

June 9, 2005



# CALIFORNIA RENEWABLE PORTFOLIO STANDARD (RPS)

The RPS from a Developer/  
Operator's Perspective



California Geothermal Summit



# GOOD NEWS

## The Good News is that the RPS has Reinvigorated Interest in Renewables, and it is Groundbreaking

- The Utilities and Munis are Issuing Solicitations and Signing Contracts for Renewables
- Baseload Renewables Like Geothermal are a Better Fit with the Utilities' Needs than Intermittent Resources Like Wind
- Utilities are Interested in Purchasing Geothermal Power and are Willing to Work to Solve Problems, Such as Addressing Transmission Issues



# THE RPS IS NOT PERFECT

- The Law Couples Aggressive Goals with a Slow, Cumbersome Process
- Solicitations Occur Annually and for the First Solicitation, the Entire Process from Draft RFO to Signed Contracts has Taken Almost a Year
- Rules are Still Being Established for How Energy Service Providers, Community Choice Aggregators and Multi-Jurisdictional Utilities are to Comply with the RPS
- Standard Contract Language Approved by the CPUC does not Necessarily Support Project Financing – and this Causes Contract Negotiations to Drag Out
- Questions Remain as to Whether SEP Funds are Sufficient to Achieve the RPS Goals



# GEOHERMAL IMPACT

## Several Provisions of the RPS Law Impact Geothermal More than Other Technologies

- Eligibility Restrictions Placed on Existing Geothermal – These Restrictions may be Removed by Amending Legislation
- High Capital Costs of New Geothermal Makes it Likely to Require SEPs -- Triggering the “Public Works” Provision of the Law
- Utilities have Sought Collateral in the Form of Development and Operating Security Deposits, Increasing the Upfront Risks for Geothermal Developers – One Possible Solution is to Allow the Security Deposits to be Applied to Geothermal Resource Confirmation Work



**The California RPS is a groundbreaking law that has reinvigorated the renewable industry and will create opportunities for geothermal developers for years to come.**