



California Public Utilities Commission

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News Release

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PUC SETS STAGE FOR RENEWABLE ENERGY BIDS

SAN FRANCISCO, June 9, 2004 – The California Public Utilities Commission (PUC) today took a number of steps to ensure that California's utilities can begin to purchase substantial amounts of new renewable energy to meet the state's renewable power goals.

The initial procurement, to begin in July of this year, represents the first step in a multi-year effort under the California Renewables Portfolio Standard (RPS) Program to substantially alter the electric generation resource mix in California.

Senate Bill 1078 established the RPS Program, which requires each electrical corporation to procure at least 20 percent of its total retail electricity sales from eligible renewable energy resources by 2017. In order to realize the benefits of renewable power more quickly, the Energy Action Plan adopted by the PUC, the California Energy Commission (CEC), and the California Power Authority subsequently accelerated this target date to 2010.

The PUC today adopted a Market Price Referent (MPR) methodology to estimate the long-term market price of electricity for use in evaluating bid products received during RPS power solicitations. The MPR provides a means of controlling costs in the RPS program, providing important protection to ratepayers, by limiting the amount that utilities are required to pay for renewable power. In addition, the PUC adopted a process for disclosing the MPR to the public, as a means of improving its calculation in the future.

MPRs will establish a benchmark at or below which approved contracts will be considered per se reasonable, and above which contracts are eligible to receive Supplemental Energy Payments from the California Energy Commission. In today's decision, the PUC (1) adopted a cash-flow simulation methodology to calculate MPRs, and (2) determine that MPRs will be publicly disclosed to all parties simultaneously, after utilities' power solicitations have closed but before advice letters requesting contract approval are filed.

The PUC also adopted standard contract terms and conditions for use in the RPS Program, to provide a level playing field and a measure of certainty for both utilities and renewable generators. With some minor modifications, the PUC adopted the proposal offered by a coalition referred to as the “CEERT Parties,” a collaborative effort of the Center for Energy Efficiency and Renewable Technologies (CEERT), the Independent Energy Producers Association, Pacific Gas and Electric Company (PG&E), San Diego Gas and Electric Company (SDG&E) and The Utility Reform Network.

The PUC established the criteria and process by which the utilities’ renewable procurement plans will be approved, ordered the three major utilities to issue Requests for Offers, and clarified the Annual Procurement Target numbers and methodology established previously by the PUC.

Lastly, the PUC adopted guidelines for the development and use of transmission costs in assessing RPS bids. Forward-looking transmission policies are key to the success of the RPS program. Today’s decision requires that PG&E, Southern California Edison, and SDG&E each prepare and file a Transmission Ranking Cost Report (TRCR) prior to the initial RPS procurement solicitation. In its TRCR, each utility must identify and provide cost information regarding transmission upgrades needed for potential RPS projects, based on conceptual transmission studies submitted previously in this proceeding, other conceptual transmission studies, and System Impact Studies and Facilities Studies prepared for projects that have initiated the California Independent System Operator interconnection process. Potential RPS bidders must use the information regarding expected transmission upgrades in developing their bids in response to the initial RPS procurement solicitation.

The utilities must also use the transmission cost estimates in the TRCR in evaluating RPS bids. The PUC adopted guidelines for the utilities’ use of the identified transmission costs in ranking the bids, including the calculation of transmission cost bid adders and the assignment of these adders to specific RPS projects. Utilities are directed to look for opportunities for cost sharing between RPS developers, and to examine developer’s claims that their generation projects will provide benefits to the larger transmission system. Each utility must use the adopted method in determining the combination of projects that will meet its approved renewable procurement goals in a least-cost, best-fit manner.

For more information on the PUC, please visit www.cpuc.ca.gov.

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