Union of Concerned Scientists

The Clean Energy Race

How Do California's Public Utilities Measure Up?

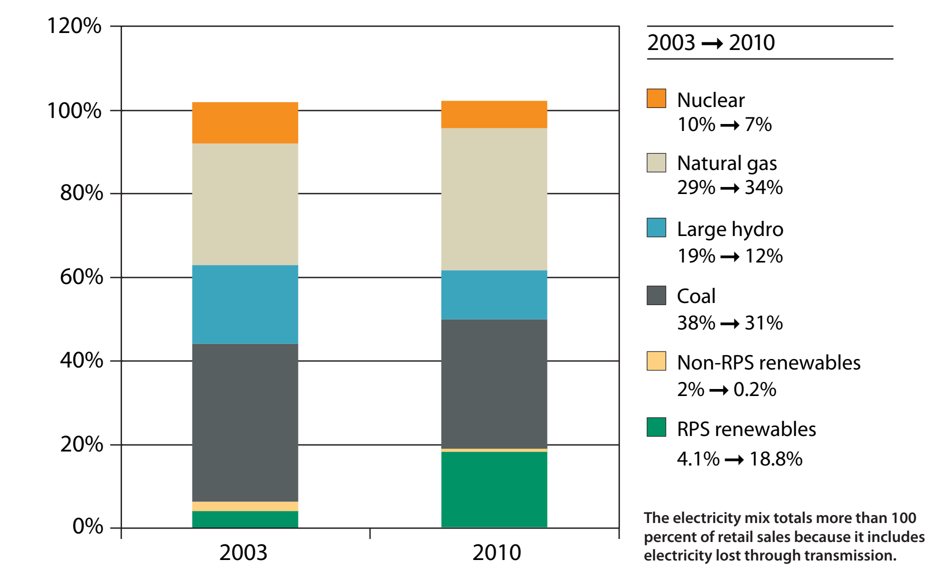
EXECUTIVE SUMMARY

California is home to some of the most progressive clean energy policies in the country. The state's Renewables Portfolio Standard (RPS), enacted in 2002, established a statewide goal to obtain 20 percent of retail electricity sales from clean, renewable resources such as the wind and sun by 2010. In 2011, the law was strengthened to require all utilities to obtain 33 percent from renewables by 2020.

California's RPS can provide a range of environmental and economic benefits including improved air quality, reduced global warming emissions, a hedge against volatile fossil fuel prices, and green jobs. However, the degree to which the RPS promotes the development of new clean energy resources and provides these benefits depends on how individual utilities choose to meet the standard.

In *The Clean Energy Race: How Do California's Public Utilities Measure Up?*, the Union of Concerned Scientists examines the renewable energy investments made by California's 10 largest publicly owned utilities (POUs) for their RPS programs in 2010. The report assesses these investments compared with the state's 20 percent by 2010 RPS benchmark, and classifies each POU into one of three categories: "sprinting ahead," "on the right track, but must keep moving," or "false start," based on the degree to which the utility's RPS investments by 2010 supported the development of new clean energy resources and positioned it to meet future RPS requirements.

FIGURE 1: Electricity Mix for California's 10 Largest Publicly Owned Utilities, 2003 and 2010



LADWP's Pine Tree wind project generates 120 MW of renewable electricity in Kern County, California.

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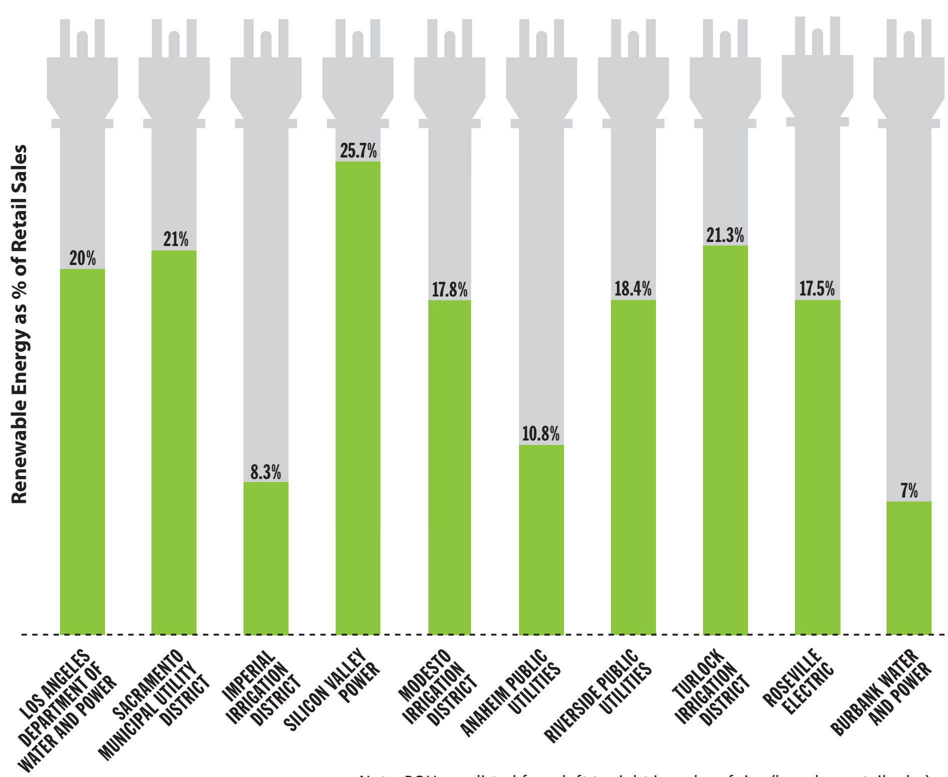
POU Progress on Renewable Energy Investments

Since 2003, California's 10 largest POUs have made notable progress investing in renewable energy resources. Collectively, they increased their RPS-eligible investments from 4.1 percent of retail electricity sales in 2003 to 18.8 percent in 2010 (Figure 1). What's more, 43 percent of the 10 POUs' 2010 RPS portfolio came from long-term investments in new renewable energy resources built after the original RPS was enacted. However, in 2010 the POUs still relied on electricity from fossil fuels for two-thirds of their retail sales. Given their coal-heavy portfolios, the way in which the POUs invest in renewables to meet the 33 percent by 2020 RPS will be critical to reducing the state's reliance on fossil-fuel-based electricity.

Individually, almost all the POUs expanded their portfolios of renewable energy resources, but the quantity and types of investment varied significantly. Silicon Valley Power, Turlock Irrigation District, and Modesto Irrigation District were "sprinting ahead;" Los Angeles Department of Water and Power, Sacramento Municipal Utility District, Riverside Public Utilities, and Anaheim Public Utilities were "on the right track, but must keep moving;" Roseville Electric, Burbank Water and Power, and Imperial Irrigation District were a "false start."

While a number of POUs approached or met the 20 percent RPS by focusing their investment strategies on signing long-term contracts or owning projects, others did not pursue RPS investments as aggressively, or did so largely by signing short-term contracts that expanded their RPS portfolios only temporarily. Such short-term investments do not provide adequate financial security to developers and therefore have little impact on promoting the development of new clean energy facilities. These utilities will need to renew these contracts at potentially higher prices, or procure more clean electricity, just to maintain their RPS investment levels, while also increasing their purchases to meet future RPS requirements.

FIGURE 2: California's 10 Largest POUs' RPS Investments, 2010



Note: POUs are listed from left to right in order of size (based on retail sales).

A primary purpose of California's RPS program is to increase the amount of electricity generated from clean, renewable sources. Utilities that sign long-term contracts for new projects or own them outright provide the most direct support for the development of new renewable energy resources.

Looking Ahead to 33 Percent

Most of the POUs signed contracts for projects that failed to materialize or were developed much later than anticipated. In several cases, the rate of project failure was so high that it caused some POUs to miss their RPS targets. In the future, managing the risk of project delay and failure will be critical. POUs should sign contracts for more than the minimum amount of electricity required to meet RPS requirements, in order to create a cushion in case some projects are not built or are not built on time. The POUs should also prepare publicly available plans for meeting the RPS, and progress reports that document their investments so far. Transparent reporting requirements will establish accountability for reaching RPS obligations and inform electricity customers about how their utility is investing in clean energy.

Most importantly, POUs should focus their RPS investments on signing long-term contracts or building their own clean energy facilities, to drive the development of new renewables, help stabilize electricity prices for customers, and ensure compliance with future RPS requirements. Investments that promote the construction of new clean energy resources will also reduce the need for fossil-fuel-based electricity, reduce air pollution and global warming emissions, and create green jobs. Rules and strategies guiding the POUs' future RPS programs should encourage these types of investments, to maximize the environmental and economic benefits of the RPS and set the stage for an even greater commitment to renewables after 2020.

Union of Concerned Scientists

Citizens and Scientists for Environmental Solutions

The Union of Concerned Scientists is the leading science-based nonprofit working for a healthy environment and a safer world.

The full report and utility-specific fact sheets can be downloaded (in PDF format) from *www.ucsusa.org/cleanenergyrace.*

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