

Appendix B: Key Drivers of Future Development of Renewable Energy in the Region

B.1 State Renewable Energy Policy

California has always been a leader in renewable energy. This trend continued when in September 2002, the state adopted one of the most aggressive renewable energy portfolio standards (RPS) in the nation by passing SB 1078, which required investor-owned utilities in California to supply 20% of their total sales from renewable resources by 2017.¹ The California Public Utilities Commission (CPUC) is currently developing policies and procedures to implement the RPS.²

In 2003, the California Energy Commission (CEC), California Public Utilities Commission (CPUC), and the California Power Authority (CPA) developed and adopted the California Energy Action Plan. Among other things, the plan recommended that the state accelerate the renewable portfolio standard adopted in SB 1078 by requiring investor-owned utilities to meet the 20% renewable supply target by 2010 instead of 2017.³ The Energy Action Plan is not law, but in 2004 the California Assembly passed SB 1478, which would have codified the plan's recommendation for all retail sellers of electricity, including electrical corporations, community choice aggregators, and electric service providers, but not including local publicly owned electric utilities.⁴ However, SB 1478 was vetoed by Governor Schwarzenegger.

Several bills related to renewable energy have been introduced to the California 2005 legislative session. It is not known whether any of these bills will ultimately become law, or if they will be substantially amended. The summary below represents a snapshot in the continued development of state policy governing renewable energy.

- SB1 (Murray): This so-called “Million Solar Roofs” bill would provide funding to subsidize additional development of solar photovoltaics. Under the plan, the level of funding would decline over time, with the expectation that photovoltaics would become more cost-effective as time passes.
- AB1547 (Levine): Similar to SB1, this bill would use funds collected for energy efficiency under the Public Goods Charge to subsidize the addition of solar.
- AB1099 (Leno): This bill would exempt addition of solar to property from the requirement to reappraise the property for property tax purposes when there is new construction.
- AB1362 (Levine): This bill would accelerate from 2017 to 2010 the target date for achieving 20% of energy from renewable sources, and would provide for the ability to trade renewable credits separately from the energy produced to facilitate meeting the Renewable Portfolio Standard targets.
- AB1585 (Blakeslee): This bill would require a study to consider the feasibility of setting a target of 33% of energy from renewable sources by 2020.
- SB107 (Simitian): This bill would accelerate from 2017 to 2010 the target date for

¹ See <http://www.energy.ca.gov/portfolio/documents/SB1078.PDF>.

² See CPUC rulemaking R.04-04-026 at <http://www.cpuc.ca.gov/proceedings/R0404026.htm>.

³ For the full Energy Action Plan, see http://www.energy.ca.gov/energy_action_plan/index.html.

⁴ http://www.leginfo.ca.gov/pub/bill/sen/sb_1451-1500/sb_1478_bill_20040827_enrolled.html.

achieving 20% of energy from renewable sources and would require a study to consider the feasibility of setting a target of 33% of energy from renewable sources by 2020.

- AB728 (Negrete McLeod): This bill would expand the eligibility for net metering for biogas projects while extending the program until 2009.
- SB816 (Kehoe): This bill would raise the net metering cap (to 50 MW) in San Diego Gas & Electric's service territory.

The design of California's energy market remains in flux. As with other energy production and delivery technologies, the nature, pace, and economics of further development for renewable power will be strongly influenced by the ultimate outcome of the legislative debate.

B.2 Regional Renewable Energy Policy

The recent state policy developments described above support regional policy goals. These goals were adopted by the SANDAG Regional Energy Strategy (RES) in July 2003.⁵ The RES set the following percentage goals for renewable sales in the San Diego region: 15% by 2010, 25% by 2020, and 40% by 2030. The RES also places specific emphasis on locating renewable generation in the San Diego region. Of the goals listed above, the RES established a goal of generating 50% of the renewable energy from within the Region.

B.3 Renewable Energy in SDG&E's Long Term Resource Plan

The CPUC requires investor-owned utilities to submit long-term resource plans every two years. The plans include information on a series of resource and policy issues, including renewable energy. In December 2004, the CPUC approved SDG&E's most recent 10-year plan, which adopts the Energy Action Plan's accelerated RPS timeline of supplying 20% of sales with renewable energy by 2010. SDG&E further estimates that it will reach 24% by 2014.⁶ To achieve these goals, SDG&E would need to procure about 3,488 GWh of renewable energy by 2010. On a capacity basis, this would represent approximately 777 MW, roughly the size of the South Bay Power Plant.⁷ Given the intermittent nature of some renewable energy resources, SDG&E's preference for their renewable energy mix was roughly 60% base-load resources (e.g., geothermal) and 40% as-available resources (e.g., solar, wind). SDG&E also noted that the actual mix will be driven by resource availability and costs.

⁵ See http://www.sdenergy.org/uploads/Regional_Energy_Strategy_Final_07_16_03.pdf.

⁶ Long-Term Resource Plan of San Diego Gas & Electric Company (U 920 E): Direct Testimony. July 9, 2004, Chapter H, p. 9.

⁷ These numbers include a renewable resource mix with a range of capacity factors.