awareness campaigns funded through contracts; 21 grant projects awarded for renewable energy information and outreach activities, and the development of an electronic tracking system, called the Western Renewable Energy Generation Information System (WREGIS) to address long-term RPS tracking needs; and other consumer education activities promoting renewable energy.

  As part of its current funding efforts, the Consumer Education Program is supporting a comprehensive New Solar Homes Partnership (NSHP) public awareness campaign designed to encourage production home builders to participate in the NSHP program and offer solar electric high energy efficiency homes as standard features to home buyers. The first part of the outreach effort is to work with the investor owned utilities' new construction programs and jointly outreach to production home builders. The campaign also focuses on developing partnerships to advance the NSHP efforts.

- Among residential and small commercial customers who entered into direct access contracts with alternative providers, nearly 100 percent made renewable electricity purchases and were provided incentives through the Customer Credit Program. The discontinued program supported more than 200,000 customers purchasing renewable energy, with funds totaling over $65 million.

CHAPTER 2:
Program Descriptions and Results

Renewables Portfolio Standard

Summary

In September 2002, then-Governor Gray Davis signed SB 1078, creating California's RPS. SB 1078 requires retail sellers of electricity to increase their procurement of eligible renewable energy resources by at least 1 percent per year so that 20 percent of their retail sales are procured from eligible renewable energy resources by 2017.

In the *Energy Action Plan*[8] adopted in May 2003, the Energy Commission, the Consumer Power and Conservation Financing Authority, and the California Public Utilities Commission (CPUC) encouraged accelerating the RPS goal by attaining the target of 20 percent renewables by 2010. The Energy Commission adopted this goal in its *2003 Integrated Energy Policy Report*,[9] which recommended that the state enact legislation to accelerate the RPS target to 20 percent by 2010, and the 2004 *Integrated Energy Policy Report Update*[10] endorsed goals beyond 2010.

In September 2006, Governor Schwarzenegger signed SB 107, codifying the accelerated RPS goal of 20 percent renewables by 2010. SB 107 also requires each of the state's publicly owned electric utilities to report to the Energy Commission on the status of implementing an RPS program and its progress toward achieving its RPS goals.

As directed by SB 1078, SB 1038, and SB 107, the New Renewable Facilities Program will provide SEPs to new renewable electricity generators for the above-market costs of renewable energy procured to meet the RPS. However, the statutes allow that if the payments are insufficient to cover the above-market costs of eligible renewable energy resources, an investor-owned utility (IOU) could limit its annual procurement obligation to the quantity of eligible renewable energy that can be procured with available SEPs.

Additionally, the Energy Commission is charged with certifying facilities as eligible for the RPS or for the RPS and SEPs and developing an accounting system to track and verify RPS procurement. In June 2007, the Energy Commission launched WREGIS, an electronic system that tracks and verifies renewables generation throughout the Western Interconnect.

The next section provides a discussion of the Energy Commission's and the CPUC's roles and activities in designing and implementing the RPS, and the IOUs' progress to date procuring

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[8] The *Energy Action Plan* is available on-line at www.energy.ca.gov/energy_action_plan/2003-05-08_ACTION_PLAN.PDF

[9] California Energy Commission, December 2003, *2003 Integrated Energy Policy Report*, 100-03-019, www.energy.ca.gov/reports/100-03-019F.PDF.

[10] California Energy Commission, November 2004, *Integrated Energy Policy Report 2004 Update*, 100-04-006CM, www.energy.ca.gov/reports/CEC-100-2004-006/CEC-100-2004-006CMF.PDF.

renewables. The Energy Commission and the CPUC continue to work collaboratively to implement the program.

Energy Commission's Renewables Portfolio Standard Roles

The Energy Commission implements the RPS through guidelines that were originally adopted in spring 2004, with revisions adopted in August 2004, April 2006, and March 2007. The three guidebooks are described as follows:

- The *Renewables Portfolio Standard Eligibility Guidebook*[11] describes the requirements and process for certifying eligible renewable energy resources for California's RPS and SEPs. The *Renewables Portfolio Standard Guidebook* also describes how the Energy Commission tracks and verifies compliance with the RPS using an interim generation tracking process until data for a complete calendar year are available using WREGIS.
- The *Overall Program Guidebook for the Renewable Energy Program*[12] describes how the Renewable Energy Program is administered and includes information on requirements that apply to all Renewable Energy Program elements, including the RPS. The *Overall Program Guidebook* provides general information on the process of creating, appealing, and implementing the RPS guidelines.
- The *New Renewable Facilities Program Guidebook*[13] describes the requirements applicants must satisfy to receive SEPs.

While the Guidebooks reflect current program requirements, the Energy Commission recognizes the need to periodically revise them to reflect market and regulatory developments and to incorporate the lessons learned from experience implementing the RPS.

In December 2006, the Energy Commission staff proposed changes to update the *Renewables Portfolio Standard Eligibility Guidebook* (April 2006), the *New Renewable Facilities Program Guidebook* (April 2006), *the Existing Renewable Facilities Program Guidebook (June 2006),* the *Consumer Education Program Guidebook* (May 2004) and the *Overall Program Guidebook* (April 2006). The Energy Commission solicited comments on the December 2006 staff draft *Guidebooks* and held a Renewables Committee workshop on January 10, 2007, to receive comments. After careful consideration of written and verbal comments and additional technical and policy analysis, the Energy Commission adopted the revised *Guidebooks* at its March 14, 2007, business meeting. The changes went into effect upon adoption and are summarized below.

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[11] California Energy Commission, March 2007, *Renewables Portfolio Standard Eligibility Guidebook*, CEC-300-2007-006-CMF, www.energy.ca.gov/2007publications/CEC-300-2007-006/CEC-300-2007-006-CMF.PDF.

[12] California Energy Commission, March 2007, *Overall Program Guidebook*, CEC-300-2007-003-CMF, www.energy.ca.gov/2007publications/CEC-300-2007-003/CEC-300-2007-003-CMF.PDF.

[13] California Energy Commission, March 2007, *New Renewable Facilities Program Guidebook*, CEC-300-2007-002-CMF, www.energy.ca.gov/2007publications/CEC-300-2007-002/CEC-300-2007-002-CMF.PDF.

The *Renewables Portfolio Standard Eligibility Guidebook* was updated to:

- Remove the certification category for "Incremental Geothermal" and remove references to municipal solid waste, geothermal, and small hydroelectric being restricted to baseline.
- Remove the option to register a facility as "Renewable Only" if it does not meet RPS or SEP eligibility criteria.
- Specify that out-of-state and out-of-country facilities are only RPS-eligible if they come online or are repowered after January 1, 2005, with exceptions for incremental generation from project expansion or repowering or facilities that are part of a retail seller's baseline. Further, the facility must not cause or contribute to any violation of a California environmental quality standard or requirement, and if located outside the United States, the facility must be developed and operated in a manner that is as protective of the environment as a similar facility located in California.
- Require that energy service providers, community choice aggregators, and multi-jurisdictional utilities subject to Public Utilities Code Section 399.17 submit the CEC-RPS-Track form for 2005 and 2006 on May 1, 2007, and annually thereafter.
- Modify delivery requirements including allowing any control area in the Western Electricity Coordinating Council to be the delivery source for out-of-state facilities to deliver energy into California. The lesser amount of the quantity delivered and the quantity of RPS-eligible energy generated would be RPS-eligible.
- Clarify that unbundled renewable energy credits may not be used to satisfy the RPS procurement requirements until the CPUC makes such a determination, the rules are established to guide that process, and the Energy Commission and the CPUC conclude that the Energy Commission's renewable energy credits tracking system is operational.
- Add RPS provisions for publicly owned utilities that are required under new legislation, including reporting to their customers and to the Energy Commission on their progress in implementing their RPS, and implementing new rules for publicly owned utilities that take effect if (a) tradable renewable energy credit sales are approved for retail sellers to use towards their RPS compliance, and (b) a publicly owned utility seeks to sell renewable energy credits for a retail seller to use toward RPS compliance.
- Specify that the RPS-eligibility of small hydroelectric facilities depends in part on whether the facility was under contract to, or owned by, a retail seller as of December 31, 2006.
- Specify that the RPS eligibility of a conduit hydroelectric facility depends in part on whether the facility was operational on or before December 31, 2006, and whether energy efficiency improvements were made after January 1, 2003.
- Add as an eligible renewable resource hybrid facilities that use RPS-eligible biogas injected into a natural gas pipeline.

- Modify the eligibility criteria for facilities that use a mix of fuels including fossil fuel such that a *de minimus* amount of fossil fuel is not exceeded for 100 percent of the generation to be counted toward RPS compliance: (except "qualifying small power production facilities"—see below). If the annual fossil fuel use exceeds a *de minimus* amount annually, then only the renewable portion of the electricity production may qualify for the RPS and only once an appropriate method to account for such electricity production is developed.
- Modify the eligibility criteria for facilities that use a mix of fuels including fossil fuel that are certified as qualifying small power production facilities (qualifying facilities) under the federal Public Utility Regulatory Policies Act and allow 100 percent of the electricity generated from such a facility to be RPS eligible if the facility began operations before 2002, or was or will be developed and awarded a power purchase contract as result of an Interim RPS solicitation approved by the CPUC following Decision 02-08-071 and Decision 02-10-062.
- Change the certification category for qualifying facilities from "hybrid" to the renewable fuel used, such as "solar thermal "or "biomass."
- Clarify the process for renewing RPS certification and pre-certification.

As part of implementation of a tracking system for RPS-eligible procurement, the Energy Commission developed the *Renewables Portfolio Standard Procurement Verification Report* (*Verification Report*). On March 5, 2007, the staff draft *Verification Report* was publicly released. This report verifies RPS procurement for the 2005 calendar year and includes data from 2001 through 2005, when applicable. Further, it provides data on the IOUs' progress toward the RPS procurement goals and is intended to help the CPUC determine the IOUs' compliance with the RPS. Following a Renewables Committee workshop on March 15, 2007, a second draft *Verification Report* was released for public comment on May 11, 2007. After careful consideration of the substantial public input that was received, the Energy Commission adopted the *Verification Report* at the August 1, 2007, business meeting and transmitted the report to the CPUC. [14] The Energy Commission intends to develop the *Verification Report* annually using data from its RPS accounting system.

WREGIS began operations in June 2007; however, the Energy Commission will not rely entirely on WREGIS data for the *Verification Report* until 2009, when WREGIS is expected to provide generation data for the full calendar year of 2008. The Energy Commission will require RPS participants to use WREGIS to track and verify RPS generation and procurement beginning January 1, 2008. In the meantime, the Energy Commission will continue to use an interim tracking system. As required by SB 107, the CPUC cannot authorize the use of renewable energy credits for RPS compliance until the Energy Commission and the CPUC determine that

[14] California Energy Commission, August 2007, *Renewables Portfolio Standard Procurement Verification Report*, CEC-300-2007-001-CMF, www.energy.ca.gov/2007publications/CEC-300-2007-001/CEC-300-2007-001-CMF.PDF.

the tracking system is operational, that it is capable of verifying eligible generation and delivery, and that the generation is not double-counted.

As of October 1, 2007, 606 facilities are certified or pre-certified as eligible for the RPS, representing 15.16 gigawatts of renewable capacity. Of that generating capacity, 7,753.7 MW is proposed new capacity from 79 planned facilities that have been conditionally pre-certified; however, not all are yet under contract. Please note that these numbers do not reflect activity in the application queue, including a small hydro facility in the process of disaggregating and renewing certification for each project separately.

California Public Utilities Commission's Renewables Portfolio Standard Implementation

The CPUC is charged with implementing various components of the RPS, including:

- Set procurement baselines and targets.
- Approve, reject, or modify procurement plans on how to meet RPS targets.
- Develop market price referent, which is an estimate of the cost, over a 10, 15, or 20-year period, to own and operate a new natural gas facility and earn a reasonable rate of return. Renewable contracts priced at or below the market price referent are considered *per se* reasonable; contracts above the market price referent may be eligible for supplemental energy payments to cover the above market costs. The CPUC determines an annual market price referent to coincide with each RPS solicitation cycle.
- Develop least-cost, best-fit process for the IOUs to use to evaluate bids received in response to their annual solicitations for RPS-eligible energy.
- Set rules for flexible compliance.
- Standardize contract terms.
- Approve or reject utility RPS contracts.
- Ensure competitiveness of the IOUs' RPS solicitations.
- Develop rules applicable to electric service providers, community choice aggregators, and small and multijurisdictional utilities.
- Evaluate compliance with RPS targets, including setting and enforcing penalties for non-compliance.

CPUC activity in the 2006-2007 fiscal year included approval of the IOUs' 2006 and 2007 RPS procurement plans. In May 2006, the CPUC conditionally approved the IOU's 2006 RPS procurement plans and draft Request for Offers.[15] The 2006 RPS solicitation was initially

[15] CPUC, D. 06-05-039 Opinion Conditionally Approving Procurement Plans for 2006 RPS Solicitations, Addressing TOD Benchmarking Methodology, and Closing Proceeding, May 25, 2006.

scheduled to be concluded by the end of the calendar year, but in November 2006, the CPUC granted a time extension for all three IOUs to complete their 2006 RPS contract negotiations by June 2007, noting that RPS procurement must proceed rapidly for the state to achieve its aggressive RPS goals. In December 2006, the CPUC adopted the market price referent for the 2006 RPS solicitation. The CPUC conditionally approved the IOUs' 2007 RPS procurement plans in February 2007. The IOUs opened their 2007 RPS solicitation in March, and the solicitations were closed to new bids by June 2007.

During fiscal year 2006-2007, the CPUC also continued its second phase of RPS implementation by addressing outstanding issues such as adopting additional standards for procurement contracts for all load-serving entities, developing implementation rules for participation of electric service providers and community choice aggregators, and refining RPS rules already in place. The CPUC also developed rules to implement AB 1969 (Yee, Statutes of 2006, Chapter 731) to adopt tariffs and standard contracts for water, wastewater, and other customers to sell electricity generated from RPS-eligible renewable resources to electrical corporations.[16] The standard contracts apply to RPS-eligible facilities 1.5 MW or smaller.

In March 2007, in response to an argument for a rehearing by Southern California Edison Company (SCE) (which was denied) and to align the formula used to determine the baseline procurement amount with statutory requirements, the CPUC revised its methodology for calculating the IOUs' initial baseline procurement formula:[17] The Energy Commission's draft *Verification Report* was subsequently revised to incorporate the CPUC's revised baseline calculation.

Investor-Owned Utilities' Renewables Portfolio Standard Procurement

In September 2006, the CPUC approved three contracts from Pacific Gas and Electric Company's (PG&E's) 2005 RPS solicitation, one restart geothermal project for 17 MW to 55 MW in capacity (119 gigawatt hours [GWh] to 385 GWh annually), one new biogas contract for 5 to 10 MW of capacity (33 to 35 GWh annually), and a 20 to 40 MW new biomass project (140 to 280 GWh annually). In November 2006, the CPUC approved a contract from PG&E's 2004 RPS solicitation for a new 120 MW geothermal project (840 GWh annually). In December 2006, two 2005 bilateral contracts were approved totaling 18 MW of biomass restart capacity (65 to 72 GWh each annually).

In fiscal year 2006-2007, PG&E sought CPUC approval for 10 contracts for RPS procurement. In July 2006, PG&E submitted an advice letter to the CPUC requesting approval of two contracts from its 2005 RPS solicitation totaling 79 to 169 MW of new geothermal energy capacity (580 to 1.21 GWh annually).[18, 19] These contracts were approved in December 2006. In October 2006,

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[16] A final decision was approved July 26, 2007, D.07-07-027, R.06.06.027.

[17] CPUC, Decision 07-03-046, Rulemaking 06-05-027, March 15, 2007.

[18] Pacific Gas and Electric Company, July 25, 2006, Advice 2863-E.

[19] Southern California Edison Company, March 25, 2005, Advice 1876-E-A.

PG&E submitted two advice letters requesting approval of four bilateral contracts.[20] The first requested approval of two contracts totaling 1 MW of new small hydro capacity (3 GWh annually) and a contract for 0.15 MW of new biogas capacity (1 GWh annually); the second letter requested approval of 200 MW of existing geothermal capacity (1,752 GWh annually). The CPUC approved the latter contract in December 2006 and the remaining three in March 2007. PG&E submitted three advice letters to the CPUC in February 2007 for four bilateral contracts totaling a minimum of 57.88 MW.[21] Approval was requested for a 2007 contract for 44.38 MW (389 GWh annually) of new biogas capacity, which the CPUC approved in May 2007. The capacity for a second new 2007 biogas contract was redacted. Two 2006 biomass contracts were submitted for approval, one new 6.7 MW project and one existing 6.8 MW project (totaling 83 GWh annually).

In fiscal year 2006-2007, San Diego Gas & Electric Company (SDG&E) submitted two advice letters to the CPUC for approval of five contracts that resulted from its 2005 RPS solicitation. In November 2006, SDG&E requested approval of four contracts for new capacity totaling 138.8 MW. [22] Two of these contracts were for 49.4 MW each of solar thermal capacity (totaling 336 GWh annually); the two remaining contracts were each 20 MW in capacity, one biomass and one geothermal (totaling 324 GWh annually). In February 2007, SDG&E submitted an advice letter for a 49 MW contract for existing biomass capacity (365 GWh annually).[23] By April 2007 the CPUC had approved all five of these contracts, and the existing biomass project is on-line.

Three requests were submitted by SCE in the last fiscal year requesting CPUC approval for eight contracts. In January 2007, SCE sought CPUC approval for six of these contracts, all of which resulted from its 2005 RPS solicitation. [24] One contract was for 1.5 MW of new biogas capacity (0 to 10 GWh annually). A second request was for a 16.4 MW restart biomass contract (123.5 to 132 GWh annually). These contracts were approved in April 2007. Four contracts totaled 31.83 to 68.76 MW of repowered wind capacity (totaling 77 to 166 GWh annually). The CPUC approved these contracts in May 2007. In February 2007, SCE submitted a request for approval of a 2007 bilateral contract for 15 MW of biomass capacity from a restart project[25] and in June 2007 requested approval of a contract from its 2005 RPS solicitation for 225 MW of existing geothermal capacity (1,971 GWh annually).[26]

A list of IOU-RPS contracts considered for CPUC approval in the 2006-2007 fiscal year is provided in the *2007 Annual Report Appendix, Appendix A*, located on the Energy Commission's website at www.energy.ca.gov/renewables/documents/index.html. A complete listing of IOU-

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[20] Pacific Gas and Electric, October 3, 2006, and October 16, 2006, Advice U 39E and 2915-E, respectively.

[21] Pacific Gas and Electric Company, February 2, 2007, February 15, 2007, and February 28, 2007; Advice 2979-E, 2987-E, and 2996-E, respectively.

[22] San Diego Gas & Electric Company, November 20, 2006, Advice 1845-E.

[23] San Diego Gas & Electric Company, February 2, 2007, Advice E-4070.

[24] Southern California Edison Company, January 2, 2007, via Application.

[25] Southern California Edison Company, February 16, 2007, via Application.

[26] Southern California Edison Company, June 4, 2007, via Application.

RPS contracts from 2002 to date is available on the Energy Commission's website at www.energy.ca.gov/portfolio/IOU_CONTRACT_DATABASE.XLS.

Table 3 lists the RPS contracts for new, repowered, or restarted renewable energy that have been approved by, or submitted to, the CPUC as of August 6, 2007 (64 of these contracts have been signed since 2002). As shown, IOUs have signed contracts for 4,598 MW to 6,230 MW of new, repowered, or restarted renewable energy projects (range reflects buildout options) from competitive solicitations and through bilateral negotiations between the utility and the developer, with 324 MW of these projects currently on-line. In terms of percentages by capacity, 5 to 7 percent shown have begun operations. All but six of these contracts are priced below the applicable market price referent; five have requested supplemental energy payments. Assuming no further contract failure, projected energy deliveries from these contracts is 15,274 GWh to 20,753 GWh.

Table 3: IOU RPS Contracts for New, Repowered, or Restarted Renewables by Technology for Contracts Signed Since 2002 (MW)

	PG&E	SCE	SDG&E	Total
Wind	331	1,939 – 2,301	338	2,609 – 2,971
Biogas	50 - 55	8 - 9	16	74 - 80
Biomass	45 - 65	44 - 69	20	109 - 154
Geothermal	242 - 370	80 - 220	20	342 - 610
Small Hydropower	1	0	5	6
Solar Thermal	554	500 - 850	399 - 999	1,452 – 2,402
Solar Photovoltaic	7	1	0	8
Total	**1,228 – 1,381**	**2,572 – 3,451**	**798 - 1,398**	**4,598 - 6,230**

Capacity does not include contracts that have expired or been cancelled. For repowered capacity, includes total capacity, not just additional expected capacity. Totals may not sum due to rounding.
Source: California Energy Commission, Database of IOU Contracts for Renewable Generation, August 6, 2007 update. www.energy.ca.gov/portfolio/IOU_CONTRACT_DATABASE.XLS.

Details of RPS contracts executed in fiscal year 2006-2007 are included in the *2007 Annual Report Appendix, Appendix A*, located on the Energy Commission's website at www.energy.ca.gov/renewables/documents/index.html.

Table 4 shows the percentage of retail sales served by RPS-eligible resources for each IOU for 2001, 2003, 2004, 2005, and 2006. The final row illustrates the percentage of total generation provided by renewables for all utilities in the state, including the IOUs, local publicly owned utilities, electric service providers, and small and multi-jurisdictional utilities. Although the data is informative about the IOUs' progress towards meeting the RPS, actual compliance is determined by the CPUC and includes consideration of its rules for flexible compliance. The relatively slower progress that the state is making overall toward meeting the 20 percent RPS

target underscores the important role the non-IOUs play in California's success in achieving the RPS goal by 2010.

Table 4: California Investor-Owned Utilities and Statewide Progress Toward 20 Percent Renewables by 2010 (Percentage Renewables)

IOU	2001	2003	2004	2005	2006
PG&E	8.9%	12.4%	11.6%	11.9%	11.9%
SCE	14.8%	17.7%	18.2%	17.2%	16.0%
SDG&E	1.0%	3.7%	4.3%	5.2%	5.3%
IOUs Combined	**10.9%**	**14.0%**	**13.9%**	**13.7%**	**13.1%**
Total Statewide	**10.5%**	**10.4%**	**10.1%**	**10.7%**	**10.9%**

Sources for 2001, 2003, 2004, and 2005 data: California Energy Commission, August 7, 2007, *Renewables Portfolio Standard Procurement Verification Report (Tables 7, 15, and 20),* CEC-300-2007-001-CMF, located at www.energy.ca.gov/2007publications/CEC-300-2007-001/CEC-300-2007-001-CMF.PDF. *2006 data was submitted by the IOUs in RPS Track Forms, to be verified in the forthcoming *2006 RPS Procurement Verification Report*. Total statewide percentages include generation data from the three large IOUs, electric service providers, small and multijurisdictional utilities, and local publicly owned utilities. The data source for the total statewide percentages is the 1983-2005 California Electricity Generation database located at www.energy.ca.gov/electricity/ELECTRICITY_GEN_1983-2005.XLS. Although the total statewide data is incomplete because some entities have failed to report, it represents data from entities serving approximately 95 percent of total state retail sales.

Since the IOUs first executed RPS contracts in 2002, the Energy Commission has observed a minimum contract failure rate of about 20 percent to 30 percent, which can occur particularly in the case of contracts that result from large RPS solicitations over multiple years, as noted in the Energy Commission's *2006 Integrated Energy Policy Report Update*.[27]

Renewables Portfolio Standard Tracking and Verification – WREGIS

The Energy Commission, together with the Western Governors' Association and the Western Electricity Coordinating Council (WECC), developed and implemented WREGIS, a regional renewable energy registry and tracking system, to address RPS tracking needs. WREGIS was established to meet the legislative mandate of SB 1078: to design and implement a tracking system to ensure that renewable energy output is counted only once for the RPS and for verifying retail product claims in California or other states.

Subsequent legislative direction from the 2006 enactment of SB 107 states that if the Energy Commission provides funding for a regional accounting system, all costs should be recovered through user fees. In addition, SB 107 requires that the Energy Commission and the CPUC conclude that the tracking system is operational before allowing the use of renewable energy credits to satisfy a retail seller's RPS target. To be considered operational, the tracking system must be capable of independently verifying that electric generation by renewable energy resources has been generated and delivered to retail sellers and that the system can ensure that

[27] California Energy Commission, January 2007, *2006 Integrated Energy Policy Report Update*, page 39, Publication Number CEC-100-2006-001-CMF.

the renewable energy credits shall not be double counted within the service territory of WECC. The Energy Commission is working with the CPUC on a process for both agencies to determine that the Energy Commission's RPS tracking system is operational and this determination is anticipated by the end of 2007.

WREGIS consists of two components: a renewable energy registry and tracking system and its technical infrastructure, provided by APX, Inc., and the administrative operations infrastructure and staff to develop and administer the WREGIS program, provided by WECC.

- APX was procured through a Department of General Services Request for Proposals for a System Development and Technical Operations Contractor, released in September 2005, on behalf of the Energy Commission. Final proposals were received in June 2006, and the Energy Commission awarded the contract in August 2006 to APX, Inc. The System Development and Technical Operations Contractor was hired to modify a base software system to meet WREGIS requirements.
- In addition to the contract with APX, Inc., the Energy Commission also procured other services through several leveraged procurement agreements. The services included a Senior Project Manager to oversee the WREGIS project, a Program Development Project Manager to act as the lead to establish the administrative operations at WECC, an Independent Project Oversight Consultant to ensure that proper protocols regarding project management are being followed and to reduce or eliminate potential risks to the WREGIS project by identifying issues early and recommending solutions, and a Quality Assurance and Configuration Management Consultant to ensure that the project's products conform to their specified requirements and that any changes made follow the appropriate procedures. Additionally, a portion of the Energy Commission's technical support contract funds, through its contract with KEMA, Inc., was used for WREGIS for subject matter expertise.

In 2004, the WECC Board of Directors adopted a resolution that WECC would act as the institutional home for WREGIS and approved the WREGIS Charter establishing the WREGIS Committee as a Board Committee of WECC. The WREGIS Committee acts as the governance committee of WREGIS and provides policy guidance and decision making related to WREGIS activities. As part of the 2004 resolution, the Energy Commission agreed to act as the financial backstop for WECC, with respect to WREGIS activities. The Energy Commission and WECC subsequently approved a $2.2 million contract in August 2006, which formalized the agreement to fund WREGIS activities at WECC, and defined the roles and responsibilities of the Energy Commission and WECC. WECC is responsible for hosting WREGIS and administering the WREGIS program.

The WREGIS Committee is also responsible for ensuring that WECC can meet their commitment to have WREGIS self-funding within three years. To meet this goal and to meet the legislative mandate of SB 107, the WREGIS Committee set fee levels for private system users (also known as Account Holders) on April 30, 2007. These fee levels were chosen carefully to achieve the goals and oversee the operations of WREGIS in a manner that is fair, credible,

consistent with the public interest, and responsive to the needs of participants. As part of this goal, the fees were set at such a level as to cover the costs of running WREGIS using conservative estimates of system usage and the number of paying account holders.

The following milestones for the WREGIS project occurred in fiscal year 2006-2007:

- The $3.28 million contract between the Energy Commission and APX, Inc., the System Development and Technical Operations Contractor, began on September 13, 2006. The Energy Commission contracted with APX, Inc., to modify an existing renewable energy registry and tracking system to meet WREGIS requirements.
- The contract between the Energy Commission and WECC began on September 15, 2006. The Energy Commission contracted with WECC for $2.2 million to house the day-to-day administrative operations of WREGIS, including WREGIS staff.
- A contract for $55,100 for the Independent Project Oversight Consultant was approved by the Energy Commission at the September 14, 2006, business meeting. The Independent Project Oversight Consultant identifies, quantifies, and recommends measures to reduce or eliminate potential risks to the WREGIS project. This position is required by the Department of Finance for information technology projects such as WREGIS.
- The contract for the WREGIS Quality Assurance and Configuration Management Consultant was approved by the Energy Commission at the September 27, 2006, business meeting. The Quality Assurance and Configuration Management Consultant ensures that the project's products and processes conform to their specified requirements and will also ensure that all work products received or generated by the project are adequately documented, stored, and managed. This contract was for $115,200; however, in April 2007, the end date was extended, and an additional $40,000 (from funds other than the RRTF) was added to the contract to accommodate an increased workload as well as a longer schedule of system design and testing.
- WREGIS Administrative staff, including a WREGIS Administrator, Assistant Administrator, and Program Analyst began work at WECC in November and December 2006.
- A new, dedicated WREGIS website made its debut in March 2007 at www.wregis.org. This site provides updates and important WREGIS documents, and is the home of the WREGIS software application.
- In March 2007, the WREGIS Administrative staff conducted outreach via informational "webinars." Approximately 70 stakeholders attended remotely.
- The Senior Project Manager and Program Development Project Manager continued their services. In April 2007, the contract for the Program Development Project Manager was augmented by $40,000 (from funds other than the RRTF) to compensate for a greater-than-anticipated workload.

- In-person training for WREGIS was held throughout the West. The training sessions allowed potential users and account holders to view the system and understand the functionality available.
- Final WREGIS Operating Rules were published on June 4, 2007. The Operating Rules contain information on how the WREGIS system operates and how Account Holders will use WREGIS.
- The WREGIS Terms of Use (that is, the WREGIS Account Holder Agreement) was published on June 20, 2007. All users must sign this agreement before becoming account holders in WREGIS.
- The WREGIS software application became available for use on June 25, 2007, and the WREGIS staff at WECC began accepting applications for account holder registration.

Ongoing assistance with WREGIS implementation has also been provided through the Energy Commission's technical support contractor, KEMA, Inc. Of the $236,226 committed for WREGIS activities under the contract, $84,165 was expended in fiscal year 2006-2007.

Table 5 shows cumulative funding and expenditures for WREGIS development and implementation as of June 30, 2007.

Table 5: WREGIS Development and Implementation Cumulative Funding and Expenditures as of June 30, 2007

Description	Funding	Expenditures as of 6/30/2007
APX, Inc., System Development and Technical Operations Contractor	$3,277,702	$693,992
Establish and operate WREGIS at the WECC	$2,202,750	$154,830
Knowledge Structures, Inc., subject matter experts	$249,250	$232,219
KEMA-XENERGY technical support[28]	$70,293	$70,293
KEMA technical support[29]	$236,226	$175,338
Enterprise Networking Solutions	$193,200	$193,200
Visionary Integration Professionals	$198,000	$191,415
Public Sector Consultants	$55,100	$42,050
Personal Enterprises, Inc.	$115,200	$89,360
TOTAL	**$6,597,721**	**$1,842,697**

[28] KEMA-XENERGY, under Energy Commission contract #500-01-036, was technical support contractor for the Renewable Energy Program from June 2002 through June 2005. KEMA-XENERGY subsequently changed its name to KEMA.

[29] KEMA, under Energy Commission contract #500-04-027, is presently technical support contractor for the Renewable Energy Program with a contract term of June 2005 through June 2008.

Additional details for fiscal year 2006-2007 WREGIS development and implementation expenditures and encumbrances are reported under its funding source, the Consumer Education Program.

New Renewable Facilities Program

The New Renewable Facilities Program presently consists of two components. The original program[30] provides production incentives to new renewable generating facilities in accordance with the guidelines from the initial program under SB 90. These incentives are paid in addition to what the facility is paid for its electricity. The program evolved under SB 1038, SB 1078, and SB 107[31] to offer financial production incentives to cover above-market costs of meeting the RPS, subject to certain cost constraints. If an eligible facility secures a power purchase agreement with a retail seller through a competitive solicitation, it may apply for SEPs.

New Renewable Resources Account

Summary

The New Renewable Resources Account originally awarded funding through competitive auctions in which facilities bid for the amount of incentive they wished to receive, up to 1.5 cents per kilowatt-hour (cents/kWh). Funding was awarded from lowest request to highest, capped by the total amount of funding available for each auction. The Energy Commission held three such auctions between March 1998 and June 2001, awarding approximately $242 million to 81 facilities that represented about 1,300 MW of capacity.

To receive funding from the Energy Commission, facilities must meet a series of milestones and begin commercial operation. Once on-line, the facilities receive incentive payments for a maximum of five years. Of the 81 original awardees, 22 facilities were unable to meet their milestones, subsequently canceling their funding awards for a variety of reasons including public opposition or inability to secure a fuel supply or power purchase contract.

[30] Original program under SB 90 is called the New Renewable Resources Account and is subsumed under the New Renewable Facilities Program.

[31] Program under SB 1038, SB 1078, and SB 107 is called the New Renewable Facilities Program.

Table 6 summarizes the remaining 59 participating facilities by technology.

Table 6: New Renewable Resources Account Summary of Auction Winning Facilities

Technology	# of Projects	Capacity (MW)	Average Incentive (¢/kWh)	*Total Funds Committed*[1]
Biomass	2	11.30	1.30	*$3,104,146*
Geothermal	4	156.90	1.29	*$74,283,579*
Landfill Gas	16	49.57	1.11	*$17,044,800*
Small Hydro	4	32.24	1.05	*$3,631,001*
Wind	33	559.42	0.78	*$52,505,768*
Total	**59**[2]	**809.43**	**0.94**	***$150,569,294***

[1] The total funds committed for winning bidders in the second and third auctions reflect both the loss of potential bonuses for early on-line dates and 50% penalties for later on-line dates for those projects not yet on-line. The original conditional funding awards for winning bidders in the second and third auctions included potential bonuses for early on-line dates and did not reflect potential penalties for later on-line dates. The total funds committed also reflects a reduction of funds for projects that have completed their five year collection of funds, did not fully collect the total funds originally allocated to them in their Conditional Funding Award, and had the uncollected funds disencumbered.
[2] The Wintec #2 wind project was split into two projects during fiscal year 2005-2006, but to maintain consistency with previous years, it will continue to be treated as one project for this section.

Activities and Status of Projects

Of the 59 active facilities shown in Table 6, 47 came on-line bringing new renewables capacity to California's electricity grid. Table 7 shows these 47 facilities by technology.

Table 7: Summary of On-Line Projects June 1999 Through June 30, 2007

Technology	MW On-Line	# of Projects
Biomass	11.30	2
Geothermal	59.00	2
Landfill Gas	39.57	15
Small Hydro	31.25	3
Wind	348.12	25
Total	**489.24**	**47**[1]

[1] The Wintec #2 wind project was split into two projects during fiscal year 2005-2006, but to maintain consistency with previous years, it will continue to be treated as one project for this section.

A summary of payments made by technology through June 30, 2007, is shown in Table 8.

Table 8: Summary of Payments Through June 30, 2007

Technology	MW	MW On-line	*Total Payments*	*Total Funds Committed And Paid*	*Percent of Committed Funds Paid*
Biomass	11	11	*$2,447,186*	*$3,104,146*	*79%*
Geothermal	157	59	*$25,252,142*	*$74,283,579*	*34%*
Landfill Gas	50	40	*$11,775,790*	*$17,044,800*	*69%*
Small Hydro	32	31	*$2,606,197*	*$3,631,001*	*72%*
Wind	559	348	*$27,428,260*	*$52,505,768*	*52%*
Total	**809**	**489**	*$69,509,574*	***$150,569,294***	*46%*

Totals may not sum due to rounding.

As of June 30, 2007, 47 facilities have received incentive payments totaling $69.5 million for 7,545 GWh of generation. During the 2006-2007 fiscal year, a total of $6.86 million was disbursed for 984 GWh of generation. A list of payments and generation for all projects receiving funding during fiscal year 2006-2007 is detailed in the *2007 Annual Report Appendix, Appendix B,* on the Energy Commission's website at www.energy.ca.gov/renewables/documents/index.html.

Decisions occurring in fiscal year 2006-2007 affecting projects participating in the program include the following:

- Nineteen projects funded by the New Renewable Resources Account reached the end of their five-year collection period this year, the project accounts were closed, and any unused funds were disencumbered and returned to the New Renewable Resources Account:

CEC ID #	Funding Award Agreement #	Name
50011	REN-98-055	Green Power Partners
50044	REN-98-033	MM Woodville
50056	REN-01-056	Sierra Pacific-Sonora
50068	REN-01-068	Diamond Valley Lake, Small Conduit Hydroelectric
50059	REN-01-059	Lincoln Power Plant
50036	REN-98-019	Mountain View Power Partners (Alexander 1)
50037	REN-98-020	Mountain View Power Partners (Alexander 2)
50038	REN-98-021	Mountain View Power Partners (Alexander 3)
50039	REN-98-013	Mountain View Power Partners (16 West - 1)
50040	REN-98-014	Mountain View Power Partners (16 West - 2)
50049	REN-98-009	Mountain View Power Partners (Phoenix 2)
50050	REN-98-010	Mountain View Power Partners (Phoenix 3)
50051	REN-98-011	Mountain View Power Partners (Phoenix 4)
50052	REN-98-012	Mountain View Power Partners (Phoenix 5)
50055	REN-98-024	Mountain View Power Partners (Catellus 3)
50057	REN-98-026	Mountain View Power Partners (Catellus 5)
50058	REN-98-025	Mountain View Power Partners (Catellus 4)
50066	REN-01-066	Mountain View Power Partners LLC (Alexander 4)
50067	REN-01-067	Mountain View Power Partners (Catellus 6)

- During this year, the following two projects funded by the New Renewable Resources Account were paid their full award amount, and the project accounts were closed:

CEC ID #	Funding Award Agreement #	Name
50053	REN-98-022	Mountain View Power Partners (Catellus 1)
50054	REN-98-023	Mountain View Power Partners (Catellus 2)

- The following nine projects reached the end of their conditional funding award term (December 31, 2006) without coming on-line and were cancelled during the fiscal year.

CEC ID #	Funding Award Agreement #	Name
50008	REN-98-054	Enron Wind Devel. Corp. Victory Garden
50009	REN-98-052	Enron Wind Devel. Corp. Gorman (Cottonwood)
50010	REN-98-051	Enron Wind Devel. Corp. Christensen/Iazar P.
50012	REN-98-053	Enron Wind Devel. Corp. Painted Hills
50016	REN-98-043	Riverside County Waste Resources Lamb Canyon
50033	REN-98-047	San Francisco, City & County of (SF Sunol/Calaveras Small Hydro)
50034	REN-98-048	San Francisco, City & County of (SF Southeast Digester Gas Cogeneration)
50070	REN-01-070	Green Ridge Power, LLC
50073	REN-01-073	Southern Sierra Power, LLC

New Renewable Facilities Program

Supplemental Energy Payments

With the passage of SB 1038 and SB 1078, the Energy Commission was directed to award production incentives (referred to as SEPs) from the New Renewable Facilities Program through competitive RPS solicitations conducted by IOUs rather than through Energy Commission auctions. New renewable facilities that meet specific eligibility requirements may receive SEPs that will be paid for each kilowatt-hour (kWh) of eligible electricity they generate. Under these bills, the New Renewable Facilities Program was allocated 51.5 percent of Renewable Energy Program funds, about $69.5 million per year, to be used for SEP payments. SB 107 continued the allocation of 51.5 percent of total program funds, equivalent to about $77.3 million per year from 2007 through 2011.

When the Renewable Energy Program was established in 1998, a "new" facility was defined as a facility beginning operation after September 26, 1996. Under the California RPS program, "new" is now defined as beginning operation on or after January 1, 2005, with a few exceptions for specific facility vintages and types. To be eligible for SEPs, a facility must begin commercial operations or be repowered on or after January 1, 2005, or such later date as determined by the Energy Commission. Also electricity generated by a SEP-eligible facility must not be sold under certain long-term contracts with an in-state IOU, used on-site, sold in a manner that avoids competitive transition charge payments, or used to service the electrical load of customers not subject to the renewable energy public goods charge, which is collected from ratepayers to support the Renewable Energy Program. The facility must meet fuel and technology-specific criteria and agree to participate in the Energy Commission's tracking system to become certified with the Energy Commission as eligible for the RPS and SEPs.

In March 2007, the Energy Commission adopted a revised *New Renewable Facilities Program Guidebook*[32] that made changes in the SEP application process and data requirements. To make efficient use of public funds for SEPs, the Energy Commission requires the IOUs to provide specific data about below- and above-market bids received in response to RPS solicitations. The revised *Guidebook* also added additional information about delivery requirements for out-of-state renewable energy in response to SB 107.

As of June 30, 2007, the Energy Commission had received two applications for SEPs, both of which were withdrawn. However, based on Advice Letters filed at the CPUC in June and July, 2007, staff expected to receive five applications in the near term, and the probability of numerous additional applications resulting from the 2005 and 2006 IOU RPS solicitations remained high. By October 3, 2007, three of the expected five applications were received, but consideration of funding will be delayed until applications are complete and confidentiality determinations have been made.

[32] California Energy Commission, March 2007, *New Renewable Facilities Program Guidebook*, CEC-300-2007-002-CMF.

New Renewable Facilities Program Funding Status

Table 9 summarizes fiscal transactions for the New Renewable Facilities Program through June 30, 2007.

Table 9: New Renewable Facilities Program Cumulative Funding and Expenditures as of June 30, 2007[33]

New Renewable Facilities Program ($ Millions)	
Collected Funds	
SB 90	162.000
SB 1038	355.542
SB 1250	37.555
Bear Valley Electric	0.215
Intrafund Reallocations	
Existing to New for 2nd auction (12/00)	40.000
$40M for 2nd auction reduced to $33.8M; $6.2M difference reallocated to Emerging (9/01)	-6.200
New to Emerging to supplement rebate funds (8/06)[1]	-15.123
New to Emerging to supplement rebate funds (5/07)[2]	-28.500
Total Collected and Reallocated	**545.489**
Disbursements	-69.510
Year-End Accruals[3]	-1.640
Encumbrances	-81.060
Intrafund Transfer[4]	
Temporary transfer to Emerging to supplement funds for rebates (AB 135)[5]	-60.000
BALANCE	**333.279**

[1] These are SB 90 funds conditionally reallocated from the Existing Renewable Resources Account to the New Renewable Resources Account to fund the second and third New Account auctions. However, due to penalties and cancellations associated with New Account awards, these funds were not needed to cover New Renewable Resources Account auction winners.
[2] These are SB 90 New Renewable Resources Account funds that became available due to the following: (1) Funds remaining from projects whose five-year collection period had ended, and (2) funds from projects that never came online and whose Funding Award Agreements subsequently expired as of 1/1/07.
[3] Accruals are staff's estimate of payments to new facilities that have not yet invoiced the New Renewable Resources Account as of June 30, 2007.
[4] Public Resources Code Section 25751(f) authorizes the Energy Commission to transfer funds among program accounts in the RRTF for cash flow purposes, provided that the balance due each program account is restored and the transfers do not adversely affect any of the programs.
[5] Beginning in January 2005, AB 135 authorizes the use of an additional $60 million of RRTF funds to be collected from 2007 through 2011 and subject to the repayment requirements of Public Resources Code Section 25751(f).

[33] This table contains data from the Energy Commission's Accounting Office. Accounting data may differ from Renewable Energy Program staff data reported in the table because funds may be returned, credited, or repaid that are not tracked in real time by Renewable Energy Program staff.

Emerging Renewables Program

Summary

The Emerging Renewables Program provides incentives in the form of rebates to customers who install eligible renewable energy systems to offset part or all of their electricity needs at their homes or businesses. The program was initially allocated $54 million for incentive payments from 1998 through 2001. In 2002, under SB 1038, more than $118 million was allocated for rebates from 2002 through 2006. Beginning in January 2005, AB 135[34] authorized the use of an additional $60 million of RRTF dollars to be collected from 2007 through 2011, subject to the repayment requirements of Public Resources Code Section 25751(f). SB 1250, passed in 2006, continued funding for program activities with the allocation of more than $281 million for 2007 through 2011.

Several past RRTF reallocations (see Chapter 3) have also served to supplement Emerging Renewables Program rebate dollars as demand increased. These include the Energy Commission's reallocation of $19 million in RRTF earned interest and 90 percent of the SB 1038 funds collected for the discontinued Customer Credit Program (totaling more than $60 million collected over five years).

The goal of the Emerging Renewables Program is to stimulate the market for distributed renewable energy until incentives are no longer needed to sustain the market for these technologies. A major barrier to consumer adoption is price, although rebates reduce the initial net purchase cost of the systems, thereby stimulating sales. The dramatic growth in demand in recent years has encouraged solar photovoltaic manufacturers to expand their production volume, which in turn improved the distribution network and increased the number of qualified installers. Because the market's expansion improves economies of scale, the Energy Commission anticipates lower system costs over the long term, particularly as technology advances. Issues such as higher photovoltaic module prices, however, can cause near-term fluctuations in total installed costs for these systems.

Monies are transmitted to the Energy Commission's RRTF quarterly, yet the demand for rebates can outpace the collection of funds. To respond to rebate requests and maintain momentum in the Emerging Renewables Program, funds may be borrowed from other RRTF accounts against future quarterly collections for the Emerging Renewables Program as needed, provided the total program allocation is not exceeded. Rebate funds are available on a first-come, first-served basis until the total funding is exhausted. Any funds from cancelled or expired rebate reservations are made available to new participants. The rebate incentive levels, based on a system's generating capacity and measured in watts (AC), have varied over the duration of the program. They have traditionally declined by 20 cents per watt (cents/watt) on July 1 and January 1 of each year. However, due in part to rising photovoltaic module prices, in January 2006, the Energy Commission decided not to reduce the rebate level for each eligible technology and increased the rebate level for wind. In June 2006, the Energy Commission dropped the

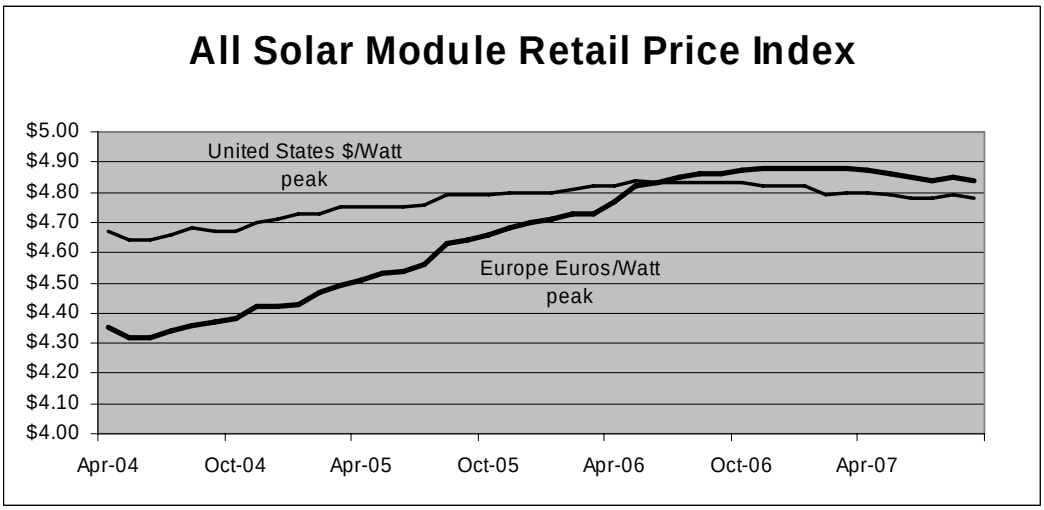
[34] As codified in Public Resources Code Section 25744, Subdivision (c).

rebate level by 20 cents for all technologies except wind (the rebate level was maintained at the January 2006 level).

To be eligible to receive rebates from the Emerging Renewables Program, a number of basic criteria must be met. The generating system must be new, use an eligible technology type, such as fuel cells or small wind turbines, and include other major system components (for example, inverters) approved by the Energy Commission. Qualifying systems must have a five-year warranty and must be less than 30 kW in size.[35] In addition, the generating system must be installed on a site that is interconnected to an eligible electric utility (investor-owned utilities only) and must offset part or all of the electricity demands of its installation site. Before January 1, 2007, the eligible technology types were limited to solar photovoltaic systems, solar thermal electric systems, small wind turbines no more than 50 kW of rated capacity, and fuel cell technologies that use renewable fuels. Beginning in January 2007, the solar components were moved to the California Solar Initiative and the New Solar Homes Partnership (NSHP) program.

It is important to note that photovoltaic module prices started to stabilize by the end of 2006 in the U. S. market after a period of steep increase, as shown in Figure 1. The U. S. index last showed a rise in November 2006 and the European index in March 2007. In particular, the demand for clean energy is being met by investments in manufacturing capacity to produce more solar modules, as well as manufacturing economies of scale and increases in solar cell efficiencies.

Figure 1: Solar Module Retail Prices
(Survey Retail Prices Exclude Sales Taxes)



Source: Solar Buzz Inc., solarbuzz.com, August 22, 2007

[35]Wind systems up to 50 kW in size may participate, but the rebates for such systems are limited to those less than 30 kW.

Program Activities and Status

Calendar year 2006 was notable in that the total number of rebate applications received increased 112 percent to 11,371 (60 MW) compared to 5,353 (30.6 MW) in 2005. The program experienced this dramatic increase due, in part, to two anticipated events: the expected July 1, 2006, drop in the rebate level and the replacement of the Emerging Renewables Program's solar component with the California Solar Initiative (administered by the CPUC) in January 2007.

For the reporting period of July 1, 2006, to June 30, 2007, a total of 5,797 applications were received representing 7.54 MW of potential generating capacity (for 2007 portion, this includes only wind systems). Reservation activity since the beginning of the Emerging Renewables Program through June 2007 is detailed in Figures 2 and 3.

Figure 2: Application Activity by Quarter
January 1998 through June 2007

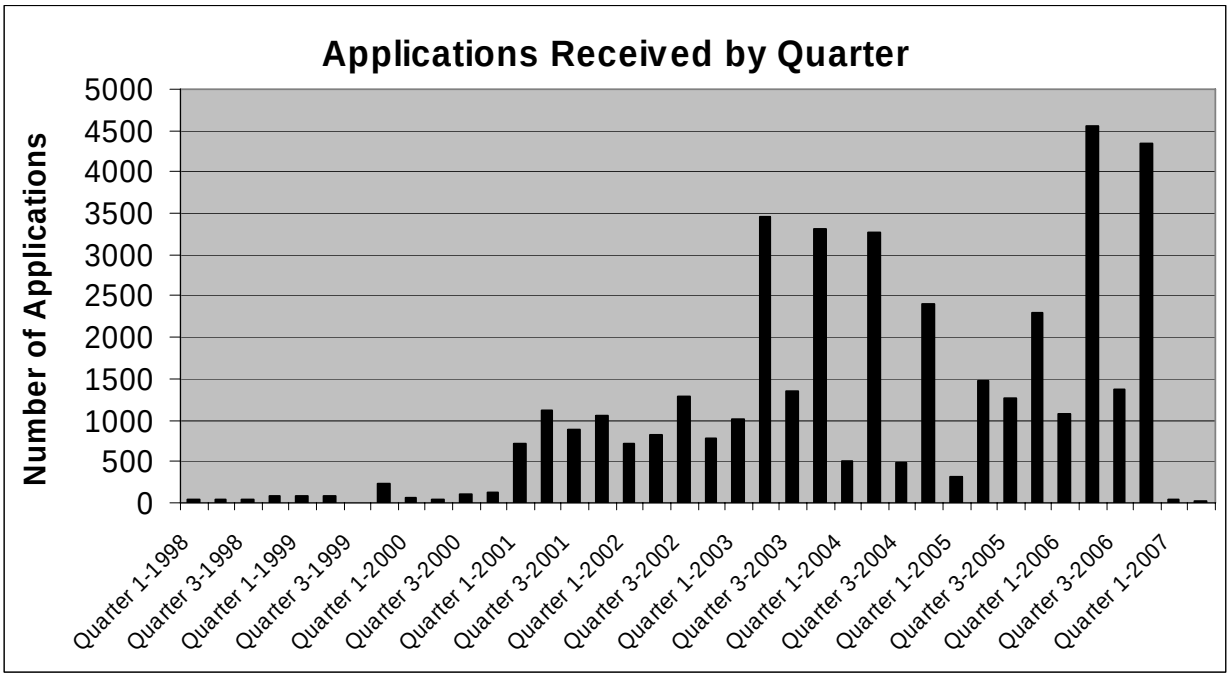
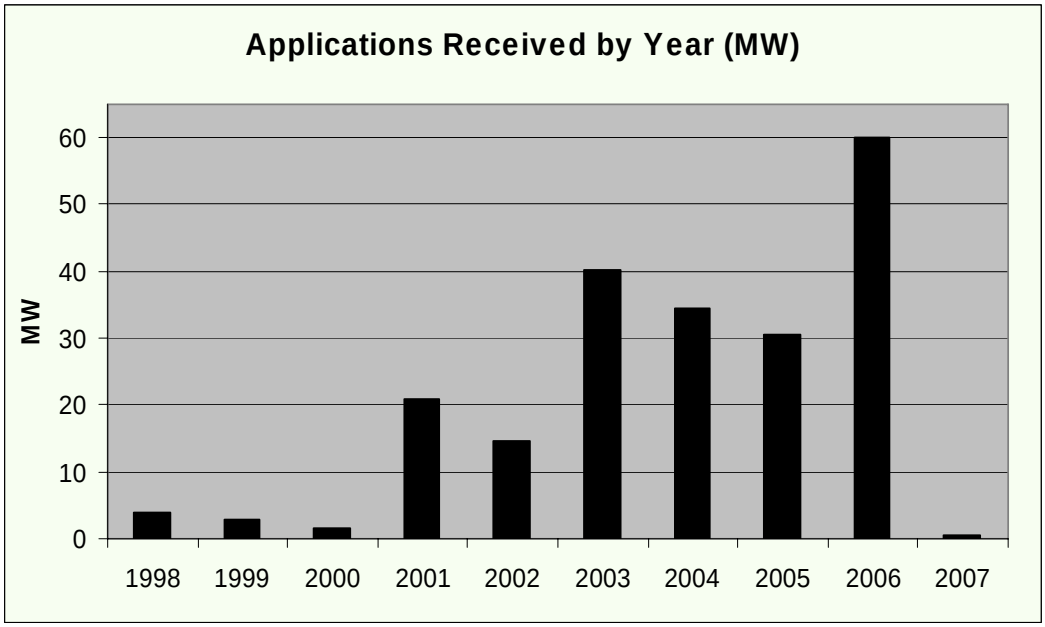


Figure 3: Application Activity by Capacity
January 1998 Through June 2007



Under SB 1 and the California Solar Initiative, as of January 1, 2007, the majority of the rebates for solar photovoltaic systems are now being handled by investor-owned electric utility companies under the direction of the CPUC. New residential construction, however, is covered under the NSHP and administered currently by the Energy Commission. To address these changes, in December 2006, the Energy Commission revised and adopted the *Emerging Renewables Program Guidebook (Eighth Edition)*, effectively removing eligible solar technologies. Fuels cells and small wind turbines remain eligible for rebates under the Emerging Renewables Program.

During fiscal year 2006-2007, the Energy Commission paid $90.1 million to 6,636 rebate applicants for completed projects located in IOU service areas. Completed projects represent 33 MW of generating capacity from photovoltaic and wind systems. As of June 30, 2007, customers planning to install additional systems held approved rebate reservations totaling 18.2 MW of solar and wind capacity, encumbering about $48.6 million. Approximately 18 reservation requests for wind systems were received for 158.3 kW of wind capacity representing $299,700 encumbered funds.

Since the Emerging Renewables Program's beginning in 1998 through June 2007, 25,689 emerging renewable systems have been installed with support from the program, representing 112.5 MW of distributed renewable electricity capacity, bringing total disbursements to about $374 million. Figures 4 and 5 show payment and installation activity since the program's inception through June 2007.

Figure 4: Payment Activity by Quarter
February 1998 Through June 2007

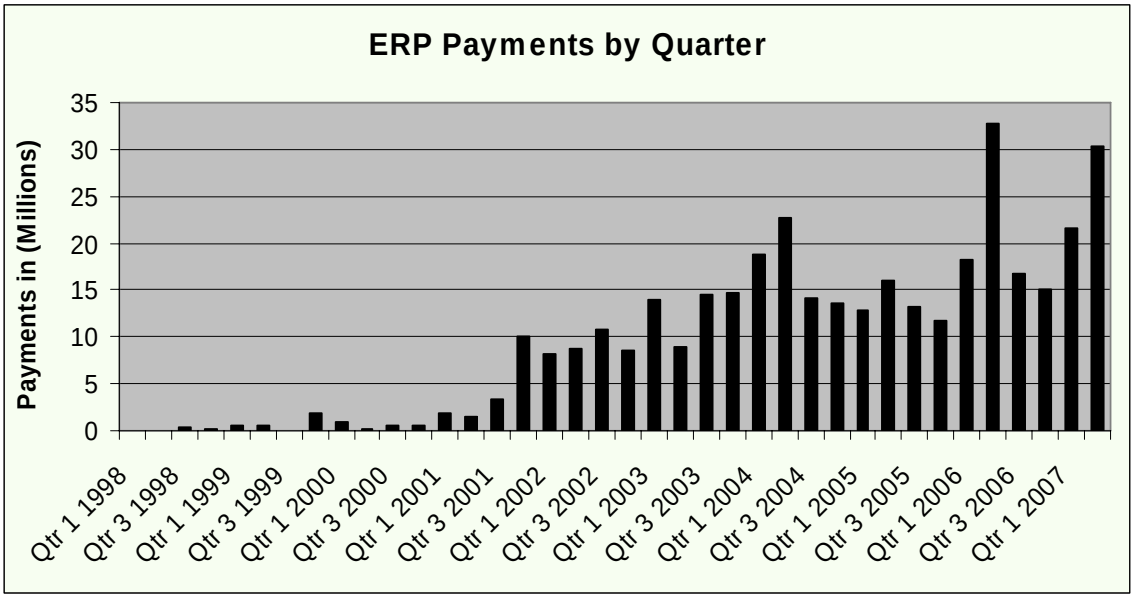
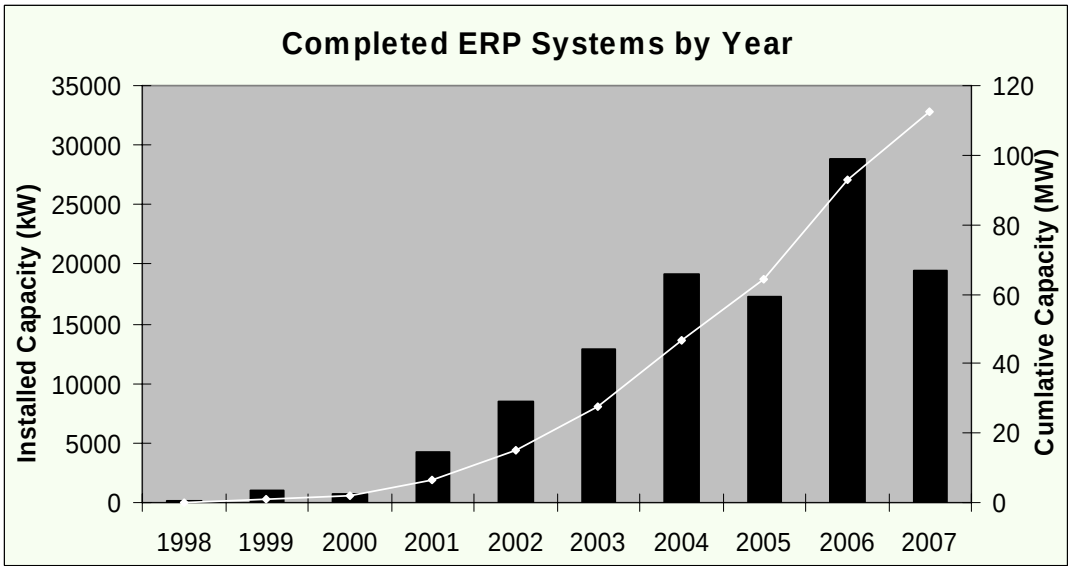


Figure 5: Completed Systems by Year
February 1998 Through June 2007



Updated public information concerning the Emerging Renewables Program continues to be made available on the Energy Commission's website.

New Solar Homes Partnership

Long a leader in environmentally sound approaches to energy use and conservation, California continues that tradition with an aggressive new program to promote solar development. At the direction of Governor Schwarzenegger, in January 2006, the California Solar Initiative was created by the CPUC with the Energy Commission. The California Solar Initiative is the largest solar program of its kind in the nation and provides more than $3.35 billion in ratepayer funding over the next 10 years to help California move toward a cleaner energy future and help bring the costs of solar electricity down for California consumers. The goal of the program is to increase the amount of installed solar generating capacity in the state by 3,000 MW by the end of 2016. The California Solar Initiative will be a major source of dependable and environmentally friendly electricity and is a major tool in the state's promise to address climate change and meet the Governor's goals to reduce greenhouse gas emissions.

With the recent enactment of SB 1 providing additional direction for the program, all customers served by IOUs and local publicly owned electric utilities (municipal utilities) in California are afforded the opportunity to receive incentives for installing their own solar systems. For customers of IOUs, there are two programs: the CPUC provides incentives to existing residential and to new and existing nonresidential customers, and the Energy Commission provides incentives for new residential homes.

The Energy Commission’s NSHP focuses on encouraging solar installations with high levels of energy efficiency in the residential new construction market including new affordable housing. The goal of the NSHP program will be to install 400 MW of photovoltaic solar in the new homes market by the end of 2016 with 50 percent of the new homes’ market incorporating solar and energy efficiency measures that go at least 15 percent beyond the state’s Title 24 building efficiency standards. Both the NSHP and the California Solar Initiative programs became operational January 1, 2007.

The Energy Commission works with builders and developers to incorporate high levels of energy efficiency and high-performing solar systems to help create a self-sustaining solar market. The NSHP specifically targets single family, multifamily, and affordable housing markets.

During the period January 1 - June 30, 2007, a total of 37 applications, representing 228 homes (and photovoltaic systems), were received. Of those, 9 applications were approved, reflecting 43 homes. The remaining applications are in the review process or are on hold pending additional documentation from the applicant. As of June 30, 2007, no payments have been made. Table 10 summarizes NSHP activity.

Table 10: New Solar Homes Partnership Activity as of June 30, 2007

Application Type	# of Apps Received	Total # of Homes	# of Apps Approved	# of Homes Approved
Large Development (6+ homes)	5	196	1	35
Small Development (<6 homes)	0	0	0	0
Affordable Housing	1	1	0	0
Custom Home	31	31	8	8
Total	**37**	**228**	**9**	**43**

In October 2006, a new website was launched to provide information on the two programs, the California Solar Initiative and NSHP. This link, [www.GoSolarCalifornia.ca.gov], is the state's portal to the NSHP, California Solar Initiative, and programs administered by municipal utilities. It describes each program's goals and requirements and includes the *New Solar Homes Partnership Guidebook*[36] and the California Solar Initiative Handbook. The website was developed to assist eligible consumers in understanding the incentive application process and provides a user-friendly calculator for computing the expected incentive amount based on data entered by the customer or their representative (that is, installer). Further, the website offers a wealth of information and posts announcements and events that relate to solar energy. To make it easier for interested applicants to find information, it is arranged by application type: new homes, existing homes, non-residential buildings, low-income and affordable housing, and municipal utility customers. Although content is provided by staff from the CPUC and the Energy Commission, the website is currently being maintained by the Energy Commission. Website content is posted as new information becomes available and is updated regularly.

Pilot Performance-Based Incentive Program Element

This pilot program began in January 2005 as a possible long-term option for building the photovoltaic market in California. With a budget of $10 million, the program offers a rebate level of 50 cents/kWh paid quarterly over three years for electricity generated by an eligible photovoltaic system. The reservation period under the pilot Performance-Based Incentive program consists of a 12-month preliminary reservation during which the applicant purchases and installs the system, and a final reservation in which quarterly payments are made for the actual generation. No system size limitation was set, except to ensure a sufficient number of participants in the program to make meaningful analyses, and the amount of funding available

[36] California Energy Commission, July 2007, *New Solar Homes Partnership Guidebook*, Second Edition, 300-2007-008-CMF, www.gosolarcalifornia.ca.gov/documents/CEC-300-2007-008-CMF.PDF

for any system was capped at $400,000 with a cap of $1,000,000 for any one corporate or government parent.

For fiscal year 2006-2007, total payments of $236,800 were made for 10 on-line systems. As of June 30, 2007, total payments of $495,300 have been paid for 12 systems representing 562 kW of capacity. A total of 26 projects remain in various stages of program participation, encumbering $4.6 million and equaling 756 kW of capacity.

The Energy Commission has been evaluating the pilot Performance-Based Incentive program to determine if the objectives for the program have been met and program design and incentive levels were adequate. In an effort to assess the pilot Performance-Based Incentive program, the Energy Commission outlined the following questions to evaluate the program: who chose to participate in the program and why; how does performance compare to systems with upfront rebates; and did the program deliver more benefits to ratepayers than capacity-based rebates?

A mail survey of all Performance-Based Incentive applicants was conducted in summer 2006. In addition, staff also surveyed photovoltaic customers of the CPUC's Self-Generation Incentive Program to compare the two programs. Survey results were compiled and analyzed by the Energy Commission with the assistance of its technical support contractor, KEMA, Inc. The resultant report, *Preliminary Evaluation of Pilot Performance-Based Incentive Program*, is currently available at the following address: www.energy.ca.gov/2007publications/CEC-300-2007-011/CEC-300-2007-011.PDF. Staff has recommended a follow-up report, perhaps in 2008, to obtain and analyze information regarding Performance Based-Incentive participants' system design, installation, and performance data.

Although the development of the California Solar Initiative effectively closed the pilot Performance-Based Incentive program, information presented in the final report may be useful in future modifications of the California Solar Initiative.

Affordable Housing Program Element

The Energy Commission has established a higher rebate level for qualifying systems installed on affordable housing projects, under AB 58 (Keeley, Chapter 836, Section 1, Statutes of 2002). Qualifying systems installed on affordable housing projects receive a rebate 25 percent higher than the standard rebate level, not to exceed 75 percent of the system cost. Eligible systems include those offsetting the on-site load of residential units that meet affordability requirements. The common area and manager's unit may also be included provided all other units in the project meet affordability requirements. During 2006 and early 2007, the Energy Commission formed an Affordable Housing Advisory Committee to provide guidance in how to enhance the applicable program rules and incentives available under the NSHP. This was reflected in the *NSHP Guidebook, Second Edition*, which was published just after fiscal year 2006-2007 ended.

For the period of July 1, 2006, to June 30, 2007, the program paid $1.93 million to 110 affordable housing projects representing 568 kW; $3.6 million in incentives remain reserved for 308 affordable housing reservations to install photovoltaic systems. The affordable housing program element represents 1,004 kW of installed renewable electricity capacity.

Solar Schools Program Element

In May 2004, the Energy Commission adopted specific funding and eligibility requirements for the Solar Schools element of the Emerging Renewables Program. The $4.5 million in incentives for the program element, funded equally by the Energy Commission's Emerging Renewables Program ($2.25 million) and the California Attorney General's Alternative Energy Retrofit Account (AGAERA, $2.25 million), provides rebates for the installation of solar photovoltaic systems for public and charter schools that meet certain eligibility requirements. Funding was executed via an interagency agreement between the Energy Commission and the Consumer Power and Conservation Financing Authority (CPA). In June 2006, the Energy Commission approved an 18-month, no-cost time extension to its interagency agreement with CPA. The special funding for the Solar Schools Program is now set to expire on June 30, 2008.

For fiscal year 2006-2007, the program paid $272,335 in Emerging Renewable Program RRTF dollars and match funds of $272,335 AGAERA dollars for a total of $544,670 to three schools. These support dollars funded photovoltaic system installations representing 88.9 kW of renewable electricity capacity. Incentives of $1.04 `million (split evenly between RRTF and AGAERA funds) remain reserved for nine schools representing 203.4 kW of capacity.

As of June 30, 2007, cumulative Solar Schools Program payments of $3.3 million (from both funds) have been paid for a total of 24 installed photovoltaic systems for 528.8 kW of renewable electricity capacity.

Emerging Renewables Program Funding Status

Table 11 summarizes Emerging Renewables Program fiscal transactions through June 30, 2007.

Table 11. Emerging Renewables Program Cumulative Funding and Expenditures as of June 30, 2007[37]

Emerging Renewables Program ($ Millions)	
Collected Funds	
SB 90	54.000
SB 1038	182.949
SB 1250	27.346
Bear Valley Electric	0.091
General Fund Transfers	
General Fund to Emerging to supplement rebate funds pursuant to AB 29X (4/01)	15.000
Emerging to General Fund pursuant to SB 19X - These were unused monies designated for rebates to customers of publicly-owned electric utilities (4th Qtr 2002)[1]	-6.308
Intrafund Reallocations	
Existing to Emerging to supplement rebate funds pursuant to AB 29X (4/01)	15.000
New to Emerging - $40M for 2nd auction reduced to $33.8M; $6.2M difference to Emerging (9/01)	6.200
Customer Credit to Emerging (9/01)	10.000
Existing to Emerging (9/02)	13.000
RRTF Interest to Emerging (4/04)	10.000
Existing to Emerging (5/04)	15.000
New to Emerging (8/06)	15.123
Existing to Emerging (8/06)	23.600
RRTF Interest to Emerging (8/06)	6.000
Customer Credit to Emerging (8/06)	0.316
Voluntary Contributions (8/06)	0.019
New to Emerging (5/07)	28.500
RRTF Interest to Emerging (5/07)	3.000
Total Collected, Transferred and Reallocated	**418.835**
Disbursements	-374.178
Year-End Accruals[2]	-12.672
Encumbrances	-48.615
Intrafund Transfer[3]	
Temporary transfer from New Renewable Facilities to Emerging Renewables[4]	60.000
BALANCE[4]	**43.370**

[1] SBX1 19 (Chapter 3, Section 53, 1st Extraordinary Session, Statutes of 2003-04).
[2] Accruals are FY 06-07 rebate claims that were received before June 30, 2007 but not yet paid.
[3]Pursuant to Public Resources Code Section 25751(f), the Energy Commission is authorized to transfer funds between accounts within the Renewable Resource Trust Fund for cash flow purposes, provided that the balance due each program account is restored and that the transfers do not adversely affect any of the programs.
[4]Beginning in January 2005, AB 135 authorized the use of an additional $60 million of RRTF funds to be collected from 2007 through 2011, and subject to the repayment requirements of PRC Section 25751(f).

[37] This table contains data from the Energy Commission's Accounting Office. Accounting data may differ from Renewable Energy Program staff data reported in the table because funds may be returned, credited, or repaid that are not tracked in real time by Renewable Energy Program staff.

For an itemized list of project descriptions, amounts of funding reserved and paid, and energy capacity of all projects awarded rebates during fiscal year 2006-2007, refer to the *2007 Annual Report Appendix, Appendix C*, on the Energy Commission's website at www.energy.ca.gov/renewables/documents/index.html.

Existing Renewable Facilities Program

Summary

The Existing Renewable Facilities Program was initially allocated $243 million to fund renewable energy facilities in California that began operating before September 26, 1996. At that time, funding in the program was divided into three tiers intended to reflect the degrees of competitiveness of the various renewable energy technologies.

With the passage of SB 1038 in 2002, the Energy Commission modified program eligibility, funding levels, target prices, and caps. The 2002 through 2006 funding for the Existing Renewable Facilities Program was reduced from 45 percent ($243 million) of the overall Renewable Energy Program funds to 20 percent (about $135 million).

The current program under SB 1250 modified the process for determining target prices and caps for each facility from 2007 through 2011, and reduced the overall funding allocation to the Existing Renewable Facilities Program. These changes in statute are reflected in revised program guidelines that were adopted by the Energy Commission in 2007. SB 1250 reduced the funding for the Existing Renewable Facilities Program from 20 percent (about $135 million) of funds collected for 2002 through 2006 to 10 percent (about $75 million) for 2007 through 2011. Although existing wind facilities are technically eligible for funding, they currently do not require assistance. Therefore, all Existing Renewable Facilities Program funds are available for eligible existing solid-fuel biomass facilities and solar thermal electric facilities. However, the Energy Commission reserves the right to allocate funding for existing wind energy facilities in the future based on changes in market conditions.

SB 1250 also amended Public Resources Code Section 25742 (e) to require that the Energy Commission evaluate a facility on an individual basis rather than to assign target prices and production incentive caps collectively for facilities based on technology. Existing renewable facilities must now apply annually, and the Energy Commission assigns target prices and production incentive caps to qualified facilities each calendar year. The Energy Commission may still assign the same target prices and production incentive caps to groups of facilities, if appropriate.

Under the original program design, the amount of funds available in each tier declined each year as renewable generation facilities were expected to become more cost effective and therefore require less financial help to compete in an unregulated market. With the passage of SB 1038, however, funding allocations remained constant, and the program was divided into two tiers according to technology, with Tier 1 receiving the larger proportion of funding. Tier 1 included solid-fuel biomass and solar thermal facilities, and Tier 2 consisted of wind facilities.

The original Tier 3 technologies, along with one technology formerly in Tier 1 (waste tire), have not been eligible for funding from the Existing Renewable Facilities Program since January 1, 2002. Tier 3 technologies included geothermal, small hydro, digester gas, landfill gas, and municipal solid waste.

Table 12 lists the initial funding allocations by tier.

Table 12: Original Funding Allocations ($ millions) by Year[1]

	1998	1999	2000	2001	2002 – 2006 Annual Allocation	2007	2008	2009	2010	2011	Overall
Tier 1[2]	$43.20	$36.45	$31.05	$24.30	$20.25	$15.00	$15.00	$15.00	$15.00	$15.00	$311.25
Tier 2	$21.60	$18.90	$16.20	$13.50	$6.75	N/A	N/A	N/A	N/A	N/A	$103.95
Tier 3[4]	$12.15	$10.80	$8.10	$6.75	N/A	N/A	N/A	N/A	N/A	N/A	$37.80
All	**$76.95**	**$66.15**	**$55.35**	**$44.55**	**$27.00**	**$15.00**	**$15.00**	**$15.00**	**$15.00**	**$15.00**	**$453.00**

[1] Collection of funds from 2002 - 2011 is adjusted annually; consequently, the amounts available for those years for Tiers 1 and 2 are estimates.
[2] Waste Tire not eligible for funding from 2002 – 2011.
[3] Although existing wind facilities are technically eligible for funding from 2007 -2011, they currently do not require assistance and therefore have not been allocated any funds.
[4] Tier 3 technologies are not eligible for funding from 2002 – 2011.

Although SB 1038 did not become effective until January 2003, it allowed retroactive payments for 2002 generation. Of note is the 2002 target price for Tier 1, which was higher than in subsequent years (5.5 cents/kWh versus 5.37 cents/kWh). The Energy Commission had initially recommended the higher target price to the Legislature, but due to changes in the energy market, it was later determined that the lower target price for Tier 1 was more appropriate. During the 12-month interim, however, most of the facilities had operated on the assumption that the higher target price would prevail. To ensure that these facilities remained operational, the Energy Commission decided to make its 2002 retroactive payments based on the higher target price.

When the Existing Renewable Facilities Program was extended in 2003, the target prices for 2002 to 2006 were increased over those for 1998 through 2001. At the time the Energy Commission initially adopted the Existing Renewable Facilities Program guidelines, it was determined that the target price and cap would not be adjusted for inflation. In 2005, the California Biomass Energy Alliance requested that the Energy Commission increase the target price and cap for biomass facilities due to escalating diesel fuel prices that were increasing the cost of collecting and transporting biomass residues to the facilities. Because of these increased costs, some of the facilities curtailed generation during periods when the cost of obtaining biomass was greater than the revenues they received. Upon analysis of this request, the Energy Commission adjusted the target price for biomass to 6.17 cents/kWh for November 2005 through April 2006 generation and to 5.87 cents/kWh for May 2006 through June 2006 generation. The Energy Commission also adjusted the cap to 1.5 cents/kWh for November 2005

through June 2006 generation. In June 2006, the Energy Commission extended the 5.87 cents/kWh target price and the 1.5 cents/kWh cap for biomass through December 31, 2006.

Table 13 shows target prices and caps for the Existing Renewable Facilities Program from 1998 through 2006.

Table 13. Target Prices and Caps (cents/kWh) from 1998 through 2006[4]

		1998	1999	2000	2001	2002	2003	2004	2005	2006
Tier 1	Target Price	5.0	4.5	4.0/5.0[1]	5.0[1]	5.5	5.37	5.37	5.37[2]	5.37[2]
	Cap	*1.5*	*1.5*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*[3]	*1.0*[3]
Tier 2	Target Price	3.5	3.5	3.5	3.5	3.8	3.8	3.8	3.8	3.8
	Cap	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*	*1.0*
Tier 3	Target Price	3.0	3.0	3.0	3.0	N/A	N/A	N/A	N/A	N/A
	Cap	*1.0*	*1.0*	*1.0*	*1.0*	N/A	N/A	N/A	N/A	N/A

[1] In October 2000, the Energy Commission approved an increase in the target price for Tier 1 facilities from 4.0 to 5.0 cents/kWh, starting with November 2000 generation. This change was made to ensure that biomass facilities stayed on-line through at least the end of 2001 and encourage several other facilities that were off-line at the time to restart before summer 2001.
[2] The target price for Tier 1 biomass **ONLY** will be 6.17 cents/kWh for November 1, 2005, through April 30, 2006, generation, and 5.87 cents/kWh for May 1, 2006, through December 31, 2006, generation.
[3] The cap for Tier 1 biomass **ONLY** will be 1.5 cents/kWh for November 1, 2005, through December 31, 2006, generation.
[4] Target prices and incentive caps for 2007 through 2011 are no longer allocated by tier. Changes in statute require that the Energy Commission evaluate a facility on an individual basis rather than to assign target prices and production incentive caps collectively for facilities based on technology.

Under SB 1250, to be eligible for Existing Renewable Facilities Program funds, a facility must be physically located within California and be certified with the Energy Commission as eligible for California's Renewables Portfolio Standard. To qualify for funding, individual facilities will have to apply for funding on an annual basis to establish that calendar year's target price and production incentive cap for that facility. By law, the Energy Commission must consider the following factors in performing this evaluation:

- The cumulative amount of funds the facility has previously received from the Energy Commission and other state sources.
- The value of any past and current federal or state tax credits.
- The facility's contract price for energy and capacity.
- The market value of the facility.
- An estimate of the incentive payment needed (in cents/kWh) above the energy payments the facility will receive during the calendar year the applicant is applying for. Also an explanation of why this incentive level is needed.

- An explanation of how the incentive payments from the Existing Renewable Facilities Program will allow the facility to become cost-competitive by the end of 2011.

Based on the information submitted to the Energy Commission, the facility's application is either rejected, or a Funding Award Notice is issued that states that facility's target price and production incentive cap.

Once the Funding Award Notice has been approved and signed, facilities submit monthly invoices and are paid a cents/kWh incentive for their eligible renewable generation. Payments are based on the lowest of three possible calculations:

- The difference between the facility-specific "target price" as determined by the Energy Commission and the facility's market price;
- The facility-specific cents per kWh production incentive cap; or
- Available funds divided by total generation submitted (modified to account for differences in market prices).

SB 1250's changes to the program prompted the Energy Commission to issue revised guidelines that conform to those changes in law. In January 2007, the Renewables Committee held a workshop to receive comments from interested parties on the development of the *Existing Renewable Facilities Program Guidebook, Fourth Edition*.[38] In March 2007, the Energy Commission adopted the revised Guidebook.

Thirty days after the adoption of the Guidebook, interested facilities applied for 2007 funding awards by submitting an "Application for Funding Eligibility-Existing Renewable Facilities Program" (Form CEC-1250E-1). However, the applications provided to the Energy Commission failed to provide all of the necessary information needed to determine target prices and production incentive caps, and staff, with the concurrence of the Energy Commission's Renewables Committee, requested additional information from the facilities in May 2007. At that time, staff requested that applicants provide additional information on a form titled "Additional Information Requested from Applicants for Funding Eligibility- Existing Renewable Facilities Program" (Additional Information Form). Once the Additional Information Form was provided to the Energy Commission, staff reviewed and analyzed its information with the CEC-1250E-1 and in accordance with statutory and program guidelines.

Due to market-sensitive information in their applications for funding, some applicants requested confidential treatment of that application information. Energy Commission regulations require that any request for confidentiality be directed to the Executive Director and that a determination to grant or deny the request must be made before the applications can be

[38] California Energy Commission, March 2007, *Existing Renewable Facilities Program Guidebook*, Fourth Edition, CEC-300-2007-005-CMF, www.energy.ca.gov/2007publications/CEC-300-2007-005/CEC-300-2007-005-CMF.PDF

reviewed by staff. The Energy Commission has up to 30 calendar days to approve or deny a request for confidentiality, starting when the Energy Commission receives a complete confidentiality application.

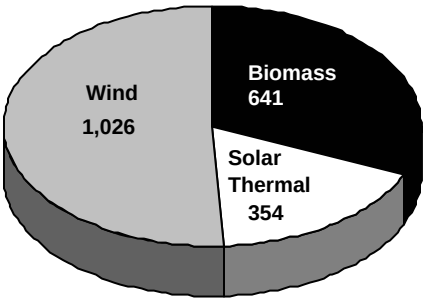
After staff's review of the applications, the Energy Commission's Renewables Committee was briefed on staff's recommendations for Funding Award Notices. Proposed Funding Award Notices for calendar year 2007 were finalized and sent to program applicants beginning in July 2007 and will be subsequently approved by the Energy Commission at a business meeting. As a result, payments to eligible facilities for 2007 will not begin until the 2007-2008 fiscal year.

Since Funding Award Notices for calendar year 2007 were not issued until the 2007-2008 fiscal year, this report only includes information on facilities that were eligible for funding as of December 31, 2006. Also due to the lag between the generation month and the month each facility was paid, some payments for 2006 activity occurred in early 2007.

Program Activities and Status

As of December 31, 2006, 103 Existing Renewable Facilities Program facilities were eligible for funding, representing more than 2,021 MW of capacity. Figure 6 illustrates the breakdown of all eligible capacity by technology through December 31, 2006.

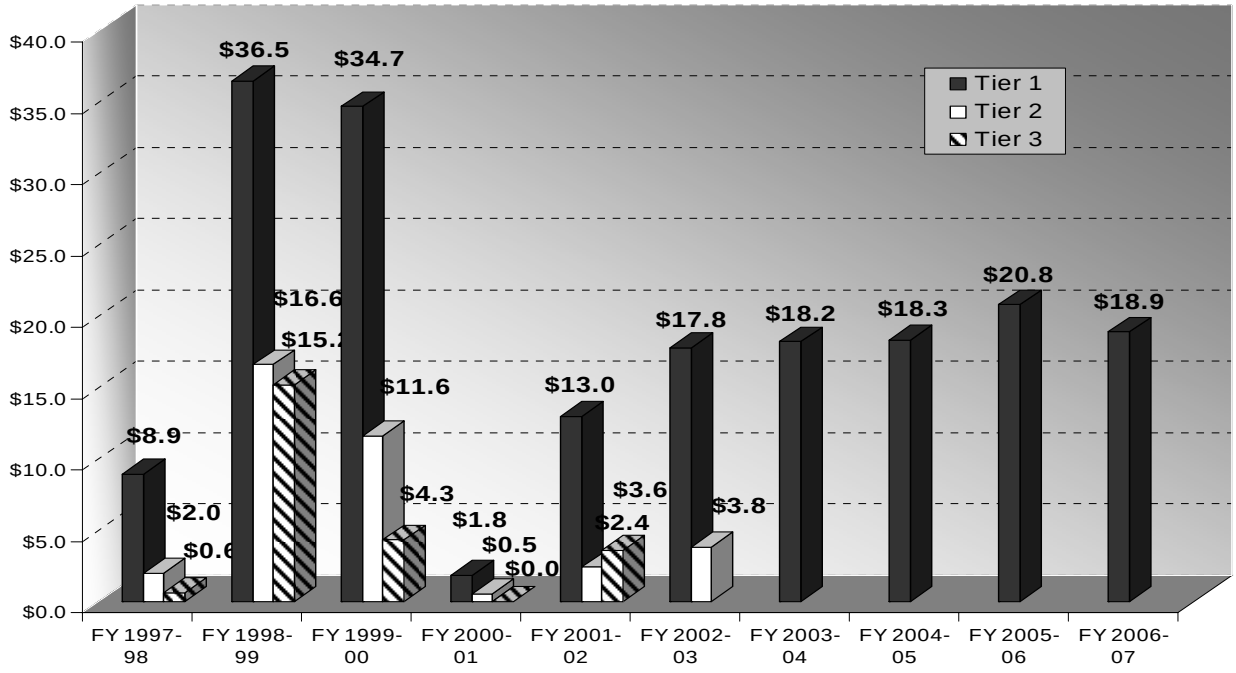
Figure 6:
Existing Renewable Facilities Program Capacity (MW)



The Energy Commission distributed the first payments from the Existing Renewable Facilities Program in March 1998. From the beginning of the program through June 30, 2007, the Energy Commission has paid more than $249 million for more than 69,061 GWh of generation from the Existing Renewable Facilities Program. Payments for fiscal year 2006-2007 totaled $18.9 million on 2,742 GWh of generation submitted.

Figure 7 illustrates the breakdown of payments from Tiers 1, 2, and 3 for the last 10 fiscal years. Of special note is the fact that Tier 2 facilities (wind) have been competitive during the past four fiscal years, so they have not required incentives from the Existing Renewable Facilities Program.

Figure 7. Payments from Existing Renewable Facilities Program
January 1, 1998, to June 30, 2007
($ millions)



The *2007 Annual Report Appendix, Appendix D*, located on the Energy Commission's website at www.energy.ca.gov/renewables/documents/index.html, provides a project-by-project breakdown of payment and generation for the 2006-2007 fiscal year.

Fuel Use by Biomass Facilities

SB 1250 requires the Energy Commission to describe in the Renewable Energy Program's *Annual Report to the Legislature* the types and quantities of biomass fuels used by each existing facility seeking an award (the *Annual Report* provides program information on a fiscal year basis). SB 1250, enacted September 27, 2006, did not require that the biomass fuel information be reported for the first half of the 2006-2007 fiscal year (July through December 2006). Further, the *2007Annual Report* does not include fuel use information for the second half of the fiscal year (January through June 2007) because the 2007 Funding Award Notices for existing facilities were not issued by June 30, 2007, and consequently, were not yet subject to the new SB 1250 reporting requirements. As such, it is the intent of the Energy Commission to report on biomass fuel usage starting with the *2008 Annual Report to the Legislature*.

Agriculture-to-Biomass Program

In September 2003, the Governor signed SB 704 (Florez, Chapter 480, Statutes of 2003), which was designed to improve the air quality in California's agricultural areas by reducing the open-field burning of agricultural fuels. SB 704 required the Energy Commission to allocate $6 million from the RRTF for incentives to electricity-generating facilities that increased their use of

qualified agricultural biomass for the 2003-2004 fiscal year. The Agriculture-to-Biomass Program, although not technically a part of the Renewable Energy Program, is discussed in this section because the funding for this program was reallocated from the Existing Renewable Facilities Program.

Funded for one year, the Agriculture-to-Biomass Program provided financial incentives to biomass facilities that purchased and converted these fuels for electricity generation from July 1, 2003, through June 30, 2004. Incentives were paid at a rate of $10 per green ton of eligible biomass fuel. Nine participants registered their facilities with the Energy Commission for funding. With final payments made in August 2004, total payments from the Agriculture-to-Biomass Program exhausted the $6.0 million allocation, and the program is now concluded.

Existing Renewable Facilities Program Funding Status

Fiscal transactions for the Existing Renewable Facilities Program through June 30, 2007, are summarized in Table 14.

Table 14: Existing Renewable Facilities Program Cumulative Funding and Expenditures as of June 30, 2007

Existing Renewable Facilities Program ($ Millions)	
Collected Funds	
SB 90	243.000
SB 1038	138.075
SB 1250	7.292
Bear Valley Electric	0.163
Intrafund Reallocations	
Existing to New for 2nd auction (12/00)	-40.000
Existing to Emerging pursuant to Assembly Bill 29X 4/01)[1]	-15.000
Existing to Emerging to supplement rebate funds (9/02)	-13.000
Existing to Emerging to supplement rebate funds (5/04)	-15.000
Existing to Emerging to supplement rebate funds (8/06)[2]	-23.600
Total Collected and Reallocated	**281.930**
Disbursements	
Existing Renewable Facilities Program	-249.044
Agriculture-to-Biomass Program	-6.000
Year-End Accruals[3]	-7.532
BALANCE	**19.355**

[1] ABX1 29 (Kehoe, Chapter 8, Statutes of 2001).
[2]These were funds allocated to Tier 2 technologies (wind) that had not been expended and were not needed to fund tier 2 technologies through the end of 2006.
[3]As of June 30, 2007, no Existing payments for January through June 2007 generation had been made. Accruals are staff's estimated payments for January through June 2007 generation.

Consumer Education Program

Summary

Under SB 1038, the Consumer Education Program was allocated 1 percent of the RRTF, or approximately $1.35 million per year, to support renewable energy consumer education. In April 2003, the Energy Commission subsequently approved reallocating 10 percent of Customer Credit Program funds, or $1.35 million annually, to the Consumer Education Program after the Customer Credit Program was discontinued. These reallocated dollars were earmarked for funding RPS tracking and verification activities. In 2006, SB 1250 was enacted, requiring 1 percent of the RRTF to be used to help develop a consumer market for renewable energy and for small-scale emerging renewable energy technologies for the period January 1, 2007, to January 1, 2012.[39]

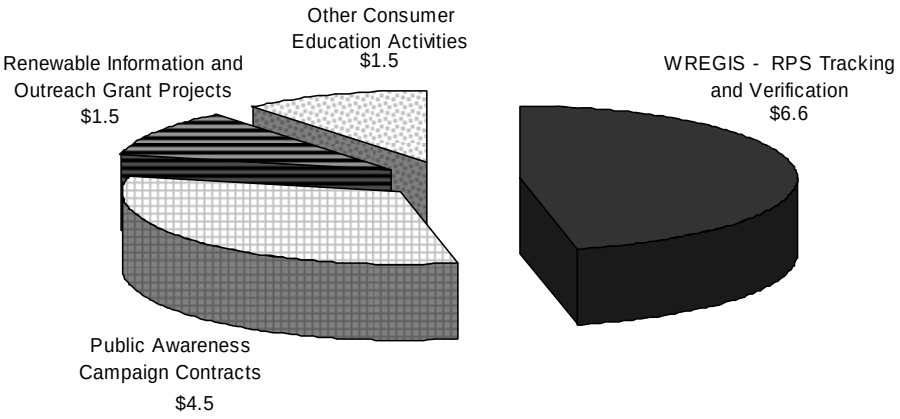
The four primary goals of the Consumer Education Program are to:

1. Raise consumer awareness of renewable electricity generation and its benefits;
2. Increase the purchases of small-scale emerging renewable systems installed on customer premises;
3. Leverage strategic alliances and partnerships with organizations connected to renewable energy in California; and
4. Develop information, products and processes that promote the renewable energy market in general, including those that add consumer value to renewable energy by verifying and tracking energy generation and verifying retail product claims.

Since 1999, the Consumer Education Program has expended or encumbered about $14 million to support 3 public awareness campaigns funded through contracts; 21 grant projects awarded for renewable energy information and outreach activities; the development of an electronic tracking system, WREGIS, to address long-term RPS tracking needs; and other consumer education activities promoting renewable energy. Figure 8 shows how Consumer Education Program funds have been allocated among activities.

[39] California Energy Commission, March 2007, *Consumer Education Program Guidebook*, CEC-300-2007-004-CMF.

Figure 8: Consumer Education Program Expenditures and Encumbrances ($ million) as of June 30, 2007



Fiscal year 2006-2007 consumer education activities are discussed below. Additional details of WREGIS activities are included in Chapter 2.

Program Activities and Status

WREGIS – RPS Tracking and Verification

- KEMA technical support contract work authorizations for a cumulative total of $236,226 to assist with WREGIS development and implementation.
  Expended $84,165
- Enterprise Networking Solutions contract for $193,200 to procure the services of a Senior Project Manager consultant for the WREGIS project.
  Expended $189,463
- Visionary Integration Professionals $198,000 contract for the services of a Program Development Project Manager consultant for the WREGIS project.
  Expended $191,415
- Western Electricity Coordinating Council contract for hosting the WREGIS Administrator staff and administering the WREGIS program.
  Encumbered $2.203 million; Expended $154,830
- APX, Inc., contract to function as a System Development and Technical Operations contractor. The contractor modified a base software system for WREGIS requirements and conducted technical operations and maintenance.
  Encumbered $3.278 million; Expended $693,992
- Public Sector Consultants contract to act as the Independent Project Oversight Consultant for the WREGIS Project.
  Encumbered $55,100; Expended $42,050

- Personal Enterprise, Inc., contract to perform Quality Assurance and Configuration Management Consultant activities for the WREGIS Project.
  Encumbered $115,200; Expended $89,360

Public Awareness Campaigns - New Solar Homes Partnership

- The Energy Commission executed a three-year contract with Edelman for the NSHP Public Awareness Campaign on February 21, 2007, for $4.3 million. The contract, awarded through a "Request for Proposal" process, provides an array of marketing and communication services that will support the NSHP, encourage the purchase of new solar homes, and help establish a self-sustaining solar homes market. Edelman is tasked with developing and presenting an approach for identifying California consumers most likely to purchase new solar homes, developing a public awareness and marketing campaign and related messages and strategies to reach those consumers, and working with the Energy Commission to implement the campaign, while coordinating activities among various public and private stakeholders. Edelman will also design and implement a method to measure the effectiveness of the campaign to ensure it meets the Energy Commission's objectives and results in increased purchases of new solar homes. Target audiences for the campaign will include new home buyers and builders in California, trade organizations and industry groups, and financial institutions. Campaign-related services will include behavioral and social marketing research, public relations advertising, and the development of partnerships with private and public entities such as production home builders, trade organizations and industry groups, financial institutions, and chambers of commerce. The first year is primarily start-up activities requiring substantial investment in market research and development of campaign materials.

  Encumbered $1.3 million for year one of the contract; Expended $65,400

- In support of the NSHP Public Awareness Campaign, an additional $105,000 was awarded to ProProse through a two-year California Multiple Award Schedule agreement on November 28, 2006. The purpose of the agreement is to develop partnerships and assist with the initial stages of developing an effective Public Awareness Campaign that will meet the program's goals. Fiscal year 2006-2007 expenditures were for partnership development and initial campaign development activities.

  Encumbered $105,000; Expended $34,354

KEMA Technical Support Contract

- New Solar Homes Partnership – In support of the NSHP, including affordable housing, three work authorizations (totaling $307,030) provided analysis of incentive levels and trigger mechanisms, technical advice on affordable housing and solar equipment, and assistance with the development of the NSHP Guidebook and committee meetings.

  Expended $230,093

- Utility Allowance Tool – For $51,016, the contractor was tasked with developing a quantitative model that considers the utility rate offsets due to solar electric systems and the added energy efficiency measures, to be made available to the California Affordable Housing community to better estimate utility expenses for affordable housing developments,. The model takes input from various energy calculation software tools to determine a site-specific estimate of tenant utility bills. There were no expenditures against this work authorization during fiscal year 2006-2007.

  Encumbered: $51,016

Renewable Energy Information and Outreach Grant Projects

- A $50,000 grant agreement was developed in June 2005 with the Rahus Institute for the Solar Decathlon 2005 project. The Solar Decathlon 2005 was a competition among 18 colleges and universities from around the globe, featuring team-designed and built solar homes, and held on the National Mall in Washington, D.C., in October 2005. The Rahus Institute was tasked with developing the educational element of the project – a video and book. The Solar Decathlon 2005 DVD was delivered in April 2006 and the final copy of the Solar Decathlon 2005 book was delivered in September 2006. In addition, a revised copy of the DVD was submitted, which included bonus features such as a 10-minute segment of Kids Environmental Action Network interviewing college students involved with the decathlon.

  Expended $50,000 for invoice paid in October 2006

Other Consumer Education Activities

- The Clean Energy State Alliance (CESA) contract, approved in August 2006, encumbered a total of $240,000, ($80,000 per year for three years) for the Energy Commission's membership in CESA. CESA is an unprecedented multistate collaboration of clean energy funds that have banded together and pooled resources to expand the use of clean energy across the country by supporting solar, wind, fuel cells, and other clean energy projects and companies. At present, there are 15 member states with CESA attracting the interest of a number of other state clean energy programs. CESA provides members the opportunity to share best practices and lessons learned and participate in collective problem solving focused toward effectively implementing their various clean energy programs. Activities involve finding solutions to key, cross-cutting problems that many state members face such as development of the solar photovoltaic market, wind facility siting, RPS implementation, biomass development, public education, and other projects. CESA is managed by the Clean Energy Group, a nonprofit organization, and has existed since 2003.

  Encumbered $240,000; Expended $160,000

- Various marketing materials to optimize consumer awareness about the benefits of renewable energy technologies have been developed by the Consumer Education Program. Consumer outreach materials, which can be found on the Energy Commission's website or by calling the Energy Commission's Call Center, include fact

sheets, NSHP consumer brochures, consumer guides, and marketing materials. This fiscal year, consumer brochures for the NSHP were developed, which are distributed at solar conferences and events.

Expended $743

For further information about consumer education activities conducted from July 2006 through June 2007, please see the *2007 Annual Report Appendix, Appendix E*, located on the Energy Commission's website at www.energy.ca.gov/renewables/documents/index.html.

Consumer Education Program Funding Status

Consumer Education Program funding and disbursements through June 30, 2007, are summarized in Table 15.

Table 15: Consumer Education Program Cumulative Funding and Expenditures as of June 30, 2007

Consumer Education Program ($ Millions)	
Collected Funds	
SB 90	5.400
SB 1038	13.807
SB 1250	0.729
Bear Valley Electric	0.007
Total Collected and Reallocated	**19.944**
Disbursements	-7.440
Encumbrances	-6.599
BALANCE	**5.904**

Customer Credit Program

From 1998 through 2003, the Energy Commission used the $75.6 million initially allocated to the Customer Credit Program to foster market demand for renewable electricity. The funds were distributed via a "credit" to registered renewable providers who delivered eligible renewable energy to qualifying customers. The customer credit, a cents/kWh discount for eligible renewable electricity purchases, allowed providers to offer their products to customers at prices that were competitive with conventional electricity. Providers passed the credit along to their customers.

Since the electricity crisis in 2000 and 2001, changes in California's electricity market structure affected the Customer Credit Program. In 2001, the CPUC suspended customers' option for direct access contracting. Furthermore, the advent of the RPS in California suggested that a very different market would soon be in place for electricity consumers and providers. Although customers may no longer choose to switch from their IOUs to an electric service provider serving renewable energy, the RPS provides an alternative for supporting renewable energy generation that does not require customers to enter into direct access contracts.

As directed by SB 1038, on April 2, 2003, the Energy Commission produced the *Customer Credit Report* for the Governor and the Legislature on how to use the customer credit funds most effectively. In the report, the Energy Commission recommended that the Customer Credit Program be discontinued. The report also included recommendations for reallocation of funds, as well as retroactive payments to eligible customers for the period January 1, 2002, through April 2, 2003.

In April 2004, the Energy Commission reallocated a portion of the Customer Credit Program funds to the Emerging Renewables Program and Consumer Education Program (45 percent and 10 percent, respectively) consistent with its recommendations in the *Customer Credit Report* and under Public Resources Code Section 25748, Subdivision(b). The Energy Commission subsequently reallocated another 45 percent to the Emerging Renewables Program in May 2004. A final payment in December 2004 concluded Customer Credit Program activities and the Energy Commission discontinued the program.

The balance of $315,829 (consisting of $276,909 SB 90 money and $38,920 Bear Valley Electric Service money) remaining in the Customer Credit Program account as a result of discontinuing the program was reallocated to the Emerging Renewables Program in August 2006. This reallocation effectively zeroed out the account. Cumulative payments made under the Customer Credit Program totaled about $65 million.

Customer Credit Program Funding Status

Table 16 summarizes fiscal transactions for the Customer Credit Program through June 30, 2007.

Table 16: Customer Credit Program
Cumulative Funding and Expenditures as of June 30, 2007

Customer Credit Program ($ Millions)	
Collected Funds	
SB 90	75.600
SB 1038	0.000
Bear Valley Electric	0.039
Intrafund Reallocations	
Customer Credit to Emerging to supplement rebate funds (9/01)	-10.000
Customer Credit to Emerging to supplement rebate funds (8/06)[1]	-0.316
Total Collected and Reallocated	**65.323**
Disbursements	-65.323
Encumbrances	0.000
BALANCE	**0.000**

[1] The Customer Credit Program account is no longer operational, and this reallocation zeroed out the account.

CHAPTER 3:
Reallocation of Funds

The Energy Commission is authorized to reallocate RRTF funds among programs in a manner consistent with Public Resources Code Section 25748(b), which states that,

> (b) Money may be reallocated without further legislative action among existing, new, and emerging technologies and consumer-side programs in a manner consistent with the report [*Investing in Renewable Electricity Generation in California*][40] and with the latest report provided to the Legislature pursuant to this section…

According to Section 25748(b), reallocations may not reduce the SB 1038 allocation for the New Renewable Facilities Program nor increase the SB 1038 allocation established for the Existing Renewable Facilities Program.

The next section summarizes the reallocations made during the first four years of the Renewable Energy Program's operation.

1998 through 2001

From the beginning of the program in 1998 through 2000, there was no need for the Renewable Energy Program to reallocate SB 90 RRTF funds.[41] However, high electricity prices in 2000 and 2001 sharply limited payments from the Existing Renewable Facilities Program and prompted several reallocations among programs, as noted in the *2002 Biennial Report* [42] and discussed below.

As intended by the Legislature, the Energy Commission responded to the energy crisis and its effects on the renewable energy industry by reallocating program funds from undersubscribed programs to those needing increased funding. In an effort to bring new electrical capacity on-line in 2001, the Energy Commission shifted funds from the Existing Renewable Facilities Program to the New Renewable Facilities Program. In October 2000, the Energy Commission reallocated up to $40 million to the New Renewable Facilities Program for a second auction and additionally authorized up to $40 million in the second quarter of 2001 for a third auction. The reallocation of the latter $40 million did not occur because the additional funding proved unnecessary due to project cancellations, the forfeit of potential bonuses for early on-line dates, and penalties incurred for later on-line dates.

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[40] California Energy Commission, June 2001, *Investing in Renewable Electricity Generation in California*, P500-00-022.

[41] California Energy Commission, May 2000, *2000 Renewable Energy Program Biennial Report*, P500-00-015.

[42] California Energy Commission, May 2002, *2002 Biennial Report*, P500-02-010, www.energy.ca.gov/reports/2002-06-04_500-02-010.PDF.

Of the $40 million reallocation to the New Renewable Facilities Program to fund the second auction, $6.2 million was not needed for that purpose and, in September 2001, was subsequently redirected to the Emerging Renewables Program, which was experiencing a rise in demand for rebate funds as a result of high electricity prices and consumer interest in energy independence.

During the First Extraordinary Session in April 2001, AB 29X (Kehoe, Chapter 8, Statutes of 2001), ordered that $30 million be reallocated to the Emerging Renewables Program – $15 million to come from the RRTF (the Energy Commission reallocated these monies from the Existing Renewable Facilities Program), and $15 million from the state's General Fund. The $30 million was reallocated to the Emerging Renewables Program for additional rebate funds, with a portion set aside for customers of publicly owned electric utilities. SB 19X (Chesbro, Chapter 3, Statutes of 2003), subsequently directed that the unused monies (about $6.3 million) designated for rebates to publicly owned electric utilities' customers be transferred back to the General Fund to help reduce the state's budget deficit.

In September 2001, the Energy Commission also reallocated $10 million of unused Customer Credit Program funds to the Emerging Renewables Program to further supplement the availability of rebate dollars.

The next section discusses fund reallocations from January 2002 through June 30, 2007.

2002 through June 30, 2007

The Budget Act of 2002 (Items 3360-011-0382 and 3360-012-0382) directed the Energy Commission to loan RRTF dollars of $150 million to the General Fund and $8.9 million to the California Consumer Power and Conservation Financing Authority. In fiscal year 2004-2005, payments on the $8.9 million loan were completed. The General Fund, having remitted $131.8 million in June 2007, has an outstanding principal balance of $18.2 million.

In September 2002, the Energy Commission reallocated $13 million from the Existing Renewable Facilities Program to the Emerging Renewables Program to respond to the continuing growth in demand for system rebates.

The Budget Act of 2003, Chapter 157, Section 2.0, Statutes of 2003, directed the Energy Commission to reallocate $6.0 million from the RRTF for the Agricultural Biomass-to-Energy Program, to be administered under the provisions of SB 704. To accomplish this objective, the Energy Commission reallocated $6.0 million from the Existing Renewable Facilities Program to the Agriculture-to-Biomass Program to be paid on a $10-per-green-ton basis. Nine participants registered their facilities with the Energy Commission for funding, and final payments exhausting the $6.0 million were made in August 2004.

In April 2003, the Energy Commission recommended in its *Customer Credit Report* to the Governor and the Legislature that the Customer Credit Program be discontinued and the funds collected for that program under SB 1038 be reallocated as follows:

- 10 percent to the Consumer Education Program (specifically for the RPS tracking and verification program),
- 45 percent to New Renewable Facilities Program, and
- 45 percent to Emerging Renewables Program.

In May 2004, the Energy Commission reallocated the Customer Credit Program funds to the Emerging Renewables Program and Consumer Education Programs consistent with its *Customer Credit Report* and following Public Resources Code Section 25748(b). However, due to the continuing high demand for rebate funds, the Energy Commission decided to reallocate the remaining 45 percent of Customer Credit Program funds planned for the New Renewable Facilities Program to the Emerging Renewables Program.

In April 2004, the Energy Commission approved the reallocation of $10 million from accrued interest on the RRTF to the Emerging Renewables Program, and in May 2004, $15 million was reallocated from the Existing Renewable Facilities Program to the Emerging Renewables Program. During fiscal years 2004-2005 and 2005-2006, the Energy Commission did not reallocate any RRTF dollars.

In mid-2006, the need to reallocate additional funds to the Emerging Renewables Program became apparent. The program experienced a dramatic increase in the volume of rebate applications in anticipation of a July 1, 2006, drop in the rebate level: more than 3,300 reservations were received in June. Based on an estimate of the funds necessary to approve these applications and the anticipated volume for the remainder of 2006, the Emerging Renewables Program determined that it would deplete all of its currently available rebate funds. A reallocation was necessary to prevent a major market disruption harmful to the industry. Consequently, in August 2006, the Energy Commission approved reallocating $45 million to the Emerging Renewables Program from several Renewable Energy Program funding sources as shown in Table 17.

Table 17: Renewable Resource Trust Fund Reallocations to Emerging Renewables Program, August 2006

Funding Source	Reallocation Amount
SB 90 Funds These were SB 90 funds that were conditionally reallocated from the Existing Renewable Resources Account to the New Renewable Resources Account to fund the second and third New Account auctions. However, due to penalties and cancellations associated with New Account awards, these funds were not needed to cover New Account auction winners.	**$15,123,000**
Existing Renewable Facilities Program (Tier 2) These were funds allocated to Tier 2 technologies (wind) that were not expended and would not be necessary to fund Tier 2 technologies through the end of 2006.	**$23,600,000**
Interest Earnings The RRTF collects interest on the money in the fund and the Energy Commission has the authority to reallocate these funds.	**$6,000,000**
Customer Credit Account The Customer Credit Account is no longer operational, and this transfer zeroed out the account.	**$315,829**
Voluntary Contributions Customers of the state's three main IOUs can contribute to the RRTF. These are funds that were contributed from 1998 through December 2005.	**$19,417**
TOTAL REALLOCATION	**$45,058,246**

An additional spike in rebate applications occurred in December 2006, as customers anticipated the replacement of the Emerging Renewables Program's solar component with the California Solar Initiative (administered by the CPUC) and submitted more than 2,700 rebate applications. A reallocation was deemed necessary due to the increased volume in applications submitted in December and in consideration of the Emerging Renewables Program's funding status as of December 31, 2006:

- In recognition of the ongoing customer demand for Emerging Renewables Program funds, additional financial support was legislated in 2004 by AB 135, an urgency statute. The Emerging Renewables Program was authorized to use $60 million of future program funds to be collected from 2007-2011.
- Emerging Renewables Program funding under SB 1038, authorizing the expenditure of IOU ratepayer funds collected from 2002 through 2006, had now concluded.
- Funding for the Emerging Renewables Program would continue under SB 1250, which authorizes the use of funds collected from 2007 through 2011. However, this legislation's Emerging Renewables Program dollars are targeted for use by the Energy Commission's New Solar Homes Partnership program, an element of the California Solar Initiative.

Consequently, based on staff's estimate of funds necessary to approve all rebate applications submitted through December 31, 2006, the Emerging Renewables Program would not have sufficient funds without using additional RRTF dollars earmarked for the New Solar Homes Partnership program. Consequently, in May 2007, the Energy Commission recommended and approved reallocating $31.5 million to the Emerging Renewables Program from the following funding sources:

Table 18: Renewable Resource Trust Fund Reallocations to Emerging Renewables Program, May 2007

Funding Source	Reallocation Amount
SB 90 Funds	
New Renewable Resources Account funds remaining from projects whose five-year collection period had ended.	**$1,500,000**
New Renewable Resources Account funds from projects that never came on-line and whose Funding Award Agreements subsequently expired as of 1/1/07.	**$27,000,000**
Interest Earnings The RRTF collects interest on the money in the fund, and the Energy Commission has the authority to reallocate these dollars.	**$3,000,000**
TOTAL REALLOCATION	**$31,500,000**

Table 19 provides a financial summary of the RRTF through June 30, 2007, reflecting cumulative funds collected, disbursed, reallocated, and encumbered since the beginning of the Renewable Energy Program in 1998 and funds loaned and transferred.

Table 19: Renewable Energy Program
Cumulative Funding and Expenditures as of June 30, 2007
($ Millions)[43]

	New Renewable Facilities Program[1,2]	Emerging Renewables Program[3,4]	Existing Renewable Facilities Program[5,6]	Consumer Education Program[7]	Customer Credit Program	PROGRAM TOTAL
Collected Funds[8]	$555.312	$264.385	$388.530	$19.944	$75.639	$1,303.810
Intrafund Reallocations[9]	-9.823	154.450	-106.600	0.000	-10.316	27.711
Disbursements	-69.510	-374.178	-255.044	-7.440	-65.323	-769.889
Year-End Accruals	-1.640	-12.672	-7.532			-23.450
Encumbrances	-81.060	-48.615	0.000	-6.599	0.000	-136.274
Intrafund Transfer[10]	-60.000	60.000				0.00
Program Balance	**$333.279**	**$43.370**	**$19.355**	**$5.904**	**$0.000**	**$401.908**
Loan Balance[11]						-18.200
REP BALANCE						**$383.708**

[1] New Renewable Facilities Program accruals are staff's estimate of payments to new facilities that have not yet invoiced the New Renewable Resources Account as of June 30, 2007.
[2] New Renewable Facilities encumbrances include $9.127 million in projects awarded funding under the second and third auctions that do not yet have Funding Award Agreements.
[3] Emerging Renewables Program accruals are FY 06-07 rebate claims that were received prior to June 30, 2007 but not yet paid.
[4] Beginning in January 2005, AB 135 authorized the use of an additional $60 million of RRTF funds to be collected from 2007 through 2011, and subject to the repayment requirements of PRC Section 25751(f).
[5] Existing Renewable Facilities Program disbursements include $6.0 million for the Agriculture Biomass-to-Energy Program.
[6] As of June 30, 2007, no Existing Renewable Facilities Program payments for January through June 30, 2007 generation had been made. Consequently, Existing accruals are staff's estimated payments for January through June generation.
[7] Consumer Education encumbrances include only first year encumbrance ($1,299,399) of three-year contract (for $4,298,879) with Edelman, the NSHP public awareness campaign contractor.
[8] Collected funds include $514,800 from Bear Valley Electric Service.
[9] Intrafund reallocations include $27.711 million from sources outside investor-owned utility collected funds.
[10] Pursuant to Public Resources Code Section 25751(f), the Energy Commission is authorized to transfer funds between accounts within the RRTF for cash flow purposes, provided that the balance due each program account is restored and that the transfers do not adversely affect any of the programs.
[11] $150 million was loaned to the state's General Fund under the 2002 Budget Act. The General Fund, having remitted $131.8 million in June 2007, has an outstanding principal balance of $18.2 million

Note: Account balances are committed to meeting legislative mandates as follows: supplemental energy payments under the RPS, a renewable energy certificate tracking and registry system, rebates for emerging renewable energy system installations, generation from existing renewable facilities, and consumer education activities.

[43] This table contains data from the Energy Commission's Accounting Office. Accounting data may differ from Renewable Energy Program staff data reported in the table because funds may be returned, credited, or repaid that are not tracked in real time by Renewable Energy Program staff.

The flexibility to reallocate funds has served the Energy Commission, maximizing the benefits of program funds and avoiding inefficiencies. As exemplified in several of the above reallocations, since the electricity crisis, consumer demand has soared for solar and wind energy system rebates. The Energy Commission has responded by reallocating funds numerous times from underused programs to the Emerging Renewables Program to supplement funds available for rebates.

If necessary, the Energy Commission will continue exercising its authority to reallocate funds in response to market changes. This flexibility is particularly valuable to the Renewable Energy Program's efforts toward meeting California's renewable resource goals as the program is poised to award RPS SEPs and continues implementation of the New Solar Homes Program as part of the California Solar Initiative.

If the Energy Commission decides to further reallocate RRTF monies, it will continue to do so with public input and to report on the reallocations to the Legislature.

CHAPTER 4:
Account Transfers and Repayments

The Energy Commission prepared this chapter in accordance with Public Resources Code Section 25751(f), which provides authorization to the Energy Commission to transfer funds between program accounts within the RRTF (that is, the New Renewable Resources Account, Emerging Renewable Resources Account, Existing Renewable Resources Account, and Renewable Resources Consumer Education Account[44]) for cash flow purposes, provided that the balance due each program account is restored and that the transfers do not adversely affect any of the programs.

The Account Transfers and Repayments chapter covers fiscal year 2006-2007 and responds to the Public Resources Code Section 25748(a) directive that states that the Energy Commission shall report to the Legislature on "…The status of account transfers and repayments."

Beginning in January 2005, AB 135 authorized the Emerging Renewables Program's use of an additional $60 million of RRTF funds to be collected from 2007 through 2011 and subject to the repayment requirements of Public Resources Code Section 25751(f). These dollars were temporarily transferred from the New Renewable Facilities Program to the Emerging Renewables Program. The New Renewable Facilities Program was the source of the fund transfer because SEPs disbursements had not yet occurred.

The dollar amount needing to be transferred among program accounts on a quarterly basis fluctuates according to funds collected, disbursed, reallocated, and encumbered, and funds loaned and transferred from and within the RRTF. By June 30, 2007, the RRTF transfer balance was $60 million.

Transfers and repayments of funds between programs could occur in the upcoming fiscal year and the Energy Commission will discuss any such transfers in its *2008 Annual Report*.

[44] These accounts correspond to the New Renewable Facilities Program, Emerging Renewables Program, Existing Renewable Facilities Program, and Consumer Education Program, respectively.

CHAPTER 5:
Interest Expenditures

Public Resources Code Section 25748 requires the Energy Commission to address the allocation of funds from interest on the RRTF. As noted in the *Overall Program Guidebook* for the Renewable Energy Program, interest earned on the funds deposited in the RRTF may be used to augment funds for a particular program element at the Energy Commission's discretion. Additionally, such interest may be used to administer the Renewable Energy Program to the extent appropriated by the Legislature in the annual Budget Act.

In fiscal year 2006-2007, interest earned on the RRTF was $20.5 million for a cumulative total of $75.3 million. As of June 30, 2007, cumulative expenditures and encumbrances totaled $28.6 million; reallocations totaled $19 million; and in fiscal year 2002-2003, interest totaling $5,300,135 was transferred to the General Fund.[45]

In past years, interest funds, like voluntary contributions, were not allocated among the various program elements under the Renewable Energy Program. However, in April 2004, due to escalating requests for rebate funds, the Energy Commission approved the reallocation of $10 million in RRTF interest to the Emerging Renewables Program. Subsequent demands on rebate dollars prompted additional RRTF interest reallocations in August 2006 and May 2007 ($6 million and $3 million, respectively). Information on these reallocations is detailed in Chapter 3.

RRTF interest also funds the three specific areas described below. Dollars include both expenditures and encumbrances for fiscal year 2006-2007:

- **Support Services ($2,288,813) –** Refers to wages and benefits paid to Energy Commission staff working in the Renewable Energy Program; operating expenses in the form of general office supplies, printing, communications, postage, travel, training, facilities operations, data processing, equipment, and indirect charges.
- **Contractual ($1,183,000) –** Represents contracts that were expended or encumbered from RRTF interest. This includes contracts for technical support services and student assistance, and a contract with the Department of Finance for auditing services.
- **Pro Rata ($2,071,798) –** A direct assessment against the RRTF that is applied by the Department of Finance. This assessment is for the cost recovery of expenses incurred by control agencies in the administration of the RRTF. For example, Pro Rata includes the cost of processing claim schedules, journal entries, reports, and payroll for the State Controller, and the work of the Department of Finance budget analyst.

It should be noted that Renewable Energy Program administrative costs have been funded through interest earnings on the RRTF and have averaged 3.2 percent of total program expenditures since 1998.

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[45] Budget Act of 2002, Chapter 379, Statutes of 2002.

CHAPTER 6:
Contributions to the Renewable Resource Trust Fund

SB 1250 directs electrical corporations to allow their customers to make voluntary contributions in support of renewable resource technologies. These contributions are deposited into the RRTF, and under Public Resources Code Section 25748(a), the Energy Commission must address their allocation within the context of the Renewable Energy Program. In the past, voluntary contributions have never been allocated to specific elements of the program. However, in mid-2006, a need for additional Emerging Renewables Program rebate funds was identified, prompting a reallocation of $19,417 in voluntary contributions (see Chapter 3 for details). This reallocation left a voluntary contributions balance of $1,398 as of June 30, 2007.

Golden State Water Company (doing business as Bear Valley Electric Service), an IOU, has also made contributions to the RRTF totaling $514,800 at the end of June 2007. These funds have been allocated to the program elements according to the percentage allocations stipulated in SB 90 and SB 1038; the reallocations consistent with the Energy Commission's recommendations in its Customer Credit Report pursuant to Public Resources Code Section 25748, Subdivision (b); SB 1250; and SB 107.

ACRONYMS

AB	Assembly Bill
AGAERA	Attorney General's Alternative Energy Retrofit Account
CESA	Clean Energy States Alliance
CPA	Consumer Power and Conservation Financing Authority
CPUC	California Public Utilities Commission
GWh	Gigawatt hours
IOU	Investor-owned utility
kWh	Kilowatt hours
MW	Megawatts
NSHP	New Solar Homes Partnership
PG&E	Pacific Gas and Electric Company
RPS	Renewables Portfolio Standard
RRTF	Renewable Resource Trust Fund
SB	Senate Bill
SCE	Southern California Edison Company
SDG&E	San Diego Gas and Electric Company
SEPs	Supplemental energy payments
WECC	Western Electricity Coordinating Council
WREGIS	Western Renewable Energy Generation Information System