



*RENEWABLE  
ENERGY  
PROGRAM*

**CALIFORNIA  
ENERGY  
COMMISSION**

# **RENEWABLE ENERGY PROGRAM**

QUARTERLY REPORT TO THE  
LEGISLATURE

October 2003 through December 2003

**COMMITTEE REPORT**

**JANUARY 2004  
P500-03-022V4**



Arnold Schwarzenegger, Governor

**CALIFORNIA ENERGY COMMISSION**1516 NINTH STREET  
SACRAMENTO, CA 95814-5512

January 30, 2004

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* and *Annual Transfers and Repayments Report* Concerning the Renewable Energy Program

Honorable Members:

The California Energy Commission is pleased to submit its *Quarterly Report to the Legislature* for the fourth quarter of year 2003, covering the period October 1 through December 31, 2003. As required by the Public Resources Code, Section 25751(g), the Energy Commission must submit quarterly reports on fiscal and functional aspects of the Renewable Energy Program.

Appended to the *Quarterly Report* is the *2003 Annual Transfers and Repayments Report*, as required by PRC Section 25751(f), which provides information regarding the cash flow in the Renewable Resources Trust Fund.

As reflected in these reports, the Energy Commission continues to make excellent progress in implementing the Renewable Energy Program and, in collaboration with the California Public Utilities Commission, in developing the implementation rules for California's Renewables Portfolio Standard.

Should you have any questions or comments concerning these reports, please contact Cecile Martin, Legislative Director, 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 (October 1 – December 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 October 1 through December 31, 2003. The Energy Commission is required to report to the Legislature quarterly on fiscal and functional aspects of the program.<sup>1</sup>

This report describes the Energy Commission's implementation activities over the fourth quarter reporting period of year 2003, including information regarding awards submitted to the State Controller for payment,<sup>2</sup> the cumulative commitment of claims by program, the demand for funds by program, and related matters.

Given that many of the Renewable Energy Program's funding mechanisms are ongoing, open solicitations, the amount of available funds is subject to change on a daily basis to meet the changing needs of program participants. Consequently, this report provides a snapshot of the status of the Renewable Energy Program and a forecast of future awards based upon market conditions and program trends at the time of this writing.

Below is background on the Renewable Energy Program, followed by summaries of its implementation activities, including the Renewables Portfolio Standard Program (RPS), and expenditures from the Renewable Resource Trust Fund. The remainder of this report discusses activities occurring in each program area during the fourth quarter of 2003, and summarizes the accomplishments of the Renewable Energy Program to date.

## **Background on the Renewable Energy Program**

In 1996, the California Legislature created the Renewable Energy Program to foster the development of renewable electricity generation technologies and expand the renewable energy market in the state. To administer the program, the Legislature authorized the collection of Investor-Owned Utility (IOU) ratepayer funds from 1998 through 2001. In 2001, the Legislature extended the Renewable Energy Program from 2002 through 2006.

This section summarizes the Renewable Energy Program from 1998 through 2006. For additional details about the Renewable Energy Program, refer to the Renewable Energy Program's most recent *Annual Project Activity Report to the Legislature*.<sup>3</sup>

### **Renewable Energy Program - 1998 through 2001**

With the goal of maintaining the environmental, economic, and reliability benefits of renewable energy, Assembly Bill 1890 (AB 1890, Brulte, Chapter 854, Statutes of 1996) created the Renewable Energy Program, which became operational in 1998. AB 1890 directed California's large IOUs to collect funds from their ratepayers to total \$540 million over the four-year period and transfer the funds to the Energy Commission for renewable resource development. Senate Bill 90 (SB 90, Sher, Chapter 905, Statutes of 1997) established the Renewable Resource Trust Fund and directed the Energy Commission to administer the funds through distinct program areas, each with funding mechanisms uniquely fashioned to move the renewable energy industry towards market competitiveness through:

- Production incentives for the existing renewable electricity generators on-line before 1996,
- Auction awards for new renewable electricity generators once they came on-line and produced electricity,
- Rebates for consumers who purchased and installed on-site generating systems utilizing renewable fuels,
- Credits for customers who purchased electricity generated with renewable energy, and
- Renewable energy consumer education.

In January 1998, the Energy Commission adopted overall funding directives, eligibility requirements, yearly allocations, and specific guidelines to assist participants in applying for funding.

In September 2000, the Legislature passed Assembly Bill 995 (AB 995, Wright, Chapter 1051, Statutes of 2000) and Senate Bill 1194 (SB 1194, Sher, Chapter 1050, Statutes of 2000), which directed the IOUs to continue collecting \$135 million per year from 2002 through 2006 from their ratepayers for the Renewable Resources Trust Fund. AB 995 and SB 1194 required the Energy Commission to recommend funding allocations and awards to the Legislature, which it provided in June 2001, in a report titled, *Investing in Renewable Electricity Generation in California (Investment Plan)*.<sup>4</sup>

### **Renewable Energy Program - 2002 through 2006**

In 2002, the Legislature incorporated the *Investment Plan* into Senate Bill 1038 (SB 1038, Sher, Chapter 515, Statutes of 2002), which authorized the Energy Commission to administer the program beginning in 2003 through 2006. The program's basic structure and funding mechanisms are described below:

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

- The New Renewables Program conducted auctions in 1998, 2000, and 2001 that awarded financial support to encourage new renewable electricity generation projects most likely to become competitive with conventional technologies. Once they come on-line, winning projects receive payments for their first five years of generation. The New Renewables Program will also provide funding to renewable generators for their above-market costs of meeting the RPS requirements. (The RPS and its relationship to the Renewable Energy Program are discussed in detail later in this report.)
- The Emerging Renewables Program grants capital cost rebates to assist customers who purchase and install renewable technologies for on-site generation. Increased sales encourage manufacturers and retailers to expand operations, which in turn should lower costs to consumers.
- Customer Credit incentives allowed renewable providers to offer electricity products to their customers at prices competitive with conventional electricity products. In April 2003, the Energy Commission discontinued this program and reallocated the annual Customer Credit funding to the Consumer Education, Emerging Renewables, and the New Renewables Programs (10 percent, 45 percent, and 45 percent respectively).
- The Consumer Education Program, through grants and contracts, increases public awareness of renewable energy and its benefits, and encourages the support of renewable energy and purchases of renewable energy technologies through information dissemination, project demonstration, and facilitating renewable energy partnerships.

In February 2003, the Energy Commission adopted new program guidelines for the Existing Renewable Facilities, Emerging Renewables, and Consumer Education programs. The Energy Commission will update program guidelines for the New Renewables Program as the RPS rules develop.

In April 2003, the Energy Commission discontinued the Customer Credit program, but authorized payments to providers for eligible 2002 and early 2003 transactions.<sup>5</sup> To permit these payments, the Energy Commission adopted guidelines for the Customer Credit Program in May 2003.<sup>6</sup>

SB 1038 also required the Energy Commission to develop and submit to the Legislature a comprehensive renewable generation resource plan by December 1, 2003. The Energy Commission submitted its *Renewable Resources Development Report* (RRDR) to the Legislature in November 2003.<sup>7</sup> The RRDR describes the renewable resource potential in California and the other states in the Western Electricity Coordinating Council (WECC), and discusses the cost trends of renewable energy technologies and installed capacity of renewable energy in the WECC. The report provides the staff's estimates of the renewable energy required to meet California's RPS target of 20 percent renewable energy by 2017, along with the accelerated schedule of meeting the target by 2010. The report also discusses key policy issues affecting the implementation of the RPS, and recent research and development activities related to renewable energy.

As discussed in the RRDR, the Energy Commission concludes that, with proposed renewable projects and the significant untapped renewable resources in California and the other WECC states, there is an ample supply of renewable energy resources available to meet the RPS and the accelerated RPS targets. The cost of renewable energy is expected to continue to decline, with some technologies and applications nearly competitive with conventional power generation today. The report notes that the following key policy issues will require further attention:

- Expanding the transmission system to accommodate renewable energy,
- Maintaining adequate public-goods-charge funds to support any above-market costs for renewable purchases, and
- Determining the role that the publicly-owned utilities will have in meeting the RPS goals.

The next section discusses funding and expenditures from the Renewable Resources Trust Fund for this quarter and summarizes the cumulative funding to date.

## Renewable Resources Trust Fund

By the end of the fourth quarter of 2003, the Energy Commission had awarded a total of \$398.6 million, reflecting payments (disbursements), and encumbered over \$240.7 million, reflecting fund reservations. During the fourth quarter, disbursements to program participants totaled nearly \$24.9 million.

Table I shows the current annual allocation of Renewable Resource Trust Fund monies to administer the Renewable Energy Program, which reflects the Energy Commission's decision to discontinue the Customer Credit Program and reallocate these funds to the New Renewables, Emerging Renewables, and Consumer Education Programs (45 percent, 45 percent, and 10 percent respectively).

**Table I - Renewable Resource Trust Fund  
Renewable Energy Program Annual Allocations**

Program	Percent of Total	\$ Million/Year
<b>Existing Renewable Facilities</b>	20	\$27.0
<b>New Renewables</b>	56	\$75.6
<b>Emerging Renewables</b>	22	\$29.7
<b>Consumer Education</b>	2	\$2.7
<b>TOTAL</b>	100%	\$135.00

The participating utilities fulfilled their requirements to collect \$540.0 million for the program under SB 90. In addition to those funds, \$15 million was transferred from the state's General Fund to the

Emerging Renewables Program for rebates pursuant to Assembly Bill 29X (AB 29X, Kehoe, Chapter 8, Statutes of 2001), bringing the fund total to \$555.0 million. However, Senate Bill 19X (SB 19X, Chesbro, Chapter 3, Statutes of 2003) subsequently directed the Energy Commission to transfer the 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 transfer of these funds, which total about \$6.3 million, reduced the balance of total funds available for the program under SB 90 to \$548.7 million.

From January 2002 through December 2003, the participating utilities collected \$271.3 million from their ratepayers under SB 1038. The Budget Act of 2002 directed the Energy Commission to loan \$150.0 million to the General Fund and \$8.9 million to the California Consumer Power and Conservation Financing Authority. According to the Budget Act, the loan to the General Fund is not intended to adversely affect the Renewable Energy Program, and the California Consumer Power and Conservation Financing Authority is required to repay \$1 million by June 30, 2003, with the remainder to be re-paid by June 30, 2004. To date, the Energy Commission has not received a re-payment, and these fund transfers and loans continue to reduce the amount of funds available to administer the Renewable Energy Program.

In September 2003, the governor signed Senate Bill 704 (SB 704, Florez, Chapter 480, Statutes of 2003), which requires the Energy Commission to allocate \$6.0 million from the Renewable Resource Trust Fund for incentives to facilities that increase their utilization of qualified agricultural biomass for the 2003-2004 fiscal year. During the first quarter of 2004, the Energy Commission expects to adopt guidelines to implement this directive.

Table II provides a financial summary of the Renewable Resource Trust Fund as of the fourth quarter of 2003, reflecting cumulative fund disbursements and encumbrances since the beginning of the program in 1998, including funds disbursed and encumbered during this quarter, and funds loaned and transferred from the fund, as discussed above.

The Renewable Energy Program administers the Renewable Resources Trust Fund via ongoing solicitation and functions in response to fluctuations in market prices and other uncertainties. Fund amounts shown in Table II change daily as funds are encumbered and paid to program participants. The Energy Commission paid and/or encumbered funds this quarter for the following activities:

- The Existing Renewable Facilities Program for payments to eligible existing facilities and for reallocated monies for the New Renewables Program's winning projects from the third auction.
- The New Renewables Program for on-line projects with funding award agreements from the first, second, and third auctions. Committed funds are reserved for Supplemental Energy Payments (SEPs), which will begin when the RPS implementation rules and the New Renewables Program guidelines are finalized.
- The Emerging Renewables Program for reservations for rebates for eligible systems.

- The Customer Credit Program for payments for generation in 2002 and early 2003.
- The Consumer Education Program for grant and contract activities.

**Table II - Renewable Resource Trust Fund (\$ Millions)  
Funding and Expenditures as of December 30, 2003**

	<b>Existing Renewable Facilities</b>	<b>New Renewables</b>	<b>Emerging Renewables</b>	<b>Customer Credit</b>	<b>Consumer Education</b>	<b>Total</b>
<b>Collected Funds (SB 90)</b>	243.000	162.000	69.000 <sup>8</sup>	75.600	5.400	555.000 <sup>9</sup>
<b>Collected Funds (SB 1038)</b>	54.268	139.740	47.485	27.134	2.713	271.340
<b>Total Disbursements</b>	-184.572	-33.159	-111.040	-65.307	-4.498	-398.576
<b>Intra-fund Reallocations<sup>10</sup></b>	-68.000	46.010	56.410	-37.134	2.713	0.000
<b>General Fund Transfer</b>	0.000	0.000	-6.308 <sup>11</sup>	0.000	0.000	-6.308
<b>Subtotal</b>	44.696	314.592	55.546	0.293	6.329	421.456
<b>Encumbrances</b>	-23.256 <sup>12</sup>	-162.641 <sup>13</sup>	-53.600 <sup>14</sup>	-0.293	-0.902 <sup>15</sup>	-240.692
<b>Committed Funds<sup>16</sup></b>	21.440	151.950 <sup>17</sup>	1.946	0.000	5.427 <sup>18</sup>	180.763
<b>Loans</b>						-158.900 <sup>19</sup>
<b>Committed Funds Minus Loans</b>						21.863
<b>4<sup>th</sup> Quarter '03 Disbursements</b>	-4.952 <sup>20</sup>	-4.739	-14.262	-0.846	-0.075	-24.875

The remainder of this report provides details on the Renewable Energy Program's implementation, focusing on the fourth quarter of 2003.

## **Renewable Energy Program Implementation**

Table III highlights the key activities that occurred in each program area during the fourth quarter of 2003, and lists the activities expected to occur during the first quarter of 2004. The staff's estimates of expected activities and funding in the upcoming quarter are based on program trends at the time of this writing, and actual project activities and funding may vary from these estimates.

**Table III - Renewable Energy Program  
Fourth Quarter 2003 Program Implementation**

Implementation Activities and Funding Activities: October – December 2003	Expected Funding and Implementation Activities: January – March 2004
<b>RPS Implementation</b>	
<ul style="list-style-type: none"> <li>• The Energy Commission adopted its decision on Phase 2 issues in early October.</li> <li>• The staff began developing draft guidelines to implement the Phase 1 and Phase 2 decisions.</li> <li>• The Energy Commission released a draft contractor report in October on the Needs Assessment for a WREGIS summarizing the Needs Assessment Survey results and making recommendations for the tracking system design. The staff, together with WGA, conducted six workshops to receive stakeholder input regarding the draft report. The Energy Commission released its final contractor report in December.</li> </ul>	<ul style="list-style-type: none"> <li>• The Energy Commission will release draft guidelines to implement the Phase 1 and Phase 2 decisions.</li> <li>• The staff, WGA and other stakeholders will develop the Functional Requirements of WREGIS.</li> </ul>
<b>New Renewables Program</b>	
<ul style="list-style-type: none"> <li>• Payments totaling over \$4.7 million were made this quarter.</li> <li>• To date, payments totaling \$33.2 million have been made to 37 on-line facilities for over 2,900 gigawatt-hours (GWh) of new renewable electricity generation.</li> <li>• Forty-four projects are currently on-line and producing electricity, representing 424 megawatts (MW) of new renewable capacity.</li> <li>• A 75.6-MW wind facility and a 20-MW small hydro facility came on-line this quarter.</li> </ul>	<ul style="list-style-type: none"> <li>• The construction of new projects will continue, as will payments to on-line facilities.</li> <li>• Funding Award Agreements with winning bidders in the second and third auctions will be finalized.</li> <li>• Work will continue with the utilities and the CPUC to implement SB 1078 and SB 1038.</li> <li>• The Committee will hold public workshops for stakeholders to discuss new proposed <i>Guidebook</i> rules.</li> <li>• Two wind facilities totaling 49.8 MW are expected to come on-line.</li> </ul>
<b>Existing Renewable Facilities Program</b>	
<ul style="list-style-type: none"> <li>• About \$5.0 million in payments were made this quarter for August and September 2003 generation.</li> <li>• Payments totaling \$184.6 million have been made to eligible existing facilities for generation from 1998 through September 2003.</li> <li>• A total of 378 facilities are registered as renewable suppliers, with 102 eligible for funding from the Existing Renewable Facilities Program (ERFP).</li> <li>• ERFP rollover funds total \$14.3 million.</li> </ul>	<ul style="list-style-type: none"> <li>• An estimated \$4.5 million is expected to be paid to eligible existing facilities during the first quarter of 2004.</li> </ul>

<b>Implementation Activities and Funding Activities: October – December 2003</b>	<b>Expected Funding and Implementation Activities: January – March 2004</b>
<b>Consumer Education Program</b>	
<ul style="list-style-type: none"> <li>• The ICF Consulting team completed all tasks for the Renewable Energy Public Awareness Campaign and submitted all deliverables, including its Final Report, evaluation, and final invoice.</li> <li>• Twin Pines Cooperative Foundation’s grant project was completed.</li> <li>• The Educators for the Environment launched its website, <a href="http://www.energyforkeeps.org">www.energyforkeeps.org</a>, and submitted its teacher’s Guide titled, <i>Energy for Keeps: Electricity from Renewable Energy (Grades 6 – 12)</i>, a bookmark and a flyer/postcard, and a final report and invoice.</li> <li>• Global Possibilities submitted the final report and evaluation on the Solar Home Tours for 2002 and 2003 grant project.</li> <li>• Energy Solutions submitted its third invoice.</li> <li>• The grant term for the Rachus Institute’s “Solar Schoolhouse” project ended in November.</li> <li>• The American Wind Energy Association requested an extension of its grant term to February 2004.</li> <li>• Payments to contractors and grant recipients totaled \$75,329 this quarter.</li> <li>• To date, disbursements for consumer education activities total \$4.5 million.</li> </ul>	<ul style="list-style-type: none"> <li>• Energy Solutions’ grant term expires in January 2004. The staff expects to receive a final invoice and report including deliverables during this quarter.</li> <li>• The Energy Commission expects Twin Pines Cooperative Foundation to submit its final invoice and final report, which will include the results of the survey.</li> <li>• The American Wind Energy Association will complete its tasks and submit its final report and invoice.</li> </ul>
<b>Emerging Renewables Program</b>	
<ul style="list-style-type: none"> <li>• To date, payments for over 7,000 installed systems total over \$111 million, representing about 28 MW of distributed capacity.</li> <li>• Payments totaling \$14.3 million were paid this quarter for 886 installed systems in IOU service areas, for about 3.7 MW of capacity.</li> <li>• Funds encumbered for installing over 3,200 systems in IOU service areas total \$53.6 million, representing about 14 MW of capacity.</li> <li>• Approximately \$62 million of allocated funds will be available for rebates through 2006.</li> <li>• Over 3,300 reservation requests were received this quarter for systems in IOU service areas, compared to 1,200 the previous quarter. December applications reached a new record at over 2,400 submittals, with approximately 1,200 received on the last day of 2003.</li> <li>• On December 11, 2003, the Commission adopted a 40-cent-per-watt lower rebate than scheduled for January 1, 2004 as demand for funds exceeded collections by \$20 million.</li> <li>• Updated public information was made available on the Energy Commission’s website.</li> </ul>	<ul style="list-style-type: none"> <li>• The Energy Commission will continue to process reservations and pay rebates for qualified system installations. Based on application submittal rates, program funding is expected to be depleted in 2004.</li> <li>• Changes to further improve the program will be brought before the Commission for adoption in the first quarter of 2004. Changes are expected to include a new solar schools program to offer rebates for public schools, K-12.</li> <li>• Lists of eligible technology equipment and fund availability will continue to be updated online.</li> <li>• KEMA-Xenergy will train surveyors for field verifications.</li> <li>• The staff and KEMA-Xenergy will develop a list of potential installation sites to verify compliance with program requirements and schedule site visits in the first quarter of 2004.</li> <li>• A significant decline in the rebate level will begin on January 1, 2004, along with a decline in the state tax credit for solar and wind systems.</li> </ul>
<b>Customer Credit Program</b>	
<ul style="list-style-type: none"> <li>• Payments totaling \$0.85 million were made this quarter, bringing total payments to \$65.3 million.</li> </ul>	<ul style="list-style-type: none"> <li>• The Energy Commission expects to make payments totaling \$0.03 million to remaining providers in the first quarter of 2004.</li> </ul>

The next sections of this report discuss the noteworthy activities that occurred in each program area during the fourth quarter of 2003, followed by a brief summary of the program's progress in meeting its goals and objectives.

## **Renewables Portfolio Standard**

In September 2002, the Governor signed Senate Bill 1078 (SB 1078, Sher, Chapter 516, Statutes of 2002), creating California's RPS. SB 1078 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 New Renewables Program will provide SEPs to renewable electricity generators for the above-market costs of renewable energy. However, SB 1078 states that if SEPs are insufficient to cover the above-market costs of eligible renewable energy resources, an electrical corporation could limit its annual procurement obligation to the quantity of eligible renewable energy resources that can be procured with available SEPs. Thus, the state's success in achieving the RPS target may depend largely on the availability of the funds in the New Renewables Program.

In the *Energy Action Plan* adopted in May 2003, the state's three energy agencies — the Energy Commission, the Consumer Power and Conservation Financing Authority, and the CPUC — joined efforts to develop a blueprint for accelerating the RPS goal by attaining the target of 20 percent renewables by 2010.<sup>21</sup> The Energy Commission further underscores this goal in its *Integrated Energy Policy Report*,<sup>22</sup> which recommends that the state enact legislation to accelerate the renewable portfolio standard target to 20 percent by 2010.

The next section of this report provides a detailed discussion of the Energy Commission's and the CPUC's roles and activities in the RPS.

### **Energy Commission RPS Roles**

SB 1078 defined specific roles for the CPUC and the Energy Commission in implementing the RPS. In developing the RPS Program, the Energy Commission is responsible for the following:

1. Certifying facilities as "eligible renewable energy resources."
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 SEPs, as specified in SB 1038, to eligible renewable energy facilities to cover above-market costs of procuring renewable energy to meet RPS requirements.

The Energy Commission is developing rules to implement the RPS through a phased approach. Phase 1, which addressed eligibility issues for renewable generating facilities, was completed during the second quarter of 2003. The Energy Commission's decisions on these issues are detailed in its report, *Renewables Portfolio Standard: Decision on Phase I Implementation Issues*.<sup>23</sup>

Phase 2 concerns the rules for distributing SEPs and developing a tracking and accounting system. During the fourth quarter, the Energy Commission completed its efforts on Phase 2 activities. On October 8, 2003, the Energy Commission provided its Phase 2 decisions in a report titled, *Renewables Portfolio Standard: Decision on Phase 2 Implementation Issues*.<sup>24</sup>

The Energy Commission also developed the interim tracking system and the electronic tracking system. To accommodate RPS needs, the staff modified the current annual reporting forms that electric service providers are required to submit to the Energy Commission's Power Source Disclosure Program. The Energy Commission will use the modified forms for interim tracking to collect data from retail sellers of electricity and verify that they have met their RPS obligations.

The Energy Commission, together with the Western Governors' Association (WGA), began developing a regional electronic tracking system, called the Western Renewable Energy Generation Information System (WREGIS). In September, the Energy Commission and WGA jointly released a Needs Assessment Survey to states and provinces in the Western Interconnect to assess stakeholders' needs concerning the WREGIS. In October 2003, the Energy Commission released a draft contractor report, entitled *Needs Assessment for a Western Renewable Energy Generation Information System (Needs Assessment Report)*, which summarized the survey results and the Energy Commission's recommendations on the design of WREGIS. The Energy Commission and the WGA hosted six stakeholder workshops throughout the western states to receive public comments on the draft *Needs Assessment Report*. The Energy Commission released its final *Needs Assessment Report* in December 2003.<sup>25</sup>

During the Needs Assessment workshops, the Energy Commission and WGA announced plans to establish various committees to help address outstanding issues identified in the *Needs Assessment Report* and invited stakeholders to participate in the process. To address the next steps in planning for and designing WREGIS, the staff anticipates receiving further input from stakeholders, through advisory committees, during the first quarter of 2004. The Energy Commission's technical support contractor, Xenergy, Inc., will continue to provide assistance in these efforts, and the Energy Commission will seek approval for a reimbursement contract to accept funds from the WGA to co-sponsor these activities.

During the first quarter of 2004, the Energy Commission will draft guidelines to translate the Phase 1 and Phase 2 decision documents into specific procedures and guidelines for implementing the RPS. The

next section briefly describes the collaboration between the Energy Commission and the CPUC in developing the RPS rules.

### **Energy Commission and California Public Utilities Commission Collaboration**

Since December 2002, the CPUC has been 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*.<sup>26</sup> In consultation with the Energy Commission, the CPUC adopted rules in June 2003 concerning the following:

1. The process for determining market price referents for electricity from non-renewable sources. Market price referents are estimates of the amount that IOUs would pay for each energy type if they were not purchasing renewable power. To avoid biasing bid results, the CPUC will reveal the referent only after bids have been submitted. Under the RPS, electricity suppliers are not required to purchase renewable energy at a price over the relevant market price referent. Approved contract costs above the referents will be covered by the Public Goods Charge (PGC), administered by the Energy Commission in the form of SEPs, subject to fund availability.
2. The process for the IOUs to follow in selecting the “least cost” bidders of renewable energy that “best fit” the IOU’s resource needs. The IOUs will use the process to select winning bidders from their solicitations to procure renewable electricity.
3. Flexible rules for compliance with annual procurement targets. If an IOU fails to procure sufficient renewable energy, despite the flexibility of the rules, the CPUC will impose penalties.
4. A process for establishing the standard terms and conditions to be used by all IOUs in contracting for eligible renewable energy resources.

Working collaboratively with the CPUC, the Energy Commission staff will continue to work on the market price referent and establishing the baseline.

### **New Renewables Program**

Although the Energy Commission has not updated the guidelines for the New Renewables Program to reflect the changes under SB 1038 and SB 1078, new projects continue to be developed and come on-line in accordance with the guidelines from the initial program.

Among the successful bidders in the three New Renewables Program auctions held in 1998, 2000, and 2001, 70 projects continue to hold funding awards, with 44 projects on-line and contributing 424 MW of new renewable generating capacity to California's electricity supply. One project, a two-MW landfill gas facility, has received its full funding award, and the Energy Commission will not make further payments for this project.

During the fourth quarter of 2003, two projects came on-line: a 75.6-MW wind project and a 20-MW small hydro project, both from the third auction. Under the rules of the third auction that were put in place to hasten online dates, these projects will have their funding awards reduced by 50 percent based on the delay of their on-line dates. During the first quarter of 2004, the Energy Commission expects two additional wind projects, totaling 49.8 MW, to come on-line.

Currently, 36 of the 44 on-line projects have received payments from the Energy Commission. To date, these projects have received a total of \$33.2 million in payments from the New Renewables Program, including more than \$4.7 million paid this quarter. Table IV summarizes these on-line projects, which have generated approximately 2,900 gigawatt-hours (GWh) of new renewable electricity.

Eight facilities totaling 174.89 MW of capacity are delivering power to the grid, although they have not yet received incentive payments. These facilities include the recently on-line 75.6-MW wind facility, a 70.2-MW wind facility, a 2.05-MW digester gas facility, a 20-MW small hydro facility, and four landfill gas facilities with capacities of 1.25 MW, 2 MW, 2.29 MW, and 2.5 MW respectively. The Energy Commission has not made payments to these eight 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 IV - New Renewables Program  
Summary of On-Line Projects (June 1999 to December 2003)**

Technology	MW On-Line	# of Projects
Biomass	11.30	2
Digester Gas	2.05	1
Geothermal	59.00	2
Landfill Gas	37.19	14
Small Hydro	31.25	3
Waste Tire	0	0
Wind	283.7	22
<b>Total</b>	<b>424.49</b>	<b>44</b>

The Energy Commission may cancel funding awards for four wind projects totaling 113 MW from the first auction: three owned by Enron Wind Development Corporation and one owned by Painted Hills Wind Developers (an Enron affiliate). The funding awards for these four wind projects total \$17.8 million. The project developers face award cancellations for failing to submit required information

and maintain appropriate contact with the Energy Commission. In March 2002, the Energy Commission informed the project developers of its intent to cancel their funding awards, and the project developers then submitted a joint Petition for Reconsideration to the Energy Commission. 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 first quarter of 2004.

## **Existing Renewable Facilities Program**

Among the 378 facilities that are registered as renewable suppliers, 102 facilities are eligible for funding from the ERFP. During the fourth quarter of 2003, the Energy Commission paid over \$4.9 million to these facilities, with the entirety going to biomass and solar thermal facilities for 855 GWh of generation. To date, payments total \$184.6 million to all participating existing facilities.

From 1998 through 2000, the Energy Commission made payments totaling \$633,788 to Enron Wind LLC. During the second quarter of 2003, the bankruptcy court approved a settlement agreement between the Energy Commission and Enron Wind LLC for repayment of this amount due to Enron's misrepresentation of the ownership status of some of its facilities. Enron Wind LLC is scheduled to repay these funds over a two-year period, with the first repayment made during the third quarter of 2003.

The ERFP rollover amount currently stands at \$14.3 million.<sup>27</sup> The Energy Commission previously determined that it would reallocate the funds remaining from the initial Existing Account under SB 90 to the New Renewables Program to cover the costs of its second and third auctions. The amount of funds that will eventually be needed for New Renewables Program projects is currently unknown. The staff continues to evaluate the amount (auction winners could drop out, qualify for additional incentives, or have their funding awards reduced or cancelled), and when it is identified, the staff will recommend reallocating those funds accordingly.<sup>28</sup>

## **Consumer Education Program**

During the fourth quarter of 2003, payments to grant recipients and contractors totaled about \$75,000, bringing Consumer Education Program funds dispersed to date to \$4.5 million. The Program has funded 20 grants, which have been successful in adding an average of 115 percent in matching funds or in-kind services to their projects. In many cases, the Energy Commission's grant funds also acted as seed money that enabled the grant recipients to conduct ongoing consumer education activities beyond the duration of their grant terms. The contractor, ICF Consulting, Inc., completed its tasks for the public awareness campaign during the fourth quarter.

## **Grant Projects**

Five of the eight grant projects from the third solicitation were completed during this quarter. The following are the significant grant project activities conducted during the fourth quarter of 2003:

- Educators for the Environment completed its grant project. Five thousand copies of the teacher's guide, *"Energy For Keeps: Electricity from Renewable Energy,"* were printed and distributed to California county libraries and school districts, and at the annual meeting of the California Science Teachers Association in October in Long Beach. A PDF version will be offered on-line at [www.energyforkeeps.org](http://www.energyforkeeps.org) for teachers to download for classroom use, and the website provides ongoing support and supplemental information for users. Several energy/educational directories and websites including the Energy Commission's *Energy Quest*, will promote the guide. A bookmark lists renewable energy websites that lead users to the topic and shows icons and names for each renewable energy source.
- The Energy Solutions grant project for the new construction industry continued to develop its two case study projects and the design of the RE-New Construction Tool Kit.
- Global Possibilities' Solar Home Tour grant project was completed this quarter and its final report and evaluation of the Southern California Solar Home Tours for 2002 and 2003 were submitted to the Energy Commission.
- This quarter, the American Wind Energy Association (AWEA) staff continued to promote its grant project handbook, *Permitting Small Wind Turbines: Learning from the California Experience* at meetings and conferences targeting local government officials. The AWEA staff requested an extension of its grant term to February 2004 to complete its promotional activities and produce a final report.
- The [www.Calenergy.org](http://www.Calenergy.org) project is complete, and the Energy Commission received the final report in October. The Calenergy.org website lists 82 contractors, nine of which achieved a "qualified" status. Although the website traffic increased during the grant term, having exceeded three times more traffic than that of the 2002 website, to date only three verified sales leads resulted from the automated lead system. The customer satisfaction survey results fared better with 24 responses. This project matched its grant funding by 110 percent.
- The "Sunny and Friends" video series grant project submitted its final report in November. The project produced a series of ten 30-second educational videos in English and Spanish on renewable energy for California elementary and middle school children, ages 8-14. To date, six California PBS stations plan to air the series of videos. Along with presenting copies of the series (CD format) to a National Energy Education Development ([www.need.org](http://www.need.org)) teacher workshop in Long Beach, the video series was marketed through the following media:
  - Press releases
  - Internet search engines
  - Direct emails to 274 educational Websites

The “Sunny and Friends” project matched its grant funding by 117 percent.

- The “Solar Schoolhouse” – Phase II solar energy educational project was extended to the end of November 2003 to allow completion of tasks and attendance at a major environmental education conference. Website enhancements include a Flash-based tutorial on solar history with a narration option, and more than 40 images and webpage templates. Local artists are providing the quality construction for the Solar Technology kits, which are available for educators to purchase. The manual upload feature of the data logging device was shelved in favor of a low-cost, real-time data monitoring system for schools, one of which is currently operating at the Lincoln Middle School.

During October, the Solar Schoolhouse staff participated in two events. The Association of Environmental and Outdoor Educators (AEOE) Nor Cal Fall conference, held in Yosemite, drew 25 educators. The 2003 UPEX conference in Arizona offered another opportunity to meet with utility and solar industry representatives. In November, the Headlands Institute hosted a workshop of 24 Bay Area high school students.

The industry periodical, “Home Power,” recently highlighted the success of the Walden West project. The \$50,000 grant from the U.S. DOE Million Solar Roof (MSR) program will facilitate PV installations in schools through the development of a pre-engineered and pre-approved design. San Diego Regional Energy Office will soon join the other collaborations formed with the County of Marin, Redwood Energy Alliance (Arcata), Bay Area Solar Consortium (BASC), and the City of Anaheim. Funding from the City of Lodi Electric Utility and the Imperial Irrigation District will continue for two more years. Phase 2 of the Solar Schoolhouse project matched its grant funding by 116 percent

## **Public Awareness Campaign**

During the fourth quarter, the Energy Commission’s renewable energy public awareness campaign contractor, ICF Consulting, completed all tasks and submitted all deliverables as required by the contract, and provided a portable document format (PDF) file of all campaign collateral materials it produced. The ICF team submitted a draft final to the Energy Commission for staff comments prior to delivering the Final Report and Evaluation of the Consumer Education Campaign.

Throughout the campaign, the ICF team developed a total of eleven press releases and ten articles to generate coverage about renewable energy options, the Emerging Renewables Program, how to buy a system, and announcing special events. Eight news and talk radio shows conducted interviews about the benefits of renewable energy and the Emerging Renewables Program, which resulted in 15 broadcasts.

The ICF Consulting staff worked with Earth News Radio to produce 29 radio spots, which aired throughout the Los Angeles and San Francisco regions. Each 90-second spot focused on the benefits of using renewable energy in the business and residential markets. The radio spots are posted on these websites: [[www.earthnewsradio.org](http://www.earthnewsradio.org)] and [[www.calenergy.org](http://www.calenergy.org)].

During the campaign, the ICF Consulting team assisted the Energy Commission staff in nine events targeting residential homeowners, including home and garden shows, Earth Day events and Solfest. Both staffs participated in four commercial building trade shows and three forums targeting the renewable energy trade, and conducted media outreach to target audiences. To gain media attention, the ICF team used Solar Home Tours and the Grand Opening of Bren Hall on the Campus of University of California at Santa Barbara, one of the most energy efficient buildings in the country.

The ICF Consulting staff created a multimedia Public Service Advertising (PSA) campaign to draw further attention to the benefits of renewable energy through strategic placements in print, online and in radio outlets. The PSAs used media outlets, free of charge on a space-available basis. The two themes used in the print PSAs were “*Renewable Energy is a Natural Choice*” and “*The Power of Nature Can Change the Nature of Power.*” Each PSA, developed in various sizes in both black-and-white and color formats, was distributed to over 600 publications. On-line PSAs (web banners) were developed, distributed and continue to be used by Renewable Energy Alliance members. The ICF team distributed both audio and hard copy radio PSAs to targeted stations throughout California.

As part of the public awareness campaign, the ICF Consulting staff designed and created the Renewable Energy Alliance, a partnership program that serves as a link between the Energy Commission and other parties promoting renewable energy. The REAlliance provides a forum to exchange ideas and coordinate the Energy Commission’s campaign with educational campaigns from other states and community, public, private and grass-roots organizations. During the campaign, the REAlliance grew to 162 members representing 154 organizations. The REAlliance members receive a resource kit with information and materials to use in promoting renewable energy, including copies of videos, customizable press releases, fact sheets, PSAs and case studies. Alliance members receive a bimonthly e-newsletter with updates on program activities and information on what others in the industry are doing.

The campaign succeeded in accomplishing its goals of raising awareness and promoting consumer adoption of renewable energy in the state. Applications to the Emerging Renewables Program increased 35 percent during the first 12 months of the campaign and 85 percent over the second 12 months. In terms of the campaign reach, 414 media placements (newspapers, TV, trade publications, radio and Internet) were made with an estimated cumulative reach of 21 million.

## **Emerging Renewables Program**

During the fourth quarter of 2003, the Energy Commission made payments totaling \$14.3 million for 886 system installations, bringing total disbursements to date to about \$111 million. More than 7,000 emerging renewable systems have been installed since the beginning of the program, representing approximately 28 MW of distributed renewable electricity capacity.

Customers installing 3,200 systems hold confirmed rebate reservations for about 14 MW of solar and wind capacity in various stages of completion, encumbering \$53.6 million in rebates. Approximately \$62 million in total funding remains available for rebates through 2006. Unless funds are added or other

measures are taken, total funding that is allocated to the Emerging Renewables Program through 2006 will likely be depleted in 2004.

Demand for rebates from the Emerging Renewables Program (ERP) in the fourth quarter of 2003 reached record levels, with the Energy Commission receiving more than 3,300 applications, a three-fold increase over the previous quarter. In December alone, over 2,400 applications were received, with approximately 1,200 being submitted on the last day of the year. The sharp increase in activity is largely the result of an upcoming significant decline in the rebate level and the state tax credit, both approved in December and scheduled to begin January 1, 2004.

The Energy Commission reduces the rebate levels for all technology types by 20 cents per watt every six months, which began in July 2003. In addition, the rebate level for PV systems will be reduced by 40 cents per watt (\$3.60 vs. \$3.20 for PV systems), and the tax credit will be reduced from 15 percent to 7.5 percent of net system installation cost, beginning January 1, 2004. The Committee conducted a public hearing on December 11, 2003 to solicit public comment on the proposed January 1, 2004 rebate level for photovoltaic systems. The urgency of the hearing was the result of spending trends indicating that the demand for rebate dollars exceeded the rate of fund collection by \$20 million. After the hearing, industry and consumers responded quickly to news that the rebate would drop 40 cents more per watt than was previously expected. Industry members and consumers alike were also well aware of the forthcoming decline in the state tax credit, which further prompted customer demand. Table V shows the rebate levels offered under SB 1038 to date.

System installation rates also continued at historically high levels during the fourth quarter. Approximately 885 systems representing almost four MW of capacity were installed through the Emerging Renewables Program this quarter. While similar to the previous quarter in number, the number of installations was 60 percent higher than one year ago. Fifty of the 885 installations were wind systems, with the balance being PV systems. San Diego County has the greatest number of total installations at 993, representing three MW of capacity and \$13 million in rebate payments. The City of San Diego also has the highest number of systems of any city at 371.

Along with rebates, the state tax credit continues to be another motivator 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) authorized the 15 percent credit for tax years 2001 through 2003, with a 7.5 percent credit for tax years 2004 and 2005. With the 7.5 percent credit on the horizon, the Energy Commission received many calls from consumers expressing interest in completing system installations before the end of 2003.

**Table V - Emerging Renewables Program  
Summary of Rebate Levels (January 2001 - December 2003)**

Eligible System	Size	-----Rebate Level* (\$ per Watt)-----		
		3/3/03 – 6/30/03	7/1/03 – 12/31/03	1/1/04 – 6/30/04

Photovoltaic				\$3.20
Solar Thermal Electric	Less than 30 kW	\$4.00	\$3.80	\$3.60
Fuel Cells Using Renewable Fuels				
Wind	First 7.5 kW	\$2.50	\$2.30	\$2.10
	7.5 – 30 kW	\$1.50	\$1.30	\$1.10
Affordable Housing	Less than 30 kW	\$5.00	\$4.75	\$4.00

\*Rebates for owner-installed systems are 15 percent less.

A worksheet for consumers to apply for the tax credit using a "self-certifying" process is available on the Energy Commission's website at:

**[www.consumerenergycenter.org/renewable/tax\\_credit.html](http://www.consumerenergycenter.org/renewable/tax_credit.html)**

With assistance from the Renewable Energy Program's technical support contractor, KEMA-Xenergy, Inc., the staff continues to update the list of eligible renewable technology equipment and make it available to consumers on-line and via regular mail. In the coming quarter, the staff expects the KEMA-Xenergy team to train surveyors and begin scheduling site visits to verify that systems installed through the ERP comply with the program requirements. The KEMA-Xenergy team will also revise and enhance the ERP website, making the application process easier and providing more information to participants on the status of their reservations while addressing web server security concerns. The Energy Commission will continue to update funding availability on the program's website at:

**[www.energy.ca.gov/renewables/emerging\\_renewables/funding.html](http://www.energy.ca.gov/renewables/emerging_renewables/funding.html)**

## **Customer Credit Program**

In April 2003, the Energy Commission reported to the Governor and the Legislature on the Customer Credit Account, as directed by SB 1038. In its *Customer Credit Renewable Resources Account* report, the Energy Commission discontinued the Customer Credit Account and determined that providers would be paid for customer credits for eligible 2002 and early 2003 activity.

The Energy Commission received final Monthly Performance Reports (MPRs), along with amendments, from the remaining providers during the third quarter. In September, all five providers submitted their audits and the Energy Commission made payments totaling \$5.6 million, bringing total payments to date to \$65.3 million.

The Energy Commission made \$0.85 million in payments in the fourth quarter, and the staff expects to make additional payments of \$0.03 million in the first quarter of 2004. Once payments are completed, the Energy Commission will discontinue the Customer Credit Program.

## Summary

Through its administration of the Renewable Energy Program, the Energy Commission continues to achieve its goals for the renewables industry and Californians. Since the Renewable Energy Program began operating, the Energy Commission has accomplished the following:

- Brought over 424 MW of new renewables capacity on-line, with the potential for new projects to eventually total 1,200 MW of new renewable capacity for California's electric grid. We expect many thousands of MWs to come on-line over the next several years as the RPS program matures.
- Helped 275 existing facilities remain operative for 4,400 MW of renewables capacity.
- Supported over 200,000 customer purchases of electricity generated by renewable energy before the demise of direct access contracting options for electricity consumers.
- Provided rebates to more than 7,000 customers for installing on-site renewable technology systems, representing over 28 MW of solar and wind capacity, with an additional 3,200 systems for 14 MW that are in various stages of development.
- Assisted Californians in making educated energy decisions by providing information to consumers and Renewable Energy Alliance members statewide about renewable energy and the state's incentive programs, and about how to support renewables in today's marketplace.

The Energy Commission continues its collaboration with the utilities and the CPUC in developing the rules for implementing the RPS and a system to track the utilities' progress and verify their compliance. This work will position California for maintaining and expanding its leadership in developing renewable energy.

## Endnotes

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<sup>1</sup> Public Utilities Code (PUC), Article 5, Section 445(g).

<sup>2</sup> As a procedural matter, the Energy Commission submits awards directly to the State Controller for payment, rather than through the Treasurer.

<sup>3</sup> Publication Number 500-03-103, December 2003.

<sup>4</sup> Publication Number 500-00-022, June 2001.

<sup>5</sup> See the *Customer Credit Renewable Resources Account: Report to the Governor and the Legislature*, Energy Commission publication number 500-03-008F, April 2003.

<sup>6</sup> *Customer Credit Subaccount Guidebook*, Energy Commission Publication number P500-03-047V4, May 2003.

<sup>7</sup> Energy Commission Publication number 500-03-080F, November 2003.

<sup>8</sup> This amount includes \$15 million transferred from the General Fund pursuant to AB 29X.

<sup>9</sup> This total does not include \$266,000 collected from ratepayers of the Bear Valley Electric Company or \$15,226 in voluntary contributions.

<sup>10</sup> The Energy Commission has reallocated \$40 million from the Existing Renewable Facilities Program to the New Renewables Program for the second auction. However, \$6.2 million of these funds were redirected to the Emerging Renewables Program, thereby reducing the reallocation from the Existing Renewable Facilities Program to the New Renewables Program to \$33.8 million Pursuant to AB 29X, the Energy Commission reallocated \$15 million from the Existing Renewable Facilities Program to the Emerging Renewables Program in 2001. The Energy Commission reallocated \$10 million in unused funds from the Customer Credit Account to the Emerging Renewables Program in September 2001 and reallocated \$13 million from the Existing Renewable Facilities Program to the Emerging Renewables Program in September 2002. In April 2003, the Energy Commission approved reallocating annual Customer Credit funds collected under SB 1038 as follows: 10 percent to the Consumer Education Program (specifically for the RPS tracking and verification program), 45 percent to New Renewables Program, and 45 percent to Emerging Renewables Program.

<sup>11</sup> Unused POEU funds were returned to the General Fund pursuant to SB 19X.

<sup>12</sup> Encumbered for potential reallocation to the New Renewables Program as winning projects from the third auction come on-line and become eligible for funding.

<sup>13</sup> 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.

<sup>14</sup> Encumbered for rebate reservation requests approved but not yet paid.

<sup>15</sup> Encumbered for grant projects and contract tasks.

<sup>16</sup> Committed funds are not yet formally assigned to specific projects, but represent monies reserved to meet statutory requirements.

<sup>17</sup> Funds are committed for making Supplemental Energy Payments under the RPS program.

<sup>18</sup> Of this amount, \$2.713 million is committed for developing and implementing the RPS tracking and verification system.

<sup>19</sup> \$150 million was loaned to the state's General Fund and \$8.9 million was 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).

<sup>20</sup> Payments for August and September 2003 generation (payments for October 2003 generation will occur in the first quarter of 2004).

<sup>21</sup> *Energy Action Plan* available on-line at: [www.energy.ca.gov/2003\\_energy\\_action\\_plan/index.html](http://www.energy.ca.gov/2003_energy_action_plan/index.html)

<sup>22</sup> Energy Commission publication number 100-03-019F, November 2003.

<sup>23</sup> Energy Commission publication number 500-03-023F, June 2003.

<sup>24</sup> Energy Commission publication number 500-03-049F, August 2003.

<sup>25</sup> Energy Commission publication Number 500-03-098F, December 2003.

<sup>26</sup> CPUC Rulemaking 01-10-24.

<sup>27</sup> The rollover consists of the funds remaining in the ERFPP 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.

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<sup>28</sup> After determining the amount of funds needed for reallocation to the New Renewables Program, any remaining funds shall be available for the ERFPP under SB 1038.

**Annual Account Transfers and Repayments Report**  
**Renewable Energy Program**  
**(January 1 - December 31, 2003)**

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, 2003.

The Energy Commission prepared this report pursuant to Public Resources Code Section 25751(f), which authorizes the Energy Commission to transfer funds within the areas of the Renewable Resource Trust Fund (as administered under the New Renewables Program, Existing Renewable Facilities Program, Emerging Renewables Program, Customer Credit Program, and the Consumer Education Program) for cash-flow purposes, provided that the balance due each program is restored and that the transfers do not adversely affect any of the programs. Section 25751(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...”

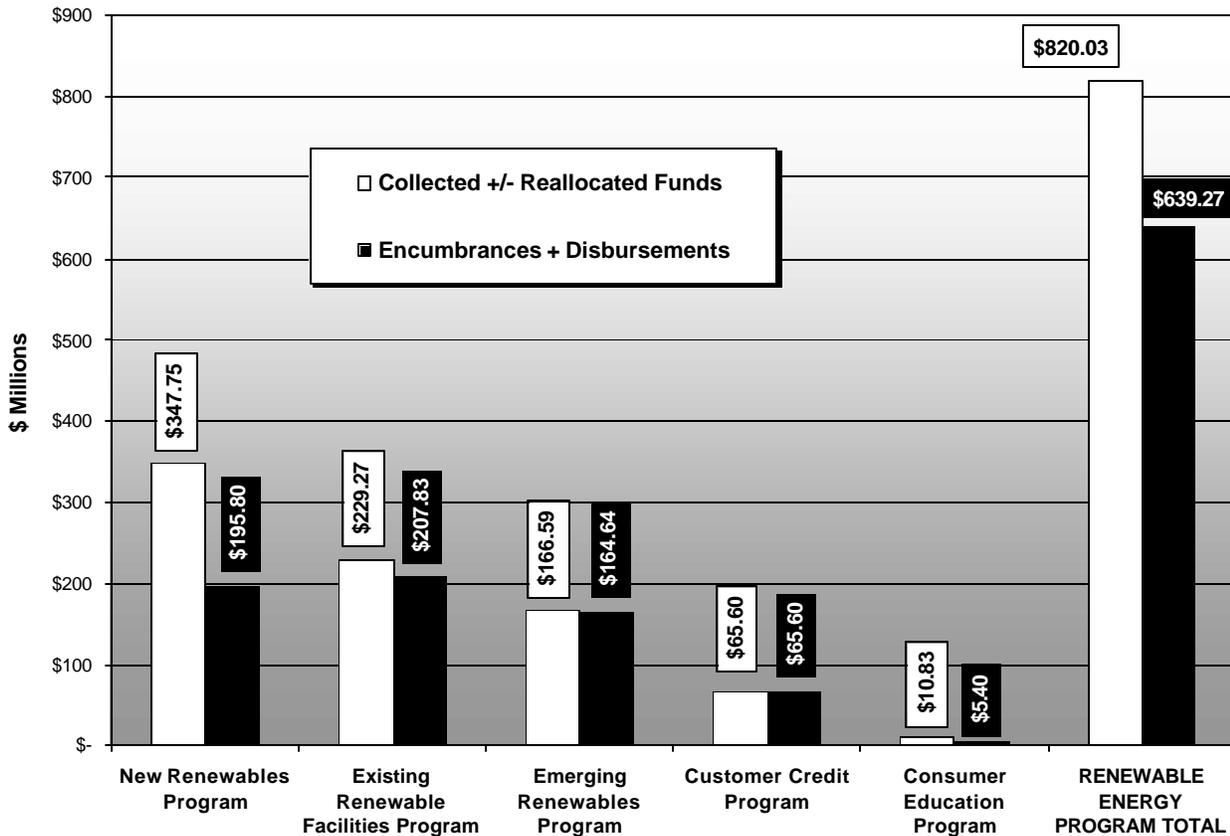
For the period January 1 to December 31, 2003, the Energy Commission did not transfer any funds among Renewable Resource Trust Fund accounts. In previous years, funds were transferred from the New Renewable Resources Account to the Customer Credit Subaccount and to the Consumer Education Subaccount to 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 Transfers**  
**(\$ millions)**

Year	1998	1999	2000	2001	2002	2003
Year-End Transfer Balance	0	\$1.74	\$7.78	\$7.01	0	0

The New Renewables Program was the source of the fund transfers noted above because its disbursements will not be substantial until program participants are on-line and meeting other eligibility criteria. As of December 2003, 70 New Renewables Program projects continued to hold funding awards, 44 of which are on-line and producing electricity.

Figure I shows the status of the funds in each program area as of December 31, 2003.



**Figure I - Renewable Energy Program  
Fund Collection and Disbursement Levels as of 12/31/03**

From 1998 through 2002, the Renewable Energy Program operated under the authority of Assembly Bill 1890 (AB 1890, Sher, Chapter 854, Statutes of 1996) and Senate Bill 90 (SB 90, Sher, Chapter 905, Statutes of 1997). 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 the collection of funds for the Renewable Resource Trust Fund from 2002 through 2011. In 2002, the passage of Senate Bill 1038 (SB 1038, Sher, Chapter 515, Statutes of 2002) authorized the Energy Commission to implement the RESIA from 2003 through 2006.

In September 2002, Senate Bill 1078 (SB 1078, Sher, Chapter 516, Statutes of 2002) was also passed, establishing a Renewables Portfolio Standard (RPS) in California. SB 1078 requires the electric utilities to increase their procurement of renewable energy resources by at least 1 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 be provided, pending fund availability, by the New Renewables Program. The Energy

Commission is collaborating with the CPUC to implement the RPS, and is currently developing guidelines under which the RPS program will operate.

In summary, the Energy Commission did not transfer any funds among the Renewable Resource Trust Fund accounts during the calendar year 2003. Transfers and repayments of funds between programs could occur in the upcoming year; the Energy Commission will discuss any such transfers in its next *Annual Transfers and Repayments Report*.

Respectfully submitted,

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