



California Wind Energy Association

January 29, 2009

The Honorable Alex Padilla
Chair, Senate Energy, Utilities and Communications Committee
State Capitol
Sacramento, CA 95814

RE: SB 14 – Renewables Portfolio Standard – **Oppose Unless Amended**

Dear Senator Padilla:

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 SB 14 (Simitian) in its current form. Legislation is needed to raise the RPS requirement to 33% by 2020 and extend it to all utilities to send a clear signal to market participants and transmission planners that, within reasonable bounds, the state intends to achieve this goal, as the Air Resources Board has advised. Legislation is also needed to address the barriers impeding achievement of this goal: insufficient transmission capacity and slow, costly permitting processes.

Unfortunately this bill does not accomplish these goals:

- SB 14 expresses only an intent to achieve the 33% goal, leaving substantial discretion to the CPUC based on its determination of whether achieving that target will result in “just and reasonable rates” (p. 34, line 39) with *no clear guidance* as to *whether or how far* such rates should extend beyond non-renewable resources. Instead, the legislature should establish a firm goal within a clear and transparent cost-containment framework.
- SB 14 eliminates the existing clear and transparent cost-containment framework – which is bounded by the legislature's judgment of an acceptable premium over non-renewable resources -- in favor of CPUC determination of “just and reasonable” rates. If the legislature determines that the cost of the RPS need not be capped, it must say so. Otherwise, the legislature must provide clear guidance regarding acceptable policy cost: either the legislature should authorize continuation of the “above-market fund” (AMF) beyond its expiration in 2011 at current or modified levels, or it should cap RPS costs as a percentage of retail rates. Regardless, the market price referent (MPR) is the simplest way to separate status-quo and RPS-related costs.
- SB 14 would inappropriately inject environmental project review into the procurement process (p. 32, line 5), introducing very complex site-specific issues into a process not suited to consider them. The existing permitting process is complex, costly and time-consuming enough without

attempting to repeat it in the procurement process. The bill also unduly interferes in the contracting process relating to milestones which will add to project risk and increase costs.

- Rather than allowing the implementation of the recent, effective transmission access and interconnection reforms adopted by the Independent System Operator (ISO), which will promote transmission development for renewables, this bill would complicate and potentially impede the implementation of these reforms by inserting another layer of bureaucracy into the process, involving an agency (the CEC) that does not have jurisdiction over the ISO or the POU's (p. 25, line 19 - p. 26, line 9). We also note that the ISO's tariff already provides for cost certainty, firm transmission rights for joint transmission owners who are not under the ISO's jurisdiction, and optimization of available transfer capacity -- the goals referenced in the bill.
- SB 14 removes the requirement that out-of-state renewables projects must have online dates after January 1, 2005, in order to be eligible for the California RPS, which could flood the RPS market with large quantities of existing renewable resources from the West.

In short, SB 14 "fixes" what is not broken, creates more problems, and fails to address the real problems. The bill should, but does not, address cumbersome siting processes, expedite the transmission permitting process, and encourage utility financing of transmission upgrades. Absent these changes, CalWEA must respectfully oppose this measure.

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 Joe Simitian
Honorable Members Senate Energy, Utilities and Communications Committee