

California Energy Commission's Quarterly Report Regarding the Renewables Funding Program (April 1 - June 30, 1998)

This document constitutes the California Energy Commission's (Commission) Quarterly Report for the Renewables Funding Program for the period April 1 through June 30, 1998, in accordance with Public Utilities Code (PUC), Article 5, Section 445(g). The report describes the Commission's implementation activities, including information describing awards submitted to the State Controller¹ for payment pursuant to this article, the cumulative commitment of claims by account, the relative demand for funds by account, a forecast of future awards, and related matters.

Renewables Funding Program Implementation

Assembly Bill 1890 (Chp.854, Stats.96) provides **\$540 million** for the support of renewable electricity generation technologies and market development, through funds to be collected over the next four years. As part of the requirements of AB 1890, the Commission submitted a Report on AB 1890 Renewables Funding (Policy Report) to the Legislature in March 1997, with recommendations for allocating these monies. Senate Bill 90 (Chp.905, Stats.97) placed the \$540 million into the Renewable Resource Trust Fund and contained explicit directions for distributing this fund through four distinct accounts, as recommended in the Policy Report. These accounts and the total amount of funds allocated to each are as follows:

- Existing Renewable Resources Account (**\$243 million**)
- New Renewable Resources Account (**\$162 million**)
- Emerging Renewables Resources Account (**\$54 million**), and
- Customer-Side Renewables Resources Purchases Account:
 - Customer Credit Subaccount (**\$75.6 million**)
 - Consumer Education Subaccount (**\$5.4 million**)

In accordance with SB 90, overall funding guidelines, eligibility requirements, yearly allocations, and account-specific guidelines were adopted by the Commission in January 1998, to assist participants in applying for funding from the various accounts within the Renewables Funding Program.

The process or mechanism for distributing funds varies by account, as do the implementation activities for each account. Highlights of the implementation activities for the second quarter of 1998 are described in Table I, as are the expected funding and implementation activities for the third quarter of 1998.

¹ As a procedural matter, awards are submitted to the State Controller for payment, rather than the Treasurer. This procedure significantly streamlines the award payment process for all participants.

Table I
Renewables Funding Program:
Second Quarter 1998 Program Implementation

Account and Program Implementation and Funding Activities: April - June 1998	Expected Funding and Implementation Activities: July - September 1998
<p style="text-align: center;">Existing Resources Account</p> <ul style="list-style-type: none"> • 277 facilities registered as renewable suppliers and 178 facilities eligible for funding as of June 30. • Tier 1 (biomass and solar/thermal) paid 1.5 cents/kWh, for 438 million kWh during February, March and April. • Tier 2 (wind) paid from 0.38 - 0.76 cents/kWh, for 349 million kWh, during February, March and April. • Tier 3 (geothermal, digester and landfill gas, small hydro and municipal solid waste) paid from 0.20 - 0.77 cents/kWh, for 538 million kWh during February and March. [No payments for April since the market price was higher than target price. • Rollover of \$14.0 million as of June 30. 	<ul style="list-style-type: none"> • Payments for May, June and July generation are scheduled for July 31, August 31, and September 30, 1998, respectively. • Estimated third quarter payments (May, June and July generation): \$15.0 million.
<p style="text-align: center;">New Resources Account</p> <ul style="list-style-type: none"> • 56 bids submitted to auction on June 5, 1998. • 55 winning projects are conditionally allocated a total of \$162 million in future incentive payments. • Winning projects represent over 500 megawatts (MW) of renewable electricity generation, including wind, geothermal, landfill gas, biomass, digester gas and small hydro technologies. 	<ul style="list-style-type: none"> • Payments begin after project awards are approved by Commission and new projects are constructed and operational. No payments expected in third quarter. • Staff and winning bidders will begin preparing project award packages.
<p style="text-align: center;">Emerging Resources Account</p> <ul style="list-style-type: none"> • Buydown Program recorded first full quarter of operation • 81 buydown reservation requests totaling about \$6.5 million received since program began March 20; \$2.5 million for three large (fuel cell) projects and \$4 million reserved for photovoltaic (PV) systems. Systems greater than 100 kW represent majority of funds reserved to date. 	<ul style="list-style-type: none"> • Payments for installed systems (small PV) are expected to increase appreciably. • Reservations for smaller systems (less than 10 kW) expected to increase.
<p style="text-align: center;">Customer-Side Account</p> <p>Customer Credit Subaccount</p> <ul style="list-style-type: none"> • Nine marketers registered as renewable providers offering 22 products containing renewable energy. <p>Consumer Education Subaccount</p> <ul style="list-style-type: none"> • Marketers began direct access contracts with eligible customers beginning April 1, 1998. • Public workshop held on June 3, 1998, to take information and proposals. 	<ul style="list-style-type: none"> • Most marketers are expected to begin serving and billing consumers by September, 1998. • Public input is being considered in the development of a consumer education campaign to be initiated in third quarter.

Renewable Resources Trust Fund Expenditures

Total funds *received* through June 30, 1998, amount to \$ 65.7 million for all four accounts. Total funds *awarded* or *reserved* as of the second quarter of 1998 amount to \$18.1 million, reflecting payments (disbursements) through the Existing Resources Account and fund reservations (encumbrances) within the Emerging Resources Account. A financial summary of second quarter 1998 Renewables Resources Trust Fund is provided in Table II.

Table II
Renewable Resources Trust Fund
Current Funding and Expenditures for the Quarter Ending June 30, 1998
(\$ millions)

	Existing Resources Account	New Resources Account ²	Emerging Resources Account	Customer Resources Account	Program Total
Available Funds	37.449	15.768	6.570	5.913	65.703 ³
Disbursements	(11.594)	0.0	(0.048)	0.0	(11.642)
Current Balance	25.855	15.768	6.522	5.913	54.061
Encumbrances	0.0	0.0	(6.494) ⁴	0.0	(6.494)
Unexpended Funds	25.855	15.768	0.028	5.913	47.567

The \$47.6 million in unexpended funds reflects the lag between start-up and full operation of the market. The three investor-owned utilities continue deposits into the Fund with payments current to June 30, 1998. The program design has a built-in two-month processing period for payments to eligible energy in several accounts. This second quarter report reflects payments from the Existing Resources Account through the month of April, 1998, and reservations (encumbrances) requested through the Buydown Program in the Emerging Resources Account. The Buydown Program began accepting reservations March 20, 1998; 81 reservations have been approved to date. These encumbrances and \$48,000 in payments to eligible facilities represent program operations since that date. Reservations are made up to 12 months

² \$162 million of incentive payments conditionally allocated following June 5, 1998 auction.

³ Program Total includes \$3,067 in voluntary contributions.

⁴ Reservation requests processed and granted since the March 20 start-up of the Buydown Program.

in advance so that disbursements are expected to increase later in 1998 and early 1999.

The auction to determine which projects may receive funding awards from the New Resources Account was held at the beginning of June and completed at the beginning of July, hence no payments have yet been made from this account. The entire auction and bid process was successful. Notably, the Commission's New Resources auction allocated the full \$162 million - 30 percent of the overall \$540 million established by the Legislature for the support of renewable energy resources - to more than 50 new wind, geothermal, landfill gas, biomass, digester gas and small hydroelectric projects in California. This is exciting news for California's energy market, representing over 500 megawatts of new, in-state generation. New projects will receive funds once they are constructed and begin producing electricity.

No funds were expended in the Customer-Side Accounts primarily due to the slow opening of the direct access market. The market opened April 1 with fewer than expected deliveries of eligible renewable energy to residential customers in the first months of market operation. The majority of marketers registered under the Commission's Customer Credit Subaccount have not yet started serving consumers. The Commission expects, however, that most registered providers will begin service and submitting invoices for payments from the Customer Credit Subaccount by the end of September, 1998.

In summary, the Commission continues to make excellent progress in the implementation of the Renewables Funding Program. We expect the program to increasingly disburse the Renewable Resource Trust Funds collected to support the operation of existing and the development of new and emerging in-state renewable electricity generation technologies and related markets. This completes the Commission's Second Quarter 1998 Report for the Renewables Funding Program.

Respectfully submitted,

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