

7.i. Oppose Letters – Members/Caucus

California State Senate



JAMES L. BRULTE
SENATE REPUBLICAN LEADER
SENATOR, THIRTY FIRST DISTRICT

COMMUNICATIONS SECTION
LEGISLATIVE COUNSEL
RELATIONS SECTION

CHP
516

September 12, 2002

The Honorable Gray Davis
Governor, State of California
State Capitol
Sacramento, CA 95814

RE: Recommended Veto of SB 1078 (Sher)

Dear Governor Davis:

SB 1078 will soon come before you for signature. I urge you to veto this measure.

SB 1078 requires retail sellers of electricity to purchase a set percentage of their electricity from renewable energy resources. It also subsidizes above-market costs of renewable sources.

This bill was a last minute gut and amend effort that substantially revised the author's earlier version of the bill - one which failed to pass the Assembly Utilities and Commerce Committee. Such ploys abuse the deliberative process. Moreover, no rationale has been offered for the 1% per year rate of increased purchases of electricity from renewable energy sources, nor the goal of having 20% of a providers' power purchases be from those sources; these are simply "pie-in-the-sky" numbers that may or may not be sensible. For example, the 20% goal is a 50% increase over the present level of 12% with no evidence demonstrating it is either feasible or sustainable. Nationwide, the present level is only 2%.

If enacted, SB 1078 will have several potentially negative impacts; it may increase rates for all consumers; restricts funding and cost recovery to existing waste conversion technologies; holds providers in contempt for noncompliance even if sufficient "green energy" is unavailable; and increase power costs by requiring providers to pay "prevailing wages." Finally, the bill continues subsidies to renewable sources for "above market costs" at the expense of the public goods charge, notwithstanding the long period of financial support already given to renewable energy.

For the above reasons, I respectfully request that you return SB 1078 unsigned.

Sincerely,


JAMES L. BRULTE

Senate Republican Leader

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September 12, 2002

Governor Gray Davis
State Capitol, First Floor
Sacramento, CA 95814

RE: RECOMMENDED VETO OF SB 1078 (SHER)

Dear Governor Davis:

This letter serves to memorialize a veto request for Senate Bill 1078, which passed the Assembly on August 30, 2002, by a vote of 55 to 23, with 23 members of the Assembly Republican Caucus voting 'No'.

SB 1078 mandates that utilities purchase renewable energy until they achieve a renewables portfolio of 20%, and provides that their above-market costs for renewable energy will be paid from the existing ratepayer public goods charge.

There are many problems with this bill. To begin, California is already first in the world in its use of non-hydro renewable energy. On the other hand, we have some of the highest electricity costs in the country, and this problem will not be solved by an increased reliance upon intermittent, high-cost renewable energy generators.

The bill's requirement that renewables contracts be signed for 10 years will only guarantee that current high prices will be locked in for many years to come. The prevailing wage mandate that was belatedly added to the bill will only further exacerbate the cost-inefficiencies of renewable energy, with the result that fewer renewable generators can be built with the funds currently available.

Moreover, the bill expressly provides that consumers may be billed for the utilities' administrative and indirect costs of fulfilling this mandate. And if the current public goods charge is not enough to fund the 20% mandate, they will see their rates increased even further.

In sum, this bill ignores the hard-learned lessons of AB 1890: that highly complicated major policy initiatives that bestow benefits upon the key industrial and environmental participants can ultimately be disastrous for the consumers. Given our current energy woes, this is not the time to embark upon an expensive program whose main purpose is to further subsidize an entire industry at the expense of all consumers.

For the reasons stated above, I respectfully request that you veto Senate Bill 1078.

Sincerely,

DAVE COX
Assembly Republican Leader

DC: dt

7.ii. Oppose Letters – Organizations/Local Gov't

CALIFORNIA CHAMBER of COMMERCE

September 10, 2002

The Honorable Gray Davis
Governor of California
State Capitol
Sacramento, CA 95814

**Subject: SB 1078 (Sher) Renewables Portfolio Standard –
REQUEST FOR VETO**

Dear Governor Davis:

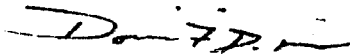
The California Chamber of Commerce requests your **VETO** of **SB 1078 (Sher)**, which attempts to establish the California Renewables Portfolio Standard and requires developers of renewable energy generation facilities to pay prevailing wage, even when private financing is used to develop a facility.

SB 1078 (Sher) requires that developers of renewable energy facilities be required to pay prevailing wage, even in circumstances where no public money is used to finance the project. Under the provisions of the bill the development of facilities that are privately financed are required pay prevailing wage solely on the basis that the energy output is purchased with public money. Generally, prevailing wage is paid when a project is constructed using public money. In this instance the public money is not used to construct the project. We do not feel that it is appropriate to require the payment of prevailing wage when a project is developed using private capitol.

Moreover, we oppose mandating the payment of prevailing wage in the construction of renewable energy facilities that are in part funded by the public goods charge, which is ratepayer money. Traditionally, requiring the use of prevailing wage has been tied to the use of public taxpayer money in financing the construction of a project. We see the requirement that prevailing wage be used when ratepayer money is used as an expansion of the prevailing wage requirement.

Once again The California Chamber of Commerce requests your **VETO** of **SB 1078 (Sher)**.

Sincerely



Dominic F. DiMare,
Legislative Advocate

DD:dg



MANUFACTURERS
& TECHNOLOGY

September 11, 2002

Honorable Gray Davis
Governor
State Capitol
Sacramento, CA 95814

Re: SB 1078 (Sher)

Dear Governor Davis:

The California Manufacturers and Technology Association (CMTA) opposes SB 1078 (Sher), which requires utilities to increase procurement from renewable energy sources by at least one percent per year. We urge you to veto this measure, for the following reasons:

First, we are greatly concerned that the bill does not contain an explicit cap on the Public Good Charge (PGC). As you know, this bill establishes the California Renewable Portfolio Standard (RPS) Program, and requires the California Energy Commission to allocate and award supplemental energy payments to cover the above-market costs of renewable power, provided sufficient PGC funds are available for this purpose. Because there is only a finite amount of PGC funds (pursuant to AB 995, Wright, Ch. 1051, Stats. 2000), the higher the above-market costs, the sooner this above-market subsidy runs out. This will in turn increase pressure on state policymakers to reauthorize PGC funding to make up for the shortfall. The bill's lack of an explicit cap on the PGC leaves ratepayers—both large and small users—open to increasing charges as a result of the new RPS mandate.

Second, the provisions in the bill requiring that employees engaged in the construction, operation and maintenance of these renewable projects be paid prevailing wage will hamper the development of renewable power in California, and drive up the cost of this power. What's more, these increased costs will only serve to exacerbate the inevitable shortfall—and likely calls for increased PGC funding—mentioned above.

Honorable Gray Davis
Governor

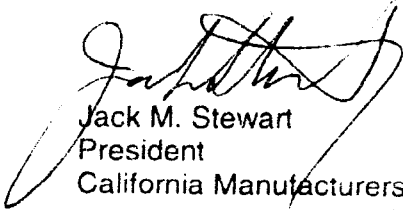
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Third, this measure, by specifying that an application by an investor-owned utility to allow construction of new transmission facilities that are necessary in connection with renewable projects "shall be deemed necessary" by the California Public Utilities Commission, exposes ratepayers to unknown increased costs for these transmission upgrades.

CMTA strongly urges you to veto this measure. However, if you find that the goal of a RPS outweighs the issues raised in this letter, we urge you to minimize the harmful impacts of the bill by indicating in your signing message that only existing PGC funds should be utilized for the RPS, and that no additional costs should be put on customers.

Thank you in advance for your consideration of this matter.

Sincerely,



Jack M. Stewart
President
California Manufacturers & Technology Association

cc: Hon. Byron Sher, California Senate

INDEPENDENT ENERGY PRODUCERS

August 27, 2002

The Honorable Byron Sher
State Capitol, Room 2082
Sacramento, CA 95814

RE: IEP Withdrawal of Support for SB 1078

Dear Senator Sher:

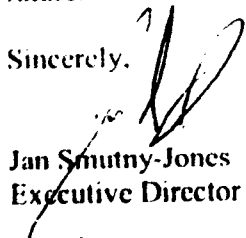
IEP represents approximately 90% of the renewable facilities serving California. We share your commitment to implementation of a rational program that will continue to encourage the development of diverse energy resources in California. Unfortunately, despite its good intentions, SB 1078 creates unintended consequences that would limit growth of the renewable sector.

IEP must reluctantly remove its support for SB 1078 because we fear it will undermine the CPUC's pending implementation of a renewable procurement plan fostered by legislation you sponsored (Section 701.3 of the Public Utilities Code). IEP is also concerned that overly broad prevailing wage requirements may extend to repair of existing renewable facilities as well as to new construction.

The CPUC recently adopted D. 02-08-071, which provides for an interim procurement of renewable resources based on PUC Section 703.1. SB 1078 should not interfere with this progress. (*See attached Amendment B*). The misapplication of prevailing wage law will unfairly discriminate against renewable generation facilities. IEP notes that the funds in question are not tax dollars but ratepayer funded Public Goods Charges. The prevailing wage requirements are not being applied to other recipients of PGC or other ratepayer funded programs. This inequity can be addressed by an amendment limiting the application of the "prevailing wage" language to the construction of new facilities. (*See attached Amendment A*).

IEP thanks you for consideration of our views on this matter of great importance to California's energy future.

Sincerely,


Jan Smutny-Jones
Executive Director

cc: Governor Gray Davis
Members of the Assembly

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