



California Wind Energy Association

June 24, 2009

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

RE: SB 14 – Renewables Portfolio Standard – **Support if Amended**

Dear Chairman 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 convey CalWEA's support of SB 14 (Simitian) if amended to address our limited concerns.

CalWEA strongly supports the basic framework of this bill, which would:

- Raise the RPS requirement to 33% by 2020 on a clearly defined schedule, extending uniform requirements to all load-serving entities (LSEs) in the state;
- Preserve the current, well-functioning RPS program structure, continuing the market-based policy framework that has been successful both in producing substantial development activity and financeable contracts for a variety of renewable energy technologies and in promoting the institutional changes necessary to accommodate a greater penetration of renewables on the electric grid. In so doing, the bill avoids the market disruption and uncertainties that would be associated with wholesale revisions of the current policy;
- Limit opportunities to delay the defined compliance targets to those barriers not under the control of LSEs – in particular: (1) lack of available transmission capacity taking into account the California ISO's operational protocols and requiring transmission-owning utilities to undertake all reasonable measures to develop and construct transmission in a timely fashion, and (2) unanticipated permitting and interconnection delays for procured generation projects, while requiring the retail seller to prudently manage portfolio risks. These barriers are real and largely account for the inability to meet the current 20%-by-2010 RPS requirement;

- Provide a sufficient cost cap (6%) to achieve the 33% goal, appropriately expressed as a percentage of each LSE's revenue requirement. This figure translates roughly to a 6% bill impact, which we believe most consumers would be willing to pay to achieve this ambitious and important goal; and
- Facilitate utility financing of transmission lines by clarifying the ability of the CPUC to provide cost recovery assurance to utilities that wish to finance transmission upgrades.

CalWEA has one important concern with SB 14, however. Specifically:

- The 20% allowance for otherwise eligible but “undelivered” out-of-state renewables that LSEs may count towards their RPS requirements is too limited. CalWEA recommends that the figure be established at no less than 30% of the requirement, not counting the amount which has already been contracted (currently unclear), and allowing the CPUC to raise the figure if necessary to achieve RPS goals within the established cost cap.

“Undelivered renewable energy credits” as defined in SB 14 will, in fact, increase delivered energy into California, diversifying California's imports with renewable energy. The rules of the balkanized Western grid, combined with limited transmission constraints, make it impractical for a wind resource, whose output cannot be predictably scheduled, to deliver in the requisite time blocks from one balancing area to another. Wind project owners can, however, work with others in their region to accept their intermittent output when it is available, and to schedule firm deliveries into California. The result is more green electricity in the Western system, electricity products for California utilities with greater value, and less intermittency for California's grid operators to manage. A higher allowance for “undelivered” renewable energy will greatly increase competitive options available to LSEs and will greatly increase the likelihood that California will be able to achieve the 33% RPS goal on time and within the established cost cap.

Although CalWEA strongly supports the framework of this bill, we respectfully request that the measure be amended to address our specific concern. Please feel free to contact either me or CalWEA's lobbyists Scott Govonar and Melissa Cortez-Roth at Governmental Advocates if you have any questions.

Sincerely,



Nancy Rader
Executive Director

cc: The Honorable Joe Simitian
Honorable Members of the Assembly Committee on Utilities and Commerce