DRA Response to Union of Concerned Scientists, Natural Resources Defense Council and Environment California's letter regarding DRA's Renewable Portfolio Standard Cost Chart discussed at the March 3rd Senate Energy Committee Hearing

DRA submits this letter to (i) respond to the March 4th rebuttal circulated by the aforementioned (rebuttal letter), (ii) reaffirm our support for increasing renewable energy at the lowest cost to ratepayers and (iii) encourage a dialogue between all interested parties on the costs associated with renewable acceleration, and the need to track them.

> **Rebuttal Letter** (p.1, ¶ 2) claims that *"This comparison ignores the fact that rates are expected to increase substantially from 2008 to 2020 regardless of whether a 33% RPS is adopted"*, and that *"the CPUC estimates that costs will increase from 36% to 39% from 2008 to 2020 even without a 33% RPS"*.
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> **DRA** is not aware of any California Public Utilities Commission (CPUC) rate forecast that reached this conclusion and requests a cite for this claim. DRA does want to note that the CPUC's November 2008 33% RPS by 2020 Preliminary Cost Analysis that we relied upon does indicate that the key drivers of this analysis include natural gas prices, the level of energy efficiency achieved, and the development of new technology that could reduce costs and increase performance.
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> **Rebuttal Letter** (p.1, ¶ 3) assumes the cost of CO2 emission reductions in 2020 to be $30 per metric ton and that "the cost impact of the 33% RPS would be roughly $1.3 billion in 2020, resulting in a bill increase of about 3%....these are modest cost impacts, and a far cry from 30% bill increase erroneously claimed by DRA".
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> **DRA** notes this $30 per metric ton figure applies to other GHG strategies to reduce carbon emissions, not the cost of emission reductions via renewables. **Current CPUC analysis identifies the cost of CO2 emission reductions through 33% renewables will cost ratepayers $133 per metric ton of CO2 emission reductions[1]. This is more than 4 times the $30/ton cost of CO2 emissions reductions anticipated in 2020.**
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> **Rebuttal Letter** (p.1, ¶ 5) claims "if natural gas prices were to rise over the coming decade, then net-cost of the 33% RPS would decrease"
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> **DRA** agrees that 33% RPS may be more cost effective if the cost of natural gas were to increase substantially. The CPUC's cost analysis is based on a sustained price of natural gas at $10.56/MMBtu and claims

[1] CPUC Presentation to Senate on Cap and Trade, May 21, 2008

that renewable net cost would only break even if gas is around $21/ MMBtu[2]. **However,** the price of natural gas has dropped significantly. Since that time, natural gas prices have plummeted to approximately $4.00/MMBtu. Furthermore, natural gas futures prices remain well below the $10.56/MMBtu level through 2018. If natural gas prices continue at their present rate, the net-cost to ratepayers of the 33% RPS will be substantial.

Rebuttal Letter (p.2, ¶ 1) asserts that new renewable technology reduces the price ratepayers pay for renewable energy.

DRA agrees the cost of renewables may be decreasing over time, but there is no indication that those cost reductions are reaching ratepayers. In fact, the average market price of renewable technology, as evidenced by responses to utility solicitations for renewable power, have doubled since the adoption of California's RPS.

Rebuttal Letter (p.2, chart) – puts forth the "Total Electricity Costs in 2020" chart which by our interpretation indicates that electricity costs will be about the same with or without 33% Renewables.

DRA Response – requests a cite for these questionable findings. DRA acknowledges that our 30% rate increase to achieve 33% renewables does not account for any environmental benefits that may come with this program. Be mindful though that many of the expected benefits such as reducing carbon emissions and providing an economic stimulus to California's economy will not directly benefit ratepayers thru reduced monthly bills, but will likely only provide indirect benefits to all of California's population as a whole.

Overall, DRA would like to reiterate that we support increasing renewable energy, but at the same time, strongly encourage that we track costs so we can reach our goals cost-effectively and with the necessary accountability. DRA also looks forward to working with all interested parties.

Please contact Matthew Marcus, our Legislative Director, by email: mnm@cpuc.ca.gov or by phone: (916) 327-3455 with questions or for copies of the following documents:

- DRA's SB 14 Cost Containment and Tracking Proposed Amendments
- DRA's RPS Cost Chart
- DRA's RPS Cost Chart Sources and Calculations

[2] CPUC November 2008 RPS Quarterly Report Fact Sheet