RENEWABLE ENERGY PROGRAM

CALIFORNIA ENERGY COMMISSION

RENEWABLE ENERGY PROGRAM

QUARTERLY REPORT TO THE LEGISLATURE

January 2003 through March 2003

COMMITTEE REPORT

APRIL 2003
P500-03-022V1

STATE OF CALIFORNIA ENERGY COMMISSION

Gray Davis, Governor

April 30, 2003

Members of the Senate Energy, Utilities and Communications Committee
Members of the Senate Budget and Fiscal Review Committee
Members of the Senate Appropriations Committee
Members of the Assembly Utilities and Commerce Committee
Members of the Assembly Budget Committee
Members of the Assembly Appropriations Committee
California State Capitol Building
Sacramento, California 95814

RE: California Energy Commission's *Quarterly Report to the Legislature* Concerning the Renewable Energy Program

Honorable Members:

The California Energy Commission is pleased to submit its ***Quarterly Report to the Legislature*** for the first quarter of year 2003, covering the period January 1 through March 31, 2003. As required by the Public Utilities Code, Article 5, Section 445(g), the Energy Commission must submit quarterly reports on fiscal and functional aspects of the Renewable Energy Program.

As reflected in this report, the Energy Commission continues to make excellent progress in implementing the initial program and transitioning to the extended program under new legislation. The 2002 ***Annual Account Transfers and Repayments Report***, required pursuant to Public Utilities Code, Article 5, Section 445(f), is also enclosed, providing information regarding the Renewable Energy Program's cash flow.

Should you have any questions or comments concerning these reports, please contact Cecile Martin, Acting Assistant Director of the Office of Governmental Affairs, at 654-4942 or by e-mail at [cmartin@energy.state.ca.us].

Respectfully submitted,

JOHN L. GEESMAN
Commissioner and Presiding Member
Renewables Committee

JAMES D. BOYD
Commissioner and Associate Member
Renewables Committee

Enclosures

cc: California Legislative Analyst's Office

California Energy Commission's Quarterly Report Regarding the Renewable Energy Program

(January 1 - March 31, 2003)

The California Energy Commission (Energy Commission) is pleased to submit its *Quarterly Report to the Legislature on the Renewable Energy Program*, covering the period January 1 through March 31, 2003. The Energy Commission is required to report to the Legislature quarterly on fiscal and functional aspects of the program.[1]

This report describes the Energy Commission's implementation activities, including information regarding awards submitted to the State Controller for payment,[2] the cumulative commitment of claims by account, the relative demand for funds by account, a forecast of future awards, and related matters.

The initial Renewable Energy Program was mandated by Assembly Bill 1890 (AB 1890, Brulte, Chapter 854, Statutes of 1996) and Senate Bill 90 (SB 90, Sher, Chapter 905, Statutes of 1997), and operated from 1998 through 2002. This report is the first on activities of the Renewable Energy Program from 2002 through 2006, which is mandated by Senate Bill 1038 (SB 1038, Sher, Chapter 515, Statutes of 2002).

Senate Bill 1078 (SB 1078, Sher, Chapter 516, Statutes of 2002) created California's new Renewable Portfolio Standard (RPS), which requires retail sellers of electricity to increase their procurement of eligible renewable energy resources by at least one percent per year so that 20 percent of their retail sales are procured from eligible renewable energy resources by 2017. The RPS program is closely linked with the Renewable Energy Program, as indicated in Section 399.11 (d) of the statute, which states that:

> The California Renewables Portfolio Standard Program is intended to complement the Renewable Energy Program administered by the [Energy Commission] and established pursuant to Sections 383.5 and 445.

This report documents the fund expenditures for the Renewable Energy Program, focusing on the activities in the first quarter of year 2003. In the future, expenditures will include the RPS into the program activities. An overview of recent legislation that changed some aspects of the program and extended its implementation through 2006 follows a background on the Renewable Energy Program below. The remainder of the report discusses program activities, including the RPS, and summarizes program expenditures from January through March 2003.

Background on the Renewable Energy Program

AB 1890 required California's three major investor-owned utilities (IOUs) to collect $540 million from their ratepayers over a four-year period (1998 to 2002) to help support renewable electricity-generation technologies and develop a renewable energy market in the state. SB 90 established the Renewable Resource Trust Fund and directed the Energy Commission to distribute the fund through distinct "accounts." The Energy Commission adopted overall funding guidelines, eligibility requirements, yearly allocations, and specific guidelines to assist participants in applying for funding from the various programs.

With the goal of maintaining the benefits and diversity offered by renewable energy, the Renewable Energy Program is fashioned to move the renewable energy industry towards market competitiveness with conventional fuel technologies by assisting each market segment in unique ways, as summarized below.

- The Existing Renewable Facilities Program offers financial incentives to support existing renewable facilities through a tier system of varying incentive amounts based on the market competitiveness of the eligible renewable technologies in the state.

- The New Renewables Program provides financial support to encourage new renewable electricity generation projects that are most likely to become competitive with conventional technologies. Projects that won funding awards in three auctions receive payments for their first five years of generation. The New Renewables Program will also provide funding to eligible renewable generators for their above-market costs of meeting the state's new requirements when the RPS becomes operational.

- The Emerging Renewables Program grants capital cost rebates to assist customers who purchase and install renewable technologies for on-site generation. Reduced purchase costs encourage manufacturers and retailers to expand operations and reduce costs to consumers.

- The Customer Credit incentives allow renewable providers to provide electricity products to their customers at prices competitive with conventional electricity products. The Energy Commission is expected to discontinue this program due to the uncertainty of the direct access market and the implementation of the RPS. The Renewables Committee recommends that 10 percent ($1.35 million) of the annual Customer Credit funding be reallocated to the Consumer Education Program, earmarking it to support and accelerate the design and implemention effort for the RPS accounting and verification system. Further, the Committee recommends reallocating the remaining funding equally ($6.08 million each) between the Emerging Renewables and the New Renewables Programs.

- The Consumer Education Program increases public awareness of renewable energy and its benefits, and encourages support of renewable energy and purchases of renewable energy technologies through information dissemination and project demonstration.

Legislative Changes to the Renewable Energy Program

Since the Renewable Energy Program became operational, several key pieces of legislation were passed that significantly affect the program, as summarized below.

In September 2000, the Legislature adopted the Reliable Electric Service Investments Act (RESIA) through the codification of Assembly Bill 995 (AB 995, Wright, Chapter 1051, Statutes of 2000) and Senate Bill 1194 (SB 1194, Sher, Chapter 1050, Statutes of 2000). Beginning in January 2002, the RESIA directed the three large IOUs to continue to collect an amount starting at $135 million per year from their ratepayers and to place these funds into the Renewable Resource Trust Fund.

In June 2001, pursuant to the RESIA, the Energy Commission recommended funding allocations and awards to the Legislature in a report titled*, Investing in Renewable Electricity Generation in California (Investment Plan).*[3] The *Investment Plan* was incorporated into SB 1038, which Governor Davis signed into law in September 2002. Beginning in 2002, SB 1038 authorizes the Energy Commission to continue implementing the Renewable Energy Program for the next five years and distributing the Renewable Resource Trust Fund monies collected under the RESIA.

During October and November 2002, the Energy Commission conducted several public hearings to discuss the procedures and guidelines for extending the Renewable Energy Program under SB 1038. The Energy Commission incorporated public comments into program guidelines for the Existing, Emerging and Consumer Education programs, which were adopted in February 2003.

In September 2002, the Governor also signed SB 1078, establishing an RPS in California. Under SB 1078, the Energy Commission is collaborating with the California Public Utilities Commission (CPUC) and other agencies to establish rules and implement the RPS. The next section provides a detailed discussion of the Energy Commission's roles and activities in implementing the RPS.

Renewable Resource Trust Fund monies that were not awarded during the initial Renewable Energy Program's implementation will remain available to distribute under the extended program pursuant to SB 1038 and SB 1078.

Renewable Portfolio Standard

This section provides an overview of how the RPS will be implemented, including how the Energy Commission and the CPUC are working together to develop the implementation rules.

Energy Commission and CPUC Collaboration

SB 1078 defined specific roles for the CPUC and the Energy Commission in implementing the RPS, and referred to the need for the agencies to work together. In response, they initiated a collaborative process to implement the RPS. With the encouragement of Governor Davis' Office, in October 2002 talks between the staff of both agencies began to develop the basic framework for the collaboration.

The CPUC is addressing its responsibilities in implementing the RPS through its proceeding titled, “Order Instituting Rulemaking to Establish Policies and Cost Recovery Mechanisms for Generation Procurement and Renewable Resource Development."[4] In December 2002, the

CPUC issued a ruling announcing that the CPUC and Energy Commission staff would work collaboratively to develop RPS implementation rules.[5] The ruling also announced that the Energy Commission would cease to be a party to the proceeding in regards to the RPS. Instead, the Energy Commission staff was granted special status for RPS deliberations, wherein the Energy Commission staff have the same access to decision-makers as the CPUC staff.

In February 2003, the CPUC Administrative Law Judge issued a ruling formalizing the legal framework and communication protocols governing the conduct of collaborative staff. From this ruling, the Administrative Law Judge also issued the document entitled*, Workplan: CPUC-CEC RPS Collaboration (Workplan),* which laid out a three-phased plan for how the two agencies will develop rules to implement the RPS.

During this quarter, the Energy Commission began a reciprocal process to formalize the collaboration in areas for which the Energy Commission is responsible for decision-making. In March 2003, the Energy Commission approved an order delegating authority to the Committee to do the following:

1. Initiate a multi-phased RPS proceeding to address the issues identified in the *Workplan*.

2. Establish collaborative guidelines to facilitate the participation of CPUC staff in the Energy Commission's RPS proceeding, consistent with the CPUC's guidelines for the Energy Commission to participate in the CPUC Procurement Rulemaking proceeding.

3. Take all actions necessary and appropriate to develop proposed decisions, policies, guidelines, and regulations to address the issues identified in the *Workplan*.

In consultation with the Energy Commission, the CPUC plans to adopt rules by June 30, 2003, concerning the following:

1. A process to provide criteria to order and rank bids received from renewable generators. The IOUs will use the process to select the least cost and best fit renewable resources for their long-term resource needs.

2. Flexible compliance rules so that IOUs have flexibility in the quantity of renewables they procure each year.

3. Standard terms and conditions for the utilities to use in contracting for renewables, including performance requirements for renewable generators.

4. A process for determining the market price referent. The CPUC may deem bids as reasonable from renewable generators that are lower than the market price referent for utility rate recovery. If bids cost more than the referent, generators may be eligible for funding from the New Renewables Program to supplement the difference between the bid price and the referent.

In turn, the Energy Commission is responsible for the following:

1. Certifying facilities as “eligible renewable energy resources.” This work will largely be conducted through the New Renewables Program and the Existing Renewable Facilities Program.

2. Establishing criteria for “incremental” output from existing geothermal facilities. This determination distinguishes between generation from geothermal resources that can be counted towards the baseline amount of renewable resources, and what can be procured to meet the annual targets.

3. Designing and implementing an accounting system to verify retail sellers’ compliance with the RPS, and ensuring that generation is counted only once in this or any other state.

4. Allocating and awarding supplemental energy payments, as specified in SB 1038, to eligible renewable energy facilities to cover above-market costs of renewable energy.

A Phased Approach

The *Workplan* is divided into three phases; the Energy Commission began the public process for determining Phase 1 issues in the first quarter of 2003. The first phase is to address RPS resource eligibility issues as follows:

- Determine the eligibility of out-of-state power,
- Define eligible renewable technologies, and
- Determine incremental geothermal generation.

On March 25, 2003 the collaborative staff held a workshop to discuss Phase 1 issues, with the expectation that the Energy Commission will adopt a final decision on Phase 1 issues in the second quarter of 2003.

We anticipate that the Energy Commission will begin addressing Phase 2 issues in the second quarter of 2003. Phase 2 issues are as follows:

- Establish the process to certify in-state resources,
- Establish guidelines for SEP payments, and
- Develop an RPS tracking and verification system.

In the third quarter of 2003, the Energy Commission will follow up with any needed guidelines in the New Renewables Program and the Existing Renewable Facilities Program to implement the Phase 1 and Phase 2 decisions.

The Energy Commission is scheduled to adopt the Renewable Electricity Generation Resource Plan, as required under SB 1038, in December 2003.

Renewable Energy Program Implementation

As required by SB 1038, the Energy Commission adopted a new *Overall Program Guidebook*[6] and guidelines for the Existing, Emerging and Consumer Education Programs. Table I compares the funding allocations under the new legislation with the initial allocations under SB 90.

In the upcoming quarter, the Committee expects the Energy Commission to adopt its recommendation to discontinue the Customer Credit Subaccount. In the third quarter of 2003, the Energy Commission is expected to adopt a new guidebook for the New Renewables Program, which will likely include guidelines for disbursing payments to generators for their above-market costs to procure renewable energy under the RPS.

Table I - Renewable Resource Trust Fund
Comparison of Initial Program Allocations
Under Senate Bill 90 vs. Senate Bill 1038

PROGRAM	SB 90 (year 1998)		SB 1038 (year 2002)	
	Percent of Total	$ Million per Year	Percent of Total	$ Million per Year
Existing Renewable Facilities	45	$60.750	20.0	$27.000
New Renewables	30	$40.500	51.5	$69.525
Emerging Renewables	10	$13.500	17.5	$23.625
Customer Credit	14	$18.900	10.0	$13.500
Consumer Education	1	$1.350	1.0	$1.350
TOTAL	100	$135.000	100	$135.000

Table II highlights the key activities that occurred in each program during the first quarter of 2003, along with lists of the activities expected to occur during the second quarter. Table III shows the Renewable Energy Program's cumulative funding and expenditures, including disbursements for this quarter. The remainder of the report provides the details of the program activities for this quarter and summarizes the program's progress thus far.

Table II - Renewable Energy Program
First Quarter 2003 Program Implementation

<table>
<tr><th>Account, Program-Implementation, and Funding Activities: January - March 2003</th><th>Expected Funding and Implementation Activities: April - June 2003</th></tr>
<tr><td colspan="2">RPS Implementation</td></tr>
<tr><td>

The Energy Commission opened its public proceeding for implementing the RPS under the CPUC's RPS Collaboration Workplan (Workplan).
Began the public process for making a determination on Phase 1 issues as follows:

Make a determination on the eligibility of out-of-state power,
Define eligible renewable technologies, and
Make a determination on incremental geothermal generation.

Released the Committee Order on March 14 which:

Initiated a multi-phased RPS Proceeding,
Established administrative procedures for participating in the RPS Proceeding,
Established a schedule for addressing issues, developing work products and taking action on items identified in the Workplan, and
Established collaborative guidelines to facilitate the participation of CPUC staff in the RPS Proceeding.

Held Collaborative Staff workshop on Phase 1 issues on March 25, 2003.

</td><td>

The Energy Commission expects to adopt a decision on Phase 1 issues.
The report on the March 25 collaborative staff workshop on the Energy Commission's Phase 1 decisions will be finalized.
The Energy Commission expects to begin addressing Phase 2 issues, which are:

Establishing the process to certify in-state resources,
Establishing guidelines for SEP payments, and
Developing RPS tracking and verification system.

</td></tr>
<tr><td colspan="2">Existing Renewable Facilities Program</td></tr>
<tr><td>

The Existing Account (1998 – 2001) name has been changed to the Existing Renewable Facilities Program (ERFP) for 2002 – 2006 funding.
In February 2003, the Energy Commission adopted a new Guidebook for the Existing Renewable Facilities Program.[7]
To date, payments totaling $151.7 million have been made to eligible facilities for generation from 1998 through 2001.
A total of 378 facilities are registered as renewable suppliers; 275 facilities were eligible for funding from the Existing Account.
No payments were made this quarter.
A total of 81 facilities are registered as eligible for funding from the ERFP, with another 19 facilities awaiting final approval.
Rollover funds total $23.3 million.

</td><td>

We will not make further payments from the initial Existing Account funds.
We anticipate making the first ERFP payments for January 2003 generation and retroactive payments for all generation in 2002. We expect next quarter's payments to be in the range of $20 million to $25 million.

</td></tr>
</table>

Account, Program-Implementation, and Funding Activities: January - March 2003	Expected Funding and Implementation Activities: April - June 2003
New Renewables Program	
• Payments totaling over $1.4 million were made this quarter. • To date, payments totaling $23.5 million have been made to 34 on-line facilities for over 2,000 gigawatt-hours (GWh) of new renewable electricity generation. • Thirty-eight projects are currently on-line and producing electricity, representing 252.65 megawatts (MW) of new renewable capacity. • The Committee is considering the Petition to Reconsider the cancellation of four funding awards totaling $18 million.	• The construction of new projects will continue, as will payments to on-line facilities. • Funding Award Agreements with winning bidders in the second and third auctions are being finalized. • The Energy Commission is expected to decide on the Committee's proposal to reduce awards. • The Committee is expected to decide on the proposal to cancel awards for four projects. • The staff will work with the utilities and the CPUC to implement SB 1078 and SB 1038. • The Committee will hold public workshops for stakeholders to discuss new proposed *Guidebook* rules.
Emerging Renewables Program	
• Payments totaling $13.3 million were paid this quarter for more than 600 installed systems in IOU service areas, for about 3 MW of capacity. • To date, payments for over 4,650 installed systems total $72.1 million, representing about 18 MW of distributed capacity. Funds encumbered to install about 1,400 systems in IOU service areas currently total $30.0 million, representing about 7 MW of capacity. • On March 3, 2003, the Energy Commission began accepting rebate applications for systems smaller than 30 kilowatts (kW) in IOU service areas. • More than 900 new reservation requests were received this quarter for systems in IOU service areas. • The Energy Commission stopped accepting applications in POEU service areas in December 2002. Previously encumbered funds continue to be paid as claims for payment are received. Funds remaining encumbered as of the end of the quarter total about $0.65 million for 40 systems, representing 0.15 MW. This quarter payments for 79 systems total $0.7 million for 0.2 MW of capacity. To date, payments for 100 photovoltaic (PV) systems total $0.9 million, representing about 0.3 MW. • In February 2003, the Energy Commission adopted a new *Guidebook*[8] for the Emerging Renewables Program in response to changing market conditions and per the directives of SB 1038 and Assembly Bill 58 (AB 58, Keeley, Chapter 836, Statutes of 2002). Significant changes include a reduction in the rebate level, the requirement of system performance meters, and special funding for systems installed on affordable housing. In response to the state budget deficit, Senate Bill 19X (SB 19X, Chesbro, Chapter 3, Statutes of 2003-04) directed the Energy Commission to return unused AB 29X (AB 29X, Kehoe, et al., Chapter 8, Statutes of 2001) funds ($6.3 million) for Publicly Owned Electric Utility (POEU) service areas to the General Fund.	• The Energy Commission will continue to process reservations and pay rebates for qualified system installations. • The Energy Commission will continue to update lists of eligible technology equipment. • The Energy Commission will continue to regularly update availability of funds on our website. • The Energy Commission will add features and information to our website to make the application process easier and provide more information on the status of reservations. • The Energy Commission will sponsor site-verification visits to systems installed through the Emerging Renewables Program.

Account, Program-Implementation, and Funding Activities: January - March 2003	Expected Funding and Implementation Activities: April - June 2003
Customer Credit Program	
• Five marketers remain active in the market, with 48 registered renewable energy products and 29 registered providers. • To date, $58.9 million has been paid to providers. • Because the Customer Credit Account guidelines provided no payment schedule for market activity after December 2001, no payments were made for 2002 activity in the first quarter of 2003. • As required by SB 1038, the staff prepared a report, *Customer Credit Renewable Resources Account: Report to the Governor and the Legislature*"[9] *(Customer Credit Report)* that the Energy Commission will consider adopting at its April 2, 2003 Business Meeting.	• Market activity has shown a slow decline as existing direct access customers return to their default utility service and no new customers are allowed to participate. • The EnergyCommission is expected to adopt the *Customer Credit Report* at its April 2, 2003 Business Meeting. If adopted without amendments, the report recommends that payments be made in the second or third quarter on activity from January 2002 through early 2003.
Consumer Education Program	
• Payments to contractors and grant recipients totaled $0.29 million this quarter. • To date, disbursements for consumer education activities total over $4 million. • On February 19, 2003 the Energy Commission approved the new *Consumer Education Program Guidebook.* [10] • The ICF Consulting firm continued to implement the public awareness campaign. • ICF Consulting surveyed Renewable Energy Alliance (Alliance) members to confirm receipt of the Alliance kit and and obtain feedback on its usefulness. . • The print and radio Public Service Announcements (PSAs) developed by ICF Consulting continue to be placed on a 'space available' basis. • The eight grant projects awarded in August 2002 are well underway. • The Program staff updated *Buying a Solar PV System: A Consumer Guide* for 2003.	• All active grant projects will continue to implement their tasks next quarter. • *Buying a Solar PV System: A Consumer Guide* will be redesigned. • Educators for the Environment will circulate a model of the *Teachers Guide* in June. • The Local Government Commission will complete its grant project. • Twin Pines will conduct a workshop and solar tour for non-profit housing industry professionals in April. • The Solar Living Institute will offer 12 additional training classes this quarter. • The American Wind Energy Association will develop an initial draft of the *Small Wind Energy Siting Guide* and make presentations to siting officials throughout the state. • Marketing and outreach materials will be updated to reflect recent program changes. • The Committee will continue to examine the focus of consumer education activities.

Renewable Resources Trust Fund

As of the first quarter of 2003, the Energy Commission had awarded a total of $311.3 million, reflecting account payments (disbursements). Eligible applicants had reserved $226.7 million, reflecting fund reservations (encumbrances). During this quarter, disbursements to program participants totaled about $16.2 million.

From January 1998 through December 31, 2002, the participating utilities fulfilled their requirements to collect $540 million in funds for the initial program under SB 90. During that period, $15 million was transferred from the state's General Fund to the Emerging Account for rebates pursuant to Assembly Bill 29X, bringing the total funds collected to $555.0 million. However, SB 19X recently directed the Energy Commission to return unused funds designated for rebates to customers of Publicly Owned Electric Utility (POEU) service areas to the General Fund to help reduce the state's budget deficit. The unused POEU funds, which total $6.3 million, reduced the total funds collected under the direction of SB 90 to $548.7 million. (Additionally, $150 million was loaned to the General Fund and $8.9 million was loaned to the California Consumer Power and Conservation Financing Authority, as required by the Budget Act of 2002.) From January 2002 through March, 2003, the participating utilities collected $169.01 million from their ratepayers under SB 1038. Combining ratepayer funds with funds transferred from the General Fund brings the total funds collected to date to $717.7 million. To date, funds collected from the Bear Valley Electric Company total $252,000.

Table III provides a financial summary of the Renewable Resource Trust Fund as of the first quarter of 2003, reflecting cumulative fund disbursements and encumbrances, including funds disbursed and encumbered during this quarter.

Table III - Renewable Resource Trust Fund
Funding and Expenditures as of March 31, 2003
($ Millions)

	Existing Renewable Facilities	New Renewables	Emerging Renewables	Customer Credit	Consumer Education	Total
Collected Funds (SB 90)	243.000	162.000	62.700[11]	75.600	5.400	548.700[12,13]
Collected Funds (SB 1038)	33.802	87.040	29.577	16.901	1.690	169.010
Total Disbursements	(151.744)	(23.507)	(73.169)	(58.857)	(4.014)	(311.291)
1st Quarter '03 Disbursements	***0.0***	***(1.458)***	***(14.038)***	***(0.398)***	***(0.294)***	***(16.188)***
Intra-fund Reallocations[14]	(68.000)	33.800	44.200	(10.000)	0.000	0.000
Subtotal	57.058	259.333	63.308	23.644	3.076	406.419
Encumbrances	(23.256)[15]	(172.293)[16]	(29.751)[17]	0.000	(1.432)[18]	(226.732)
Unencumbered Funds	33.802	87.040	33.557	23.644	1.644	179.687

As shown in Table II, the Energy Commission encumbered funds this quarter as follows:

- The Existing Renewable Facilities Program for retroactive payments to eligible participants under the SB 90 directive, and for reallocation to the New Renewables Program's winning projects from the third auction.
- The New Renewables Program for projects with funding award agreements from the first, second, and third auctions (funding for the 72 New Renewables projects could eventually total up to $195.8 million).
- The Emerging Renewables Program for reservations for rebates for eligible systems.
- None under the Customer Credit Program. The Energy Commission will consider re-allocating the unencumbered funds during the next quarter.

- The Consumer Education Program for grant and contract project tasks.

The next sections of this report discuss the noteworthy activities that occurred in each program during the first quarter of 2003.

Existing Renewable Facilities Program

From 1998 through 2001, the Existing Renewable Resources Account (Existing Account) provided funding to existing renewable generation facilities. As of December 31, 2001, the Energy Commission suspended payments to all Existing Account facilities because the legislation authorizing the extension of the Renewable Energy Program had not yet been approved. The Existing Account has disbursed a total of $151.7 million by this date, with no further payments to be made from the initial Existing Account.

During this quarter, the account was revised in several ways. First, the account was renamed to the Existing Renewable Facilities Program (ERFP). Then on February 19, 2003, the Energy Commission adopted a new *Guidebook* for the ERFP per the SB 1038 direction. Other significant program changes, which are detailed in the *Guidebook,* include the following:

- Tier 3 facilities are no longer eligible for funding (representing approximately half of the number of eligible facilities in the initial program),
- Target prices were increased, and
- All facilities must be re-registered to be eligible for continued funding.

Table IV shows target prices and incentive caps for each tier.

Table IV
Target Prices and Payment Caps for Existing Renewable Facilities
(cents per kWh)

		2002	2003	2004	2005	2006
Tier 1 (Biomass, Solar Thermal)	Target Price	5.50	5.37	5.37	5.37	5.37
	Cap	1.0	1.0	1.0	1.0	1.0
Tier 2 (Wind)	Target Price	3.8	3.8	3.8	3.8	3.8
	Cap	1.0	1.0	1.0	1.0	1.0

During the first quarter of 2003, no disbursements were made to ERFP facilities. Under the new *Guidebook*, facilities registered as renewable suppliers under the Existing Account continue to be registered under the ERFP; however, facilities must re-register for continued funding. Currently, 81 facilities re-registered, and another 19 registration forms are awaiting final approval. Because of the extra administrative time for processing these registrations and the invoices received from January 2002 through January 2003, the staff does not expect to make the first payments from the ERFP until early April 2003.

In 2002, the Energy Commission reallocated $13 million from the Existing Account to the Emerging Account to supplement funding for that account's rebates through the end of 2002. To date, the Energy Commission has reallocated or approved the reallocation of up to $80 million in the Existing Account's rollover funds to the New Renewables Program for winning projects from its second and third auctions.[19] (The Existing Account's rollover amount currently stands at $23.3 million.[20])

Although the actual amount needed for the New Renewables Program projects is unknown now, during the next quarter, the staff will examine the amount of funds needed for the New Renewables Program, and by June 30, 2003 will recommend reallocating that amount accordingly. (Auction winners could drop out, qualify for additional incentives, or have their funding awards reduced or cancelled.)

New Renewables Program

Among the successful bidders in the three New Renewable Resources Account (New Account) auctions, 72 projects continue to hold funding awards, and 38 projects are on-line and producing electricity. These 38 projects currently contribute 252.65 MW of new renewable generating capacity to California's electricity supply.

The guidelines for the New Account have not yet been updated to reflect the changes in the program under the new legislation. In coordination with the other accounts, however, the staff changed the name of the New Account to the New Renewables Program.

During the first quarter of 2003, an 8.58 MW wind facility came on-line, and a 1.6 MW landfill gas project that came online last quarter began submitting invoices for payment. A 4.5 MW landfill gas project cancelled its award because of financial difficulties with the original owner of the landfill. All of these projects were successful bidders in the first auction.

Of the 38 on-line projects, a total of 34 projects are receiving payments from the Energy Commission. To date, these projects have received a total of $23.5 million in payments from the New Account, including $1.46 million paid this quarter. These facilities have generated approximately 2,000 gigawatt-hours (GWh) of new renewable electricity. Table III summarizes these on-line projects.

Four facilities totaling 53.55 MW of capacity are delivering power to the grid but have not yet received incentive payments. These facilities include two wind facilities with 40.92 MW and 8.58 MW in capacity, a 2.05 MW digester gas facility, and a 2 MW landfill gas facility. The Energy Commission has not made payments to these facilities for various reasons, including the following:

- Failure to submit invoices,
- Failure to provide adequate proof of generation, or
- Failure to provide adequate proof of being on-line.

Table III - New Renewables Program
Summary of On-Line Projects

Technology	MW On-Line	# of Projects
Biomass	11.30	2
Digester Gas	0	--
Geothermal	59.00	2
Landfill Gas	29.15	10
Small Hydro	11.25	2
Waste Tire	0	--
Wind	88.40	18
Total	**199.1**	**34**

To discourage auction participants from encumbering excess funds by over-estimating their generation, auction winners are required to generate a minimum of 85 percent of their estimated generation over the first three years of operation. If a project developer must reduce the project's generation, then the developer must notify the Energy Commission so that payments can be reduced, thereby avoiding a penalty. Accordingly, these projects have their eligible generation reduced to reflect the average annual amount actually generated during the first three years; furthermore, these project developers will receive a 25 percent reduction in their cents per kWh incentive for the final two years of payments.

Three landfill gas projects from the first auction have not met their minimum generation requirement. During the fourth quarter of 2002, the Committee recommended that the Energy Commission immediately reduce two of these awards, and reduce the third award in six months unless the generation increases substantially. The Energy Commission is expected to approve the Committee's recommendations during the second quarter of 2003, and the staff will continue to track on-line project performance and revise funding awards as necessary to reflect any reduced generation amounts or incentive penalties.

In the October 2000 and June 2001 auctions, the awards for five projects were reduced to correspond with the amount of funding available in those auctions. The auction protocols state that if the last bid (or group of bids, in the case of a tie) in an auction exceeds the amount of available funds, bidders have the choice of withdrawing from the auction or accepting a reduced award.

In August 2002, the Energy Commission revised the program guidelines to allow awards that were reduced under this provision to be augmented if funds became available. As a result of the bonus/penalty system in the second and third auctions, funds have become available for these five projects. The Committee recommends that the Energy Commission restore the full award for each of these projects and is expected to approve the Committee's recommendations during the second quarter of 2003.

The Energy Commission may cancel funding awards for three wind projects from the first auction owned by Enron Wind Development Corporation and one wind project owned by Painted Hills Wind Developers (an Enron affiliate). The project developers may face award cancellations for the following reasons:

1. Failure to submit required information regarding progress toward bringing the projects on-line, and
2. Failure to maintain appropriate contact with the Energy Commission regarding the projects.

The funding awards for these four wind projects, together representing 113 MW, total $17.8 million. Letters were sent to the project developers in March 2002 informing them of the Energy Commission's intent to cancel their funding awards. The project developers jointly submitted a Petition for Reconsideration to the Energy Commission, but the petition was deemed incomplete. The project developers submitted a complete petition in the third quarter of 2002, which the Committee is considering. However, any decision to cancel these awards is complicated by Enron's bankruptcy status. The Energy Commission's legal counsel is consulting with bankruptcy law experts in this matter, and the Committee hopes to make a decision on the petition during the second quarter of 2003. Any funds freed by award cancellations are returned to the Renewable Resource Trust Fund for reallocation.

Emerging Renewables Program

Legislation passed in 2002 directly affected the Emerging Renewables Program. SB 1038 provided new funding allocations, while AB 58 authorized the Energy Commission to establish rebates of up to 75 percent of total installed costs for eligible emerging technologies installed on affordable housing projects.

On February 19, 2003, the Energy Commission adopted a new *Guidebook* for the Emerging Renewables Program in response to changing market conditions and per the directives of SB 1038 and AB 58. Subsequently, the name of the Emerging Renewable Resources Account (Emerging Account) was changed to the Emerging Renewables Program (ERP) to reflect the changes in the program under the new legislation. As detailed in the *Guidebook*, significant program changes include the following:

- Reducing the rebate level and structure,
- Offering special funding for systems installed on affordable housing, and
- Requiring system performance meters (enables customers to determine quickly how well their system is functioning).

Consumer demand for rebates from the ERP continued to show strong growth in the first quarter of 2003. Beginning March 3, 2003, new reservation requests were accepted under the new legislation. In the first month of the ERP's operation, the Energy Commission received over 900 reservation requests for systems in IOU service areas.

During the first quarter of 2003, payments totaling $13.3 million were made for over 600 system installations in IOU service areas, bringing total disbursements to date to $72.1 million for systems in these areas. More than 4,650 emerging renewable systems have been installed in IOU service areas since the beginning of the program, representing approximately 18 MW of distributed renewable electricity capacity. About 1,400 systems in IOU service areas hold confirmed rebate reservations, with $30.0 million encumbered for about seven MW of solar and wind capacity in various stages of completion.[21]

Along with rebates, the state tax credit is another stimulus for consumers considering a solar or wind system. Designed to encourage the installation of systems up to 200 kW, Senate Bill 17XX (SB 17XX, Brulte, Chapter 12, Statutes of 2001-02) authorized the 15 percent credit for tax years 2001 through 2003, with a 7.5 percent credit for tax years 2004 and 2005. Early in 2002, the Energy Commission worked with the Franchise Tax Board to develop a worksheet for consumers to apply for the tax credit using a "self-certifying" process. This quarter the Energy Commission updated the worksheet and supporting documents for the 2002 tax year. The worksheet is available on the Energy Commission's website at: [www.consumerenergycenter.org/renewable/tax_credit.html].

To help reduce the state budget deficit, SB 19X directed the Energy Commission to return unused funds designated for rebates to customers of POEU service areas to the state's General Fund. Originally authorized by AB 29X during the state's energy crisis, the unused POEU funds totaled $6.3 million. The Energy Commission stopped accepting applications in these service areas in December 2002; however, previously encumbered funds are paid as claims are received. To date, payments for 100 PV systems in POEU service areas total $0.9 million, representing about 0.3 MW of capacity. As of the end of this quarter, funds remaining encumbered total over $0.6 million for 40 systems, representing nearly 0.2 MW.

As noted in the ERP *Guidebook*, the Energy Commission suspended the Solar Schools Program due to unresolved budget issues. A special rebate program for public schools that installed PV systems, the Solar Schools Program was expected to be funded with monies from settlements between the state Attorney General and electricity suppliers, in combination with ERP funds. Because the use of the settlement funds remains uncertain, the Energy Commission is not implementing the program at this time. However, public or private schools may still apply for the same rebate offered to other program participants.

With assistance from the Renewable Energy Program's technical support contractor, Xenergy, Inc., the staff continues to update the list of eligible renewable technology equipment and make it available to consumers. In the coming quarter, the Xenergy team will conduct site visits to verify the systems installed through the ERP, which serve to verify compliance with the rebate program requirements. The Xenergy team will also initiate work to enhance the website, making the application process easier and providing more information to clients on the status of their reservations. The Energy Commission will continue to update fund availability on its website at

[www.energy.ca.gov/renewables/emerging_renewables/funding]

Customer Credit Program

The Customer Credit Program did not make any payments in the first quarter of 2003. To be eligible for customer credits, participants are required to purchase renewable electricity through a direct access contract. In 2001, the CPUC suspended the direct access market, which clearly affects market activity and the implementation of the Customer Credit Program.

SB 1038 required the Energy Commission to report to the Governor and the Legislature by March 31, 2003 on how to utilitize the customer credit funds most effectively. The staff held a workshop on March 3, 2003 to solicit public response to the draft *Customer Credit Report*, which the Energy Commission will consider for adoption at its April 2, 2003 Business Meeting.

Under the direction of the Committee, the staff considered various options for the Customer Credit Program, as outlined in the *Customer Credit Report*, including:

- Should the Energy Commission discontinue the Customer Credit Program?
- Whether to provide payments to providers for eligible 2002 and early 2003 activity? and
- How to reallocate Customer Credit Program funds under SB 1038.

In the *Customer Credit Report,* the staff recommends discontinuing the Customer Credit Program because of the numerous uncertainties surrounding the direct access market and the new RPS. Current legislation limits paying customer credits to only those customers who had direct access contracts in place before September 20, 2001. Lacking further legislative action, additional customers would be ineligible for payments even if the option of direct access contracts were restored.

The staff also recommends paying providers for customer credits for eligible 2002 and early 2003 activity. According to the staff estimates, payments to the five active providers would total $5.2 million, which could be paid with the unused SB 90 funds rolled over from 2001.

Additionally, the staff recommends that the annual funds allocated to the Customer Credit Program under SB 1038 be reallocated to three of the other programs. Table VI shows the proportional allocations that the staff recommends.

Table VI - Recommended Fund Reallocations from Customer Credit Account

Receiving Program	$ millions/year	% of total
Emerging Renewables Program	$6.08	45
New Renewables Program	$6.08	45
Consumer Education Program	$1.35	10

Finally, the staff suggests that the customer credit funds allocated to the Consumer Education Program be set aside to support and accelerate the design and development of an accounting and verification system, which is outlined in SB 1078 as one of the Energy Commission's roles in implementing the RPS.

In making the above recommendations, the staff supports the purchases of renewable energy that were made in 2002 and early 2003, while recognizing that the current market situation vastly differs from the initial deregulation scenario that began in 1998. Although customer choice is no longer an option, the recently enacted RPS provides an alternative for supporting renewable energy purchases that does not require customers to enter into direct access contracts.

Consumer Education Program

On February 19, 2003, the Energy Commission adopted a new *Guidebook* for the Consumer Education Program. The name of the Consumer Education Subaccount was changed to the Consumer Education Program to represent the new directive under SB 1038; however, the updated *Guidebook* contains no significant changes.

During the first quarter of 2003, the staff revised the popular handbook, *Buying a Solar PV System: A Consumer Guide,*[22] to correspond to the needs of the current photovoltaics market and and the recent changes in the Emerging Renewables Program. This handbook can be found on the Energy Commission's website at [www.consumerenergycenter.org/erprebate/forms]. The staff plans to re-design the handbook in upcoming months, and has recruited the PV industry and market participants to review the outline and draft.

The remainder of this section discusses the activities related to the grant and contract projects in the Consumer Education Program. During the next quarter, the Committee will continue to examine the focus of the Consumer Education Program and its activites.

Grant Projects

The eight grant projects that received grant awards in 2002 are well underway. The following are the significant project activities conducted during the first quarter of 2003:

- The Local Government Commission (LGC) surveyed local governments to solicit feedback about Stimulating Public-sector Implementation of Renewable Energy (SPIRE) services and plans for renewable energy installations in the next few years. The LGC developed a new fact sheet that focuses on local policies, codes, ordinances, and programs supporting the installation of renewable energy systems. The third edition of the Renewable Energy Assistance Packet contains the most recent information about rebate incentives, financing, and procurement opportunities for local governments and special districts.

- Educators for the Environment provided a review draft of the text, graphics, and layout of the teachers guide to all technical reviewers and teachers. The Guide and classroom activities for students grades six through twelve will be posted on a website under development.

- Beginning March 2003, the Real Goods Solar Living Institute will conduct 22 one-day solar installer training classes across the state. The goal of the program is to educate 330 electricians involved with affordable and low-income housing. The course covers basic PV concepts, site analysis, performance calculations, installation issues, wiring methods, and issues related to the NEC code and utility interconnection. March classes conducted thus far were held in Hopland, San Jose, Lodi, and Sacramento.

- Twin Pines Cooperative Foundation began planning the workshop and solar tour for non-profit housing industry professionals to be held on April 27, 2003 in Sacramento. Twin Pines drafted a booklet that includes financing, project constraints, decision making process, system ownership, interconnection details, and integrating PV technology into new development and retrofits.

- Through the Renewable Energy New Construction Program, Energy Solutions developed an implementation and marketing plan and began developing program materials this quarter. This program interfaces with the Berkeley and Oakland Design Assistance programs. Energy Solutions conducted a feasibility study for the Fruitvale Commons project in Oakland, a 30-unit multi-family building. The study described the PV system design, generation estimates, and operating cost savings for the facility.

- The Rahus Institute's Solar Schoolhouse project has conducted 14 state-wide teacher training workshops on solar energy, with more planned for April 2003. For schools that have PV installations, Rahus is working on a web database and data collection interface for students to post PV performance data.

- The American Wind Energy Association (AWEA) organization developed an outline for its *Small Wind Siting Handbook* for local governments and permitting agencies involved in siting small wind energy systems. The AWEA team identified 12 targeted counties for distributing the handbook. Numerous presentations are planned at events throughout the state during the next several months, with the AWEA presentors to submit a new abstract on the benefits of wind energy and barriers to siting wind energy systems. The AWEA staff will introduce the draft handbook and distribute a questionnaire to solicit input from permitting officials attending these events.

Public Awareness Campaign

Under the Committee's direction, during the first quarter of 2003, the staff directed its contractor, ICF Consulting, to discontinue proactive outreach to radio, television, and print media. The ICF Consulting team has had significant success in gaining media attention for renewable energy and the Energy Commission's Renewable Energy Program. Table VII summarizes the media placements from all efforts to date.

The print PSAs distributed by the ICF Consulting group last quarter ran in seven publications during January and February 2003. The PSAs were developed to create awareness about renewable energy and are published at no cost, as space is available. Thirty-second radio PSAs ran multiple times in the markets of Los Angeles, Sacramento, Eureka, and San Francisco.

Table VII - Public Awarenss Campaign
Media Outreach

Media	Number of Placements
Newspaper	131
Internet	76
TV	23
Radio Clips	50
Trade Publications	8
TOTAL	**288**

During this quarter, four EarthNews Radio spots ran throughout the San Francisco and Los Angeles regions to highlight the benefits of using renewable energy in the business and residential markets. Radio spots are posted on the EarthNews Radio website [www.earthnewsradio.org], the Energy Commission's website at [www.consumerENERGYcenter.org], and distributed to Alliance members.

The Energy Commission and the ICF Consulting team continue to work with representatives of the Hearst Castle® Visitor Center to develop a project showcasing energy efficiency and renewable energy technologies. The ICF Consulting staff continues to generate interest and seek sponsors to support this high-profile project.

During this quarter, the ICF Consulting staff made follow-up survey calls to Alliance members to confirm that they had received the Resource Kit, provided a brief introduction to the elements in the kit, and obtained feedback on how the members will use the materials. The Alliance members value the kits, and especially the videos, because they use them in presentations and trade shows. The PSAs, customizable fact sheets, and case studies were also found to be quite useful. Early this quarter, the Alliance members numbered 158.

Summary

The Energy Commission's efforts in implementing the initial Renewable Energy Program yielded an excellent outcome for the renewables industry and Californians. Despite the suspension of new direct access contracts between customers and renewable energy providers, the Renewable Energy Program responded to California's energy challenges by hastening new renewables projects and continuing to foster consumer demand for renewable energy. Over the last two years, customer interest in rebates for emerging renewable technologies, especially for PV and wind energy systems, has increased more than tenfold.

Since the Renewable Energy Program began operating, the Energy Commission has brought over 252 MW of new renewables capacity on-line, with the potential for new projects to eventually total up to 1,200 MW of new renewable capacity for California's electric grid. The program has also helped 275 existing facilities remain operative for 4,400 MW of renewables capacity and has supported over 200,000 customer purchases of electricity generated by renewable energy. Nearly 4,800 customers received rebates for installing on-site renewable technology systems, representing over 18 MW of solar and wind energy capacity. Lastly, the Energy Commission continues to educate consumers statewide about renewable energy and the state's incentive programs, and about how they can support renewables in today's marketplace.

In collaboration with the CPUC, the Renewable Energy Program has a pivotal role in developing rules for and implementing the RPS. The Renewable Energy Program will provide funding to renewable generators for the above-market costs of meeting the RPS requirements and create a new tracking and verification system for protecting consumers and ensuring utilities are meeting their RPS targets. This collaborative work is building the foundation for California to maintain its leadership in renewable energy development.

Endnotes

---

[1] Public Utilities Code (PUC), Article 5, Section 445(g).
[2] As a procedural matter, the Energy Commission submits awards directly to the State Controller for payment, rather than through the Treasurer.
[3] Publication Number P500-00-022, June 2001.
[4] CPUC Rulemaking 01-10-24.
[5] CPUC Decision 02-12-074.
[6] Publication Number P500-03-004F, February 2003.
[7] Publication Number P500-03-002F, February 2003.
[8] Publication Number P500-03-001F, February 2003.
[9] Publication Number 500-03-008CR, February 2003.
[10] Publication Number P500-03-003F, February 2003.
[11] This amount includes $15 million transferred from the General Fund pursuant to AB 29X; $6.3 million of these funds were returned to the General Fund pursuant to SB 19X.
[12] This total does not include $252,000 collected from ratepayers of the Bear Valley Electric Company or $14,385 in voluntary contributions (the balance for voluntary contributions is $15.00 less than reported last quarter because a payment was returned to its sender).
[13] This total does not include $150 million loaned to the state's General Fund or $8.9 million loaned to the California Consumer Power and Conservation Financing Authority pursuant to the Budget Act of 2002 (Items 3360-011-0382 and 3360-012-0382 respectively). The Budget Act requires the California Consumer Power and Conservation Financing Authority to repay $1.0 million by June 30, 2003.
[14] To date, the Energy Commission has reallocated $40 million from the Existing Account to the New Account for the second auction, reduced a previous $40 million reallocation from the Existing Account to the New Account to $33.8 million, and redirected the $6.2 million to the Emerging Account. Pursuant to AB 29X, the Energy Commission reallocated $15 million from the Existing Account to the Emerging Account in 2001. The Energy Commission reallocated $10 million in unused funds from the Customer Credit Subaccount to the Emerging Account in September 2001 and reallocated $13 million from the Existing Account to the Emerging Account in September 2002.
[15] Encumbered for retroactive payments to eligible ERFP participants, and for potential reallocation to the New Account as winning projects from the third auction come on-line and become eligible for funding.
[16] The Energy Commission conditionally awarded $162 million at its June 1998 auction, $40 million at its December 2000 auction, and up to $40 million at its August 2001 auction. As funds become available, they are encumbered for new projects.
[17] Encumbered for rebate reservation requests approved but not yet paid.
[18] Encumbered for grant projects and contract tasks.
[19] The rollover consists of the funds remaining in the ERFP after payments have been made to facilities in a given monthly payment cycle. Any funds not paid in one month are rolled over and added to the following month's allocation, becoming available for that month's payments. The Energy Commission has approved up to the full amount of the ERFP rollover funds remaining from the initial program implementation for reallocation to a separate area of the Renewable Energy Program. After determining the amount of funds needed for reallocation, any remaining funds shall be available for rollover into funds for the program under SB 1038.
[20] This figure does not account for the funds (up to $40 million) that the Energy Commission has authorized for reallocation to the New Account for funding the third auction.
[21] Differences between these amounts and those shown in Table III reflect the lag time between data entries and disbursements.
[22] Publication Number P500-03-014F, March 2003.

Annual Account Transfers and Repayments Report
Renewable Energy Program
(January 1 - December 31, 2002)

The California Energy Commission is pleased to submit its ***Annual Account Transfers and Repayments Report*** on the Renewable Energy Program covering the period January 1 through December 31, 2002.

The Energy Commission prepared this report pursuant to Public Utilities Code, Article 5, Section 445(f), which authorizes the Energy Commission to transfer funds between the Renewable Resource Trust Fund accounts (Existing Account, New Account, Emerging Account, Customer Credit Subaccount, Consumer Education Subaccount) for cash-flow purposes, provided that the balance due each account is restored and that the transfers do not adversely affect any of the accounts. Section 445(f) states that the Energy Commission

> …shall examine the cash-flow in the respective accounts on an annual basis, and shall annually prepare and submit to the Legislature a report that describes the status of account transfers and repayments.

For the period January 1 to December 31, 2002, the Energy Commission did not transfer any funds among Renewable Resource Trust Fund accounts. In previous years, funds were transferred from the New Renewable Resources Account to the Customer Credit Subaccount and to the Consumer Education Subaccount to restore these subaccounts' available funds, which were deficient at that time. Funds due each account were restored in year 2002, resulting in a zero balance in fund transfers by the end of that year. Table I provides a snapshot of year-end annual fund transfer balances since the program began operation in 1998.

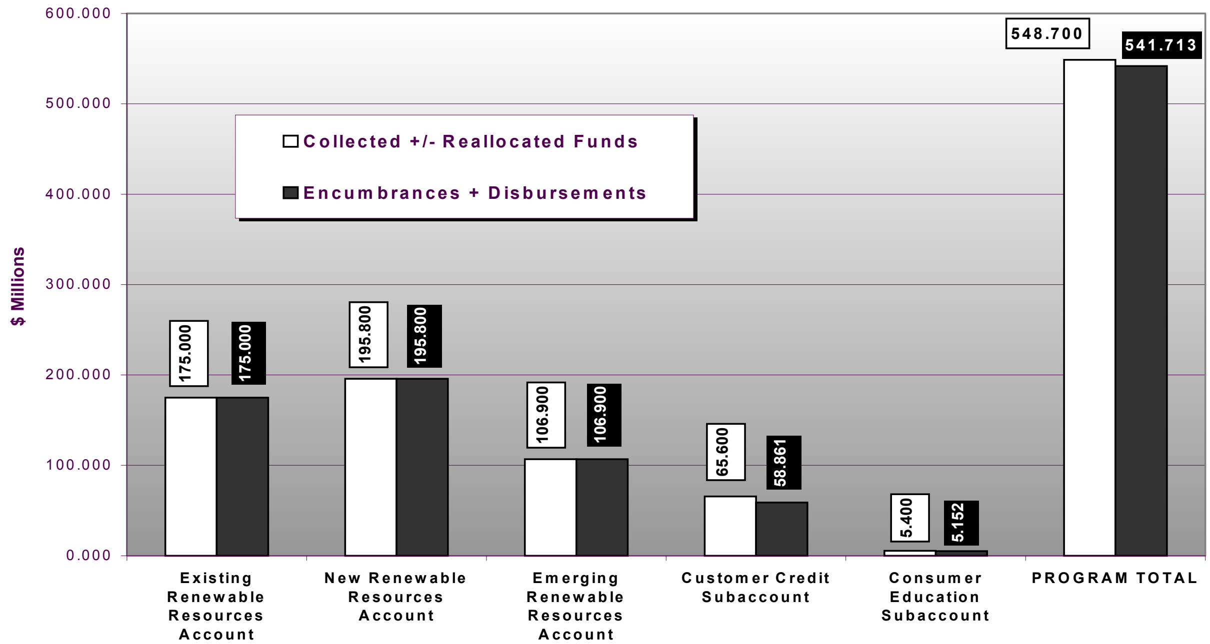
Table I
Annual Renewable Resource Trust Fund Account Transfers
($ millions)

Year	1998	1999	2000	2001	2002
Year-End Account Transfer Balance	0	$1.74	$7.78	$7.01	0

The Energy Commission transferred funds from the New Account because disbursements from that account will not be substantial until participants are on-line and meeting other eligibility criteria. As of December 2002, 72 New Account projects continued to hold funding awards, 38 of which are on-line and producing electricity.

Figure I shows the status of the accounts as of December 31, 2002.

Figure I
Renewable Energy Program
Funding and Disbursement Levels as of 12/31/02



The initial Renewable Energy Program, mandated by Assembly Bill 1890 (AB 1890, Sher, Chapter 854, Statutes of 1996) and Senate Bill 90 (SB 90, Sher, Chapter 905, Statutes of 1997), operated from 1998 through 2002. In September 2000, Assembly Bill 995 (AB 995, Wright, Chapter 1051, Statutes of 2000) and Senate Bill 1194 (SB 1194, Sher, Chapter 1050, Statutes of 2000) created the Reliable Electric Service Investments Act (RESIA) and extended collection of funds until 2012. In 2002, the passage of Senate Bill 1038 (SB 1038, Sher, Chapter 515, Statutes of 2002) authorized the Energy Commission to implement the RESIA for five years, beginning in 2002.

In September 2002, Governor Davis also signed Senate Bill 1078 (SB 1078, Sher, Chapter 516, Statutes of 2002), establishing an RPS in California. SB 1078 requires the electric utilities to increase their procurement of renewable energy resources by at least one-percent per year so that 20 percent of their retail sales are from eligible renewables by 2017. A major role for the Energy Commission will include allocating and awarding supplemental energy payments to renewable generators to cover costs above the market price for energy procured to meet the RPS requirements. These funds will likely be obtained from the New Renewable Resources Program. The Energy Commission is collaborating with the CPUC to implement the RPS under SB 1078.

In summary, the Energy Commission did not transfer any funds among the Renewable Resource Trust Fund accounts during the calendar year 2002. The Renewable Energy Program maintains a good balance between funds collected and disbursed, as Figure I illustrates. Transfers and repayments of funds between accounts under the new legislation could occur in the upcoming year; the Energy Commission will discuss such transfers in its next ***Annual Account Transfers and Repayments Report***.

Respectfully submitted,

JOHN L. GEESMAN	JAMES D. BOYD
Commissioner and Presiding Member	Commissioner and Associate Member
Renewables Committee	Renewables Committee