California Public Utilities Commission
505 Van Ness Ave., San Francisco

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CPUC APPROVES USE OF TRADABLE RENEWABLE ENERGY CREDITS FOR STATE'S RENEWABLES PROGRAM

SAN FRANCISCO, January 13, 2011 – The California Public Utilities Commission (CPUC) today authorized the use of tradable renewable energy credits for compliance with the state's Renewables Portfolio Standard (RPS) program. California's RPS program requires the state's investor-owned utilities to obtain 20 percent of their retail sales from renewable energy sources by the end of 2010.

Tradable renewable energy credits represent claim over the compliance value and renewable attributes associated with renewable energy generation. They can be purchased by a utility and traded separately from the underlying energy produced by a renewable generating facility. These energy credits can then be applied, by the utility, toward their renewable energy compliance goals. Importantly, the ability to resell these credits apart from the associated energy provides additional flexibility and liquidity in the renewable market. This can serve to reduce stranded cost risk, and create new revenue streams for customer-side renewable facilities. In addition, over time, as a more transparent and robust forward price curve develops, a market for renewable energy credits may facilitate project finance.

Prior to today's decision, utilities were required to purchase renewable energy and renewable energy credits together, on what has been referred to as a "bundled" basis. Now, renewable energy and their respective credits can be "unbundled" and purchased and/or traded separately.

Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) may each use renewable energy credits procured from contracts for renewable energy credits only to meet no more than 25 percent of their annual procurement targets for the RPS program, beginning with the 2010 compliance year. The temporary limit on the use of tradable renewable energy credits for compliance with the RPS program will end December 31, 2013.

Today's action denied the joint petition of PG&E, SCE, and SDG&E and the petition of the Independent Energy Producers Association for modification of a previous CPUC decision issued in March 2010. That decision was subsequently stayed pending resolution of the petitions to modify that had been filed. Additionally, a moratorium was imposed on approval of any additional renewable energy credit-only contracts signed after the effective date of the March decision. Today's vote reaffirms the earlier decision, which set forth the structure and rules for a tradable renewable energy credits market and for integration of tradable renewable energy credits into the RPS flexible compliance framework. In so doing, it lifts both the stay and the moratorium on renewable energy credit-only contract approval.

CPUC President Michael R. Peevey commented, "By reaffirming our decision issued last March, we provide the market with the necessary guidelines it needs to operate effectively. Tradable renewable energy credits can play an important role in increasing the liquidity of the renewable market. However, this needs to be balanced with a deliberate approach to ensure that the use of renewable energy credits is not at odds with the intended goals of the RPS program. I believe the March decision, which we effectively reinstate with this order, provides that balance."

The proposal voted on is available at:
http://docs.cpuc.ca.gov/word_pdf/AGENDA_DECISION/129354.pdf.

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

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