



CALIFORNIA
ENERGY
COMMISSION

RENEWABLE ENERGY PROGRAM

QUARTERLY REPORT TO THE
LEGISLATURE

October 2002 through December 2002

COMMITTEE REPORT

JANUARY 2003
P500-00-007v12



Gray Davis, Governor

California Energy Commission's Quarterly Report Regarding the Renewable Energy Program

(October 1 - December 31, 2002)

The 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, 2002. The Energy Commission is required to report to the Legislature quarterly on fiscal and functional aspects of the program.¹

This report describes the Energy Commission's implementation activities, including information regarding awards submitted to the State Controller for payment,² the cumulative commitment of claims by account, the relative demand for funds by account, a forecast of future awards, and related matters. This is the final report of program activities under the initial program from 1998 to 2002, mandated by Assembly Bill 1890 (AB 1890, Sher, Chapter 854, Statutes of 1996) and Senate Bill 90 (SB 90, Sher, Chapter 905, Statutes of 1997).

This report documents the fund expenditures for the initial Renewable Energy Program implementation, focusing on the program activities in the fourth quarter of year 2002. Following a background concerning the Renewable Energy Program and recent legislative changes that extend the program through 2007, this report discusses the initial program's implementation and summarizes its expenditures to date.

Background on the Renewable Energy Program

AB 1890 required California's three major investor-owned utilities (IOUs) to collect \$540 million from their ratepayers over a four-year period (1998 to 2002) to help support renewable electricity-generation technologies and develop a renewable energy market in the state. As mandated by AB 1890, the Energy Commission submitted its *Policy Report on AB 1890 Renewables Funding (Policy Report)*³ to the Legislature in March 1997, with recommendations for allocating and distributing the funds. These recommendations were incorporated into SB 90, which established the Renewable Resource Trust Fund, placed the \$540 million into the fund, and directed the Energy Commission to distribute the fund through four accounts. These accounts and the total funds initially allocated to each are as follows:

- Existing Renewable Resources Account (**\$243 million**)
- New Renewable Resources Account (**\$162 million**)
- Emerging Renewable Resources Account (**\$54 million**)
- Customer-Side Renewable Resources Purchases Account:
 - Customer Credit Subaccount (**\$75.6 million**)
 - Consumer Education Subaccount (**\$5.4 million**)

In January 1998, the Energy Commission adopted overall funding guidelines, eligibility requirements, yearly allocations, and account-specific guidelines to assist participants in applying for funding from the various program accounts. These guidebooks, as amended in response to changing market conditions, provide for fund reallocations among accounts, which are discussed in this report.

Recent Legislative Changes to the Renewable Energy Program

Several key pieces of legislation were recently passed that significantly affect the Renewable Energy Program, as summarized below.

In September 2000, the Legislature adopted the Reliable Electric Service Investments Act (RESIA) through the codification of Assembly Bill 995 (AB 995, Wright, Chapter 1051, Statutes of 2000) and Senate Bill 1194 (SB 1194, Sher, Chapter 1050, Statutes of 2000). The RESIA directed, beginning in January 2002, that the three large IOUs collect an amount starting at \$135 million per year from their ratepayers and place these funds into the Renewable Resource Trust Fund.

In June 2001, pursuant to the RESIA, the Energy Commission recommended funding allocations and awards to the Legislature in a report titled, *Investing in Renewable Electricity Generation in California (Investment Plan)*.⁴ The *Investment Plan* was incorporated into Senate Bill 1038 (SB 1038, Sher, Chapter 515, Statutes of 2002), which Governor Davis signed into law in September 2002. SB 1038 authorizes the Energy Commission to continue implementing the Renewable Energy Program for the next five years and distributing the Renewable Resource Trust Fund monies collected under the RESIA beginning in 2003.

In September 2002, the Governor also signed Senate Bill 1078 (SB 1078, Sher, Chapter 516, Statutes of 2002), 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 one-percent per year so that 20 percent of their retail sales are from eligible renewables by 2017. The Energy Commission must, pursuant to SB 1078, develop eligibility requirements for certifying renewable facilities, create a system for tracking renewables purchases and sales, verify utility procurement compliance, and cover the above-market cost for renewables purchases. The Energy Commission is collaborating with the California Public Utilities Commission (CPUC) and other agencies to implement the RPS under SB 1078.

During October and November 2002, the Energy Commission conducted several public hearings to discuss the procedures and guidelines for extending the Renewable Energy Program under the new legislation. The Energy Commission is reviewing public comments and expects to adopt final program guidelines in the first quarter of 2003.

Renewable Resource Trust Fund monies that have not been awarded during the initial program will remain in the Trust Fund and be available to distribute under the extended program. To minimize further interruptions in funding disbursements, provide the renewable energy industry and its customers with a measure of certainty, and build on the Renewable Energy Program's successes, the Energy Commission is transitioning to the extended program under the new legislation as seamlessly as possible.

Renewable Energy Program Implementation

With the goal of maintaining the benefits and diversity that renewable energy offers, the initial Renewable Energy Program was fashioned to move the renewable energy industry towards market competitiveness by disbursing the funds to assist each market segment in unique ways, as summarized below.

- The **Existing Account** offers financial incentives to support existing renewable facilities through a tier system of varying incentive amounts based on the market competitiveness of the eligible renewable technologies.
- The **New Account** provides financial support to encourage new renewable electricity generation projects that are most likely to become competitive with conventional technologies. Prospective new projects compete in auctions to receive a fixed renewable electricity production incentive.
- The **Emerging Account** grants capital cost buydowns (rebates) to assist customers who purchase renewable technologies for on-site generation. Reduced purchase costs encourage manufacturers and retailers to expand operations and reduce costs to consumers.
- The **Customer Credit Subaccount** incentives allow renewable providers to provide electricity products to their customers at prices that are competitive with conventional electricity products. Funds are paid via “customer credits” to renewable providers and passed on to their eligible customers.
- The **Consumer Education Subaccount** increases public awareness of renewable energy and its benefits, and encourages support of renewable energy and purchases of renewable energy technologies through information dissemination and project demonstration.

Table I highlights the key program implementation activities that occurred in each account during the fourth quarter of 2002, and lists the activities that we anticipate to occur during the first quarter of 2003. Table II shows the Renewable Energy Program's cumulative funding and expenditures, including disbursements from this quarter. The remainder of the report provides the details of the program activities for this quarter and summarizes the program's progress thus far.

**Table I - Renewable Energy Program
Fourth Quarter 2002 Program Implementation**

Account, Program-Implementation, and Funding Activities: October - December 2002	Expected Funding and Implementation Activities: January - March 2003
Existing Account	
<ul style="list-style-type: none"> To date, payments totaling \$151.7 have been made to eligible facilities. No payments were made this quarter because legislation does not authorize payments until after January 1, 2003. A total of 378 facilities are registered as renewable suppliers; 275 facilities are eligible for funding. Rollover funds total \$23.3 million for Tiers 1, 2, and 3 excluding the funds authorized for reallocation to the New Account for the third auction. 	<ul style="list-style-type: none"> We do not expect to make further Existing Account payments from the initial program funds. We anticipate that the first payments under SB 1038 will be made in March or April of 2003.
New Account	
<ul style="list-style-type: none"> Payments totaling over \$4.0 million were made this quarter. To date, payments totaling \$22.0 million have been made to 33 on-line facilities for approximately 1,900 GWh of new renewable electricity generation. Thirty-seven projects are currently on-line and producing electricity, representing 244.2 MW of new renewable capacity. The Renewables Committee proposed award reductions for three landfill gas projects because of under-generation. The Renewables Committee is considering the Petition to Reconsider the cancellation of four funding awards totaling \$18 million. 	<ul style="list-style-type: none"> The construction of new projects will continue, as will payments to on-line facilities. Funding Award Agreements with winning bidders in the second and third auctions are being finalized. The Energy Commission is expected to make a decision on the Committee's proposal for award reductions. The Renewables Committee is expected to make a decision on the proposed award cancellations for four projects. The staff will work with the utilities and CPUC to implement SB 1078 and SB 1038. The staff will hold public workshops for stakeholders to discuss new Guidebook rules.
Emerging Account	
<ul style="list-style-type: none"> To date, payments for more than 4,000 installed systems total \$59.1 million, representing about 15 MW of distributed capacity. Payments totaling \$8.7 million were paid this quarter for more than 550 installed systems. Funds encumbered to install over 1,600 systems currently total \$42.6 million, representing about 10 MW of capacity. Because of limited funds, the Energy Commission stopped accepting rebate applications for small systems in IOU service areas after October 31, 2002. More than 1,050 new reservation requests were received this quarter, but due to funding constraints, approximately 400 requests were not funded. The Governor's FY 02-03 budget proposes that the Energy Commission return \$6.3 million of AB 29X funds for Publicly Owned Electric Utility (POEU) service areas to the General Fund in response to the budget deficit. The Renewables Committee conducted public hearings to receive public comments on a new Guidebook. 	<ul style="list-style-type: none"> Any funds made available due to reservations cancelled before December 31, 2002 will be used to fund as many applications as possible that were filed by October 31, 2002. The Energy Commission will adopt a new guidebook for the Emerging Renewables Program in response to changing market conditions and per the directives of SB 1038 and AB 58. The Energy Commission expects to begin accepting new reservation requests. The Energy Commission will continue to update lists of eligible technology equipment and provide new efficiency ratings for inverters.

Account, Program-Implementation, and Funding Activities: October - December 2002	Expected Funding and Implementation Activities: January - March 2003
Customer Side Account	
Customer Credit Subaccount	
<ul style="list-style-type: none"> • Although only five marketers remain active in the market, 29 registered providers have registered a total of 48 products containing renewable energy. • To date, \$58.9 million has been paid to providers. • Because the guidelines provided no payment schedule for market activity after December 2001, no payments were made for 2002 activity in the fourth quarter of 2002. 	<ul style="list-style-type: none"> • Market activity is expected to remain fairly steady as most providers have already exited the direct access market, and no new customers are allowed to participate. • As required by SB 1038, the staff will prepare the <i>Customer Credit Report</i> for the Governor and Legislature by March 31, 2003. The report will include recommendations for the best use of customer credit funds and the future of the Customer Credit fund. • The decision regarding whether to make payments on 2002 activity will be released with the <i>Customer Credit Report</i>.
Consumer Education Subaccount	
<ul style="list-style-type: none"> • The ICF Consulting firm continued to implement the public awareness campaign. • The ICF Consulting team distributed the Renewable Energy Alliance Resource Kit to 150 Alliance members. • Payments to the ICF firm for this quarter total \$344,370. • The staff exhibited and conducted workshops at the following events: Nature by Design at the San Francisco City Hall/Civic Center, Long Beach Home and Garden Show, Annual Green Materials Showcase in San Francisco, Building Industry Show in Long Beach, UPEX '02 and Green Building International Conference and Expo in Austin, TX, and the Buildex Conference and Expo in San Francisco. • The staff and the ICF Consulting made presentations at Solar Forums in Los Angeles, San Diego, and Sacramento in October. • Three of the five grant projects awarded under the second grant solicitation were completed. The Energy Commission granted a no-cost time extension to the remaining two projects. • The grant term for the Educators for the Environment was extended to November 2003. • Grant agreements have been developed for the eight projects awarded at the August 28, 2002 Business Meeting. • Two "streaming" video segments on small wind were produced and posted on the Energy Commission's website. • 90-second radio interviews were conducted, broadcast and placed on the Energy Commission's website. 	<ul style="list-style-type: none"> • Work will continue on the two grant projects from the second grant solicitation. • The eight new grant projects will continue to implement their tasks next quarter. • We expect the Energy Commission to approve the new Guidebook for the Renewable Resources Consumer Education program at a February 2003 Business Meeting. • The Clean Power Estimator™ will be updated. • A PV system operation and maintenance guide will be developed for Buydown applicants and interested parties. • <i>Buying a Solar PV System: A Consumer Guide</i> will be updated and distributed. • Educators for the Environment will circulate a draft of the teacher's guide to solicit comments on the text, layout, graphics, and student activities. • The Local Government Commission (LGC) will conduct a survey to evaluate the effectiveness of its SPIRE Program. • Marketing and outreach materials will be updated to reflect program changes. • The Renewables Committee will examine the focus of consumer education activities.

Renewable Resources Trust Fund

As of the fourth quarter of 2002, the Energy Commission had awarded a total of \$295.5 million, reflecting account payments (disbursements). Eligible applicants had reserved a total of \$246.2 million, reflecting fund reservations (encumbrances). During the fourth quarter of 2002, payments totaling \$13.2 million were made to program participants.

From January 1998 through December 31, 2002, the participating utilities fulfilled their requirements under SB 90 to collect \$540 million in funds for the initial program under SB 90. Additionally, \$15 million was transferred from the state's General Fund to the Emerging Account for buydown rebates pursuant to AB 29 X, bringing the total to \$555.0 million. However, because of the current budget crisis, Governor Davis' FY 2003-04 budget proposes to return \$6.3 million in unused SB 29X funds to the state's General Fund, reducing the total to \$548.7 million. (This amount does not reflect \$150 million loaned to the General Fund or \$8.9 million loaned to the California Consumer Power and Conservation Financing Authority, as required by the Budget Act of 2002.)

Table II provides a financial summary of the Renewable Resource Trust Fund as of the fourth quarter of 2002, reflecting cumulative fund expenditures and encumbrances for the initial program, and disbursements that occurred during this quarter.

**Table II - Renewable Resource Trust Fund
Funding and Expenditures as of December 31, 2002
(\$ Millions)**

	Existing Account	New Account	Emerging Account	Customer-Side Account		Total
				Customer Credit	Consumer Education	
Collected Funds	243.000	162.000	62.700 ⁵	75.600	5.400	548.715 ^{6,7}
Total Disbursements	(151.744)	(22.049)	(59.131)	(58.861)	(3.720)	(295.505)
<i>4th Quarter '02 Disbursements</i>	<i>(0.0)</i>	<i>(4.024)</i>	<i>(8.760)</i>	<i>(0.0)</i>	<i>(0.443)</i>	<i>(13.227)</i>
Intra-fund Reallocations⁸	(68.000)	33.800	44.200	(10.000)	0.000	0.000
Subtotal	23.256	173.751	47.769	6.739	1.680	253.195
Encumbrances	(23.256) ⁹	(173.751) ¹⁰	(47.769) ¹¹	0.000	(1.432) ¹²	(246.208)
Unencumbered Funds	0.00	0.00	0.0	6.739	0.248	6.987

As shown in Table II, the Energy Commission encumbered funds from four accounts this quarter as follows:

- The Existing Account for reallocation to the New Account's winning projects from the third auction,
- The Emerging Account for systems eligible for the Buydown Program rebates,
- The Consumer Education Subaccount for grant and contract project activities, and
- The New Account for projects with funding award agreements from the first, second, and third auctions.

Funding for the 73 New Account projects could eventually total up to \$219.4 million.

As of December 31, 2002, the utilities collected \$135 million for the extended program under SB 1038.¹³ To date, funds collected from the participating utility, Bear Valley Electric Company, total \$238,000.

Combining these ratepayer funds with voluntary contributions and funds transferred from the General Fund pursuant to AB 29X brings the total funds collected to date for the initial and extended programs to nearly \$684 million. (We will begin reporting on funding awards and disbursements and account activities under the extended program during the first quarter of 2003.)

The next sections of this report discuss the noteworthy activities that occurred in each account during the fourth quarter of 2002.

Existing Account

No disbursements were made during the fourth quarter of 2002 to Existing Account facilities, and total disbursements from the Existing Account to date remains at \$151.7 million. As of December 31, 2001, the Energy Commission suspended payments to all Existing Account facilities because the legislation authorizing the extension of the Renewable Energy Program had not been approved by that date. We do not expect payments from the Existing Account to be made until March or April 2003, in accordance with the new program guidelines under SB 1038.

To date, the Energy Commission has reallocated or approved the reallocation of up to \$80 million in rollover funds to the New Account for winning projects from its second and third auctions.¹⁴ In September 2002, the Energy Commission reallocated \$13 million from the Existing Account to the Emerging Account to supplement funding for Buydown rebates through the end of 2002.

The Existing Account's rollover amount currently stands at \$23.3 million.¹⁵ The Energy Commission has approved the reallocation of this amount to the New Account, and we will transfer these funds when we determine how much funding will actually be needed for the New Account projects. This amount may not be known for some time because auction winners could drop out, qualify for additional incentives, or have their funding awards reduced or canceled.

New Account

Among the successful bidders in the three New Account auctions, 73 projects continue to hold funding awards, and 37 projects are on-line and producing electricity. These projects currently contribute 244.15 MW of new renewable generating capacity to California's electricity supply.

A total of 33 projects are on-line and receiving payments from the Energy Commission, including 18 projects that began submitting invoices for payment in the fourth quarter of 2002. To date, these projects have received a total of \$22.0 million in payments from the New Account, including \$4.0 million paid this quarter. These facilities have generated approximately 1,900 gigawatt-hours (GWh) of new renewable electricity. Table III summarizes these on-line projects.

**Table III - New Account
Summary of On-Line Projects**

Technology	MWs On-Line	# of Projects
Biomass	11.30	2
Digester Gas	0	--
Geothermal	59.00	2
Landfill Gas	27.55	9
Small Hydro	11.25	2
Waste Tire	0	--
Wind	88.40	18
Total	197.50	33

Four facilities totaling 46.65 MW of capacity are delivering power to the grid but have not yet received incentive payments. These facilities include a 41 MW wind facility, a 2.05 MW digester gas facility, and two landfill gas facilities totaling 3.6 MW. The Energy Commission has not made payments to these 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.

To discourage auction participants from encumbering excess funds by overestimating their generation, auction winners are required to generate a minimum of 85 percent of their estimated generation over the first three years of operation. If a project developer must reduce the project's generation, then the developer must notify the Energy Commission so that its payments can be reduced, thereby avoiding a penalty. Accordingly, the projects will have their eligible generation reduced to reflect the average annual amount actually generated during the first three years; furthermore, they will receive a 25 percent reduction in their cents/kWh incentive for the final two years of payments.

Three landfill gas projects from the first auction have not met their minimum generation requirement. During the fourth quarter of 2002, the Renewables Committee recommended that the Energy Commission immediately reduce two of these awards, and reduce the third award in six months unless the project substantially increases its generation. We expect the Energy Commission to approve the Committee's recommendations during the first quarter of 2003, and we will continue to track on-line project performance and revise funding awards as necessary to reflect any reduced generation amounts or incentive penalties.

The Energy Commission may cancel funding awards for three wind projects from the first auction owned by Enron Wind Development Corporation, and one wind project owned by Painted Hills Wind Developers (an Enron affiliate). The project developers may face award cancellations for the following reasons:

1. Failure to submit required information regarding progress toward bringing the projects on-line and
2. Failure to maintain appropriate contact with the Energy Commission regarding the projects.

The funding awards for these four wind projects (together representing 113 MW) total \$17.8 million. Letters were sent to the project developers in March 2002 informing them of the Energy Commission's intent to cancel their funding awards. The project developers jointly submitted a Petition for Reconsideration to the Energy Commission, but the petition was deemed incomplete. The project developers submitted a complete petition in the third quarter of 2002, which the Renewables Committee is considering. However, any decision regarding cancellation of 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 Renewables Committee hopes to make a decision on the petition during the first quarter of 2003. Any funds freed by award cancellations are returned to the Renewable Resource Trust Fund to reallocate.

Emerging Account

The Emerging Account's Buydown rebates continue to attract residential and business consumers and help motivate their purchases of renewable energy systems. Payments totaling \$8.7 million were made for over 550 system installations during the fourth quarter of 2002, bringing total disbursements to date from the Emerging Account to \$59.1 million. More than 4,000 emerging renewable systems have been installed since the beginning of the program, representing approximately 15 MW of distributed renewable electricity capacity. More than 1,600 systems are currently in various stages of completion, with \$42.6 million encumbered for about ten MW of solar and wind capacity.

Another stimulus for consumers considering a solar or wind system has been a state tax credit, designed to encourage the installation of solar and wind systems up to 200 kilowatts (kW) by providing a 15 percent tax credit for tax years 2001 and 2002 and a 7.5 percent credit for tax years 2003 and 2004.¹⁶ Early in 2002, the Energy Commission worked with the Franchise Tax Board to develop a worksheet for self-certifying systems in applying for the tax credit. The worksheet is available on the Energy Commission's website at:

<www.consumerenergycenter.org/renewable/tax_credit.html>.

The Emerging Renewables Buydown Program has received 8,058 reservation requests since it began operating in March 1998, including over 1,050 new requests received during the fourth quarter of 2002. More than 400 of these requests were received during the last week of October 2002, following the Energy Commission's announcement that rebate funds were running low for small systems in IOU service areas. The Energy Commission stopped accepting rebate requests for these systems on October 31, 2002. By the end of December 2002, cancelled reservations released over \$5 million, which will be encumbered for as many of those requests as possible.

To date, payments for installed systems in Publicly Owned Electric Utility (POEU) service areas total \$0.3 million. During the fourth quarter of 2002, 91 rebate reservation requests were received for systems in POEU service areas. Because of the severity of the California's budget deficit, the Governor's FY 2003-04 Budget proposes to return \$6.3 million (of the original \$8 million) in AB 29X funds for POEU service areas to the state's general fund.

Legislation passed in the last year directly affects the implementation of the Emerging Account. SB 1038 provided new funding allocations for the Emerging Account, while Assembly Bill 58 (AB 58, Keeley, Chapter 836, Statutes of 2002) authorized the Commission to establish rebates of up to 75 percent of total installed costs for eligible emerging technologies installed on affordable housing projects. During the fourth quarter of 2002, the Energy Commission held a staff workshop and a committee hearing regarding proposed changes to the Emerging Account *Guidebook* in response to these legislative directives and changing market conditions. We expect the Energy Commission to adopt a new *Guidebook* in the first quarter of 2003.

The Energy Commission anticipated implementing a special solar rebate program for public schools that installed photovoltaic systems using funds available from settlements between the state Attorney General and electricity suppliers in combination with buydown program funds. Because the use of the settlement funds is currently uncertain, the Energy Commission is not implementing a solar schools program at this time.

With the assistance of technical support contractors, the staff continues to update lists of eligible renewable technology equipment, including new efficiency ratings for inverters.

Customer Credit Subaccount

No payments from the Customer Credit Subaccount were made in the fourth quarter; payments in the second quarter completed payment for activity occurring in 2001. Because the guidelines for the Customer Credit Subaccount provided a payment schedule only through December 2001, the Energy Commission did not make any customer credit payments on 2002 generation. Therefore, the information provided in this report is limited to data on activity through December 2001. As of December 31, 2002, the total payments made to registered renewable providers for customer credits remains at \$58.9 million.

One way to measure market activity is to examine the number of providers registered and actively serving customers. The total number of renewable providers registered with the Energy Commission remains fixed at 29 providers with 48 products, although only five providers are active in the market. There are also five registered wholesalers participating in the Customer Credit Subaccount. Because providers are not required to change their registration status with the Energy Commission when they exit the market, however, these figures are not necessarily an accurate reflection of current market activity.

To be eligible for customer credits, participants are required to purchase renewable electricity through a direct access contract. In 2001, the CPUC suspended retail customers' rights to purchase energy through the direct access market, which clearly affects market activity and the implementation of the Customer Credit Subaccount under both the initial and extended programs.¹⁷

SB 1038 requires the Energy Commission to submit a report, referred to as the *Customer Credit Report*, to the Governor and Legislature by March 31, 2003. As mandated, the *Customer Credit Report* must include recommendations regarding the best use of customer credit funds, including whether and under what conditions customer credits should be continued.

Consumer Education Subaccount

Grant Projects

In August 2002, the Energy Commission awarded eight grants from the third Program Opportunity Notice (PON), which provided funding to advance the growth of the renewable energy market in California. The Energy Commission staff developed grant agreements with grant recipients, and work commenced on several projects during the fourth quarter of 2002. Almost \$500,000 was encumbered for these projects in the following categories:

- Schools
- New Construction
- Non-Profit or Public Entities
- Advertising
- Publicity or Events

Table IV summarizes these grant projects and their funding awards and matching shares. As Table IV shows, projected match funds and in-kind contributions almost double the value of these grant funding awards.

**Table IV – Consumer Education Subaccount
Third Solicitation Grant Projects**

Grant Recipient	Project	Funding	Match
Scott Cronk	Children's educational video series	\$75,840	\$88,740
The Rachus Institute	Solar Schoolhouse – PV on schools	99,500	115,000
American Wind Energy Association	Small Wind Siting Handbook	49,696	17,782
Energy Solutions	Renewable energy design assistance	100,000	126,991
Real Goods Solar Living Institute	PV installer training program	85,167	57,775
Twin Pines Cooperative Foundation	PV for co-ops and affordable housing	14,803	8,010
Global Possibilities	Solar Home Tour	14,802	14,350
Scott Cronk	Contractor database and website	53,010	57,040
Total		\$492,818	\$485,688

During the fourth quarter of 2002, work continued in projects funded under the second grant solicitation, which was offered in 2001. Most notably, the American Wind Energy Association (AWEA) conducted media outreach in support of its targeted mailing campaign that was conducted during the previous quarter. Numerous articles were published in the following publications:

- Bakersfield Californian
- The Desert Sun
- Mountain Democrat
- Vacaville Reporter
- Re-Focus Magazine
- Wine Business Monthly
- Home Power
- Ag Alert
- Currents
- Solar Today
- AWEA's newsletter – Windletter

AWEA is also surveying dealers of small wind turbines to track sales activity in target areas. Fifteen dealers responded to the survey to date. AWEA will provide survey results in its final report, due in early 2003.

Public Awareness Campaign

During the fourth quarter of 2002, the Energy Commission's contractor, ICF Consulting, continued to implement the renewable energy public awareness campaign, as discussed below. Payments totaling \$344,370 were made to the ICF Consulting team during this reporting period.

Print media this quarter included articles in the California Real Estate Journal, Solutions Newsletter, Business Facilities Magazine, and Victorville Daily Press. The ICF Consulting launched a Public Service Announcement (PSA) campaign to 450 newspapers, magazines, trade publications, and newsletters throughout California. Designed to heighten community awareness of renewable energy, print PSAs are published at no cost, as space is available. The ICF Consulting team created two PSAs, titled *A Natural Choice* and *The Power of Nature can Change the Nature of Power*, in various sizes to fit different styles of publications.

During the fourth quarter, the staff and the ICF Consulting team continued to implement the EarthNews Radio project, a 90-second weekend news feature picked up by California radio stations KCBS, KNX, KPOO, KAZU, and KVON, and reaching audiences from southern California to Sacramento. This project highlights the benefits of using renewable energy, energy conservation, and energy efficiency in business and residential markets. Radio spots will be posted on the EarthNews Radio website <www.earthnewsradio.org>, the Energy Commission's website <www.consumerENERGYcenter.org> and distributed to Renewable Energy Alliance members.

The ICF Consulting and Energy Commission staff exhibited the Renewable Energy Program booth to over 10,000 visitors attending the Long Beach Home and Garden Show on October 11-13, 2002. On November 7-8, 2002, the staff distributed information to architects, builders, and contractors who attended the Building Industry Show in Long Beach. The staff also presented its booth at the Buildex Show in San Francisco on November 19-20, 2002. Energy Solutions, an Energy Commission grant award recipient, made a presentation on green buildings at the Buildex Show.

During the fourth quarter of 2002, more than 270 solar energy industry members attended three Solar Forums, which are regular discussion meetings for the solar industry in California. The Energy Commission staff and the ICF Consulting staff made presentations at these meetings on the renewable energy consumer education program activities, events, materials, and public outreach. The meetings were conducted in San Diego (October 14), Sacramento (October 28), and Los Angeles (October 29).

The Energy Commission and the ICF Consulting firm continue to work with representatives of the Hearst Castle® Visitor Center to develop a showcase project highlighting energy efficiency and renewable energy technologies. The Hearst Castle staff has approved a sponsorship package that has been forwarded to potential project sponsors. Follow-up calls will be made to these companies and organizations to generate interest in providing funding and/or gifts-in-kind from industry leaders.

The Resource Kit was completed this quarter and 150 copies were distributed to Renewable Energy Alliance members. The kit includes renewable energy educational tools including videos, news stories, case studies, customizable fact sheets, and public service announcements, which will assist Alliance members in promoting renewable energy. Initial feedback on the kit from Alliance members has been quite positive.

During the next quarter the Renewables Committee will examine the focus of the Consumer Education Program activities.

Summary

The Energy Commission has made excellent progress in implementing the initial Renewable Energy Program. The program responded to California's energy challenges by hastening new renewables projects and continuing to foster consumer demand for renewable energy, despite the suspension of new direct access contracts between customers and renewable energy providers. Over the last two years, customer interest in rebates for emerging renewable technologies, especially for solar PV and wind energy systems, has increased tenfold.

During the last four years the Renewable Energy Program brought over 244 MW of new renewables capacity on-line, with the potential for new projects to eventually total up to 1,300 MW of new renewable capacity for California's electric grid. We helped 275 existing facilities remain operative for 4,400 MW of renewables capacity, and supported over 200,000 customer purchases of electricity generated by renewable energy. During the initial program's implementation, we provided more than 4,000 rebates to customers who installed on-site renewable technology systems in IOU and publicly-owned utility areas, representing over 15 MW of solar and wind energy capacity. We continue to educate consumers statewide about the benefits of renewable energy and how they can support renewables in today's marketplace.

During the first quarter of 2003, we will report on our progress in transitioning to the extended program under the new legislation.

Endnotes

¹ Public Utilities Code (PUC), Article 5, Section 445(g).

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

³ California Energy Commission Publication Number P500-97-002, March 1997.

⁴ California Energy Commission Publication Number P500-00-022, June 2001.

⁵ Includes \$15 million transferred from the General Fund in the second quarter of 2001, pursuant to AB 29X, which authorized that \$8 million of these funds be made available for rebates to customers of POEUs. To date, \$6.3 million of the POEU funds remains unencumbered, which the Governor's FY 2003-04 budget proposes be returned to the state's general fund in response to the state's budget crisis.

⁶ This total includes \$14,400 in voluntary contributions, but does not include \$238,000 collected from ratepayers of the participating utility, Bear Valley Electric Company, or \$135 million in funds collected from the IOUs in 2002 for the extended program under SB 1038.

⁷ This total does not include \$150 million loaned to the state's General Fund or \$8.9 million 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). The Budget Act requires the California Consumer Power and Conservation Financing Authority to repay \$1.0 million by June 30, 2003.

⁸ To date, the Energy Commission has reallocated \$40 million from the Existing Account to the New Account for the second auction, reduced a previous \$40 million reallocation from the Existing Account to the New Account to \$33.8 million, and redirected the \$6.2 million to the Emerging Account. Pursuant to AB 29X, the Energy Commission reallocated \$15 million from the Existing Account to the Emerging Account in 2001. The Energy Commission reallocated \$10 million in unused funds from the Customer Credit Subaccount to the Emerging Account in September 2001 and reallocated \$13 million from the Existing Account to the Emerging Account in September 2002.

⁹ Encumbered for potential reallocation to the New Account as winning projects from the third auction come on-line and become eligible for funding.

¹⁰ 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.

¹¹ Encumbered for rebate reservation requests approved but not yet paid. \$5.141 of this amount represents projects cancelled before December 31, 2002. These funds will be encumbered for as many reservation requests as possible that were filed on or before October 31, 2002.

¹² Encumbered for grant projects and contract activities.

¹³ The Energy Commission does not have authority to award, encumber, or distribute these funds until the extended program is implemented under SB 1038.

¹⁴ The rollover consists of the funds remaining in the Existing Account after payments have been made to facilities in a given monthly payment cycle. Any funds that are not paid in one month are rolled over and added to the following month's allocation, becoming available for that month's payments. The Energy Commission has approved up to the full amount of the Existing Account's rollover funds remaining from the initial program implementation for reallocation to a separate area of the Renewable Energy Program. After determining the amount of funds needed for reallocation, any remaining funds shall be available for rollover into funds for the extended program under SB 1038.

¹⁵ This figure does not account for the funds (up to \$40 million) that the Energy Commission has authorized for reallocation to the New Account for the purpose of funding the third auction. At least \$16.7 million proposed for that reallocation will not be needed, however, and that amount will remain in the Existing Account.

¹⁶ Senate Bill 17X2 (SB 17X2, Brulte, Peace, et al., Chapter 12, Statutes of 2001-02).

¹⁷ The CPUC implemented Assembly Bill 1X (AB 1X, Keeley, Chapter 4, Statutes of 2001) at the close of the third quarter in 2001, which suspended direct access contracts for new customers; however, customers already making direct access purchases may continue to do so.