

STATE OF CALIFORNIA

Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: April 29, 2014

To: The Commission
(Meeting of May 1, 2014)

From: Lynn Sadler, Director
Office of Governmental Affairs (OGA) – Sacramento

Subject: **AB 2761 (U&C) – Public Utilities Commission: report: renewable energy resources.**
As introduced: March 24, 2014

RECOMMENDATION: SUPPORT WITH TECHNICAL AMENDMENTS

SUMMARY OF BILL:

This bill would extend the date by which the California Public Utilities Commission (CPUC) submits an annual report to the Legislature pursuant to Public Utilities Code Section 910 (the “Section 910 report”). Specifically, this bill would extend the due date for the Section 910 report from February 1 to April 1.

CURRENT LAW:

- Public Utilities Code Section 910
- Public Utilities Code Sections 399.11 – 399.22

AUTHOR’S PURPOSE:

AB 2761 recognizes that the scope and specificity of the Section 910 report necessitates a later due date than February 1 to ensure accurate reporting to the Legislature.

DIVISION ANALYSIS (Energy Division):

Extending the due date for the Section 910 report will enhance the quality of the CPUC’s report to the Legislature.

CPUC staff must rely on forecasted data when reporting to the Legislature by February 1. April 1 goes a long way to address this issue, however, for the reasons stated below

the CPUC recommends the Legislature extend the due date by an additional month to May 1. The list below summarizes the information requested by the Legislature in Section 910.¹ The CPUC reports this information for all California electrical corporations.

- All revenue requirement increases associated with meeting the RPS
- All cost savings experienced, or costs avoided, as a result of meeting the RPS
- All costs for incentives for distributed generation
- All cost savings experienced, or costs avoided, as a result of incentives for distributed generation
- All expenses that are pending determination or approval by the CPUC.
- The decision number for each CPUC decision for recovery in rates of costs incurred by an electrical corporation
- Any change in the electrical load serviced by an electrical corporation
- The efforts each electrical corporation is taking to recruit and train employees to ensure an adequately trained and available workforce, including the number of new employees hired by the electrical corporation for purposes of implementing the RPS
- The goals adopted by the electrical corporation for increasing women, minority, and disabled veterans trained or hired for purposes of implementing the RPS
- To the extent information is available, the number of new employees hired and the number of women, minority, and disabled veterans trained or hired by persons or corporations owning or operating eligible renewable energy resources under contract with an electrical corporation.

The primary need for a May 1 due date relates to reporting revenue requirements associated with expenses incurred by California electrical corporations to comply with the Renewable Portfolio Standard program (RPS) in the prior year. This historical information is not complete or verifiable until April of the subsequent year.² Annual wholesale procurement expenditures are not finalized until the end of the first quarter of the following year when electrical corporations file a *Form 1 - Electric Utility Annual Report* to the Federal Energy Regulatory Commission (FERC). The FERC Form 1 is

¹ The CPUC's February 2014 *Report to the Legislature in Compliance with Public Utilities Code Section 910* may be found at: http://www.cpuc.ca.gov/NR/rdonlyres/428F0F2F-1275-4441-9FAE-EC690AAF57AC/0/Section910Report_2014_FINAL.pdf

² The information required by Section 910 is different than the information required by Section 747, which has a reporting due date of April 1. Section 910 concerns expenses incurred vs. Section 747 which concerns authorized revenue requirements.

filed on April 18 each year, wherein electrical corporations report recorded expenditures and retail sales amounts, in addition to other information.³

Also, all generation from facilities certified as eligible for California's RPS must be tracked in the Western Renewable Energy Generation Information System (WREGIS), the system used to track renewable energy credits (RECs). WREGIS does not create a REC until 90 days after the month of generation. Therefore, WREGIS does not create a REC for renewable generation in December 2013 until April 2014. For this reason, the California Energy Commission (CEC) and CPUC require that load serving entities submit REC retirement reports on July 1 of each year for RPS-eligible procurement from the preceding year.⁴ For example, RECs retired for the 2013 reporting year, would be submitted on July 1, 2014.

CPUC recommends modifications to the information requested in Section 910 to clarify and enhance the quality of the report

Below are the proposed modifications and the rationale for each. Attachment A shows these proposed modifications in track changes to existing Section 910.

1. Change the due date for both the Section 910 report from February 1 to May 1 (See § 910 (a))
2. Clarify reporting requirement for "pending" requests for rate recovery (See new § 910(a)(3)).
3. Specify that cost savings be quantifiable.

CPUC recommends the same date extension set for Section 910 also be set for the Legislative report required by Section 911.

Section 911, established by Senate Bill 836 (Padilla, 2011), requires the CPUC to report to the Legislature "the costs of all electricity procurement contracts for eligible renewable energy resources, including unbundled renewable energy credits, and all costs for utility-owned generation approved by the Commission."⁵ The same challenges with the Section 910 report apply to the Padilla report because they concern similar data. Thus, the due date for the Legislative report pursuant to Section 911 (commonly

³ The FERC's website for the Form No. 1 filing is available here: <https://www.ferc.gov/docs-filing/forms.asp>

⁴ These reporting rules are established in the CEC's RPS Eligibility Guidebook. The seventh edition of the Eligibility Guidebook may be found at: <http://www.energy.ca.gov/2013publications/CEC-300-2013-005/CEC-300-2013-005-ED7-SF.pdf>

⁵ The CPUC's February 2014 *The Padilla Report to the Legislature, Reporting 2013 Renewable Procurement Costs in Compliance with Senate Bill 836 (Padilla, 2011)* may be found at: <http://www.cpuc.ca.gov/NR/rdonlyres/775640F8-38D7-4895-9252-7E17261776FE/0/PadillaReport2014FINAL.pdf>

referred to as the Padilla report) should also be extended to May 1. The Padilla report is currently due on February 1 of each year.

SAFETY IMPACT:

AB 2761 is limited to changing the due date for a report to the Legislature on electrical corporations' past expenditures related to renewable energy programs, as well as, qualitative and quantitative information about utility diversity goals primarily related to workforce directly involved in the RPS program. Thus, there are no expected safety impacts associated with this bill.

RELIABILITY IMPACT:

There are no reliability impacts associated with this bill.

RATEPAYER IMPACT:

This bill will not directly impact the rates charged to California consumers.

FISCAL IMPACT:

This bill will not have a fiscal impact on CPUC.

ECONOMIC IMPACT:

This bill will not have an economic impact on regulated RPS-obligated entities or RPS market participants.

LEGAL IMPACT:

None.

LEGISLATIVE HISTORY:

Section 910 was added to the Public Utilities Code as part of SBx1 2 (Simitian, 2011).

PROGRAM BACKGROUND:

The RPS program, as set forth in Public Utilities Code Sections 399.11- 399.32, requires that California retail sellers and publically owned utilities increase the portion of retail sales that comes from RPS-eligible resources so that by 2020 and for each year thereafter 33% of California's retail electricity sales is supplied by RPS-eligible resources.

The RPS program was adopted in SB 1078 (Sher, Stats. 2002, ch. 516), and subsequently modified by SB 107 (Simitian, Stats. 2006, ch. 464), SB 1036 (Perata, Stats. 2007, ch. 685) and SB 2 (1X) (Simitian, Stats. 2011, ch. 1). The CPUC is statutorily responsible for 1) requiring each utility to submit an RPS Procurement Plan, 2) establishing an RPS cost limitation, 3) adopting a process that utilities must use to evaluate renewable energy projects proposed by independent power producers in response to the utilities' RPS solicitations, 4) adopting RPS compliance rules, 5) reviewing and approving or rejecting utilities' RPS contracts, and 6) reporting to the Legislature on various aspects of the RPS program.

In May 2011, the CPUC initiated Rulemaking (R.) 11-05-005 to implement significant modifications made to the RPS program by SB 2 (1X), as well address ongoing program administration. Proceeding R.11-05-005 is an open proceeding.

OTHER STATES' INFORMATION

None.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

This bill should be supported for the following reason:

- (1) Sets a more reasonable reporting due date given the information required by Section 910, based on when the information is available to the CPUC.

The current due date of February 1 requires that the CPUC report to the Legislature be based on forecasted data.

SUMMARY OF SUGGESTED AMENDMENTS:

This bill should be amended in the following ways:

- (1) The proposed due date for the Section 910 report should be changed from April 1 to May 1 to ensure the CPUC can provide a report that relies on actual information for the electrical corporation's RPS procurement expenditures.
- (2) Additional modifications should be made to enhance and clarify the Section 910 report, as described above and shown in Attachment A below.
- (3) The due date for the Padilla report required pursuant to Section 911 should be extended to May 1 for the same reasons that justify the due date for the Section 910 report.

STATUS:

AB 2761 is pending a vote on the Assembly floor.

SUPPORT/OPPOSITION:

None.

VOTES:

AB 2761 passed out of the Assembly Committee on Utilities and Commerce on April 28, 2014.

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BILL LANGUAGE:

SECTION 1.

Section 910 of the Public Utilities Code is amended to read:

910.

(a) By ~~February~~ *April* 1 of each year, the commission shall prepare and submit to the policy and fiscal committees of the Legislature a written report summarizing the following information:

(1) All electrical corporation revenue requirement increases associated with meeting the renewables portfolio standard, as defined in Section 399.12, including direct procurement costs for eligible renewable energy resources and renewable energy credits, administrative expenses for procurement, expenses incurred to ensure a reliable supply of electricity, and expenses for upgrades to the electrical transmission and distribution grid necessary to the delivery of electricity from eligible renewable energy resources to load.

(2) All cost savings experienced, or costs avoided, by electrical corporations as a result of meeting the renewables portfolio standard.

(3) All costs incurred by electrical corporations for incentives for distributed and renewable generation, including the self-generation incentive program, the California Solar Initiative, and net energy metering.

(4) All cost savings experienced, or costs avoided, by electrical corporations as a result of incentives for distributed and renewable generation.

(5) All renewable, fossil fuel, and nuclear procurement costs, research, study, or pilot program costs, or other program costs for which an electrical corporation is seeking recovery in rates, that is pending determination or approval by the commission.

(6) The decision number for each decision of the commission of recovery in rates of costs incurred by an electrical corporation since the preceding report.

(7) Any change in the electrical load serviced by an electrical corporation since the preceding report.

(8) The efforts each electrical corporation is taking to recruit and train employees to ensure an adequately trained and available workforce, including the number of new employees hired by the electrical corporation for purposes of implementing the requirements of Article 16 (commencing with Section 399.11) of Chapter 2.3, the goals adopted by the electrical corporation for increasing women, minority, and disabled veterans trained or hired for purposes of implementing the requirements of Article 16 (commencing with Section 399.11) of Chapter 2.3, and, to the extent information is available, the number of new employees hired and the number of women, minority, and disabled veterans trained or hired by persons or corporations owning or operating eligible renewable energy resources under contract with an electrical corporation. This paragraph does not provide the commission with authority to engage in, regulate, or expand its authority to include, workforce recruitment or training.

(b) The commission may combine the information required by this section with the reports prepared pursuant to Article 16 (commencing with Section 399.11) of Chapter 2.3.

ATTACHMENT A:

SECTION 1.

Section 910 of the Public Utilities Code is amended to read:

910.

(a) By ~~February~~ ~~April~~ ~~May~~ 1 of each year, the commission shall prepare and submit to the policy and fiscal committees of the Legislature a written report summarizing the following information:

(1) All electrical corporation revenue requirement increases, *and quantifiable cost savings*, associated with meeting the renewables portfolio standard, as defined in Section 399.12, including direct procurement costs for eligible renewable energy resources and renewable energy credits, administrative expenses for procurement, expenses incurred to ensure a reliable supply of electricity, and expenses for upgrades to the electrical transmission and distribution grid necessary to the delivery of electricity from eligible renewable energy resources to load.

~~(2) All cost savings experienced, or costs avoided, by electrical corporations as a result of meeting the renewables portfolio standard.~~

~~(3)~~ (2) All costs incurred, *and quantifiable cost savings realized*, by electrical corporations for incentives for distributed and renewable generation, including the self-generation incentive program, the California Solar Initiative, and net energy metering.

~~(4) All cost savings experienced, or costs avoided, by electrical corporations as a result of incentives for distributed and renewable generation.~~

~~(5)~~ (3) All *pending requests by an electrical corporation seeking recovery in rates for* renewable, fossil fuel, and nuclear procurement costs, research, study, or pilot program costs, or other program costs ~~for which an electrical corporation is seeking recovery in rates, that is pending determination or approval by the commission.~~

~~(6)~~ (4) The decision number for each decision of the commission ~~of~~ *authorizing* recovery in rates of costs incurred by an electrical corporation since the preceding report.

~~(7)~~ (5) Any change in the electrical load serviced by an electrical corporation since the preceding report.

~~(8)~~ (6) The efforts each electrical corporation is taking to recruit and train employees to ensure an adequately trained and available workforce, including the number of new employees hired by the electrical corporation for purposes of

implementing the requirements of Article 16 (commencing with Section 399.11) of Chapter 2.3, the goals adopted by the electrical corporation for increasing women, minority, and disabled veterans trained or hired for purposes of implementing the requirements of Article 16 (commencing with Section 399.11) of Chapter 2.3, and, to the extent information is available, the number of new employees hired and the number of women, minority, and disabled veterans trained or hired by persons or corporations owning or operating eligible renewable energy resources under contract with an electrical corporation. This paragraph does not provide the commission with authority to engage in, regulate, or expand its authority to include, workforce recruitment or training.

(b) The commission may combine the information required by this section with the reports prepared pursuant to Article 16 (commencing with Section 399.11) of Chapter 2.3.

911.

(a) Notwithstanding subdivision (g) of Section 454.5 and Section 583, no later than **February-May** 1, 2012, and annually thereafter, the commission shall release to the Legislature the costs of all electricity procurement contracts for eligible renewable energy resources, including unbundled renewable energy credits, and all costs for utility-owned generation approved by the commission. The first report shall include all costs commencing January 1, 2003. Subsequent reports shall include only costs for the preceding calendar year.

(1) For power purchase contracts, the commission shall release costs in an aggregated form categorized according to the year the procurement transaction was approved by the commission, the eligible renewable energy resource type, including bundled renewable energy credits, the average executed contract price, and average actual recorded costs for each kilowatthour of production. Within each renewable energy resource type, the commission shall provide aggregated costs for different project size thresholds.

(2) For each utility-owned renewable generation project, the commission shall release the costs forecast by the electrical corporation at the time of initial approval and the actual recorded costs for each kilowatthour of production during the preceding calendar year.

(b) This section does not require the release of the terms of any individual electricity procurement contracts for eligible renewable energy resources, including unbundled renewable energy credits, approved by the commission.

The commission shall aggregate data to the extent required to ensure protection of the confidentiality of individual contract costs even if this aggregation requires grouping contracts of different energy resource type. The commission shall not be required to release the data in any year when there are fewer than three contracts approved.

(c) The commission may combine the information required by this section with the report prepared pursuant to Section 910, as added by Chapter 1 of the First Extraordinary Session of the Statutes of 2011.

(Added by Stats. 2011, Ch. 600, Sec. 2. Effective January 1, 2012.)