

## PUBLIC UTILITIES COMMISSION

Office of Governmental Affairs

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Sacramento, CA 95814  
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July 7, 2009

The Honorable Nancy Skinner, Chair  
Assembly Natural Resources Committee  
State Capitol, Room 4126  
Sacramento, CA 95814

**RE: SB 14 (Simitian) – As Amended June 23, 2009 – Support with amendments**  
**Status: Assembly Natural Resources hearing – July 8, 2009**

Dear Assemblymember Skinner:

On April 16, 2009, the California Public Utilities Commission (Commission or CPUC) voted unanimously to support SB 14 with amendments. SB 14 would increase the renewables portfolio standard (RPS) target to 33% in 2020, as well as make several changes to the RPS program.

The Commission generally supports SB 14's approach to RPS-reform, and strongly supports its proposed inclusion of out-of-state Renewable Energy Credits (RECs) with no delivery requirement in the program, but remains uncertain whether 20% allowable RECs is enough. However, SB 14's proposed changes to the administration of the RPS program are more complex than necessary, and would require the CPUC to initiate lengthy proceedings to change the existing rules.

For example, the proposed cost containment mechanism is essentially the same in principle as the current market price referent (MPR) benchmark and above market funds (AMF) modified by SB 1036 (Perata) in 2007. Yet, the proposed changes alter the AMF from a lump sum to an annual amount. This seemingly simple change will require the Commission to revisit the administrative rules it established pursuant to SB 1036, which will take another year of proceedings at the CPUC and be more complicated to administer. Plus, the change from a lump sum to an annual amount does not address the concern behind the change – expensive renewable contracts in the early years of the program using up the available funds for the total program. Under an annual AMF, expensive contracts early in the program can still use up the available funds for the total program as the contracts cumulatively hit the cap in the years closer to 2020. The solution to this concern instead is continued utility resource planning at the CPUC in order to achieve 33% RPS by 2020 in a logical and cost effective manner. If the Legislature maintains the MPR and AMF concept as the cost containment mechanism, the Commission recommends keeping the SB 1036 AMF rules in place and determining the lump sum as a percentage of the 2009 total bundled electric revenues multiplied by the number of years of the program.

Also, all changes to the application and administration of the RPS compliance rules should be effective after December 31, 2012. For example, SB 14's proposed amendments to the flexible compliance rules applicable to the 20% RPS program are problematic as they change the rules of the game late in the program, which will delay the determination of compliance and penalties as well as be administratively difficult to implement at best.

The Commission looks forward to working with the author to address these and other concerns as it has time to thoroughly analyze the latest amendments to SB 14. But on the whole, the Commission supports SB 14's advancement of the renewable portfolio standard beyond 20% by 2010 towards 33% by 2020. Indeed, increased procurement from renewable sources is a critical element of meeting AB 32's emission reduction goals and greening California's power production and consumption.

If you have any questions or wish to discuss this matter further, please do not hesitate to call me at (916) 327-8441.

Sincerely,

A handwritten signature in cursive script that reads "Pamela C. Loomis". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

PAMELA C. LOOMIS

Director

Attachment

cc: The Honorable Joe Simitian, California State Senate  
Members, Assembly Natural Resources Committee  
Lawrence Lingbloom, Assembly Natural Resources Committee  
John Kennedy, Senate Republican Caucus/Policy  
Kip Lipper, Office of the President pro Tem  
John Moffatt, Chief Deputy Legislative Secretary, Office of Governor Arnold Schwarzenegger