CALIFORNIA FARM BUREAU FEDERATION
OFFICE OF THE GENERAL COUNSEL
2300 RIVER PLAZA DRIVE, SACRAMENTO, CA 95833-3293 · PHONE (916) 561-5650 · FAX (916) 561-5691

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VIA EMAIL

Mr. Gregory Collord
California Air Resources Board
1001 "I" Street
P.O. Box 2815
Sacramento, CA 95812

RE: Comments of the California Farm Bureau Federation on the Proposed Concept Outline for the California Renewable Electricity Standard

Dear Mr. Collord:

The California Farm Bureau Federation ("Farm Bureau") appreciates the opportunity to submit its comments on the October 2009 Proposed Concept Outline for the California Renewable Electricity Standard prepared cooperatively by the Air Resources Board, California Public Utilities Commission and the California Energy Commission. Farm Bureau has multiple areas of interest in the outcome of any debate about how an increase in reliance on renewable resources for electricity generation will be achieved. As a representative of ratepayers whose use of electricity is an important part of their operations, cost implications are of keen interest. Secondly, members of Farm Bureau depend on the sustainability of resources for producing food and fiber. As the parameters for increasing the level of renewable generation are identified, the effects on all resources may become a relevant factor to be considered.

Within that framework the Concept Outline raises several matters for consideration, specifically, the roles of distributed generation in meeting a RES and any rules required for implementation, the metrics and procedures for requiring any cost-effective assessment of the RES, and implications to ratepayers for the myriad compliance elements. Specifics of the concerns are set out below.

Compliance – Requirements and Penalties

At section 5a of the Outline a short description of the compliance requirements to be submitted by regulated parties is set out. Although the outline would require submission of information related to net-metered generation to assess compliance, current laws and regulations do not count renewable generation from distributed generation toward RPS goals. As determined in CPUC D.07-01-018 in Rulemaking 06-03-004, (Page 202) the Commission allows "...solar and other renewable DG facility owners to keep 100% of the RECs associated with their facilities, irrespective of whether or not they avail themselves of incentives provided under the CSI or SGIP." The implication to utility RPS requirements is that "...utilities will not be counting the output of renewable DG facilities that have received ratepayer incentives toward their obligations at this time." (Page 4 the same Decision)

The benefits attributable to the generation of renewable electricity may be manifested in other ways aside from the RPS benefit, yet the acquisition of the RPS entitlement may affect the ability of a customer generator to utilize the other benefits. As is clear from Commission decisions, such as D.07-01-18, which have addressed the implications of renewable benefits from distributed generation, the complexities of what is in and what is out for RPS attribution may require some careful counting exercises. For example, the adopted feed-in tariffs (See CPUC decision 07-07-027) allow customers to elect between a full buy/sell option or an excess sale option. The option selected affects the bundle of rights acquired by the utility, as only what is actually sold to the utility counts toward the procurement target. It will be important as development of the guidelines for RES proceeds, that the different programs for renewable distributed generation are properly accounted for in the context of utility RES compliance.

At section 5e of the Outline the issue of penalties for failure to comply with established timelines is addressed, including financial penalties. How any financial penalties may impact ratepayers of the investor owned utilities should be a topic for consideration as details related to this issue are further developed. Even if the penalties are not imposed as ratepayer obligations, the indirect consequences of such penalties should be factored into the cost consequences to ratepayers as a part of RES analysis.

Cost to Ratepayers of Reaching the 33% Goal by 2020

As presented in the Outline and the Governor's Executive Order S-21-09, implementation of the RES is to be guided by the authority established in AB 32. Of significant interest to utility ratepayers will be the cost of meeting the 33% requirement. Such interest would appear to conform with the approach pursued in AB 32, since ARB's Climate Change Scoping Plan acknowledges cost-effectiveness as an important requirement to be considered in the context of that effort. Although substantial debate has ensued about the optimum approach for providing boundaries to how much rates should be allowed to increase to reach the 33% level, no solution has emerged as the one that will most effectively balance the variety of factors important for consideration. While acknowledging there are nearly an unlimited number of methods to pursue to ensure ratepayers are not treated as an unlimited source of funding to reach the goal, the key to any adopted process will be placement of outer bounds on the cost obligations and providing for a process to review commitments when the upper bounds are approached. Like other processes identified in the Scoping Plan, cost impacts to ratepayers deserve that they be reviewed in a rigorous and transparent process with full stakeholder participation.

The June 2009 CPUC 33% RPS Implementation Analysis reveals the complexities of assessing the costs in reaching renewable generation targets. That Report is perhaps the most thorough and comprehensive to date of what costs might be expected to be incurred. It also includes estimations of capital costs for required transmission to serve added renewable generation, although land use impacts resulting from the transmission are not considered. In some instances transmission infrastructure plans traverse important productive agricultural resources, which are displaced by the lines and significantly impact the ongoing operations and financial stability of agricultural operations.

Farm Bureau appreciates the opportunity to comment on the RES as the process moves forward. We look forward to further discussions and review of materials.

Very truly yours,

Karen Norene Mills

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