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A charged debate over Prop. 7 renewable energy plan

The measure would require utilities in the state to get half their power from renewable energy by 2025. Foes say it would actually hamper electricity production from alternate sources.

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SACRAMENTO — Proposition 7 on the November ballot aims to hurry the day when more of California's electricity comes from windmills, solar panels and other oil-free sources, requiring the state's utilities to get half their power from renewable energy by 2025.

But it would actually hinder renewable electricity production, according to an unusual coalition of opponents that includes environmental groups, solar and wind companies that may appear to stand to profit from the measure, and the state's three biggest private utilities.

Existing law requires private utilities such as Southern California Edison to increase their renewable electricity by at least 1% a year until they reach 20% in 2010. All are falling behind. Last year, nearly 16% of the power Edison delivered to its customers was renewable.

Proposition 7 would change the law to require an annual increase of 2% a year. It would set targets of 40% by 2020 and 50% by 2025. The measure would extend the requirements to publicly owned utilities, such as the Los Angeles Department of Water and Power.

It would also fast-track the permitting of large renewable-power plants.

The initiative says it would raise electricity rates no more than 3%, although there is no language to enforce a price cap.

Proposition 7 was paid for almost entirely by Arizona billionaire Peter Sperling, son of the founder of the private University of Phoenix system. Sperling, who owns a home in Santa Barbara, is "deeply interested in the global warming and climate change debate," according to campaign spokesman Steve Hopcraft.

So far, the sole donors to the "yes" campaign are Sperling and former San Francisco Supervisor Jim Gonzalez, a political consultant who worked in 2000 on a drug treatment initiative campaign to which Sperling donated. Sperling and Gonzalez have contributed nearly \$7.4 million.

S. David Freeman, who has run some of the nation's biggest public utilities and is now president of the commission that oversees the Port of Los Angeles, strongly backs Proposition 7.

"As the climatologists advise us," Freeman told legislators at a Capitol hearing recently, "it's what we do in the next few years that's going to make the difference as to whether we have irreparable damage from global warming or not."

Opponents, who have sunk nearly \$28 million of shareholder money into a "no" campaign, say the measure is a false promise.

"There is not one single renewable energy developer that supports this proposition," said Laura Wiseland, energy analyst for the Union of Concerned Scientists. "That should tell you something."

The "no" side has been airing television ads statewide since August, some featuring solar company executives saying they will be shut out of the market if Proposition 7 passes. Backers of the initiative launched their first television ad Wednesday, criticizing the utilities funding the "no" campaign.

The foes list three major problems.

They say the measure would punish the smallest clean-energy producers because their output would not be counted toward Proposition 7 goals.

"It's good intentions, bad execution," said Raju Yenamandra, director of sales for SolarWorld California Inc. of Camarillo, the country's largest maker of solar panels.

He said it has taken the solar industry a decade of work to make utilities comfortable integrating the five-kilowatt and half-megawatt solar plants that people and businesses can install on their roofs. Those mini-generators don't require major transmission-line construction, work hardest at hot times when electricity demand is highest and are close to where the power is consumed.

"The significant advantages we have with our technology is all of the sudden being diminished by this particular proposition," said Yenamandra.

The people who wrote Proposition 7 say they never intended to shut out small generators and dispute the charge that the measure would do so. Government lawyers have interpreted the ballot measure both ways.

In August a Sacramento County judge called both interpretations plausible. He refused to prohibit opponents from saying in their ballot arguments that "Prop. 7 forces small wind and solar energy companies out of the market."

A second flaw, opponents say, is the way it would require utilities to buy renewable-generated electricity that costs up to 10% above market price. Current law does not require utilities to buy such power if it is priced above a market rate set by state regulators.

Electricity rates will rise if Proposition 7 passes, predicted Wiseland, who said it would "create perverse incentives for developers to price their products at 10% above the market price of electricity instead of their true cost."

The initiative could be changed only by a two-thirds vote of the Legislature, which Wiseland called a difficult obstacle.

"We all know that energy policy is extremely complex and policymakers need the ability to revisit and redefine implementation strategies," she said.

Gonzalez, who helped write Proposition 7 with a team of lawyers from the Manatt, Phelps & Phillips law firm, said the initiative would entice more renewable developers and spur competition, which would ultimately lower prices.

"If these renewable producers overbid," he said, "other producers who have been given the opportunity by Prop. 7 to build plants are going to underbid. It's simple economics."

Opponents also say Proposition 7 could exacerbate one of the biggest obstacles to renewable generation: a lack of transmission lines linking the desert, where wind and solar plants are most feasible, to coastal cities.

The initiative would shift some authority for permitting transmission lines from the Public Utilities Commission to the California Energy Commission, which could spur litigation and turf fights, said Jan Smutny-Jones, director of the Independent Energy Producers, a trade group.

"I can assure you that any lawyer worth their salt who wants to stop a transmission project is going to be all over this section," he said. "It's a confused mess, we don't know actually what it will do, and it's a problem."

Gonzalez argued that California's transmission capacity troubles have been 30 years in the making and must ultimately be fixed by the federal government, which oversees interstate power lines. The backers of renewable energy projects kick-started by Proposition 7 will push for federal action, he said.

"Prop. 7 will create a reason why to upgrade the transmission system," said Gonzalez.

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