BEFORE THE
AIR RESOURCES BOARD
OF THE
STATE OF CALIFORNIA

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY COMMENT ON DRAFT ECONOMIC ANALYSIS OF RENEWABLE ELECTRICITY STANDARD

Norman A. Pedersen, Esq.
HANNA AND MORTON LLP
444 South Flower Street, Suite 1500
Los Angeles, California 90071-2916
Telephone: (213) 430-2510
Facsimile: (213) 623-3379
E-mail: npedersen@hanmor.com

Attorney for the **SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**

Dated: April 30, 2010

TABLE OF CONTENTS

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
COMMENT ON DRAFT ECONOMIC ANALYSIS
OF RENEWABLE ELECTRICITY STANDARD

I. INTRODUCTION AND SUMMARY

The Southern California Public Power Authority ("SCPPA")[1] respectfully submits this comment on the draft economic analysis of the California Air Resources Board's ("ARB") proposed 33 percent Renewable Electricity Standard ("RES"), presented at the ARB workshop on April 5, 2010 ("Workshop"). The documents presented at the Workshop included the ARB's *Status Report: Renewable Energy Standard Economic Analysis* ("ARB Report") and the presentation by Mr Olson of Energy and Environmental Economics, Inc, entitled *Selection of 33% RES Portfolios for Economic Modeling* ("E3 Report").

These reports provide a useful initial view of the projected economic impact of the RES, as compared to the 20 percent renewable portfolio standard ("RPS"). SCPPA looks forward to receiving a completed economic analysis that considers the use of unbundled renewable energy certificates ("RECs") and includes more detail on projected electricity rate impacts, as foreshadowed in the ARB Report (pages 3 and 19). Such an analysis will provide a better picture of the likely impacts of the RES.

In addition, it would be helpful if the completed analysis addresses the differences (in some cases quite significant) in RES costs projected in the ARB Report and in the various economic analyses of AB 32 measures.

---

[1] SCPPA is a joint powers authority. The members are Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles Department of Water and Power, Imperial Irrigation District, Pasadena, Riverside, and Vernon. This comment is sponsored by Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Imperial Irrigation District, Pasadena and Riverside.

II. THE ANALYSIS SHOULD MODEL A 25% LIMIT ON UNBUNDLED RECS AND UNLIMITED USE OF UNBUNDLED RECS.

The ARB Report notes that the impact of allowing unbundled RECs to be used for RES compliance will be analyzed. It would be helpful if this analysis models the following two scenarios:

- Use of unbundled RECs being limited to 25 percent of each party's RES compliance obligation (as required by the CPUC in D.10-03-021 in relation to the RPS), which is an option the ARB is considering for the RES.
- Use of unbundled RECs being unlimited, which is the other option the ARB is considering.

III. DIFFERENCES IN THE FINDINGS OF THE AB 32 ANALYSES AND THE RES ANALYSIS SHOULD BE EXPLAINED.

It would assist stakeholders if the completed RES economic analysis compares the findings of the RES-specific economic modeling and the more general economic analysis of the impacts of AB 32 measures (which includes some analysis of the costs of complementary measures including the RES), and explains any differences in relation to predicted RES impacts.

A. ARB's AB 32 analysis finds greater costs of RES.

The ARB's *Updated Economic Analysis of California's Climate Change Scoping Plan* dated March 24, 2010 ("AB 32 Economic Analysis") models the costs of a 33 percent renewable energy standard in 2020, calculated relative to a reference case incorporating a 20 percent RPS, using the Energy 2020 model. Without including the costs of new transmission (which is estimated to be in the order of $1.8 billion in 2020), this model finds that a 33 percent renewable energy target:

- increases fuel expenditure by $994 million per year; and
- requires annualized investment and operating costs of $4,545 million per year.

AB 32 Economic Analysis at 36-37.

These costs are greater than the incremental change in the total revenue requirement to comply with the RES in 2020 (in a scenario with no unbundled RECs) set out in the ARB Report, even though the figures in the ARB Report include the costs of new transmission. In the ARB Report (page 6), the estimated total revenue requirement for the RES in 2020 is $3,539 million in a high net load scenario and $3,073 million in a low net load scenario.

The differences are considerable, and deserve further investigation and explanation.

B. CRA analysis of RES costs should be considered.

The AB 32 economic analysis by Charles River Associates dated March 24, 2010 ("CRA Report") assesses the impacts on electricity generating costs of reaching California's emission reduction target with and without a 33 percent RES. The CRA Report finds costs are lower if a cap and trade program is implemented alone, without the RES, and that the RES in isolation causes a 10-15 percent increase in the total cost of generation.

In order to reach these conclusions, the CRA Report must have developed cost assumptions for a 33 percent RES. It would be welcome if the renewable energy assumptions and results in the CRA Report could be made explicit and compared to those in the ARB Report.

C. Reference cases in the analyses should be the same.

To the extent practicable, the reference cases should be the same in the AB 32 Economic Analysis and the RES economic analysis, to allow for more meaningful comparison of results. Both the AB 32 Economic Analysis and the RES analysis assume a 20 percent renewable energy requirement in the reference case, but it is unclear whether the reference cases are similar in other respects.

IV. CONCLUSION

SCPPA urges the ARB staff to consider these comments in developing a final version of the economic analysis of the proposed RES. SCPPA appreciates the opportunity to submit these comments.

Respectfully submitted,

/s/ Norman A. Pedersen

Norman A. Pedersen, Esq.
HANNA AND MORTON LLP
444 South Flower Street, Suite 1500
Los Angeles, California 90071-2916
Telephone: (213) 430-2510
Facsimile: (213) 623-3379
E-mail: npedersen@hanmor.com

Attorney for the **SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**

Dated: April 30, 2010