



# California Wind Energy Association

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March 10, 2016

The Honorable Robert Hertzberg  
California State Senate  
State Capitol, 4038  
Sacramento, CA 95814

RE: Senate Bill 1299 – Support

Dear Senator Hertzberg,

The California Wind Energy Association (CalWEA) is proud to sponsor your Senate Bill 1299 to correct the unfair pricing under new PURPA contracts for 20 MW and smaller renewable energy facilities. CalWEA is a trade association representing wind energy companies focused on the California market.

Virtually all renewable energy projects operating in California prior to the adoption of the Renewables Portfolio Standard (RPS) in 2002 were developed under “standard offer” contracts pursuant to the federal Public Utility Regulatory Policies Act (PURPA), as implemented by the first Jerry Brown Administration. Under federal requirements, utilities are required to offer PURPA contracts to small qualifying facilities (QFs), with capacity less than 20 MW. State law allows the utilities to count these contracts towards their RPS compliance under the most valuable Product Content Category 1 (a.k.a. “bucket 1”). However, the contract prices are based on the average price of non-renewable energy; last year, the average price was 3.6 cents/kWh, which is well below the average price paid to other in-state “bucket 1” RPS projects and below the operational costs of these QF projects. As a result, PURPA contracts pay a brown power price for a green power product while existing projects deteriorate and shut down.

Well before the RPS, California’s successful implementation of PURPA resulted in the development of more renewable energy generation than in any other state – approximately 5,000 MW of mostly geothermal, biomass, and wind generation, most of which is still in operation today. Most of these QF contracts have expired or will expire by 2020. This timing coincides with a considerable slow-down in the RPS market due to utility procurement of renewable resources over the past few years in excess of that required to meet the RPS targets through

2020. Even with the 50% RPS, market activity can be expected to remain relatively low over the next few years, stranding many of California's foundational renewable energy projects.

It is important to keep these and other projects operational and in good repair until the RPS market is revived and these projects can obtain contracts to repower with modern technology. Providing a sufficient and fair price will ensure they continue to generate renewable energy, support local jobs, pay local taxes, and remain available to help achieve higher RPS goals when the time comes.

Creating renewable energy credits (RECs) and allocating them to the small PURPA generators will provide fair pricing and help to keep these projects operational. Utilities may voluntarily purchase the RECs for compliance under the RPS. SB 1299 does not require the utilities to purchase RECs associated with PURPA contracts but, if they do so, the price would be negotiated between the buyer and seller.

CalWEA is proud to sponsor SB 1299. Thank you for your leadership and commitment to renewable energy in California.

Sincerely,

A handwritten signature in cursive script that reads "Nancy Rader".

Nancy Rader  
Executive Director

cc: The Honorable Ben Hueso, Chair of the Senate Committee on Energy  
Members, Senate Committee on Energy

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