



July 5, 2010

The Honorable Arnold Schwarzenegger  
Governor, State of California  
State Capitol Building  
Sacramento, CA 95814

Subject: **SB 722 (Simitian) Renewable Portfolio Standard - OPPOSE**

Dear Governor Schwarzenegger:

CACES is extremely concerned about the detrimental impacts that Senate Bill (SB) 722 will have on the retail choice program in California. Our opposition and concern is predicated upon the belief that certain provisions severely compromise Electric Service Providers' (ESP) ability to meet the RPS requirement. Direct Access is extremely important to the members of CACES, who includes a variety of public and private entities, because of the ability to have cost control, electricity risk management, allowing us the ability to meet the goals of greenhouse gas emissions reductions and affording us the ability to utilize innovative solutions for demand response, billing and energy efficiency.

Specifically, the bill as amended fails to provide for an alternative compliance payment option or sufficient specificity with respect to the granting of compliance waivers due to lack of eligible renewable resources, and the transmission needed to deliver the energy to load centers. More importantly, the bill imposes severe restrictions on the use of out-of-state renewable resources, including WECC-wide Renewable Energy Credits ("RECs") for RPS compliance.

In today's recessionary environment, limiting a business' choices for containing expenses and planning and managing energy consumption costs is unnecessary and counterproductive to business competitiveness. If adopted without major overhaul, SB 722 would limit our choice to only using utility service. We are a coalition of public and private entities that support lifting the suspension of Direct Access to the electricity market and containing costs is critically important to our values. Having the ability to manage our energy procurement empowers the members of CACES to make cost-effective energy decisions and to select innovative product offerings, including renewable energy, carbon monitoring and reduction, demand response and energy efficiency programs.

To deal with insufficient supply situations CACES strongly recommends that an alternative compliance payment ("ACP") mechanism should be included in the bill. An ACP allows for a renewable compliance payment based on the market price for the renewable energy credit in lieu of purchasing a bundled renewable energy product, and is the most practical and efficient way to address the fact that existing in-state resources are insufficient for the expanded compliance requirements envisioned in the bill. Properly designed, the ACP approach provides a transparent value for the renewable component of delivered energy, while ensuring that the prices paid for renewable energy are contained to reasonable levels.

Inclusion of ACP in this bill is a good first step but it must be done in conjunction with an overall realistic RPS policy. The limitations on the use of out-of-state renewable resources will severely compromise efficient and economic RPS compliance in the short and long-term, resulting in costs to California businesses that will be higher than they otherwise would need to be.

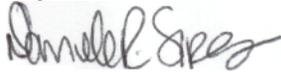
In summary, we respectfully request that the bill recognize the need to keep retail choice as a viable option for California businesses and incorporate the following suggested changes into the bill:

- Allow the use of WECC-wide RECs to allow for the efficient development of renewable resources throughout the Western region in quantities sufficient to meet the bill's renewable percentage goals economically and efficiently.
- Provide LSEs an ACP.

As a retail choice customer, our ESP takes our renewable energy statutory obligations seriously and does not oppose expansion of the RPS goal to 33%, but only so long as the expanded renewable energy obligation comes with the necessary policies and flexible compliance mechanisms that will provide an opportunity to comply efficiently and without excessive costs.

Thank you for your consideration of our concerns and we look forward to working with you and your colleagues on resolving these issues.

Regards,



Danielle R. Sires  
Association Manager  
CACES  
[siresandassociates@yahoo.com](mailto:siresandassociates@yahoo.com) or (805) 295-0235

cc: John Moffatt, Governor's Office  
Dan Pellissier, Governor's Office  
Senator Christine Kehoe  
Senate President Pro Tem Darrell Steinberg  
Senator Joe Simitian  
Assembly Member Steven Bradford  
Assembly Speaker John A. Perez  
Senator Alex Padilla