



California Wind Energy Association

March 27, 2009

The Honorable Felipe Fuentes
Chair, Assembly Committee on Utilities and Commerce
State Capitol, Room 5136
Sacramento, CA 95814

RE: AB 64 (Krekorian) – Renewables Portfolio Standard – **Oppose Unless Amended**

Dear Assemblymember Fuentes:

On behalf of the California Wind Energy Association (CalWEA), which is comprised of over 20 wind energy companies, including wind project developers and operators, manufacturers and related vendors, I am writing to regrettably convey CalWEA's opposition to AB 64 (Krekorian) in its current form. We are, however, encouraged that the author and members of the Select Committee on Renewables are receptive to our concerns and are thoughtfully considering the need for changes to the bill.

CalWEA supports several aspects of the bill, including:

- Increasing the RPS to 33% by 2020 applied to all load-serving entities (LSEs).
- Capping the cost of the RPS policy at a fraction of each LSE's revenue requirement.
- The concept of creating backstop state financing and/or ownership of major transmission lines as needed to achieve RPS goals.

However, AB 64 does not recognize what works and the progress that is underway. It creates new bureaucracies which can cause confusion and delays while extending a heavy hand into the marketplace. Further, AB 64 does not recognize the barriers impeding achievement of a 33% RPS goal: insufficient transmission capacity and slow, costly permitting processes.

Specific concerns include:

- Creation of a new permitting agency – which is, in itself, disruptive and time-consuming.
- Elimination of the highly functional and transparent MPR process in favor of an unworkable “benchmark price” based on fixed-price contracts that do not exist. The MPR effectively creates an all-in price that is largely reflective of the value of renewables, and should be preserved. Indeed, the MPR will be needed to calculate the cost caps that the bill envisions. If a new benchmark price is created, it should build upon, not replace, the current MPR calculation.
- Elimination of the least-cost, best-fit (LCBF) bid evaluation process in favor of zone prioritization by a new government agency and the utilities' development of an “optimal mix,” potentially enabling non-evidentiary and non-transparent determination of “value.” While more opaque than it should be, the LCBF process is intended to be based on evidentiary values of energy, capacity and other product characteristics. The transparency of this process needs to be improved, not muddled, to ensure market fairness and to ensure the public and ratepayers that they are paying for renewables with the greatest value for the price.

- The requirement for simultaneous delivery of energy, which would take off the table out-of-state wind energy -- one of the least-costly renewable resources available. The California ISO requires out-of-state energy to be scheduled and delivered into the ISO in blocks. Therefore, unless wind deliveries can be shaped, developers must buy 24/7 transmission service at a significant cost, if transmission service is available at all during congested times. With more careful crafting, the legislature can prevent bogus delivery schemes while enabling contracts that ensure bonafide in-state deliveries.

CalWEA would also like to offer the following recommendations to address specific hurdles in achieving RPS goals:

- Institute an *automatic* per-kWh non-compliance penalty linked to RPS milestones. Those milestones themselves should be linked to the completion of expected transmission upgrades.
- Direct the Energy Commission and CDFG to revise their wind-avian guidelines to ensure that they are based on established science, and clarify that the guidelines are voluntary and may not be used as a basis for litigation if CEQA guidelines are met.
- Simplify the CEQA siting process for wind exploration (i.e., installation of meteorological towers) and for repowering of existing sites by amending the CEQA Guidelines to enable categorical exemptions from full environmental review in appropriate circumstances.
- Simplify the CEQA process for certain qualifying projects. For qualifying wind projects whose impacts are expected to be below CEQA's "significant impact" threshold, the Legislature can shorten and simplify the CEQA process without avoiding environmental mitigation where it is needed. This can be done by either amending CEQA itself or directing the Office of Planning and Research to amend its CEQA guidelines. The projects that would be eligible would be in areas that have been well-studied and where substantial wind development has already occurred

Although CalWEA strongly supports increasing the RPS to 33% by 2020, for the reasons stated above, we must respectfully oppose this measure unless it is amended to address our specific concerns. Please feel free to contact either me or CalWEA's lobbyists Scott Govenar and Melissa Cortez-Roth at Governmental Advocates if you have any questions or concerns.

Sincerely,



Nancy Rader
Executive Director

cc: The Honorable Paul Krekorian
Honorable Members of the Assembly Committee on Utilities and Commerce.