

# Agenda Report

July 28, 2008

**TO:** CITY COUNCIL

**THROUGH:** LEGISLATIVE POLICY COMMITTEE (July 22, 2008)

**FROM:** CITY MANAGER

**SUBJECT:** Oppose Proposition 7 – The Solar and Clean Energy Initiative

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Oppose Proposition 7 - The Solar and Clean Energy Initiative; and
2. Authorize the Mayor to send correspondence to the appropriate officials opposing Proposition 7

## **BACKGROUND:**

Proposition 7, the Solar and Clean Energy Initiative is a measure that has qualified for the November 4, 2008 General Election Ballot through a successful signature circulation process.

Current State law (SB 1078 adopted in 2003) allows the governing board of a Publicly Owned Utility (i.e. City Council) to implement and enforce its own Renewable Portfolio Standard (RPS). On October 13, 2003, the City Council approved a 10% by 2010 and a 20% by 2017 RPS for Pasadena Water and Power (PWP). This RPS will be reviewed as part of the Integrated Resource Plan now underway and options for revising PWP's RPS will be included in the plan's recommendation.

Current State RPS law for Investor Owned Utilities (IOUs) (SB 107 adopted in 2006) further accelerated the SB 1078 goal by stipulating that IOUs must expand their renewable portfolio by 1% each year until reaching 20% in 2010.

### **PROPOSITION SUMMARY:**

Proposition 7 proposes the following mandates on California's electric utilities:

- Increase the State's Renewable Portfolio Standards (RPS) requirements to the following (including all Publicly Owned Utilities (POUs)):
  - 20% by 2010
  - 40% by 2020
  - 50% by 2025
- A requirement for all utilities to add at least 2% renewables/year
- Caps ratepayer costs at 3% above the market price of power
- Establishes a penalty of 1 cent /kWh for any "retail seller" not meeting the established RPS goals in any one year
- Shifts generation and transmission permitting duties and the calculation of market price referent from the California Energy Commission (CEC) to the California Public Utilities Commission (CPUC)
- Deletes POU's current exemption from the definition of "retail seller". (POUs are not considered "retail sellers". That definition refers to IOUs)
- Requires "retail sellers" to offer a minimum 20-year contract to renewable projects
- Indirectly ties POUs to the CPUC's regulations on RPS programs based on the definition of "retail seller"
- Indirectly ties POUs to the CPUC's section on penalties. (CPUC's section on assessed penalties states that it cannot be passed on to the consumers. That is not possible for POUs who have no shareholders)

Many experts and environmentalists state that the intent of Proposition 7 to increase renewable energy in the State of California is commendable. However, the measure is so complicated and poorly written that many feel that this measure would hurt rather than help the cause of renewable energy in the state. For example, many important factors were not considered when this initiative was crafted, such as adequacy of transmission infrastructure and the costs associated with renewable resources. In addition, in order to overturn existing RPS legislation approved in 2006, it would require a two-thirds vote of the California Legislature to do so. It is believed that if Proposition 7 passes, that it will lead to chaos in our regulatory processes and many years of litigation.

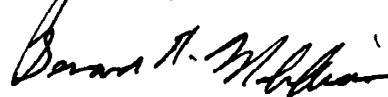
If approved, Proposition 7 will eliminate the ability of this community to decide the timing and cost impacts associated with the “greening” of its energy portfolio. This measure violates the City’s legislative principle of preserving local control of the City’s utility to the City Council by making POUs subject to the jurisdiction of the CEC and the CPUC.

Attachment A provides a list of the organizations opposed to Proposition 7.

**FISCAL IMPACT:**

If approved by State voters, Proposition 7 will negatively impact PWP’s electric operations and will have significant financial implications and challenges for Pasadena Water and Power and Pasadena ratepayers.

Respectfully submitted,



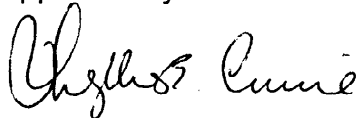
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Approved by:



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Attachment A  
Oppose Proposition 7 – The Solar and Clean Energy Initiative  
July 28, 2008

The following organizations are opposed to Proposition 7:

Environmental Organizations

California League of Conservation Voters  
Center for Energy Efficiency and Renewable Technologies  
Climate Protection Campaign  
Environmental Defense  
Environmental Entrepreneurs  
Greenlining Institute  
Natural Resources Defense Council  
Union of Concerned Scientists  
Vote Solar Initiative

Renewable Energy Companies

American Wind Energy Association  
BrightSource Energy  
California Solar Energy Industries Association  
Cleantech America  
Horizon Wind Energy  
PPM Energy  
Schott Solar

Labor Organizations

California Coalition of Utility Employees  
International Brotherhood of Electrical Workers (IBEW) – 5 Chapters  
American Federation of State County, and Municipal Employees (AFSCME)

Trade Associations

Californians Against Another Risky Energy Proposition  
California Chamber of Commerce  
California Democratic Party  
California Municipal Utilities Association  
California Republican Party  
California Senior Advocates League  
California Small Business Association  
California Special Districts Association  
California Council for Environmental and Economic Balance  
League of California Cities

Investor Owned Utilities

Pacific Gas and Electric  
Sempra Energy Utilities  
Southern California Edison