

## GRC Policy Committee Proposed 2018 Focus

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### Federal Issues

There are three main federal focus issues. The dominant one, is the tax incentives extenders. The other two main federal issues are the fiscal year 2019 budget and infrastructure legislation.

#### Focus Area Federal-1 – Federal Tax Incentive Extenders

Push to obtain tax incentive extenders for geothermal to match other renewable energy sources.

#### *Background*

Congress in 2015 passed the Protecting Americans from Tax Hikes (PATH) Act, which extended the production tax credit (PTC) for wind through December 31, 2019 and the investment tax credit (ITC) for solar through December 31, 2021. However, the PATH Act did not extend these credits for geothermal or other renewable energy resources. The geothermal industry has been lobbying since then to restore these so-called “orphaned” tax extenders. The comprehensive tax bill passed by Congress in December 2017 preserved and protected the wind PTC and solar

ITC but again failed to extend these credits to geothermal. In January 2018, Congress renewed the geothermal PTC of 2.4c/kWh retroactively to 2017, so projects that commenced construction in 2017 can take advantage of this, but we were unable to get an extension beyond 2017. The industry will therefore continue to lobby for geothermal tax parity with the solar industry, which would provide a 30% ITC for geothermal plants begun in 2018-2019, then reduced to 26% for projects commenced in 2020, 22% for projects commenced in 2021, and 10% for projects commenced in 2022 and beyond. House Ways and Means Committee Chairman Kevin Brady (R-TX) generally opposes tax extenders, but other key Republican senators, including Sen. John Thune (R-SD), who also sits on Senate tax writing Finance Committee, has been a strong supporter of extenders. Attached is a fact sheet on the need for geothermal tax parity.

#### [Focus Area Federal-2 – Resist 70% Federal EERE Budget Cut from Existing \\$2.2B](#)

Work to support USDOE EERE budget at \$2.2B vs. Proposed Trump Budget of \$696M of 2019

##### *Background*

President Trump's proposed budget is recommending only \$696 million for the Department of Energy's Office Energy Efficiency and Renewable Energy (EERE), a severe cut from the \$2.2 billion overall provided in fiscal year 2017. (The administration's fiscal year 2018 request was \$636 million, even lower than this year's). Our industry, together with the American Council on Renewable Energy, National Hydropower Association, American Wind Energy Association and Solar Energy Industries Association, are pointing out to Congressional appropriators the valuable work of EERE, the National Renewable Energy Laboratory and other national labs, and the Advanced Research Programs Agency – Energy (ARPA-E), have been instrumental in the research, development and deployment of many important electric power innovations that have contributed to increased clean energy output, improved reliability, reductions in deployment barriers, and reduced costs, among other benefits. We argue that such cuts would seriously jeopardize America's leadership in cutting-edge research on clean energy technologies and harm our country's overall competitiveness in a rapidly growing global industry that presents a multi-trillion-dollar business opportunity.

#### [Focus Area Federal-3 – Maintain Federal Geothermal Payments to Counties](#)

Maintain current standard of payments to counties for geothermal development

##### *Background*

The president's budget also recommends eliminating county payments from geothermal production. Our industry, together with the National Association of Counties, will oppose this proposal, as we did last year, when the administration sought unsuccessfully to do this for fiscal year 2018. Lastly, the White House released its infrastructure blueprint, "Building America's Infrastructure", which includes several proposals for reducing regulatory barriers that needlessly get in the way of infrastructure projects as well as streamlining and shortening permitting processes for infrastructure projects. Our committee will be watching closely to determine if there is an opportunity for the industry here.

## California Issues

As the legislature moves into high gear, with hundreds of newly introduced bills to consider and the process of committee hearings and amendments beginning in earnest, several key issues may emerge for geothermal. The CPUC is also active with two hearings on the Integrated Resource Plan (IRP), and on Diablo Canyon replacement.

### Focus Area Cal-1 – Track Evolving California Market and Potential Geothermal Opportunities

Track opportunities for market development for new and existing geothermal power plants by

1. Meeting with Public Utilities and CCAs
2. Developing materials in collaboration with companies and other GRC committees to help present the value proposition of geothermal.
3. Evaluating and deciding on support for “Set-Aside” proposals, including focus areas such as Salton Sea.
4. Identifying all bills influencing the geothermal industry and prioritizing those with the greatest impact, if budget does not allow engagement on all.

### *Background*

- The investor-owned utilities’ (IOUs) potential liability for damages for catastrophic wildfire damages is casting a shadow over their earnings and financial viability, and there are potentially serious risks to existing contracts. Solutions have not been forthcoming from the utilities, but they are raising the issue with legislators and have little time to talk about new renewable procurement or contract extensions. Combined with the projected penetration of community choice aggregation, there is a virtual stalemate on any kind of new procurement by the IOUs. In fact, California’s three IOUs procured zero new megawatts of renewable energy capacity in 2017, and a preliminary plan released in January by state regulators proposes almost no 2018 procurement.
- The publicly owned utilities have some need for additional renewable procurement, and along with community choice aggregators with stronger creditworthiness, may provide some market opportunities for re-contracted geothermal. New geothermal procurement remains difficult absent some kind of mandate or directed procurement from the Governor’s office. The Policy and Outreach Committees could coordinate efforts with Outreach and other programs as is appropriate. The Policy Committee can make full use of the studies by Rahm Ohrenstein and Ian Warren show that on an all-in basis, geothermal is the same or lower price than wind and solar.
- Renewable trade groups, including the Independent Energy Producers, the Large Scale Solar Association, American Wind Energy Association, California Wind Energy Association, biomass producers, and the Center for Energy Efficiency and Renewable Technologies, have been meeting and holding regular conference calls to discuss the state of the industry, focusing mostly on the challenges of community choice aggregation and no new utility procurement. A letter was drafted and sent to the Governor’s office, and there have been discussions about asking for specific reforms. Plans are also underway for a meeting with community choice aggregators to discuss mutual interests and concerns.

- Assembly Member Eduardo Garcia (D-Coachella) may introduce a Salton Sea renewable energy procurement bill, along the lines of Senator Ben Hueso's (D-Imperial) SB 1139 of a few years ago. Assembly Member Cecilia Aguiar-Curry (D), who represents parts of Napa, Lake, Yolo, Sonoma, Colusa and Solano counties, has also introduced new legislation that is likely to evolve to something like last year's AB 920, which would have required 25% of new procurement to be baseload generation. The opposition of IOUs and community choice aggregators to any new procurement mandate may make this issue moot for the year, but Mr. Garcia still wants to make a push for new geothermal, and he may be able to include the proposal in some other vehicle which needs his support. Last year, the industry helped move forward the idea of a geothermal mandate as part of an accelerated procurement strategy. In addition, the California ISO board and management remain strongly supportive of new geothermal procurement as part of the effort to balance California's solar heavy portfolio.
- Senator Kevin De Leon's (D-Los Angeles) SB 100 would raise California's renewable portfolio standard (RPS) to 60% by 2030 and require the remaining 40% to be as near zero carbon resources as possible (including existing hydro) by 2045. Solar and wind don't run all the time, and both have gigantic ramp up requirements that involve fossil fuel.
- Senator De Leon will step down as Senate President Pro Tempore on March 21 and will be succeeded by Senator Toni Atkins (D-San Diego). It is expected that there will be changes in committee chairs, possibly including Senate Energy, in the coming weeks.
- The upcoming election campaign for governor may provide some opportunities for outreach and education about the benefits and contributions of geothermal, and the Policy should consider trying to brief and educate the candidates.
- The following are some of the key bills that could affect geothermal:
  - AB 726, AB 813, SB 64: All relate to regionalization and expansion of the California ISO.
  - AB 920, AB 2208: AB 2208 will likely be the replacement for AB 920 this year. AB 2208 deals with considering jobs numbers as part of the least-cost best-fit analysis at the California Public Utilities Commission, and this could be helpful to geothermal.
  - AB 2809, AB 2814, SB 1110: Each of these bills has the potential to change how the RPS by allowing large hydro to fill at least part of the RPS obligation. If the RPS is filled with existing large hydro, there will be less room for other resources and little incremental improvement as far as the RPS is concerned.
  - SB 819 prohibits the IOUs from recovering fines or penalties in rates. This issue is related to wildfire/inverse condemnation and could have a major impact on the IOUs' creditworthiness.

[Focus Area Cal-2 – Participate in CPUC Diablo Canyon Hearing](#)

Participate in Diablo Canyon replacement activities at the CPUC.

### *Background*

The Geothermal Energy Association gained party status in the case deciding what resources will be used to replace the power lost when Diablo Canyon nuclear generating station in California shuts down in 2024. Geothermal energy is an ideal replacement power option for the retiring Diablo Canyon.

### Focus Area Cal-3 – Partipate in CPUC Integrated Resource Plan

Participate in ongoing CPUC Integrated Resource Plan that has large potential to affect geothermal policy

### *Background*

This is a critical issue that at least a couple of large geothermal companies are following, but the GEA never had time/resources to do so. It seems that this is a critical area for geothermal to both 1) focus on as an industry and 2) see if it is possible to coordinate among companies to make the impact of geothermal participation greater than it would be acting independently.

## Nevada Issues

### Focus Area Nev-1 – Position on Ballot Question 3 (Energy Choice Initiative)

Policy Committee discuss taking a position to Question 3, the Energy Choice Initiative.

### *Background*

The Policy Committee should consider taking a position on Nevada’s Ballot Question 3, the so-called Energy Choice Initiative, which is a constitutional amendment that would drastically change Nevada’s electricity system. NV Energy is opposed.

### Focus Area Nev-2 – NV Energy Doubling of Renewable Energy

Work with NV Energy on its ongoing development plan to double renewable energy portfolio.

### *Background*

The committee should also engage with NV Energy as it proposes to double its renewable energy portfolio (currently about 23%) by 2023 or earlier.

## General Industry Issues

### Focus Area Gen-1 – Public/Private Geothermal Discovery Risk Reduction

Coordinate support for measures to encourage discovery of new geothermal resources.

### *Background*

Much of the geothermal resource in the U.S. remains undiscovered, making the risk of development too high. The Policy Committee should develop public-private risk reduction solutions to facilitate financing exploration and new projects.

### Focus Area Gen-2 – Non-Conventional Geothermal

Support efforts to expand geothermal heat use, mineral recover, and alternatives to conventional geothermal power.

### *Background*

The Policy Committee should support the potential of the geothermal resource base through secondary uses and new technologies, including minerals recovery (especially lithium and rare earths), waste-water reinjection and recycling, geothermal powered desalination, commercial and industrial heating, production of geothermal power from oil and gas wells, and others.

### Focus Area Gen 3 – 2018 GRC Annual Meeting

Take an active role in promoting the 2018 GRC Annual Meeting and Expo.

### *Background*

The committee will promote GRC's October 14-17 Annual Meeting & Expo at the Peppermill Resort Spa Casino in Reno, and will inform and involve decision makers, media and stakeholders, and collaborate with the GRC.